Application of the consolidated
corporate governance code for listed corporations
by SBF 120 index companies

AFEP
ASSOCIATION FRANÇAISE DES ENTREPRISES PRIVÉES

MEDEF

4th annual report
on the AFEP-MEDEF code
Financial year 2011
December 2012

2012

1. **Management model** 5
2. **Board of directors or supervisory board** 6
   2.1 Number of directors 6
   2.2 Independent directors 6
   2.3 Information about directors 8
   2.4 Proportion of women on boards 9
   2.5 Board members' compensation 9
   2.6 Duration and staggering of directorships 10
   2.7 Information about board meetings 11
   2.8 Evaluation of the board 12
   2.9 Internal rules 13
   2.10 The board and the market 14
3. **Board committees** 15
   3.1 Audit committee 15
   3.2 Compensation committee 18
   3.3 Appointments or nominations committee 20
4. **Employment contract and corporate office** 22
5. **Number of directorships** 23
6. **Executive directors' compensation** 25
   6.1 Information about executive directors' compensation 25
   6.2 Subscription or purchase options 28
   6.3. Performance shares 33
   6.4 Termination payments 38
   6.5 Pensions 40

Annex 1 - List of SBF 120 and CAC 40 companies 42

Annex 2 - List of companies not included in the study 43

Preface

For the fourth year in a row, AFEP and MEDEF are publishing their annual report on the application of the corporate governance code by SBF 120 index companies. This joint AFEP-MEDEF approach is part of the two organisations' ongoing commitment to transparent and stringent corporate governance.

The recommendations of the AFEP-MEDEF code, which were updated in April 2010, make up one of the highest standard corporate governance benchmarks of the OECD countries. This code provides a stringent framework concerning the various aspects of governance which the companies commit to applying. Otherwise, they must provide explanations when they deviate from one or more provisions of the code. Through these recommendations, the companies commit to applying standards which go beyond legal and regulatory requirements.

Within a few years, the SBF 120 companies have made considerable progress in applying the AFEP-MEDEF code, as demonstrated in this report and in the annual report produced by AMF, the French Market Authority. This continuous improvement covers compliance with the recommendations as well as the quality of the information provided in annual reports.

Today, almost all companies (between 90% and 100%) are applying the recommendations to a growing number of areas. Without being exhaustive, this list includes information about directors, about the amounts of directors' fees mentioning methods of allocation, about board meetings indicating the rate of attendance, the establishment of committees (audit, compensation and nominations), information about the number of directorships, about the individual compensation of each executive director, how the variable component is determined, mentioning the connection between the variable component and the financial year in respect of which it is calculated, the valuation of options and performance shares, the absence of any discount when calculating the exercise price of options, the use of standardised tables for compensation, and mentioning the two year upper limit applicable to termination payments and non-competition.

These results show the effectiveness of professional regulation and help strengthen its legitimacy alongside the law. Furthermore, the "comply or explain" principle is widely supported by regulators, investors and companies, as demonstrated by the 2009 study carried out on behalf of the European Commission.

However, we would remind company managers of the need to keep up this high level of compliance. In particular, more needs to be done concerning the recommendations, which are less well adhered to. In addition, companies must pay particular attention to the explanations they must provide when they deviate from a recommendation.

We are convinced that the French companies, which refer to the AFEP-MEDEF code as their benchmark code, will keep up their commitment to this process of ongoing improvement.

Pierre PRINGUET
Chair of AFEP

Laurence PARISOT
Chair of MEDEF

Methodology

In accordance with the law, most SBF 120 companies refer to the AFEP-MEDEF corporate governance code for listed corporations as their benchmark code[1]. The group of companies selected by AFEP and MEDEF is made up of all of these companies, excluding:

- companies which have a non-calendar financial year and whose annual report and/or reference document had not been published by the date of the study,
- foreign companies,
- one French company not referring to the AFEP-MEDEF corporate governance code.

In total, 105 SBF 120 companies listed in Annex I, including 36 CAC 40 companies, have been taken into consideration. Throughout this report, we shall use SBF 120 companies to refer to these 105 companies and CAC 40 companies to refer to the 36 companies concerned.

The statistics have been prepared by AFEP and MEDEF on the basis of the information submitted in the annual reports and/or reference documents as well as on the basis of the information which appears on the companies' websites, enabling standardised forms to be completed and submitted to the companies concerned in order to obtain their approval regarding the accuracy of the data collected. 50.5% of the companies responded to this consultation.

Certain substantial changes in the statistics compared with the previous financial year can be explained by the fact that the indices have changed, particularly for the CAC 40.

[1] Since the law of 3 July 2008 transposing Directive 2006/46/EC of 14 June 2006, listed corporations are required to publish a corporate governance statement in the report by the chairman of the board of directors or of the supervisory board. Unless the company does not refer to any corporate governance code, this statement must mention the code to which it refers voluntarily and indicate, where applicable, the provisions which have been deviated from and the reasons why.

1. Management model

It is up to the board of directors to choose the form of organisation of management and supervisory powers.

The AFEP-MEDEF code states that "*it is essential for the shareholders and third parties to be fully informed of the choice made between separation of the offices of chairman and chief executive officer and maintenance of these positions as a single office*" (§ 3.2).

Distribution of companies according to the corporate forms and management models adopted

	SBF 120		**CAC 40**	
	Financial year 2010	**Financial year 2011**	**Financial year 2010**	**Financial year 2011**
Public limited company having a board of directors with a single office	50%	55%	50%	64%
Public limited company having a board of directors with separation of the offices	27%	24%	30%	16%
Public limited company having a management board and a supervisory board	18%	16%	17%	17%
Limited stock partnership	5%	5%	3%	3%
TOTAL	100%	100%	100%	100%

The distribution of the SBF 120 companies according to the corporate forms and management models adopted changed between 2010 and 2011. For the CAC 40, the number of companies having a board of directors with separation of the offices fell in favour of companies having a board of directors with a single office, so continuing the 2010 trend. Within three years, the proportion of CAC 40 companies having a board of directors with a single office rose from 34% to 64%.

We are seeing a rise in the number of companies explaining the option chosen either to separate the offices of chairman and chief executive officer or maintain these positions as a single office, since 83% of the CAC 40 companies and 68% of the SBF 120 companies included this recommendation in 2011, compared with 81% and 64% in 2010.

2. Board of directors or supervisory board

2.1 *Number of directors*[2]

During the financial year 2011, the number of directors on boards varied between 5 and 22. All of the SBF 120 and CAC 40 companies specified this information in their annual report/reference document.

The average number of directors in the SBF 120 companies looked at decreased slightly, with 12.5 in 2011 compared with 12.7 in 2010.

For the CAC 40 companies alone, the average number of directors was 14.4 for the financial year 2011, compared with 14.5 for the financial year 2010.

	SBF 120		CAC 40	
	Financial year 2010	Financial year 2011	Financial year 2010	Financial year 2011
Average number of directors	12.7	12.5	14.5	14.4

2.2 *Independent directors*

Number of independent directors

All of the SBF 120 companies looked at disclosed the number of independent directors on their boards of directors or supervisory boards, compared with 103 companies (i.e. 99% of the sample) in the financial year 2010.

All of the SBF 120 companies published a list of the names of their independent directors. 102 did so in 2010 and 100 in 2009, respectively representing 98% and 97% of the sample.

Criteria for independence

The AFEP-MEDEF code points out that "*characterisation as an independent director should be discussed by the nominations committee and reviewed every year by the board of directors prior to publication of the annual report*". It also specifies that *"the board of directors must, upon the motion of the nominations committee, review individually the position of each of its members on the basis of the criteria mentioned below, then notify its conclusions to the shareholders in the annual report and to the shareholders' meeting at the time of the particular director's appointment [...]"* (§ 8.3).

98% of the SBF 120 companies published the results of the individual review of the independence of each of their directors (with regard to criteria for independence). This proportion is up slightly on 2010, when it stood at 93%. 97% of the CAC 40 companies reported on the individual review of the independence of their directors in their reference document, unlike in 2009 and 2010 when all of the companies mentioned it.

2 Here, "directors" is given to mean both members of boards of directors and members of supervisory boards.

The criteria for independence of the AFEP-MEDEF code were mentioned by all of the companies looked at. However, as the code states, "*the board may consider that a director who does not meet the [...] criteria is nevertheless an independent director*". Consequently, some companies considered that the criterion of seniority did not prevent certain directors from being independent. Conversely, other companies considered that certain directors, despite complying with the criteria laid down by the AFEP-MEDEF code, could not be characterised as independent. Therefore, in some companies, former employees or senior executives of the company were not characterised as independent directors even though their employment had ended more than five years previously.

Compliance with the proportion of independent directors

The AFEP-MEDEF code points out that "*the independent directors should account for half the members of the board in widely-held corporations and without controlling shareholders. In controlled companies*[3]*, independent directors should account for at least a third*" (§ 8.2).

