France

GLASS LEWIS

2025 Benchmark Policy Guidelines

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Guidelines Introduction

These guidelines are intended to supplement Glass Lewis' *Continental Europe Benchmark Policy Guidelines* by highlighting the key policies that we apply specifically to companies listed in France and the relevant regulatory background to which French companies are subject, where they differ from Europe as a whole. The *Continental Europe Benchmark Policy Guidelines* describe the underlying principles, definitions and global policies that Glass Lewis uses when analysing French companies in accordance with best practice standards for France.

Where a topic is not addressed in these guidelines, but is addressed in the *Continental Europe Benchmark Policy Guidelines*, we consider our policy approach and the relevant regulations and recommendations to be substantially the same in the market as in continental Europe. Wherever our policy deviates from the *Continental Europe Benchmark Policy Guidelines*, we will clearly state this in these guidelines.

Corporate Governance Background

The French Commercial Code provides the legislative framework for French corporate governance. In addition, the Association des Marchés Financiers (AMF) is the regulatory agency responsible for monitoring France's financial markets, and coordinates with other organisations on the European and international levels. The AMF also publishes recommendations, which are primarily intended to supplement existing laws and recommendations that apply to issuers and investors.

Corporate governance best practices in France are primarily defined by the AFEP-MEDEF Code of Corporate Governance, the country's most followed set of governance guidelines. This code was first published in December 2008, combining the corporate governance principles gathered from the Viénot reports of 1995 and 1999, the Bouton report of 2002 and the AFEP-MEDEF's recommendations on the remuneration of executive directors. Over the years, the Code has been regularly revised, with the last update taking place in December 2022. The main changes to the code focus on how environmental and social responsibility, including climate, should be integrated into corporate strategy, board discussions, and the executive remuneration policies of French public companies. The updated code also specifies that climate should be a regular part of board discussions, and should be included in new directors' induction training along with more traditional areas of risk and governance. Regarding executive remuneration, the updated code also clarifies that E&S metrics present in the executives' variable remuneration must be related to the most important social and environmental stakes of a company, including at least one metric linked to the company's climate objectives, and that quantifiable metrics are preferable.

Further, the EU Corporate Sustainability Reporting Directive (CSRD) was transposed into French national law in December 2023. The CSRD is intended to increase the quality, completeness, and comparability of non-financial reporting in Europe. Since 2024, the French law resulting from the transposition of the CSRD requires the appointment of auditors for sustainability reporting to be subject to shareholder approval.[1] From 2025, listed

[1] Ordonnance n. 2023-1142 of December 6, 2023, relating to the publication and certification of sustainability information and on the environmental, social and governance obligations of commercial companies.

companies in the regulated market, according to their size, will progressively report in accordance with the European Sustainability Reporting Standards and undergo limited assurance on their reporting.

In June 2024, the law aimed at increasing corporate financing and the attractiveness of France for investments was adopted. The new law introduces the possibility of issuing preferred shares with multiple voting rights during initial public offerings. Further, among other changes introduced were an increase in the limit of capital increases and the provision for litigation procedures in the event of a challenge to the board's refusal to include items or draft resolutions. In addition, the new regulation introduces the possibility for French companies to hold virtual-only general meetings and requires companies to ensure their live broadcast.[2]

In October 2024, the EU directive 2022/2381 on improving the gender balance among directors of listed companies and related measures was transposed into national law in France. The law states that from June 30, 2026, employee representatives and employee shareholders' representatives will be taken into consideration when assessing the board gender diversity requirements for companies incorporated in France. [3] Until now, these two categories were excluded from the board gender diversity requirements. The gender diversity requirements remain unchanged, with companies incorporated in France continuing to be required to ensure that at least 40% of board seats are held by directors of each gender.

The application of the AFEP-MEDEF Code is monitored by the High Committee on Corporate Governance (HCGE), which is composed of five experts who either hold or have held directorships in companies that refer to the AFEP-MEDEF Code, and four qualified individuals who represent investors and/or have been chosen for their legal or ethical expertise. The HCGE provides interpretations and clarifications on the implementation of the AFEP-MEDEF Code and publishes a report of its observations on an annual basis. In March 2024, the HCGE published their most recent application guide for the AFEP-MEDEF Code, which aims to clarify the interpretation of the code and to provide companies with tools to facilitate its application. Glass Lewis takes the observations of the HCGE into account when assessing a company's compliance with the recommendations of the AFEP-MEDEF Code.

Middlenext, an independent professional association, published its latest version of a separate governance code outlining specific best practice standards for small- and mid-cap companies, as well as for companies of all sizes with a major or controlling shareholder in September 2021.

In February 2024, Middlenext published additional recommendations on environmental and social responsibility, with the objective of guiding corporations through evolving regulations. These recommendations namely concern the governance of CSR-related matters by the board and executives, as well as the newly transposed CSRD into national law. Regarding the latter, the Middlenext Code recommends that companies appoint auditors other than their financial auditors to certify their non-financial reporting.

In addition, in January 2024, the main association of asset managers in France, the Association Française de la Gestion Financière (AFG) updated its Recommendations on Corporate Governance, which are intended to serve as guidelines on how investors should exercise their voting rights. The updated guidelines include recommendations regarding the holding of general meetings, such as the presentation of a climate strategy during the meeting, the possibility for shareholders to ask questions directly to the statutory auditors at general

[2] Law n. 2024-537 of June 13, 2024, aimed at increasing corporate financing and the attractiveness of France.
[3] Ordonnance n. 2024-934 of October 15, 2024, transposing the EU directive 2022/2381 on improving the gender balance among directors of listed companies and related measures.

meetings, as well as the publication of any recorded meetings on companies' websites. The guidelines encourage further transparency on various topics, such as the committee charters and the current and former roles of proposed candidates to the board, and suggest that documentation be made available 35 days prior to the general meeting. Additionally, the AFG recommends that, if a company refers to a peer group when analysing its executive pay, it should communicate the characteristics of the panel of comparable companies selected, namely its composition, its justification and its use. Finally, the updated recommendations suggest that no compensation is paid for the underperformance of a performance metric.

In May 2019, the new law on Business Growth and Transformation (law Pacte) entered into force. Under the law, companies must take social and environmental issues into consideration when formulating and implementing strategy; however, there is no specific penalty for failing to do so. Furthermore, companies may choose to adopt a company mission (*raison d'être*) in their articles of association in addition to their company purpose. Such a mission is intended to detail a company's social objectives.[4]

In November 2019, as a result of the transposition of SRD II, the new law on Remuneration of Corporate Officers in Listed Companies (Ordonnance n°2019-1234) introduced a new binding vote on the ex-post remuneration report for French companies from 2020. The new report covers all directors' and executives' pay as a whole for the previous fiscal year. In line with the French transposition of SRD II, the remuneration report includes total compensation and benefits of any kind paid or allotted to corporate officers during the previous financial year, divided between fixed, variable and exceptional items. Moreover, the report must also include the ratio of CEO, deputy CEO and board chair pay to median and mean employee pay over five years, and a five-year comparison of executive pay and company performance.[5] In addition to the new ex-post remuneration report, Ordonnance n°2019-1234 also sets a new regulatory framework with regards to senior executives' compensation in Sociétés en Commandite par Actions (SCAs). Since 2020, SCAs must provide for (i) an annual binding ex-ante vote on the compensation policy for their corporate officers and (ii) an annual binding ex-post vote on all compensation paid or awarded to their corporate officers in the previous financial year.[6]

In December 2021, the law Rixain was promulgated to promote gender balance in all corporate management bodies, the implementation of which will take place in three distinct stages. Since March 2022, companies are required to annually publish any gaps in representation between men and women among top executive roles and senior managers. From March 2026, companies will be required to reach a proportion of at least 30% in each gender in each aforementioned group, and this requirement will be increased to 40% as of March 2029.[7]

Voting Options in France

Previously, abstentions were counted as against votes for the purpose of determining whether a resolution had been passed. However, since the enactment of the law Pacte in 2019, companies have updated their articles of

[3] Article 1835 of the French Civil Code and Article 169 of Law 2019-486 of May 22, 2019, on companies' growth and transformation.

[5] Article L.22-10-9 of the French Commercial Code.

[6] Article L.22-10-77 of the French Commercial Code.

[7] Article 14 of Law 2021-1774 of December 24, 2021, relative to the balanced representation of women and men in top executive roles and senior managers.

association in order to exclude abstentions from the votes counted for the purpose of determining whether a resolution has been passed.[8]

Summary of Changes for 2025

Glass Lewis evaluates these guidelines on an ongoing basis and formally updates them on an annual basis. This year we've made noteworthy revisions in the following areas, which are summarised below but discussed in greater detail in the relevant sections of this document:

Multi-Class Share Structures

We have updated these guidelines to include a section on multi-class share structures to reflect the introduction of the possibility that companies incorporated in France may issue preferred shares with different voting rights during initial public offerings.In the case of a board that adopts a multi-class share structure, where the share class with superior rights is unlisted, in connection with an IPO, spin-off, or direct listing within the past year, the benchmark policy will generally recommend voting against the chair of the governance committee (or equivalent) or a representative of the major shareholder up for election if the board: (i) did not also commit to submitting the multi-class structure to a shareholder vote at the company's first shareholder meeting following the IPO; or (ii) did not provide for a reasonable sunset of the multi-class structure (generally seven years or less). In cases where there are no board elections at the first general meeting following the listing, the benchmark policy may instead recommend that shareholders vote against another relevant proposal on the agenda (e.g., ratification of board acts).

