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Revisiting Shareholder Activism at AGMs: Voting Determinants of Large and Small Shareholders

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Abstract

Using a sample of voting turnouts of annual general meetings of European companies, we document that shareholder voting turnouts are significantly different according to the ownership structure of the company. Different types of shareholder classes show different voting engagements according to the ownership concentration and the ownership structure. The number of directors that stand up for (re)election positively influences voting turnouts. Special resolutions like changes of the articles of associations have no major impact on shareholders' engagements. Corporate performance and other governance mechanisms do not change shareholder activism measured as voting turnout. These results provide important benchmarks for the current debate of shareholder empowerment. The agenda and hence the role of shareholders should be restructured. The AGM should be used as a strategic governance tool for director elections while the central decision making body should be the board, balancing shareholder primacy with board primacy.

Keywords: general meeting, shareholder voting, management proposals, shareholder activism, attendance

JEL Classifications: G32, K22

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INTRODUCTION

Shareholder monitoring and shareholder activism is at the heart of the corporate governance debate. It is considered as a fundamental component to equilibrate the powers of the board and of the shareholders. Part of this monitoring takes place in the general meeting of shareholders that has to approve many corporate decisions. Overall, corporate law presumes that the general meeting of shareholders is the legally prescribed occasion to meet other shareholders and have direct contact with the directors. In light of this, many legislators are empowering the general meeting to play a more prominent role in the future. In April 2011, the European Commission issued a green paper on corporate governance. This Green Paper devotes most attention to the role of shareholders in a company. The interest of shareholders for sustainable returns and business performance in the longer term, ensure better continuity of businesses. An important role seems to be reserved for institutional investors. Because these investors (pension funds, insurance companies and sovereign wealth funds) have long-term obligations towards their constituency, they should be encouraged to be more (actively) involved in their investments. To that extent different types of investors must develop general meeting voting policies, like management companies of UCITS for determining when and how to vote in the exclusive benefit of the UCIT (Van der Elst and Vermeulen, 2011). The European Commission is also concerned that the use of proxy advisors has a substantial influence on the voting outcomes at the general meeting and plead for more transparency about the methods applied with regard to the preparation of the advice. Both directly and indirectly the European Commission stresses the importance and the role of the general meeting of shareholders. In the US the Frank Dodd Act of July 2010 (Section 971 Dodd Frank Act) provides the SEC with the authority to promulgate a rule allowing shareholders to use the proxy statement to nominate candidates to the board of directors. The SEC used the authority to issue a proxy access rule, Rule 14a-11, in August 2010. Shareholders have the right to have its nominees for board membership included in the company's proxy material. The general meeting of shareholders has to approve the nominee. Other legislators empowered the general meeting of shareholders with the right to make corporate decisions or be consulted on major corporate issues. In the Netherlands article 107a Boek 2 Civil Code requires the approval of the general meeting of shareholders to change the “identity and character” of the company. The British Companies Act 2006 requires the general meeting to approve political donations of more than 5000 £ (Section 366 Companies Act 2006). The French Commercial Code provides the general meeting of shareholders with the right to approve all contracts entered into with a member of the (supervisory) board and shareholder with a voting block of more than 10 per cent (Article L225-38 and L225-40 Commercial Code) and the general meeting of Belgian companies must approve golden parachutes for board members or top executives of more than 12 to 18 months (Article 554 Companies Code).

The objective of this paper is to examine the attendance and voting turnout of shareholders and identify the drivers for shareholder attendance. We test several hypotheses relating to the importance of the general meeting, ownership structures, performance of the company and corporate governance to the voting turnout at the annual general meeting (AGM). That is we examine whether the AGM can play the role it is provided in the new corporate governance structure. To our knowledge this article is among the first to document the explanatory variables of voting turnouts in different European countries.

We summarize our results as follows. Empowering the general meeting of shareholders can enhance shareholder democracy and shareholder involvement. However the strengthening of shareholder powers should be used diligently. Director elections positively influence the voting turnout of both large and small shareholders. Other shareholder rights, like the right to vote on special resolutions changing the articles of association of the company, have no significant impact on voting turnouts, although the opposition against the changes can be higher than the opposition for director elections. Voting turnouts are heavily influenced by the ownership structure of the company. Large shareholders have more incentives to participate in AGMs. However the identity of the shareholder influences her willingness to participate. Families, financial institutions other than banks and insurance companies and governments with large voting blocks positively influence the voting turnout. The effect is very high if financial institutions other than banks and insurance companies are among the blockholders of the company. The role of this type of shareholders is envisaged by many regulators and the results show that these interventions did not miss their effect. Banks and insurance companies and sometimes non-financial companies that are blockholders derive lower incentives from their investments to participate in the AGMs of their investees.

Conversely small shareholders are less eager to participate in the AGM if they are confronted with family and non-financial blockholders in the investee companies. When other types of large shareholders are present in the shareholder base of the investee, small shareholder do not necessarily alter their participation behavior significantly. Contrary to what was expected the financial performance has only limited influence on the voting turnout of both small and large shareholders and the evidence points in the direction that shareholders are more interested in monitoring better performing and larger companies. Internal board monitoring, external analysts' monitoring and the financial structure of the company have no significant impact on the monitoring behavior of shareholders, measured by voting turnouts.

The remainder of this paper is organized as follows: In Section I I examine the related literature on shareholder activism and monitoring. In section II I outline the hypotheses to be tested and describe the source of our data. In Section III, I test our hypotheses. Section IV discusses the findings and provides policy conclusions.

SECTION I. RELATED LITERATURE ON SHAREHOLDER ACTIVISM AND SHAREHOLDER MONITORING

Literature on shareholder activism is growing fast. Most of these studies address activism tactics in between the selling of the shares – the "wall street rule" or "voting with the feet" - when the shareholder disagrees with the behavior of the firm and initiating a takeover to grab control and bring about the fundamental changes (Gillan and Starks (2007)). These types of activism go from private negotiations over shareholder voting of management proposals, submitting proposals to be voted at the shareholders' meeting to proxy fights and shareholder suits.

Little evidence is provided on the negotiations between shareholders and companies that take place behind the scenes. The clinical study of Becht, Franks, Mayer and Rossi (2009) being one of the exceptions to the rule. The authors found that the focused engagement of the Hermes Fund via private meetings, telephone calls, presentations, letters and sometimes press campaigns and support of other institutional investors resulted in substantial shareholder gains, particularly in response to restructurings and board changes. Carleton, Nelson and

Weisbach (1998) examined private engagements of TIAA-CREF and found that most of the government changes of the investee companies could be settled. However the share price impact was limited. Finally, Becht, Franks and Grant (2010) study 362 public and private interventions by hedge funds and other activists. They reveal significant positive abnormal returns for both public and

private interventions but the private interventions generally generate higher returns. It was also found that private negotiations are expensive (Gantchev, 2010).

Contrary to activism behind closed doors, shareholder proposals are studied extensively in the US. They are a mechanism to initiate corporate action and hence differ from the voting reactions on boards and management initiated actions (Dirr, 2006). While most of the shareholder proposals were ignored in the past (Black, 1998), recent empirical evidence shows that companies change policy when shareholder proposals are supported by a large number of shareholders. Ertimur, Ferri and Stubben (2010) show that in 2003 approximately 33 per cent of the shareholder proposals submitted for a vote won a majority and 42 per cent of these proposals were implemented. In 1997 the numbers were only 10 per cent and 16 per cent. Thomas and Cotter (2007) found that boards are willing to implement shareholder proposals to remove anti-takeover measures, classified boards and poison pills. Renneboog and Szilagyi (2010) concluded shareholder proposals should be regarded as a useful governance mechanism and result in significant control benefits.

Shareholder proposals received little attention in the European Union. Buchanan and Yang (2008) compared shareholder proposals in the UK and the US and found that most UK shareholder proposals are sponsored by the founder or former CEO that hold a significant voting block and target for board changes. Shareholder proposals seem to have a positive effect on corporate performance of UK companies but statistical significance is low. In France shareholder proposals are uncommon compared to shareholders suits (Girard, 2009). The limited attention of shareholder proposals in Europe is due to the limited importance of this type of shareholder activism. De Jong, Mertens and Rosenboom (2006) found that all 1583 resolutions in their sampling period were director supported proposals. Cziraki, Renneboog and Szilagyi (2009) show that shareholder proposals were received by 0,0117 companies per year between 2005 and 2008 in eight European countries. 23 companies received 95 shareholder proposals during 28 general meetings. Both in the UK and in continental Europe these shareholder proposals either target the board or address corporate governance issues. Not only the number of proposals is limited in Europe, also the proposals enjoy only limited support. In continental Europe the average voting support was 21 per cent, in the UK 30 per cent. After 2005 the support for shareholder proposals for the election of directors increased and a number of proposals passed. For other types of proposals the support was much lower and often less than 10 per cent. The stock price effects of the shareholder proposals remain limited (Cziraki, Renneboog and Szilagyi (2009)).

When shareholder proposals are excluded from the proxy materials, shareholders can start a proxy fight. During this proxy contest, dissident shareholders and incumbents forward proxy solicitation materials to shareholders, to accumulate votes and to cast these votes at the shareholders' meeting. Proxy fights are expensive and a campaign that reaches the stage of a fight costs more than 10 mio. $. The stage of the contest is the most expensive part of the total costs, followed by the stage of negotiation (Gantchev, 2010). Between 1994 and 2008 almost 800 proxy contests took place in the US. Threats of proxy contests increase dividend pay-outs and decrease stock repurchases and CEO compensation. Shareholder benefit from proxy contests as both profitability of the target as well as stock price increase (Fos, 2010).

