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Which are variables that characterize general meeting voting in France?

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Abstract

We present a detailed synthesis of previous studies on general meeting (U.S.A, U.K, Japan, Canada…). At the empirical level, our study should permit to identify general assemblies French characteristics (verification of the application of Mansion rapport on SBF 120). We will try to present the explanatory variables that influence voting in French general meeting. We will examine whether the current literature on shareholder voting in the U.S. can be used as a broad indication of shareholder voting support in France. An analysis of 102 French general meeting in the period 2004-2006 shows that institutional investors are not significantly related to the likelihood of votes against a proposal. We also include the stock ownership of the outside shareholder in our model. We find that this has a positive influence on the likelihood of votes against a proposal. The proposal to authorize the management board to issue new shares and to limit or exclude pre-emptive rights is more likely to be voted against than other proposals. We add the

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performance variables. We find that firms with valuable growth opportunities, as reflected in a higher market-to book ratio, have a lower probability of votes against a proposal at the general meeting.

JEL Classification: G32, G34, K22

Keywords: Shareholder voting; proposals types; ownership structure, proposals sponsor

1 Introduction

Shareholders have to use the means they have "voting power" in general meeting to protect their interest. However, the mechanisms that shareholders use to exercise the control, have received little attention. Practician suggest "Before regulating, it is important to vote in general assembly. It is a right which the shareholders have. They must make use of it". (Vlaisloir 2003) identifies the general assembly like "the place by excellence, of the exercise of the shareholder power" and the exercise of the voting rights as being "its privileged mode of expression and sanction".

Academicians stipulate: Charreaux (1997) present the importance of the general assemblies like mechanism of governance. Stratling (2003) proposes, that the annual general assembly of the shareholders is one of the instruments of governance which is supposed to enable the shareholders to approve the accounts and then to limit the possibility of their expropriation by managers.

However, the shareholders aren't all equal. Thus, the mode of government must be adapted, in each company, with specificities of its structure. The shareholders responsibilities increase more proportional with capital participation. It poses the problem of the institutional investors. The institutional investors hold, today, the financial power (30000 billion dollars in 2002 which is twice and half

American stock exchange capitalization) and their influence is increasing with growing demographic in the developed countries. “The institutional investors are better informed than the other investors in particular the individual investors” (Sias et al. 2001, Nosinger and Sias, 1999). The institutional investors, as professional investors and, for this reason, better informed investors, have a specific responsibility in the implementation and control of good governance. “The institutional investors tend to be passive, and not exercising their voting rights. Thus, this passivity reinforces the authority of directors” (Goergen and Renneboog, 1999). It will be necessary that the institutional investors react and not to be contented with the principle of the “Wall street walk”[2]. The implication and the vote of the institutional investors let an efficiency, efficacy and transparency of the system of the vote, which improves the governance of the company”, (Chris Mallin, 2001).

Thus, it is opportune to present the context of this research: Earlier there are three lines of research of related to the AGM. First, there are studies that examine the information content at the AGM and how this content affects the share prices (Firth, 1981, Olibe, 2002). The second line have examined voting practices and the owners’ presence at the AGM (c.f. Stratling, 2003). The third line is a critical historical analysis of specific events that occur at the AGM (cf. Hooper and Pratt, 1995, Sadler, 2004). We thus present a detailed synthesis of previous studies (U.S.A, U.K, Japan, Canada…) than French. At the empirical, our study should permit to identify general assemblies French characteristics (verification of the application of Mansion rapport on SBF 120). We will try to present the explanatory variables that influence voting in French general meeting. We will examine whether the current literature on shareholder voting in the U.S. can be used as a broad indication of shareholder voting support in France. Accordingly, we present a certain number of questions which this research will try to give

[2] “Wall Street walk” which consists in, since an investor isn’t satisfy with the management of a company, he sells its shares.

answers: Which are the characteristics of French general meeting voting? , How do investors react to proposals suggested?

This paper continues as follow. The next section reviews the relevant literature and summarizes our research hypotheses. Section 3 discusses the sample selection process and the data for this study, while Section 4 presents the study's results, including descriptive and statistical data of characteristics' French general meeting voting.Section 5 presents our conclusions.