Proportion of controlled and non-controlled companies within the SBF 120 index

SBF 120	Financial year 2010		Financial year 2011	
	Number	%	Number	%
Controlled companies	45	43	47	45
Non-controlled companies	59	57	58	55

Proportion of controlled and non-controlled companies within the CAC 40

CAC 40	Financial year 2010		Financial year 2011	
	Number	%	Number	%
Controlled companies	8	22	7	19
Non-controlled companies	28	78	29	81

Companies complying with the proportion of independent directors in controlled companies

SBF 120		CAC 40	
Financial year 2010	Financial year 2011	Financial year 2010	Financial year 2011
71%	74%	63%	57%

The proportion of controlled companies complying with the recommendation that "*in controlled companies, independent directors should account for at least a third*" rose for the SBF 120 and fell for the CAC 40.

With regard to the CAC 40 companies, three controlled companies did not comply with the proportion of independent directors.

Companies complying with the proportion of independent directors in non-controlled companies

SBF 120		CAC 40	
Financial year 2010	Financial year 2011	Financial year 2010	Financial year 2011
75%	76%	86%	79%

[3] Within the meaning of Art. L.233-3 of the Commercial Code.

76% of the SBF 120 companies applied the recommendation whereby "*independent directors should account for half the members of the board in widely-held corporations and without controlling shareholders*".

79% of the CAC 40 companies applied this recommendation in 2011, which is down on previous years, bringing to an end the rising trend, which began in 2004.

The presence of directors representing the State makes it more difficult for both controlled and non-controlled companies to comply with the proportion of independent directors.

2.3 Information about directors

The AFEP-MEDEF code lays down that "*the annual report should detail the dates of the beginning and expiry of each director's term of office* [...]. *It should also mention, for each director, in addition to the list of offices and positions held in other corporations, his or her age and principal position, and a list by name of members of each board committee*". The code also states that "*a biographical notice outlining his or her curriculum vitae*" should appear in the event of a director being appointed or their term of office being extended and that "*the number of shares in the corporation concerned held personally by each director should appear in the annual report*" (§ 12).

The tables below indicate the proportion of companies, which included this information about the members of the board of directors or supervisory board in their annual report and/or reference document.

Information about directors

Companies specifying in their reference document:	SBF 120			CAC 40		
	Financial year 2009	Financial year 2010	Financial year 2011	Financial year 2009	Financial year 2010	Financial year 2011
The start date of the term of office	99%	100%	100%	100%	100%	100%
The expiry date of the term of office	100%	99%	100%	100%	100%	100%
Directors' ages	97%	98%	97%	100%	100%	100%
The main position held	100%	100%	100%	100%	100%	100%
The offices and other positions held in other companies	100%	100%	100%	100%	100%	100%
The number of shares held by each director	94%	97%	96%	97%	100%	100%
A biographical notice about the directors	96%	92%	95%	97%	94%	97%

The companies looked at displayed a very high level of compliance in relation to this recommendation.

Of the CAC 40 companies, just one did not publish a biographical notice in the event of a director being appointed or his/her term of office being extended.

Of the SBF 120 companies, only a few companies did not mention certain aspects such as age, the number of shares held by each director and a biographical notice in the event of a director being appointed or his/her term of office being extended.

2.4 Proportion of women on boards

The AFEP-MEDEF code states that, from April 2010, "*each board should consider what would be the desirable balance within its membership and within that of the committees of board members which it has established, in particular as regards the representation of men and women and the diversity of competencies, and take appropriate action to assure the shareholders and market that its duties will be performed with the necessary independence and objectivity*".

Consequently, "*in order to reach such balance, the objective is that each board shall reach and maintain a percentage of at least 20% of women within a period of three years and at least 40% of women within a period of six years [from April 2010] or from the date of the listing of the company's shares on a regulated market, whichever is later*" (§ 6.3).

Proportion of women on boards
(excluding directors elected by employees)

SBF 120			CAC 40		
2010 AGM	**2011 AGM**	**2012 AGM**	**2010 AGM**	**2011 AGM**	**2012 AGM**
12.5%	17.2%	21.9%	16.3%	21.1%	25.2%

The proportion of women on boards of directors and supervisory boards has risen since 2010.

2.5 Board members' compensation

The AFEP-MEDEF code recommends indicating "*the aggregate and individual amount of directors' fees paid to directors*" (§ 21.2).

Information about the amount of directors' fees

Companies:	SBF 120		CAC 40	
	Financial year 2010	**Financial year 2011**	**Financial year 2010**	**Financial year 2011**
- indicating the aggregate amount	100%	100%	100%	100%
- indicating the individual amounts	99%	100%	100%	100%

This recommendation was followed by all of the SBF 120 companies.

The AFEP-MEDEF code also recommends that "*the rules for allocation*" of the directors' fees "*should be set out*" (§ 18.3). Furthermore, it mentions that "*the method of allocation of directors' compensation [...] should take account, in such ways as it shall determine, of the directors' attendance at meetings of the board and committees, and therefore include a variable component*". It states that "*directors' attendance at meetings of specialised committees should be rewarded with an additional amount of directors' fees*" (§ 18.1).

Information about the rules for allocation of directors' fees

Companies which have put in place:	SBF 120		CAC 40	
	Financial year 2010	**Financial year 2011**	**Financial year 2010**	**Financial year 2011**
- rules for the allocation of directors' fees	99%	98%	100%	100%
- a variable component linked to attendance	88%	87%	94%	94%
- a variable component linked to attendance at meetings of a specialised committee	94%	94%	97%	97%

98% of the SBF 120 companies set out rules for allocating the directors' fees among the directors. This proportion is down slightly on the financial year 2010.

87% of the SBF 120 companies and 94% of the CAC 40 companies allocated a variable component depending on attendance at meetings. 94% of the SBF 120 companies and 97% of the CAC 40 companies varied the amount of directors' fees of their directors depending on their attendance at meetings of specialised committees.

The AFEP-MEDEF code recommends setting out "*rules governing the collection of the directors' fees awarded where applicable to the general management team in respect of corporate offices held in affiliates of the group*". 92% of the SBF 120 companies applied this recommendation for the financial year 2011 (compared with 91% in 2010), as did 88% of the CAC 40 companies (compared with 86% in 2010 and 95% in 2009), i.e. a slight increase in the number of companies complying with this recommendation (§ 21.2).

In the annexes of the AFEP-MEDEF code, a recommendation indicates that "*in order to improve the clarity and comparability of executive directors' compensation information, AFEP and MEDEF recommend that companies whose securities are admitted to trading on a regulated market adopt a table disclosure format*". With regard to directors' fees, this is table 3 of the AFEP-MEDEF code.

All of the CAC 40 companies and 95% of the SBF 120 companies adopted this presentation during the financial year 2011, compared with 89% and 88% in 2010.

2.6 Duration and staggering of directorships

The AFEP-MEDEF code states that "*without affecting the duration of current terms, the duration of directors' terms of office, set by the by-laws, should not exceed a maximum of four years, so that the shareholders are called to express themselves through elections with sufficient frequency*". Furthermore, "*terms should be staggered so as to avoid replacement of the entire body and to favour a smooth replacement of directors*" (§ 12).

Information about the duration and staggering of directorships

	SBF 120			CAC 40		
	Financial year 2009	Financial year 2010	Financial year 2011	Financial year 2009	Financial year 2010	Financial year 2011
Companies indicating the duration of the term of office in the reference document	100%	100%	99%	100%	100%	100%
Average duration of the term of office	4	4	3.9	3.8	4	3.9
Companies where the duration of the term of office is less than or equal to 4 years	77%	81%	85%	93%	89%	89%
Companies which have put in place a staggering process	78%	78%	85%	97%	94%	92%

All of the CAC 40 companies set out the duration of their directors' terms of office. Just one SBF 120 company did not specify this.

The AFEP-MEDEF code recommends that the duration of directors' terms of office should not exceed four years. The average duration for the SBF 120 index companies and for the CAC 40 companies was 3.9 years.

85% of the SBF 120 companies complied with the duration recommended by the AFEP-MEDEF code, i.e. four years, which is up on the financial year 2009. As regards the CAC 40 index, 89% complied with this recommendation, meaning that this proportion remained stable compared with the previous financial year.

Furthermore, 85% of the SBF 120 companies and 92% of the CAC 40 companies had put in place a process staggering their directors' terms of office in order, as recommended by the AFEP-MEDEF code, to favour "*a smooth replacement of directors*" (§ 12). This proportion has risen for the SBF 120. However, it has fallen slightly for the CAC 40 since 2009.

2.7 Information about board meetings

The AFEP-MEDEF code states that the number of meetings of the board of directors held during the previous financial year should be mentioned in the annual report, which must also provide shareholders with any relevant information relating to the directors' attendance at such meetings (§ 10).

Information about board meetings

	SBF 120		CAC 40	
	Financial year 2010	Financial year 2011	Financial year 2010	Financial year 2011
Companies indicating the number of board meetings in their reference document	100%	100%	100%	100%
Average number of meetings during the financial year	7.9	8	8.4	9
Companies indicating members' rate of attendance in their reference document	99%	98%	100%	97%
Average rate of attendance	89%	90%	92%	92%

As in 2010, almost all of the SBF 120 companies followed these two recommendations.

