PROXY SEASON REVIEW
FRANCE

2023

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CMI2I LETTER

I am delighted to provide you, for the third year in a row, the CMi2i Proxy Season Review, a corporate governance analysis of the main European markets. The purpose of this analysis is to allow you to better understand the latest corporate governance developments and to highlight the latest trends that are predominant in the market.

2023 marks a very important year for CMi2i, with it being our 10 year anniversary. During this time, CMi2i's Capital Markets Intelligence and insights consistently made the difference to the success of deals, AGMs, Activist Defences, IR strategies and proxy battles. We have invariably identified investors where others have not. We continue to provide unrivalled expertise and put our intelligence into context. And ultimately, giving you the edge you need to win.

When we started in 2013, the capital market environment was a very different picture than today. In particular, we have observed the rise of ESG considerations that just a few years ago were not considered as essential for issuers and investors. Today, partly driven by new responsibilities and accountability imposed by the Stewardship Codes, investors have become increasingly vocal and want to play a more active role in the companies they are investing into. Moreover, proxy advisors' influence is stronger than ever. Most resolutions that received an Against recommendation from proxy advisors often also received high shareholders dissent. Finally, more and more investors have taken the opportunity to onboard "pass-through voting initiatives" where funds and retail investors are being given more of a voice in voting the proxies. This has made the identification of shareholders at the Fund level even more of an imperative when establishing who will support a company – as it is based on who controls the vote. As a result an AGM average quorum increase has been observed among almost all the countries analysed.

With increased scrutiny, more stringent regulations and new corporate governance requirements approved every year, CMi2i is best placed to help your next general meeting preparation in order to gather optimal AGM representation and to maximise shareholders support.

A special thanks goes to the CMi2i Proxy team that contributed to the production of this latest series of reports and to all our clients that trusted our global market intelligence services once again.

Mark Simms, CEO

METHODOLOGY

This review is a chapter of the “2023 CMi2i European Season Review”.

As every year, CMi2i gathered the Annual General Meeting data for the main European markets in order to analyse and present the predominant trends related to Governance, Sustainability and Shareholder Activism.

Continental Europe has been divided into ten main regions: Italy, Spain, Switzerland, France, Netherlands, BeLux (Belgium + Luxembourg), Germany, Nordics (Sweden + Norway + Finland), Ireland and UK. The following stock indices have been investigated: FTSE MIB 40 (Italy), IBEX 35 (Spain), SMI 20 (Switzerland), CAC 40 (France), AEX (Netherlands), BEL 20 + LUXX 10 (Belgium + Luxembourg), DAX 40 (Germany), STOXX NORDIC 30 (Nordics), ISEQ (Ireland) and FTSE 100 (UK). In the case that a company is a member of more than one index, we will consider it only as part of the market where it is headquartered.

Moreover, a brief analysis of the Secondary index will be present where relevant, especially for the bigger markets.

For editorial reasons, this review will focus only on the meetings that took place between 1 August 2022 and 31 July 2023. Only Annual General Meeting are considered, with the limit of one meeting per company, in case a issuer had multiple meetings during the period under review. Only management proposed resolutions are being counted, while shareholder proposed resolutions will be analysed separately when relevant.

Every meeting has been analysed according to company provided disclosure and public available information. The quorum gathered is the figure published by the companies; in the case a company did not disclose the meeting quorum the highest number amongst each resolution has been considered.

In order to compare markets, all the proposed resolutions have been split into 10 different main categories: Auditor, Board Related, Bylaws Amendment, Capital Related, Dividend, Financial Statement, Remuneration, E&S, M&A, Other.

Two level of shareholder dissent will be considered relevant in this review: above 10% and above 20%. Therefore, all the resolutions that gathered at least 90.1% support will not be marked as contested. Resolutions that received between 80.1% and 90% will be considered contested while resolutions receiving less than 80% support will be considered highly contested. When it comes to failed resolutions, resolutions that received below 50% support are generally considered failed. However, in some markets and cases, the threshold might be higher at 75% or 2/3 of the vote cast, in these eventuality, we will clarify the market specificity case-by-case.

