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THE LONG-TERM SHAREHOLDER VERSUS THE ENGAGED SHAREHOLDER
WP 2022-20

Christoph Van der Elst

Financial Law Institute
Working Paper Series

UNIVERSITEIT
GENT

WP 2022-20

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Abstract

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The long-term shareholder versus the engaged shareholder

Christoph Van der Elst

Professor, Tilburg and Ghent Universities

I. Introduction

The work of Didier Willermain shows that he had a special interest in the position of shareholders in the company. While especially engaged in analysing the role and position of the board of directors, in several recent publications he also addressed many different features related to shareholders in public limited companies, like the control and voting rights of the shareholders and shareholder agreements.[1] In this contribution, I will study a related topic, the long term (voting) engagement of the institutional investors in Belgian stock exchange listed companies.

Since many years, the European Commission emphasizes the importance of building a long-term relationship of the shareholders with their investees because so-called short-termism is endangering the capital market. In 2012 the Commission explicitly endorsed a «long-term engaged share ownership under which shareholders effectively hold the board accountable for its actions».[2] It announced that it would take «initiatives aimed at encouraging and facilitating long-term shareholder engagement and initiatives in the field of company law supporting European businesses and their growth and competitiveness».[3] Long-term shareholder engagement is considered as a good corporate governance arrangement which in turn will support long-term financing and the success of the company. The Commission even acknowledged that «effective and sustainable shareholder engagement is one of the cornerstones of the corporate governance model of listed companies».[4] The Commission's action plan resulted in 2017 in the Shareholders' Rights Directive II or officially Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement (hereafter SRD II).[5] Recital 15 of this directive confirmed the vision of the Commission «that institutional investors and asset managers often do not engage with companies in which they hold shares and evidence shows that capital markets often exert pressure on companies to perform in the short term, which may jeopardise the long-term financial and non-financial performance of

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[1] D. WILLERMAIN, «Le contrôle de l'actionnariat et de l'administration des sociétés familiales constituées sous forme de SRL et de SA (spécialement dans une perspective de transmission de la société)», *Revue de planification patrimoniale belge et international*, 2020, p. 122; D. WILLERMAIN, «Les actions et le capital dans la société anonyme: réexamen de thèmes classiques à la lumière du CSA», *TRV-RPS*, 2020, p. 125; D. WILLERMAIN, «Techniques statutaires et contractuelles de maintien du contrôle des sociétés», in *Les holdings belges*, Anthemis, Limal, 2010, p. 71.

[2] EUROPEAN COMMISSION, *Action Plan: European company law and corporate governance – a modern legal framework for more engaged shareholders and sustainable companies*, Com (2012) 740 Final, 12 December 2012, p. 11.

[3] *Ibid.*, pp. 15-16.

[4] Recital 14 SRD II.

[5] *Pb. L* nr. 13 of 20 May 2017.

companies». SRD II amended article 1 of the first shareholders' rights directive I[6], reading that the directive «also establishes specific requirements in order to encourage shareholder engagement, in particular in the long term».

However, it comes as a surprise that in the SRD II *long-term shareholder engagement* as such is not defined and cannot even be found. SRD II reads that institutional investors must consider the long-term performance of their assets, keeping in mind their long-term liabilities and how the incentivizing system with the asset manager is structured as to align the investment decisions with the medium to long-term financial and non-financial performance of the investee company. How the long-term engagement of institutional investors with the investees is encouraged is not directly addressed but should follow, indirectly, from adequate investment decisions of these investors.

The Belgian legislator transposed SRD II with the law of 28 April 2020.[7] This law integrated the requirement for developing an engagement policy and engagement activities in the different laws addressing institutional investors in Belgium (pension funds, insurance companies, UCITS, etc.). The law refers to long-term commitments, long-term liabilities, long-term performance and long-term risks of investees and investors, but *long-term engagement* is neglected.

Engagement is often associated with short-termism concerns. In an excellent paper, Van Marcke shows that short-termism as such should not be considered problematic for the capital market.[8] She airs that diversity of investment horizons is essential for an established capital market. Further she demonstrates that the relationship between the measures of SRD II and short-termism is flawed. In this study, I empirically approach shareholder engagement of institutional investors in the largest Belgian companies. It is the first paper that reveals the voting engagement of institutional investors in large Belgian companies. The next section starts with some methodological issues. The third section addressed the participation of shareholders in the general meeting of shareholders and investigates whether and how the institutional investors recurrently participated. Section four studies how the institutional investors voted for the remuneration report, an agenda item that regularly experienced significant opposition of the shareholders. Especially, it is assessed whether long-term institutional investors show larger loyalty towards the board of directors for remuneration issues than short-term investors.

