



2022

PROXY SEASON REVIEW FRANCE

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HIGHLIGHTS

(SBF 120)



AVERAGE
QUORUM: 76%

119

NUMBER OF
CONTESTED
RESOLUTIONS WITH
20%+ DISSENT*

360

NUMBER OF
CONTESTED
RESOLUTIONS WITH
10%-20% DISSENT*

12

NUMBER OF
SHAREHOLDER
PROPOSALS

REMUNERATION

MOST CONTESTED PROPOSALS

*Percentage based off of total number of votes

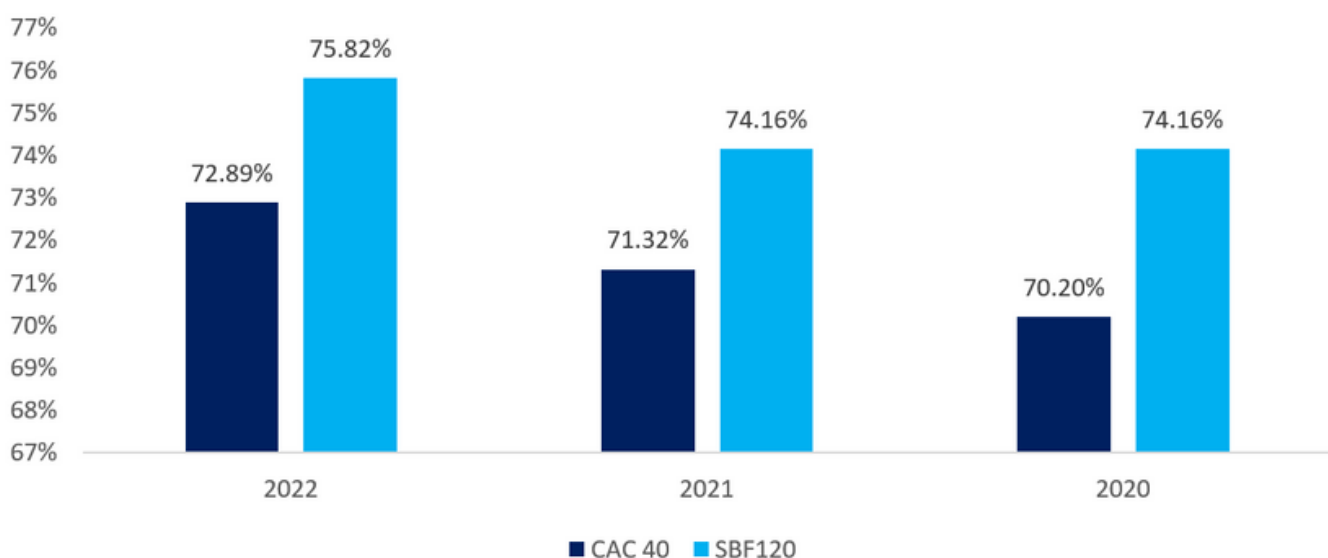
GENERAL OVERVIEW

(SBF 120)

As in previous years, CMi2i has analysed the French Annual General Meeting landscape in order to identify and highlight the major trends and topics of the 2022 season. This year, CMi2i gathered and reviewed the data for the two main indices, the CAC 40 and the NEXT 80, composing the SBF 120. Since our 2021 AGM Review, a new issuer, OVH Groupe SAS has entered the SBF 120 index and is assessed in our Review. The general sections of this report will cover the SBF 120 companies while some specific sections, namely the “focus on remuneration” and the “focus on Board”, will solely cover the CAC 40. Finally, and in order to avoid potential overlapping with other countries, all the companies not headquartered in France have been excluded from the report[1].

During the period under review, 2,554 management resolutions were put forward across 112 companies. The average AGM representation (quorum) of the SBF 120 for the 2022 proxy season was 75.82%, and 72.89% for the CAC 40, the highest recorded levels from the last three years.

THREE YEAR QUORUM COMPARISON (SBF 120 - CAC 40)



[1] ArcelorMittal, Stellantis, Aperam, Euronext, SES, Solvay, STMicroelectronics and Technip Energies.



