

Tech Law



C-suite and Directors' fixed and variable compensation in French **Banking** and **Insurance** sectors

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HEC PARIS, March 2021

INTRODUCTION

- Our data analysis focused on two heavily-regulated sectors in France : the banking and insurance sectors. As they are in charge of public savings, **companies operating within those sectors have the legal and moral responsibility to comply with best practice**. Moreover, as they are two similar and complementary sectors, we decided to keep both in order to be able to make a **comparative analysis**.
- C-suite and Directors' compensation often attract media coverage and public attention. It is therefore a stimulating exercise to determine how those compensations are allocated in major companies.
- We decided to come up with many variables and sub-variables as we realized how numerous and diverse the hard and soft law sources were. It also allowed us to be more precise in our results.
- Finally, **the objective of this work was to determine the compliance of each sectors and each companies regarding to the hard and soft law relating to the variable and fixed remuneration of Executives and Directors**.

REGULATORY FRAMEWORK

HARD LAW

- The **French Commercial Code** regulates compensation when we focus on French *sociétés anonymes*. Most of listed companies are French *sociétés anonymes*.
- For the banking sector, there are rules on compensation contained in the article L. 511-71 et seq. of the **French Monetary and Financial Code**.

SOFT LAW

- The **Afep-Medef Code**, which today constitutes a real standard for French listed companies, provides recommendations concerning the fixed or variable remuneration of top management and directors of listed companies.
- **Proxy voting guidelines** that are voting recommendations in general meetings for company shareholders (in our study we have arbitrarily chosen to focus on Glass Lewis).

CHOICE OF COMPANIES

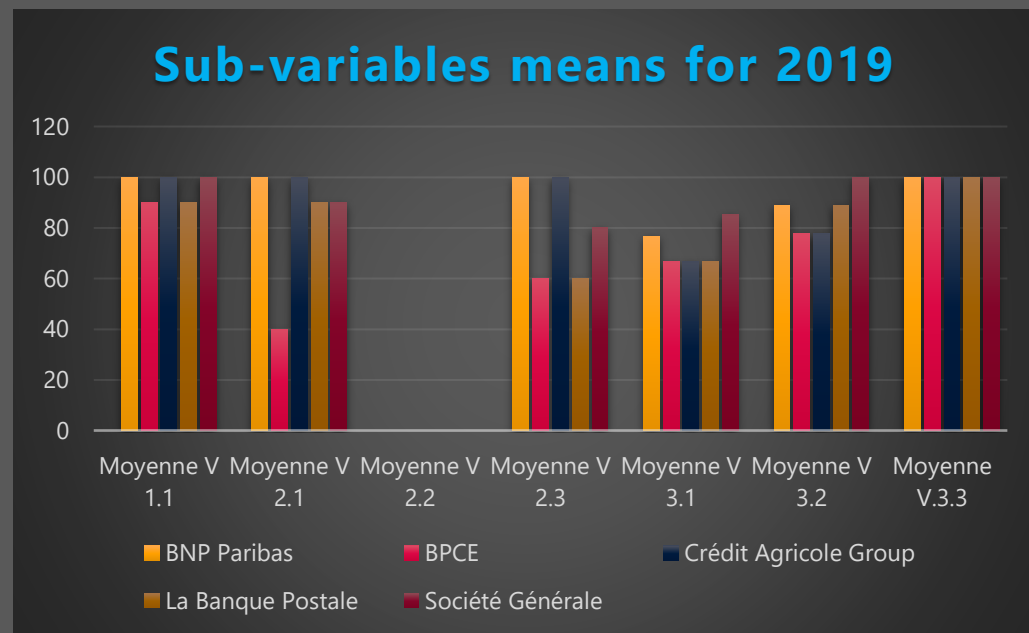
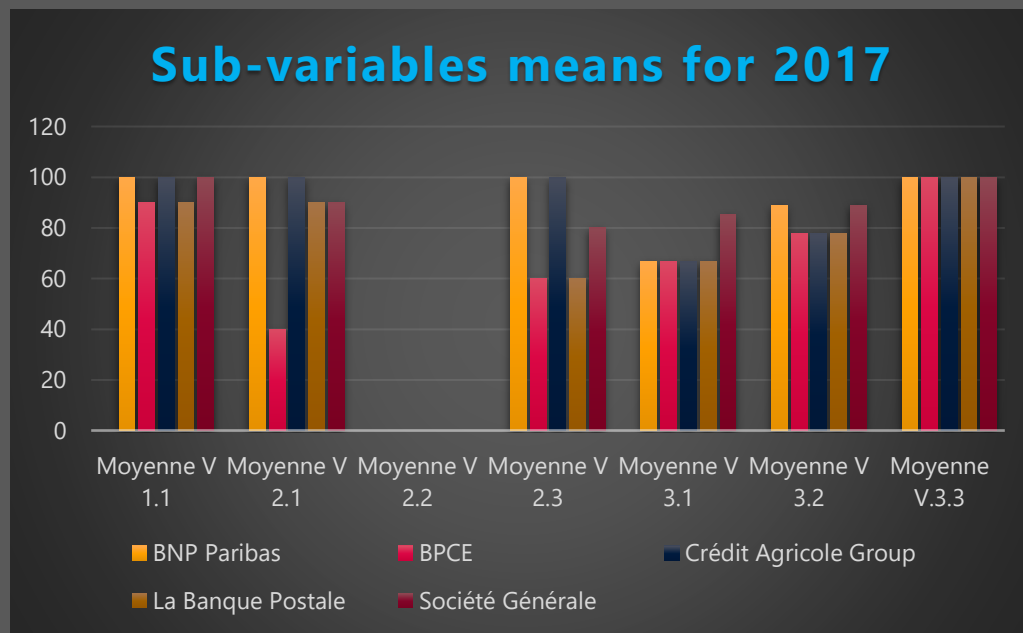
BANKING SECTOR

