

# VOTING POLICY AND PRINCIPLES OF GOVERNANCE OF LISTED COMPANIES 2022



**Caisse  
des Dépôts**  
GROUPE



# Introduction

As a responsible investor and active shareholder, Caisse des Dépôts fully fulfils its role by systematically exercising its voting rights at the general meetings of the listed companies in which it invests. To do this, it refers to its voting policy, which formalizes its expectations in terms of corporate governance. These principles serve as a basis for dialogue with French and international listed companies and with market authorities and financial bodies.

It is the responsibility of Caisse des Dépôts, as a long-term shareholder, to promote good practices in social, environmental, ethical and governance matters, with the conviction that they are decisive for the sustainable growth of companies, the creation of long-term value and the benefit of all stakeholders. Caisse des Dépôts therefore seeks to promote the emergence of transparent, responsible and balanced governance structures. Through its voting policy and its shareholder engagement procedures, Caisse des Dépôts is committed to companies within the framework of a constructive and long-term relationship.

Caisse des Dépôts' corporate governance principles and its voting policy have been defined by integrating various French or international guidelines, issued by investors, professional and international organizations such as the *Afep-Medef Corporate Governance Code of Listed Companies*, the *OECD Principles of Corporate Governance*, the *Global Corporate Governance Principles* of the International Corporate Governance Network (ICGN) and the *UN Principles for Responsible Investment*.

The application of the voting policy is carried out with pragmatism, in order to take into account the characteristics of the different markets, local practices, market regulations, sectors of activity, the particular situations of certain companies, such as their size, their shareholder structure and economic and financial circumstances.



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# 1. Corporate governance bodies

## 1.1. Separation of control and execution functions

Good governance presupposes a clear and effective distinction of responsibilities between the development of long-term strategy and its monitoring, on the one hand, and operational execution, on the other. This separation of powers helps to prevent conflicts of interest. It increases management efficiency and introduces an additional element of oversight and accountability.

The company with a management board and a supervisory board naturally ensures this separation of functions. In companies with a board of directors, Caisse des Dépôts is in favour of separating the functions of Chairman and Chief Executive Officer. Furthermore, the non-executive chairman must have no conflict of interest, except in the case of controlled companies.

If this separation of functions does not exist, Caisse des Dépôts would like the reasons for this to be justified. It therefore recommends the establishment of a counter-power within the board via the appointment of an independent lead director (or independent deputy chairman), whose functions must be reinforced, substantial and clearly specified. The work of the lead director must be the subject of detailed information.

A permanent mission of dialogue between the board and the shareholders, on governance issues, must also be entrusted to the non-executive chairman or the lead director.

Within the boards, the directors, and in particular the directors with no conflict of interest, must be able to discuss with each

other on a regular basis, without the presence of the managers.

## 1.2. Composition and parity of administrative/supervisory boards

The board is a strategic body responsible for serving the best interests of the company and its shareholders. Its composition must therefore respect the principles of balanced representation of the various stakeholders, diversity and varied skills.

**Size of the board** - The number of members must be limited (between 5 and 16 maximum, excluding employee representatives) in order to be compatible with efficient operation and to avoid a dilution of individual responsibilities.

The presence of censors must be limited and justified by the board.

Caisse des Dépôts encourages the presence of employee representatives on the Board, whether or not they are shareholders.

**Independence** - The board must be able to define and control strategy, engage in critical dialogue with management, assess its performance and manage conflicts of interest. For these purposes, it is necessary to have a balanced overall representation, in particular via the significant presence of independent members, who can justify the absence of any situation of past or present conflict of interest. The proportion of independent members required for the proper functioning of the Board takes into account the shareholding structure and the possible presence of reference shareholders. Thus, the amount of members with no conflict of interest must represent half of the board in companies with widely-spread share capital and devoid of controlling shareholders. In controlled companies, the share of members with no conflict of interest must be at least one third.