HIGHLIGHTS

AVERAGE QUORUM 75%

COMPANIES WITH SIGNIFICANT DISSENT* 12

HIGHLY CONTESTED RESOLUTIONS (>20% DISSENT) 30

E&S PROPOSALS 3

FAILED PROPOSALS 0

*At least one resolution with 20% or more against votes.

FRANCE CAC 40 **OVERVIEW**

The following 36 issuers have been analysed as part of the CAC 40 index: Air Liquide, Alstom, AXA, BNP Paribas, Bouygues, Capgemini, Carrefour, Compagnie de Saint-Gobain, Credit Agricole, Danone, Dassault Systèmes, Edenred, Engie, EssilorLuxottica, Eurofins Scientific, Hermes, Kering, Legrand, L'Oreal, LVMH, Michelin, Orange, Pernod Ricard, Publicis, Renault, Safran, Sanofi, Schneider Electric, Societe Generale, Teleperformance, Thales, TotalEnergies, Unibail-Rodamco-Westfield, Veolia, Vinci, Worldline.

During the 2023 French Season Review 821 management resolutions were put forward across 36 companies, with an average support rate of 96%. Moreover, 0 resolutions failed to be approved, 104 were contested (with at least 10% dissent) and 30 were highly contested (with at least 20% dissent). 12 companies received significant dissent (20% or more) on at least one resolution and therefore will be required to address shareholder dissent ahead of next season's AGM. These companies include: Bouygues, Carrefour, Edenred, EssilorLuxottica, Kering, Orange, Publicis, Renault, Schneider Electric, Societe Generale, Teleperformance, Veolia.

The French 2023 Proxy Season Review has seen overall less contested resolutions than the previous two years, with no resolutions failing to be approved by shareholders. Moreover, no shareholders resolutions were approved either.

Three issuers found in the main index (Carrefour, Schneider Electric and TotalEnergies) put forward management sponsored Say on Climate votes this season which represented one of the highest numbers across all the European countries. Investors seemed generally happy with these resolutions and supported them on average with 93% votes in favour.

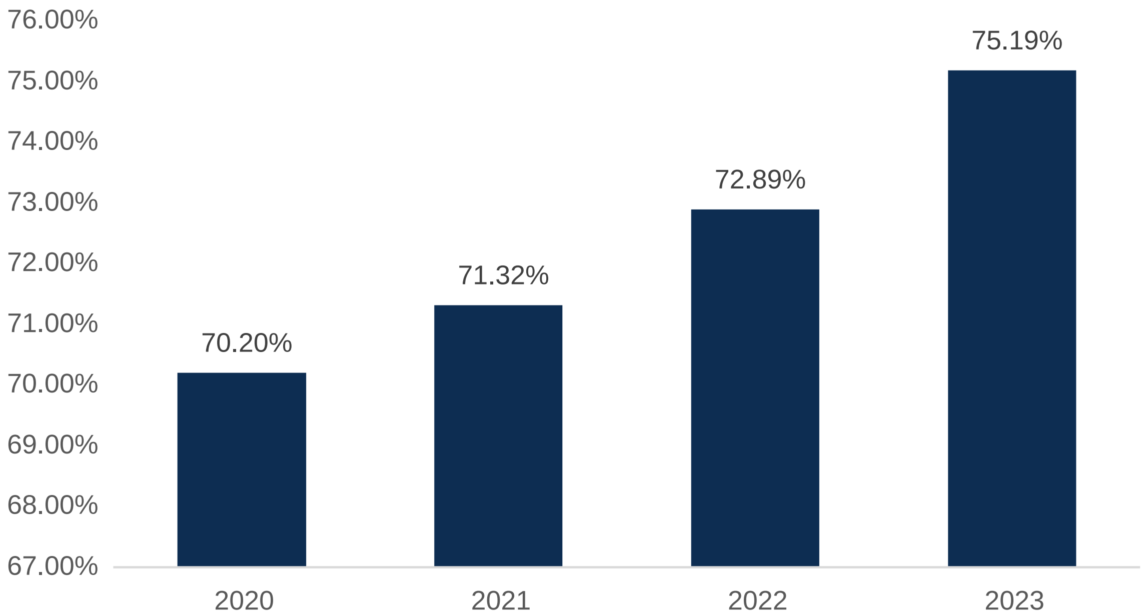
This has likely been promoted by the latest version of the AFEP-MEDEF Corporate Governance Code, published in December 2022, that highlighted the importance of companies' Boards controlling and minimising climate risks. Following the new Code, the Climate and Sustainable Finance Commission (CCFD) as well as also the French securities regulator (AMF) covered climate issues and environmental considerations. In particular, the AMF reminded listed companies that when following the Corporate Sustainability Reporting Directive (CSRD), from 2025 they will have to communicate their plans on how they will achieve climate neutrality by 2050.