- BNP Paribas SA
- Group BPCE SA
- Crédit Agricole Group
- La Banque Postale
- Société Générale

INSURANCE SECTOR

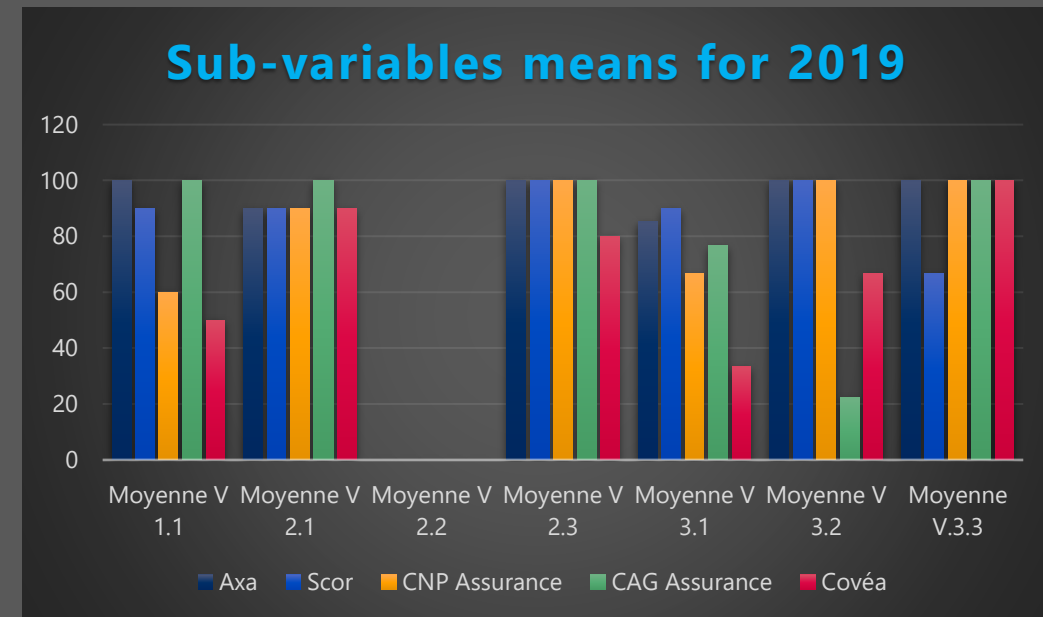
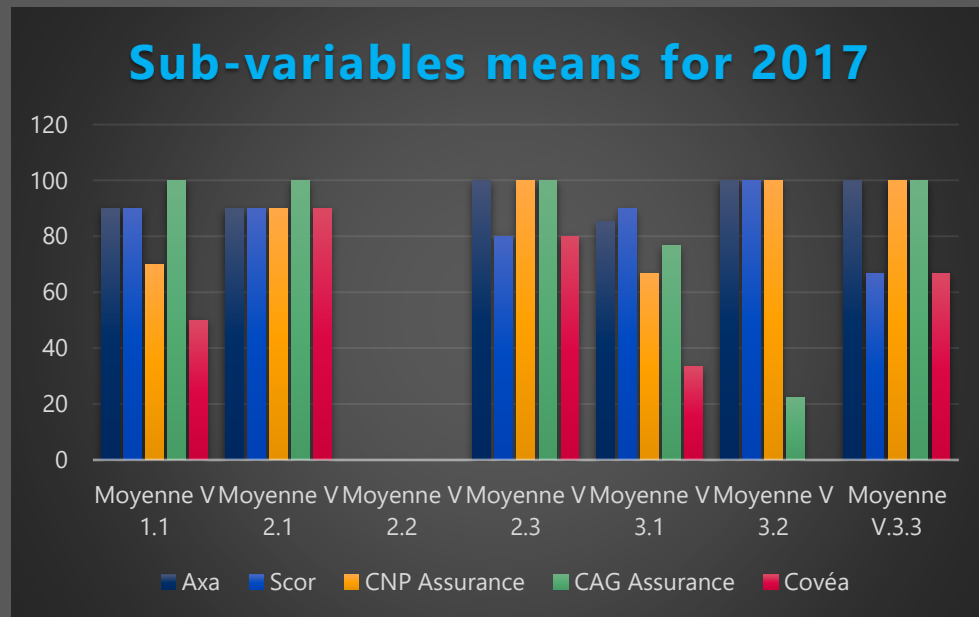
- Axa
- Scor
- CNP Assurance
- Crédit agricole (CAG) Assurance
- Covéa