2 Literature review

2.1 The role of shareholder voting in corporate governance

The shareholders express their opinion through voting. Shareholder voting rights are considered by the financial contracting literature as a valid alternative to contracts. Grossman and Hart (1986), Hart and Moore (1988) and Hart and Moore (1990) contend that contracts cannot specify all future contingencies and that voting rights might offer a partial remedy since they can be used to ratify decisions ex-post. Moreover, Aghion and Bolton (1992) and Kaplan and Stromberg (2003) note that voting rights can shift between managers and outside investors depending on the firm's financial performance.
Several theories and empirical studies have been developed to explain the proxy voting process.

The right of shareholders to vote for the members of the board of directors provides an important connection between ownership and control. As described by Fama and Jensen (1983) ratification and monitoring are two important steps in the decision process of a corporation. The approval of directorships by the shareholders is a fundamental element of these ratification and monitoring steps.

2.1.1 Information aggregation

The dispersed information is incorporated into the decision. “The shareholder democracy model states that the widely-held corporation is a democracy where shareholders operate through their delegates”, (Thomas and Dixon, 1999). The role of the share- holder meeting and the proxy voting process is to aggregate the disperse opinions so as to ensure an efficient outcome.

This view of the shareholder meeting can be derived from the political science literature which tries to assess the optimality of the majority rule.

The theorem of Condorcet[3] states that a majority is more likely to choose the better alternative than an individual. This result is an application of the law of large numbers. If voters form their opinions randomly, the summation across voters and the simple majority rule will then lead to the correct decision if the number of voters is large enough, (Maug, 1999).

This ”statistical” theory of voting is developed by Austen-Smith and Banks (1996), who assume that rational voters condition their own vote, ’For’ or ’Against’, on the private information of all the other voters in those situations he is pivotal..

Strategic voting can explain why the proportion of shares voted ’For’ a proposal increases with the majority requirement (Maug, 1999). Importantly, strategic voting behaviour aggregates information more efficiently than random voting.

[3] Condorcet's jury theorem is a political science theorem about the relative probability of a given group of individuals arriving at a correct decision. The theorem was first expressed by the Marquis de Condorcet in his 1785 work Essay on the Application of Analysis to the Probability of Majority Decisions. The assumptions of the simplest version of the theorem are that a group wishes to reach a decision by majority vote.

2.1.2 Monitoring role

The principal-agent model of the shareholder meeting states that shareholders need the voting power to oust management which does not serve their interests. Shareholder voting is only one of several mechanisms which monitor the management of the firm, (Maug, 1999). Others include outside directors, independent auditors, and monitoring by a large shareholder including the formation of a large shareholder through a hostile takeover bid. The vast empirical literature on shareholder voting departs from the principal-agent theory. The aim of this literature is to identify possible inefficiencies in the current institutional setting by examining stock price reactions to proposals announcements and voting results, the frequency of subsequent control changes, etc.

Easterbrook and Fischel (1983) argue that shareholder voting rights are an effective monitoring tool. Bethel and Gillan (2002) show that for non-routine proposals (i.e., when brokers cannot vote on behalf of shareholders) a larger number of votes is cast against management. However routine management proposals are usually ratified, providing managers with the incentive to classify a proposal as “routine” to increase the likelihood of approval. Burch et al. (2004) analyze acquiring firm merger proxies and find that many deals are only narrowly approved, suggesting that shareholder voting rights are not merely perfunctory. Balachandran et al. (2004) empirically analyze the causes and consequences of shareholder voting rights and find that firms with poor performance and weak internal governance tend to adopt equity-based compensation plans without shareholder approval. These firms also tend to continue their poor performance even after the adoption of the compensation plan.

2.2 The factors impacting voting support

Several papers have examined the submission of shareholder-sponsored proposals in the United States. Gordon and Pound (1993) finds that higher managerial ownership, larger firm size, and lower 1-year stock price performance lead to lower voting support while greater outsider holdings lead to greater support; they also find that the type of proposal is related to voting support. Gillan and Starks (2000) examines whether shareholder activism by institutions is more successful than that by individuals and finds a positive relation between voting support and institutional holdings; both Gordon and Pound (1993) and Gillan and Starks (2000) find that sponsor type affects the level of affirmative voting outcomes. Bizjak and Marquette (1998) find evidence that poison pills are more likely to be rescinded or restructured following a successful poison pill resolution especially if sponsored by a union.