II. Data Collection and Methodology

This research uses the minutes of the meetings of the stock exchange listed companies as well as the Proxy Insight database.[9] The minutes of the meetings provide information of the number of shares and voting rights which participated in the general meeting as well as the voting results of the agenda items. The minutes of the meetings have been collected from 2012 onwards. The Proxy Insight database contains the identity of the institutional investors and

[6] Directive 2007/36/EC of the European Parliament and of the Council of 11 July 2007 on the exercise of certain rights of shareholders in listed companies, *Pb. L* 184 of 14 July 2007.
[7] *BS* 6 May 2020.
[8] L. VAN MARCKE, «*Shareholder engagement* (SRD II): zin en onzin – Aandeelhoudersbetrokkenheid als regelgevend antwoord of bekommernissen van *short-termism*», *TRV-RPS*, 2021, 829-856.
[9] www.proxyinsight.com.

asset owners, hereafter commonly identified as shareholders, as well as how these shareholders have voted in the general meeting of shareholders (AGM) of stock exchange listed companies worldwide. This study is focusing on the AGM of BEL 20 companies. More precisely, I selected the BEL 20 companies which were members of the BEL 20 between 2016 and 2021 and have their statutory seat in Belgium. Eleven companies comply with both criteria: AB Inbev, Ackermans&van Haaren, Ageas, Cofinimmo, Colruyt, GBL, KBC, Proximus, Solvay, UCB and Umicore. These companies have each organized an AGM in each of the years in this research, totaling 66 AGMs.[10] 2016 was selected as the starting year as from that year onwards the Proxy Insight database contains significantly more data of Belgian companies. Per year, for each shareholder it is studied whether it participated in the meeting and how it voted. Further, it is also analysed in which of the companies these investors were participating. Proxy Insight is currently feeding its database with the 2022 voting results and therefore the database for that year is not yet completed and excluded in this analysis.

Also, for each of the AGMs, it is assessed how the shareholders have voted for the agenda item «approval of the remuneration report». The corporate governance law of 6 April 2010 introduced this remuneration report as a recurring agenda item and since 2012 all listed companies provided the shareholders a vote on the remuneration report.[11] With the transposition of SRD II the legislator specified that this vote is of an advisory nature but it also requires the company to report in the next remuneration report how the result of the vote has been considered. I have selected the vote for the remuneration report as it is one of the few recurring agenda items that is tabled every year and is known as one of the items that is regularly contested.

Proxy Insight collects data of *asset managers* and *asset owners*. Not all types of shareholders are in this database, but the data-provider started collecting the voting of these types of investors years before SRD II was enacted. As not all shareholders have to disclose their participation and voting behavior the database does not hold information on all positions nor of all investors. The investors that are in the database recurrently report their voting behavior, including if the investor did not vote, which allows for a time series analysis. The database report how the shareholders casted their votes but does not disclose the number of votes of each of these institutional investors. Due to the large coverage, the results provide in my opinion a reliable overview of the voting behavior of asset managers and asset owners as well as of their long-term engagement behavior.

III. Shareholders' Participation in the AGM

[10] And 120 minutes of meetings (all minutes from 2012 to 2022 of the 11 BEL 20 companies. The study was finalized before the 2022 meeting of Colruyt of 28 September 2022).

[11] This law changed article 554 of the former Belgian Companies Code (currently art. 7:149 Companies Code (Article 9 of the Law of 6 April 2010 strengthening corporate governance in listed companies and autonomous government-controlled companies and changing the rules of the professional ban in the bank and financial industry, *BS* 23 April 2010). For an analysis see H. De Wulf, C. Van der Elst, S. Vermeesch, «Radicalisering van corporate governance-regelgeving: remuneratie en transparantie na de wet van 6 april 2010», *Tijdschrift voor Belgisch Handelsrecht,* 2010/10, pp. 909-963.

A. Overall Evolution of Participation

Since many years data-providers give insight in the participation of shareholders in European companies. In Georgeson yearly *Proxy Season Reviews* it is shown that all over Europe the voting engagement of shareholders increases. Around 2010 the participation of shareholders in general meetings in Germany, Italy, The Netherlands, Switzerland was around 50%. Nowadays, in these countries the mean attendance is above 60%, and in the Netherlands even more than 70%. Belgium is not included in these studies, but I collected the Belgian data for many years and the results confirm the findings of the other countries.[12]

Figure 1 provides an overview of the evolution of the participation of the shareholders[13] of the selected BEL 20 companies in the long run from 2012 to 2022. The participation is taken from the minutes of the meeting of the companies and is calculated as the number of shares of the participating shareholders to the total number of issued shares minus the shares owned by the company. The latter shares have their voting rights suspended. This method is also used for GBL. GBL introduced a system of double voting rights and the number of votes attached to the shares of the participating shareholders to the number of total existing votes is significantly higher than the number of attending shares: in 2022 71% of the shares participated in the AGM, representing more than 75% of all the voting rights. It is in line with the findings in France[14], a country that is already for many years familiar with shares with double voting rights. The shares receive double voting rights two years after registration and shares with double voting rights have a mean attendance of more than 91%.