The average number of meetings held during the financial year 2011 was 8 for the SBF 120 companies. This is up slightly on the financial year 2010.

The average number of meetings, which was 9 within the CAC 40 companies, is up on 2010.

Finally, the average rate of attendance at board meetings continued to rise for the SBF 120 and the CAC 40 to 90% and 92% respectively.

2.8 Evaluation of the board

The AFEP-MEDEF code states that "*for sound corporate governance, the board of directors should evaluate its ability to meet the expectations of the shareholders having entrusted authority to it to direct the corporation, by reviewing from time to time its membership, organisation and operation*" (§ 9.1).

Furthermore, the code specifies that "*the evaluation, which should preferably be conducted on an annual basis, should be performed in the following manner.*

Once a year, the board should dedicate one of the points on its agenda to a debate concerning its operation.

There should be a formal evaluation at least once every three years. It could be implemented, possibly under the leadership of an independent director, with help from an external consultant.

The shareholders should be informed each year in the annual report of the evaluations carried out and, if applicable, of any steps taken as a result [...]" (§ 9.3).

Evaluation of the board of directors or supervisory board

	SBF 120		CAC 40	
	Financial year 2010	**Financial year 2011**	**Financial year 2010**	**Financial year 2011**
Companies evaluating the board:	82%	89%	81%	92%
- in the form of one of the points on the agenda	19%	25%	14%	22%
- in the form of a formal evaluation	63%	64%	67%	70%

89% of the SBF 120 companies mentioned in their reference document that they had carried out an evaluation of their board of directors or supervisory board. This percentage is up on the previous financial year. Of the CAC 40 companies, 92% of the companies mentioned in their reference document that they had carried out this evaluation of their board.

The methods of evaluating the board have changed over the past three years. The proportion of evaluations in the form of one of the points on the agenda has fallen significantly for the SBF 120 from 44% in 2008 to 25% in 2011. Formal evaluations are now carried out in most of the SBF 120 companies and by as many as 70% of the CAC 40 companies, compared with 60% in 2008.

Publication of the steps taken as a result of the evaluation of the board

SBF 120		CAC 40	
Financial year 2010	Financial year 2011	Financial year 2010	Financial year 2011
86%	84%	97%	91%

84% of the SBF 120 companies, which mentioned that they had carried out an evaluation of their board of directors or supervisory board, published the steps taken as a result of the evaluation in their reference document. This percentage is down on the previous financial year (86% in 2010).

91% of the CAC 40 companies, which mentioned that they had carried out an evaluation of their board of directors or supervisory board, published the steps taken as a result of the evaluation in their reference document, compared with 97% in 2010.

2.9 Internal rules

In order to consider and decide upon transactions of genuine strategic importance, the board must be provided with internal rules (§ 4).

Companies, which have provided internal rules for their board

SBF 120		CAC 40	
Financial year 2010	Financial year 2011	Financial year 2010	Financial year 2011
98%	99%	100%	100%

99% of the SBF 120 companies mentioned that their board of directors or supervisory board had been provided with internal rules. All of the CAC 40 companies had complied with this recommendation and provided their board with internal rules.

Method of publishing the board's internal rules in the reference documents

	SBF 120		CAC 40	
	Financial year 2010	Financial year 2011	Financial year 2010	Financial year 2011
Published in their entirety	12%	11%	19%	25%
Summary published	65%	73%	61%	67%
Extracts published	12%	8%	17%	8%
Internal rules mentioned	11%	8%	3%	0%

A growing proportion of companies (73% of the SBF 120 and 67% of the CAC 40) published a summary of the internal rules in their reference document (compared with 66% and 61% respectively in 2010). 11% of the SBF 120 companies and 25% of the CAC 40 companies published the internal rules in their entirety.

Content of the board's internal rules

The AFEP-MEDEF code states that the internal rules should specify:

1) *"the cases in which prior approval by the board of directors is required, setting out the related principles, which may differ according to which division of the firm is concerned."*

2) *"the principle that any material transaction outside the scope of the firm's stated strategy is subject to prior approval by the board of directors."*

3) *"the rules according to which the board of directors is informed of the corporation's financial situation, cash position and commitments"* (§ 4).

SBF 120 companies:	**Financial year 2010**	**Financial year 2011**
- mentioning in their internal rules the cases in which prior approval by the board is required	86%	90%
- mentioning in their internal rules the need for prior approval by the board for material transactions outside the scope of the strategy	72%	73%
- mentioning in their internal rules the rules according to which the board is informed	78%	70%

90% of the companies mentioned in their internal rules the cases in which prior approval by the board was required.

73% of the companies mentioned in their internal rules the need for prior approval by the board for material transactions outside the scope of the strategy (compared with 72% in 2010).

70% of the companies mentioned in their internal rules the rules according to which the board is informed (compared with 78% in 2010).

CAC 40 companies:	**Financial year 2010**	**Financial year 2011**
- mentioning in their internal rules the cases in which prior approval by the board is required	94%	97%
- mentioning in their internal rules the need for prior approval by the board for material transactions outside the scope of the strategy	83%	83%
- mentioning in their internal rules the rules according to which the board is informed	83%	75%

The proportion of companies mentioning in their internal rules the cases in which prior approval by the board is required is up slightly (97% in 2011 compared with 94% in 2010). 83% of the companies mentioned in their internal rules the need for prior approval by the board for material transactions outside the scope of the strategy. Finally, 75% of the companies mentioned in their internal rules the rules according to which the board is informed.

2.10 The board and the market

The AFEP-MEDEF code recommends disclosing "*the company's ratings by financial rating agencies as well as any changes that occurred during the financial year*" (§ 2.2).

Examining compliance with this recommendation was limited to the CAC 40 companies.

CAC 40 companies:	Financial year 2010	Financial year 2011
- which published their financial rating in their reference document	92%	94%
- which published the changes in their rating during the financial year	81%	92%

In 2011, 94% of the companies published their financial rating in their reference document, compared with 92% in 2010 and 89% in 2009.

The AFEP-MEDEF code recommends specifying in the annual report "*the internal procedures set up to identify and monitor off-balance sheet commitments and to evaluate the corporation's material risks*" (§ 2.2).

For the financial year 2011, all of the SBF 120 and CAC 40 companies provided information about their off-balance sheet commitments and about the risks facing them.

3. Board committees

3.1 Audit committee

The AFEP-MEDEF code recommends that "*each board should appoint an audit committee, the duties of which are inseparable from those of the board of directors, which is legally bound to approve the [annual] corporate accounts and to prepare the [annual] consolidated accounts. The committee does not act in the place of the board, but rather as an extension of the board, facilitating its work*". 98% of the SBF 120 companies and all of the CAC 40 companies complied with this recommendation (§ 14).

Companies, which indicated the existence of an audit committee in their reference document

SBF 120		CAC 40	
Financial year 2010	Financial year 2011	Financial year 2010	Financial year 2011
98%	98%	100%	100%

Composition of the committee

On average in 2011, audit committees were made up of 3.9 people in the SBF 120 companies, compared with 4.2 in the CAC 40 companies.

Proportion of independent directors

The AFEP-MEDEF code mentions that "*the proportion of independent directors on the audit committee should be at least equal to two thirds*" (§ 14.1).

Companies in which the proportion of independent directors on the audit committee is at least equal to two thirds

SBF 120		CAC 40	
Financial year 2010	Financial year [2011]	Financial year 2010	Financial year 2011
67%	66%	75%	75%

66% of the SBF 120 companies and 75% of the CAC 40 companies complied with the proportion of independent directors on the audit committee.

Activity of the audit committee

The AFEP-MEDEF code states that "*the number of meetings of the board of directors and of the committees held during the past financial year should be mentioned in the annual report, which must also provide the shareholders with any relevant information relating to the directors' attendance at such meetings*" (§ 10).

Information about meetings of the audit committee

	SBF 120		CAC 40	
	Financial year 2010	Financial year 2011	Financial year 2010	Financial year 2011
Companies which indicated the number of meetings in their reference document	100%	99%	100%	100%
Average number of meetings	5.2	5.1	6.1	5.9
Companies which indicated the rate of attendance in their reference document	97%	92%	94%	94%
Average rate of attendance at committee meetings for those companies which indicated this information in their reference document	92%	95%	97%	94%

99% of the SBF 120 companies disclosed the number of meetings held in 2010. The average number of meetings was 5.1 in 2011. This figure is virtually stable compared with the previous year.

Similarly, all of the CAC 40 companies indicated the number of meetings in their reference document, and the average number of meetings in the past financial year was 5.9, which is down slightly on the previous year.

92% of the SBF 120 companies with an audit committee specified members' rate of attendance at committee meetings. 94% of the CAC 40 companies applied this recommendation.

The average rate of attendance at audit committee meetings was 95% for the SBF 120 companies and 94% for the CAC 40 companies.

