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The Autorité des Marchés Financiers (AMF) publishes its 2015 report on corporate governance and executive compensation

In its 2015 annual report on corporate governance and compensation paid to senior executives of listed companies, the AMF broaches a number of topics including termination payments, director independence with regard to business relationships, and independence of the chairman of the board. Based on its observation of business practices, the AMF is issuing several recommendations to companies and calls on France's professional associations to amend their governance code.

In accordance with the Monetary and Financial Code, this year's AMF report on corporate governance and executive compensation is once again an opportunity to consider the progress made by companies. The AMF reviewed the practices of 60 listed companies that apply the AFEP-MEDEF code (36 of which belong to the CAC 40 index and 24 to the SBF 120), and examined the information disclosed to shareholder and also looked at a sample of 40 companies that do not apply a corporate governance code.

In addition to statistical monitoring and compliance analysis in various areas customarily addressed by the report, the AMF also focuses in on a number of issues including:

- specific cases involving the departure of senior executives;

- annual and multi-year variable compensation packages;
- board evaluations;
- independence of the chairman of the board;
- business relationships and director independence.

This year, the AMF issues proposals to guide discussions within the professional associations about the amounts and benefits that may be paid on the departure of a senior executive of a listed company consistent with the existing ceiling of two years' compensation. It calls for the AFEP-MEDEF code to be amended to clarify the procedures for calculating this ceiling and for valuing amounts paid in securities. The AMF also calls for improved rules on exceptional compensation and that the multi-year variable compensation should be subject to stringent criteria tracked over several years. To improve clarity for shareholders, the AMF recommends that companies publish a news release detailing compensation paid to a senior executive when he leaves.

Regarding director independence, the AMF recommends that companies should not assess the materiality of business relationships solely on quantitative criteria and suggested that they perform a qualitative analysis using parameters such as, but not limited to, the duration, importance, intensity and organisation of business relationships, to determine whether such dealings are non-material and free from conflicts of interest. Furthermore, the AMF considers that any board chairman receiving variable compensation does not qualify as being independent and urges the professional associations to amend their code on this point.

For the first time, the AMF also reviewed the practices of 40 companies that do not apply a corporate governance code. Based on this review, the AMF issues a recommendation on the minimum information to be disclosed by companies that do not apply or that only partially apply a corporate governance code.

About the AMF

The AMF is an independent public authority responsible for ensuring that savings invested in financial products are protected, providing investors with adequate information and supervising the orderly operation of markets. Visit our website www.amf-france.org.

Press contact

AMF Communication Directorate - Christèle Fradin - Tel.: +33 (0)1 5345 6029 or +33 (0)1

5345 6028

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Legal information:

Head of publications: The Executive Director of AMF Communication Directorate. Contact: Communication Directorate – Autorité des marchés financiers 17 place de la Bourse – 75082 Paris cedex 02