Some studies on shareholder activism address shareholder suits. In the US shareholder suits (against directors) are common. The studies show that most suits failed and yield very low returns for the shareholders (Romano (1991), Thomson and Thomas (2004), Weiss and White (2004) and Black, Cheffins and Klausner (2006)). Brav, Jiang, Partnoy and Thomas (2008) found that just over 5% of all activism used by hedge funds relate to suing the company. In the UK this type of lawsuits seeking damages against directors of publicly traded companies does not exist at all (Armour, Black, Cheffins, Nolan (2009)). Other types of shareholder suits are more common. Vermeulen and Zetsche (2010) revealed substantial rates of shareholder litigation in the Netherlands and Germany. In the Netherlands, out of 23 inquiry requests with respect to public companies, injunctive relief was requested in 21 of these cases, while a preliminary remedy was granted in 57 per cent of these cases. The top 3 Dutch preliminary remedies are (1) the appointment of independent board members; (2) the prohibition of voting on particular agenda items; and (3) the deviation from the articles of association. Suitors are often large shareholders or shareholders acting in concert assisted by important Dutch law firms. The practice of shareholders using the German *Anfechtungs- und Nichtigkeitsklage* differs from the practice of contested resolutions in other jurisdictions.

First, approximately 12 per cent of general meeting resolutions are contested every year. Second, suitors' ownership levels only rarely pass the threshold of 3 per cent, but they still have the ability to file a suit. Third, shareholders always sue in their own name and on their own behalf, assisted by local law firms. Finally the suits are often settled and relate more to technical, legal issues than to strategic issues. In France, shareholders suits are the most common technique for shareholder activism and they provide the best results (Girard, 2009).

Finally, a low cost technique of shareholder activism is voting against management and board proposals. A large majority of all agenda items are prepared by the board of directors and managers (Georgeson, 2008, Abma, 2010). Shareholders only have to approve the proposal, reject or withhold a vote. The increase in shareholder rights at AGMs, like majority voting for directors and executive compensation packages resulted in a new promising area of research (Yermack, 2010). Dissent rates are low. In Europe the dissent rates of the proxy season 2008 were between 1 per cent and 9 per cent, with share plans receiving the highest dissent and the approval of the annual report the lowest dissent (Risk Metrics 2008). These results confirm voting dissent in UK companies between 2002 and 2007 with 0,40 per cent "no" votes for dividends and 7,6 per cent opposition for the directors' remuneration reports (Conyon and Sadler, 2010). Similar low dissent rates can be found for director elections in the US. Cai e.a. studied director elections at 2488 general meetings between 2003 and 2005 and found average votes "for" of 93,9 per cent (Cai e.a., 2009). Directors of companies that performed well receive more "yes" votes and directors of badly governed companies receive more opposition. Ownership concentration positively affects "yes" votes although the economic impact is small. Board members that attend less than 75 per cent of the board meetings experience more opposition when reelected. Conyon and Sadler (2010) show that high executive pay packages result in greater shareholder dissent. US institutional investors tend to vote more against board proposals than other shareholders. It follows from the analysis of Iliev e.a. that almost 11 per cent of the votes cast by these investors are against management proposals (Iliev e.a., 2011).

The analysis of opposition at AGMs ignores the voting turnout. Some studies provide information on the attendance of shareholders at AGMs. Every year, Georgeson (2010) publishes an overview of facts and figures of AGMs of US companies and indirectly[1] shows

[1] Data are provided on the total yes and no votes and votes withheld. Adding these numbers provide the total voting turnout.

that voting turnouts are on average more than 80 per cent. In Europe, voting turnouts are not only lower but also differ much more from company to company. Risk Metrics (2008) reported an average attendance rate of 61 per cent in 2008 starting at 9 per cent for Nyrstar (Belgium) and 100 per cent for Gruppo IFI (Italy) and SES (Luxemburg). Abma (2010) reports a steady increase of the voting turnouts of Dutch AEX-AGMs from 33,3 per cent in 2005 to 49,9 per cent in 2010, and data of AGMs of large German companies over the period of 1998 and 2010 illustrate a steady decrease from 60 per cent to 42 per cent between 1998 and 2005 and an increase to approximately 55 per cent in 2010 (Vermeulen, Van der Elst, Mendoza, 2011). Van der Elst showed that voting turnout of Belgian AGMs fluctuated between 1994 and 2010 between 47 per cent and 57 per cent (Van der Elst 2008, 2010). Mallin (2006) found that in UK companies 34 per cent of the shares were voted in 1993, 35 per cent in 1995, 39 per cent in 1999 and 58 per cent in 2005. Poulsen and others (2010) addresses the voting power at the general meetings of shareholders of Swedish companies. Based on the theoretical model of Leech they found that the power of a shareholder is not strictly proportional to the voting weight but it depends on the distribution of voting rights.

With the exception of Risk Metrics (2008) showing a negative correlation between the free float of a company and the voting turnout, research did not yet study the variables that explain why shareholders vote at AGMs. Research tends to start from the premise that (a large majority to) all shareholders attend meetings and voting turnouts reflect the views and positions of all shareholders. I am only familiar with one study that showed that the concentration of voting blocks significantly increases voting turnouts (Van der Elst, 2004), confirming the Risk Metrics finding. Secondly, small shareholders attendance and the explanatory variables for small voting turnout is not yet empirically addressed. Governance for Owners (2008) pointed at the positive impact of the change to a record date system in France in 2006 to explain the increase of voting turnouts of French companies but it was not empirically researched.

SECTION II HYPOTHESES, SOURCES OF DATA AND METHODOLOGY

1. The importance of the general meeting of shareholders

The public corporation is characterized by the separation of ownership and control, on account of which the controlling authority over corporate business is subtracted from corporate owners – shareholders – and vested in corporate management (Berle and Means, 1932). It is argued that the separation of ownership and control bears the benefits of specialized decision-making by management in addition to the risk-taking attitude of shareholders (Fama and Jensen, 1983).

Conversely, dispersing ownership among high numbers of shareholders and concentrating control in the hands of only a small group of managers is attended with the potential problem of agency conflicts (Jensen and Meckling, 1976) and the accompanying effects on managements' sensitivity towards shareholder value maximization (Clifford, 2008). Therefore, notwithstanding the economic virtues of management authority (Blair and Stout, 1999; Bainbridge, 2005), the accountability of managers to shareholders is denoted to be the central issue of corporate governance for listed companies (Kraakman e.a., 2004). This perception entails constraining managerial discretion, in an attempt to redress agency costs and endorse shareholder value maximization. In particular, theory suggests that as a counterbalance for management authority, corporate law should offer shareholders adequate opportunities to monitor the actions of corporate managers that prevail over the incentives for shareholder passivity created by the features of dispersed ownership (Black, 1992). Moreover, it is argued that increasing the ability of shareholders to intervene in corporate management would redress agency conflicts, improve corporate governance and hence shareholder value (Bebchuk, 2005). Shareholders are provided with different instruments to affect the decision-making process of corporate boards using different types of activist strategies. As a large part of important corporate decision making process takes place at (extra-ordinary and ordinary) general meetings of shareholders, shareholders are offered an important low cost activist strategy to influence the corporate decision making process. The general meeting is the decision making body for the shareholders and shareholders can react to deteriorating performance by using voting rights to elect new directors or change the structure of the company. It serves as the arena for face-to-face interaction between shareholders and management (Poulsen, Strand and Thomsen, 2010). However shareholders are confronted with a collective action problem. Every shareholder has to study, analyse and decide on the efforts of the board or changes of the corporation. The cost might exceed the expected benefits and shareholders will be rational apathetic and free ride on the efforts of the other shareholders. General meetings are not identical but country and company specific. As an example I can refer to the approval of the accounts and the distribution of a dividend. Under French law the general meeting has to approve both the financial statements of the company and the consolidated financial accounts while the other countries in the study only require the shareholders to approve the financial statements. In the UK all changes of the articles of association are bundled and approved by shareholders in one single vote, while in the continental countries AGMs vote separately for each article that will be changed. In Germany, Belgium and the Netherlands, discharging directors and if applicable, supervisory board members is an item that is always on the agenda of the meeting while British and French companies do not vote on that issue.

Company law provides the general meeting with different rights (and duties) and companies that are in a process of restructuring or reorganization, want to buy back shares, change the article of association etc. will have more items on the agenda of the general meeting than companies that are performing in line with (previously determined) strategy or better than expected. The probability of free riding behavior and rational apathy will decrease when the agenda of the general meeting provides more items for which shareholders have to vote. Both large voting blockholders as well as small shareholders have more incentives to actively participate if the agenda of the general meeting of shareholders is longer. Accordingly I predict a positive relationship between the overall voting turnout of shareholders at general meetings and the importance of the meeting:

Hypothesis 1: the relative voting turnout of shareholders will be higher when the importance of the meeting is greater.

2. Ownership concentration and shareholder types

2.1. Ownership concentration

The ownership structure is considered as an important corporate governance feature and several theories provide explanations for the differences in ownership structures in different parts of the world. In a capital markets perspective, deep and liquid markets with many market analysts and merger and acquisitions activity serve as an external monitor and ownership concentration is redundant. The rent-protection theory predicts that the phenomenon of concentrated ownership is more pronounced in countries and companies where private benefits are large. As rational apathy will depend on many factors but in particular on the voting block of the shareholder and shareholder with larger voting blocks will receive a larger part of the benefits of their activism, the attendance of shareholders at AGMs of companies with larger shareholders will be higher. As the cost of their voting remains limited, blockholders will be more willing to participate and vote at general meetings.

Only shareholders with significant voting blocks have the right to call a general meeting of shareholders or add items to the agenda of the general meeting. While this right differed in the mid nineties between 3 per cent in Taiwan to 33 per cent in Mexico, the European Union has harmonised this right. Article 6 of the Shareholder's Directive 2007/36/EC provides a shareholder this right if she holds 5 per cent of the share capital. When shareholders make use of this right, the incentive to participate is higher. Intuitively it provides another argument to presume that larger shareholders will attend the meeting to support the proposals they have put forward, if any. It brings us to the second hypothesis.