Competency of members

The AFEP-MEDEF code specifies that *"the audit committee members [...] should be competent in finance or accounting*" (§ 14.3.1). 86% of the SBF 120 companies (compared with 75% in 2010 and 66% in 2009) and 94% of the CAC 40 companies (compared with 81% in 2010 and 80% in 2009) with an audit committee mentioned this competency in finance and accounting, which is a significant increase. In fact, when drafting the 2008 report, companies were considered to have met this criterion if they provided sufficient information about committee members' professional competencies from which competency in finance or accounting could be inferred. Since 2009, and particularly given the entry into force of the Ordinance on Audit Committees, which requires that at least one committee member should be competent specifically in finance or accounting, only those companies which expressly mentioned that said members were competent in finance or accounting have been considered to meet this criterion.

Procedure for the replacement of statutory auditors

The AFEP-MEDEF code specifies that "*in addition to regular interviews with the statutory auditors, including interviews without management present, the committee should steer the procedure for selection of the statutory auditors and submit the outcome of that selection to the board of directors*" (§ 14.2.2). In 2011, 70% of the SBF 120 companies and 72% of the CAC 40 companies mentioned in their reference document that they had put in place a procedure for selection. This proportion, which is down on the financial year 2010 (92% of the SBF 120 companies and 97% of the CAC 40 companies), can be explained by the fact that the assessment of this criterion has grown stricter. For the financial year 2011, companies were considered to have met this criterion if they specifically mentioned that the audit committee steers the procedure for selection of the statutory auditors, excluding those cases where it was mentioned that the committee is only involved in the selection procedure or issues a straightforward opinion about the term of office of statutory auditors being extended.

Working methods

The AFEP-MEDEF code points out that "*the audit committee should interview the statutory auditors, but also the persons responsible for finance, accounting and treasury matters [...]. As regards internal audit and risk review, the committee should [...] interview the person in charge of internal audit*" (§ 14.3.2).

Information about the interviews carried out by the audit committee

	SBF 120		CAC 40	
Companies mentioning in their reference document that they:	**Financial year 2010**	**Financial year 2011**	**Financial year 2010**	**Financial year 2011**
- interviewed the statutory auditors	94%	98%	100%	100%
- interviewed the chief financial officer	83%	92%	94%	97%
- interviewed the person in charge of internal audit	87%	89%	97%	100%

All of the CAC 40 companies indicated that the statutory auditors and the person in charge of internal audit had been interviewed by the audit committee. Furthermore, 97% of the CAC 40 companies indicated that the chief financial officer had been interviewed.

For the SBF 120, 98% of the companies mentioned that the statutory auditors had been interviewed, compared with 94% the previous financial year. In relation to interviewing the chief financial officer and the person in charge of internal audit, the proportion was 92% and 89% respectively.

The AFEP-MEDEF code also states that "*the review of accounts by the audit committee should be accompanied by a presentation from the statutory auditors stressing the essential points not only of the results, but also of the accounting methods chosen, and a presentation from the chief financial officer describing the corporation's risk exposures and its material off-balance sheet commitments*" (14.2.1).

	SBF 120		CAC 40	
	Financial year 2010	**Financial year 2011**	**Financial year 2010**	**Financial year 2011**
Companies indicating the existence of a presentation from the statutory auditors	88%	90%	100%	97%

90% of the SBF 120 companies and 97% of the CAC 40 companies indicated the existence of a presentation from the statutory auditors.

	SBF 120		CAC 40	
	Financial year 2010	**Financial year 2011**	**Financial year 2010**	**Financial year 2011**
Companies indicating the existence of a presentation from the chief financial officer	84%	75%	89%	81%

Furthermore, 75% of the SBF 120 companies and 81% of the CAC 40 companies indicated the existence of a presentation from the chief financial officer. The fall in the proportion of companies indicating the existence of a presentation from the chief financial officer can be explained by the fact that the application of this criterion has grown stricter. Whereas in 2010 this criterion was considered to have been met when the companies indicated both the presence of the chief financial officer and the investigation of the risk exposures and off-balance sheet commitments, this year the criteria were only considered to have been met when a specific presentation from the chief financial officer concerning the risk exposures and off-balance sheet commitments was mentioned.

The AFEP-MEDEF code also specifies that "*the committee should be able to call upon outside experts as needed*" (§ 14.3.2). 64% of the SBF 120 companies (compared with 59% in 2010) and 86% of the CAC 40 companies (compared with 72% in 2010) mentioned this option.

Finally, the code states that "*the time available for reviewing the accounts should be sufficient (not less than two days before review by the board)*" (§ 14.2.1). 31% of the SBF 120 companies and 33% of the CAC 40 companies specified in their document that they complied with this recommendation, compared with 21% and 22% in 2010.

3.2 Compensation committee

The AFEP-MEDEF code recommends that listed corporations should have a compensation committee (§ 13).

Companies indicating the existence of a compensation committee

SBF 120		CAC 40	
Financial year 2010	**Financial year 2011**	**Financial year 2010**	**Financial year 2011**
96%	96%	100%	100%

Almost all of the SBF 120 companies and all of the CAC 40 companies complied with this recommendation.

Information about the composition of the compensation committee

	SBF 120		CAC 40	
	Financial year 2010	Financial year 2011	Financial year 2010	Financial year 2011
Average number of members	3.6	3.8	4.2	4.2
Presence of executive directors	1%	1%	0%	0%

In 2011, the average number of members on the compensation committee was up slightly for the SBF 120 companies and stable for the CAC 40 companies.

The AFEP-MEDEF code points out that the compensation committee "*should not include any executive directors*". In 2011, the proportion of executive directors was 1% for the SBF 120 companies. None of the CAC 40 companies mentioned the presence of an executive director on the compensation committee (§ 16.1).

Furthermore, all of the SBF 120 companies with a compensation committee published the list of directors on this committee.

Proportion of independent directors

According to the AFEP-MEDEF code, the compensation committee "*should have a majority of independent directors*" (§ 16.1).

Companies with a majority of independent directors on their compensation committee

SBF 120		CAC 40	
Financial year 2010	Financial year 2011	Financial year 2010	Financial year 2011
84%	85%	97%	92%

The proportion of SBF 120 companies complying with this recommendation is constantly rising. However, this proportion is down slightly on the previous financial year for the CAC 40 companies.

Compensation committee's activity

The AFEP-MEDEF code mentions that "*the annual report should include a statement on the compensation committee's activity during the elapsed financial year*" (§ 16.2).

Information about the compensation committee's activity

	SBF 120		CAC 40	
	Financial year 2010	Financial year 2011	Financial year 2010	Financial year 2011
Companies which published an activity report	94%	99%	100%	100%
Companies which indicated the number of committee meetings in their reference document	100%	100%	100%	100%
Average number of meetings	3.9	4.2	4.7	4.6
Companies which indicated members' rate of attendance at the committee meetings in their reference document	95%	96%	94%	94%
Average rate of attendance at committee meetings for those companies which indicated this information in their reference document	95%	94%	96%	96%

99% of the SBF 120 companies and 100% of the CAC 40 companies outlined the compensation committee's activity in the reference document. The average number of meetings was 4.6 for the CAC 40 companies and 4.2 for the SBF 120 companies.

The rate of attendance at compensation committee meetings was stable in the CAC 40 companies but up slightly in the SBF 120 companies.

3.3 Appointments or nominations committee

The AFEP-MEDEF code points out that "*each board should appoint, from among its members, a committee for the appointment or nomination of directors and executive directors, which may or may not be separate from the compensation committee*" (§ 15).

	SBF 120		CAC 40	
	Financial year 2010	Financial year 2011	Financial year 2010	Financial year 2011
Companies indicating the existence of an appointments committee	91%	91%	100%	100%
- of which companies with an appointments committee separate from the compensation committee	26%	30%	50%	53%

The proportion of SBF 120 companies with an appointments committee has remained stable since 2009.

30% of the SBF 120 companies had a nominations committee separate from the compensation committee.

All of the CAC 40 companies had a nominations committee. 53% of the companies had made the decision to make this committee separate from the compensation committee.

Composition of the appointments committee

97% of the SBF 120 companies and all of the CAC 40 companies with a nominations committee disclosed the number of members.

On average, the appointments committees of the SBF 120 companies comprised 3.7 members. The figure was 4 members for the CAC 40 companies.

The AFEP-MEDEF code recommends that "*the appointments committee should have a majority of independent directors*" (§ 15.1).

In 2011, 82% of the SBF 120 companies and 86% of the CAC 40 companies with a nominations committee complied with this recommendation, compared with 81% of the SBF 120 companies and 92% of the CAC 40 companies for the financial year 2010.

Furthermore, all of the SBF 120 companies and CAC 40 companies with a nominations committee published the list of names of committee members in their 2011 reference document.

Information about the activity of appointments committees

	SBF 120		CAC 40	
	Financial year 2010	Financial year 2011	Financial year 2010	Financial year 2011
Companies which published an activity report	98%	99%	100%	100%
Companies which indicated the number of committee meetings in their reference document	100%	99%	100%	100%
Average number of meetings	3.7	3.7	4.3	4
Companies which indicated the rate of attendance at committee meetings in their reference document	95%	96%	94%	92%
Average rate of attendance at committee meetings for those companies which indicated this information in their reference document	94%	93%	96%	95%

99% of the SBF 120 companies and all of the CAC 40 companies supplied a report on the activity of their appointments committee.