Research can be divided into studies of management proposals, shareholder proposals, and proxy contests. Thus, some general pattern emerges. So according to previous studies, voting is influenced by:

- The type of proposal
- The type of shareholder
- The proposal sponsor

2.2.1 Voting by type of proposal

Martin and Thomas (2005) examine the determinants of voting on stock option plans using a sample of 637 proposals in the 1998 proxy season. They find that the fraction of votes against management-sponsored stock option plans is significantly higher as potential dilution increases. For example, for proposals in which total potential dilution, measured as total shares reserved for options as a percentage of total shares outstanding, exceeded 10%, the average vote against the proposals was 20.8%. For the proposals in which total dilution was less than 10%, the average vote against the proposals was 11.4%. With respect to the proposal itself, for the proposals in which potential dilution was below 5%, the average vote against the proposal was 16.3%. For the proposals in which potential dilution exceeded 5%, the average vote against the proposals was 23.6%. Higher levels of dilution, they conclude, lead to higher levels of shareholder dissatisfaction with stock option pay practices.

Thomas and Cotter (2007) find, as in earlier studies (Romano, 2001; Black, 1998; Karpoff, 2001), that corporate governance proposals receive significant shareholder voting support, while social responsibility proposals get much lower levels of shareholder votes cast in their favor. This is consistent with the claim that shareholders view corporate governance proposals as connected to firm value and therefore worthy of support, whereas their beliefs about social responsibility proposals are precisely the opposite.

In a Canadian study, Morgan and Wolf (2007) seek to determine if the types of proposals sponsored, the factors leading to greater voting support, and the voting patterns associated with the proposals appear to be similar to that found in earlier research on U.S. firms. They examine the submission of and voting on shareholder-sponsored proposals in Canada for the period 2001 to 2005 since this period is timely, exhibits greater numbers of proposals sponsored through time, and corresponds with the implementation of SOX and NYSE listing requirements in the U.S. and Canadian Securities Administrators (CSA) requirements in Canada.

They find that board, governance, and compensation related items are the most prevalent proposals for our time period and that most proposals receive low levels of voting support.

They find also that shareholders vote more favourably for some resolutions such as separating the chairman and CEO positions and expensing stock options.

2.2.2 Shareholding effect on voting

The vote process depends on both shareholder type and ownership structure.

2.2.2.1 The shareholder type

More recently, a growing body of evidence suggests that shareholder support has increased in the 1990s (Gillan and Starks, 2000; Black, 1998). Several variables appeared to influence shareholder support levels. Some studies, such as Gillan and Starks (2000), found that proposals sponsored by institutional investors received significantly more favorable votes than those sponsored by independent individuals or religious organizations, although firms with high institutional stock ownership were no more likely to receive a shareholder proposal.

Nevertheless, many institutional shareholders view the widespread use of option plans as detrimental. Lublin and Scism (1999) report that institutional shareholders are now concerned about the drawbacks of widely used stock option plans, particularly the potential dilution in earnings that would be caused if the outstanding options are exercised. These concerns manifest themselves in several ways, such as higher levels of shareholder voting opposition to the adoption of new option plans or amendments of existing option plans.

Davis and Kim (2007) focus on six key proposal types (cumulative voting, separate CEO and chair positions, vote on poison pill, vote on golden parachute, declassify the board, and expense options); they find that mutual funds with business ties to the firm tend to vote with management more than funds without business ties.

Both Gordon and Pound (1993) and Bizjak and Marquette (1998) found that boards are more likely to restructure an existing poison pill if a shareholder resolution, especially one submitted by a pension fund, proposes doing so and especially if the initial market reaction to adoption of the poison pill was negative.

2.2.2.2 Ownership structure effect on proposal voting

Ownership structure has been shown to affect the level of support for proposals. Gordon and Pound (1993) examined governance proposals and found that insider ownership, director ownership, and the percentage of ESOP ownership are negatively related to shareholder support, while outsider ownership is positively related. Similarly, Romano (2001) found that insider ownership is negatively related to the percentage of favorable votes, which is influenced by the type of issue addressed, with anti-takeover proposals receiving the most support (Gillan and Starks, 2000) and social responsibility proposals receiving far less (Romano, 2001). Favorable recommendations by third-party voting advisory services, such as Institutional Shareholder Services, also had a positive impact on the level of shareholder support (Black, 1998).

