

Corporate governance is a top priority for the French Asset Management Industry

Asset managers account for a significant portion of the total stock market capitalization through the assets they manage. In accordance with their Code of Ethics, they perform their duties completely independently, notably as regards issuers, and act solely in the best interest of their clients.

AFG, well aware that **good corporate governance** increases the value of investments, realized early on that its Members could play an important part in this area. Its action focuses on the exercise of rights and on the performance of duties conferred to asset management companies in their **role as shareholders**. In particular, AFG encourages managers to participate actively in the general meetings of listed companies.

More globally, AFG's engagement in corporate governance is part of its broader efforts to promote **long-term savings, enhanced assets quality and responsible investment**.

Encouraging asset managers to take part in general meetings

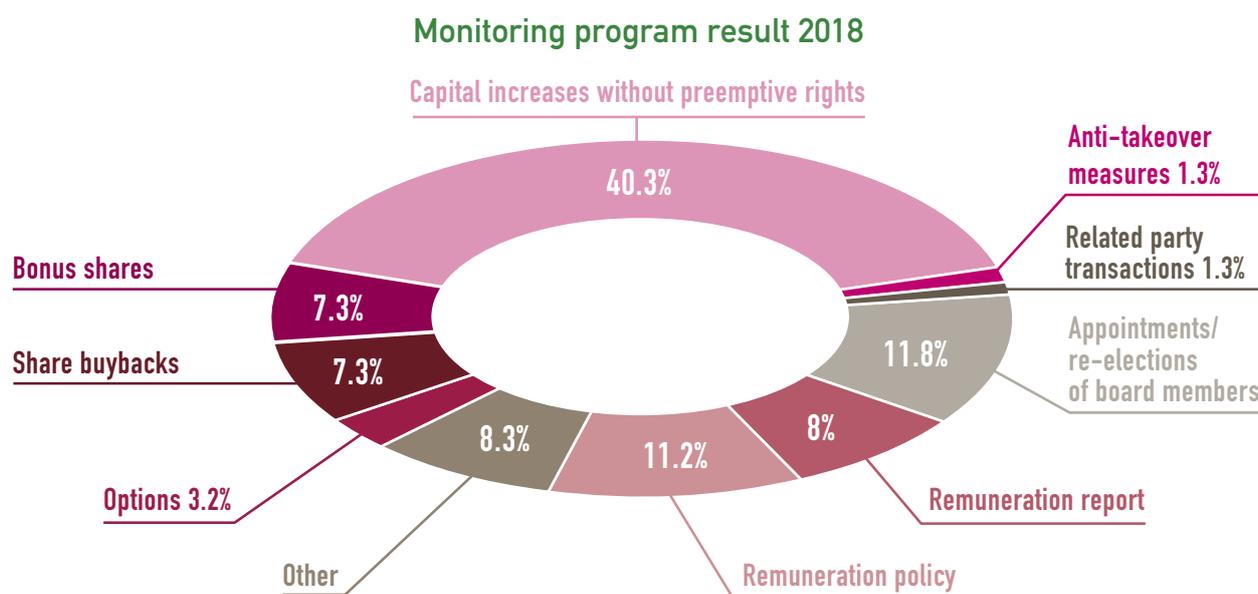
- **AFG Code of Ethics strongly recommends since 1997 that management companies exercise their voting rights.** In particular, it specifies that *“voting rights must be exercised freely... with no other consideration than the investors’ best interest”*. Since 2003, French law also requires fund management companies to exercise their voting rights and, if relevant, to explain why they do not.
- The AFG Corporate Governance Technical Committee, chaired by Michaël Herskovich, compiles since 1998 a series of Recommendations **on corporate governance relating to the general meetings and boards of directors of listed French companies**. These Recommendations are updated on a regular basis; the 2019 updates focus on:
 - 1) Companies should pay special attention to resolutions that face significant opposition. Those resolutions have to be carefully examined by the board of directors.
 - 2) The board of directors shall develop and make public its policy on the monitoring and approval of related party transactions.
 - 3) The nominating committee shall, upon the appointment of a new Chief Executive Officer, participate in the planning and organization of his succession.
 - 4) Members of the executive committee should personally hold at risk a significant amount of company shares.
 - 5) The payment of a severance pay should be limited to the case where the person concerned assumes functions outside the group.
 - 6) AFG calls for a regulatory change establishing, no later than 2 days after the general meeting, a systematic confirmation to the investor of his vote recording.

AFG key principles on corporate governance

- ➔ General meetings should foster shareholder democracy
- ➔ The medium and long-term strategy of investee companies as well as their environmental and employment policies should be taken into account
- ➔ Boards of Directors should be independent and efficient
- ➔ Remunerations should be appropriate, transparent and regularly submitted to the AGM for approval
- ➔ “One share, one vote”
- ➔ Anti-takeover defences (“poison-pills”) should be proscribed



- A monitoring program focused on SBF 120 companies alerts AFG Members on draft resolutions that breach these Recommendations, and it encourages asset managers to take an active part in general meetings. These alerts are both sent directly to AFG Members and posted on AFG website at www.afg.asso.fr



Reporting on the active involvement of asset managers

AFG regularly sends its Members a questionnaire on the exercise of voting rights. An analysis of their responses reveals a **growing involvement of asset managers** in general meetings and their active opposition to draft resolutions that run counter to their voting policy. Over the recent years, we observed a continued **increase of the participation of asset managers** in general meetings as well as a sharp **improvement of the dialogue** and of the quality of exchanges with issuers. This analysis is available on our website at www.afg.asso.fr

Taking part in global initiatives

- In France: AFG is a founding member of the **French Institute of Directors (IFA)** and a member of the French Corporate Governance Association (AFGE). AFG is involved in marketplace discussions on corporate governance, in particular with the employers' union (MEDEF), the French Association of Private-Sector Companies (AFEP), the French Association of Listed SMEs and Midcaps (Middle next), the National Association of Stock Companies (ANSA), the Association for the Defense of Minority Shareholders (ADAM), Institutional Shareholder Services (ISS) and Proxinvest.
- In Europe: AFG takes part in the consultations of the **European Commission**, with the main aim of facilitating cross-border voting, in the work of the European Fund and Asset Management Association (EFAMA) and of PensionsEurope.
- At the international level: AFG is also active in the **International Corporate Governance Network (ICGN)**.

Vote effectively to manage efficiently

The Association Française de la Gestion financière – AFG (French Asset Management Association) represents and promotes the interests of third-party portfolio management professionals. It brings together all asset management players from the discretionary and collective portfolio management segments. The latter manage nearly €4,000 billion worth of assets, i.e. a quarter of continental Europe's asset under management.