



## Executive Compensation and Corporate Governance

### Overview of CAC 40 2023 Trends.

#### Introduction

Deloitte's executive remuneration practice helps clients develop executive remuneration strategies in line with corporate objectives and advises remuneration committees on the corporate governance and regulatory frameworks that apply to executive remuneration in France and globally.

Welcome to your guide – Executive Remuneration in CAC 40 companies in France.

This report provides detailed analysis on Executive remuneration in CAC 40, including base salary, Short-Term Incentives, Long-Term Incentives, pension and 2023 AGMs Trends.

*SBF 120 trends on Executive remuneration will also be available upon request.*

Every year, Deloitte's teams collect and analyze remuneration data and publish, organize and deliver Webinars dedicated to Executive Remuneration.

For assisting our clients, Deloitte uses a 3-stages approach :

- **Governance compliance review:** Listing of recommendations and laws applicable for the company in terms of governance structure and remuneration and carrying a compliance audit of your policy against them.
- **Remuneration benchmark:** Provide analysis of the competitiveness of your packages vis-à-vis the identified comparison panels, make recommendations for adjusting your policy and assist in the implementation of remuneration plans
- **Drafting of the new policy:** following the benchmark analysis, the remuneration policy adjustments and the compliance audit,

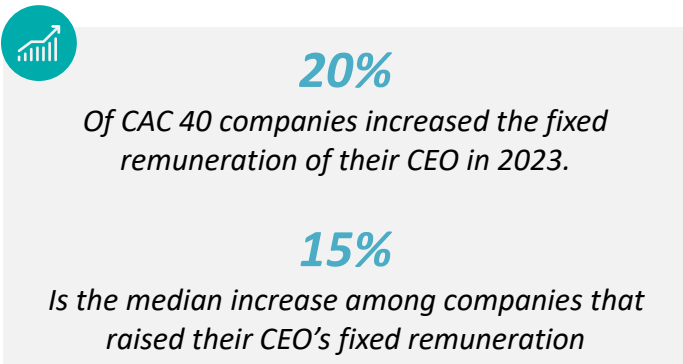
# Executive summary

2022 continued the upward trend of 2021 and demonstrated the resilience of companies amid the geopolitical problems that erupted in Eastern Europe. In 2022, CAC 40 companies reported profits that remained high, driven by luxury goods and energy. For example, LVMH saw a 23% rise in sales, while Engie saw a rise of more than 60%. However, the social context in France deteriorated in 2022 and the first half of 2023, with the new pension reform, among other things.

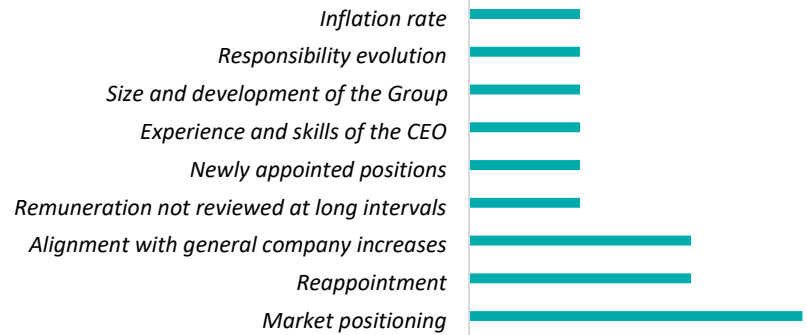
The Annual General Meetings (AGMs) of 2023 unsurprisingly witnessed significant increases in fixed salaries compared to 2022. These increments were attributed to market adjustments or salary revisions upon reappointment. Payout levels have returned to pre-crisis norms, with Short-Term Incentive (STI) payouts ranging between 100% and 140%. Long-Term Incentive (LTI) plans granted during this period were impacted by market volatility, resulting in LTI vesting falling below 100% of the target for over half of the companies.