**Diversity** - In order to guarantee a spirit of openness, the multiplicity of points of view and the quality of its work, the board must ensure a balanced and diversified representation of its members in terms of training, professional experience, skills and international experience. Caisse des Dépôts also attaches great importance to the parity of Board members. It wants the minimum proportion of members of each sex to reach at least 33% (or 40% in France and Norway in countries where legislation is more demanding).

**Term of office** - Taking into account the performance of the board and the implementation of the responsibility of its members, vis-à-vis the shareholders, requires that the mandates are regularly submitted to the vote of the shareholders. Caisse des Dépôts recommends a term of office limited to 4 years with a maximum cumulative term of 18 years, knowing that, from 12 years of office, a member of the board loses his/her status as an independent member from the Caisse des Dépôts viewpoint.

**Availability** - Caisse des Dépôts expects strong involvement from board members and sufficient availability to devote themselves to the best interests of the company and its shareholders. Each member must therefore hold a number of mandates such that he/she is able to fully carry out his/her duties: 5 maximum for all members, 1 external mandate maximum for executive directors, and 2 external mandates maximum for non-executive corporate officers. Furthermore, non-executive corporate officers should not hold several appointments as non-executive corporate officers. Regarding the attendance rates of Board members, these must be communicated individually each year, for Board and committee meetings. These attendance rates should be above 75%.

**Controversies** – Based on the watch list drawn up by Caisse des Dépôts and on the decision of its controversies committee, the company's directors and/or execu-

tive directors may not be supported in their appointment or re-election.

**Censor** - The presence of censors must be limited and justified by the board. The censor is appointed by the general meeting for a fixed term and must be removed at any time by the board. He/she must comply with the same obligations as the directors. The censor attends board meetings and takes part in debates in an advisory capacity. His/her remuneration is deducted from the budget for attendance fees.

**Employee representation** - Unlike directors representing employee shareholders, directors representing employees should not be taken into account in the assessment of the composition of the board, nor in the calculation of the achievement of parity and independence. The presence of a Director representing employees on the Board is required in countries where the legislation authorizes it. His/her absence will be sanctioned by a vote against the renewal of the term of office of the Chairman of the Appointments Committee.

### 1.3. Board operation

It is necessary to have complete and detailed information on the functioning of the board: missions and work of the board and of the specialized committees, number of meetings, individual attendance rates of members, board evaluation report, general functioning.

**Specialized committees** - Each board must set up specialized committees bringing together the skills and independence necessary to prepare the decisions of the board. The presence of a director representing employees, when authorized by law, is required in either the appointments committee or the remuneration committee. The **audit or accounts committee** is essential for overseeing the preparation of accounts, the effectiveness of internal control and risk management systems, as well

as relations with the statutory auditors. Caisse des Dépôts does not want executive directors to sit on the audit committee. The audit committee must include members who are experts in accounting and finance. The proportion of independent members must be at least two-thirds, including the chairman.

The **Remuneration Committee** is responsible for formulating proposals regarding the various elements of remuneration for executive directors and members of the Board. It must consist of a majority of independent members, including the chairman.

The **Appointments Committee** seeks and proposes candidates for the board and executive management, prepares succession plans, assesses the company and proposes changes in governance. It must consist of a majority of independent members, including the chairman. Caisse des Dépôts also encourages the creation of a **committee dedicated to CSR**, so that environmental and social issues are taken into account at the highest decision-making level of the company.

**Board assessment** - The board must periodically assess its composition, organization and functioning as well as those of its specialized committees. Companies must communicate on the performance of the assessments and the follow-up given to

**Climate performance** - In line with the climate requirements of Caisse des Dépôts, particular attention will be paid to the following two elements: the reduction in carbon intensity over 3 years and the existence of a scope 3 objective. In the absence of these two criteria, a vote against the chairman of the CSR committee will be considered.



## 2. Remuneration policies

### 2.1. Executive director remuneration

**Transparency** - The transparency of the remuneration policy is an essential condition to enable shareholders to determine to what extent these remunerations are justified by the company's results, over a reasonable time horizon.

Companies must therefore communicate in an exhaustive manner all the elements of remuneration (fixed, variable, exceptional, in cash and in kind, as well as any shareholder element granted), indicating the amounts and methods of calculation of individual, direct and indirect, immediate and delayed remuneration. In the event of a vote against the remuneration policy for structural reasons, the chairman of the remuneration committee may see his/her reappointment refused.