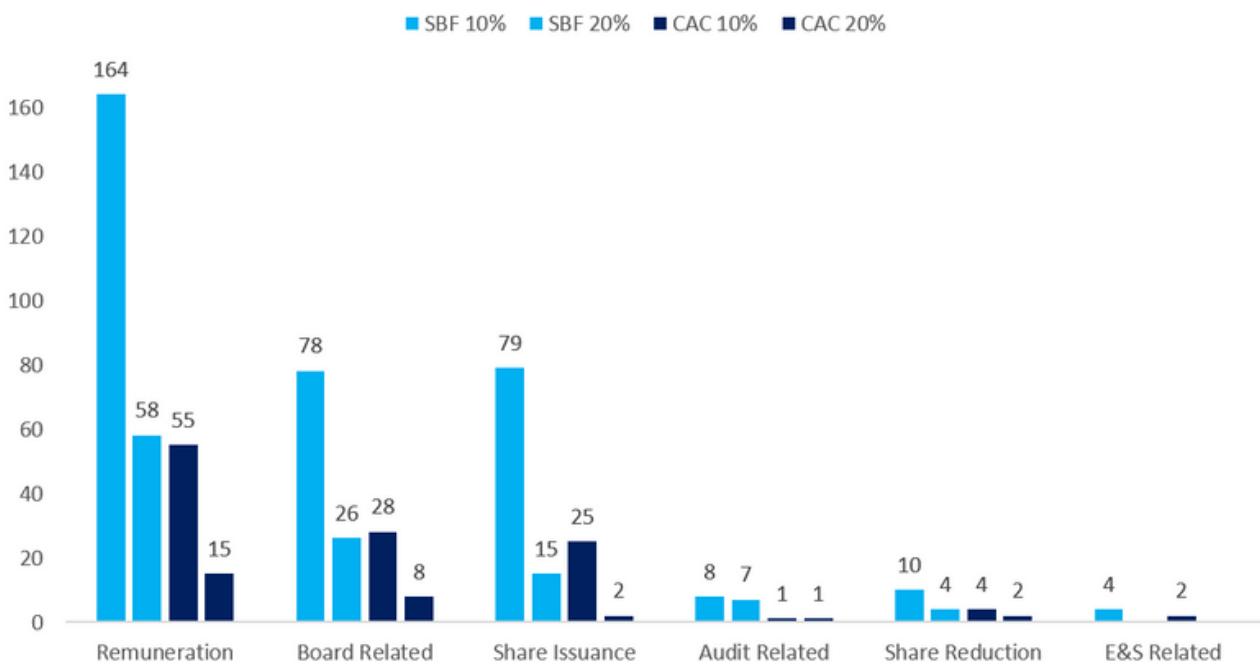
In order to proceed with this analysis, we have categorised the resolutions into 10 macro categories.

Based on the disclosed results, Remuneration and Board Related proposals were the most challenged resolutions in France in 2022 with an average of 7% and 6% dissent votes respectively. On the other end of the spectrum, Dividend and Financial Statements received the highest level of support with less than 1% negative votes on average.

All 13 rejected proposals this year were from companies in the NEXT 80 index. 10 out of 13 resolutions were remuneration related proposals, two Board of Directors and one third party transaction.

A record number of 164 remuneration related proposals were contested by at least 10% of shareholders across SBF 120, with 58 of them contested by 20% or more. 78 Board related resolutions received 10% dissent, with 26 of them receiving 20% or more negative votes.

AVERAGE SUPPORT BY CATEGORY





Focus on...

ESG

(SBF 120)

The 2022 AGM season marked a surge in Say-on-Climate proposals, with 10 issuers among the SBF 120 presenting Climate Transition Plan for shareholders' approvals marking a 70% increase compared to 2021.

This peak in "E" resolutions could be explained by the increasing stakeholders' demands such as from the Forum pour l'investissement responsable ("FIR") for an annual advisory vote on corporates' climate strategic plans and implementation of this strategy, to assess the stringency of the plans.