Our approach to this issue in France is the same as the one outlined in the *Continental Europe Benchmark Policy Guidelines.*

Please refer to "Multi-Class Share Structures" under the "Governance and Financial Structure and the Shareholder Franchise" section of these guidelines for further information.

Virtual Shareholder Meetings

We have updated these guidelines to include our expectation under the benchmark policy regarding the virtual-only shareholder meetings that are now allowed in France. As discussed in our *Continental Europe Benchmark Policy Guidelines*, virtual-only shareholder meetings can curb the ability of a company's shareholders to participate in the meeting and meaningfully communicate with company management and directors.

The benchmark policy expects that companies that elect to hold virtual shareholder meetings should aim to replicate in-person shareholder meetings and safeguard shareholder rights as closely as possible.

In egregious cases where inadequate disclosure has been provided to shareholders at the time of convocation, the benchmark policy will generally recommend that shareholders vote against members of the governance committee (or equivalent) or the chair of the board.

[8] Articles L.225-96 and L.225-98 of the French Commercial Code.

Please refer to “Virtual Shareholder Meetings” under the “Governance and Financial Structure and the Shareholder Franchise” section of these guidelines for further information.

Appointment of Auditors for Sustainability Reporting

We have updated these guidelines to include a paragraph regarding the appointment of auditors for sustainability reporting. Further, we have clarified that, when assessing the performance of, and potential conflicts of interest in relation to the auditors, we will take the fees and the tenure of the audit firm into consideration, as outlined in our *Continental Europe Benchmark Policy Guidelines*.

Please refer to “Appointment of Auditors” under the “Transparency and Integrity in Financial Reporting” section of these guidelines for further information.

Gender Diversity

We have updated these guidelines to specify that from June 30, 2026, employee representatives and employee shareholders’ representatives will be taken into consideration when assessing the board gender diversity requirements, under which at least 40% of board seats are held by directors of each gender.

Please refer to “Board-Level Gender Diversity” under the “Board Structure and Composition” section of these guidelines for further information.

Issuance of Shares and/or Convertible Securities

We have restructured and expanded this section of the guidelines in order to provide further insight into our assessment of issuances of shares and convertible securities.

Please refer to the “Issuance of Shares and/or Convertible Securities” section of these guidelines for further information.

Housekeeping Changes

We have made further changes of a housekeeping nature in order to enhance the clarity and readability of the document.

A Board of Directors that Serves the Interests of Shareholders

Election of Directors

Under French law, a listed company may be governed either by a one-tier or two-tiered board structure.[9] A French company may also be incorporated as a *Société en Commandite par Actions* (SCA), which is a corporate partnership limited by shares. An SCA is run by one or more managers, who may be general partners or third parties, and is overseen by a supervisory board elected by the limited partners (i.e., shareholders). General partners cannot serve as supervisory board members.[10]

Unless otherwise provided by these guidelines, any and all rules applicable to a company governed by a board of directors, will apply to a company that elects to be governed by a two-tiered system.

Independence

In France, we put directors into four categories based on an examination of the type of relationship they have with the company:

> **Independent Director** — An independent director has no material[11] financial, familial[12] or other current relationships with the company,[13] its independent auditor, executives, or other board members, except

[9] Articles L.225-17 to L.225-93 of the French Commercial Code.

[10] Articles L.226-1 to L.226-14 of the French Commercial Code.

[11] Per Glass Lewis' *C Guidelines*, "material" as used herein means a relationship in which the value exceeds: (i) €50,000 (or 50% of the total compensation paid to a board member, or where no amount is disclosed) for board members who personally receive compensation for a professional or other service they have agreed to perform for the company, outside of their service as a board member. This limit would also apply to cases in which a consulting firm that is owned by or appears to be owned by a board member receives fees directly; (ii) €100,000 (or where no amount is disclosed) for those board members employed by a professional services firm such as a law firm, investment bank or large consulting firm where the firm is paid for services but the individual is not directly compensated. This limit would also apply to charitable contributions to schools where a board member is a professor, or charities where a board member serves on the board or is an executive, or any other commercial dealings between the company and the board member or the board member's firm; (iii) 1% of either company's consolidated gross revenue for other business relationships (e.g., where the board member is an executive officer of a company that provides services or products to or receives services or products from the company); (iv) 10% of shareholders' equity and 5% of total assets for financing transactions; or (v) the total annual fees paid to a director for a personal loan not granted on normal market terms, or where no information regarding the terms of a loan have been provided.

[12] Per Glass Lewis' *Continental Europe Benchmark Policy Guidelines*, familial relationships include a person's spouse, parents, children, siblings, grandparents, uncles, aunts, cousins, nieces, nephews, in-laws, and anyone (other than domestic employees) who shares such person's home. A director is an affiliate if the director has a family member who is employed by the company.

[13] A company includes any parent or subsidiary in a group with the company or any entity that merged with, was acquired by, or acquired the company.

for board service and standard fees paid for that service. In accordance with French governance standards specifically, an individual who has served as: (i) employee or executive of the company, (ii) executive of a company where the company or one of its executives serves as director, or (iii) auditor of the company within the past five years is not considered independent.[14] We use a three-year look back for all other relationships.

Affiliated Director — An affiliated director has a material financial, familial or other relationship with the company or its executives, but is not an employee of the company.[15] Directors will normally be classified as affiliated if they:

- Have served in an executive capacity at the company in the past five years;
- Have — or have had within the past three years — a material business relationship with the company;
- Own or control 10% or more of the company's share capital or voting rights;[16]
- Have served on the board for 12 or more years;[17]
- Have close family ties with any of the company's advisers, directors or employees; and/or
- Hold cross-directorships,[18] or have significant links with other directors through their involvement in other companies or entities.

Inside Director — An inside director simultaneously serves as a director and as an employee or executive of the company.[19] This category may include a board chair who acts as an employee of the company or is paid as an employee of the company. We note, moreover, that French company law states that the number of directors bound to the company by an employment contract may not exceed one-third of the directors in office.[20]

Employee Representatives — French company law allows full participation of employee representatives on the board. However, the number of these directors may not exceed five (or four for supervisory boards) or be greater than one-third of the total number or members sitting on the board. Employee

[14] Articles 10.5.1, 10.5.2 and 10.5.5 of the Corporate Governance Code of Listed Corporations, published by the AFEP-MEDEF ("the AFEP-MEDEF Code").
[15] If a company classifies a non-executive director as non-independent, Glass Lewis will classify that director as an affiliate, unless there is a more suitable classification (i.e., insider, employee representative).
[16] In accordance with Article 10.7 of the AFEP-MEDEF Code, the nominating committee is encouraged to systemically evaluate the independence of any director who represents more than 10% of the company's share capital or voting rights, taking into account the share ownership structure and the existence of potential personal conflicts of interest. The committee may consider the representatives of significant shareholders as independent, so long as they do not participate in the control of the company. However, we view shareholders who control more than 10% of share capital or voting rights as affiliates because they typically have access to and involvement with the management of a company that is fundamentally different from that of ordinary shareholders. More importantly, 10% holders may have interests that diverge from those of ordinary holders for reasons such as the liquidity (or lack thereof) of their holdings, personal tax issues, etc.
[17] Article 10.5.6 of the AFEP-MEDEF Code, and section II, letter B, 1) of the Recommendations on corporate governance, published by the AFG in January 2024 ("the AFG Recommendations").
[18] Section II, letter B, 5) of the AFG Recommendations.
[19] Any director elected by employees, shareholder employees, or any representatives of a cooperative labour company, as set forth in Articles L.225-22 and L.225-85 of the French Commercial Code, is not considered an inside director.
[20] Articles L.225-22 and L.225-85 of the French Commercial Code.

representatives are not elected by shareholders.[21] The law also provides for the appointment of one or more directors from among employee shareholders, if the employee shareholdings exceed 3% of the share capital. Employee shareholder representatives will be elected by the general meeting.[22]

Glass Lewis generally does not take employee representatives or employee shareholder representatives into account when analysing the independence of French boards and their key committees.[23] However, when employees hold more than 10% of a company's total share capital or voting rights, we will consider an employee-elected representative to the board as an affiliate.

Voting Recommendations on the Basis of Board Independence

In accordance with French governance standards, we generally recommend that at least half of the directors be independent from the company and its shareholders.[24] However, we accept the presence of representatives of significant shareholders in proportion to their equity or voting stake in the company, as detailed in our *Continental Europe Benchmark Policy Guidelines*.

As outlined in our *Continental Europe Benchmark Policy Guidelines*, we refrain from recommending to vote against directors who are not considered independent due to lengthy board tenure on that basis alone in order to meet recommended independence thresholds.

Controlled companies present an exception to our independence recommendations. When an individual or entity owns more than 50% of the share capital or voting rights, we require that at least one-third of the directors be independent in order to best protect the interests of minority shareholders.[25]

We may make exceptions for companies that adhere to the Corporate Governance Code of Mid- and Small-Cap Companies. In accordance with the Middlenext Code, the board should comprise at least two independent directors.[26] Nevertheless, we take into account the size of the board and the company's ownership structure when evaluating board independence.