**Increase in salaries** - Caisse des Dépôts strongly encourages remuneration policies which, in their structures and amounts, ensure social cohesion within the company. Remuneration changes must be justified by the financial and extra-financial performance of the company over the long term. The overall annual compensation of executives is carefully examined on a case-by-case basis. Caisse des Dépôts will not support remuneration amounts that it deems disproportionate to the company's performance.

Caisse des Dépôts is in favour of publishing a Pay Ratio. From now on, Caisse des Dépôts will oppose a significant increase in fixed income (more than 10%) for executives if the pay ratio has increased over the past few years, with the exception of new executives.



**Fixed salary** - This should not deviate significantly from the median observed in comparable companies. It should only be reviewed at relatively long intervals and any changes should remain moderate. In any case, a high amount or a significant increase must be justified.

**Variable compensation** - Variable compensation (annual, multi-annual and long-term) must be structured in such a way as to provide an adequate incentive to pursue a long-term performance objective. These remunerations must be capped and all the variable elements must not exceed 300% of the fixed target value and 400% in maximum value, so as not to encourage excessive risk-taking or excessive remuneration (i.e. respectively 150% fixed in target value and 200% in maximum value for the annual variable compensation and for the long-term variable compensation). The portion of annual variable compensation must remain less than or equal to the portion of long-term variable compensation. This variable compensation must be subject to predetermined, demanding, measurable performance conditions and communicated transparently to shareholders (with weighting and achievement rate). The criteria selected must be relevant and consistent with the objectives announced to the market. For annual variable compensation, the quantitative and qualitative criteria must be explained and weighted, the qualitative portion must not exceed 40%. For long-term variable compensation, the performance conditions must be measured over a minimum period of 3 years, and a holding period of at least 2 years is desirable. Caisse des Dépôts also wants CSR criteria to be imperatively integrated into the objectives of managers. They must be relevant, demanding and aligned with the company's CSR strategy. Their leverage must be at least 15%. The quantitative part must be preponderant.

**Option and share allocation plans** - These plans must be the subject of systematic information explaining the allocation rules. Dissemination should be as widespread as possible. The target popu-

lation, the ceiling reserved for managers and the performance conditions must be specified. In any event, authorizations relating to stock option or performance share plans must not exceed 1% of the share capital per year.

**Exceptional compensation** - Only very special circumstances can give rise to exceptional compensation. The amount of this exceptional compensation must be capped in the companies' compensation policy. The payment of such remuneration must be communicated and justified by the company.

**Post-employment benefits** - Caisse des Dépôts will only be able to support the payment of a severance indemnity to an executive in the event of forced departure. This excludes cases of gross or serious negligence, failure with regard to the company or its managers, resignation or non-renewal upon the initiative of a manager, change of functions within the company and the cases where the executive has the possibility of claiming his/her retirement rights in the short term. The payment of a severance indemnity must be subject to performance conditions measured over at least 2 years. The indemnity must not exceed 2 years of compensation (fixed and variable annual target). When a non-competition clause is provided for, and justified by the company, the combination of the severance pay and this non-competition clause cannot exceed the ceiling of 2 years of compensation (fixed and variable annual target). The payment of a non-competition indemnity is excluded when the executive asserts his/her retirement rights. Furthermore, if no clause has been provided in advance, the conclusion of a non-competition agreement at the time of the departure of the manager must be excluded.

**Supplementary pension schemes** - The pension scheme will be taken into account in the *ex ante* analysis of the remuneration policy. In the context of a defined benefit scheme, the scheme must not allow a total

annuity of more than Euro 300,000 per year. Under a defined contribution scheme, it must not exceed 30% of the fixed amount.

Companies must specify the reference compensation, the percentage of annual acquisition of rights, the scheme's ceiling, the maximum pension for all combined pension schemes, the minimum seniority required to benefit from the scheme and the performance conditions attached to the scheme.