99% of the SBF 120 companies indicated the number of meetings held by the nominations committee. On average, the SBF 120 companies met 3.7 times in the previous financial year and the CAC 40 companies met 4 times in 2011.

96% of the SBF 120 companies and 92% of the CAC 40 companies indicated the rate of attendance at committee meetings.

Involvement of the current chairman

The AFEP-MEDEF code points out that "*unlike the provisions governing the compensation committee, the current board chairman shall be associated with the appointments or nominations committee's proceedings*" (§ 15.1).

42% of the SBF 120 companies and 53% of the CAC 40 companies indicated that they involved the current chairman in the meetings of the appointments committee. This proportion is up for the SBF 120 companies (38% in 2010) and stable for the CAC 40 companies (53% in 2010).

4. Employment contract and corporate office

The AFEP-MEDEF code states that "*when a senior executive is appointed as executive director, it is recommended to terminate his or her employment contract with the company or with a company affiliated to the group, whether through contractual termination or resignation.*

This recommendation applies to the chairman, [...] chief executive officer [and managing director] of companies having a board of directors, to the chairman of the management board and to the sole managing director of companies having a management board and a supervisory board and to statutory managers of limited stock partnerships. [...]

This recommendation applies to executive directors appointed after 6 October 2008, date on which the recommendation was made public, and upon the renewal of the appointment of executive directors appointed prior to that date, pursuant to a decision made by the board of directors or supervisory board" (§ 19).

Information about the future of the employment contracts of certain SBF 120 executive directors

	Chief executive officer	Chairman of the management board	Managing director	Chairman of the board of directors	Statutory Managers	TOTAL	
No employment contract	37	7	13	19	3	79	61%
Employment contract terminated in 2011	10	3	3	1	1	18	14%
Employment contract will be terminated when the term of office is extended	0	1	2	0	0	3	3%
The future of the employment contract will be reviewed at the time of the next extension	0	0	0	0	0	0	0%
Employment contract retained	9	5	7	2	1	24	18%
Information not disclosed	2	1	0	3	0	6	4%
TOTAL	58	17	25	25	5	130	100%

75% of the executive directors of the SBF 120 companies had dispensed with their employment contract or did not have one (76% in 2010 and 70% in 2009). As in 2010, 3% of them had decided to terminate it when their term of office was extended. No company mentioned reviewing the situation when the term of office was extended (compared with 3% in 2010). 18% of the executive directors of the SBF 120 companies did not apply this recommendation (compared with 14% in 2010).

Information about the future of the employment contracts of certain CAC 40 executive directors

	Chief executive officer	Chairman of the management board	Managing director	Chairman of the board of directors	Statutory Managers	TOTAL	
No employment contract	10	2	3	5	1	21	50%
Employment contract terminated in 2011	9	3	0	1	0	13	31%
Employment contract will be terminated when the term of office is extended	1	1	1	0	0	3	7%
The future of the employment contract will be reviewed at the time of the next extension	0	0	0	0	0	0	0%
Employment contract retained	3	0	2	0	0	5	12%
Information not disclosed	0	0	0	0	0	0	0%
TOTAL	23	6	6	6	1	42	100%

81% of the executive directors of the CAC 40 companies had dispensed with their employment contract (or did not have one) (compared with 77% in 2010). 7% of them had decided to terminate it when the term of office was extended (compared with 4% in 2010). No company mentioned reviewing the situation when the term of office was extended (compared with 4% in 2010). Finally, 12% of the executive directors of the CAC 40 companies did not apply this recommendation (compared with 13% in 2010).

Since 2009, "the AMF has considered that an issuer is complying with the code when it justifies maintaining a senior executive's employment contract on account of his length of time as an employee of the company and his personal situation"[4].

5. Number of directorships

The AFEP-MEDEF code specifies that "*if performing executive duties, the director should not, in principle, agree to hold more than four other directorships in listed corporations, including foreign corporations, not affiliated with his group*" (§ 17).

[4] AMF 2010 report on corporate governance and executive compensation, 12 July 2010.

Information about the number of directorships held in listed corporations not affiliated with the group by the managing director/chief executive officer/chairman of the management board

	SBF 120	CAC 40
	Financial year 2011	Financial year 2011
Companies indicating in the reference document the number of directorships in listed corporations not affiliated with the group	99%	100%

99% of the SBF 120 companies and all of the CAC 40 companies indicated in their reference document the number of directorships held in listed corporations not affiliated with the group by the managing director/chief executive officer/chairman of the management board. The average number of directorships not affiliated with the group was 0.76 for the SBF 120 companies and 0.92 for the CAC 40 companies. These figures were 1 and 1.28 respectively in 2009.

Number of directorships held in listed corporations not affiliated with the group by the managing director/chief executive officer/chairman of the management board of the SBF 120 companies

Financial year 2010						
Number of directorships	0	1	2	3	4	5
As a % of the SBF 120	48%	29%	12%	7%	3%	1%

Financial year 2011						
Number of directorships	0	1	2	3	4	5
As a % of the SBF 120	52%	30%	10%	6%	1%	1%

99% of the SBF 120 companies complied with the provisions of the AFEP-MEDEF code. In more than half of the companies in the sample, the managing director/chief executive officer/chairman of the management board did not hold any directorships in listed corporations not affiliated with the group.

Number of directorships held in listed corporations not affiliated with the group by the managing director/chief executive officer/chairman of the management board of the CAC 40 companies

Financial year 2010						
Number of directorships	0	1	2	3	4	5
As a % of the CAC 40	42%	33%	19%	3%	0%	3%

Financial year 2011						
Number of directorships	0	1	2	3	4	5
As a % of the CAC 40	42%	36%	16%	3%	0%	3%

Only one CAC 40 company did not comply with the provisions of the AFEP-MEDEF code. In 42% of the companies in the sample, the managing director/chief executive officer/chairman of the management board did not hold any directorships in listed corporations not affiliated with the group.

6. Executive directors' compensation[5]

The AFEP-MEDEF code specifies that "*very complete information must be provided to shareholders so that they can have a clear view, not only of the individual compensation paid to executive directors, but also of the policy applied by the company in order to determine the compensation paid*" (§ 21).

Furthermore, the code recommends using a table summarising the compensation, options and performance shares awarded to each executive director (§ 21.2)[6].

This recommendation, which was widely implemented for the financial year 2010 (88.5% of the SBF 120 companies and 91.5% of the CAC 40 companies), was applied by 91.4% of the SBF 120 companies and 91.5% of the CAC 40 companies for the financial year 2011. Furthermore, two companies submitted a table for each of the executive directors, except for the chairman of the board of directors. It should be noted that the reason why no summary table was provided in two thirds of cases was because no options or performance shares were awarded to the executive director concerned.

6.1 Information about executive directors' compensation

Individual compensation

The AFEP-MEDEF code recommends that the annual report should include a chapter devoted to informing shareholders, containing "*a detailed presentation of each executive director's individual compensation, compared with that of the preceding financial year, and broken down between fixed components and variable components*" (§ 21.2).

Furthermore, it points out that: "*Although the [French] Commercial Code does not impose any such obligation, it appears that the information most relevant for shareholders consists in connecting the variable component to the financial year in respect of which it is calculated, even though the compensation is only paid during the following financial year. It is therefore recommended to disclose on a priority basis the compensation due in respect of the financial year and to show in a recapitulative table the amounts due and paid for the current and the preceding financial years*".

---

5 According to the AFEP-MEDEF code, executive directors is given to mean the chairman, managing director and deputy managing director(s) of companies having a board of directors; the chairman and members of the management board of companies having a management board and a supervisory board; and the statutory managers of limited stock partnerships. For the purposes of this study, executive directors in office on the last day of the financial year were taken into consideration.

6 In its recommendation on the information to be provided about executive directors' compensation in the reference documents, which was put on line on 22 December 2008, the AMF reproduced the tables recommended by the AFEP-MEDEF, amending them marginally and in relation to format.

	SBF 120		CAC 40	
	Financial year 2010	Financial year 2011	Financial year 2010	Financial year 2011
Information about each executive director's individual compensation	99%	99%	100%	100%
Comparison with the previous year's compensation [7]	99%	99%	100%	100%
Fixed component/variable component breakdown	99%	99%	100%	100%
Table summarising the amounts due and paid for the current and preceding financial years	96%	97.1%	100%	100%

- 99% of the SBF 120 companies and 100% of the CAC 40 companies provided the individual compensation paid to each executive director.
- 99% of the SBF 120 companies and 100% of the CAC 40 companies specified the compensation paid to each executive director during the previous financial year.
- 99% of the SBF 120 companies and 100% of the CAC 40 companies divided the individual compensation into fixed and variable components.

Furthermore, one SBF 120 company gave this information for the managing director but not for the chairman of the board of directors.