## Fixed pay and STI

### CEO fixed pay : Salary increases

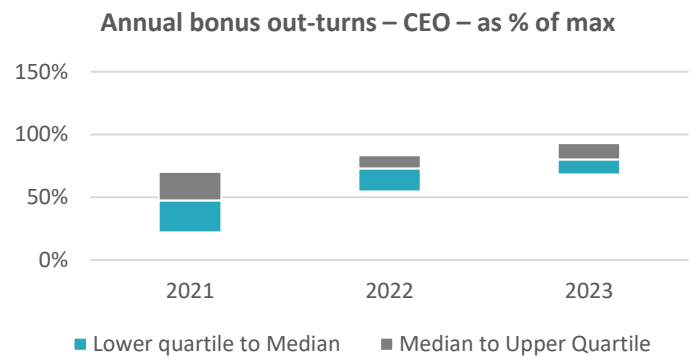
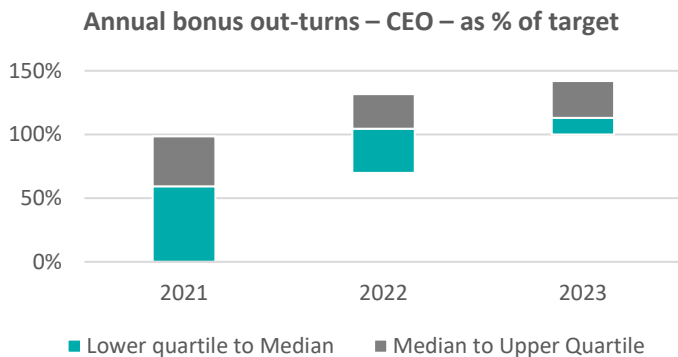


### CEO Fixed pay increase: for what reasons ?



Market positioning is cited among the reasons most communicated by companies that increased fixed remuneration. Following closely is alignment with general company increases and increases due to reappointment/renewals.

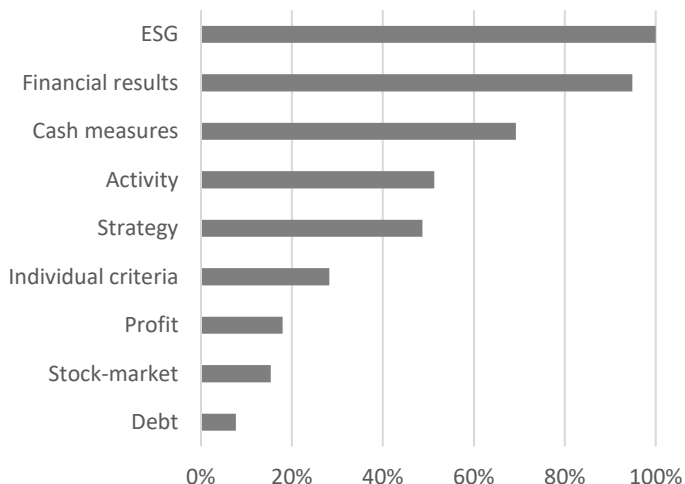
### Annual Bonus – STI – out-turns evolution



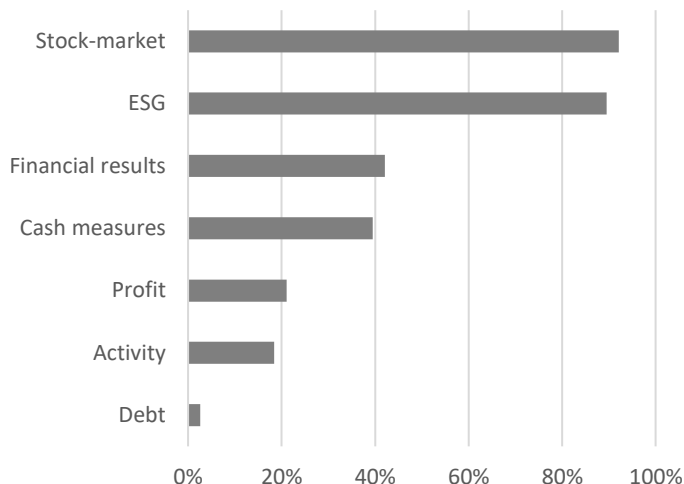
After a moderate year in terms of STI payouts in 2021, marked by the effects of the COVID crisis, the level of payouts reached normal levels in 2022 and continued an upward trend in 2023. For 2023, the STI opportunity as a % of base salary is at **103%** at target and **165%** at maximum (a slight increase compared to 2022)