## 2.2. Remuneration of board members

Remuneration of board members must largely depend on the frequency of board and committee meetings and the effective presence of each member at meetings. Caisse des Dépôts recommends that this remuneration not be excessive and that it correspond to the practices (in the country and in the sector) identified in companies of comparable sizes. Any increase must be justified by the company. The allocation of variable remuneration is, in any case, not acceptable. Specific methods of compensation in shares may however be considered, on a case-by-case basis, for certain small capitalization companies.

The compensation of the non-executive chairman may take the form of attendance fees or fixed compensation. When the compensation offered is high, Caisse des Dépôts recommends that an explanation of the missions entrusted to the non-executive chairman be given. Given his duties, the non-executive chairman should not receive variable compensation, except in a specific situation justified by the company, which can only be temporary.



## 3. Financial structure

### 3.1. Share issue

Financial authorizations must be consistent with the company's development policy, its size and its sectoral environment. It is important that the company explains the reasons and the opportunity, as well as the consequences for investors. Since capital issuances have a potential dilutive impact for minority shareholders, Caisse des Dépôts will be particularly attentive to the introduction of ceilings. The use of financial delegations cannot be maintained during a public offer beyond an overall ceiling of 10% of the company's share capital.

Capital issuances with maintenance of preemptive rights must be limited to 40% of the share capital for companies with large market capitalizations, and 50% for companies with small market capitalizations. Capital issuances with cancellation of preemptive rights must be limited to 10% of the share capital (or 25% with guaranteed priority period). Beyond these ceilings, Caisse des Dépôts will analyse the company's situation. Consultation of shareholders by convening an extraordinary general meeting is desirable.

Caisse des Dépôts is in favour of promoting broader employee shareholding, encouraging the sharing of company results and which can constitute an element of staff loyalty and motivation. However, capital issuances reserved for employees must be limited to 4% of the share capital.



### 3.2. Mergers, acquisitions, de-mergers and other restructuring projects

Caisse des Dépôts will analyse on a case-by-case basis any project relating to the activities of the company according to the long-term strategic interest of the operation. In the case of a structuring project, Caisse des Dépôts is in favour of calling an extraordinary general meeting.

### 3.3. Share buybacks

Share buybacks must be assessed with regard to the company's financial and shareholder situation and must protect the long-term interests of shareholders. They must not penalize the company's investments over time.



## 4. Shareholders' rights

### 4.1. Right to vote

In principle, a share gives a right to vote. Caisse des Dépôts is not a priori in favour of multiple classes of shares, or the granting of preferential voting or dividend rights (for certain types of shares or for just some of them), nor to the ceiling, in certain cases, of voting rights. However, the allocation of double voting rights may be justified when this mechanism aims to take into account the loyalty of the shareholder, the duration of holding the equity and the long-term commitment.

### 4.2 Information

Since the general meeting is the place for shareholders to exercise their voting rights, Caisse des Dépôts is against anything that could hinder its proper functioning. The prior information must be exhaustive and of high quality, all the documents must be accessible within a reasonable period of time before the general meeting. Caisse des Dépôts may therefore oppose insufficiently substantiated resolutions. Exercising shareholder rights is facilitated by the separate vote on each item on the agenda. Caisse des Dépôts is not in favour of the presentation of resolutions grouping together several subjects.

### 4.3 Anti-takeover measures

Caisse des Dépôts is against the introduction, during a public offer, of defensive measures that would not be in the best interest of shareholders. However, each operation must be assessed with regard to the economic and financial interests of the company, taking into account its long-term strategy. Caisse des Dépôts therefore reserves the right to accept certain measures of this type if they are exceptional, justified by the strategic interest of the company and if they do not interfere with the normal market transactions of its equity.



## 5. Company management

### 5.1. Approval of financial statements and discharge

Caisse des Dépôts will be attentive to the fact that the financial information made available to shareholders is transparent, sincere, exhaustive and consistent. It will approve the company's accounts on condition that the auditors have expressed no reservations and that the financial information is neither insufficient nor late.