Whilst these resolutions were highly supported by shareholders, averaging 93% approval, we noted a drop of 3% points from 2021, which indicates that investors pay closer attention to the plan / progress reports, assessing the level of transparency, and degree of alignment with their climate strategy and objectives.

In comparison to other markets in Europe and the USA, there were no shareholder proposals on ESG related issues in France for this year. However, TotalEnergies rejected a shareholder resolution asking the company to set Paris-aligned climate targets at their May AGM. Indeed, a group of 11 investors which jointly held 0.78% of TotalEnergies' issued share capital, led by the Dutch pension provider MN filed a resolution that proposed TotalEnergies set and publish climate goals in line with the Paris Agreement.

TotalEnergies stated that the resolution "encroaches on the public policy competence of the Board of directors to define the company's strategy".

Whilst similar views may be shared by some investors such as BlackRock which stated in their 2022 report on shareholder proposals "... we are unlikely to support unduly prescriptive proposals which implicitly are intended to micromanage companies"[1], it raised questions over the limitation of shareholders' rights. The investor group called the regulatory bodies, the Financial Markets Authority ("AMF") and the French Prudential Supervision and Resolution Authority ("ACPR") for legal clarification and amendment of the law to definitively confirm the possibility for shareholders to file climate resolutions and to facilitate such filings.

[1] BlackRock report – Shareholder proposals in 2022

Focus on

REMUNERATION

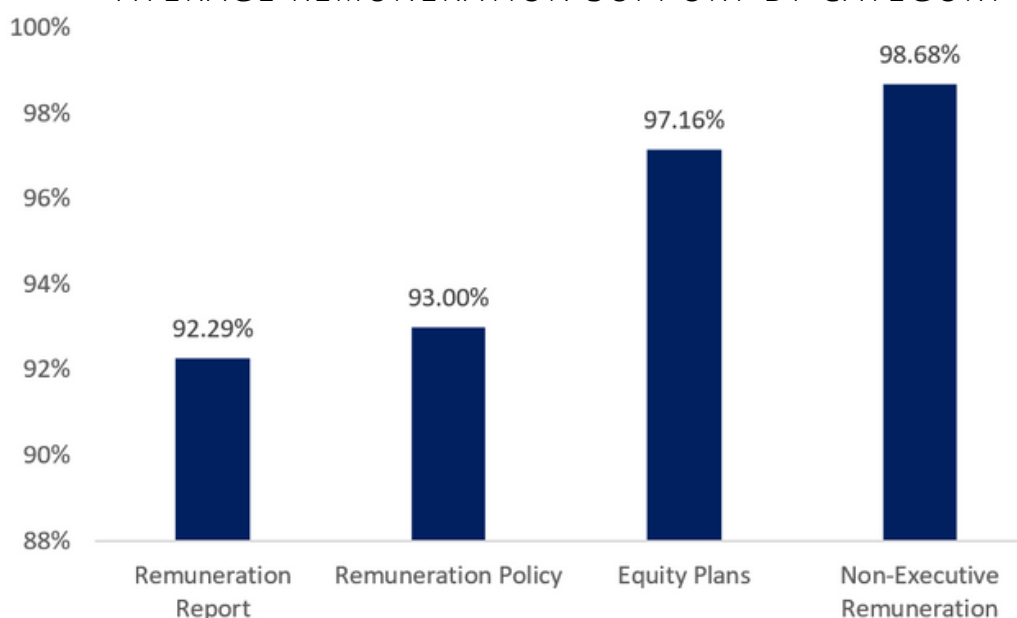
(CAC 40)

Executive compensation concerns led institutional investors' agendas this year. From the 277 remuneration related proposals put forward across the CAC 40 this year, 55 (i.e., 20% of the resolutions), received 10% or more shareholder dissent; while 15 resolutions (7%), received at least 20% or more negative votes. In recent years, investors and proxy advisors have strengthened their voting guidelines on shareholder dissent and now require a Board acknowledgement from any issuer that receives over 20% of dissenting votes, notably when concerning remuneration proposals. As such, 11 issuers[1] with the lowest approval levels will be expected to address shareholders dissent ahead of their 2023 AGMs.