Voting Recommendations on the Basis of Committee Independence

When it comes to the independence of key board committees, we do not make exceptions for controlled companies. We believe that two-thirds of the members of the audit committee and a majority of the members of the remuneration and nominating committees should be independent of the company and its shareholders. Further, in cases where there is an even number of directors on the nominating or remuneration committee, we will accept 50% independence where the committee chair is an independent director.[27] Furthermore, in accordance with the AFEP-MEDEF Code, the three aforementioned committees must be composed entirely of non-executive directors[28] and the remuneration committee should have an independent chair as well as one

[21] Articles L.22-10-6, L.225-27 and L.225-79 of the French Commercial Code.

[22] Articles L.22-10-5, L.22-10-22, L.225-23 and L.225-71 of the French Commercial Code.

[23] Article 16.1 of the AFEP-MEDEF Code and section II, letter B, 1) of the AFG Recommendations.

[24] Article 10.3 of the AFEP-MEDEF Code.

[25] Article 10.3 of the AFEP-MEDEF Code.

[26] Recommendation R3 of the Corporate Governance Code of Mid- and Small-Cap Companies, published by Middlenext ("Middlenext Code").

[27] Section 1, § 18.1 and §19.1 of the Application Guide of the AFEP-MEDEF code, published in March 2024 by the High Committee on Corporate Governance ("HCGE").

[28] Articles 17.1, 18.1 and 19.1 of the AFEP-MEDEF Code.

employee representative;[29] however, the presence of an employee shareholder representative in the remuneration committee will not satisfy the recommendation that at least one member must be an employee representative.[30]

With regard to companies referring to the Middlenext Code, we expect the board to have an audit committee comprising at least a majority of independent members, including the chair; we will accept 50% independence where the committee chair is an independent director. In line with a recommendation of the Middlenext Code, we expect companies provide a compelling justification when board committees are not chaired by an independent director.[31]

Other Considerations for Individual Directors

Our policies with regard to performance, experience and conflict-of-interest issues are not materially different from our *Continental Europe Benchmark Policy Guidelines*, with the following exception.

External Commitments

We believe that directors should have the necessary time to fulfil their duties to shareholders. In our view, an overcommitted director can pose a material risk to a company's shareholders, particularly during periods of crisis. In accordance with our *Continental Europe Benchmark Policy Guidelines*, we typically recommend shareholders vote against a director who:

- Serves as an executive officer of any public company while serving on more than one additional external public company board; or
- Serves as a 'full-time' or executive member of the board[32] of any public company while serving on more than two additional external public company boards; or
- Serves as a non-executive director on more than five public company boards in total.

We will count non-executive board chair positions at European companies as two board seats given the increased time commitment generally associated with these roles.

Further, as executive directors will presumably devote their attention to the company where they serve as an executive, we will generally not recommend that shareholders vote against the election of a potentially overcommitted director at the company where they serve in an executive function. Similarly, we will generally not recommend that shareholders vote against the election of a potentially overcommitted director at a company where they hold the board chair position, except where the director:

- Serves as an executive officer of another public company; or
- Holds board chair positions at three or more public companies; or

[29] Article 19.1 of the AFEP-MEDEF Code.
[30] Section 1, § 19.1 of the Application Guide of the AFEP-MEDEF code, published by the HCGE.
[31] Recommendation R7 of the Middlenext Code.
[32] This policy applies to directors that serve on a board in a 'full-time' or executive capacity without further defined responsibilities within the executive team (e.g., executive chair that is not a member of the executive committee, or a non-executive chair that serves in the role in a full-time capacity).

- Is being proposed for initial election as board chair at the company.

Nevertheless, we adopt a case-by-case approach on this issue, as described in our *Continental Europe Benchmark Policy Guidelines*. We note that the law limits the number of directorships an individual may hold in French companies at five.[33]

Board Structure and Composition

Our policies with regard to board structure and composition are not materially different from our *Continental Europe Benchmark Policy Guidelines*. The following are clarifications regarding best practice recommendations in France.

Employee Representatives

We generally support proposals seeking to allow the election of employee shareholder representatives to the board in accordance with relevant legal provisions,[34] so long as the proposed employee representation is not disproportionate to employee share ownership. Nevertheless, companies may decide to put up for shareholder approval the election of multiple employee shareholder representatives that are competing for a single seat on the board. In this case, we generally recommend in favour of a single candidate. Our recommendation takes into consideration the stake held in the Company of the employee fund proposing the candidate, the candidates' individual skills, their previous role on the board as well as the board recommendation, if available.

Separation of the Roles of Board Chair and CEO

The AFEP-MEDEF Code does not provide a recommendation on whether shareholders should favour the separation or combination of the board chair and CEO roles. Instead, it stresses the importance of transparency between executives and the board, between a company and the markets, and between a company and its shareholders. The AFEP-MEDEF Code states that when the roles are combined, a company may appoint a lead director from among its independent members.[35] The AFG states an explicit preference for the separation of the two roles, and the appointment of a lead independent director where they are combined.[36] When a board has a separate nominating committee, we generally do not recommend that shareholders vote against CEOs who chair the board. However, we may recommend voting against the nominating committee chair when the chair and CEO roles are combined, and the board has failed to implement adequate measures to prevent and manage the potential conflict of interests deriving from the combination of the two positions such as appointing an independent lead or presiding director or adopting other countervailing board leadership structures. In the absence of a nominating committee, we may recommend voting against the board chair under these conditions. Further, we typically encourage our clients to support separating the roles of chair and CEO whenever that

[33] Articles L.225-21, L.225-77 and L.225-94-1 of the French Commercial Code; Article 20.2 of the AFEP-MEDEF code and Section II, letter D, 2) of the AFG Recommendations.
[34] Articles L.225-23 and L.225-71 of the French Commercial Code.
[35] Article 3.2 of the AFEP-MEDEF code.
[36] Section II, letter A, 3) of the AFG Recommendations.

question is posed in a proxy, as we believe that it is in the long-term best interests of the company and its shareholders.

Similarly, when a company is proposing to combine the roles of board chair and CEO, and in the absence of compelling rationale, we will generally recommend voting against the nominating committee chair (or the board chair).

Size of the Board of Directors

While French law sets the minimum board size at three, we believe boards should have at least five directors, except in the case of small-cap companies. Moreover, French law sets the maximum board size at 18 members,[37] which we believe to be reasonable, as described in our *Continental Europe Benchmark Policy Guidelines*.

Gender Diversity

Board-Level Gender Diversity

Companies incorporated in France are required to ensure that at least 40% of board seats are held by directors of each gender. For boards with fewer than nine directors, the difference between the number of male and female directors may not exceed two.[38] The current legislation specifies that employee shareholder representatives and employee representatives are not taken into account when assessing the board size and gender diversity requirements.[39] However, the EU directive on gender diversity was transposed into French law in October 2024, which states that from June 30, 2026, employee representatives and employee shareholder representatives will be taken into consideration when assessing the board gender diversity requirements for companies incorporated in France. [40]

Gender Diversity Policy

The AFEP-MEDEF Code stipulates that the board of directors should ensure that the executive officers implement a policy of non-discrimination and diversity, notably with regard to the balanced representation of men and women in senior management.[41] Further, it recommends that the board shall, at the proposal of executive management, determine gender diversity objectives for the company's governing bodies and report on these annually in the Corporate Governance Report. Specifically, companies are recommended to describe the gender diversity policy and its objectives, including an action plan and the time horizon within which the actions will be carried out, as well as measures taken to implement the policy and performance against the policy in the past fiscal year including, where applicable, the reasons why objectives have not been achieved and the measures taken to remedy this.[42]

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[37] Articles L.225-17 and L.225-69 of the French Commercial Code.

[38] Law 2011-103 of January 27, 2011, relative to the balanced representation of women and men on boards of directors and supervisory boards; and Articles L.225-18-1 and L.22-10-3 of the French Commercial Code.

[39] Articles L.22-10-5, L.225-23 and L.225-27-1 of the French Commercial Code.

[40] Ordonnance n. 2024-934 of October 15, 2024, transposing the EU directive 2022/2381 on improving the gender balance among directors of listed companies and related measures.

[41] Article 1.7 of the AFEP-MEDEF Code.

[42] Article 8 of the AFEP-MEDEF Code.

In cases where a large- or mid-cap company referring to the AFEP-MEDEF Code has failed to establish and report on forward-looking gender diversity targets for its governing bodies, we may recommend that shareholders vote against the re-election of the governance committee chair (or equivalent).

The Middlenext Code recommends that companies ensure diverse representation and the absence of discrimination, and that companies should establish, and report on in the Corporate Governance Report, a diversity policy that aims to promote gender balance at every hierarchical level of the company.[43]

In egregious cases where a company referring to the Middlenext Code has failed to provide meaningful disclosure on its gender diversity policy, we may recommend that shareholders vote against the re-election of the governance committee chair (or equivalent).

Further, in December 2021, the law Rixain was promulgated to promote gender balance in all corporate management bodies, the implementation of which will take place in three distinct stages. Since March 2022, companies are required to annually publish any gaps in representation between men and women among top executive roles and senior managers. The next stage will take effect in March 2026, when companies incorporated in France will be required to ensure that each gender is at least 30% represented within the top executives and within the senior managers, considered as two separate groups. Finally, this requirement will be increased to 40% as of March 2029.[44]

Director Attendance Records

Glass Lewis believes that the regular attendance of directors at board and committee meetings is a core responsibility of directors to a company’s shareholders. Both the AFEP-MEDEF and Middlenext Codes recommend that the attendance record of directors at board and committee meetings is disclosed on an annual basis.[45]

Our policy with regard to director attendance is not materially different from our *Continental Europe Benchmark Policy Guidelines.*

Where a large- or mid-cap company fails to ensure that clear, individualised director attendance records are disclosed, we will generally recommend that shareholders vote against the re-election of the governance committee chair (or equivalent).