# Focus on Performance measures

## STI – Executive KPI measures



## LTI – Executive KPIs measures

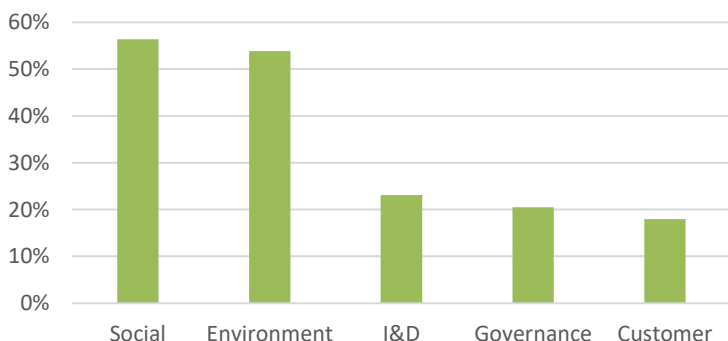


For STI in 2023, financial results (Ebit, operating income...) remain the most used KPI criteria, followed by Cash measures (Free-Cash-Flow ...) and Activity (sales, revenue...), not including ESG. For LTI, Stock-index (TSR, EPS...) are by far the most used KPI criteria (mostly TSR, specifically).

## Introduction of ESG metrics – STI

100%

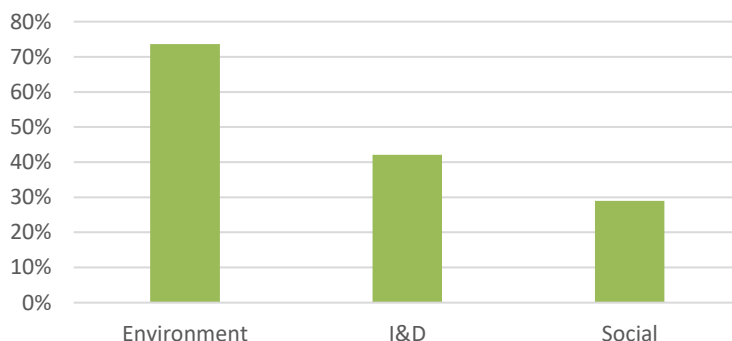
Of CAC 40 companies now incorporate ESG metrics in Executive Short-term Incentives.



## Introduction of ESG metrics – LTI

89%

Of CAC 40 companies now incorporate ESG metrics in executive Long-term Incentives.