The most common issues linked with remuneration highlighted by proxy advisors and institutional investors included, but was not limited to, pay for performance linkage, short-term and long-term performance targets, lack of disclosure of the targets and /or achievement levels, inappropriate use of Boards discretion to grant one-off awards, excessive pay, notably in relation to the rising cost of living and the global market conditions, and the combined role of the CEO/Chairman position.

While no resolutions failed across the CAC 40, four companies received 40% shareholder dissent and narrowly had their remuneration structures rejected by shareholders. In particular, Orange and Thales received 50% and 60% support respectively to their remuneration policies, while Carrefour and Vivendi obtained 58% and 59% support to their remuneration report.

AVERAGE REMUNERATION SUPPORT BY CATEGORY





Focus on

REMUNERATION

(Cont.)

At Orange's AGM, shareholders highly criticised the exceptional remuneration allocated to the previous CEO/ Chairman, Stephane Richard, without compelling rationale as well as the increases to the executives' STI and LTI grants.

At Vivendi, all remuneration proposals were challenged by stakeholders, with the most criticised item being the remuneration report of Corporate Officers. The leading proxy advisors, ISS and Glass Lewis both recommended against these proposals. Stakeholders raised concerns over pay for performance alignment, and Vincent Bollore's roles as censor and advisor to the management Board Chairman that received a remuneration package equivalent to other management Board members. Moreover, investors deemed the Board acknowledgment and reactivity to the 2021 AGM dissent votes on the same proposal (64%) insufficient.

Out of all the contested remuneration proposals this season, 38% (21 out of 55) were Say-on-Pay Ex-ante and 61% (34 out of 55) were Ex-post.

[1] Orange, Carrefour, Vivendi, Thales, Veolia, Michelin, Renault, Axa, Dassault Systèmes, Publicis, Total Energies

Focus on

BOARD

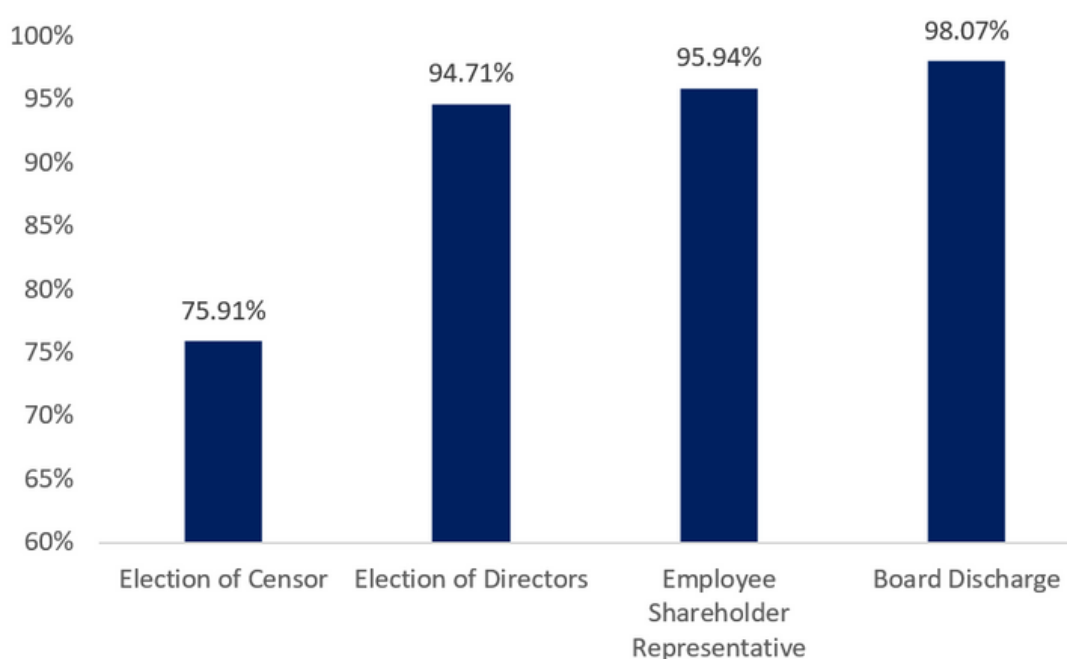
(CAC 40)

As observed, Board related resolutions were the second most contested proposals in France during the 2022 proxy season.