FRANCE CAC 40 QUORUM

The overall AGM representation (quorum) for the French 2023 proxy season was 75.19%, the highest recorded number in the last four years and in line with the overall quorum increase experienced in Europe this season. High participation levels are usually seen as a positive sign for issuers.

In particular, the French AGM quorum has been increasing consistently since 2020 and recorded a near 5% increase in the last 4 years signalling that more and more shareholders are expressing their rights at issuers' meetings.

Four Years Quorum Evolution



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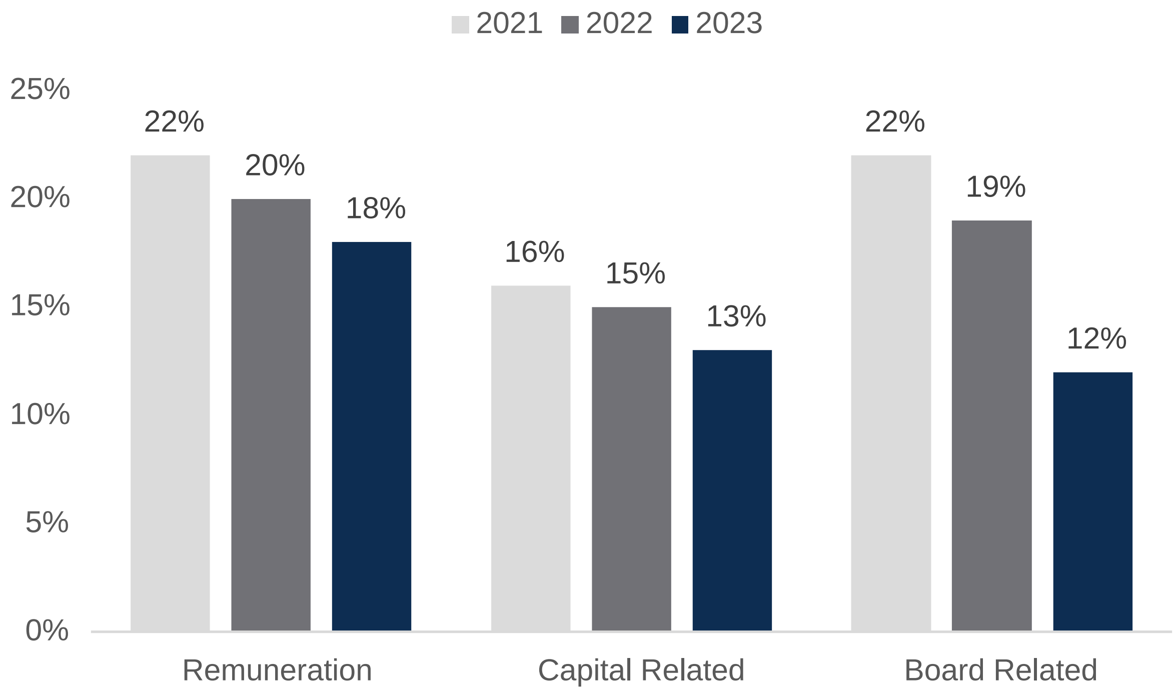
FRANCE CAC 40
CONTESTED RESOLUTIONS