Caisse des Dépôts is opposed to directors, managers or statutory auditors being requested to be discharged, except in countries where this is compulsory. No decision of the GM must have the effect of extinguishing the action for liability against the directors for misdemeanours committed in the fulfilment of their mandate. In any case, the resolution relating to the discharge and that relating to the approval of the accounts must be separate.

### 5.2. Dividends

Caisse des Dépôts will be attentive to the payment of a “responsible dividend” which does not call into question the company's long-term development capacity and which ensures a harmonious distribution of added value between shareholders and other stakeholders.

### 5.3. Regulated agreements

Information on transactions carried out between the company and stakeholders must be available and complete (via the special report by the statutory auditors). Regulated agreements must be concluded

in the interest of all shareholders. They must be strategically justified for the company and their conditions must be reasonable. Regulated agreements must be the subject of separate resolutions, in particular agreements entered into with directors who are natural persons or with third-party companies.

### 5.4. Statutory auditors

The auditors provide independent supervision of the financial statements. It is therefore necessary to guard against any risk of conflict of interest and to ensure the quality and independence of their work. Regular rotation of auditors and monitoring of their fees are desirable.

The cumulative duration of the mandates of the statutory auditors must not be excessive, particularly when there is only one statutory auditor. In any event, the maximum term of office must be 24 years in the event of joint statutory auditors and 10 years if there is just one statutory auditor (+10 years if there is a call for tenders).

The fees of the statutory auditors must be communicated and the fees related to non-audit assignments must not be such as to undermine their independence. This remuneration must remain below 30% of their total remuneration.

**Amendments to the articles of association** - Amendments to the articles of association changing the rights of shareholders are to be considered on a case-by-case basis. Caisse des Dépôts is in favour of companies adopting a “reason for being”, which anchors the strategy as well as relations with its stakeholders in the long term.



## 6. Environmental, social and ethical resolutions

In the case of resolutions proposed on the initiative of the company, or on the initiative of shareholders, Caisse des Dépôts will be attentive to compliance with its responsible investor principles (enacted in particular by its responsible investment charter and its climate policy) and the guidelines of its voting policy.

Proposals must be well-defined and reasonable. They will be studied on a case-by-case basis, taking into account the ongoing shareholder dialogue.

Caisse des Dépôts will notably support resolutions requesting:

- The formalization and publication of an ambitious medium-term strategy for energy and ecological transition;
- The formalization of a biodiversity action plan;
- The definition and publication of reports on sustainable development indicators or GHG emissions;
- *Say on Climate* resolutions will be analysed on a case-by-case basis in line with Caisse des Dépôts' climate policy. In particular, the following pillars will be assessed: the level of transparency of the climate report, the relevance and coverage of quantitative targets, alignment with the Paris Agreement and the objective of carbon neutrality by 2050 and finally, monitoring commitments and indicators;
- Greater transparency on lobbying policy and activities, as well as on the sums paid;

- Better transparency on diversity policy and performance;
- Better transparency on the gender pay policy and the gap;
- A policy in favour of social cohesion within the company;
- Better transparency on tax policies and their implementation.

A negative vote will be considered if the information available is not sufficient to judge the relevance of the resolution and its consistency with the principles of responsible investors and the voting policy of Caisse des Dépôts.

Depending on the nature of the proposed resolutions, Caisse des Dépôts reserves the right, on a case-by-case basis, to make public its voting record.

**Say on Climate** - *Say on Climate* resolutions will be analysed on a case-by-case basis in line with Caisse des Dépôts' climate policy. In particular, the following will be assessed:

- the level of transparency of the climate report,
- the relevance and coverage of quantitative targets,
- alignment with the Paris Agreement and the objective of carbon neutrality by 2050,
- monitoring of commitments and indicators.

For the extractive industries, several elements will be analysed in depth, including the 1.5°C alignment strategy, the carbon footprint reduction target, the carbon offset share, capacity and investment plans on renewable energies, the current and future energy mix, new exploration and exploitation projects, employee training, plant closures, the integration of climate issues into governance and executive compensation and effective shareholder discussion.

**Ensemble,  
faisons grandir  
la France**



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