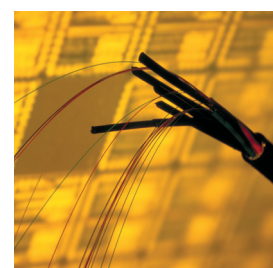
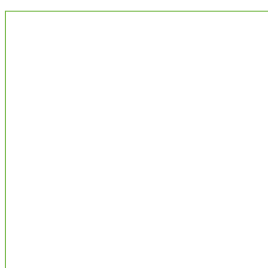
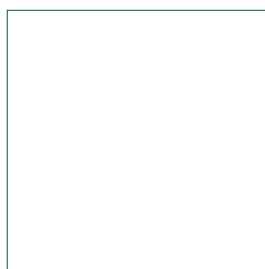
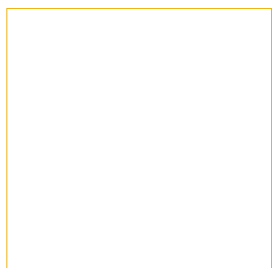


# General principles on the governance of listed companies



## Editorial

When Caisse des Dépôts is exercising its shareholder right by voting at a general shareholders' meeting, it bases its position on its principles of corporate governance for listed companies. These principles serve as a basis for dialogue with the French and foreign companies in which it holds a stake, and with market authorities and financial market organisations.

Caisse des Dépôts general principles on the governance of listed companies take into account French and international guidelines issued by investors and by professional or international organisations, including the AFEP-MEDEF Corporate Governance Code Of Listed Corporations, the OECD Principles of Corporate Governance, the Global Corporate Governance Principles of the International Corporate Governance Network, and the UN Principles for Responsible Investment.

As a long-term investor, Caisse des Dépôts assures company managers, administrators and other major investors that it will promote best practices in social, environmental, ethical, and governance-related matters, with the certitude that these practices will be decisive as regards sustainable business development, the creation of long-term value, and the control of risk exposure as well as being beneficial to all stakeholders.

As a shareholder, Caisse des Dépôts expects the companies in which it invests to have a clear strategy. It also expects clarity in the day-to-day implementation of this strategy, the means employed, the risks incurred, and the management and governance procedures adopted, within the framework of a constructive and long-term relationship. It demands perfect transparency and clarity in the companies' internal and external control procedures, especially where their activities present a high level of risk. It exercises its shareholder's rights and in particular its voting rights in such a way as to promote the development of transparent, responsible and well-balanced governance structures.

These principles are applied with pragmatism, taking into account the specific features of underlying markets, local practices, business sectors, the unique situations of the companies concerned, their size and their shareholding structure, and the economic and financial context. By conducting an in-depth analysis of the consequences of a vote, Caisse des Dépôts may adjust its voting policy to the circumstances, and especially to the strategic interests of the issuer.

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## Corporate governance

### > The separation of executive and control functions

A good corporate governance requires a clear and effective distinction between long-term strategy making and control on the one hand and implementation on the other. This separation makes management processes more efficient and increases the level of supervision and responsibility.

This distinction occurs naturally in companies with a management board and a supervisory board. Companies with a board of directors are encouraged by Caisse des Dépôts to make a clear distinction between the role of the chairman of the board and that of the chief executive officer. However, Caisse des Dépôts acknowledges that in some specific circumstances it may be appropriate to combine the two; in this case, it asks the company to justify its reasons for doing so. In addition, it recommends having a significant number of independent board members and an independent senior director in charge of governance, whose responsibilities must be clearly defined. Should the aforesaid specific circumstances change, Caisse des Dépôts encourages the company to have its situation re-examined by the directors to see if a monistic structure should be maintained, and to present their conclusions at the meeting of shareholders.

### > The composition and organisation of governance bodies

The body that supervises the operational management of the company has a duty to work in the interests of the latter and to ensure that all the shareholders are treated equally. Depending on the country, this body may be composed of non-executive members only, or of a combination of executive and non-executive members.