Hypothesis 2a: Ownership concentration will positively affect the overall voting turnout of shareholders at the AGM

However, when many large shareholders are present in a company and participate in the general meeting the willingness for small shareholders to use their voice at general meetings will decrease. Obviously these shareholders are more likely to free ride on the activism of the large blockholders. Next, small shareholders will consider their ex ante lower probability of holding the decisive voice. The expected benefits of shareholder voice are low.

Hypothesis 2b: Ownership concentration will negatively affect the voting turnout of small shareholders at the AGM

2.2. Type of shareholders

Shareholders confronted with poorly performing companies or inadequate corporate structures have basically two options: Voice or exit. Voice includes many features like calling a general meeting of shareholders, submitting a proposal including the submission of a board candidate as well as voting at the general meeting regarding the proposed management resolutions. However not all shareholders have identical interests or use their voice in a similar manner. Aforementioned I stressed the influence of the differences in size of the voting block of the shareholders. Similarly, different types of large shareholders can have different interests to effectively make use of their voice at general meetings.

First, institutional investors in general and pension funds in particular became more active shareholders. The prominence of institutional investors in equity markets has coincided with an international call upon this class of shareholders to actively pursue their responsibilities in the corporate arena. This focus on institutional activism can be found in a variety of corporate governance codes and other regulations. In particular, European jurisdictions, like the Netherlands and the UK with in particular the Stewardship code, have established a legal framework conferring upon institutional investors a monitoring role within a company's system of checks and balances. The framework provides them with legal devices that enable them to exert their influence on a company's policy and decision-making process, *e.g.* by making use of their voting rights or by submitting proposals at the company's AGM. The perception underlying these corporate governance provisions is that unlike individuals, institutional investors are presumed to be sophisticated investors who professionally manage their investment funds in different portfolio companies (David and Kochhar, 1996). Next, a corporate governance industry has developed. As an example I can refer to ISS (later RiskMetrics and MSCI) a corporate governance service provider which provides both governance ratings and proxy voting recommendations and help many institutional investors to vote.

Second, while in the last two decades public attention was primarily directed towards institutional investors taking a stand in the field of both corporate governance and corporate control, the absence of the requisite incentives for these investors to challenge underperforming managers have paved the way for activist strategies to be provoked by hedge funds more extensively (Bratton, 2007). Hence, it is even stated that contrary to traditional institutional investors, it is hedge funds that 'hold great promise as active shareholders' (Kahan and Rock, 2006), owing primarily to the organizational and regulatory features of hedge funds which constitute significant determinants for activism on the part of these investors (Clifford, 2008). A significant argument brought up in this proposition is that hedge funds, as opposed to many traditional investors, infrequently take part in the organization of large entities such as banks or insurance companies 'whose wider interests may conflict with their duties as shareholders' (European Parliament, 2007). Second, hedge funds are also stated to have greater incentives to become activist investors or to pursue activist strategies under their performance-based remuneration policies. In fact, the compensation structure of hedge funds is found to typically consist of an annual fixed fee of 1 per cent to 2 per cent of portfolio assets, with a performance-based fee in the range of 15 per cent to 25 per cent of the profits earned each year, provided that these profits are in excess of the pre-defined high-water mark (Goetzmann e.a., 2001)

Being another class of the alternative investment sector, the private equity fund shows great similarities with hedge funds. The private equity fund is a 'closed-end fund' having a pre-defined term of 10 years, which can often be extended for another period of 3 years. The investment period of the fund in a particular portfolio company generally covers a period of 5 years, after which the fund normally exits the company and returns the proceeds to its investors (Jenkinson, 2008). Dai (2007) studied private investments in public entities and discovered that performance of companies in which venture capitalist funds were active is even significantly better than performance of companies in which hedge fund invest. As both types of investors, hedge funds and private equity funds actively manage their portfolio holdings it can be assumed that they make positive use of the voting rights attached to their portfolio holdings.

Finally, large shareholders have strong economic incentives to monitor managers and decrease agency costs (Demsetz and Lehn, 1985). This incentive is particularly strong in case of family ownership since a large part of the private wealth is invested in the company and the family might be not well-diversified. Families have strong incentives to monitor closely. Therefore, families are a unique type of investor who has exceptional concerns over firm survival and strong incentives to monitor management closely. If the monitoring activity requires the knowledge of a firm- or market-specific technology, families might also have an advantage due to their long-term presence in the firm.

Hypothesis 3: Voting turnouts will be higher in companies with family, institutional investors, hedge fund and/or private equity fund as blockholders

3. Financial performance

Many studies analysed the influence of ownership structures on corporate performance. In particular the impact of families, institutional investors, pension funds, and hedge funds on returns is well documented. Villalonga and Amit (2004) found for a large sample of American companies that family firms controlled by their heirs destroy value. Ehrhardt and Nowak (2003) supports the findings for German firms dominated by family owners with the use of a dual share class. Andres (2008) clarified the findings for German family firms. His study showed that family firms outperform other companies but only if the family is still active and represented in the board structure. Family shareholdership as such does not generate better returns. This finding is supported in the study of Maury (2006) and Miller (2007). Gillan and Starks (2000) confirmed the positive influence of shareholder activism via shareholder proposals backed by institutional investors. These can be considered as mechanisms to put pressure on managers. The findings are supported by the analysis of the Hermes fund's behavior which, via private interventions unobservable in studies relying on public information, generated significant abnormal returns (Becht, Franks, Mayer, and Rossi, 2008). Overall, institutional investors are drivers of better corporate governance (Aggarwal, 2009) but it requires long term relationships with the investee company and significant shareholdings (Chen, Harford, Li, 2007) and/or institutional investors without a business relationship with the investee companies (Cornett et al., 2007). Others cast doubt on whether institutional investors are better monitors. Among them are Duggal and Millar (1999) who showed that institutional investor activism and ownership does not improve the market for corporate control. Faccio and Lasfer (2000) confirmed the weak monitoring roles of occupational pension funds. Pension funds are long-time period investors but their added value is negligible. Nelson (2006) supports these finding after studying investments made by CalPERS. While Smith (1996) and Wahal (1996) found significant abnormal returns for poorly performing companies targeted by CalPERS, Nelson showed that the CalPERS effect does not persist into later years.

Hedge funds and private equity have been under scrutiny for a number of years. Dai (2007) studied private investments in public entities and discovered that performance of companies in which venture capitalist funds were active is significantly better than performance of companies in which hedge fund invest. However, the author doubted whether the improved performance is due to the better monitoring of venture capitalists. For a German sample, Achleitner, Betzer and Gider (2010) showed that there are significant investment differences between hedged funds and private equity funds.

Our study addresses the phenomenon of shareholder activism from another angle. It can be expected that the probability of shareholder activism grows if performance of companies is weak. Famous is the "CalpPERS effect". In its reformed Focus List Companies project CalPERS reviews the performance of a large number of companies. Performance is matched and discussed with the company. If the results of the discussion are unsatisfactory, CalPERS may request or sponsor shareowners resolutions (CalPERS, 2011). This type of shareholder behaviour implicates voting. Attendance of shareholders to participate in the voting process will be higher in companies with weak performance.

Hypothesis 4: Companies with weak financial performance will experience relative higher voting turnouts of both small and large shareholders

4. Board governance and analysts coverage

Boards of directors are an integral part of the governance of companies. Boards are generally made up of a mixture of executive and non-executive members. Non-executive directors and more in particularly independent directors are often thought to play the monitoring role inside boards. Fama (1980) and Fama and Jensen (1983) emphasize the fact that they have incentives to build reputations as expert monitors. Weisbach (1988) finds that when boards are dominated by outsiders, the board monitors the CEO better and higher CEO turnover is found. Non-executive directors and independent directors are more likely to defend the interest of the corporation as well as the interests of the shareholders instead of the interest of management. If the board of directors provides in sufficient monitoring, the need for monitoring by shareholders decreases. An important prerequisite for board monitoring is an active board of directors. I therefore expect that more active boards and more independent boards limit the need for supervision by (small) shareholders via the attendance at AGMs. However, there might be an opposite effect. Large shareholders are generally represented in the board of directors. More independent boards will have less representatives of (large) shareholders. As a result, large shareholders of companies with supermajority independent boards will have more incentives to attend meetings to enhance the probability that their interests will be appropriately "voiced" in the company. This will be in particular the case in family controlled companies (at the level of the shareholders) as families often consider the family controlled business as their “private property”.

Another mechanism of monitoring consists of equity analysts. This type of monitoring is associated with increased information production and external oversight. Analysts could lessen the need for shareholders to monitor via voting at the general meeting. I therefore expect a negative relationship between voting turnout and analyst coverage.

Hypothesis 5: Companies, other than family controlled businesses, with active and more independent boards and analyst coverage experience relative lower voting turnouts.

5. Sample selection and data sources

This paper uses hand collected data of companies that belong to national stock exchange indices of five West-European countries: the Bel-20 in Belgium, the CAC-40 in France, the DAX-30 in Germany, the AEX-25 in The Netherlands and the Footsie-100 in the United Kingdom. I started with the collection of the minutes of the annual general meetings 2010 discussing the results of the accounting period ending in 2009 or the combined annual and extra-ordinary general meeting and the notices of these general meetings. Article 5 and 14 of the European Directive 2007/36/EC require the (timely) disclosure of the convocation with the agenda and minutes with the voting results and the proportion of the capital represented by the votes. The Directive had to be transposed by August 2009 but some Member States failed to timely transpose the Directive. As a consequence not all companies disclosed all this information on their websites. These companies have been excluded from the sample. Some companies have dual listings. These companies were taken into account in the country where there registered seat is. As the UK companies would outnumber the number of companies of all other countries, the sample of UK companies was further reduced to 51 randomly selected companies. Finally three Dutch companies make use of foundations, which vote on behalf of the depositary receipt holders. As a result the relative attendance of votes at the general meeting is close to 100 per cent. Dutch scholars differentiate between the two types of companies (De Jong, Mertens, Roosenboom, 2003). For comparative reasons I had to exclude the three companies with foundations that vote at the AGM. The total number of companies in the sample is 153 of which 17 Belgian companies, 37 French companies, 29 German companies, 19 Dutch companies and 51 UK companies. The notice of the meeting contains all the items for which the shareholders are invited to vote, the minutes contain the relative attendance and the voting results. Many minutes do not provide the relative attendance but the voting results for each agenda item. For these companies I calculated the relative attendance as the total number of votes for, against or withheld relative to the total number of outstanding voting rights.