Censors

The office of censor was established by French companies in order to allow for the participation of qualified individuals to serve in a consultative role and express their observations and opinions regarding the board’s processes. Censors attend board meetings in this capacity but act as non-voting board members. We note that censors are not taken into account when assessing board size and independence.

[43] Recommendation R15 of the Middlenext Code.
[44] Article 14 of Law 2021-1774 of December 24, 2021, relative to the balanced representation of women and men in top executive roles and senior managers.
[45] Article 12 of the AFEP-MEDEF Code and Recommendation R6 of the Middlenext Code.

The presence of censors on the board must remain exceptional, and be subject of specific justifications announced to the shareholders prior to the general meeting.[46] As a result, we may recommend voting against a proposal to appoint a censor if the following has not been provided by the company: (i) the term length of the censor; (ii) justification as to why the censor should be appointed; and/or (iii) his/her relation to the company, its executives and/or other related parties. In addition, we believe censors should be appointed for a transitional period which should generally not exceed two years, absent compelling rationale for a longer term.

Board Committees

French law requires listed companies to have an audit committee responsible for the oversight of financial reporting and risk control. Companies may opt to have the board as a whole serve as the audit committee, provided that it has explicitly stated this policy.[47] The Middlenext Code, prepared specifically for mid- and small-cap issuers, recommends a particularly nuanced analysis of audit functions on the boards of smaller companies,[48] which aligns with the approach suggested in our *Continental Europe Benchmark Policy Guidelines*. For companies that adhere to this code, when considering whether the absence of key board committees should result in a vote against the board chair, we will consider the overall independence of the board in making this determination. Nevertheless, as outlined in the “Voting Recommendations on the Basis of Committee Independence” section of these guidelines, we generally expect companies following the Middlenext Code to establish an audit committee that is at least 50% independent and chaired by an independent director, and to provide a compelling justification when any board committees that have been established are not chaired by an independent director.

Committee Composition and Performance

Our policies with regard to the formation of committees and committee performance are not materially different from our *Continental Europe Benchmark Policy Guidelines*.

The Role of a Committee Chair

Glass Lewis believes that a designated committee chair maintains primary responsibility for the actions of his or her respective committee. As such, many of our committee-specific voting recommendations – as outlined in these guidelines and in further detail in our *Continental Europe Benchmark Policy Guidelines* – are against the applicable committee chair rather than the entire committee (depending on the seriousness of the issue). In cases where the committee chair is not up for election due to a staggered board, and where we have identified substantial or multiple concerns, we will generally recommend voting against a long-serving committee member that is up for election, on a case-by-case basis. In cases where we would ordinarily recommend voting against a committee chair, but the chair is not specified, we apply the following general rules, which apply throughout our guidelines:

[46] Section II, letter D, 4) of the AFG Recommendations.
[47] Article L.821-68 of the French Commercial Code.
[48] Recommendation R7 of the Middlenext Code.

- If there is no committee chair, we recommend voting against the longest-serving committee member or, if the longest-serving committee member cannot be determined, the longest-serving board member serving on the committee (i.e., in either case, the "senior director"); and
- If there is no committee chair, but multiple senior directors serving on the committee, we recommend voting against both (or all) such senior directors.

Expertise of Audit Committee Members

For an audit committee to function effectively on investors' behalf, it must include members with sufficient knowledge to diligently carry out their responsibilities. We believe that companies should clearly outline the skills and experience of the members of the audit committee, and that shareholders should be wary of audit committees that include members that lack the requisite expertise.

In France, it is required that listed companies have at least one independent member who has specific financial or accounting expertise in their audit committee.[49] When we have been unable to determine the representation of such expertise on the audit committee through the director biographies and disclosure provided by a company, we may recommend that shareholders vote against the re-election of the audit committee chair and/or other committee members standing for re-election.

Election Procedures

Our policies with regard to election procedures are not materially different from our *Continental Europe Benchmark Policy Guidelines*. The following are clarifications regarding best practice recommendations in France.

Classified Boards and Term Limits

French corporate governance standards recommend that board terms be staggered so as to avoid replacement of the board as a whole and to favour a smooth replacement of directors.[50] As a result, the use of staggered boards is a fairly common practice at French companies.

Further, under French law, a director's term may not exceed six years, but may be renewed.[51] French best practice standards, however, recommend that directors be elected for terms not exceeding four years.[52]

As further explained in our *Continental Europe Benchmark Policy Guidelines*, Glass Lewis supports the declassification of boards and the annual election of directors. Nevertheless, given market practice in France, we will generally accept the presence of staggered boards, so long as director terms do not exceed four years. As such, we will typically recommend against the nominating committee chair if a director is up for election for a term exceeding four years.

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[49] Article L.821-67 of the French Commercial Code.
[50] Article 15.2 of the AFEP-MEDEF Code.
[51] Articles L.225-18 and L.225-75 of the French Commercial Code.
[52] Article 15.1 of the AFEP-MEDEF Code.

Mandatory Director Retirement Provisions

According to French company law, a company's articles of association may specify a mandatory retirement age limit for either all directors, or a percentage of them. In the absence of such a provision in a company's articles of association, no more than one-third of the directors in office may be over the age of 70[53] and the chair may not be over the age of 65.[54] Glass Lewis recognises that it has become common and accepted practice for the boards of European companies to include director age or term limits in their board composition profiles. As such, we will generally not recommend voting against proposals that seek to introduce or amend director's age or term limits in a company's articles of association.

Nevertheless, we believe boards that have adopted age/term limits deviating from the standard legal provisions outlined above should apply these equally for all members of the board. If a company seeks to derogate from French law and introduce or amend an age limit for a specific board role or a designated restricted group of directors and/or corporate officers, Glass Lewis will consider recommending shareholders vote against the related article amendment, unless a compelling rationale is provided.

Board-Level Oversight of Environmental & Social Issues

Glass Lewis believes that companies should ensure that boards maintain clear oversight of material risks to their operations, including those that are environmental and social in nature.

According to the AFEP-MEDEF Code, the board of directors should consider the social and environmental aspects related to the company's business activities when promoting long-term value creation. Corporate social and environmental responsibility is now considered to be an issue on which board members must remain informed. In this regard, companies are encouraged to provide regular training for board members with regard to environmental and social matters, namely relating to the climate[55].

The latest version of the AFEP-MEDEF code introduces a requirement for the board to determine environmental and social strategic guidance covering multiple years. Executives must present an action plan on this strategy to the board, along with timeframes for implementation, and report annually on the results achieved.

The updated AFEP-MEDEF code also clarifies that, with regard to the climate, a company's strategy should present clear and defined objectives for different time periods, the achievement of which should be reviewed annually by the board. Moreover, the code recommends that said strategy as well as any relevant actions taken in this regard be presented at a general meeting at least once every three years or in the event of a significant change in strategy[56].

Further, the latest version of the AFEP-MEDEF Code recommends that the board should have a specialised committee covering matters relating to social and environmental responsibility.[57]

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[53] Article L.225-19 and L.225-70 of the French Commercial Code.

[54] Article L225-48 of the French Commercial Code.

[55] Articles 1.1, 1.4 and 14.1 of the AFEP-MEDEF Code and section II, letter D, 6) of the AFG Recommendations.

[56] Article 5 of the AFEP-MEDEF Code.

[57] Article 16 of the AFEP-MEDEF Code.

The Middlenext Code also recommends that the board establishes a committee focusing on environmental and social responsibility, which should be chaired by an independent board member, or ensures that environmental and social oversight is conducted at full-board level.[58]

Accordingly, for large-cap companies and in instances where we identify material oversight concerns, Glass Lewis will review a company's overall governance practices and identify which directors or board-level committees have been charged with oversight of environmental and/or social issues. We will generally recommend voting against the governance committee chair (or equivalent) of companies listed on the CAC 40 index that fail to provide explicit disclosure concerning the board's role in overseeing material environmental and social issues.

Compliance with a Corporate Governance Code

Unlike most European countries, there is no legal requirement for French companies to report on their compliance with a corporate governance code; French law only requires that companies voluntarily refer to a corporate governance code, or provide reasons for why they are not doing so.[59] In general, Glass Lewis believes that reporting against a corporate governance code provides shareholders with useful insight into a company's corporate governance practices in a manner that allows for comparability between a company and its domestic peers. In practice, most French companies voluntarily refer to the corporate governance codes established by the AFEP-MEDEF or Middlenext. Where a company refrains from referring to a corporate governance code, Glass Lewis will generally apply the policies outlined in these guidelines that would apply to companies that refer to the Middlenext Code.

We currently note as a concern when large- and mid-cap companies have elected not to refer to a corporate governance code and we may recommend that shareholders vote against the re-election of the governance committee chair (or equivalent) of such companies unless a compelling rationale has been provided for why the company has elected not to refer to a corporate governance code.

[58] Recommendation R8 of the Middlenext Code.
[59] Article L. 22-10-10 of the French Commercial Code.