Banking sector sub-variables analysis



- The banking sector does not allocate exceptional remunerations to its directors.
- A significant non-compliance with best practice is attributable to BPCE through the help of sub-variable 2.1 (Directors' compensation and effective participation). Indeed, BPCE bank does not take sufficiently into account effective participation of directors when deciding their compensation.
- We can notice that their compliance has not really evolved in 3 years.

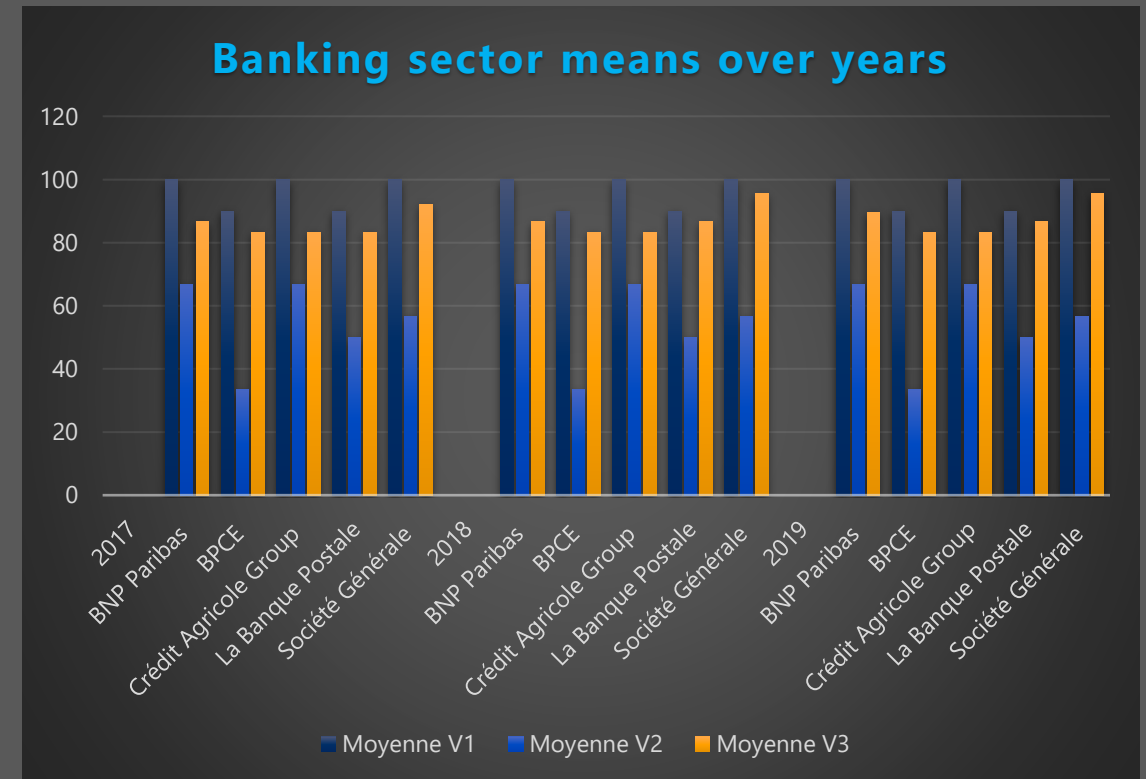
Insurance sector sub-variables analysis



- Similarly to the banking sector, the insurance sector does not allocate exceptional remunerations to its directors. It seems to be a general trend among major companies.
- We can notice that their compliance has not really evolved in 3 years, except for Covéa. Indeed, as Covéa is no listed and is growing, every year, she becomes more compliant, agreeing to be more transparent on this subject.