The percentage of companies submitting the table summarising each executive director's compensation (standardised table 2) rose for the financial year 2010 to 96% for the SBF 120 companies and to 100% for the CAC 40 companies. For the financial year 2011, 100% of the CAC 40 companies and 97.1% of the SBF 120 companies submitted this table. Furthermore, one SBF 120 company submitted this table for the managing director but not for the chairman of the board of directors.

<u>Variable component of the compensation</u>

For the financial year 2011, all of the CAC 40 companies and 98 SBF 120 companies (i.e. 93.3%) planned to pay a variable component to at least one of their executive directors. One company did not ultimately allocate this variable component to the executive directors in question[8].

Criteria

The AFEP-MEDEF code specifies that the chapter of the annual report devoted to executive compensation should outline the rules for awarding the variable component and, in particular, "*indicate the criteria on the basis of which this variable part is determined, the manner in which these criteria have been applied during the financial year, as compared with initial expectations, and whether the individual director's personal targets have been attained*" (§ 21.2).

---

7 Only includes those senior executives for whom a comparison can be made, i.e. who were in office during previous financial year.

8 On account of the senior executives waiving it. Nevertheless, unless indicated otherwise, this company has been taken into account in the following calculations.

	SBF 120		CAC 40	
	Financial year 2010	Financial year 2011	Financial year 2010	Financial year 2011
Indication of the criteria for determining the variable component	90%	93.9%	100%	100%
Information about how the criteria are applied	49.5%	59.4%	72%	74.3%

93.9% of the SBF 120 companies planning a variable component indicated the criteria applicable (compared with 90% in the previous financial year) and this proportion was 100% for the CAC 40 companies (also 100% in 2010). These rates therefore remained at a high level, with the level for the SBF 120 companies being up.

Excluding those cases where the variable component was not ultimately awarded, 59.4% of the SBF 120 companies provided information about how these criteria were applied, and this proportion was 74.3% for the CAC 40 companies.

Connection between the variable component and the financial year in respect of which it is calculated

The AFEP-MEDEF code recommends "*connecting the variable component to the financial year in respect of which it is calculated, even though the compensation is only paid during the following financial year*" (§ 21.2).

	SBF 120		CAC 40	
	Financial year 2010	Financial year 2011	Financial year 2010	Financial year 2011
Connection between the variable component and the financial year in respect of which it is calculated	99%	98%	100%	100%

For the financial year 2011, 98% of the SBF 120 companies, which planned to award a variable component to at least one of their executive directors, indicated that the variable component was connected to the financial year in respect of which it was calculated. Furthermore, one company published information for the managing director, but not for the chairman of the board of directors. As for the previous financial year, 100% of the CAC 40 companies implemented this recommendation.

Relationship between the variable component and the fixed component and measure of the qualitative part of the variable component

The AFEP-MEDEF code states that the relationship between the variable component and the fixed component should be clear and consist of "*a maximum percentage of the fixed part, suited to the business conducted by the enterprise*". The code further specifies that "*within the variable part, the qualitative part must be appropriate and where applicable make it possible to account for exceptional circumstances*" (§ 20.2.2).

	SBF 120		CAC 40	
	Financial year 2010	Financial year 2011	Financial year 2010	Financial year 2011
Indication of the maximum percentage of the fixed component which the variable component can represent	72.5%	65.6%	83.5%	80%
Indication of the measure of the qualitative part	65%	72%	72.5%	81.3%

65.6% of the SBF 120 companies which planned to award a variable component and a fixed component indicated the relationship between the two, expressed as a maximum percentage of the fixed component (80% of the CAC 40 companies), compared with 72.5% for the previous financial year (83.5% of the CAC 40 companies). It should be pointed out that, of these, five companies indicated the maximum percentage applicable to the chief executive officer (managing director in the case of separation of the offices) or to the chairman of the management board without indicating the percentage applicable to the other executive directors. Of the companies which did not provide the required information, ten SBF 120 companies nevertheless indicated the maximum amount of the variable component without expressing it as a percentage of the fixed component. Of these, four companies indicated an upper limit as a percentage of the target variable, three companies indicated an upper limit as a percentage of the total compensation and three companies indicated an upper limit as an absolute value.

72% of the SBF 120 companies and 81.3% of the CAC 40 companies planning a variable component partly subject to qualitative criteria indicated the measure of the qualitative part, compared with 65% of the SBF 120 companies and 72.5% of the CAC 40 companies for the previous financial year. These rates have risen significantly.

6.2 Subscription or purchase options

Award of subscription or purchase options

	SBF 120		CAC 40	
	Financial year 2010	Financial year 2011	Financial year 2010	Financial year 2011
Options awarded	53%	52.4%	66.5%	63.9%
of which options awarded to the executive directors	74.5%	60%	71%	60.9%

52.4% of the SBF 120 companies awarded subscription or purchase options in 2011. 60% of these companies awarded options to at least one of their executive directors.

63.9% of the CAC 40 companies awarded subscription or purchase options in 2011. 60.9% of these companies awarded options to at least one of their executive directors.

Valuation of options

The AFEP-MEDEF code recommends specifying the valuation of the subscription or purchase options awarded to executive directors at the time of the award and in accordance with the method used for consolidated financial statements (§ 21.2).

	SBF 120		CAC 40	
	Financial year 2010	**Financial year 2011**	**Financial year 2010**	**Financial year 2011**
Mention made of the valuation of the options	100%	100%	100%	100%

As for the previous year, all of the companies, which granted subscription or purchase options to at least one of their executive directors for the financial year 2011, specified the valuation of the options at the time of the award.

Dilutive impact

The AFEP-MEDEF code recommends specifying the dilutive impact of the option awards (§ 21.2)

	SBF 120		CAC 40	
	Financial year 2010	**Financial year 2011**	**Financial year 2010**	**Financial year 2011**
Indication of the dilutive impact	75.5%	75.8%	88%	92.9%

75.8% of the SBF 120 companies and 92.9% of the CAC 40 companies, which awarded stock options to at least one of their executive directors, indicated the dilutive impact of the awards. Furthermore, 42% of the companies, which did not indicate it, awarded purchase options, which do not have a dilutive impact.

Awards at the same calendar periods

The AFEP-MEDEF code recommends making "*awards at the same calendar periods*" (§ 20.2.3).

	SBF 120		CAC 40	
	Financial year 2010	**Financial year 2011**	**Financial year 2010**	**Financial year 2011**
Awards at the same calendar periods (unless the first plan was set up in 2011)	71%	69.7%	94%	92.9%

69.7% of the SBF 120 companies and 92.9% of the CAC 40 companies, which awarded stock options to at least one of their executive directors, made awards at the same calendar periods.

Fraction awarded to each executive director

The AFEP-MEDEF code recommends indicating in the annual report or the reference document "*the fraction of the capital so awarded to each*" executive director (§ 21.2).

	SBF 120		CAC 40	
	Financial year 2010	**Financial year 2011**	**Financial year 2010**	**Financial year 2011**
Indication of the fraction awarded to each executive director	46.5%	45.5%	59%	78.6%

Of the companies, which awarded subscription or purchase options to at least one of their executive directors, 45.5% of the SBF 120 companies and 78.6% of the CAC 40 companies specified the fraction of the capital awarded to each executive director. This percentage is up significantly on the financial year 2010 in respect of the CAC 40.

Price

Discount

The AFEP-MEDEF code recommends not applying any discount when awarding stock options (§ 20.2.3).

	SBF 120		CAC 40	
	Financial year 2010	Financial year 2011	Financial year 2010	Financial year 2011
No discount (options)	95%	93.9%	100%	100%

In fact, 93.9% of the SBF 120 companies and 100% of the CAC 40 companies did not apply any discount, but the information did not always appear specifically in the part of the reference documents devoted to subscription and purchase options.

Risk hedging transactions

The AFEP-MEDEF code states that "*those executive directors who are in office and who are beneficiaries of stock options and/or performance shares may not engage in any risk hedging transactions in respect of their own interests*" (§ 20.2.3).

	SBF 120		CAC 40	
	Financial year 2010	Financial year 2011	Financial year 2010	Financial year 2011
Prohibition on risk hedging transactions	73%	72.7%	82.5%	92.9%

72.7% of the SBF 120 companies and 92.9% of the CAC 40 companies which awarded options to at least one of their executive directors specifically mentioned in their annual report or in their reference document that there had been no risk hedging transactions, compared with 73% and 82.5% respectively in 2010.

<u>Exercise of options by executive directors</u>

Performance conditions

The AFEP-MEDEF code recommends that, during awards, performance conditions should be laid down for exercising options (§ 20.2.3 - "Award").

	SBF 120		CAC 40	
	Financial year 2010	Financial year 2011	Financial year 2010	Financial year 2011
Mention made of the performance conditions laid down for exercising options	80.5%	81.8%	88%	85.7%

Of the companies which awarded subscription or purchase options to at least one of their executive directors in 2011, 81.8% of the SBF 120 companies and 85.7% of the CAC 40 companies specified the performance conditions to which exercising all of the options related, compared with 80.5% and 88% respectively for the financial year 2010. Furthermore, 9% of the SBF 120 companies related only some of the options to a performance condition.