The mean participation rate shows an increasing trend. In 2012 the average participation was only 55% and it increased to almost 70% in 2022. Only one company welcomed more than 70% shareholders in 2012, while more than half of the companies had a participation rate of more than 70% and some companies reached the threshold of 80% in 2022. Overall, all companies experienced an increase in attending shareholders, but there are large differences between companies. Colruyt, which had the highest participation rate of 73% in 2012 hardly welcomed more shareholders in more recent years. The participation rate topped 81% in 2020. Similar patterns in participation rates can be found for the AGMs of KBC, AB Inbev, GBL and Proximus. Over this decade the participation increased, but not more than 20%. This finding does not come as a surprise. All these companies have large, controlling shareholders that always participate in the AGM. Therefore, there is relative less *room* for more shareholder voting engagement. Further, the non-controlling shareholders do exert lower levels of influence in the general meeting and might be discouraged to actively participate and vote in the meeting. Companies with a more dispersed ownership experienced significant higher growth rates in attendance. The AGM of Ageas shows a relative increase of 35%, from a low 27% in 2012 to a modest 37% in 2022, the only company were still less than 50% of the shareholders engage in voting. Umicore increased its AGM attendance with more than 55% from 48% in 2012 to 75% in 2022. Finally, at the AGM of the real estate company Cofinimmo

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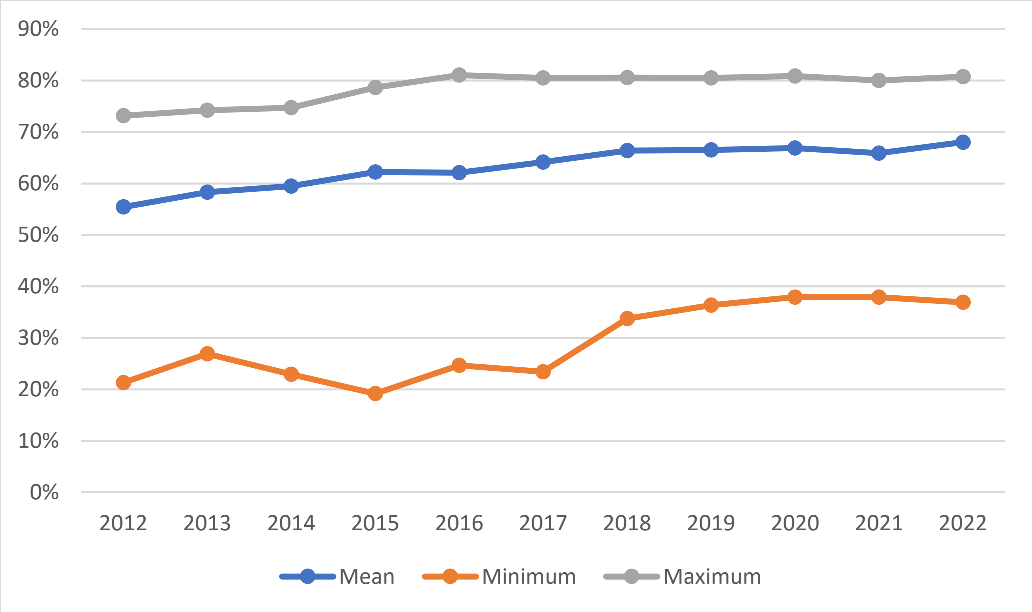
[12] See for the evolution between 2008 and 2017 C. VAN DER ELST, «Shareholder Engagement Duties: The European Move beyond Stewardship», in *Enforcing Shareholders' Duties*, H. BIRKMOSE and K. SERGAKIS (eds.), Edward Elgar, 2019, p. 66. In 2008 the mean attendance was 45%, passing the 50% threshold in 2012 and in 2015 the 60% threshold, *arriving* in 2017 at almost 66%.

[13] More precisely, the number of shares that the participating shareholders hold.

[14] C. VAN DER ELST, «Shareholder Engagement and Corporate Voting in Action: The Comparative Perspective» in H. KAUR, C., XI, C. VAN DER ELST AND A. LAFARRE (eds.), *Shareholder Engagement and Voting*, Cambridge University Press 2022, pp. 293-294.

participation more than doubled: the attendance of 21% in 2012 soared to a participation level of 53% in 2022. Since 2020 Cofinimmo passed Ageas in the attendance rate at the AGM.

Figure 1: Evolution of AGM-participation of shareholders (in the selected Bel-20 companies)



Source: own research based on the minutes of the meetings

B. Institutional Investors' Voting Engagement

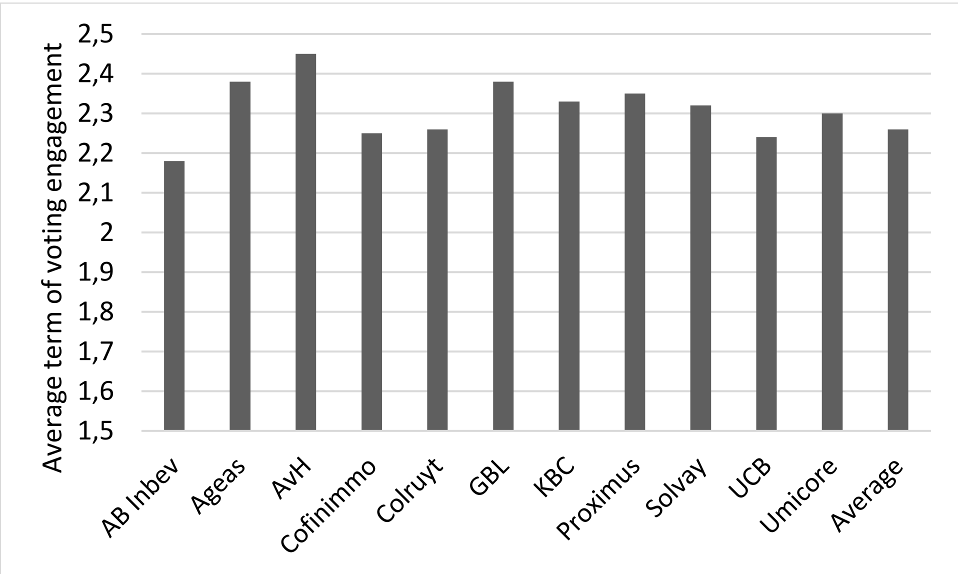
Second, I assessed the engagement behavior of the asset managers and asset owners. The increasing trend of participating shareholders can have different causes. For instance, shareholders can evolve from passive owners towards voting-engaged shareholders, but it is also possible that (non-voting) shareholders that *exit* the company are replaced by shareholders that do vote. There can be external factors influencing the engagement of the shareholders like legislation that requires or facilitates voting or companies could have added in more recent years agenda items in which the shareholders are more keen to express an opinion and vote, etc.. With the data, I cannot investigate all these possibilities but whether shareholders evolve towards more engaged and long-term committed shareholders is studied next.