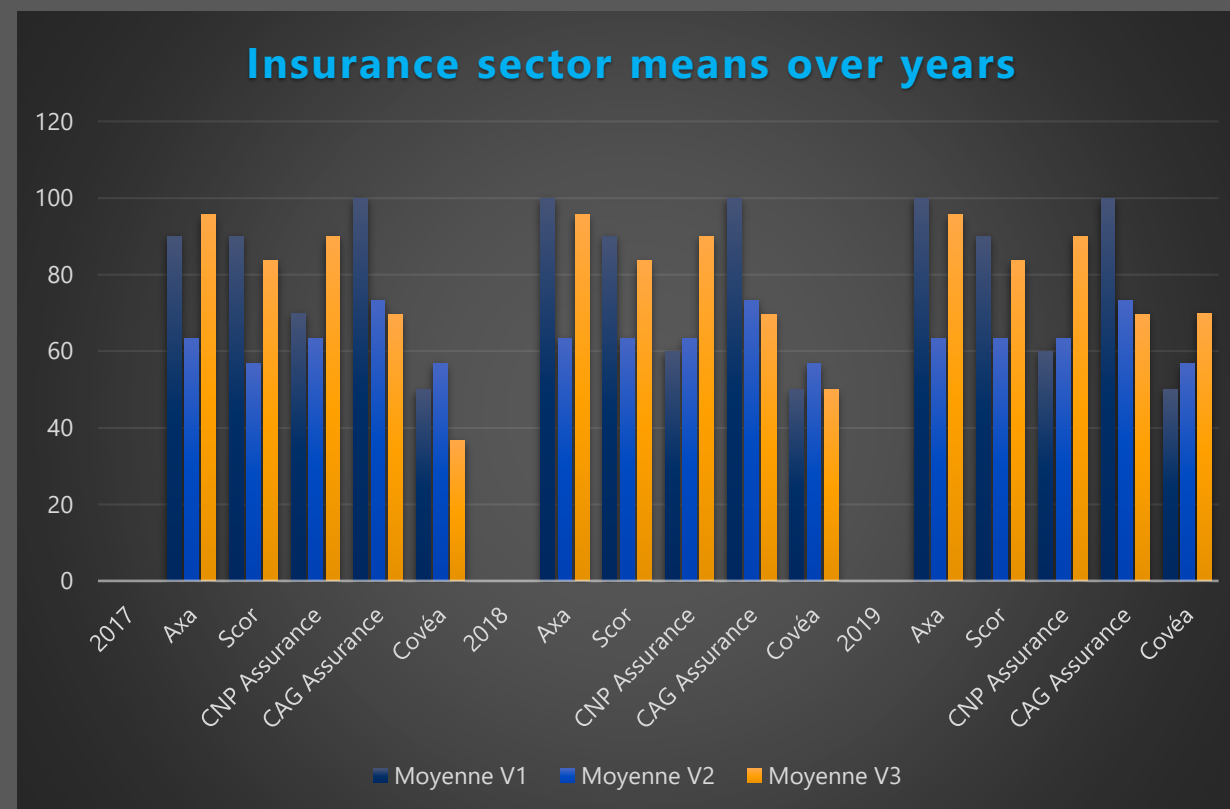
Banking sector means

- In the banking sector we noticed very few changes over the years.
- Banks, most of which are both subject to banking regulations and listed-companies regulations are very compliant with such regulations.
- The second variable (directors' remuneration) presents low means due to the fact that most companies don't allocate exceptional compensations to their directors.
- Banking companies are better than insurance companies in respecting the rules about the Compensation Committee and C-suite's compensation.



