



I.F.G.E.

**The French Corporate
Governance Institute**

Corporate Governance in France

An Overview

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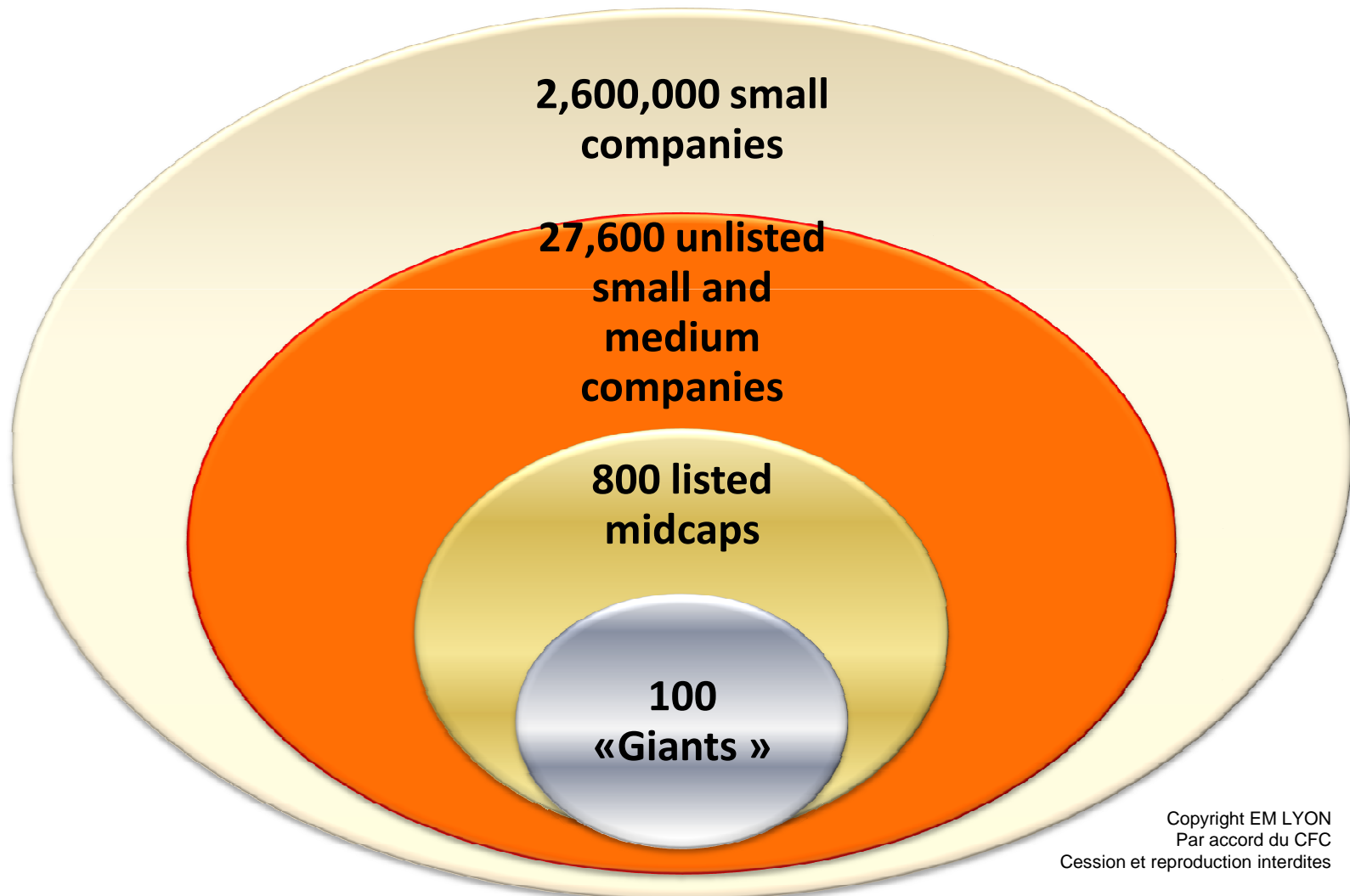
-I- Context

French Capitalism: Three major evolutions

- **High proportion of foreign investment:**
 - 50% of the capital of the companies in the SBF250, and 40% of the top 40, is held **by foreign investors** .
- **Large-scale shift of household saving towards shareholding :**
 - 20% of the assets of **French households** , and as much as 60% through investment funds.
- **Strong withdrawal of the State as a shareholder :**
 - **Divided by 3** between 1996 and 2006

-I- Context

French Capitalism: structure



-II- Key Corporate Governance Trends

**Legal
Framework**

**Board
Structure
and Roles**

**Shareholder
Rights**



Legal Framework

- **Main role of the codes**
 - Viénot I Report (1995), Viénot II Report (1999) and Bouton Report (2002).
 - No obligation to sign up to them or to take up a position on compliance
 - The vast majority of CAC40 companies do refer to them
- **Backing of public intervention:**
 - Two fundamental Laws in 2002 and 2003 confirm the proposals of the Viénot and Bouton reports
 - The Government intervenes when scandals occur and under the pressure of public opinion. **But this is not often followed by application decrees**
 - **SAS**: only for unlisted companies. Freedom to organize their CG



Board Structure

- **A Blurred Role**

- the Board represents the interests both of **the company** and **shareholders**.
- “whatever the composition and organisation of the board, it is and must remain a collegiate body representing **all the shareholders collectively**, and with the obligation of acting in all circumstances in the interests of **the company**” (Viénot report)
- an independent director is one who “has no relationship of any kind **with the company** or its group that might prevent them exercising their freedom of judgement” (Bouton Report)

- **Evolution:**

AVERAGE SIZE (CAC 40)	15 directors (8.5 indep.)
AVERAGE SIZE (Midcaps)	8 directors (3 indep.)
Legal term	6 years
Maximum number of board positions per director	5



Shareholder Rights

- **A poor protection of shareholders**
 - No action class
 - Existence of activist associations
- **Enlargement of different categories of shareholders:**
 - Shares without voting rights ports
 - Multiple voting shares
- **Development of employee shareholders:**
 - 38 firms in the SBF250 in which employees hold over 3%
 - Employee directors in 14 of the CAC40 giants



Conclusion

- **More transparency and openness**
- **Great pragmatism beyond the appearance of legislation**

Two questions remains:

- 1. In what extend this change must be generalized to all types of firms?**
- 2. « Good governance » but « good » for who?**