In total, 150 Board related proposals (Director elections and appointments) were approved at the CAC 40 AGMs this year. 28 (19%) proposals received at least 10% negative votes and 8 (5%) at least 20% dissent. 7 companies[1] will be expected to address the low support level ahead of their 2023 meetings in order to comply with the latest investors and proxy advisor guidelines on Board responsiveness.

With the nature of French Board compositions, that differs from other markets, we investigated Board related proposals in more detail and grouped them into 4 sub-categories: election of Directors, Board discharge, employee shareholder representative and election of Censor. On average Censor elections were the most contested Board resolutions, gathering 76% support, followed by Directors' elections (94%), elections of employee shareholder representatives (95%) and Board discharge (98%).

AVERAGE BOARD RELATED SUPPORT BY CATEGORY



[1] Legrand, Vivendi, Worldline, Carrefour, Danone, Orange, Sanofi

Focus on...

BOARD

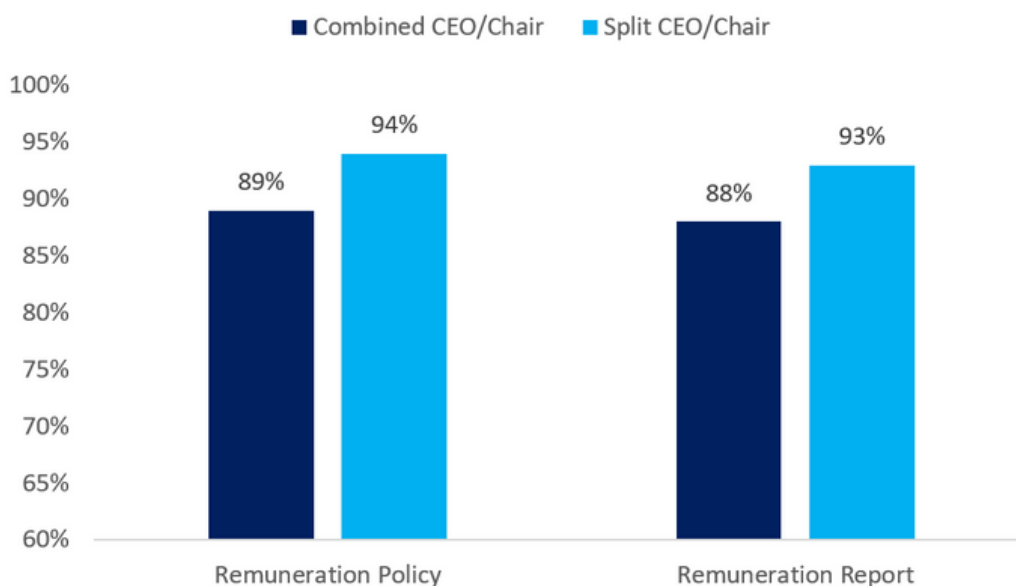
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COMBINED CEO AND CHAIRMAN

A decade ago, most French Boards had the combined roles of CEO/Chairman. Over the years, international investors and proxy advisors have raised issues of the balance of power, effectiveness of the Board and criticised this practice commonly found in France. Gradually, under the increased pressure from stakeholders, issuers were forced to review their Board structures, and many have separated the functions of the CEO and Chairman. At the time of writing of this report, only 7 Boards amongst the CAC 40 maintained this dual role, down from 10 last year. Over 80% of CAC 40 Boards now have split the roles showing a tangible improvement on shareholder rights.

On average, shareholders dissent is higher in companies with a combined CEO and Chairman as opposed to companies with a split structure. This is noticeable particularly in remuneration related proposals, as shown in the graph below:

AVERAGE SUPPORT OF REMUNERATION PROPOSALS IN COMBINED & SPLIT ROLES



CONCLUSION

The 2022 AGM season saw the highest quorum level in three years and also the highest level of dissent votes. This year in France, as in the rest of Europe, shareholders voiced their disconnect with resolutions that did not align with their best interests or comply with market practice/expectations. Executive compensation, for both Ex-Post and Ex-Ante are increasingly being challenged by stakeholders who are demanding better pay for performance alignment, disclosure of the KPIs targets and achievements, as well as a tightening of remuneration policies to avoid excessive use of Board discretion. Pay quantum remained a factor of concern for shareholders in relation to pay ratio, notably in light of the global economic crisis.

