

Release

NEW PROXINVEST REPORT ABOUT « *CEOs' COMPENSATIONS AT TOP FRENCH-LISTED COMPANIES* »

Paris, 10 November 2021

- *Moderation of CEOs' remuneration in times of health crisis*

Proxinvest' report on French CEOs remuneration for FY 2020 shows a **14% decrease in the average total compensation (SBF 120 index)**, reaching €3.2 million in 2020, and returning to its 2014-2015 levels.

This decrease also appears in the sub-sample of very large French companies: **the average total compensation of CAC 40 CEOs fell by 11% in 2020 (-10% on a constant sample) to €4.6 million.**

As a reminder, **Proxinvest's report values all elements of executive compensation granted for the 2020 financial year** (base salary, annual bonus, fees, benefits in kind, stock options and free or performance shares valued at their date of allocation, cash incentives and other indirect forms of remuneration).

- *Annual bonuses impacted by the health crisis*

The health crisis and its impact on firms' profitability and their employees have prompted CEOs of French-listed companies to give up part of their base salary or annual bonus. Thus, among the SBF 120 index, **58% of companies announced a reduction in compensation due to the health crisis**, 6% have decided to postpone an expected base salary increase and only 36% of companies decided not to change anything.

The average base salary is down by 4.4% in the SBF 120 index. Such a decrease has never been observed by Proxinvest.

It is above all **the 26.9% drop in the average annual bonus** that is worth noting. For example, fifteen CEOs did not receive any annual bonus related to FY.

In 90% of the SBF 120 companies, the annual bonus met the limit of the Proxinvest voting policy (max. 150% of base salary). This was not the case for the highest annual bonus which was awarded to the Chairman-CEO of the retail group Carrefour, Alexandre Bompard (€2,475,000).

- *In France Say On Pay votes are binding*

In March 2021 the French Ministry of the Economy and Finance confirmed the importance of the shareholders general meeting votes by recalling that only base salary can be awarded in the event of rejection of ex-post Say On Pay votes by the general meeting¹. Indeed, shareholders rights are strong in France and shareholders have a key role to play in ensuring that best practices are adopted.

The health crisis has sometimes made it difficult to meet the performance criteria for variable remuneration. In this context, some companies have asked their general meeting for the right to modify a posteriori the remuneration policy which was adopted the year before. Others have revised their performance targets downwards. Finally, the Board of two companies, **Accor and Pierre & Vacances, have modified the performance indicators which had been approved by the general meeting without even asking shareholders for ratifying the changes.** Such a practice should certainly be rejected.

¹ <https://questions.assemblee-nationale.fr/q15/15-33109QE.htm> (available only in French)

- *Proxinvest ranking: the highest remunerations contested at the general meetings*

At the bottom of the SBF 120 remuneration ranking Proxinvest observed 7 CEOs paid €0.5M or less. Most of those companies are controlled by the French State. **Remunerations above €5m became less frequent with 14 cases in the SBF 120** (24 in FY2019). According to Proxinvest ranking the following CEOs are the highest-paid CEOs of the French SBF 120 index constituents.

Dassault Systèmes (DSY.PA) CEO Bernard Charlès is still the highest-paid CEO with a total remuneration of **€20.6m, down 17%**. The remuneration was opposed by a majority of minority shareholders votes at the last annual general meeting.

Second in the ranking, **Daniel Julien, Chairman and CEO of Teleperformance**, faced a low score (only 61% of votes For) for his total remuneration of **€17m (+29%)**. It is characterised by the highest base salary (€2.3m) of the SBF 120, an annual bonus paid at its maximum level, an increase in the value of the performance shares awarded (€12.4m) and the highest CEO-to-workers Pay ratio.

Proxinvest regrets that Stellantis, the merger of FCA and PSA, did not disclose Carlos Tavares' remuneration for the 2020 financial year. **Former FCA (Fiat Chrysler) executive, Mike Manley**, was awarded **€14.9m for FY2020** and took the third place on the podium. Only 56% of the shareholders votes approved Stellantis' remuneration report at the 2021 general meeting. He is followed by **Douglas Pferdehirt**, Chairman and CEO of **TechnipFMC**, who received a total remuneration of **€10.5m (-23%)**. The remuneration practices of FCA and TechnipFMC are not in line with French and European standards since they include a large portion of restricted shares which are not subject to performance conditions, a bad governance practice usual in the United States but not compliant with the French AFEP-MEDEF corporate governance code.

Eric Vallat, CEO of **Rémy Cointreau**, is exceptionally ranked fifth in the Proxinvest ranking and have benefited from four share plans during the financial year 2020-2021, bringing his **total remuneration to €9.7m**. However, Proxinvest commends Rémy Cointreau for an innovative practice which should inspire other companies: **the creation of a very long-term plan with an 9-year performance measurement period and aligned with the company's 2030 ambition of reducing carbon intensity**.

Jehanne Leroy, Author of the Report – jleroy@proxinvest.fr

Proxinvest is a French independent proxy firm supporting the engagement and proxy analysis processes of investors.