



Governance around the world: Practices in France

WebConference

PARIS, 2022 April 5th

BPA

AFEP-MEDEF Code

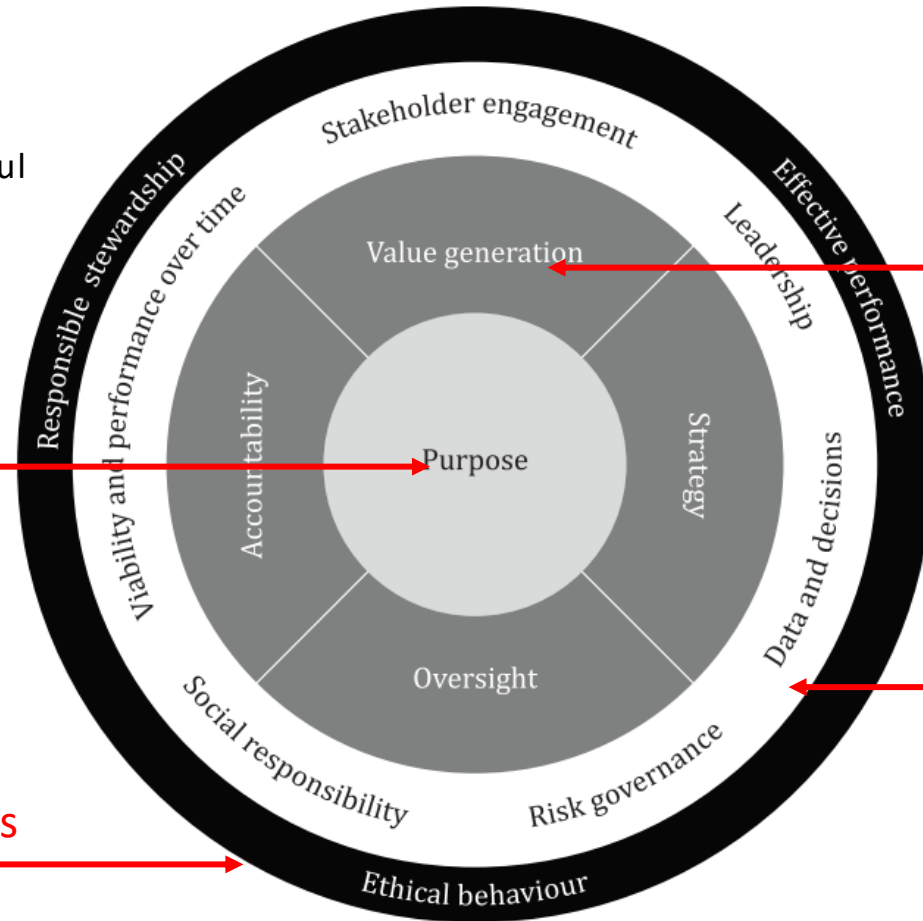
- The AFEP-MEDEF code is **a reference code** pursuant to Articles L.225-37-4 and L.225-68 of the French Commercial Code.
- **A code under the monitoring** of the High Committee on Corporate Governance (HCGE)
- **A code used by the regulator** (AMF – Autorité des Marchés financiers) to assess governance practices of listed companies.
- Code latest additions:
 - Long term value creation - 2018
 - ESG integration - 2018
 - Gender diversity (Male/Female) - 2020
 - Director's compensation (Ratios) -2020



ISO 37000 Governance of organizations: Overview

The ISO 37000 standard distills governance into 11 core principles that are at the heart of any successful organization.

1 Primary governance principle



4 Foundational governance principles

6 Enabling governance principles

Key governance outcomes

AFEP-MEDEF code:2020 vs ISO 37000:2021

ISO 37000 sections

| | | | |
|----------------------------|--|------------------------|---------------------|
| 4.1 General | 4.2 Integrated governance | 4.3 The governing body | 6.1 Purpose |
| 6.2 Value generation | 6.3 Strategy | 6.4 Oversight | 6.5 Accountability |
| 6.6 Stakeholder engagement | 6.7 Leadership | 6.8 Data and decisions | 6.9 Risk governance |
| 6.10 Social responsibility | 6.11 Viability and performance over time | | |

Note: This table aims at assessing the AFEP-MEDEF code rules coverage, and is NOT a compliance matrix

Not addressed
 Initial intent
 Partially covered
 Covered

AFEP-MEDEF

- Listed company (SBF120)
- Rule book
- Value driven
- Stakeholders (narrow)

- As part of the national regulation framework

ISO 37000

- Any organization
- List of principles
- Purpose driven
- Stakeholders (wide)

- International guidance

The application of the AFEP-MEDEF code: « *Comply or explain* » as a business principle behavior

HCGE reminders sent to corporates

- Gender diversity policy
- Compliance with the rules governing membership, and in particular the proportion of independent members on the Board and its committees
- Holding meetings without the presence of executive managers
- Procedure for selecting directors
- Establishment of a management succession plan
- Presence of an employee representative as a member of the Compensation Committee
- Possibility for the Board to waive the non-competition clause upon the departure of the executive
- CSR criteria for determining the variable compensation of executives
- Formal commitment by executives not to use hedging transactions for long-term compensation plans
- Clarification of the proportion of options or performance shares allocated to executives in relation to capital
- Ratio on compensation

HCGE thematic focus

- 2021
 - Governance in the context of the health crisis
 - Proven, general and lasting conflict of interest concerning directors
 - Independence of former directors of a subsidiary
 - Review of the independence of directors and significant business relationships
 - Director representing employees on the Compensation Committee
 - Women in management bodies
 - The ratio of compensation gaps
 - Meetings of board members without the presence of executive directors.
- 2022
 - Sustainable governance
 - Corporate social and environmental responsibility
 - Gender diversity in management bodies

Source : *The 8th report of the High Committee on Corporate Governance (Nov 2021)*

Trends in French governance practices

Transparency

From “Say on pay” to “Say on climate”

Gender diversity

Being a director

Fit & proper

From “independent director” inclusion to a performant decision making process

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