Detailed information on the shareholder structure, are obtained from annual reports, company websites and ad hoc disclosures. I took into account notified changes in the ownership structure between the end of the accounting period and the date of the general meeting of shareholders. Blockholders are shareholders that own more than 5 per cent of the total voting rights. This is the lowest mandatory disclosure threshold that is common in all countries in this study. Each of these shareholders are classified as a family shareholder, a non-financial shareholder, banks or insurance companies, other financial companies (including private equity funds, hedge funds and asset managers), the government or another type of shareholder. In continental European companies, families, the government and to a lesser extent non-financial companies often indirectly control major blocks. In these cases the voting blocks are assigned to the ultimate shareholder.

The stock market capitalization, the industry code, and the share price developments were collected from the stock exchange websites. Data on the board composition and the number of (supervisory) board meetings were collected from the corporate governance statements and the accounting data and dividends were taken from the annual report of the companies. Finally, the number of equity analysts that cover the companies was for each individual company taken from the Reuters website.[2]

6. Variables and statistical method

I regress general meeting voting turnouts on the importance of the general meeting of shareholders, the ownership structure, financial performance and board composition and activity. More specifically, I estimate several specifications of the following cross-sectional model:

[2] http://www.reuters.com/finance/stocks.

$$y_i = \beta_0 + \beta_1 \text{ (AGM importance)} + \beta_2 \text{ (Ownership structure)} + \beta_3 \text{ (Financial performance)} + \beta_4 \text{ (Board governance)} + \beta_5 \text{ (Control variables)} + \varepsilon_i;$$

I specify the regression variables as follows:

The dependent variable is (i) the total relative voting turnout or

(ii) the relative voting turnout of small shareholders calculated as:

(total relative voting turnout – summed voting block of all blockholders)/(100 per cent – summed voting block of all blockholders)

The voting turnout takes into account all shareholders that participate in the AGM. A minority of the shareholders attend the AGM in person, a majority vote by proxy, while in some cases other means to participate are available, like voting by mail.

The voting turnout of small shareholders starts from the premise that large shareholders effectively vote, although there is no mandatory requirement to do so. This premise finds support in the analysis of the data from which it is clear that the absenteeism of these shareholders would result in much lower voting turnouts. In 25 companies the summed voting block of all large shareholders exceeds the threshold of 50 per cent while the voting turnout of 24 of these companies also exceeded the threshold of 50 per cent.[3] Next, the attendance list of a limited number of Belgian companies is provided. The list illustrates that blockholders attend the meeting via the proxy mechanism. Third, although Italian companies are not included, many Italian companies also provide a list of the participating shareholders. Large shareholders of Italian companies take part in the meeting. The combination of this anecdotic evidence supports the assumption that the difference between the total voting turnout and the summed voting block of all blockholders result in the best available estimation of the voting turnout of the small shareholders.[4]

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[3] Two German companies had voting turnouts which were more than 20 per cent lower than the summed voting blocks of the large shareholders. It is not clear why these large shareholders did not attend with (all) their shares. However, from the data of the voting turnouts and the ownership structure it is clear that (i) large shareholders participated and (ii) the number of participating votes of the large shareholders was sufficient to control the decisions of the AGM. As for both companies it is not clear what the division is between the number of shares voted by large shareholders and the number of shares voted by small shareholders we excluded both companies from the second part of the regression model.

[4] Changes in voting blocks of large shareholders must only be disclosed when a mandatory threshold is passed. It is possible that the number of voted shares of the large shareholder differs from the disclosed number of votes of the large shareholders to the extent the difference is smaller than the difference between two disclosure thresholds. For one Belgian company, the summed voting blocks of the large shareholder (61,8%) moderately

To measure the importance of the AGM I make use of three different variables. The first variable is AGM items. It is calculated as the total number of items for which the shareholders can vote less the items which are pure formalities and counting the items, which have been subdivided in several subitems as one item. The latter technique is applied to increase the comparability of the data. As an example I refer to the AGM of French companies where the last item of the agenda is almost always the authorization to the board or the chairman of the board to perform all the formalities related to the other items that the general meeting has approved. This item is excluded from the total number of items as the item does not increase the "importance" of the meeting. As an example of "subitems" I again refer to the French AGM that not only has to approve the accounts of the accounting period but also has to approve the consolidated accounts. As the AGM in the other countries only approve the accounts (and discloses the consolidated accounts), the separate approval of both the annual account and the consolidated accounts in France is counted as one item. In the UK it is common that all directors stand up for (re)election every year. It is highly uncommon in other countries to reelect all members every year. To exclude this country specificity in this variable, I counted director (re) elections as one item. However, in light of the importance of shareholder voice on directors (re)elections, director (re)elections will be considered as a separate variable. Similarly, a number of German AGMs separately vote for the discharge of the individual members of the supervisory board and the individual members of the management board, discharging the supervisory board members and the management board members are each counted as one item. Further I noted that in Belgium the AGM and the EGM are strictly separated from one another, while these meetings are de facto combined in France while the items of a Belgium EGM are considered as special resolutions in a UK AGM. For comparability reasons I added the items of the Belgium EGM that takes place immediately before or after the AGM, to the number of items of the AGM. Finally, I included the number of shareholder proposals in the variable. Only eight AGMs (5 per cent) had to vote on items proposed by shareholders.

The second measure of AGM importance is the number of "extra ordinary" items for which the shareholders have to vote. Corporate law considers some decisions, like the amendments

exceeded the voting turnout (60,5%). This company was excluded from the second part of the regression model. As for all other companies the difference can be both positive and negative we assume that the large number of large shareholders will level these differences.

of the articles of association, which are outside the regular company affairs, too important to be approved as 'ordinary' resolutions. These extra-ordinary or special resolutions require in Belgium and France a separate general meeting for which a specific quorum and majorities are applicable. In the UK and Germany these decisions must be considered as 'special' resolutions for which a 75 per cent majority is required. The Netherlands is more flexible. Only some decisions require a supermajority approval at Dutch AGMs if less than half of the capital is represented. I added a variable "AGMextraitems" to measure the influence of the number of extra-ordinary resolutions presented to the shareholders as I expect that these resolutions will increase the willingness of shareholders to participate.

A third variable of AGM importance is the number of board members the AGM have to elect. Aforementioned I calculated the number AGM items and decided to consider all director elections as one item. From the agency theory it can be derived that the election of the best directors is one of the most important tasks of an AGM. Therefore I also added the variable "AGM dir. Elected". This variable is calculated as the number of (supervisory) board members that are elected by the AGM.

Ownership structure comprises both the ownership concentration and the types of blockholders. As ownership concentration measures, I both use the voting block of the largest shareholders and the summed voting blocks of all large shareholders with more than 5 per cent of the votes. If the largest voting block is smaller than 5 per cent of the votes, the shareholder structure is considered to be fully dispersed. The influence of the types of large shareholders is measured as the (summed) voting block of each type of shareholders in individual companies. As types of shareholders I identified families, non-financial companies, banks and insurance companies, other (institutional) investors (including asset managers, pension funds, hedge fund and private equity funds), and the government (both local and (foreign) national authorities).

As the financial performance variable the total shareholder return is used. It is calculated as the relative change of the stock price at the start of the accounting period and the stock price at the end of the accounting period including the dividend.

Board governance comprises both the number of meetings of the board and the relative number of independent directors. I expect that more independent and more active boards will negatively affect the voting turnouts. Belgian, French and Dutch companies provide information of the type of each director, including the chairman. In the UK the chairman is not identified as a non-executive or independent director. For comparability reasons the chairman of the UK board is considered independent unless it is indicated that the chairman is not independent. German supervisory boards are subdivided in employee representatives and shareholder representatives. Independence is not considered as an important corporate governance feature in Germany. Regressions that make use of this variable could not take into account the German companies.

Finally a number of control variables have been used. Size of the company is measured as the logarithm of the market capitalization in millions of euro[5] at the end of the accounting period. Solvability is measured as the book value of equity to total assets. Finally, industry dummies are based on two-digit SIC codes, controlling for possible effects of the 19 sample industries.

SECTION III RESULTS

1. Descriptive statistics

Table 1 shows that the average and median voting turnout at AGMs is 60 per cent. The voting turnout of 80 per cent of the AGMs is above the threshold of 50 per cent and more than half of the AGMs have an attendance of more than 60 per cent. A closer look at the voting turnouts in the different countries illustrate that the attendance is higher in the UK with a median of approximately 67 per cent and lower in Germany, the Netherlands and Belgium with a median of 53 to 54 per cent. In France the median voting turnout is 59 per cent. Especially Belgian companies experience low voting turnouts. Four of the five lowest attendance outcomes are from Belgian AGMs.