Periods during which options cannot be exercised

The AFEP-MEDEF code recommends determining periods preceding the publication of the accounting statements during which options cannot be exercised (§ 20.2.3 - "Exercise").

	SBF 120		CAC 40	
	Financial year 2010	**Financial year 2011**	**Financial year 2010**	**Financial year 2011**
Periods during which options cannot be exercised	70.5%	72.7%	82.5%	85.7%

72.7% of the SBF 120 companies (of which 85.7% of the CAC 40 companies) indicated periods during which options could not be exercised during the financial year 2011 in their reference document. Of these companies, some ruled out implementing this recommendation for straightforward exercise transactions.

Custody of shares resulting from the exercise of options

The Commercial Code lays down that boards must either decide that options cannot be exercised before the end of the term of office or determine the quantity of shares resulting from the exercise of options which must be kept until the end of the term of office (Art. L. 225-185).

The AFEP-MEDEF code lays down a similar recommendation whereby the board of directors or the supervisory board periodically determines the number of shares resulting from the exercise of options which the executive directors are required to keep as registered shares until the end of their term of office (§ 20.2.3 - "Custody of the acquired shares").

	SBF 120		CAC 40	
	Financial year 2010	**Financial year 2011**	**Financial year 2010**	**Financial year 2011**
Requirement to keep shares resulting from the exercise of options	90%	90.9%	94%	100%

90.9% of the SBF 120 companies and 100% of the CAC 40 companies (compared with 90% and 94% for the previous financial year) mentioned in their reference document and/or annual report a requirement to keep shares resulting from the exercise of options.

Use of standardised tables

The AFEP-MEDEF code recommends using standardised tables relating to the award and exercise of options by the executive directors during the financial year (§ 21.2).

	SBF 120		CAC 40	
	Financial year 2010	**Financial year 2011**	**Financial year 2010**	**Financial year 2011**
Table 4 Subscription or purchase options awarded during the financial year to each executive director	93%	94.6%	100%	100%

94.6% of the SBF 120 companies and 100% of the CAC 40 companies, which awarded options to at least one of their executive directors, submitted the standardised table.

	SBF 120		CAC 40	
	Financial year 2010	**Financial year 2011**	**Financial year 2010**	**Financial year 2011**
Table 5 Subscription or purchase options exercised during the financial year by each executive director (excluding cases where no options were exercised)	83.5%	89.7%	86%	100%

Of the companies where at least one of the executive directors exercised options in 2011, 89.7% of the SBF 120 companies and 100% of the CAC 40 companies submitted the standardised table.

6.3. Performance shares

	SBF 120		CAC 40	
	Financial year 2010	**Financial year 2011**	**Financial year 2010**	**Financial year 2011**
Award of performance shares	64.5%	66.7%	69.5%	69.5%
of which shares awarded to executive directors	64%	69.6%	56%	72%

66.7% of the SBF 120 companies awarded performance shares in 2011. 69.6% of them awarded them to at least one of their executive directors.

69.5% of the CAC 40 companies awarded performance shares in 2011. 72% of them awarded them to at least one of their executive directors.

Valuation of shares

The AFEP-MEDEF code recommends specifying the valuation of the performance shares awarded to executive directors at the time of the award and in accordance with the method used for consolidated financial statements (§ 21.2).

	SBF 120		CAC 40	
	Financial year 2010	**Financial year 2011**	**Financial year 2010**	**Financial year 2011**
Mention made of the valuation of shares	100%	100%	100%	100%

As for the previous financial year, all of the companies, which awarded performance shares to at least one of their executive directors, specified the valuation of the shares at the time of the award.

Dilutive impact

The AFEP-MEDEF code recommends mentioning the dilutive impact of the share awards (§ 21.2).

	SBF 120		CAC 40	
	Financial year 2010	**Financial year 2011**	**Financial year 2010**	**Financial year 2011**
Indication of the dilutive impact	56%	56.3%	64.5%	66.7%

Of the companies, which awarded performance shares to at least one of their executive directors, 56.3% of the SBF 120 companies and 66.7% of the CAC 40 companies indicated the dilutive impact of the awards. This rate is up slightly on the previous financial year for the CAC 40 (64.5%).

Awards at the same calendar periods

The AFEP-MEDEF code recommends making "*awards at the same calendar periods*" (§ 20.2.3).

	SBF 120		CAC 40	
	Financial year 2010	**Financial year 2011**	**Financial year 2010**	**Financial year 2011**
Awards at the same calendar periods (unless the first plan was set up in 2011)	59%	61.7%	69%	88.9%

61.7% of the SBF 120 companies and 88.9% of the CAC 40 companies awarded performance shares at the same calendar periods (compared with 59% and 69% respectively for the financial year 2010). These rates confirm and add to the increase already observed during the previous financial year (50% and 58.5% for the financial year 2009).

Fraction awarded to each executive director

The AFEP-MEDEF code recommends indicating in the annual report or the reference document "*the fraction of the capital so awarded to each*" executive director (§ 21.2).

	SBF 120		CAC 40	
	Financial year 2010	**Financial year 2011**	**Financial year 2010**	**Financial year 2011**
Fraction of the capital awarded to each executive director	35.5%	45.8%	43%	72.2%

Of the companies, which awarded performance shares to at least one of their executive directors, 45.8% of the SBF 120 companies and 72.2% of the CAC 40 companies specified the fraction of the capital awarded to each executive director (compared with 35.5% and 43% respectively for the previous financial year). Compliance with this recommendation has therefore seen a significant rise, particularly among the CAC 40 companies.

Price

Risk hedging transactions

The AFEP-MEDEF code states that "*those executive directors who are in office and who are beneficiaries of stock options and/or performance shares may not engage in any risk hedging transactions in respect of their own interests*" (§ 20.2.3).

	SBF 120		CAC 40	
	Financial year 2010	Financial year 2011	Financial year 2010	Financial year 2011
Prohibition on risk hedging transactions	46.5%	56.3%	50%	72.2%

56.3% of the SBF 120 companies and 72.2% of the CAC 40 companies which awarded performance shares to at least one of their executive directors specifically mentioned in their annual report or in their reference document that there had been no risk hedging transactions, compared with 46.5% and 50% respectively for the financial year 2010. Compliance with this recommendation has therefore seen a significant rise, particularly among the CAC 40 companies.

Definitive acquisition of shares by executive directors

Performance conditions

The AFEP-MEDEF code recommends that performance conditions should be laid down for the definitive acquisition of shares at the time of the award (§ 20.2.3).

	SBF 120		CAC 40	
	Financial year 2010	Financial year 2011	Financial year 2010	Financial year 2011
Mention made of the performance conditions laid down for the definitive acquisition of shares	93%	95.8%	100%	100%

Of the companies, which awarded performance shares to at least one of their executive directors in 2011, 95.8% of the SBF 120 companies and 100% of the CAC 40 companies specified the performance conditions to which the definitive acquisition of shares related.

Furthermore, one SBF 120 company related only part of the acquisition of shares to a performance condition.

Acquisition of shares

The AFEP-MEDEF code recommends that "*in accordance with terms determined by the board and announced upon the award, the performance shares awarded to executive directors are conditional upon the acquisition of a defined quantity of shares upon the availability of the awarded shares*" (§ 20.2.3).

	SBF 120		CAC 40	
	Financial year 2010	Financial year 2011	Financial year 2010	Financial year 2011
Requirement to purchase a defined quantity of shares	18.5%	22.9%	28.5%	33.3%

22.9% of the SBF 120 companies and 33.3% of the CAC 40 companies indicated that they applied this requirement for the awards made in 2011 (compared with 18.5% and 28.5% respectively for the awards made during the previous financial year).

Custody of acquired shares

The Commercial Code lays down that boards must either decide that bonus shares cannot be exercised before the end of the term of office, or determine the quantity of these shares which must be kept as registered shares until the end of the term of office (Art. L. 225-197-1).

The AFEP-MEDEF code recommends that the board of directors or the supervisory board should periodically determine the number of shares resulting from the exercise of options or performance shares, which the executive directors are required to keep as registered shares until the end of their term of office (§ 20.2.3).

	SBF 120		CAC 40	
	Financial year 2010	Financial year 2011	Financial year 2010	Financial year 2011
Requirement to keep performance shares	88.5%	91.7%	85.5%	94.4%

91.7% of the SBF 120 companies and 94.4% of the CAC 40 companies mentioned a requirement to keep performance shares (compared with 88.5% and 85.5% respectively for the previous financial year).

Use of standardised tables

The AFEP-MEDEF code recommends using standardised tables relating to the shares awarded to executive directors during the financial year and to the shares that have become available (§ 21.2).

	SBF 120		CAC 40	
	Financial year 2010	**Financial year 2011**	**Financial year 2010**	**Financial year 2011**
Table 6 Performance shares awarded to each executive director	95.5%	95.5%	100%	100%

95.5% of the SBF 120 companies and 100% of the CAC 40 companies, which awarded performance shares to at least one of their executive directors, submitted the standardised table.