At the 66 AGMs, 11.405 institutional investors voted 26.131 times their shares. As many institutional investors hold shares in different companies the total number of different institutional investors is 3.824 in this sample. Over 60% of these investors have (held) shares of AB Inbev and have attended at least one AGM of AB Inbev. Ackermans&van Haaren and Cofinimmo are at the opposite site: only 8% of these institutional investors – approximately 300 investors – have (held) shares in one of these companies. For all other companies, these percentages vary between 20% and 38%. As nowadays most institutional investors vote their shares, the vote can serve as a proxy of being a shareholder and maintain the ownership. Further it signals (a cheap form of) shareholder engagement.

Long-term relationships between companies and their large and controlling shareholders are common and well-known phenomena. For example, Proximus launched its initial public offering in 2004 as the company Belgacom. The Belgian state controls and votes its majority stake ever since. In 1991, Pargesa disclosed a share and voting stake in GBL of 41,1%. In 2022 Pargesa controls 43,6% of the voting rights. In light of the participation at the AGMs of GBL, Pargesa votes its stake consistently. There are also large long-term shareholders in AB Inbev, Solvay, UCB, KBC, Colruyt and Ackermans&van Haaren. In all these companies these relationships are further strengthened with board representation. However, little is known of long-term shareholder engagement of the other shareholders.

As I collected more than 26.000 votes of over 3.800 institutional investors, the mean institutional investor voted almost 7 times from 2016 to 2021 at AGMs of these different BEL 20 companies. The mean number of AGMs of one company in which the institutional investor voted is 2.3 (26.131/11.405). While showing a voting engagement of 2 years and (theoretically) 4 months can hardly be considered as long-term engagement, it also rebalances other findings that shareholders hold shares only for some months or even weeks.[15] Figure 2 shows that the average term of holding and voting shares is very similar in all BEL 20 companies. With an average of 2.18 AB Inbev's institutional investors show the shortest commitment, and the 2.45 average term of investors of Ackermans&van Haaren is the longest of the sample.

Figure 2: Average number of years an institutional investor voted its shares



Source: own research based on data of the Proxy Insight database

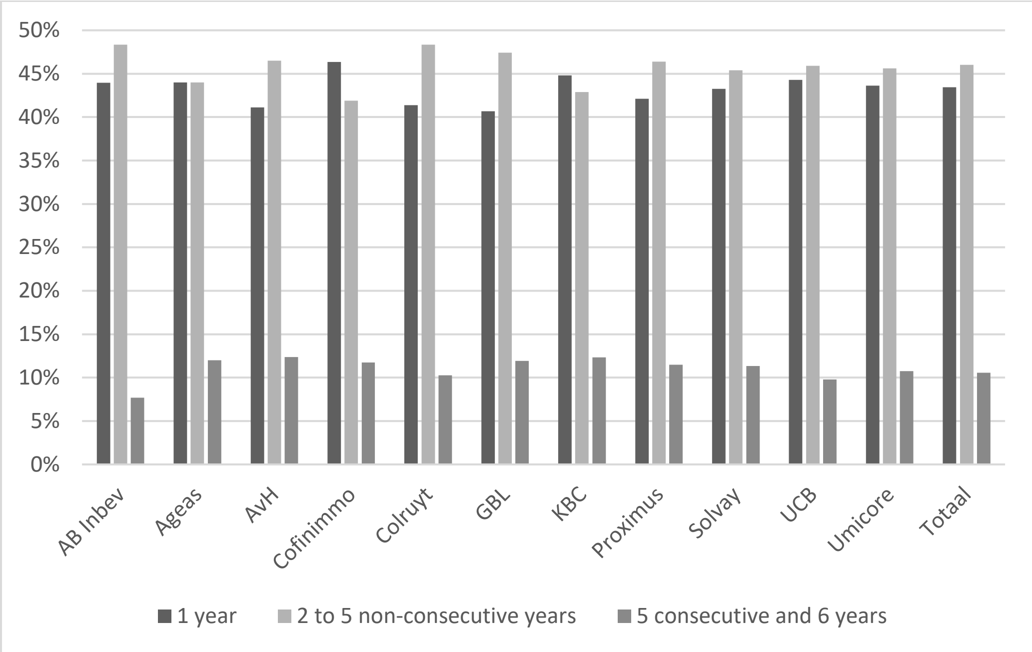
As a mean can hide many differences, I further investigated for each individual institutional investor how frequently it voted its shares (as a proxy for its long-term shareholder

[15] OECD, *Institutional Investors and Long Term Investment*, OECD, Parijs, 2013, p. 2.

engagement). The findings can be found in Figure 3. Per company, the investors were classified in one of three groups. First, the group of shareholders that voted only one time during 2016-2021 at the AGM of the identified company, short term shareholders. Second, there is the group that voted at least twice in that same period or up to a maximum of five non-consecutive times at the AGM of the company. The third group was present and voted at all six meetings or at five consecutive meetings (2016 to 2020 or 2017 to 2021), which I consider as long-term engaged shareholders.