The relative voting turnout of small shareholders is lower than the overall voting turnout. The average voting turnout of this type of shareholders is 45 per cent with a median value of 49 per cent. The difference between the overall voting turnout and the voting turnout of the small shareholders is significant at the 1 per cent level (paired t: 12,14). It might be due to the fact that small shareholders are more eager to free ride although cost considerations can also explain the decision of small shareholders not to make use of the voting rights. Similarly, like

[5] For UK companies the market capitalization in pound was transposed in euro at the conversion rate of the final day of the accounting period.

for the overall voting turnout, the lowest voting turnouts of small shareholders can be found in Belgium. The five companies with the lowest attendance of small shareholders are all Belgian companies, and even eight out of the ten companies with the lowest voting turnouts are Belgian companies. In 2010, Belgium was the only country were blocking of shares was still applied. As a result the average voting turnout of small shareholders of Belgian companies is only 12 per cent, against 37 per cent for Dutch companies, 41 per cent for German companies, 45 per cent for French companies and 59 per cent for UK companies.

Insert Table 1 here

Table 2 summarizes the descriptive statistics of the explanatory variables. Shareholders have to vote on 12 different items on average, with a maximum of 37 in one Belgium company and a minimum of 5 items (6 companies) and a median of 11 agenda items. The differences between countries are small. In the Netherlands the shareholders have to vote on 10 items on average while there are 13 agenda items on average in French AGMs. In 10 per cent of the companies the shareholders only had to approve 'ordinary' resolutions. 90 per cent of the companies, including all German and UK companies, combined the AGM with an EGM (extra-ordinary general meeting) or ordinary resolutions with 'special' resolutions. The average number of 'special' resolutions is 4,5 and more than half of the companies list three to five 'special' resolutions in the agenda. One Belgian bank required the voting support for 18 extra-ordinary items. Each AGM has to (re)elect 4 directors on average, going up to as much as 20 directors that stand of for (re)election in one French board, five of which were proposed by the employees but rejected by a large majority of the shareholders. The (re)election of 20 board members can be considered as an outlier as the next highest number of (re)election of directors is 14.

The largest average voting block of these national "blue chips" companies is 18 per cent. This average is heavily influenced by a small number of controlled companies. The median voting block of the largest shareholder is only 11 per cent. The largest shareholder of a French company controls more than 84 per cent of the votes. Almost 10 per cent of the companies have a majority shareholder. Conversely, just over 10 per cent of the companies have no large shareholders controlling more than 5 per cent of the votes. There are differences in the largest voting blocks in the different countries. In the UK the average largest shareholder controls 12 per cent and in the Netherlands the average is 14 per cent. French and German companies have a voting block holder of 20 per cent on average while the largest shareholder of Belgian companies controls 30 per cent of the votes. The summed voting block of all large shareholders exceeds 25 per cent but 50 per cent of the companies have only 20 per cent of the votes in hands of large shareholders. In one company out of six companies more than 50 per cent of the votes are controlled by large shareholders. Again, there are significant differences between countries. Half of the Belgian companies have large shareholders controlling more than 50 per cent of the votes, with an average of 42 per cent. In the other countries the averages are between 19 per cent and 29 per cent. In all these countries the median summed voting block is lower than the average voting block. Belgium is the only country where next to the largest shareholder, other large shareholders control on average of more than 10 per cent of the voting rights.

Families and individuals have large voting blocks in approximately 20 per cent of all companies. Together they control 46 large voting blocks. Per individual company in which families hold a large voting block, families control on average 39 per cent of the votes, a de facto controlling voting block. All other classes of shareholders have more modest voting blocks. The government is still a large shareholder in 19 companies where it controls on average 25 per cent of the voting rights. The largest group of large shareholders are pension funds, asset managers, private equity funds and hedge funds. In half of the companies they control in global 110 large voting blocks with per company an average of 12,9 per cent of the votes. The average voting block of this class of shareholders is smaller than the average voting block of the other types of shareholders. In only one Dutch company this voting block provides a pension fund a de facto controlling voting block. Banks and insurance companies are present as large shareholders in almost 20 per cent of all companies. Remarkably only 3 are German companies. Most German banks divested their voting blocks in large German companies.

The accounting period of 2009 was more shareholder friendly than 2008. The average total shareholder return was 37 per cent, the median was 20 per cent. Shareholders of 11 companies experienced a negative return, among which the shareholders of five banks. One UK company had cut its dividend completely and experienced a share price drop of more than 60%. The share price including the dividend more than doubled in 12 other companies. High returns could be found in the agricultural, mining, and part of the manufacturing industry, while transport and utilities industries were at the lower end of the returns.

Boards of directors meet on average each 1,5 months. Some boards of directors meet only every quarter, especially the supervisory board in Germany. Six of nine companies that only have met four times in 2009 are German companies, eight out of the nine companies have a two-tier board structure. Three financial companies held more than 25 board meetings.

Boards of directors are composed of a large majority of independent directors. On average, approximately two thirds of the board is independent. Boards of directors with less than 50 per cent independent board members are all French and Belgian companies. UK and Dutch companies have a board of directors composed of a majority of independent board members. In the Netherlands the supervisory board has on average 90 per cent independent directors.

On average 26 equity analysts cover a company in our sample and half of the companies are covered by at least 27 analysts. Some smaller companies have less than 10 analysts, with one company being followed by as less as 7 analysts. Conversely, 43 analysts cover one large German company.

The companies in the sample are large. The median market value of the companies is 7,9 bio. €, and the average is even more than 18,5 bio. €. In the Belgian, UK and Dutch indices smaller companies are more often present.

56 per cent of the total value of the assets is financed with debt. The median value is lower at 51 per cent. Companies with equity to total assets of less than 10 per cent are all but two financial companies. The book value of the equity of banks is on average 4,14 per cent of the total book value; for insurance companies the average is 8,16 per cent.

Insert Table 2 here

Table 3 presents Pearson's correlation coefficients between the explanatory variables. I generally find low pairwise correlation coefficients among the variables, but some of our test variables are highly correlated causing concern that multicollinearity could affect the regression results if not mitigated. The number of AGM items includes the extra items and both are correlated. As both are used to test the importance of the meeting on voting turnout they will not be entered in the same regression. The second regression will also mitigate the significant correlation between the number of board meetings and the number of AGM items and the negative correlation between leverage of the company and AGM items. The number of directors to be elected is positively correlated with the size of the company. Larger companies generally have more directors and hence the number of directors that need to be (re)elected is generally higher for this type of companies. The largest voting block and the summed voting blocks of all large shareholders are also significantly correlated as well as correlated with other measures of ownership. These variables will be entered in separate regressions. Ownership measures are also significantly negative related with board independence. The more concentrated the ownership the lower the relative number of independent directors. This negative relationship also exists with family ownership and non-financial corporate shareholders. A similar negative correlation exists between the number of board meetings and the presence of families or individuals as large shareholders. The number of analysts is positively associated with the size of the company. It does not come as a surprise as it is logic that larger companies receive more attention of the financial markets. Finally, one other control variable, the solvability is negatively correlated with the length of the agenda of the AGM, government ownership and the number of board meetings. The latter correlation is due to the companies in the financial industry. Equity to total assets is very low in this industry and many financial companies were still struggling with the consequences of the financial crisis for which many board meetings were necessary. To mitigate the high correlation in the financial industry I rerun the regression with the exclusion of banks and insurance companies.

Insert Table 3 here

2. Multivariate analysis

I used OLS analysis to estimate the effects of the importance of the general meeting, ownership structure, financial performance and board monitoring on voting turnout of all shareholders and small shareholders separately.

The results of the regressions with the voting turnout of all shareholders as the dependent variable can be found in table 4. First, I assessed the number of agenda items for which the shareholder can vote. The results are mixed but only one regression provides in a positive relationship with the total voting turnout. As in this regression both board meetings and equity/total assets are included and these two variables are correlated with the number of items, I conclude that the number of agenda items is not influencing the decision of shareholders to attend the general meeting. Similarly the decision of the board of directors to combine the meeting with specific and important items for which most of the time supermajority approval quora are legally prescribed, does not influence the attendance behaviour of shareholders. The number of directors to be elected at the general meeting positively influences the voting turnout. With each director to be (re)elected, the attendance of shareholders increases with almost one per cent. Ownership concentration drives voting turnout. Blockholders positively affect the total voting turnout. When the concentration of shares in the hands of the shareholders with more than 5 per cent of the voting rights increase with 1 per cent, the total voting turnout at the meeting increases with 0,25 to 0,34 per cent. It does not make a difference whether the concentration is due to the larger position of the largest shareholder or the increase in voting rights of the other blockholders, although the effect differs. Blockholders, other than the largest shareholder, are more eager to participate than the largest shareholder. The regression coefficient of the sum of voting blocks is larger than the coefficient of the voting block of the largest shareholder. The type of the blockholders plays an important role for the voting turnout. First, and as expected, the different types of blockholders cause the voting turnout to increase, although for banks and insurance companies the effect is hardly significant. Second, the effect on the voting turnout of the different types of shareholders differs substantially. Increases in the voting blocks of financial institutions other than banks and insurance companies – asset fund managers, pension funds, hedge funds and private equity funds and other investments schemes, make the voting turnout soar with up to 88 per cent of the voting block increase. For the other types of shareholders the increase is between 25 per cent and 48 per cent. It is the government that takes its role as ‘active’ shareholder most serious, next to the other financial institutions. Non-financial companies are less eager to increase their AGM participation when their voting blocks increase. The relationship is significant but with a regression coefficient of only 0,25, it is less than 1/3 of the regression coefficient of other-financial institutions. The financial performance of the company positively affects the voting turnout, although the influence is limited. An increase of the total shareholder return of 10 per cent results in an increase of the voting turnout of 0,5 per cent. Although the correlation between the shareholder return and the identity of the blockholders is low, the positive impact of financial performance on voting turnouts disappears when the identity of the blockholders is added in the model. Other techniques of monitoring do not substitute for shareholder voting at AGM. More board meetings, more independent boards and more analysts have hardly any significant negative effect on voting turnout. Only one model shows a modest negative relationship between the independence of the board and the attendance of shareholders. The indebtedness of the company has no influence on the voting turnout at AGMs. The stronger the solvability ratio is, the higher the attendance ratio is. However the relationship is not significant. Industry dummies have no effect and are not reported.