Transparency and Integrity in Financial Reporting

In France, shareholders are required to approve a company's non-consolidated accounts, consolidated accounts, and dividend policy on an annual basis. They must also elect the company's independent auditors, as well as alternate auditors when required. While we have outlined the principal characteristics of these types of proposals that we encounter in France below, our policies regarding these issues are not materially different from our *Continental Europe Benchmark Policy Guidelines*.

Accounts and Reports

As a routine matter, French company law requires that shareholders approve a company's annual and consolidated financial statements within six months following the close of the fiscal year in order for them to be valid.[60]

Allocation of Profits/Dividends

In accordance with French company law, prior to the distribution of dividends, companies are required to allocate at least 5% of their after-tax profits to a legal reserve. Additional allocations for legal reserves are no longer required when the legal reserve reaches 10% of the company's share capital.[61]

French companies must also present the breakdown of dividends distributed to shareholders for the past three fiscal years.[62]

Appointment of Auditors

In France, companies required to publish consolidated accounts must appoint at least two financial statutory auditors.[63]

In addition, companies required to publish consolidated information relating to sustainability must appoint either multiple statutory auditors for sustainability reporting or a statutory auditor and an independent third party to certify the non-financial reporting.[64]

Pursuant to the law, auditors are appointed for six-year terms.[65] However, French companies can initially choose to appoint the auditors for sustainability reporting for three years, or they can decide to set the term of the

[60] Article L225-100 of the French Commercial Code.
[61] Article L.232-10 of the French Commercial Code.
[62] Article 47 of Act 65-566 dated July 12, 1965.
[63] Article L.821-41 of the French Commercial Code.
[64] Article L.821-41 of the French Commercial Code.
[65] Article L.821-44 of the French Commercial Code.

auditors for sustainability reporting to end in conjunction with the term of the financial auditors.[66]Glass Lewis believes that companies should periodically conduct a competitive tender process and disclose the details of this process to shareholders.[67] When assessing the performance of, and potential conflicts of interest in relation to, the statutory auditors, we will take the fees and the tenure of the audit firm into consideration, as outlined in our *Continental Europe Benchmark Policy Guidelines*.

Furthermore, companies may appoint alternate statutory auditors who may become the regular auditor in case of the death, early retirement, dismissal or resignation of one of the regular auditors.[68] This provision is mandatory in cases where the statutory auditor is an individual or an audit firm comprising one person only; otherwise, it is optional.

Authorising a Proxy to Vote on Ad Hoc Proposals

In France, shareholders may be asked to authorise a proxy to vote on any new proposals presented by shareholders or the board of directors which are not included in the agenda for the meeting. We recommend that shareholders vote against any potential additional or amended shareholder and board proposals.

[66] Article 38 of Ordonnance no. 2023-1142 of December 6, 2023, relating to the publication and certification of sustainability information and on the environmental, social and governance obligations of commercial companies.
[67] In accordance with EU Regulation no. 537/2014 of the European Parliament and of the Council, auditors of companies in the European Union may serve for a maximum of ten years, with an additional term of up to ten years when the audit is tendered, or 14 years when a joint audit is adopted.
[68] Article L.821-40of the French Commercial Code.

The Link Between Pay and Performance

Following the implementation of the Law on Transparency, Anti-Corruption and Economic Moderation passed on November 8, 2016, shareholders are to vote on two types of executive pay proposals.

In 2017, a binding vote on remuneration policy was introduced. This was described in the law as a vote on the "*principles and criteria of determination, distribution and allocation of fixed, variable and exceptional components of total remuneration and benefits of any kind*" attributable to the corporate officers. In a one-tier board company, corporate officers include the chair, CEO, and deputy CEO, while in a two-tier board structure they are the chair and members of the management board and of the supervisory board.

In 2018, a second binding vote on the variable and exceptional amounts paid during the past fiscal year came into force. For payment to occur, shareholders must approve variable and exceptional pay outcomes for the chair of the board of directors or the supervisory board, the CEO, deputy CEO, and the chair and members of the management board.

Since 2020, the transpositions of the European Shareholders Rights Directive (SRD II) have resulted in an additional vote, this time on the ex-post remuneration report. This report includes, among other things, all remuneration paid to the executive and non-executive corporate officers during the past year, a five-year comparison of pay and performance, the presence or absence of clawback clauses, and the ratio between the pay of the CEO and the company's average and median employee over the previous five years. Should this proposal not be approved by the annual general meeting, payments under the remuneration policy of the current year are suspended until a revised remuneration policy is approved. Should this revised policy not be approved when it is presented for a vote, the suspended remuneration is forfeited.

Furthermore, a new regulatory framework came into force in 2020 with regard to the remuneration of senior executives in *Sociétés en Commandite par Actions* (SCAs), as a result of the transposition of SRD II. Until 2019, SCAs were not subject to the provision of the law Sapin II requiring binding votes on executive remuneration, under which payment of any variable and exceptional remuneration would not take place without shareholder approval of the relevant proposal. Previously, the vote on ex-post remuneration for SCAs was only advisory, and they were not obliged to provide for an ex-ante vote on the corporate officers' remuneration policy. Since 2020, SCAs are required to put up for shareholder approval (i) a binding vote on all fixed, variable and exceptional remuneration, as well as any benefits-in-kind, paid or awarded to their corporate officers during or in respect of the prior financial year and (ii) an annual binding ex-ante vote on the compensation policy for their corporate officers.

Binding Vote on Remuneration Policy (Ex-Ante)

We generally believe that remuneration policies should provide clear disclosure of an appropriate framework for managing executive remuneration. While this framework will vary for each company, it should generally provide an explicit link to the company's strategy and set appropriate quantum limits along with structural safeguards to prevent excessive or inappropriate payments – in particular any reward for failure. It should also provide sufficient flexibility to allow boards to manage matters of recruitment and professional development as they arise and to avoid the necessity of seeking shareholder approval for policy amendments or special payments outside the policy.

Some of the potentially troubling issues we will consider when analysing remuneration policies, and when weighing a vote against these proposals, are as follows:

- The policy allows for high pay (as compared to the company's benchmark) that is not subject to relevant and challenging performance targets over the period or has not otherwise been merited by outstanding company performance over the period;
- We do not consider the overall balance of the remuneration between fixed and variable elements and between short- and long-term incentive opportunity to be appropriate;
- Pay levels are benchmarked above median without sufficient justification;
- Performance targets are not sufficiently challenging, or not aligned with business strategy;
- Non-executive directors are eligible for cash and/or equity awards on similar terms as those granted to executives;[69]
- If the company has failed to sufficiently disclose the key terms of its policy; and
- Substantial changes to the existing policy have been proposed and have not been adequately explained or justified;
- The proposed changes to the existing policy represent, on aggregate, a worsening of the overall structure; and
- Material shareholder dissent on the remuneration system is not sufficiently addressed.

Binding Vote on Remuneration Paid (Ex-Post)

Following the full introduction into law of the provisions of Loi Sapin II related to executive remuneration, a binding vote on the variable and exceptional amounts paid during the past fiscal year must be submitted for shareholder approval each year. Should the amounts paid not be approved by shareholders, the variable and exceptional elements would not be paid. Moreover, the Company may not disburse these elements of pay to its corporate officers until it receives shareholder approval.

The say-on-pay vote in France is seeking approval of the elements of remuneration paid; however, our analysis reflects both quantitative and qualitative factors, and is primarily focused on the pay-for-performance link. We believe shareholders should be presented with sufficient information regarding how award amounts were determined to make informed decisions. If the company has failed to sufficiently disclose the terms of its remuneration programs and policies, we may recommend shareholders vote against the proposal solely on this basis. Additionally, we expect a company to provide a compelling rationale for any discretionary adjustments applied by the board and/or for any exceptional remuneration granted to executives.[70]

[69] This only applies in instances in which the vote on the remuneration policy explicitly includes the policy to remunerate non-executive directors.

[70] Article 26.3.4 of the AFEP-MEDEF Code and Section II, letter C), 3) of the AFG Recommendations. The latter states that the remuneration policy should not provide for the possibility of awarding exceptional remuneration to executive corporate officers.

With regard to the allocation of extraordinary awards, our policies do not materially differ from the *Continental Europe Benchmark Policy Guidelines*. However, we note that, due to the one-tier structure of boards, French market practice may foresee the allocation of special bonuses to departing CEOs who are taking over the role of non-executive chair. Such bonuses would be additional to the CEO's regular termination payments and board fees, and are generally allocated to ensure a smooth transition to the new leadership. We generally oppose the grant of similar awards and believe this should be thoroughly justified by the board, as we find that extraordinary bonuses linked to a CEO's succession would practically compensate the departing executive for tasks we see as being intrinsic to their duties as former chief executive officer.[71]

Binding Vote on Remuneration Report

French companies' remuneration policies will determine the parameters within which corporate officers may be remunerated. Additionally, in the report on the implementation of the remuneration policy, which is submitted separately for shareholder approval, they must disclose the pay ratios between the CEO's remuneration and the median and average remuneration of its employees over the previous five years along with a five-year comparison of pay and performance. We believe this information to be useful in contextualising levels of executive remuneration both within a business and within industries.

We expect companies to fully disclose and explain the implementation of their remuneration policies in a manner that is consistent with shareholder interests. Our voting recommendations for this proposal will reflect an overall assessment of the structural alignment between pay and company performance as well as any changes that would affect the alignment of executive and shareholder interests. Given the binding nature of this vote, which could cause executive and non-executive pay to be forfeited, we will generally recommend voting against this proposal only when we identify one or multiple severe ongoing issues, such as structural shortcomings, lack of disclosure of key features of the remuneration structure, and/or significant shareholder opposition that has not been addressed by the company for multiple years.