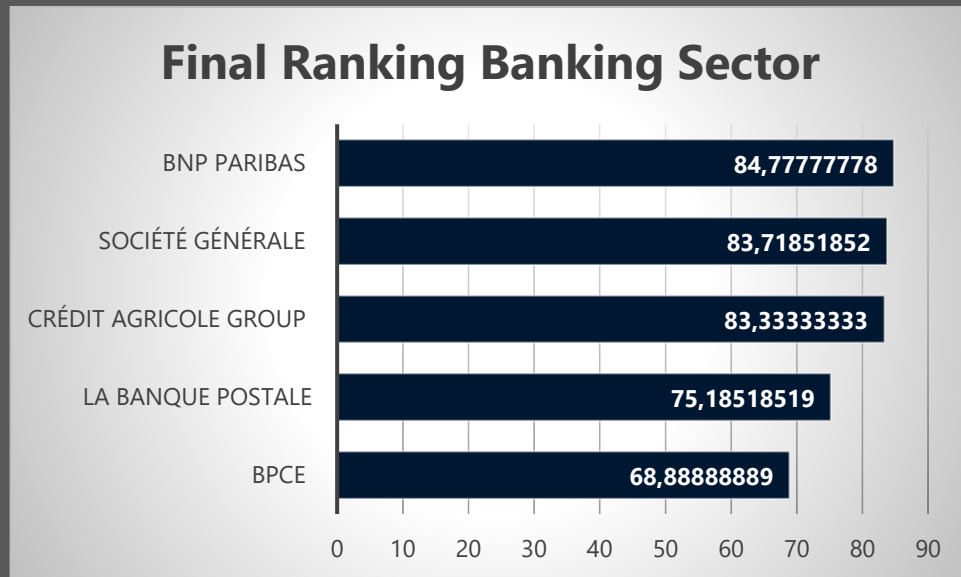
Insurance sector means

- In the insurance sector we noticed that insurance companies improved compliance with the legal framework over the course of 3 years.
- However some companies, notably Covéa, remain quite far from a perfect compensation-related governance
- Insurance companies are better than banking companies in respecting the rules about Directors' compensation.



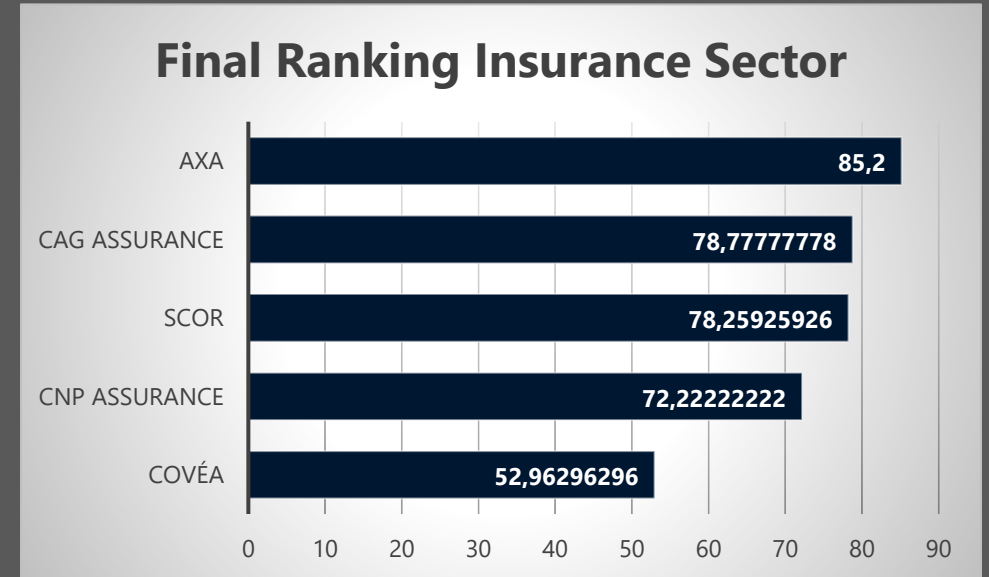
RESULTS IN BOTH SECTORS

Banking Sector



Our analysis shows that the company that complies the most with hard and soft rules is **BNP Paribas** followed closely by **Société Générale** and **Crédit Agricole Group**.

Insurance Sector



Our analysis shows that the company that complies the most with hard and soft rules is **Axa**. Compared to banking sector, the results are more diversified and Axa is not closely followed by the second company which is CAG Assurance.

CONCLUSION

Although the banking and insurance sectors are distinct sectors, it should be noted that **overall**, and even though Axa is the company among all that is doing best, **companies in the banking sector are the ones that seem to comply best and most with the regulations** (hard and soft law).

This analysis also shows that, in general, on most of the key elements of fixed and variable compensation regulations, **companies generally apply the prescribed rules.**



Any questions ?

Thank you for your attention