**Member numbers:** These should be kept within a reasonable limit to ensure efficiency and prevent the dilution of individual responsibilities.

**Composition/diversity:** The members of the supervisory body should come from a range of different and relevant backgrounds, thus enabling it to assume its responsibilities fully and ensuring an open outlook and a broad spectrum of viewpoints over the long term. It is vital that the composition of the supervisory body is varied in terms of skills, experience, training, nationality, age and gender (with a significant proportion of women regardless of current legal requirements) and that individual contributions focus on the need to build an authentic, dynamic, and constructive relationship with the company management.

**Independence:** The supervisory body must be capable of monitoring the company's strategy, conducting an analytical dialogue with the management, assessing its performance, and managing any conflicts of interest likely to occur between the different stakeholders, such as the controlling shareholders, minority shareholders, executive management, and employees. Therefore, Caisse des Dépôts expects the supervisory body to ensure a balanced representation, and to include a significant number of members who are independent of the managers and shareholders and do not have any connections or circumstances that may influence their judgement. These connections or circumstances may come in several forms; therefore the degree of independence is established on a case-by-case basis. The shareholder structure

and the possible presence of controlling or senior shareholders are taken into account when determining the proportion of independent members required for the supervisory body to operate effectively.

To ensure greater objectivity, Caisse des Dépôts discourages multiple directorships, with the exception of intra-group directorships and directorships resulting from strategic alliances that have been notified to the shareholders.

**Term of office:** For the performance of the supervisory body to be monitored and its members to be held accountable to the shareholders, all nominations and renewed appointments must be approved by the shareholders and must, with certain exceptions, be staggered. Hence, Caisse des Dépôts recommends a four-year term of office at the most, with a maximum of 18 cumulative years of service. The regular shareholder dialogue ensured through voting, thus guarantees the stability of the supervisory body and the continuity of its work while encouraging the input of fresh opinions and ideas and ensuring that the long-term interests of the company are effectively taken into account.

**Number of offices:** Caisse des Dépôts expects the members of the supervisory body to demonstrate a high level of commitment and to devote sufficient time and energy to the interests of the company and its shareholders. Therefore, members should have a limited number of ongoing mandates and commitments elsewhere such as to enable them to fully assume their responsibilities. The process of establishing the maximum number of offices that a member may hold takes into consideration several factors: the nature and extent of other commitments, whether the member is a serving chairperson, council member or committee member, whether he or she has operational responsibilities, holds office in a listed company or has intra-group directorships, and also the size and complexity of the companies involved.

Subject to individual investigation, it is recommended that directors in French and foreign listed companies should hold no more than two offices outside of their group, and that other applicants should hold no more than five.

**Specialised committees:** In order to achieve greater efficiency, it is recommended that each supervisory body appoint specialised committees, which provide the skills and objectivity needed to prepare decision-making.

An audit committee or an accounts committee is usually required by law, depending on the quotation market. Such a committee plays a vital role in supervising the preparation of a company's accounts and in monitoring its internal audit procedures.

The remuneration committee organises and analyses the information needed to establish a remuneration policy for the directors and the management team.

The nominations committee, whose role may also be performed by the remuneration committee, establishes the rules for selecting members of the supervisory body and the management team. It also approves recruitment processes, taking into account the candidates' skills and, for members of the supervisory body, their independence and availability.

Caisse des Dépôts recommends that these committees – or other specially-created committees – investigate the extra-financial risks to which the company is, or is likely to be, exposed; at the same time, they are encouraged to draw up action plans to prevent these risks or to minimise their impact.

Caisse de Dépôts advises that the majority of the members of the audit, nominations, and remuneration committees be independent. Where the members are not independent, it encourages the committee to explain how any resulting conflicts of interest are handled.

### **> Access of the supervisory body to information**

It is vital that the supervisory body has the resources and the information it needs in time to fulfil its role.