Best Practice Recommendations

When analysing any French say-on-pay proposals, our guidelines do not differ materially from the *Continental Europe Benchmark Policy Guidelines*.

In addition, we firmly believe that French companies should apply the following best practice recommendations in France:

- Executives should receive performance-based multi-annual remuneration such as stock options or performance shares;[72]
- Variable remuneration should be subject to clearly disclosed caps (i.e., as a percentage of the fixed remuneration);[73]

[71] Section 1, § 26.3.4 of the Application Guide of the AFEP-MEDEF code, published by the HCGE.
[72] Article 26.3.3 of the AFEP-MEDEF Code.
[73] Article 26.3.2 of the AFEP-MEDEF Code.

- The remuneration report should contain clear disclosure regarding the variable remuneration terms, including a precise definition of the quantitative and qualitative criteria;[74] and
- Variable remuneration should be based on multiple metrics that are related to the most important social and environmental stakes of the company. Quantifiable metrics are generally preferable.[75]
- Variable remuneration should not be based on the company's share price alone.[76]

Additionally, shareholders are required to approve authorities to grant stock options and to issue restricted stock. While our policies regarding these issues do not deviate from the principles discussed in our *Continental Europe Benchmark Policy Guidelines*, our policies in France are more precisely aligned with best practice recommendations in France.

Equity-Based Incentive Plan Proposals

When evaluating equity-based incentive plans in France, Glass Lewis considers several criteria in addition to those presented in our general *Continental Europe Benchmark Policy Guidelines*. Specifically, we believe that the equity-based incentive policies of French companies should specify that: (i) awards are conditional on clearly disclosed quantitative and qualitative performance requirements; (ii) the applicable performance conditions are measured over a period of several consecutive years and include relative targets (such as a benchmark or other companies); (iii) there are limits to the number of awards granted to corporate officers, both in terms of total salary and the number of options and/or shares covered by the plan; (iv) awards may not be granted to executives when they leave the company,[77] and (v) no discount should be applied to the exercise price of the options granted to the corporate officers.[78]

Further, as per our general *Continental Europe Benchmark Policy Guidelines,* we generally expect equity-based incentive policies to fall under 5% of a company's total issued share capital when their beneficiaries are only corporate officers. Nevertheless, when such equity-based authorities are extended to lower-level employees, the total grants may not exceed 10% of a company's share capital.[79]

We may provide exceptions to companies in a growth or pre-revenue stage when compelling rationale is presented. As per French law, the combined holding and vesting period for share awards cannot be shorter than two years, with a vesting period that may not be shorter than one year.[80] Glass Lewis contends that a one-year vesting period is not a sufficiently long period over which to measure performance for a long-term incentive plan. While we may consider a vesting and holding period of two years appropriate for some lower-level

[74] *Ibid*.
[75] Article 26.1.1 of the AFEP-MEDEF Code.
[76] Article 26.3.2 of the AFEP-MEDEF Code.
[77] Articles 25.3 and 26.5.1 of the AFEP-MEDEF Code.
[78] Article 26.3.3 of the AFEP-MEDEF Code.
[79] Articles L.225-197-1 to L.225-197-5 of the French Commercial Code.
[80] Act 2015-990 of August 6, 2015 for growth, economic activity and equal economic opportunities (Macron Act, and Article L.225-197-1 of the French Commercial Code.)

employees, we will generally recommend voting against any authority that does not apply at least a three-year vesting period to awards made to corporate officers.[81]

Pursuant to French law, stock options and restricted stock awards are subject to the following conditions, among others:

Stock Options[82]

- The subscription price cannot be less than 80% of the trailing twenty-day average price of the company's shares;
- The total number of options that have not been exercised may not exceed one-third of the company's share capital;
- No options may be awarded to executives or employees that hold more than 10% of the company's share capital;
- The authority to grant stock options must expire within 38 months; and
- Companies must offer some form of broad-based equity plan if they intend to offer stock options to top executives.

Restricted Stock[83]

- The total number of free shares granted may not exceed 15% of a company's share capital;
- The number of shares awarded may not allow an executive or employee to hold more than 10% of the company's share capital;
- All shares must be subject to a one-year holding period and a one-year vesting period, or a total two-year vesting period if there is no holding period;
- The authority to grant restricted stock must expire within 38 months; and
- Companies must offer some form of broad-based equity if they intend to offer shares to top executives.

Post-Employment Benefits

In accordance with the AFEP-MEDEF Code, we believe that a company should terminate the existing employment contract of its top executive officer upon appointment to corporate office.[84] We will, however, make an exception in the case of small-cap companies.[85] In addition, we believe that where the employment contract of a deputy CEO or general manager is not suspended, the company should provide full disclosure of the remuneration arrangements provided for under their employment contract.

For severance packages, we expect agreements to meet best practice standards in France, including: (i) the maximum amount of remuneration, when combined with any non-compete clause, does not exceed two years

[81] R21 of the Middlenext Code recommends that, when shares or stock options are granted to executives under incentive plans, there should be a performance period of at least three years.

[82] Articles L.225-177 to L.225-185, L.22-10-56, L.22-10-57 and R.225-143 of the French Commercial Code.

[83] Articles L.225-197-1 to L.225-197-5 of the French Commercial Code.

[84] Article 23 of the AFEP-MEDEF Code.

[85] Recommendation R18 of the Middlenext Code.

of fixed and variable remuneration including any payment due pursuant to an employment contract; and (ii) the performance requirements are clearly disclosed and challenging.[86]

Similarly, the AFEP-MEDEF Code sets out a number of recommendations for non-compete agreements which we expect companies to follow. Specifically, executives should not be entitled to receive payments pursuant to a non-compete agreement when they exercise their right to retirement, and no such payments may be paid once an executive has reached 65 years of age.[87] Further, the non-competition agreement may not be stipulated at the time of an executive's departure, but rather should be approved by shareholders in advance.[88] In addition, payments under such an agreement should be staggered over its duration.[89]

For supplementary pension plans, the terms of said plans should be in line with the general executive remuneration principles, as described in Article 26.1.2 of the AFEP-MEDEF code. Further, provisions granted under a supplementary pension plan should be subject to performance conditions, except when these provisions compensate for the loss of potential rights that have already been subject to performance conditions.[90]

Further, when companies are aware of a corporate officer leaving their executive role, no long-term incentive awards should be granted in their last year of service.[91] Regarding outstanding long-term awards, we believe that prorating equity awards would better align with best practice. As such, when an executive leaves the company, their equity awards should be pro-rated for the portion of the performance period the executive actually served and should take into account the performance recorded over that period. We believe the company should provide a compelling rationale when full vesting is maintained.

We evaluate executives' post-employment benefits in the context of the company's wider remuneration policy, and also in the context of the ex-post votes on remuneration when these benefits are exercised.

Employee Savings Plans

When French companies seek shareholder approval on authorities to increase its capital through contribution in kind, they are also required to put up for approval a proposal aiming at carrying out an employee savings plan at the same extraordinary general meeting, unless the increase in capital is the result of a prior issuance of securities giving access to the capital.[92] Employee savings plans allow employees and, in small companies, executives, to purchase shares, usually at a significant discount. Such plans may present fiscal advantages both to the company and its employees.

The law places a number of limits on such plans. When shareholders are asked to vote on an employee savings plan, they are not voting on a new plan, but instead on an authorisation to increase capital to be contributed to

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[86] Article 26.5.1 of the AFEP-MEDEF Code and Articles L.22-10-8, L.22-10-26 and L.22-10-76 of the French Commercial Code.

[87] Article 25.4 of the AFEP-MEDEF Code.

[88] Article 25.5 of the AFEP-MEDEF Code.

[89] Article 25.6 of the AFEP-MEDEF Code.

[90] Article 26.6.1 of the AFEP-MEDEF Code.

[91] Article 26.5.1 of the AFEP-MEDEF Code and Recommendation R21 of the Middlenext Code

[92] Article L.225-129-6 of the French Commercial Code.

the company's sole employee savings plan. Furthermore, executive participation in such plans is limited to companies employing between one and 250 people,[93] and individual employee participation cannot exceed one-fourth of his/her annual remuneration.[94] Finally, any shares or convertible securities that are issued under an employee savings plan authority must be issued at the trailing twenty-day average price of the company's shares prior to the issuance, discounted by no more than 30%, or 40% if the vesting period is equal to or greater than ten years.[95]

We generally support authorities to increase share capital in furtherance of a company's employee savings plan. We will, however, recommend voting against such a proposal if it could allow employee shareholdings to exceed 10% of the company's share capital, unless a convincing rationale has been provided.

However, when companies are submitting this authority to shareholders merely in order to fulfil the legal requirements of article L.225-129-6 of the French Commercial Code, boards may recommend shareholders to reject this authority. In this case, we will generally follow the board's recommendation as we believe the board is in the best position to evaluate the merits of such a plan. Absent a clear voting recommendation from the board, we will analyse the proposed plan on its merits alone.

[93] Article L.3332-2 of the French Labour Code.

[94] Article L.3332-10 of the French Labour Code.

[95] Article L.3332-19 of the French Labour Code and Article 162 of Law 2019-486 of May 22, 2019, on companies' growth and transformation.

