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Equity-Based Compensation (France)

- Under AFEP-MEDEF and Middlednext corporate governance codes, it is recommended best practice to require performance criteria for either all (AFEP-MEDEF) or a portion (Middlednext) of equity-based compensation to executives. Under the proposed policy on equity-based compensation for France, ISS intends to define the "executives" as all members of the company's management board or executive committee, plus any other director classified as an executive under ISS' director election policy. Would your organization support this definition?

Yes

- The Middlednext Code recommends that a portion of equity-based compensation to executives be performance-based. At companies that refer to the Middlednext Code or no code at all, what percentage of equity-based compensation would your organization consider to be significantly performance-based?

The approach should be different depending on which executives and which instruments:

- **For stock-options, as the price of the stock is already a performance condition, the approach should be less restrictive. For the management board, 100% of performance criteria. For the executive committee, 50% of performance criteria can be accepted.**
- **For free shares, we would expect performance criteria for all executives (management and executive committee) for 100% of the plan. For non-executive beneficiaries, the approach should be different and on a case-by-case basis.**
- A key stipulation of the proposed policy requires that executive equity awards contain sufficiently challenging performance criteria. In order to evaluate this, ISS prefers that companies disclose specific performance targets for future awards. In cases where a company may refuse to disclose this information, would your organization still be willing to support an equity plan if the company has an established track record of issuing equity awards with appropriately challenging performance targets in the past?

The approach should be different depending on which executives and which instruments:

- **For stock-options, as the price of the stock is already a performance condition, a support of an equity plan is possible if the company has an established track record of issuing equity awards with appropriately challenging performance targets in the past.**
- **However for free shares, disclosure of specific performance targets for future awards is necessary for the management board. For the executive committee, the same approach of stock-options is acceptable.**

Election of Censors (France)

- Does your organization believe censors should be entitled to remuneration, despite the fact that they do not bear the legal liability assumed by directors? If yes, under what conditions?

Yes censors should be entitled to remuneration. If the approach should be a case-by-case basis on each election, once nominated, censors are entitled to receive remuneration.

- Under what specific circumstances, if any, would a shift from a director role to a censor role be acceptable?

This shift can be acceptable under specific circumstances. The approach should be a case-by-case basis on each election. For example, a former CEO can be nominated a censor to be kept as an advisor for the current board. Globally, if the shift is done to circumvent good governance practices (e.g. in case of overboarding, low board independence...), the proposal should be opposed.