Insert Table 4 here

In table 5 the OLS results of the relationship between the importance of the meeting, ownership structure, financial performance, board and external monitoring and the voting turnout of small shareholders is presented. Many of the results are similar with those that have been found for the overall shareholder voting turnout. First, only the number of directors to be elected influences the attendance of small shareholders, other items on the agenda of the AGM do not activate the small shareholder's willingness to participate. Second, the financial performance of the company positively affects the voting turnout of small shareholders. When the identity of the large shareholders is included in the model the effect of performance on small shareholder attendance is not significant. Third, the independence of the board, the number of board meetings and the number of analysts that observe the company has no effect on the attendance of small shareholders. Fourth, larger companies receive relatively more small shareholders at their AGM than smaller companies. Fifth, the solvability of the company has no major impact on the voting turnout of small shareholders. The most important difference with the voting turnout of all shareholders is the influence of the ownership structure of the company. The concentration of voting rights in hands of blockholders negatively affects the voting turnout of small shareholders. Every increase of the voting rights in the hands of blockholders with one percent reduces the attendance of small shareholders with 0,30 to 0,40 per cent. However, small shareholders react differently according to the blockholder type. Family ownership and non-financial company blockholding always significantly lowers the interests of small shareholders. When the government or banks and insurance company increase their voting blocks in companies, the influence on the voting turnout of small shareholders is not significant. Finally, blocks in hands of other financial institutions positively affect the voting turnout of small shareholders.

Insert Table 5 here

3. Robustness

In 2004 the European Union introduced a mandatory bid rule and each country had to provide the threshold to start the bid. In Belgium, the Netherlands, Germany and the UK the threshold was set at 30 per cent, in France at 1/3 of the votes. Shareholders that individually or acting in concert pass this threshold are considered to control the company. As this information is publicly available it can influence the ex ante decision of both blockholders and small shareholders to attend the AGM. I have split the sample in controlled and non-controlled companies and reiterated the regressions. The results can be found in table 6. The main findings are similar but some findings differ. The number of directors to be elected during the meeting positively influenced the attendance of all and small shareholders in non-controlled companies. This finding is confirmed in the subsample of non-controlled companies. However, in controlled companies the number of directors to be elected negatively affects the voting turnout of both all and small shareholders. The results for ownership concentration and structure and performance are confirmed although the significance of the relationship is lower. Whereas the composition of the board did not influence the voting turnout of both large and small shareholders in the overall model, small shareholders attend less often general meetings of non-controlled companies with more independent boards. There seems to be some substitution in monitoring behaviour. Conversely in controlled companies, more analysts follow up increases shareholder participation.

Insert Table 6 here

As a next step to control the robustness of the results I use a number of alternative proxies for the importance of the general meeting, performance, board monitoring and size. As the results of the influence of the number of board members to be elected on voting turnout are not straightforward I test the relative number of board members to be (re)elected to the total number of directors. It is possible that voting turnout of shareholders is conditional on the relative weight of the new board members to be elected. However, this number is negatively correlated with ownership. Next, I test if shareholders are more sensitive to dividend growth and recent stock performance than to total shareholder return. I use as proxies for performance the dividend growth and the stock performance between the end of the accounting period and the end of the month preceding the general meeting. Third, while in some countries companies must comply with the rule of relative board independence, in other countries best practices only prescribes an absolute number of independent board members. According to the social psychological literature group dynamics can only be altered if the suggested changes cannot be marginalized by the group. I would therefore use the total number of independent directors as a proxy for board monitoring but this proxy is significantly negatively related to several other variables. Instead I use the interaction of the board meetings and the relative independence of the board to capture the activism of the independent board members. The interaction is only significantly negatively correlated with the summed voting block of all large shareholders. Finally, I use as an alternative proxy for the size of the company the logarithm of total equity. The use of total equity instead of total assets allows banks to be included in the sample.[6] The results of this regression are presented in table 7. It confirms both the positive influence of the presence of blockholders on the overall voting turnout and the negative influence on the attendance of small shareholders. Financial performance is not an important driver for shareholders to attend the meeting. Other explanatory variables, among which the number of directors to be elected can influence shareholder engagement but they are not the main driver. Blockholders take into account the activity of the independent board members but small shareholders do not.

Insert Table 7 here

SECTION IV DISCUSSION AND POLICY CONCLUSIONS

The results show that not all the hypotheses are confirmed. The voting turnout of shareholder is not always higher if the shareholders can vote on more items. Only when more directors are (re)elected the voting turnout is positively influenced. Hypothesis 1 is only partially confirmed. Ownership concentration increases the overall voting turnout but smaller shareholders reconsider their attendance when ownership is concentrated and in hands of

[6] Total assets are in the financial industry a multiple compared to the total assets outside this industry.

families or non-financial companies. Both hypotheses 2 and hypothesis 3 are confirmed. Financial performance and other monitoring mechanisms do not affect voting turnouts. Hypotheses 4 and 5 are not supported.

Shareholder engagement is high on the agenda of policymakers. In the green paper on corporate governance of April 2011, the European Commission addresses the issue of shareholder engagement as follows: "Shareholder engagement is generally understood as actively monitoring companies, engaging in a dialogue with the company's board, and using shareholder rights, *including voting* and cooperation with other shareholders, if need be to improve the governance of the investee company in the interests of long-term value creation."

The position of the European Commission implies that voting is considered as an important corporate governance feature and high voting turnouts – more than high levels of opposition – illustrate shareholder engagement. Shareholders that vote show commitment to the company. Our study shows that voting turnouts can be influenced when shareholders are provided with the appropriate rights to influence corporate decision taking. It is not necessary to provide in a long list of items. There is no relationship between the number of items on the agenda of the AGM and the voting turnouts. Similarly, the right to vote on special resolutions changing the articles of association of the company, have no significant impact on voting turnouts, although the opposition against the changes can be higher than the opposition for other items. Many general meetings empower the board of directors to issue new shares, allow the annulment of shares, to reduce the capital and authorize the board to make use of poison pills in case of a hostile takeover bid. These items experience relatively higher opposition than other agenda items, but this study shows that these items do not influence the voting turnout itself. It provides evidence that the power of directors to take the decision which items must be put on the agenda of the company is efficient. This approach is applied in the U.S. where shareholders are less involved in corporate decision taking processes (Thomson and Edelman, 2009).

Director elections positively influence the voting turnout of both large and small shareholders. For every director that has to be elected both the voting turnout increases with almost 1 percent. Also smaller shareholders are more willing to attend meetings where more directors stand up for (re)election. Only in controlled companies director (re)elections can have a negative effect. One of the options could be to issue a recommendation to have the independent directors elected by the minority shareholders attending the meeting – independent from the ownership structure of the company – to provide more voice to small shareholders in controlled entities and at the same time enforce the position of these directors acting in the interests of all stakeholders.

Contrary to what was expected the financial performance has only limited influence on the voting turnout of both small and large shareholders and the evidence points in the direction that shareholders are more interested in monitoring better performing and larger companies. Making board members accountable to the shareholders, which is at date accomplished via the approval of the annual accounts and discharging is redundant. It is not influencing the voting turnouts at general meetings, the opposition is negligible (Risk Metrics 2008, Conyon and Sadler, 2010, Cai, 2009) and this part of the shareholder decision taking is legally ambiguous. This ambiguity can be illustrated as follows. In the UK the accounts and reports are approved by the board and signed by a director after which both the accounts and reports "laid before" the general meeting (Section 414 and 437 Companies Act 2006). The German management board must submit the accounts and the report to the supervisory board that reviews both the accounts and the report. This procedure results in the "adoption" of the accounts (Section 171-172 Companies Act). The management and the supervisory board are allowed to take the decision that the "adoption" of the accounts is left to the AGM (Section 173 Companies Act). The Dutch board must sign the accounts while it is the power of the AGM to "adopt" the accounts (article 101 Book 2 Civil Code). The report is only provided to the shareholders. The French AGM has to "receive" the report of the board and "deliberate and decide on all questions that relate" to both the accounts and the consolidated accounts (article L225-100 Commercial Code). In Belgium, the shareholders have to "hear" the annual report and "to treat" the accounts. The AGM must approve the accounts (article 554 Companies Code). In the US the general meeting of shareholders is not involved in the process of the "establishment" of the accounts. German and Belgian law requires that the AGM votes the discharge of the directors (Section 120 German Companies act and article 554 Belgian Companies Code). It is common practice to take one decision to discharge all the directors but some AGMs vote to discharge each director individually. Under Dutch law it is not mandatory to discharge the directors. The law only prohibits the combination of "adoption" of the accounts and discharging the directors. It is common practice in the Netherlands to discharge the directors. In the UK it is neither provided in the companies act to discharge the directors nor is it practiced. A decision of the UK AGM to discharge the directors would even be void (section 232 Companies Act 2006). The French commercial code does not provide in the discharge of the directors nor is it practiced.

The European Commission recognizes that voting is not a goal but a mean: it is of importance if it can help to improve long-term value creation. This research helps to find the role and the position of the AGM where this voting takes place. Voting turnouts are heavily influenced by the ownership structure of the company. Large shareholders have more incentives to participate in AGMs. However different types of shareholders have different voting behaviors which influence the voting turnout of other shareholders. Families, financial institutions other than banks and insurance companies and governments with large voting blocks positively influence the voting turnout. The effect is very high if financial institutions other than banks and insurance companies are among the blockholders of the company. The role of this type of shareholders is envisaged by many regulators and the results show that these interventions did not miss their effect. Banks and insurance companies and sometimes non-financial companies that are blockholders derive lower incentives from their investments to participate in the AGMs of their investees. Conversely small shareholders are less eager to participate in the AGM if they are confronted with family and non-financial blockholders in the investee companies. When other types of large shareholders are present in the shareholder base of the investee, small shareholder do not necessarily alter their participation behavior significantly. It follows from the findings that the mandatory quorum rules that AGMs have to meet in many countries, in particular to approve special resolutions, should be abolished as, in light of the significant influence of the ownership concentration and ownership structures which companies cannot control, it hampers companies in its decision making process.