The group of short-term shareholders that only attended one AGM during this period is large. A mean 43% of all the shareholders belong to this group. The differences between the different companies are small: almost 41% of the (voting) shareholders *exited* GBL after one year up to a maximum of 46% of all shareholders of Cofinimmo that participated only one time in an AGM. Consequently, a majority of all the institutional investors were actively voting in the company for at least a medium term. The largest group of 46% of all institutional shareholders hold the shares for two to five years. However, in this group there are many shareholders that do not vote consecutively at AGMs. The data do not allow to investigate whether these shareholders *exit* the company and reinvest later or remained as a passive non-voting shareholder of the company. Again, and like the group of the short-term shareholders, there are only minor differences between the companies. As the group of the short-term shareholders of Cofinimmo is the largest in this sample, the group of the *medium-term* shareholders is the smallest with 42% of the institutional investors of Cofinimmo belonging to this class. AB Inbev has the largest group of *medium-term* shareholders. 48% of the investors belong to this group. Finally, there is a small group of approximately 11% of the institutional investors that engage with the company over the long term of 5 consecutive years or even in all years in the sample. At KBC and Ackermans&vanHaaren the number of *loyal* shareholders is the largest: one out of each eight institutional investors were shareholders that voted at least five consecutive times at the AGM of KBC and AvH. UCB's shareholder base and even more the shareholders of AB Inbev are less *loyal*: only 10% of all institutional investors of UCB and less than 8% of the AB Inbev shareholders held the shares and voted at least five consecutive times. In all other companies this group varies between 10% and 12% of all institutional investors.

Figure 3: Number of Years the Shareholders Voted the Shares (per Company)



Source: own research based on data of the Proxy Insight database

The results of Figure 3 are further assessed in Figure 4 in a simplified survival analysis. This figure shows the minimum, average and maximum number of shareholders that voted in year t and voted again in year t+1. For example, 64% of all the shareholders that voted at the 2016 AGM of Proximus, also voted at the 2017 AGM of Proximus. The remaining 36% of the Proximus investors that voted in 2016 *exited* the company by the time of the 2017 AGM.[16]

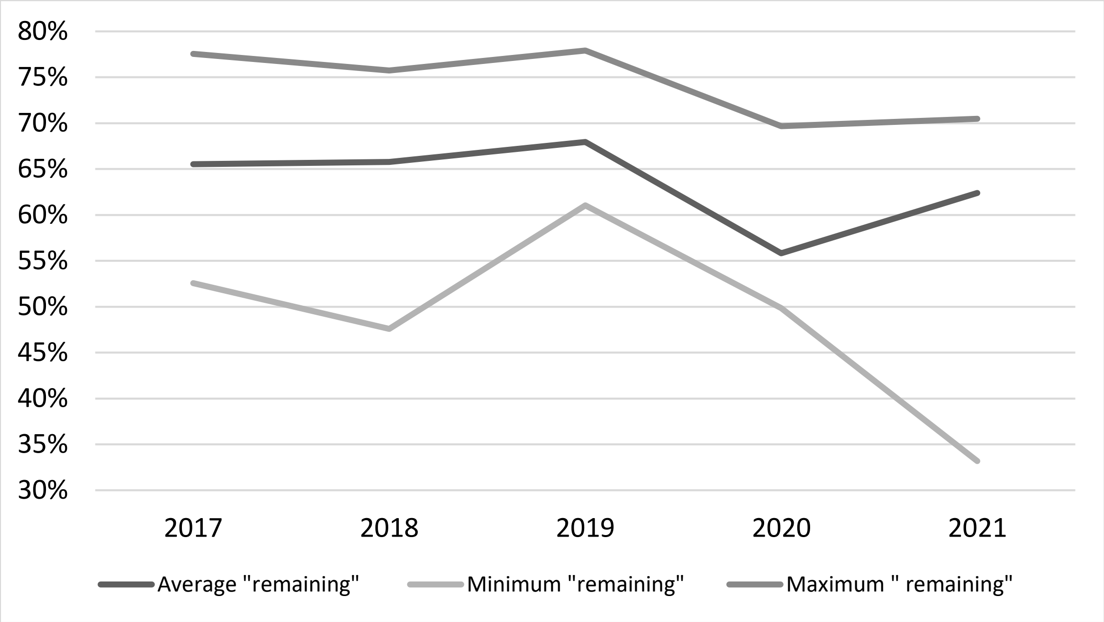
The average number of *loyal* shareholders remained stable at the end of the last decade at 65% to 68%. It dropped significantly between 2019 and 2020 from 68% to 56%. The corona pandemic hit the stock exchanges very hard. The BEL 20 dropped almost 40% between February 17, 2020 and March 17, 2020. Many investors sold their shares. As this pandemic started before the AGM-season, the intermediary measures enabling the organization of the AGM prevented a sharp decrease of the participation rates (see Figure 1), but they did not prevent the major changes of the shareholder base. In the meantime, the market stabilized: in 2021 the mean number of *loyal* shareholders soared to 62,4% which is already close to the means before the start of the pandemic.