Consistent with research on U.S. firms, Morgan and Wolf (2007) find that voting support for shareholder proposals is negatively related to officers' and directors' ownership and firm size.

2.2.3 Origin of proposals: who sponsor these proposals?

In 1942, the Securities and Exchange Commission (SEC) adopted Rule 14a-8 to strengthen shareholders' voice in corporate affairs by permitting them to place certain types of proposals in annual corporate proxy statements where they would be voted on by all stockholders. Despite its longevity, the usefulness of the rule has been questioned on the grounds that many of these proposals were frivolous, that they generally received little shareholder support, that they were widely ignored by managers even when shareholders did support them, and that they did nothing to increase the value of targeted firms. As a result, there have been calls to limit or eliminate shareholder proposals based on its cost and limited success (Pound, 1991).

Gordon and Pound (1993) found that proposals sponsored by institutions, unions, the United Shareholder Association, and dissidents gained higher levels of shareholder support.

In recent years, however, shareholder activism has become an increasingly important force (Katz, 2005). There has been a renewed interest in the literature in voting on shareholder proposals. Several studies found that found that the type of sponsor submitting the proposal can play a role in shareholder voting.

Thomas and Cotter (2007) examine shareholder proposals during the 2002–2004 proxy seasons and document a significant change in shareholder voting patterns relative to earlier periods. In particular, they find that shareholder proposals are heavily concentrated on topics that relate directly to important corporate governance issues, such as anti-takeover defenses and executive compensation. Moreover, more proposals received majority shareholder support during their sample period than in the past, especially those relating to the removal of anti-takeover defenses. This suggests that shareholders are sending a clearer message to directors about their desires. Boards are also being more responsive to majority vote proposals with directors implementing a greater percentage of the actions called for by shareholders.

Thomas and Cotter (2005) uses an updated U.S. sample, 2002–2004, and finds the type of sponsor garnering the highest voting support has changed to become private institutions and individual sponsors; they also find more majority approved proposals and more willingness by boards to implement these items.

In the area of voting support, Morgan and Wolf (2007) find, similar to research on U.S. firms, that sponsor type, officers' and directors' holdings, and firm size play a role in shareholder voting support. However, they find that union sponsors receive greater amounts of voting support. They find some evidence that the type of the proposal also matters with specific proposal types (not broad types) influencing voting support. Proposals receiving the greatest level of voting support for their sample include items to separate the chairman and CEO positions and to expense options.

Campbell, Gillan, and Niden (1999) show that governance proposals by IRA A, pension funds and union funds received the greatest levels of shareholder support for governance proposals, though the average level of support was less than 50%. Thomas and Martin (1998) found that labor unions were relatively successful in attracting shareholder support for their proposals.

3 An analysis of French general meeting: Index CAC 40

3.1 Interest research

To our knowledge, there is no academic study investigating general meeting in French. Most analysis was professional (Mansion 2005, Proxinvest reports). The focus of the existing literature has been on shareholder activism in the United States. These studies offer mixed evidence of value increases from shareholder governance proposals at the general meeting when measured by short-term stock price reactions and/or long-term performance (Gillan and Starks, 2000).

3.2 The research Objective

We propose a study which analyse the relation between ownership structure and general meeting characteristics (general meting attendance, vote by proposal types….). Romano (2001) argues that voting is influenced by proposal type. It is interesting to analyze the vote “for”, “against”, for each resolution according to each shareholder type. So, we can identify variables that affect voting behavior in French general meeting.

3.3 Hypotheses

We develop 4 testable hypotheses. Romano (2001) argues that institutional investors such as banks and insurance companies may have conflicts of interest that prevent them from voting against management proposals even if this would benefit the value of their shares. This argument is particularly relevant in countries where a small number of large banks and insurance companies are not only important shareholders, but also sell financial services to these same firms. This conflict of interest may prevent them to vote against management proposals at the general meeting (Brickley, Lease and Smith, 1988; Pound, 1988).We hypothesize:

Hypothesis 1: Ownership of banks and insurance companies don't vote against a management proposal.