This includes not only economic and financial information, but also extra-financial information concerning the company's activities and strategy or any changes to its scope of action. It also includes any facts that demonstrate the company's social and environmental impact, as well as the risks incurred.

The supervisory body must ensure that this information is presented in a detailed report to the shareholders.

## Remuneration of executive and non-executive directors

### > Establishing the remuneration of executive and non-executive directors

The remuneration policy applicable to executive and non-executive directors and any amendments to this policy must be reasonable, transparent, and consistent with societal expectations and with market and sectoral practices. It must provide adequate incentive to pursue long-term performance goals.

Therefore, both the fixed and variable components of the remuneration package, as well as the severance pay offered, must be in line with the company's long-term strategy and performance and must be based on transparent, precise, and verifiable criteria.

The same conditions apply to stock options and free shares, which, moreover, must not be treated as a wage supplement and should be awarded to managers based on performance criteria. Neither should they be reserved for executive managers and board directors alone, but distributed more widely.

Supplementary pension schemes for executive managers must also be properly managed. For example, if a pension scheme with defined benefits is offered, then it must be available to a wider body of employees. It must also be reserved exclusively for people who are still employed by the company when they reach retirement and who have a reasonable length of service to their credit, as defined by the council.

### > Detailed communication of the remuneration policy for senior management and other non-executive directors

The information published by the company must be sufficiently comprehensive and transparent to enable shareholders to establish whether the remuneration offered to managers is justified by the company's performance over a reasonable length of time. Both French and foreign companies must indicate the amounts paid for individual, direct, indirect, immediate and deferred remuneration of directors and management team in a separate chapter attached to the annual report. This chapter should also explain how each respective component is calculated.

Like remuneration, the specific benefits awarded (including stock options, free shares, pension schemes, severance pay, etc.) must be published systematically in a document attached to the annual report, explaining the company's awards policy (type of options: number, exercise price, term of validity of stock options or call options, type of beneficiaries).



## Shareholders' rights

### > Exercising shareholders' rights at general meetings

As a rule, holding one share confers one right to vote.

Therefore, Caisse des Dépôts is generally opposed to creating multiple classes of shares, to associating preferential voting rights or dividends with certain types of shares or with only a portion of a company's shares, and to capping voting rights in certain cases. Nevertheless, it recognises that granting double voting rights for certain shares or using other means to encourage shareholder loyalty and long-term shareholding may be justified by the company's specific circumstances.

The exercise of shareholders' rights is encouraged by holding a separate vote on each of the items on the general meeting's agenda.

Caisse des Dépôts is opposed to the presentation of resolutions covering several subjects; in particular, each statutory change proposed must be presented in a separate resolution.

### > Anti-takeover measures

Caisse des Dépôts is opposed to maintaining defensive measures during takeover bid periods that they would not be in the best interests of the shareholders; i.e. shares buybacks, capital increases, or warrant issues.

Nevertheless, each measure must be considered in regard to the company's economic and financial interests, and taking into account its long-term strategy. Caisse des Dépôts therefore reserves the possibility of accepting such measures, provided that they are an exception, that they are justified by the company's strategic interests, and that they do not disrupt the normal buying and selling of its shares.

### > Authorising financial transactions

The authorisation granted for financial transactions must be consistent with the company's development policy, size and sectoral environment.

It is important to disclose the reasons and the opportunity for these transactions, as well as the consequences for investors in terms of dilution.

Caisse des Dépôts encourages wide employee stock ownership and hence profit sharing, which can increase the loyalty and motivation of workers.

## **> Financial and extra-financial communication and information**

The company's financial and extra-financial communications should enable shareholders to make well-informed decisions.

The documents presented in support of resolutions put forward for vote at the general shareholder's meeting must be exhaustive, accurate, and available within the legally-required timeframe. Caisse des Dépôts may have to oppose inadequately documented resolutions, especially if they relate to annual accounts or to important transactions put to a shareholder vote.





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