There are many significant differences between the different years and the different companies. In 2019 one company, Cofinimmo welcomed 78% of its institutional investors that also voted at the AGM of 2018. Further, 2019 was also the most successful year for companies, welcoming a mean of 68% of the investors of 2018 and a minimum of 61% of the investors, which was at AB Inbev. In 2021, 2/3 of all investors were *disloyal* to Colruyt. Only 33% of the all the investors that voted at the AGM 2020 participated in the Colruyt AGM of 2021. Also, Solvay and Cofinimmo experienced an AGM where less than half of the shareholders of the

[16] It is also possible that several of these institutional investors that voted at the AGM in 2016 are still shareholders at the moment of the AGM 2017 but did not participate in the AGM. However, this number will be limited. Proxy Insight also registers the shareholders that «did not vote» (but are still shareholder of the company). These data have been taken into account in the analysis of Figure 4.

previous AGM were participating. Between the AGM 2020 of Colruyt and the AGM 2021 the stock price declined with 15%. It seems that lower market performance increases the number of *exiting* shareholders. However, whether this relationship is significant will need further study. At Solvay, another company with years of large *disloyalty* of shareholders, the year with its lowest number of *exiting* shareholders the stock price dropped between the two AGMs with 17%. Conversely, at Proximus, Umicore and KBC the number of *loyal* shareholders is very stable. Every year between 60% and 67% of KBC investors and 63% to 70% of the Proximus and Umicore shareholders reappeared at the following AGM. The stock price of Umicore fluctuated in the year before the meeting from an increase of over 60% to a decrease of close to 20%. Nevertheless, the yearly turnover of institutional investors differed only modestly and less than 7%.

Figure 4: Relative Number of Investors Voting at AGM at t-1, also Voting at t



Source: own research based on data of the Proxy Insight database

IV. Voting Behaviour

A. Approval of the Remuneration Report

Since 2012, all listed companies offer the shareholder a vote on the remuneration report of the company in accordance with article 7:149 of the Companies Code. Previous research shows that this remuneration report is in most of the cases approved with an overwhelming majority of the shareholders, but in a limited number of cases a majority of the shareholders voted against this report.[17] Between 2012 and 2016 the mean disapproval of the remuneration report of all Belgian companies varied between 6% and 10%. Six companies experienced at least one disapproved remuneration report, and in one case the shareholders disapproved two times in a row the report.

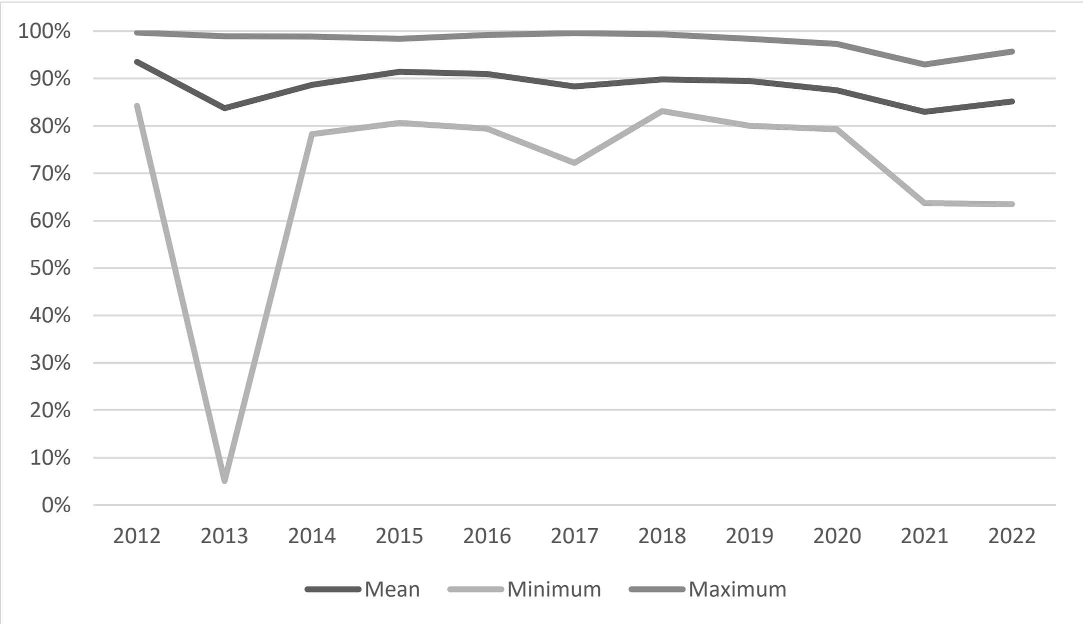
Figure 5 provides an overview of the mean, minimum and maximum approval rates of the remuneration reports of the aforementioned eleven BEL 20 companies since the introduction of the mandatory advisory vote of the remuneration report. Only one report had been disapproved: the 2012 remuneration report of Belgacom (Proximus) received over 70% no-votes in the 2013 AGM. As it was still common in 2013 to calculate the approval rates including the abstained voted in the denominator the approval rate of the report was only 5%. The Belgian government, the controlling shareholder, lost its confidence in the Chief Executive Officer of the company and decided to vote against the remuneration report. In 2014 the report was approved as the government abstained from voting. If the abstentions are considered in the denominator, the remuneration report only received a support of 18%.

