



# Governance around the world: Practices in France

*WebConference*

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**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

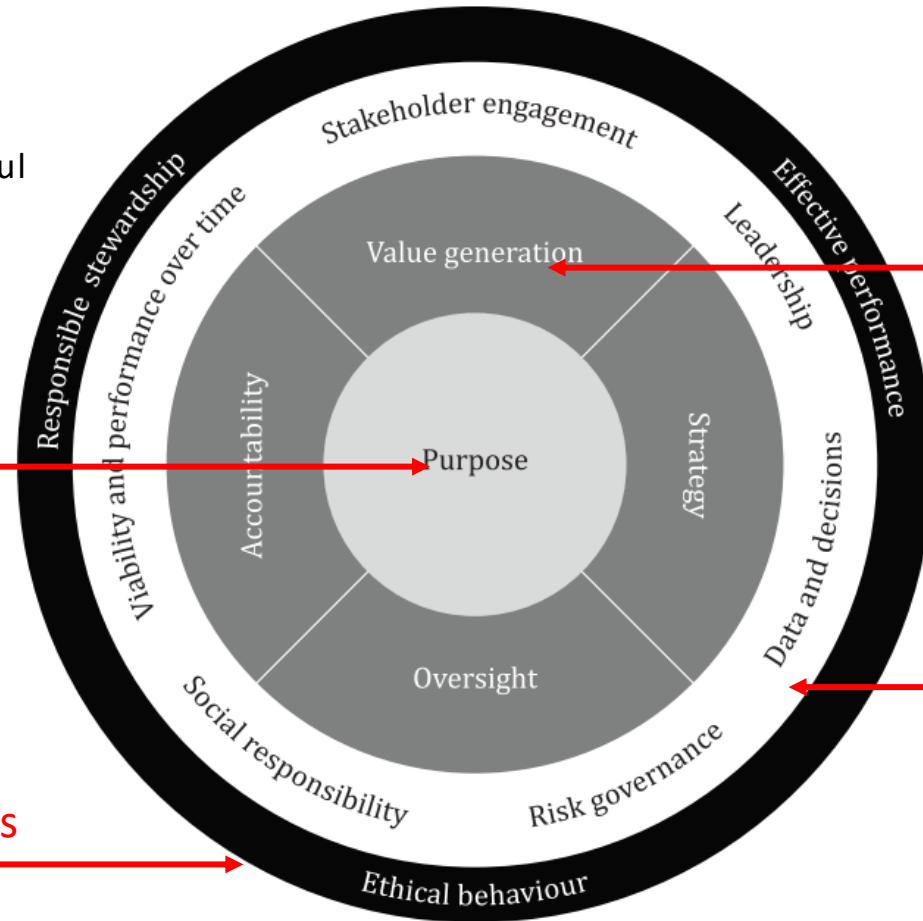
The ISO 37000 standard distills governance into 11 core principles that are at the heart of any successful organization.

**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

# Contact



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