Insert Table 8 here

Empowering the general meeting of shareholders can enhance shareholder democracy and shareholder involvement. However the strengthening of shareholder powers should be used diligently. The AGM should be used as a strategic governance tool for director elections while the central decision making body should be the board, balancing shareholder primacy with board primacy. Future research can help to define which strategic issues should be left to the AGM. Recently, many legislators and regulators empowered the AGM to vote the remuneration (report) of the board of directors. UK research already illustrated that opposition is significantly higher for the remuneration report than for other items on the agenda of the AGM. For policy making it would be of interest to know if this item also increases voting turnouts. Second, I showed in a cross section that financial performance does not influence the shareholders' decisions to attend the general meeting. Time series can illustrate if developments over time cause shareholders to differentiate their voting behavior. I will address the developments of shareholder participation in future research.

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Table 1: Descriptive statistics of the explained variables

	n	mean	std	min	q1	med	q3	max
total relative voting turnout	153	59,52%	13,25%	17,66%	53,06%	60,21%	69,98%	92,03%
small shareh. voting turnout	150	45,13%	16,91%	1,24%	36,95%	48,72%	57,08%	74,46%

Table 2: Descriptive statistics of the explanatory variables

	n	mean	std	min	q1	med	q3	max
AGM items	153	11,76	4,51	5	9	11	13	37
AGM extra items	152	4,53	3,28	0	3	4	5	18
AGM dir elected	153	4,33	3,53	0	2	4	6	20
voting block largest	153	18,05%	16,69%	<5%	6,84%	10,80%	27,14%	84,48%
sum voting blocks	153	25,07%	20,24%	<5%	7,53%	19,98%	37,67%	90,12%
family	29	39,00%	15,17%	5,22%	29,42%	38,90%	52,84%	63,64%
non-financial company	20	24,06%	15,55%	5,22%	8,52%	26,09%	31,57%	52,91%
bank & insurance	29	13,56%	10,74%	5,01%	6,23%	11,13%	14,80%	55,45%
other financial	75	12,89%	7,41%	5,00%	5,85%	10,25%	16,42%	40,36%
government	19	25,73%	20,27%	5,18%	6,76%	25,00%	37,01%	84,48%
total shareholder return	153	37,03%	52,04%	-60,91%	7,98%	19,82%	56,63%	446,17%
board meetings	151	8,63	3,93	4	6	8	10	33
independence	122	64,38%	20,47%	13,64%	53,62%	65,48%	77,78%	100%
Analyst coverage	153	26,34	7,83	7	21	27	32	43
market cap in mio €	153	18533	24768	870	4294	7902	22799	138905
log (market cap)	153	3,99	0,48	2,94	3,63	3,9	4,36	5,14
equity/total assets	153	44,24%	17,88%	1,41%	36,02%	48,59%	57,06%	74,46%

Table 3: Correlation between the explanatory variables

	AGM items	AGM extra items	AGM dir. elected	voting block largest	sum voting blocks	family	non-fin company	bank& insurance	other financial	Govern ment	total share-holder return	Indepen-dence	board meetings	analysts	log (market cap)
AGM extra items	**0,729**														
AGM dir. elected	0,201	0,137													
voting block largest	0,026	-0,020	-0,140												
sum voting blocks	0,007	-0,010	-0,096	**0,877**											
family	-0,163	-0,104	-0,161	**0,648**	**0,645**										
non-fin company	0,020	0,114	-0,002	**0,235**	**0,304**	-0,105									
bank& insurance	0,202	-0,026	0,199	0,066	0,179	-0,132	-0,023								
other financial	-0,064	-0,069	0,003	-0,168	-0,064	**-0,288**	-0,160	0,026							
government	0,125	0,067	-0,056	**0,385**	**0,364**	-0,075	-0,033	-0,184	-0,056						
total shareholder return	-0,121	-0,075	0,009	0,017	0,054	-0,009	-0,108	**0,465**	0,053	-0,101					
independence	-0,139	-0,126	-0,135	**-0,494**	**-0,510**	**-0,237**	**-0,403**	0,224	-0,050	-0,209	0,178				
board meetings	**0,357**	0,143	0,193	-0,136	-0,095	**-0,263**	0,015	0,022	0,087	0,183	-0,082	0,033			
analysts	0,098	0,121	-0,083	-0,114	-0,192	-0,106	0,001	-0,169	-0,114	0,042	-0,148	0,137	-0,080		
log (market cap)	0,177	0,141	**0,234**	-0,060	-0,145	-0,131	-0,055	-0,140	-0,147	0,160	-0,097	-0,074	0,100	**0,615**	
equity/total assets	**-0,265**	-0,149	-0,067	-0,013	-0,034	0,127	-0,090	0,180	-0,128	**-0,228**	0,134	0,115	**-0,330**	-0,181	-0,184

This table reports Pearson's correlation coefficients for all variables used in the regressions. Spearman correlations (unreported for brevity) are consistent with the Pearson correlations. Boldface indicates statistical significance at the 1% level

Table 4: Relation between importance of general meetings, ownership, financial performance, board and analyst monitoring and voting turnout

The dependent variable in all OLS regressions is the total voting turnout in percent. The independent variables are AGM items which is the total number of regular AGM items for which shareholders have to issue a vote, AGM extra items which is the number of special resolutions or the number of items of the extraordinary general meeting that precedes or follows the AGM, AGM dir. Elections is the total number of directors that stand up for (re)elections, voting block largest is the voting block of the largest shareholder in percent, sum voting block is the summed voting block of all shareholders with a voting block of more than 5 percent, family is the total voting block of all family shareholders with a voting block of more than 5 percent, non-financial company is the total voting block of all non-financial company shareholders with a voting block of more than 5 percent, bank&insurance is the total voting block of all bank and insurance companies with a voting block of more than 5 percent, other financial is the total voting block of all other financial institutions with a voting block of more than 5 percent, government is the total voting block of the government with a voting block of more than 5 percent, total shareholder return is the percent difference of the stock price at the end of the accounting period (including the dividend) and at the start of the accounting period, board independence is the percent of independent board members, board meetings is the number of board meetings during the accounting period, analysts is the number of analysts that according to Reuters follow the company, log (market cap) is the logarithm of the market capitalization in mio. euro at the end of the accounting period and equity/total assets is the percent ratio of equity to total assets. T-values are between brackets. *, **, and *** denote statistical significance at the 10%, 5%, and 1% levels, respectively.

Independent Variables and statistics		Dependent variable =Total voting turnout					
	Exp.	1	2	3	4	5	6
constant		33,490	14,429	43,166	41,937	43,801	44,674
		(3,289)***	(1,412)	(9,021)***	(8,934)***	(4,273)***	(5,278)***
AGM items	+	-0,050	0,630			0,060	
		(-0,028)	(2,284)**			(0,244)	
AGM extra items	+			0,265	0,313		0,618
				(0,922)	(1,135)		(1,758)*
AGM dir. Elections	+			0,834	0,948		0,862
				(3,071)***	(3,560)***		(2,264)**
voting block largest	+					0,170	
						(2,178)**	
sum voting blocks	+	0,253		0,338			
		(4,070)***		(7,162)***			
family	+		0,358		0,367		0,296
			(6,143)***		(6,367)***		(3,758)***
non-fin company	+		0,249		0,267		0,157
			(2,538)**		(2,650)***		(1,275)
bank&insurance	+		0,388		0,207		0,367
			(1,959)*		(1,618)		(1,802)*
other financial	+		0,693		0,877		0,788
			(4,470)***		(5,945)***		(4,583)***
government	+		0,331		0,484		0,415
			(3,532)***		(5,591)***		(3,608)***
total shareholder return	-	0,047	0,011	0,042	0,001	0,052	0,000
		(2,497)**	(0,537)	(2,348)**	(0,056)	(2,660)***	(0,016)
independence	-	-0,083				-0,139	-0,128
		(-1,364)				(-2,222)**	(-1,913)*
board meetings	-		0,213	-0,250	-0,366	-0,324	-0,026
			(0,519)	(-1,032)	(-1,513)	(-1,119)	(-0,053)
analysts	-			0,135	0,147		0,211
				(1,106)	(1,249)		(1,314)
log (market cap)	-	6,219	6,128			5,724	

		(2,952)***	(2,863)***			(2,596)**	
equity/total assets	?		0,049				0,057
			(0,797)				(0,830)
adj R^2		0,258	0,325	0,297	0,358	0,196	0,345
F		9,420	7,168	11,326	9,199	5,873	5,476
N		122	129	148	148	121	103

Table 5: OLS Regressions. Relation between importance of general meetings, ownership, financial performance, board and analyst monitoring and small shareholder's voting turnout

The dependent variable in all OLS regressions is the voting turnout in percent of small shareholders. The voting turnout is calculated as (total relative voting turnout – summed voting block of all blockholders)/(100 per cent – summed voting block of all blockholders). The independent variables are AGM items which is the total number of regular AGM items for which shareholders have to issue a vote, AGM extra items which is the number of special resolutions or the number of items of the extraordinary general meeting that precedes or follows the AGM, AGM dir. Elections is the total number of directors that stand up for (re)elections, voting block largest is the voting block of the largest shareholder in percent, sum voting block is the summed voting block of all shareholders with a voting block of more than 5 percent, family is the total voting block of all family shareholders with a voting block of more than 5 percent, non-financial company is the total voting block of all non-financial company shareholders with a voting block of more than 5 percent, bank&insurance is the total voting block of all bank and insurance companies with a voting block of more than 5 percent, other financial is the total voting block of all other financial institutions with a voting block of more than 5 percent, government is the total voting block of the government with a voting block of more than 5 percent, total shareholder return is the percent difference of the stock price at the end of the accounting period (including the dividend) and at the start of the accounting period, board independence is the percent of independent board members, board meetings is the number of board meetings during the accounting period, analysts is the number of analysts that according to Reuters follow the company, log (market cap) is the logarithm of the market capitalization in mio. euro at the end of the accounting period and equity/total assets is the percent ratio of equity to total assets. T-values are between brackets. *, **, and *** denote statistical significance at the 10%, 5%, and 1% levels, respectively.

