



IMPLEMENTING SRD II

COUNTRY BRIEF: FRANCE

KEY TAKEAWAYS

- The law implementing the Shareholder Rights Directive II was approved on May 22, 2019.
- A new say-on-pay vote is introduced on the total remuneration granted to all corporate officers. The previous framework (with annual binding votes on the remuneration report and remuneration policy for each executive corporate officer) remains applicable.
- The first votes on the corporate officers' total remuneration are expected in 2020.
- The application of the implementing regulation, setting the minimum requirements for provisions regarding the voting chain, is expected in September 2020.

EU DIRECTIVE 2007/828/EC REGARDING THE ENCOURAGEMENT OF LONG-TERM SHAREHOLDER ENGAGEMENT (SRD II)

In response to the global financial crisis, the European Commission proposed a revision of the original 2007 Shareholder Rights Directive.

The [revised Shareholder Rights Directive II \("SRD II"\)](#), which took effect June 2017, seeks to reinforce effective and long-term shareholder engagement and monitoring of company performance.

KEY NEW REQUIREMENTS OF SRD II

The Directive is subdivided into three main chapters



VOTING CHAIN

- Companies should have access to identity of shareholder without delay.
- Transmission of information that enable exercise of shareholder rights shall be made in electronic and machine-readable formats; and
- intermediaries are required to facilitate the exercise of shareholder rights, including confirmation that shareholder votes have been validly recorded and counted



TRANSPARENCY

- Engagement policies of institutional investors and asset managers
- How shareholder engagement is integrated into investment strategy, including how voting rights were exercised
- Institutional investors' investment strategies and arrangements with asset managers
- Proxy advisors shall disclose a reference to the code of conduct they apply and report on the application of that code.



REMUNERATION & RPTs

- Shareholders will have the rights to express their views on executive pay.
- Separate votes on the remuneration report and remuneration policy.
- The European Commission will provide non-binding guidance on presentation of the remuneration report.
- Rules on transparency and approval process of related party transactions.

SHAREHOLDER RIGHTS DIRECTIVE II

In response to the 2008 global financial crisis, the European Commission proposed in April 2014 a revision of the original 2007 Shareholder Rights Directive in 2014. The revised Shareholder Rights Directive (“SRD II”), which took effect in June 2017, seeks to reinforce effective and long-term shareholder engagement and monitoring of company performance. Both elements were lacking during the crisis when many companies took on excessive risks in the pursuit of short-term returns. EU member states were called upon to amend their laws to comply with SRD II by June 10, 2019. As of Feb. 26, 2020, 20 EU member states had implemented SRD II into their local legislations.

IMPLEMENTING SRD II INTO FRENCH LEGISLATION

The French regulatory framework already complied with several provisions of the SRD II, notably regarding executive remuneration. Nonetheless, the May 22, 2019 Law implementing the SRD II in France amended the say-on-pay and related-party transaction systems. The law took effect on Nov. 29, 2019.

The most important components of SRD II transposed to French law are detailed below.

Identification of Shareholders

In line with the SRD II, issuers will be allowed to request the identification of shareholders holding more than a certain percentage of shares or voting rights. Such a percentage shall not exceed 0.5 percent. The French regulator did not set a specific threshold.

Transmission of Information

In order to enable shareholders to exercise rights deriving from their shares, the intermediaries are required to transmit information without delay complying with issuer deadlines and record dates and in an electronic and machine-readable format which allows for interoperability and straight-through processing (STP).

Facilitation of Shareholder Rights

The intermediaries are required to facilitate the exercise of shareholder rights. Voting instructions should be transmitted without delay in accordance with record dates and issuer deadlines. Vote confirmations and how shareholder votes were counted at the general meeting must be provided to shareholders.

Transparency of Institutional Investors

Institutional investors and assets managers are required to disclose their engagement policies annually.

Transparency of Proxy Advisors

Proxy advisors are required to publish annually on their websites a reference to a code of conduct which they apply and reports on the application of that code. They are also required to disclose information regarding the preparation of research and vote recommendations annually.

Right to Vote on the Remuneration Policy and Report

According to the previous say-on-pay framework, executive corporate officers’ remuneration policy and the remuneration report should be submitted annually for a shareholder vote. The new element lies in the fact that the remuneration policy also covers post-employment benefits. In practice, this means that termination packages and pension schemes are no longer subject to the related-party transactions procedure.

The additional vote on the total remuneration granted to all corporate officers introduced by the SRD II should also be submitted to vote every year.

Transparency on Related-Party Transactions

Related-party transactions were already subject to approval by shareholders at the general meeting. However, the law implementing the SRD II now specifies that, in addition to persons directly involved in a transaction, parties who are indirectly involved cannot take part in the votes authorizing and approving the transaction.

Effective Date

Nov. 29, 2019

GM Notice Period

35 days

Availability Remuneration Report

21 days

Policy Vote

Binding

Report Vote

Binding

RPT Vote

Yes



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