

Monitoring system in France

Friday 27 March 2014

- **Listed companies refer either :**
 - To the Afep-Medef code (mainly companies of the index SBF 120). The code has been revised in June 2013
 - To the Middlenext code (for midcaps companies)

- ☐ Issuers should publish a report on corporate governance.
- ☐ The company refers on a voluntary basis to a corporate governance code based on the « comply or explain » principle. Where a company chooses not to apply the code, it should indicate its reasons for not doing so, and state in the report the rules that it applies to supplement statutory requirements.
- ☐ In practice, except foreign companies, nearly all the companies of the index SBF 120 refer to the Afep-Medef code.
- ☐ As for the Afep-Medef code : Two monitoring systems in place

- **Monitoring by the regulator : The AMF monitors the report of companies and is responsible for ensuring that statutory or regulatory publications are produced by listed companies.**
 - It publishes every year a **report**.
 - the subjects are : remuneration of executive directors, number of positions hold by executive directors, independent directors (criteria, proportion), diversity, board committees...
 - The regulator name companies for **their good practices** but also for **their bad practices** when a company do no respect a recommendation or do not give meaningful explanations (implementation of the « **name and shame** » principle)
 - The regulator makes recommendations it deems useful which supplement the Afep-Medef recommendations. The revision of Afep-medef code has included some of the AMF recommendations.

- **Monitoring by a High Committee on Corporate Governance (establishment - code revision June 2013)**
- ❑ **Composition** : made up of 7 members : 4 have or have had positions as executive directors in international groups, 3 qualified individuals (investor, legal expert and compliance officer)
- ❑ **Remits** : The Committee is responsible for monitoring compliance with the principles set out in the code.
 - Boards may have cases refer to it (issues of interpretation of the code)
 - The Committee may examine cases on its own initiative if a company does not comply with a recommendation of the code without providing an adequate explanation.
 - A company which does not follow a recommendation made by the High Committee must mention this in its annual report and explain why it decided not to act on this recommendation.
 - The Committee may also propose changes to the corporate governance code.
 - The Committee publishes an annual report analysing the information disclosed by SBF 120 companies. In order to check the preciseness of the information, the data collected are sent to each company for verification. The report is published on a consolidated basis and includes the justifications given by companies when they do not apply a recommendation.