

**AMF Position-Recommendation
Exercising voting rights for asset management companies – DOC-2005-19**

References: Articles 319-21 to 319-25, 321-132 to 321-134, 321-158 and 321-159 of the AMF General Regulation

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In accordance with Article L.533-22 of the French Monetary and Financial Code, “asset management companies shall exercise the voting rights held by the UCITS and AIFs that fall within paragraphs 1, 2 and 6 of sub-section 2, paragraph 2 or sub-paragraph 1 of paragraph 1 of sub-section 3, or sub-section 4 of section 2 of Chapter IV of Title I of Book II of the present code that they manage in the sole interest of the shareholders or unitholders investing in these UCITS and AIFs that fall within paragraphs 1, 2 and 6 of sub-section 2, paragraph 2 or sub-paragraph 1 of paragraph 1 of sub-section 3, or sub-section 4 of section 2 of Chapter IV of Title I of Book II of the present code and report on their practices as regards the exercise of voting rights under the conditions laid down in the AMF General Regulation”, specifying in particular, when these asset management companies do not exercise these voting rights, that “they shall explain their reasons to the shareholders or unitholders in the UCITS and AIFs that fall within paragraphs 1, 2 and 6 of sub-section 2, paragraph 2 or sub-paragraph 1 of paragraph 1 of sub-section 3, or sub-section 4 of section 2 of Chapter IV of Title I of Book II of the present code”.

Articles 319-21 to 319-25, 321-132 to 321-134, 321-158 and 321-159 of the AMF General Regulation, specify the conditions for applying these procedures.

The purpose of the present document is to provide clarifications on the main questions raised with respect to the annual general meetings of shareholders of the issuing companies, and notably on four points relating to the information to be made available concerning the exercise of voting rights by asset management companies in accordance with the applicable regulation.

Within this Position-Recommendation, the term “AIF” refers to retail investment funds, private equity funds, funds of alternative funds, general and specialised professional investment funds, professional private equity funds, and employee investment undertakings.

Except where specifically indicated as a recommendation, the policy elements contained in this document are AMF positions.

1. Procedures for making the different documents and reports relating to the asset management company's voting policy and its implementation available to investors

The “*voting policy*” document, the asset management company's management report detailing the conditions under which it exercised the voting rights of the UCITS and AIFs that it manages, and the information relating to the votes on each resolution may, in accordance with Articles 319-21 to 319-23 and 321-132 to 321-134 of the AMF General Regulation, be viewed either on the management company's

website or at its registered office. Thus, in cases where the management company does not have a website, this information can be consulted at its registered office.

Moreover, it should be noted that the prospectus is required to indicate how investors can access the “*voting policy*” document, as well as the report detailing the conditions in which the voting rights were exercised, and that the “*voting policy*” document must be made available free of charge to the unitholders or shareholders of the UCITS or AIF who request it.

2. Content of the information relating to the management company’s participation rate in the general meetings of shareholders of the issuing companies

The management report referred to in Articles 319-22 and 321-133 of the AMF General Regulation describes how the management company exercised the voting rights of the UCITS and/or AIF that it manages. It notably mentions “*the number of companies in which the asset management company exercised voting rights, compared with the total number of companies in which it held voting rights*”.

This ratio includes, in the numerator, the number of general meetings of shareholders at which the management company exercised voting rights and, in the denominator, the number of issuing companies in which stakes were held at the date that voting rights were exercisable.

Recommendation

It may be useful to provide investors with information enabling them to understand the degree of participation of the management company in the general meetings of the issuing companies compared to the principles laid down in the “*voting policy*” document. The AMF recommends that asset management companies establish a ratio with a denominator that is limited to the scope of the companies in which they announced their intention to exercise voting rights in their “*voting policy*” document.

This second indicator could be provided in addition to the first.

3. Methods for the disclosure of information to investors relating to the votes made for each resolution by the management company

Articles 319-23, sub-paragraph 2 and 321-134, sub-paragraph 2 of the AMF General Regulation state that the asset management company shall make available to all unitholders or shareholders of a UCITS or AIF who request it information about the exercise of the voting rights by the asset management company on each resolution presented to the general meeting of shareholders of an issuer when the percentage of the securities held by the UCITS or AIFs that are managed by the asset management company reaches the shareholding threshold indicated in the “*voting policy*” document referred to in Article 319-21 or Article 321-132.

The information provided by the asset management company shall focus on the elements enabling investors to understand the implementation of the voting policy. Asset management companies shall thus inform investors upon request of:

- any votes against the resolutions proposed by the management board or the board of directors of the issuing company;
- any votes that do not comply with the principles set out in the “*voting policy*” document;
- any cases where it abstained or did not participate in the vote.

Conversely, if the asset management company voted for a resolution in line with the principles set out in its “*voting policy*” document and in favour of the proposals of the management board or the board of directors, it is not obliged to respond to a request for information by an investor regarding how it voted.

When the asset management company does not respond to a request for information relating to a vote on a resolution, after a period of one month this absence of response shall be taken to mean that it voted in

line with the principles set out in its “*voting policy*” document and in favour of the proposals of the management board or the board of directors.

The asset management company must clearly inform investors beforehand of the meaning of the absence of a response to a request for information through the means that it deems most adequate, for example in the prospectus.

4. The exercise of voting rights attached to the securities held by private equity funds, professional specialised investment funds and professional private equity funds

With regard to securities held by a private equity fund, a professional specialised investment fund or a professional private equity fund, Articles 319-24 and 321-158 of the AMF General Regulation distinguish two situations in which they are or are not traded on a regulated market of a State that is party to the Agreement on the European Economic Area or a recognised foreign market.

Concerning the voting rights attached to securities traded on a regulated market of a State party to the Agreement on the European Economic Area or a recognised foreign market, the requirements defined in Articles 319-21 to 319-23 and 321-132 to 321-134¹ of the AMF General Regulation are applicable. The asset management company thus must draw up and communicate its voting policy for the securities traded on this type of market that are held by the private equity fund, professional specialised investment fund or professional private equity fund that it manages. It shall, where relevant, include it in the report that is joined to the management report, in accordance with the conditions laid down in Articles 319-22 and 321-133 of the General Regulation, and respond to requests for information regarding the exercise of the voting rights on resolutions.

Regarding the voting rights attached to securities that are not traded on this type of market and for which their exercise is integral to the investment strategy, the asset management company shall make reference to them in the annual report of the private equity fund, professional specialised investment fund or professional private equity fund. The report may, for the section concerning securities traded on a regulated market of a State party to the Agreement on the European Economic Area or a recognised foreign market, either refer to the management report of the asset management company mentioned in Article 319-22 and Article 321-133 of the AMF General Regulation, or reproduce this section of this report concerning private equity funds, professional specialised investment funds and professional private equity funds.

¹ Applicable to asset management companies referred to in Title I c of Book III of the AMF General Regulation by reference to Article 321-154.