[17] C. VAN DER ELST, «Answering the Say for No Pay» in *Innovations in Corporate Governance – Global Perspectives,* P.M. VASUDEV AND S. WATSON (eds.), Edward Elgar, Cheltenham, 2017, pp. 151-190.

Given the smaller sample of companies, the result at Belgacom significantly influenced the 2013-mean of 84%. However, the last years more opposition against the remuneration report can be found. Since 2015 the mean decreased year after year from 91% to 83% in 2021. In 2022 the mean increased slightly to 85%.[18]

Over the total period, almost all companies experienced significant shareholders' disagreement with the remuneration report. KBC noted between 20% and 30% opposition in 2014 and 2017. AB Inbev had more than 20% no-votes in 2022 and 2016. 36% of Ageas shares were against the remuneration report in 2021, a similar number of no-votes is found at Umicore in 2022. Colruyt shareholders always approved the remuneration report with at least 80% but the opposition was never lower than 10%. Most companies experienced meetings during which many shareholders voted against the remuneration report.

Figure 5: Evolution of the Approval Rates of the Remuneration Report



Source: own research based on the minutes of the meetings

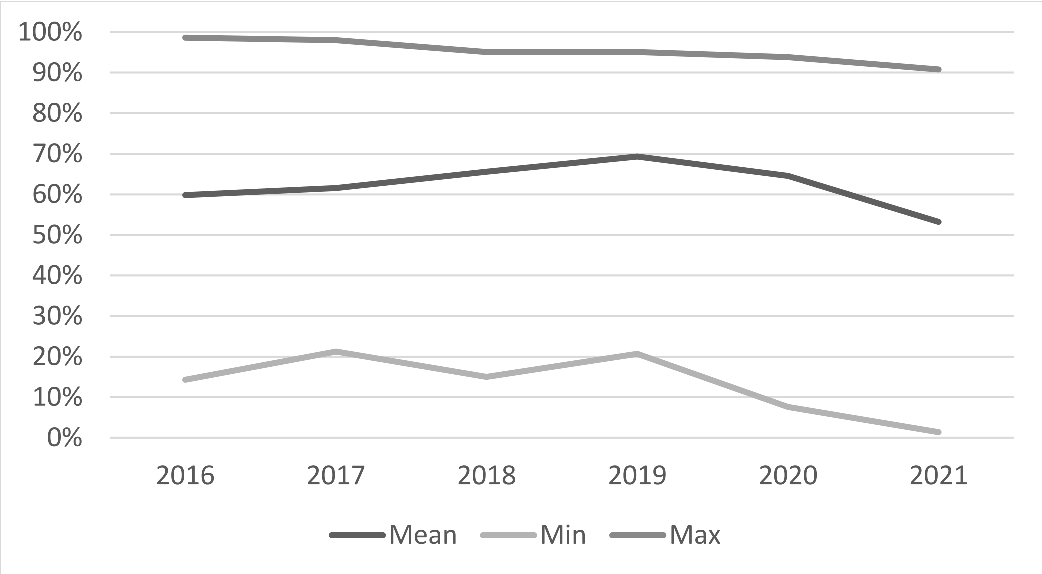
B. Voting Behaviour of the Institutional Investors

Before, I showed that a number of these large Belgian companies have controlling shareholders. These shareholders generally approve the agenda items the board tables. The Belgacom case was very exceptional. Consequently, given the decisive impact of the votes of these large controlling shareholders and the significant opposition against the approval of several remuneration reports, many other investors have voted against this agenda item. Figure 6 shows the evolutions of this opposition. The average number of institutional investors that vote against the remuneration report varies from a low of 31% in 2019 to a high of 44% in 2021. Measured by number of institutional investors, every year 3 to 5 of the BEL 20 companies

[18] As the result of the AGM 2022 of Colruyt is not considered, it is expected that the mean of 2022 will be lower.

would experience a remuneration report that is voted down. In 2020 and 2021 the opposition against some reports were overwhelming: more than 90% of all the institutional investors voted against this report. Without the support of the controlling shareholders, it is more than likely that the remuneration report would be disapproved. These three companies experience recurring opposition: almost every year the remuneration report is only approved by a minority of the institutional investors. There is also a tendency of more criticism for the remuneration report: the maximum approval rate evolved from almost 99% in 2016 to less than 91% in 2021.