	SBF 120		CAC 40	
	Financial year 2010	**Financial year 2011**	**Financial year 2010**	**Financial year 2011**
Table 7 Performance shares that have become available during the financial year for each executive director	82.5%	79.3%	87.5%	100 %

Of the companies, which awarded performance shares that became available in 2011, 79.3% of the SBF 120 companies and 100% of the CAC 40 companies submitted the standardised table. Furthermore, three companies submitted tables relating to the shares definitively acquired, and not to the shares which became available, during the financial year.

6.4 Termination payments

For the financial year 2011, 56.2% of the SBF 120 companies and 50% of the CAC 40 companies stated that they provided a termination payment to at least one of their executive directors.

Imposed departure linked to a change in control or strategy

The AFEP-MEDEF code recommends that the performance conditions whose existence is imposed by the Commercial Code must be such that they do not allow for "*indemnification [...], unless his or her departure is imposed [...] and linked to a change in control or strategy*" (§ 20.2.4).

The same recommendations advise that the termination payment should not exceed two years' compensation (fixed and variable).

	SBF 120		CAC 40	
	Financial year 2010	Financial year 2011	Financial year 2010	Financial year 2011
Payment only in the event of imposed departure linked to a change in control or strategy	30.5%	28.8%	42%	38.9%
Upper limit of 2 years' compensation	96.5%	96.6%	100%	100%

Of the companies which provided for awarding a termination payment to at least one of their executive directors, 28.8% of the SBF 120 companies and 38.9% of the CAC 40 companies stated that the payment could only be made in the event of imposed departure linked to a change in control or strategy for all beneficiary senior executives (compared with 30.5% and 42% respectively for the previous financial year).

Of the companies which made provision to award a termination payment to at least one of their executive directors, 96.6% of the SBF 120 companies and 100% of the CAC 40 companies stated that they applied an upper limit of 2 years' compensation for all beneficiary directors (compared with 96.5% and 100% respectively for the financial year 2010).

Performance conditions

	SBF 120		CAC 40	
	Financial year 2010	Financial year 2011	Financial year 2010	Financial year 2011
Performance conditions	98.3%	96.6%	100%	100%

96.6% of the SBF 120 companies (100% of the CAC 40 companies), which made provision to award a termination payment to at least one of their executive directors, stated that this payment was related to one or more performance conditions, in accordance with the relevant legal provisions (Article L.225-42-1 and L. 225-90-1 of the Commercial Code).

Non-competition clause

The AFEP-MEDEF code states that if there is a non-competition clause, any indemnification it provides for must be included in the upper limit of two years (§ 20.2.4).

For the financial year 2011, 27.6% of the SBF 120 companies and 33.3% of the CAC 40 companies provided for indemnification pursuant to a non-competition clause in favour of at least one of their executive directors.

	SBF 120		CAC 40	
	Financial year 2010	**Financial year 2011**	**Financial year 2010**	**Financial year 2011**
Indemnification amount included in the upper limit of 2 years' compensation	90%	96.6%	100%	100%

Of the SBF 120 companies, which provided for indemnification pursuant to a non-competition clause in favour of at least one of their executive directors, 96.6% stated that the indemnity was included in the upper limit of 2 years' compensation, compared with 90% for the financial year 2010. For the fourth year in a row, 100% of the CAC 40 companies concerned stated that the indemnity was included in the two-year upper limit.

6.5 Pensions

Information about pension schemes

The AFEP-MEDEF code states that the chapter on compensation must contain *"information concerning the pension systems or commitments provisioned by the company"* (§ 21.2).

	SBF 120		CAC 40	
	Financial year 2010	**Financial year 2011**	**Financial year 2010**	**Financial year 2011**
Information about pension schemes	100%	100%	100%	100%

As for the financial year 2010, all of the SBF 120 companies provided information about the pension schemes or commitments provisioned for the financial year 2011.

Additional pensions

Furthermore, the AFEP-MEDEF code provides for certain additional rules for additional pension schemes with defined benefits, i.e. the group of potential beneficiaries must be materially broader than the executive directors alone; the beneficiaries must meet reasonable requirements of seniority within the enterprise; each year, the increase in potential rights may only account for a limited percentage of the beneficiary's compensation; and the benchmark period taken into account for calculating the benefits must cover several years (§ 20.2.5).

56.7% of the SBF 120 companies and 86.1% of the CAC companies provided for a pension scheme with defined benefits for at least one of their executive directors.

	SBF 120		**CAC 40**	
	Financial year 2010	**Financial year 2011**	**Financial year 2010**	**Financial year 2011**
Category of beneficiaries broader than the executive directors alone	91%	91.5%	94%	90.3%
Seniority requirements	54%	64.4%	53%	64.5%
Increase in potential rights	47.5%	54.2%	47%	61.3%
Benchmark period greater than one year	71%	74.6%	75%	83.9%

Of the companies which provided for a pension scheme with defined benefits for at least one of their executive directors:

- 91.5% of the SBF 120 companies and 90.3% of the CAC 40 companies indicated a category of beneficiaries broader than the executive directors alone, compared with 91% and 94% respectively for the financial year 2010,

- 64.4% of the SBF 120 companies and 64.5% of the CAC 40 companies mentioned requirements of seniority, compared with 54% and 53% respectively for the financial year 2010, these percentages therefore being up significantly,

- 54.2% of the SBF 120 companies and 61.3% of the CAC 40 companies stated that potential rights increased each year, compared with 47.5% and 47% respectively for the financial year 2010,

- 74.6% of the SBF 120 companies and 83.9% of the CAC 40 companies indicated that they applied a benchmark period greater than one year, compared with 71% and 75% respectively for the financial year 2010.

*

* *

Annex 1 – List of SBF 120 and CAC 40 companies

1	ACCOR*
2	ADP
3	AIR France – KLM
4	AIR LIQUIDE*
5	ALCATEL LUCENT*
6	ALSTOM*
7	ALTRAN TECHNOLOGIES
8	AREVA CI
9	ARKEMA
10	ATOS ORIGIN
11	AXA*
12	BIC
13	BIOMERIEUX
14	BNP PARIBAS*
15	BOLLORE
16	BOURBON
17	BOUYGUES*
18	BULL
19	BUREAU VERITAS
20	CAP GEMINI*
21	CARREFOUR*
22	CASINO GUICHARD-PERRACHON
23	CFAO
24	CGG VERITAS
25	CIMENTS FRANÇAIS
26	CLUB MEDITERRANEE
27	CNP ASSURANCES
28	CREDIT AGRICOLE*
29	DANONE*
30	DASSAULT SYSTEMES
31	EDENRED
32	EIFFAGE
33	ELECTRICITE DE FRANCE*
34	ERAMET
35	ESSILOR INTERNATIONAL*
36	EULER HERMES
37	EURAZEO
38	EUROFINS SCIENTIFIC
39	FAURECIA
40	FONCIERE DES REGIONS GFR
41	FRANCE TELECOM*
42	GDF SUEZ*
43	GECINA
44	GROUPE EUROTUNNEL
45	GROUPE STERIA SCA
46	HAVAS
47	HERMES INTERNATIONAL
48	ICADE
49	ILIAD
50	IMERYS
51	INGENICO
52	IPSEN
53	IPSOS
54	JC DECAUX S.A.
55	KLEPIERRE
56	LAFARGE*
57	LAGARDERE
58	LEGRAND*
59	L'OREAL*
60	LVMH *
61	M6 - METROPOLE TELEVISION
62	MAUREL ET PROM
63	MERCIALYS
64	MICHELIN*
65	NATIXIS
66	NEOPOST
67	NEXANS
68	NEXITY
69	ORPEA
70	PAGESJAUNES
71	PEUGEOT S.A.*
72	PLASTIC OMNIUM
73	PPR*
74	PUBLICIS GROUPE SA*
75	REMY COINTREAU
76	RENAULT*
77	REXEL
78	RUBIS
79	SAFRAN*
80	SAFT
81	SAINT-GOBAIN*
82	SANOFI*
83	SCHNEIDER ELECTRIC*
84	SCOR SE
85	SEB
86	SILIC
87	SOCIETE GENERALE*
88	SOITEC SILICON
89	SUEZ ENVIRONNEMENT
90	TECHNICOLOR
91	TECHNIP*
92	TELEPERFORMANCE (EX SR)
93	TF1 - TELEVISION FRANÇAISE 1
94	THALES
95	TOTAL*
96	UBISOFT ENTERTAINMENT SA
97	UNIBAIL-RODAMCO*
98	VALEO
99	VALLOUREC*
100	VEOLIA ENVIRONNEMENT*
101	VICAT
102	VINCI*
103	VIRBAC
104	VIVENDI*
105	WENDEL

* CAC 40 companies

Annex 2 - List of companies not included in the study

ALTEN ***
APERAM*
ARCELORMITTAL*
BENETEAU**
DERICHEBOURG**
DEXIA*
EADS*
EUTELSAT COMMUNICATIONS**
FAIVELEY TRANSPORT**
GEMALTO*
PERNOD RICARD**
SES*
SODEXO**
STMICROELECTRONICS*
ZODIAC**

* Foreign company
** Company with a non-calendar financial year
*** French company not referring to the AFEP-MEDEF code