Several studies examine the role of pension funds in the United States (Del Guericio and Hawkins, 1999; Gillan and Starks, 2000; Prevost and Rao, 2000). These studies report that pension funds often attend the general meetings of US companies and submit corporate governance proposals. Hence,

Hypothesis 2: Ownership of pension funds is likely to vote against a management proposal.

Gordon and Pound (1993) show that shareholder-sponsored corporate governance proposals receive more votes at general meetings when long-run stock price performance has been poor and current valuation ratios are low. Shareholders might show their discontent about poor firm performance by voting against proposals at the general meeting. This predicts an inverse relation between the likelihood and percentage of votes against a proposal and firm performance. We therefore hypothesize:

Hypothesis 3: The past firm performance influence the shareholder vote.

Romano (2001) reports that voting outcomes are best explained by proposal type. Gordon and Pound (1993) and Gillan and Starks (2000) show that shareholders sponsored corporate governance proposals receive more votes at general meetings when they reinstate shareholders' voting rights. Similarly, we predict that shareholders will be likely to vote against a proposal that directly relates to their rights. In particular, we hypothesize that proposals to authorize the management board to issue equity and to limit or exclude the pre-emptive rights of shareholders will lead to most opposition at the general meeting. These pre-emptive rights are part of the legal protection of minority shareholders. For example, La Porta, Lopez-de-Silanes, Shleifer and Vishny (1998) mention the pre-emptive right of minority shareholders to participate in new equity issues at the same conditions as the controlling owner as one of the legal determinants of external finance. Hence,

Hypothesis 4: Shareholders are more likely to oppose the proposal to authorize the Management board to issue new equity and to limit or exclude pre-emptive rights.

3.4 Methodology

Our methodology consists on testing if votes in general meeting are affected both by shareholder category and by proposal type.

3.4.1 Sample description

- *Source:*

Database: Diane, Thomson, Activities report, companies websites

- *Sample:*

The general meeting of CAC 40 from 2004-2006. However, due to a lack of information, our sample is composed of 33 firms.

The definition of used data is presented in Table 1. The descriptive statistics of our data are presented in Table 2.

- Variables identification:

* Market capitalization

* Market-to-book ratio

* Return on equity

* Proposals at general meeting

* The ownership structure is identified from Diane:

Largest outside blockholder	All outside block holders
Pension fund	Banks
Insurance company	

4 Analyze methodology

4.1 Descriptive analyze

We classify proposals by theme (capital dilution, governance items, adoption of annual accounts…). We identify the percentage “for”, “against”, “abstention” for each proposal. The variables characteristics (Mean; Median, st deviation) are presented in Table 2.

4.2 Models

First, we use an OLS regression.

Explained variable: vote “for” which is noted: “VP”.

The explanatory variables:

* Market-to-book ratio

* Return on equity

* Proposals at general meeting:

Proposal adoption of annual accounts/discharge Proposal distribution of profits
Proposal to issue new shares/limit pre-emptive rights Proposal share repurchase
Proposal amendments to articles of association Proposal appointment board members
* The ownership structure: Largest outside blockholder All outside block holders
Pension fund Banks
Insurance company

The variable control: log market capitalization

We verify the methodology followed:

- When we choose the explanatory variables, we discuss the multicollinearity. This collinearity is detected via an examination of the correlation matrix of the explanatory variables and test inflation variance.
- We validate the normality of our variables. The condition of independence between the error term and explanatory variables. We verify the absence of residual autocorrelation in time (test Durbin Watson) and those residuals have constant variance.
- To ensure the quality of the model, we used the test Fisher (8.56 for the first regression model; 10.04 for the second regression which is considered more significant). We note, that most F is high more the influence of residue is insignificant. The adjusted R^2 measures the explanatory power of the OLS regressions. (2.1% for the first regression model; 2.44% for the general model).
- We also make use of the student test (t test) for each regression coefficient. It examines if for each explanatory variable, there is a relation with the explained variable. This test gives the possibility to eliminate the unnecessary explanatory variables.