Governance and Financial Structure and the Shareholder Franchise

Shareholders of French companies are frequently asked to vote on proposals that could have a material effect on their rights and interests. Such proposals include: (i) the ratification of board, management, or auditor acts; (ii) authorities that could serve as anti-takeover devices; and (iii) amendments to the articles of associations on key governance questions, such as double voting rights, caps on voting rights, and ownership reporting thresholds. While we have outlined the principal characteristics of these types of proposals that we encounter in France below, our approach to these issues is similar to other European markets.

Ratification of Board, Management and Auditors' Acts

In certain instances, French companies may request that shareholders discharge the members of the board of directors and/or management from any and all of their actions committed during the fiscal year.

Pursuant to French law, no decision of the general meeting of shareholders can shield a company's board members or CEO from an action for liability. They will still be held liable for any tortious or negligent act committed in the performance of their duties.[96]

Related Party Transactions

We may consider recommending a vote against a proposal to approve related party transactions when the description of the transaction by the company does not include the following: (i) identification of the related party involved; (ii) the company's special interest in the transaction; and (iii) details regarding any financial implications for the company.[97] If a statutory auditors' special report explains that a related party transaction is not in line with general market terms or conditions, we may recommend voting against the proposal.[98]

In addition, Glass Lewis generally does not favour consulting or service agreements with directors or significant shareholders of the company. When a consulting or professional services agreement with a director is considered sufficiently material to deem the director as affiliated pursuant to our guidelines, we will recommend voting against the proposal to approve the transaction. When a material[99] consulting or professional services agreement with a significant shareholder is not accompanied by a detailed, compelling rationale for the agreement, including some assurance that the services are provided at market rates, we will recommend voting

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[96] Article L.225-253 of the French Commercial Code.

[97] Recommendation no. 4.10 of AMF Recommendation n° 2012-05 on the general meetings of shareholders of listed companies.

[98] Recommendation no. 4.6 of AMF Recommendation n° 2012-05 on the general meetings of shareholders of listed companies.

[99] For this purpose, we define as material any agreement that exceeds €1 million or 1% of the company's total revenue on an annual basis.

against the proposal to approve the transaction. In our view, such agreements are not typically the best use of shareholder funds.

We will not recommend that shareholders vote against a proposal to approve related party transactions that are ongoing, and therefore not directly up for approval, unless a separate vote on these transactions is offered. We base our voting recommendations solely on transactions that have been agreed, renewed, or amended during the preceding year.

Double Voting Rights

In 2014, the French parliament passed law 2014-384 of March 29, 2014 (Florange law), with the aim of promoting and improving the economy in France. As a result, the law provides that double voting rights will apply to shares held in all listed companies by the same registered shareholder for at least two years, unless a contrary clause was adopted in a company's articles of association following promulgation of the law.[100] In the event that companies have not enacted an opt-out clause, the date of the promulgation of the law (i.e., March 29, 2014) is considered the starting date for the measurement of the relevant two-year period. In the event that a company already explicitly provides for double voting rights in its articles of association, a longer holding period than the two years mandated by law may be specified in the articles of association. In our view, double voting rights unfairly privilege a small class of shareholders at the expense of others.[101]

Where a company already has double voting rights and is proposing to amend the holding period required to take advantage of them, we will support proposals that shorten the holding period. While we oppose the granting of double voting rights, we believe a shorter holding period allows more shareholders to benefit from such provisions when they already exist.

Multi-Class Share Structures

In June 2024, the "attractivity law" was promulgated in France, which introduced the possibility of issuing preferred shares with multiple voting rights during initial public offerings. In particular, French and foreign companies that will have an initial public offering on the French regulated market may introduce or maintain preferred shares granting multiple voting rights during their first admission, without a limit on the ratio of voting rights per share. If a company has an initial public offering on a French Multilateral Trading Facility (MTF), the multiple voting rights are limited to a ratio of 25 voting rights per share.

In both cases, the preferred shares can only be created for a specific person or a group of persons. Further, said shares may be created for a period of up to 10 years, renewable once for no longer than 5 years and subject to shareholder approval. Further, the new law provides for circumstances where the preferred shares will solely give right to one voting right, such as the vote on the appointment of statutory auditors, article amendments and remuneration-related proposals for corporate officers.[102]

[100] Article 7 of the law Florange and Articles L.22-10-46 and L.225-123 of the Commercial Code.

[101] We note that our policy on multi-class share structures described in our *Continental Europe Benchmark Policy Guidelines* does not apply to loyalty initiatives such as double voting rights.

[102] Article L.22-10-46-1 of the French Commercial Code.

Following the expiration of the validity period of the preferred shares, these will be converted into ordinary shares.

Our policy on this issue in France is the same as the one outlined in the *Continental Europe Benchmark Policy Guidelines*. Specifically, in the case of a board that adopts a multi-class share structure, where the share class with superior rights is unlisted, in connection with an IPO, spin-off, or direct listing within the past year, we will generally recommend voting against the chair of the governance committee (or equivalent) or a representative of the major shareholder up for election if the board: (i) did not also commit to submitting the multi-class structure to a shareholder vote at the company's first shareholder meeting following the IPO; or (ii) did not provide for a reasonable sunset of the multi-class structure (generally seven years or less). In cases where there are no board elections at the first general meeting following the listing, we may instead recommend that shareholders vote against another relevant proposal on the agenda (e.g., ratification of board acts).

Voting Caps

French companies may place a limit on the number of votes each shareholder can express at a general meeting, so long as the limitation applies to all shares equally.[103] Our policy on this issue in France is the same as the one outlined in the *Continental Europe Benchmark Policy Guidelines*.

Ownership Reporting Requirements

French company law requires any shareholder whose percentage ownership of outstanding shares or voting rights in a company rises above or falls below the thresholds of 5%, 10%, 15%, 20%, 25%, 30%, 33%, 50%, 66%, 90% or 95% to notify the company within four business days, specifying the number of shares held and corresponding number of voting rights.[104] However, it also allows companies to impose more stringent notification requirements in its articles of association, in increments as small as 0.5%.[105] Glass Lewis generally opposes imposing further notification requirements upon shareholders beyond what is required by law, particularly since the existing notification requirements are quite comprehensive.

Virtual Shareholder Meetings

In June 2024, a law was adopted in France giving the possibility to companies to hold their general meetings exclusively by mean of telecommunication, by allowing for the identification of its shareholders. However, a shareholder or a group of shareholders that collectively owns 25% of a company's capital can oppose the virtual-only convening of an extraordinary general meeting.[106]

Further, companies listed in a regulated market must ensure the live broadcast of the shareholders' general meeting and that the recording of the meeting is accessible.[107]

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[103] Article L.225-125 of the French Commercial Code.

[104] Article L.233-7-I of the French Commercial Code.

[105] Article L.233-7-III of the French Commercial Code.

[106] Article L.22-10-38 of the French Commercial Code.

[107] Article L.22-10-38-1 of the French Commercial Code.

As outlined in our *Continental Europe Benchmark Policy Guidelines,* Glass Lewis unequivocally supports companies facilitating the virtual participation of shareholders in general meetings. We believe that virtual meeting technology can be a useful complement to a traditional, in-person shareholder meeting by expanding participation of shareholders who are unable to attend a shareholder meeting in person. However, we also believe that meetings at which shareholders are not permitted to attend in person can curb the ability of a company's shareholders to participate in the meeting and meaningfully communicate with company management and directors.

We believe that companies that elect to hold virtual shareholder meetings should aim to replicate in-person shareholder meetings and safeguard shareholder rights as closely as possible. At a minimum, we expect companies to set and disclose clear procedures at the time of convocation regarding:

- When, where, and how shareholders will have an opportunity to ask questions during the meeting, including a timeline for submitting questions, types of admissible questions, and rules for how questions and comments will be recognised and disclosed to shareholders;
- The manner in which appropriate questions received during the meeting will be addressed by the board; this should include a commitment that questions which meet the board's guidelines are answered in a format that is accessible by all shareholders, such as on the company's AGM or investor relations website;
- The procedure and requirements to participate in the meeting and access the meeting platform; and
- Technical support that is available to shareholders prior to and during the meeting.

In egregious cases where inadequate disclosure of the aforementioned has been provided to shareholders at the time of convocation, Glass Lewis will generally recommend that shareholders vote against members of the governance committee (or equivalent) or the chair of the board. In instances where appropriate directors are not standing for election, we may instead recommend that shareholders vote against other matters that are up for a vote, such as the ratification of board acts, or the accounts and reports proposal.

Capital Management

In France, shareholders are often asked to vote on a large number of capital authorities on an annual basis. A number of specific authorities related to changes in share capital have a predominant place on the agendas of French meetings. Unlike in most other European markets, all authorities have the potential to be used as anti-takeover devices, making this a critical part of our evaluation of each of the proposed authorities. Because of the number of different types of proposals, as well as differing market practices, our recommended dilution limits for capital increase and share issuance authorities in France are markedly different than those outlined in our *Continental Europe Benchmark Policy Guidelines*, as discussed below.

Issuance of Shares and/or Convertible Securities

Shareholders are required to approve all proposals related to the issuance of shares and/or convertible securities. According to French law, shareholders may delegate the power to determine the terms and conditions of the issuance to the board or management.[108] Shareholders must also determine the length of the authority, which may not be greater than 26 months, and the overall ceiling for the increase.[109]

As per French law, various authorisations to issue shares and/or convertible securities with preemptive rights and/or without preemptive rights can be presented as proposals at the general meetings of French companies. We may recommend against one or multiple authorisations based on the dilution of the share capital that each proposal allows.