Independent Variables and statistics		**Dependent variable = voting turnout of small shareholders**				
	Exp.	1	2	3	4	5
constant		21,957	9,529	43,209	28,735	35,247
		(1,842)*	(0,067)	(6,543)***	(2,546)**	(3,024)***
AGM items	+	-0,097	0,415			
		(-0,316)	(1,075)			
AGM extra items	+			0,144	0,084	0,527
				(0,365)	(0,225)	(1,083)
AGM dir. Elections	+			0,906	0,809	1,220
				(2,437)**	(2,225)**	(2,328)**
sum voting blocks	-	-0,404		-0,310		
		(-4,789)***		(-4,546)***		
family	-		-0,293		-0,276	-0,464
			(-3,441)***		(-3,394)***	(-4,250)***
non-fin company	-		-0,478		-0,468	-0,475
			(-3,540)***		(-3,496)***	(-2,802)***
bank&insurance	-		0,067		-0,344	-0,067
			(0,240)		(-1,950)*	(-0,239)
other financial	-		0,264		0,482	0,406
			(1,235)		(2,435)**	(1,714)*
government	-		-0,221		-0,079	-0,111
			(-1,624)		(-0,675)	(-0,703)
total shareholder return	-	0,065	0,017	0,065	0,014	0,005
		(2,537)**	(0,595)	(2,644)	(0,527)	(0,162)
independence	-	0,607				-0,069
		(0,683)				(-0,754)
board meetings	-		0,194	-0,245	-0,403	0,159
			(0,339)	(-0,737)	(-1,248)	(0,239)
analysts	-			0,167		0,247

				(0,981)		(1,118)
log (market cap)	-	6,958	8,023		4,336	
		(2,010)**	(2,716)***		(1,618)	
equity/total assets			0,008			0,055
			(0,095)			(0,581)
adj R^2		0,265	0,249	0,177	0,263	0,355
F		9,648	5,152	6,178	6,216	5,626
N		121	126	145	147	102

Table 6: OLS Regressions. Relation between importance of general meetings, ownership, financial performance, board and analyst monitoring and (small shareholder's) voting turnout in controlled and non-controlled companies

The dependent variable is the total voting turnout in percent in column two to five and the voting turnout in percent of small shareholders in column six to nine. The latter voting turnout is calculated as (total relative voting turnout – summed voting block of all blockholders)/(100 per cent – summed voting block of all blockholders). The independent variables are AGM items which is the total number of regular AGM items for which shareholders have to issue a vote, AGM extra items which is the number of special resolutions or the number of items of the extraordinary general meeting that precedes or follows the AGM, AGM dir. Elections is the total number of directors that stand up for (re)elections, voting block largest is the voting block of the largest shareholder in percent, sum voting block is the summed voting block of all shareholders with a voting block of more than 5 percent, family is the total voting block of all family shareholders with a voting block of more than 5 percent, non-financial company is the total voting block of all non-financial company shareholders with a voting block of more than 5 percent, bank&insurance is the total voting block of all bank and insurance companies with a voting block of more than 5 percent, other financial is the total voting block of all other financial institutions with a voting block of more than 5 percent, government is the total voting block of the government with a voting block of more than 5 percent, total shareholder return is the percent difference of the stock price at the end of the accounting period (including the dividend) and at the start of the accounting period, board independence is the percent of independent board members, board meetings is the number of board meetings during the accounting period, analysts is the number of analysts that according to Reuters follow the company, log (market cap) is the logarithm of the market capitalization in mio. euro at the end of the accounting period and equity/total assets is the percent ratio of equity to total assets. T-values are between brackets. *, **, and *** denote statistical significance at the 10%, 5%, and 1% levels, respectively.

Independent variables and statistics	**Total voting turnout controlled companies**		**Total voting turnout non controlled companies**		**voting small shareholders controlled companies**		**voting small shareholders non-controlled companies**	
	1	2	1	2	1	2	1	2
constant	28,058	-12,224	49,48	52,696	-50,084	18,742	69,476	33,089
	(3,173)***	(-0,796)	(8,923)***	(4,364)***	(-1,701)	(1,075)	(7,362)***	(2,852)**
AGM items		0,182		0,142	0,086			
		(0,529)		(0,479)	0,128			
AGM extra items	0,556		0,097			-0,061	0,384	0,102
	(1,276)		(0,295)			(-0,071)	(0,789)	(0,259)
AGM dir. elections	-1,356		1,321			-1,996	0,643	1,385
	(-2,125)**		(4,700)***			(-1,791)*	(1,517)	(4,062)***
sum voting blocks		0,505		0,348	-0,213	-0,260	-0,275	
		(3,095)***		(3,586)***	-0,648	(-1,005)	(-2,386)**	
family	0,434		0,375					-0,286
	(3,458)***		(2,968)***					(-1,888)
non-fin company	0,293		0,356					-0,211
	(1,799)*		(1,957)*					(-0,976)
bank&insurance	0,406		0,058					-0,450
	(1,985)*		(0,353)					(-2,207)**
other financial	1,154		0,851					0,504
	(3,379)***		(5,438)***					(2,676)**
government	0,367		0,507					-0,112
	(2,892)***		(2,564)**					(-0,480)
total shareholder return	-0,019	0,016	0,011	0,064	0,015	0,074	0,073	0,030
	(-0,627)	(0,704)	(0,414)	(2,285)**	(0,340)	(1,840)*	(2,145)**	(0,921)
independence		0,178		-0,230	0,403		-0,290	
		(1,622)		(-3,273)***	(1,886)*		(-3,257)***	
board meetings	0,630	0,122	-0,553	-0,690	0,319	1,019	-0,728	-0,529
	(1,361)	(0,285)	(-2,105)**	(-2,101)**	(0,389)	(1,267)	(-2,050)**	(-1,708)*
analysts	0,610		-0,094			0,956	0,182	
	(3,356)***		(-0,658)			(2,523)**	(0,872)	

log (market cap)		10,062		4,670	17,068			2,782
		(2,150)**		(1,951)*	(1,882)*			(1,043)
adj R^2	0,445	0,509	0,347	0,281	0,223	0,186	0,186	0,247
F	3,887	6,005	6,894	6,921	2,291	2,258	3,939	4,666
N	40	40	111	91	40	40	90	112

Table 7: OLS Regressions. Relation between importance of general meetings, ownership, financial performance, board monitoring and (small shareholder's) voting turnout

The dependent variable is the total voting turnout in percent in column two and three and the voting turnout in percent of small shareholders in column four and five. The latter voting turnout is calculated as (total relative voting turnout – summed voting block of all blockholders)/(100 per cent – summed voting block of all blockholders). The independent variables are AGM items which is the total number of regular AGM items for which shareholders have to issue a vote, AGM extra items which is the number of special resolutions or the number of items of the extraordinary general meeting that precedes or follows the AGM, AGM dir. Elections is the total number of directors that stand up for (re)elections, voting block largest is the voting block of the largest shareholder in percent, sum voting block is the summed voting block of all shareholders with a voting block of more than 5 percent, family is the total voting block of all family shareholders with a voting block of more than 5 percent, non-financial company is the total voting block of all non-financial company shareholders with a voting block of more than 5 percent, bank&insurance is the total voting block of all bank and insurance companies with a voting block of more than 5 percent, other financial is the total voting block of all other financial institutions with a voting block of more than 5 percent, government is the total voting block of the government with a voting block of more than 5 percent, total shareholder return is the percent difference of the stock price at the end of the accounting period (including the dividend) and at the start of the accounting period, board independence is the percent of independent board members, board meetings is the number of board meetings during the accounting period, analysts is the number of analysts that according to Reuters follow the company, log (market cap) is the logarithm of the market capitalization in mio. euro at the end of the accounting period and equity/total assets is the percent ratio of equity to total assets. T-values are between brackets. *, **, and *** denote statistical significance at the 10%, 5%, and 1% levels, respectively.

Independent variables and statistics	**total voting turnout**		**small shareholders' voting turnout**	
	1	2	1	2
constant	54,163	50,977	30,382	49,387
	(7,221)***		(2,913)***	(5,428)***
elected dir to total board	0,077		0,224	
	(1,675)*		(3,521)***	
all known		0,325		-0,326
		(6,919)***		(-4,782)***
dividend growth	0,013	0,070	-0,013	0,002
	(0,559)	(0,339)	(-0,398)	(0,076)
stock price increase	0,016	-0,078	-0,147	-0,071
	(0,176)	(-0,968)	(-1,160)	(-0,644)
indep * meeting	-0,013		0,040	
	(-3,571)***		(0,840)	
log equity	2,781	0,141	0,813	0,967
	(1,384)	(0,084)	(0,291)	(0,421)
adj R	0,086	0,228	0,086	0,122
F	3,251	12,049	3,247	6,114
N	124	153	123	151

Table 8: Quorum requirements in European countries

	Quorum AGM	Quorum EGM	solution
Belgium		50%	first call
France	20%	25%/33,3%	second call 20%
Italy	50%	50%	second call 1/3/third and further calls
Spain	25%	50%	second call 25%

Georgeson (2008)