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Print from the website of the AMF

02 December 2021

The AMF publishes its annual report on corporate governance and the executive compensation of listed companies

Against the backdrop of the health crisis, the 2021 annual report is the opportunity to review the functioning of shareholders' meetings and discuss the issues of the adjustment of remunerations and interactions of the board with executive management and shareholders. For the second year running, the report examines the information provided by proxy advisers.

Each year, the AMF reviews the information published by listed companies on corporate governance and executive compensation. It only examines certain themes that it considers topical or on which there is still room for improvement. This report is the occasion to highlight best practices, to issue new recommendations to companies and propose new avenues for discussion by the AFEP, the MEDEF and the High Committee on Corporate Governance (HCGE). The AMF also names companies that have not applied the recommendations of the AFEP-MEDEF Code, the HCGE or the AMF.

A season of shareholders' meetings in camera

Once again this year, most listed companies held their AGMs in camera, as allowed by the exceptional regime introduced by the Order of 25 March 2020 (96% of companies in the SBF 120 index). Acting on the recommendations made by the AMF in its 2020 report, the Order of 2 December 2020 and the Decree of 18 December 2020 added new requirements to this exceptional regime in order to ensure minimum impact on shareholders' rights. All the companies proposed a live and recorded broadcast of their shareholders' meeting. 87% of

them appointed the two vote tellers from among the 10 main shareholders, and 66% published the written questions from shareholders and the answers given on their website.

This year, shareholders of a single listed company were given the opportunity to cast their votes remotely and in real time. The conditions for the development of such a voting procedure are the subject of work whose outcome the AMF is looking forward to.

Board of directors, executive management and shareholders

The second part of the report is devoted to the information published by a panel of the top 50 companies in the SBF 120 index. This year's topics include the choice of governance structure, between a single chair and chief executive officer and the separation of the functions of chairperson of the board of directors and chief executive officer.

Of the 45 public limited companies with boards of directors in the panel studied, 25 companies opted for separation, including five in the second half of 2020 or in 2021.

The report goes on to examine the measures put in place by the boards to organise their interaction with executive management, ensure the balance of power and prevent and manage risks of conflicts of interest. With regard to interactions with shareholders, the AMF refers in particular to the "climate resolutions" submitted to shareholders in 2021.

Adjusting remuneration in times of health crisis

The year 2020 was marked by a drop in the remuneration paid to executive corporate officers. One or more executives in 35 of the 50 companies in the panel gave up part of their 2020 compensation.

Most of the listed companies did not make any compensation adjustments to the applicable 2020 compensation policy. However, the boards of directors of 18 companies in the sample voted to adjust the rules for determining executive compensation during the 2020 financial year or at the end of the year, by changing the nature of the performance criteria, the target objectives or their level of achievement. Only six companies submitted these changes to the general meeting for approval, via a new ex ante say-on-pay.

The AMF points out that any material change to the approved remuneration policy requires a new vote by the shareholders' meeting. Any adjustments must remain exceptional, must be substantiated and rigorous, and their impact must be quantified. To enable good shareholder dialogue, companies should disclose these adjustments as far in advance as possible.

For FY 2021, 36 companies (compared with 23 in 2020) added to their compensation policy the possibility for the board to waive this policy during the year. The AMF recommends that companies ensure that these adjustment clauses are drafted in as much detail as possible.

Information provided by proxy advisers

In accordance with the Pacte Law, the AMF examined the information published by proxy advisers. It reviews the main findings of the first report of the oversight committee of the Best Practice Principles Group (the BPPG), which monitors the implementation of its code of conduct.

Based on a questionnaire sent to issuers, the AMF notes that there have been great strides in the quality of dialogue between listed companies and proxy advisers.

It recalls that information on conflicts of interest and their management is a priority for investors. It also urges proxy advisers to take into account the specific characteristics of the French market, legislation and regulations. Lastly, it calls for the clarification of the decision-making process for proxy advisers.

About the AMF

The AMF is an independent public authority responsible for ensuring that savings invested in financial products are protected and that investors are provided with adequate information. The AMF also supervises the orderly operations of markets. Visit our website <https://www.amf-france.org> URL = [https://www.amf-france.org/]

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12/2/21, 3:01 PM

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