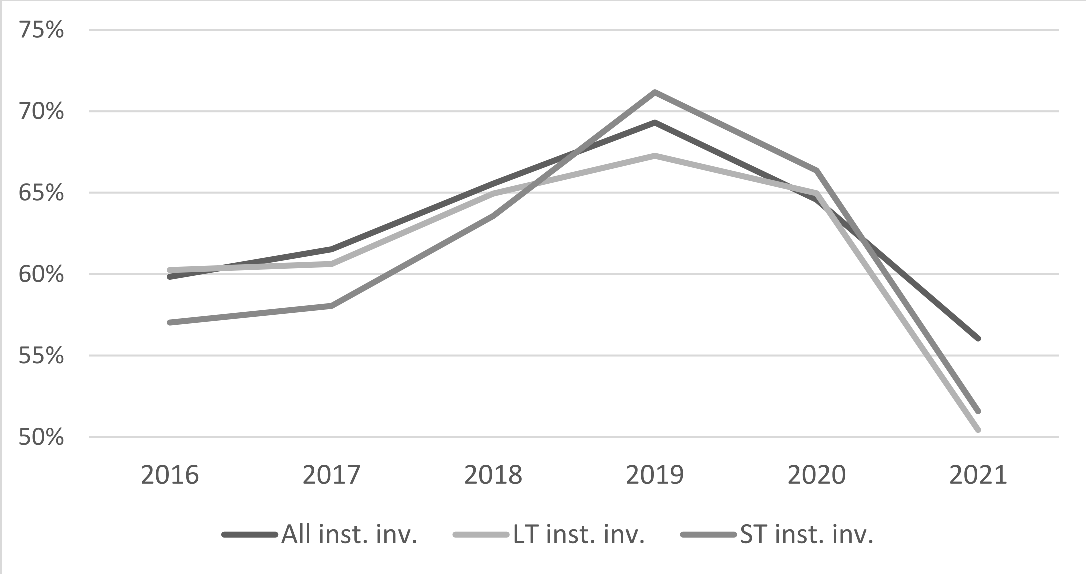
Figure 6: Evolution of the Number of Institutional Investors Voting *for* the Remuneration Report



Source: own research based on data of the Proxy Insight database

I also studied whether the long-term engaging shareholders vote differently compared to short-term engaged shareholders. Figure 7 shows the evolution of the mean number of institutional investors that voted for the remuneration report. The institutional investors have been divided in the group that recurrently voted and the group that voted only one time at the meeting. Overall, the differences between the different groups of investors are small. Long-term institutional investors were more critical in 2019 and 2021 compared to both the short-term investors and the *medium-term* investors, but the short-term institutional investors voted more against the remuneration report in 2016. In individual cases there are significant differences between the different groups. Short-term institutional investors opposed the remuneration report of Ackermans&van Haaren in 2016 and 2017: more than 90% of the short-term investors voted against. Of the long-term investors only 3 out of 4 voted against the report. For the years 2019 and 2020 the opposite occurred. A much higher number of short-term institutional investors voted for the report compared to the number of long-term institutional investors.

Figure 7: Mean number of all, short-term and long-term institutional investors voting *for* the remuneration report



Source: own research based on data of the Proxy Insight database

V. Conclusion

Since several years, shareholders more frequently engage with companies. While it was common that less than 50% of the shareholders participated in an AGM a decade ago, this is exceptional nowadays. A large majority of the shareholders vote their shares. These numbers do not reveal if the shareholders build up long-term relationships with the investees, only that in a particular year shareholders are engaged. Combining data of different databases, I found that not all institutional investors have a short-term engagement perspective. A minority engage many consecutive years with their investees. The size of this group differs only modestly between de companies in our sample, but there are two companies that have a significant smaller group of long-term institutional investors.

Further, a large group of this type of investors are short-term: more than 43% of the institutional investors only voted at one general meeting of shareholders lowering the average term of engaged ownership to 2.3 years. There are significant differences in shareholder engagement between the different companies and over time, but the anecdotic evidence does not find an obvious relationship between the stock market performance of the company and shareholders' voting engagement.

Since many years, the European Commission strives for long-term engaged shareholders. The SRD II reflects the Commission's objective. My data reveal that the yearly *exit* of institutional investors[19] was in 2020 and 2021 higher than in the previous years. It signals the opposite of the goal of the European Commission. However, it is too early to fully assess the effects of SRD II. The corona pandemic affected the stock market and company life dramatically and it remains to be seen how investors respond over the longer term. Currently, my current data do

[19] Note that the study differentiated between voting and non-voting and the latter serves as a proxy for exiting the company.

not support a change from short-term engagement behavior to long-term engagement behavior. The data do show that the very short ownership periods that some studies report, does not hold for all institutional investors, with a mean holding term of more than 2 years.

In the second part, I study how shareholders voted the approval of the remuneration report. The results show that the approval rates are often high, but in several cases, opposition is significant and exceptionally the remuneration report is voted down. These data do not reveal which shareholders are loyal and board-friendly shareholders. I show that opposition is much more spread out among the institutional investors. A third of the remuneration reports were voted down by a majority of the institutional investors. Some companies experienced many of the institutional investors saying no to the report. As these companies have controlling shareholders, the overall opposition never reached the majority threshold. In another study I found that during many years even more than 90% of all the shareholders voted against a remuneration report[20], but it was only when some of the large shareholders withdrew their support that the remuneration report was voted down. A general meeting of shareholders is not and should not be a democracy of one person one vote, but it raises questions whether the balance of power is appropriately divided when the AGM of a stock exchange listed company results in one person deciding it all.

[20] C. VAN DER ELST, «The Voting Behaviour of Institutional Investors and Retail Shareholders and the Interests of Beneficiaries», I. CHIU AND H.-C. HIRT, *Investment Management, Stewardship and Sustainability*, Hart, 2023, in press.

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