

Press release

French asset managers step up their efforts to improve corporate governance in listed companies

Paris, 14 February 2008 Speaking to the press on 14 February 2008, **Jean-Pierre Hellebuyck**, Chairman of the Corporate Governance committee of the French Asset Management Association (AFG), and **Pierre Bollon**, the association's Chief Executive, reviewed the voting policies followed by asset managers during the previous year. They also explained what AFG was doing on this issue, especially the latest revision of its recommendations on corporate governance – **the fifth set of amendments since 1998**.

The main changes in the 2008 version of the recommendations relate to the following:

- **Recognition of the " principle of proportionality "**

In the preamble, AFG suggests that the principle of proportionality (constraints should be adapted to the size of the entity) should be applied to small and medium-sized listed companies. It calls on these firms to do their utmost to comply gradually with its recommendations in the early stages of life as a listed company. AFG suggests in particular that "individual independent directors specially qualified in the relevant field could initially carry out the functions of board committees".

- **Improved disclosures to shareholders**

AFG recommends that issuers should post an up-to-date version of their articles of association on their website. It also wants shareholders to have access to "detailed" resume describing all the functions and mandates carried out, both in France and abroad, of the persons applying for a position of board member. Prior experience of corporate governance may be taken into consideration when assessing a candidate's application.

- **Greater resources for boards of directors**

AFG wants boards of directors to have greater resources. It calls for boards to be provided with "the information, in whatever form, that is useful in the exercise of their responsibility including studies commissioned by executive directors or at least their summary conclusions" Issuers should also encourage and facilitate the training of board members. AFG acknowledges the sterling efforts of the French Institute of Directors (IFA) in this regard.

- **Clarified rules for authorising capital increases without pre-emptive rights**

AFG has provided clarifications about capital increases without pre-emptive rights, which were one of the main motives for negative votes in 2007. Such increases may not exceed 25 per cent of a company's capital if they include a priority period and 15 per cent if they do not.

- **Greater vigilance over executive directors compensation**

The rules governing bonus shares and stock options have also been clarified. AFG recommends that resolutions on grants to executive directors and employees should be kept separate from those concerning employee grants. With regard to severance indemnities, AFG is pleased to note that one of its recommendations has been taken up in the Labour, Employment and Purchasing Power ("TEPA") Act of 21 August 2007. This states that separate resolutions must be drawn up for any agreement governing the compensation, indemnities or benefits that may be due to an executive director when he or she leaves or changes office.

୪୪୪ଭଭଭ

AFG carried out its sixth annual survey of members at end 2007 and early 2008 to determine how they had exercised their voting rights. The following findings are of interest:

1. more than 70 % of asset management companies now attend more meetings than in the past.
2. 89 % of the companies surveyed (compared with 79 per cent in 2006) rely on AFG's recommendations and the alerts issued under its resolution monitoring programme.
3. Nearly 90 % of asset management companies inform their institutional clients about their voting policy. An increasing number of institutional investors are issuing voting recommendations and are taking greater interest in the way asset managers use proxies on their behalf.
4. Slightly under half of asset management companies say they pursue an active dialogue with issuers and that this policy helps them to improve their governance practices.
5. On average, **asset managers voted "no" at least once at 55 % of the general meetings they attended** (a similar rate to that of 2006 and 2005).
6. For nearly half these companies, the main issues that prompted a negative vote this year were related to "shareholder-dilutive transactions".

୪୪୪ଭଭଭ

In all, 412 resolutions were flagged up by the AFG's Resolution Monitoring Programme in 2007.

Most of them concerned:

- appointments and reappointments of board members (89 in 26 companies)
- capital increases without pre-emptive rights (76 in 60 companies)
- share buybacks (76/76)
- bonus share issues (54/54)
- defensive warrants (16/16) and other "poison pill" mechanisms (11/11)

୪୪୪ଭଭଭ

In 2007, an academic chair in Sustainable Finance and Responsible Investment was launched on the initiative of AFG, among others. One of the main research areas of this programme, run by Ecole Polytechnique and the Toulouse-based Institut d'Economie Industrielle (IDEI), is the corporate governance of socially responsible companies.

"Vote well to manage well"

Since 1997, France's asset management industry has conducted and regularly enhanced a proactive campaign on corporate governance.

1997: AFG recommends in its Code of Ethics that asset managers should exercise the voting rights on stocks held in collective investment schemes. It also sets up a **Corporate Governance Committee** chaired by Jean-Pierre Hellebuyck.

1998: AFG publishes a **set of recommendations** on shareholder general meetings and boards of directors for publicly listed French companies (updated in 2001, 2004, 2006, 2007 and 2008).

2000: A **monitoring programme** is launched to help asset managers exercise voting rights by alerting them whenever a recommendation submitted to a general meeting of a CAC 40-listed company does not comply with AFG recommendations.

2002: Two additional features are added to the **Resolution Monitoring Programme:**

- the alerts sent to AFG members are now posted (for public viewing) on the association's website at www.afg.asso.fr => **Gouvernement d'entreprise**
- the programme is extended to companies belonging to the SBF 120 (index) group.

2003: AFG begins informing members about the crucial importance of exercising voting rights at certain general meetings.

2007: AFG sets up an academic chair in **Sustainable Finance and Responsible Investing**. Corporate governance issues are one of the main areas of focus.

2001, 2004, 2006, 2007, 2008: AFG updates its recommendations.



AFG plays an active part in public debate and discussion on corporate governance:

- **In France**, it maintains an ongoing dialogue with the national employers' federation (Medef), the French Association of Private Companies (AFEP) and the National Association of Joint-Stock Companies (ANSA) and is in regular contact with the Minority Shareholder Defence Association (ADAM), ISS-Europe and Proxinvest. Also, AFG is a member of the French Corporate Governance Association (AFGE) and a founding member of the French Directors' Institute (IFA).
- **In Europe**, AFG responds to European Commission consultations on directives affecting corporate governance, with a view to facilitating cross-border voting. In May 2005, Jean-Pierre Hellebuyck was appointed to the European Commission's expert group on corporate governance and company law.
- **At international level**, AFG contributes to the work of the International Corporate Governance Network (ICGN). Pierre Bollon was a member of ICGN's Board of Governors from 2003 to 2006, and Jean-Pierre Hellebuyck has been as a Board member since July 2006. Pierre Bollon is currently a member of the ICGN Nominating Committee.

This news release is available at www.afg.asso.fr under Press Releases