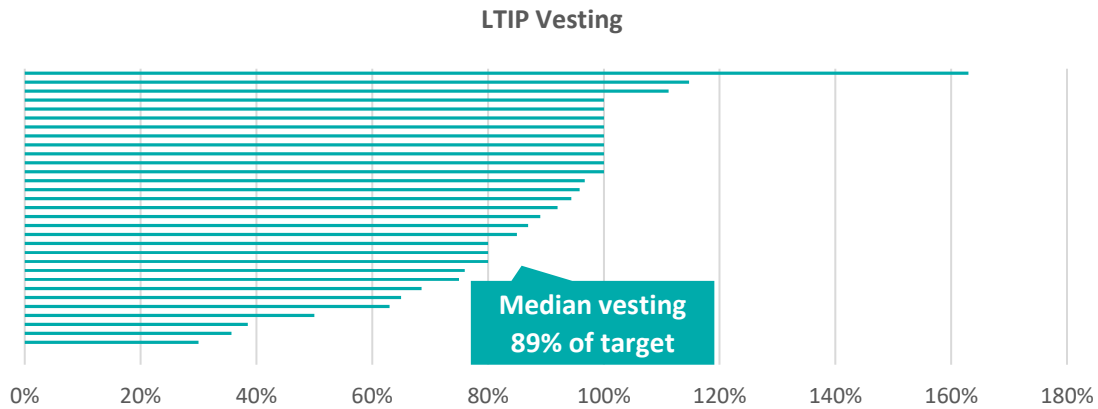


In its 2022 version, the AFEP MEDEF (the corporate governance code for companies listed in France) emphasized the importance of ESG criteria in remuneration, as well as in the development and monitoring of companies' environmental policies. This recommendation has already been adopted by CAC 40 companies, all of which have at least one ESG criterion. We note that environmental criteria (climate, reduction of gas emissions, etc.), social criteria (HR, health & Safety...) and I&D measures (% of women representatives) are the main ESG categories used in both STI and LTI components.

# Incentive out-turns - LTIP



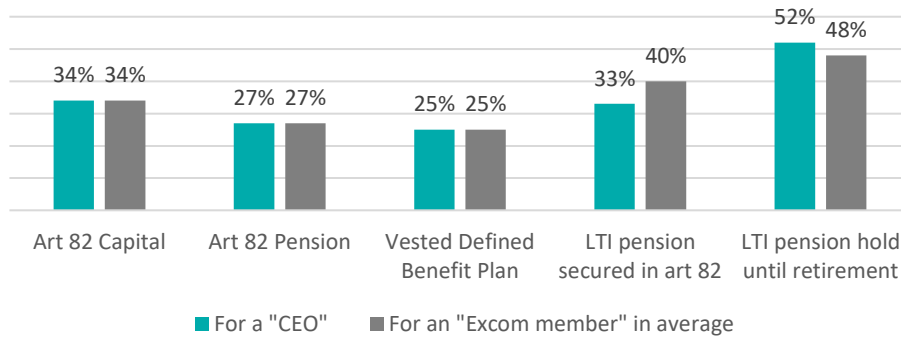
## Incentive out-turns – Long-Term Incentives – achievement rate



In 2022, the median vesting rate was about 89% of target achievement. Some LTI plans vested in 2022 have been impacted over 1 or 2 years by the COVID crisis.

# Pension – efficiency rates

Comparison of overall efficiency rates



Following the recent legislative update regarding supplementary pension schemes in France, 2 companies LTI schemes implemented in 2023 dedicated to retirement (holding of shares until retirement with the ability of securing the investment in Executive Defined Contribution scheme “art.82”).

The LTI retirement plan and the Article 82 plan with a lump-sum payment are the most effective plans for annual payments, corresponding to 25% of total remuneration.

However, the efficiency of the LTI scheme dedicated to retirement should be qualified considering the higher levels of risk/volatility involved (particularly if the shares are held until retirement).

# 2023 AGM season

**95%**

Average **vote for remuneration policy** versus 93% for last year.

**11%**

Average vote **against N°1 compensation policy** versus 9% last year.

**93%**

Average **vote for remuneration report (Ex-post)** versus 92% for last year.

**9%**

Average vote **against N°1 compensation report (Ex-post)** versus 11% last year.

Proxy advisors, particularly ISS, continue to be influential.

The main issues reported by ISS are:

- Transparency around LTI (criteria, cut-off, vesting thresholds...)
- Maximum achievement of individual criteria

## What's next ?

The new version of the European CSRD (Corporate Sustainability Reporting Directive), amended in January 2023, aims to improve the standardization, availability and quality of ESG data through the annual publication of a report. From 2025 onwards, large companies listed in Europe will have to report on this data, with the first reporting year being 2024. Looking to go even further in terms of transparency and the involvement of companies in the fight against climate change, the French parliament is currently discussing the introduction of a "Say on Climate" law, which would enable shareholders to vote on the strategic environmental orientations of companies at general meetings. This practice has already been introduced by 2 CAC 40 companies.

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