There is renewed scrutiny on the "G" of the ESG, with greater demand for Board effectiveness, accountability, and oversight on governance practices as well as Climate Strategy and executive compensation, which was reflected in Board elections results. The manner in which corporate issuers navigate, address and action the concerns raised this year will be pivotal in the outcome of the 2023 proxy season.

METROPOLE TELEVISION M6

KEY ISSUES

- Discretionary award granted to the CEO linked to the merger with TF1 which was subsequently abandoned.
- Poor use of remuneration committee discretion.
- Concerns with overall remuneration structure.
- Board derogations are too vague and no cap on the exceptional remuneration.

OVERVIEW

- In May 2021, M6 announced its merger with French rival TF1.
- The CEO was granted a one-off bonus payment of €3.6M EUR in view of the merger and for renouncing his severance payment.
- Investors deemed the grant inappropriate, too excessive and raised concerns over the Board discretion

CEO Say-on-Pay Ex-Post



CEO Say-on-Pay Ex-Ante



KEY TAKEAWAYS

- The CEO's remuneration report and policy were highly challenged by investors with over 30% dissent.
- The use of Board discretion, the one-off award granted to the CEO and the lack of transparency in respect of performance criteria for the short-term compensation were the key issues which fueled investors discontent.
- The overall remuneration policy was deemed poorly structured, with unchallenging KPIs, uncapped exceptional awards (too vague) and performance period of the LTIP less than 3 years.
- Stakeholders, including the proxy advisors (ISS, Glass Lewis, Proxinvest) criticised the lack of disclosure on the exceptional bonus and the absence of a clawback provision in the policy.
- With this level of dissent, M6 will be expected to address shareholders' concerns ahead of the 2023 AGM, outlining what they intend to improve on their practices.
- In September 2022, the merger of France's biggest broadcasters collapsed over competition concerns.
- This announcement will significantly impact on stakeholders' assessment of the 2023 agenda, and we may see another wave of opposition to the management and their compensations.

NON-SUPPORTERS



CARREFOUR SA

KEY ISSUES

- Insufficient response to shareholder dissent
- Pay for performance alignment
- Lack of disclosure of LTIP target for each performance criteria

CEO say-on-pay ex-post



OVERVIEW

- For the third consecutive year, the CEO's remuneration report received more than 30% dissent votes.
- Shareholders have raised concerns over the absence of targets for each performance criteria under the LTI Plan.
- Investors critiqued the limited disclosure of the vesting scale underlying the relative TSR which does not provide the speed to full vesting of the metric.
- Issuer increased LTI grant in terms of instruments for the joint CEO/Chair without providing compelling rationale.
- Institutional investors raised several issues with the remuneration structure notably the lack of clawback provisions for the STI and LTI plans.

KEY TAKEAWAYS

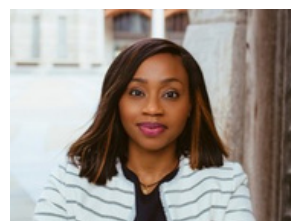
- Carrefour's CEO/Chair had the most contested remuneration report amongst the CAC 40 in 2022.
- This level of dissent is partially fueled by the insufficient address of shareholder dissent over its pay practices.
- Investors have raised continuous concerns over the years with the level of disclosure of the performance conditions which does not allow shareholders to make a fully informed assessment of remuneration paid during the year.
- Stakeholders, investors and proxy advisors will be expecting a thorough acknowledgement of this year's results and a plan or commitment from Carrefour to improve the remuneration disclosure as well as strengthening the policy.
- Absence of these actions will most likely result in further dissent in 2023 on remuneration proposals; shareholders could further escalate and show their discontent by voting against other items such as Board members re-election notably remuneration committee members.

SUPPORTERS





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