Based on the disclosed results, and considering 10% dissent as a threshold for opposition, Remuneration related proposals were once again the most contested item, with 18% of such proposals opposed by shareholders. Capital Related resolutions were the second most contested category with 13% of such proposals being contested, followed by Board Related proposals with 12% being contested.

While the overall number of contested resolutions remained high compared to other markets, a year-on-year decrease was observed when compared to the 2022 AGM season. In particular, dissent over Board Related proposals has decreased substantially from 19% in 2021 to 12% in 2023 (-7%). Dissent over Capital Related resolutions also decreased (-2%) as did Remuneration Related proposals (-2%).

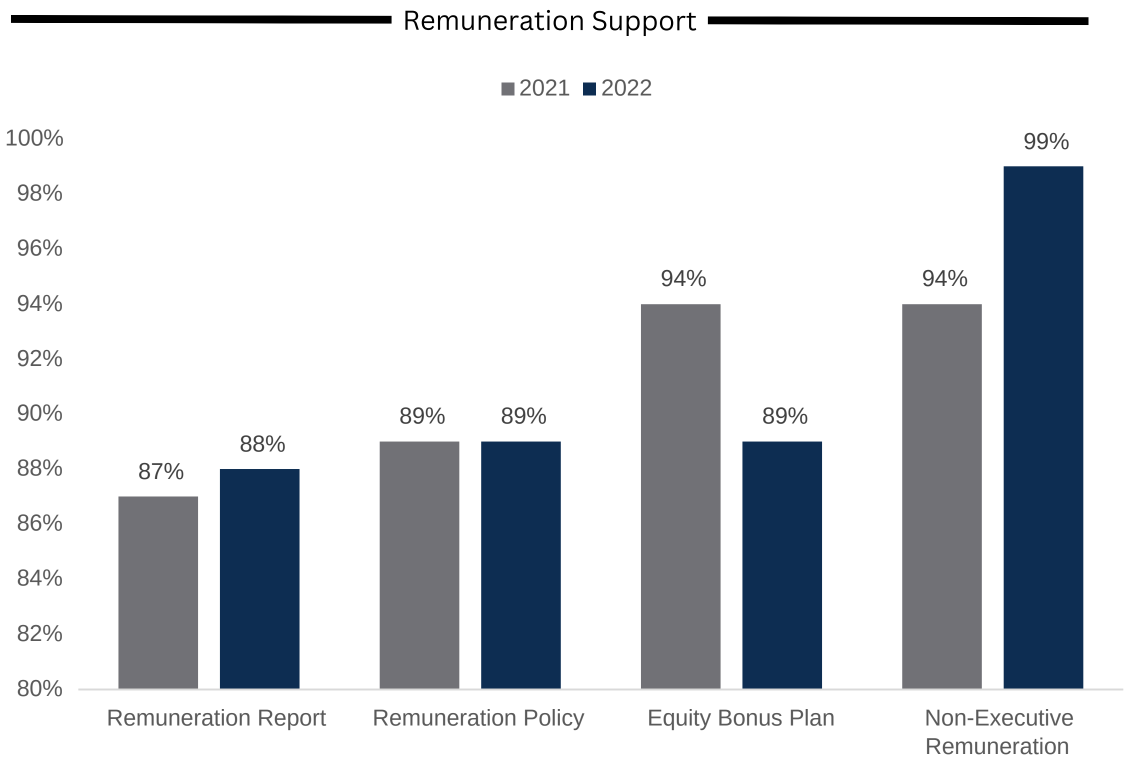
Three Years Contested Resolutions



FRANCE CAC 40 REMUNERATION

Compensation concerns have once again led institutional investors' agendas and, despite the overall decrease in contested resolutions, Remuneration related proposals remained the most contested category in the French Market. In fact, out of 291 Remuneration related proposals, 53, equivalent to 18% of all proposals, received 10% or more shareholder dissent. A total of 24 Remuneration policies and 25 Remuneration reports received significant dissent.