As noted in our *Continental Europe Benchmark Policy Guidelines*, if a compelling justification for a share issuance has been provided by a company, we may recommend voting for the proposal even when it exceeds the dilution thresholds described in the sections below “With Preemptive Rights” and “Without Preemptive Rights”. Such exceptions are generally limited to companies with a clear and defined inorganic growth strategy and/or which are in a pre-revenue stage and highly dependent upon sources of external financing. We also may consider past authorisations to issue shares and how they were used when making voting recommendations.[110]

Furthermore, we note that if a proposal also requests the authority to issue convertible securities without specifying a debt limit, we will abstain from providing a voting recommendation as we do not believe shareholders have sufficient information with which to evaluate the debt issuance. We are, however, prepared to recommend that shareholders support authorities to increase capital through the issue of convertible securities, without disclosing a cash limit, where the following conditions are met: (i) the company is not explicitly requesting shareholder authority to issue debt instruments which could convert into cash, rather than equity; (ii) the proposed authority otherwise meets all best practice standards and recommendations in France; and (iii) the company does not have a history of abusing its previously granted authorities to issue shares, convertible securities, or debt.

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[108] Article L.225-129-1 of the French Commercial Code.

[109] Articles L.225-129-2 and L.228-92 of the French Commercial Code.

[110] Recommendation no. 1.6 of AMF Recommendation n° 2012-05 on the general meeting of shareholders of listed companies states that issuers should provide a detailed justification for all proposals to issue new shares, including a discussion of the use of previous authorisations.

With Preemptive Rights

In our view, any authorisation to issue shares and/or convertible securities with preemptive rights should not generally exceed 50% of the company's total share capital.[111]

Without Preemptive Rights

Regarding issuances of shares and/or convertible securities without preemptive rights, we generally apply two different thresholds, depending on the specific type of proposal. Any authorisation to issue shares and/or convertible securities without preemptive rights and without a binding priority subscription period should not generally exceed 10% of the company's total share capital. We evaluate each authorisation to issue shares and/or convertible securities without preemptive rights and without a binding priority subscription period in combination with the other authorities to increase share capital without preemptive rights; if total potential dilution from all authorities without preemptive rights exceeds 10% of a company's share capital, we will generally recommend voting against each authority without preemptive rights.

Any authorisation to issue shares and/or convertible securities without preemptive rights but with a binding priority subscription period should be generally subject to a maximum threshold of 20% of the company's total share capital.[112]

French companies may request the authority to issue shares on behalf of their parent and/or their subsidiaries if the ownership stake, depending on the case, is greater than 50%. We analyse these proposals the same way we would analyse a proposal requesting an increase in a company's own capital.[113]

In Consideration for Contributions in Kind

Companies may increase their share capital through the issuance of shares without preemptive rights in consideration for contributions in kind in the form of shares and/or convertible debt not admitted for trading on the regulated market. We believe these authorities generally create liquidity (or expectations of liquidity) for non-public stock and debt instruments. Such authorities cannot be granted for a period of time exceeding 26 months.

We note that pursuant to French law, such authorisations cannot exceed 20% of a company's total share capital.[114] However, we evaluate this type of proposal in combination with the other authorities to increase share capital without preemptive rights; if total potential dilution from those proposals exceeds 10%, we will generally recommend voting against this type of authority as well.

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[111] Section I, letter C, Article 1.2 (a) of the AFG Recommendations.

[112] Section I, letter C, Article 1.2 (b) of the AFG Recommendations.

[113] Article L.228-93 of the French Commercial Code.

[114] Articles L.22-10-53 and L.225-147 of the French Commercial Code.

Private Placement and/or Issuance for Qualified Investors

Companies may increase their share capital through the issuance of shares without preemptive rights through private placements for a limited group of qualified investors[115] and/or for one or more persons designated by name in the form of shares and/or convertible debt not admitted for trading on the regulated market.

Here, French law stipulates that such authorisations may solely be used within a limit set at 30% of a company's total share capital per year. Further, companies having used said authorization are required to prepare a supplementary report, certified by their statutory auditors, describing the final terms of the operation for the following general meeting. [116]

As with authorities to increase capital in consideration for contributions in kind, we will evaluate this type of proposal in the context of all authorities without preemptive rights.

In the Case of a Securities Exchange Offer[117]

In the event of an exchange offer for securities of another company admitted to trading on a regulated market of a European Economic Area member state or a member state of the Organisation for Economic Cooperation and Development, a company may increase its share capital with the possibility of limiting or withdrawing the right to preferential subscription of existing shareholders.

In this case, the board will determine: (i) the exchange rate (and any cash payment); (ii) the issuance date; and (iii) the price of the shares, as well as any additional attribute or condition of such securities.

We will evaluate this type of proposal in the context of all authorities without preemptive rights.

Proposals Related to Capital Increases

French companies generally grant the board greater flexibility in the management of their capital, thereby allowing it to increase the initial thresholds on issuances in the event of a greater demand, as well as to set the share price they deem appropriate. Notwithstanding the aforementioned, a cap is generally placed on the total amount of capital which may be increased as a result of all previously granted authorities.

Authority to Increase Share Issuance Limit (Greenshoe)[118]

A company may be granted the authority to increase any issuance of shares by up to 15%, as long as such increase takes place on the same terms and within 30 days of the initial issuance. By requesting the authorisation to add additional shares to the issuance when demand is strong (often done by having the underwriter exercise the shoe), companies intend to be able to tap the capital markets in the most efficient manner possible and ensure market stabilisation. However, we recommend voting for a greenshoe authority only when we also support the underlying capital proposals.

[115] Article L.225-136 of the French Commercial Code.
[116] Article L.22-10-52-1 of the French Commercial Code.
[117] Article L.22-10-54 of the French Commercial Code.
[118] Articles L.225-135-1 and R.225-118 of the French Commercial Code.

Authority to Set Share Price

Shareholders may authorise the board to set the issue price of any issuance of shares and/or convertible securities without preemptive rights.[119] Although we are sometimes concerned about the magnitude of the allowable discounts, we also believe this type of authority could allow a company to tap the capital markets in an expeditious fashion. We will nevertheless apply the same dilution thresholds for these authorities as for all authorities to issue securities with and/or without preemptive rights.

Global Ceiling on Increases in Capital

A company may elect to set a global ceiling limiting the amount by which its capital may be increased. This ceiling is generally applied to the authorisations to issue shares and/or convertible securities, described above. We believe that placing a limit on management's authority to increase a company's share capital is beneficial to shareholders and will curb excessive dilution. As such, we generally recommend that shareholders support these proposals, even when they exceed recommended dilution thresholds as described above.

Authority to Repurchase Shares

French law limits the number of shares that may be repurchased to 10% of the company's capital (or 5% in the event that they will be used as consideration in a merger transaction). The authority to repurchase shares cannot be granted for a period of time exceeding 18 months.[120] In line with our *Continental Europe Benchmark Policy Guidelines*, unless a share buyback program may be used as a takeover defense (see "Anti-Takeover Devices"), we will generally recommend voting for such proposals.

Authority to Cancel Shares and Reduce Capital

In conjunction with a share repurchase program, companies oftentimes proceed to subsequently cancel the repurchased shares. General share cancellation cannot exceed 10% of a company's outstanding stock within any period of 24 months.[121] As such, we generally recommend voting for such proposals.

Anti-Takeover Devices

In 2014, the French parliament passed law 2014-384 of March 29, 2014 (Florange law), reversing the board neutrality principle introduced into French law in 2006. Following the implementation of the law, French boards are able to take frustrating action during a takeover bid without seeking prior shareholder approval. As a result, any authority to issue new shares or to repurchase and reissue shares can be used as a takeover defense unless the company adopts an opt-out clause in its article of association, granting shareholders the right to approve

[119] Articles L.22-10-52 and L.225-136 of the French Commercial Code and.

[120] Article L.225-209-2 of the French Commercial Code.

[121] Article L.225-209-2 of the French Commercial Code.

any anti-takeover measures, or qualifies the proposed authority to the effect that it cannot be used as an anti-takeover device without further shareholder approval.[122]

We will generally recommend that shareholders vote against authorities to repurchase shares or to issue shares or convertible debt instruments when they can be used as a takeover defense without shareholder approval. We will not apply this policy to a company with a shareholder who controls more than 50% of its voting rights.

Issuance of Shares/Warrants

French legislation allows companies to seek the authority to issue free warrants convertible into shares under preferential terms to existing shareholders, in the event of a public takeover bid for their shares.[123]

While the use of this type of authority is limited to instances when the bidder itself benefits from equivalent takeover defenses (under the reciprocity rule), our strong opposition to anti-takeover devices leads us to recommend that shareholders vote against any proposal where the main purpose would be to prevent hostile takeovers.

Share Issuance Authorities

In certain instances, French companies request that the board be authorised to use certain authorities to issue shares and/or convertible securities previously approved by shareholders during public takeover periods. Given our strong opposition to authorities that could serve as anti-takeover devices, we recommend that shareholders vote against these proposals.

[122] Law no. 2014-384 of March 29, 2014, with the aim of promoting and improving the economy in France.
[123] Articles L.233-32 and L.233-33 of the French commercial code.

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