4.2 Results

4.2.1 Model 1

Our model is:

$$\mathrm{VP} = a + \beta_1\mathrm{AI} + \beta_2\mathrm{INS} + \beta_3\mathrm{R1} + \beta_4\mathrm{R2} + \beta_5\mathrm{R3} + \beta_6\mathrm{R4} + \beta_7\mathrm{R5} + \beta_8\mathrm{R6} + \beta_9\mathrm{RM} + \beta_{10}\mathrm{MB} + \beta_{11}\mathrm{CB} + \varepsilon_i$$

Percentage of vote « for »				
	MCO (1)		MCO (2)	
	β	t (β)	β	t (β)
2004	22.34**	3.4	15.28	2.67
2005	20.78 ***	2.78	13.71	1.99
2006	18.47	1.98	11.55**	0.82
Log CB	1.04 ***	4.88	1.51	0.02
AI	16.54	5.63	13.02**	5.21
INS	19.51	2.03	18.35	1.91
R1	18.94	0.96	17.13	0.71
R2	2.94**	0.08	1.91*	0.001
R3	3.92	3.51	0.84**	0.61
R4	1.31	1.23	1.95	1.89
R5	0.73	-0.67	-	-
R6	12.27	2.51	11.56**	2.96
MB			0.060	-0.35
RM			2.36	1.81
C	17.71**	5.23	19.06	5.3
R^2	0.210		0.244	
Number of observations	438		438	

The percentage of vote "for" decreases over time and it is more important in 2004 than 2006 (22.34 in 2004 to 18.47 in 2006). The market capitalization is positively related to the percentage of vote "for". On the other hand, the vote "for" is positively related to the presence of institutional ownership structure (coefficient is 19.54). This can be explained by the obstacles to institutional votes particularly foreign investors. Indeed, 90% of the capital of firms in the CAC 40 is held by institutional investors, 45% of the total owned by foreign institutional investors.

The proposals “the issuance of new shares or the repurchase of shares” receive a less percentage vote than other proposals. (Coefficient for issuance of new shares 1.3, the adoption of annual reports: 12.27). Hence, we can confirm our hypothesis. Shareholders oppose to proposals that affect their interest.

In addition, by incorporating performance variables, we note that there is no significant relation between the percentage of votes "for" and the performance of the company. Accordingly, our hypothesis 3 is not verified. However, there is a negative relationship between the percentage of votes "for" and return on equity.

Problems

According to the available data, we have no information about shareholders types. The proposals are for the most part adopted at the French general meetings. Though, we have classified the percentages of the adopted proposals "for»: if it is greater than 70% or less than 70% (from 50% to 70%). For our analysis we choose a logistic regression type Logit.

The explained variable: Vote « for» = 1: if percentage < 70%
= 0: otherwise > 70%

The explanatory variables:

1. Shareholders categories: * The insiders
   * The institutional
2. Proposals categories: Details in table 1

3. Return on equity
4. Market-to-book ratio

4.2.2 Model 2

$$\mathbf{VP} = a + \beta_1 AI + \beta_2 INS + \beta_3 R1 + \beta_4 R2 + \beta_5 R3 + \beta_6 R4 + \beta_7 R5 + \beta_8 R6 + \beta_9 RM + \beta_{10} MB + \beta_{11} CB + \varepsilon_i$$

VP: binary variable: 1 : vote «for » [50 %, 70%]

0 : otherwise

VP				
	Logit (1)		Logit	
	β	t (β)	β	t (β)
2004	0.81***	3.9	0.70**	3.26
2005	1.66***	7.06	1.54**	6.36
2006	1.92	7.74	1.83*	7.12
Log CB	0.39***	10.52	0.47***	11.47
AI	0.055	1.17	-0.051*	-3.3
INS	0.013	2.79	0.015**	3.05
R1	-0.56**	1.97	-0.89	-2.5
R2	0.29	0.90	-	-
R3	-0.48	-1.83	-0.63**	-2.69
R4	-2.13*	7.62	2.01**	8.03
R5	-1.01**	-3.65	-1.14***	-4.54
R6	-0.62**	-2.62	-0.77*	- 3.82
MB			- 0.088*	-1.73
RM			-0.004	-0.05
C	-6.95	-11.4	-7.77**	-11.27
R^2	0.248		0.280	

4.2.3 Comments

Model (1) shows that institutional investors are not significantly related to the likelihood of votes against a proposal. This is inconsistent with hypothesis 1.