Among the resolutions proposed, the Remuneration Report appeared to be the category generating the lowest support (88%), followed by Remuneration Policy (89%), Equity Bonus Plans (89%), and Non-Executive Remuneration (99%). Equity Bonus Plan was the only category that received lower shareholder support than the previous AGM season with a 5% average decrease in the support level.



FRANCE CAC 40
HIGH DISSENT AGMs

This year's French AGM season was less contested than the previous one. Most importantly, no resolutions failed to be approved by shareholders. Despite this, some companies still experienced high overall dissent during their Annual General Meeting and will be required to improve their governance practices ahead of next season in order to avoid to fail proposals in 2024.

In particular we identified three companies that experienced highly contested AGMs: Carrefour, Bouygues and Orange. All three companies are not new to shareholders dissent and brought over issues from the previous AGMs. While the reason for dissent was different for each, a common factor that triggered investors' concerns was the lack of acknowledgement from the previous year's results. Investors are being extremely vocal about seeking changes in companies with bad governance practices and will potentially start disinvesting should the situation not be addressed promptly.

Carrefour

Average AGM Support: 92%
Number of 20% Dissent Proposals: 3
Number of 10% Dissent Proposals: 5
Lowest Support on a single resolution: 57%

57%

BOUYGUES

Average AGM Support: 87%
Number of 20% Dissent Proposals: 14
Number of 10% Dissent Proposals: 14
Lowest Support on a single resolution: 63%

63%

orange™

Average AGM Support: 93%
Number of 20% Dissent Proposals: 3
Number of 10% Dissent Proposals: 9
Lowest Support on a single resolution: 73%

73%

FRANCE CAC 40
CONCLUSIONS

While the percentage of contested resolutions decreased for the third year in a row, France still remains one of the markets with the highest number of negative votes. In particular, 12 companies, representing 30% of the index, will be forced to address investors' dissent ahead of next season. On the other hand, the high number of E&S (Environmental & Social) related proposals along with the highest quorum recorded in the last years are seen as very positive improvements.

In the next two years, French issuers will need to disclose their plans when it comes to climate change. While the companies that voluntarily put forward such votes in 2023 have been widely supported, most issuers might not be ready to put forward a Say-on-Climate vote yet and might face extra shareholders scrutiny in the next few years.

POSITIVES

- Overall dissent decreased year-on-year compared to 2022.
- Quorum was the highest among the last 4 years.
- No resolutions failed to be approved.
- High number of E&S related proposals.

NEGATIVES

- 12 companies received significant dissent.
- 104 resolutions received 10% dissent and 30 resolutions received 20% dissent.
- Some companies failed to acknowledge shareholders dissent from the previous years.

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CONTACTS

CMi2i is a capital markets intelligence firm headquartered in London that specialises in helping issuers and their advisers to identify debt and equity investors and to understand their behaviour. Our senior team brings decades of experience in market data analysis, investor identification, targeting, Corporate Governance advisory and proxy solicitation, drawn from detailed working knowledge of the key capital market participants, corporate governance, and regulation. Our bondholder and shareholder identification reports are used by issuers and their advisers to plan day-to-day IR activities as well as to successfully navigate corporate actions, including debt restructurings, consent solicitations, tender offers, refinancing, and M&As. CMi2i also provides bondholder and shareholder identification reports designed to meet regulatory and tax certification requirements, including withholding tax exemption rules and SEC Rule 802. Over the years we have provided support and advice to over 500 of the largest, most structurally complex companies in the world, and our team has worked on over 1000 transactions, analysing over $200billion worth of bondholders in the secondary market.

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