We also include the stock ownership of the outside shareholder in our model. We find that this has a positive influence on the likelihood of votes against a proposal. Large shareholders are less subject to the free-rider. It is less costly for them to collect information on firm performance and to attend the general meeting than for minority shareholders.

We have grouped some related proposals together such as the adoption of annual accounts/discharge and the proposal to authorize the management board to issue new shares/to limit or exclude the pre-emptive right. We consolidate these proposals into one group because they are typically packaged proposals at the general meeting. The results support hypothesis 4. The proposal to authorize the management board to issue new shares and to limit or exclude pre-emptive rights is more likely to be voted against than other proposals. This is consistent with the idea that shareholders will be more likely to vote against proposals to waive their legal pre-emptive rights.

We add the performance variables. We use one accounting (return on equity) and one stock market based performance (market-to-book ratio) measure. We find that firms with valuable growth opportunities, as reflected in a higher market-to book ratio, have a lower probability of votes against a proposal at the general meeting. This finding is consistent with hypothesis 3. However, we do not find a relationship between the return on equity and the likelihood of votes against a proposal.

5 Conclusion

In this paper we have examined the voting behaviour of shareholders at the general Meeting in France. We observe that the shareholder turn-out in the Netherlands is relatively increasing.

We examine the determinants of the likelihood of at least one shareholder voting against a proposal as well as the determinants of the percentage of votes against a proposal. We find that pension fund ownership decreases the likelihood of votes against a proposal and the percentage of votes cast against a proposal. This suggests that pension funds are less active at general meetings than might be expected. This finding is consistent with other studies. Institutional investors also favor exerting influence on management outside the general meetings in the United Kingdom (Short and Keasey, 1999) and the United States (Smith, 1996; Carleton, Nelson and Weisbach, 1998). There is no support for the hypothesis that conflicts of interest drive the voting behaviour of banks and insurance companies at general meetings. However, we do find that the ownership of insurance companies is negatively related to the likelihood of votes against a proposal.

We find weak support for the hypothesis that voting behaviour is determined by financial performance. However, we find strong evidence that shareholders are more opposed to proposals that directly relate to their rights. In particular, we document that shareholders are more likely to vote against and there is a higher percentage of votes against proposals to authorize management to issue new shares and to limit or exclude pre-emptive rights.

Appendix

Table 1: The variables description

Categories	notation	Measure	Source
Vote « For »	Vo	% de vote	Websites of firms
Institutional Shareholding	AI	Mean percentage of voting right (Banks+ institutional ownership)	Activity report Diane
Insiders shareholding	INS	Mean percentage of voting right (family ownership, employee ownership, director ownership)	Activity report, Diane
Proposal appointment board members	R1	Mean percentage of "for" voting	Websites of firms
Proposal amendments to articles of association des articles	R2	Mean percentage of "for" voting	Websites of firms
Proposal share repurchase	R3	Mean percentage of "for" voting	Websites of firms
Proposal to issue new shares/limit pre-emptive rights	R4	Mean percentage of "for" voting	Websites of firms
Proposal Distribution of profits	R5	Mean percentage of "for" voting	Websites of firms
Proposal adoption of annual accounts/discharge	R6	Mean percentage of "for" voting	Websites of firms

Return on equity	RM	Net income/ average stockholder's equity	Thomson one Banker
Market-to-book ratio	MB	MB : current share price / book	Thomson one Banker
Market capitalization	CB	Shares price times the number of shares outstanding	Thomson one Banker

Table 2 : Descriptive statistics

	Mean	Median	ST déviation
Market capitalization	9.944.957	1.707.237	21.297.182
Market-to-book ratio	1.567	1.470	1.482
Return on equity	0.678	0.185	1.076
Institutional shareholders	20.51	5.09	35.44
Insiders	41.2	32.46	35.32
	2004	2005	2006
Proposals	6.49	7.25	6.54
R1	71	73	70
R2	25	17	29
R3	23	16	19
R4	20	19	25
R5	35	35	35
R6	98	102	95

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