SCOR SE

The Acute Need for a Clear Succession Plan

2020 (Postponed) Annual General Meeting

CIAM

June 2020

AGENDA

About CIAM	3
Executive Summary	5
History with SCOR	9
What happened since the last AGM?	13
SCOR: The Governance Structure is not Fit for the Challenge	16
Appendixes	23
Contacts	31
Disclaimer	32

ABOUT CIAM

CIAM: A Committed Shareholder

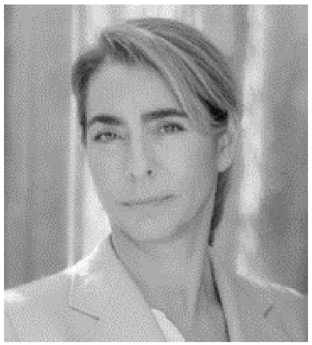
A Paris/London based investment management firm formed in 2010 that uses equity-based investment strategies. CIAM's portfolio is quite concentrated with an average holding period of 1,8 years.

CIAM donates 25% of its annual performance fees to charities dedicated to improving children's health and education across the world.

Investment Philosophy

- CIAM's objective is to provide uncorrelated returns, through building positions around corporate events.
- Poor Corporate Governance as catalyst for investment and engagement.
- Engagement (ideally through constructive private dialogue) to extract value.

Team



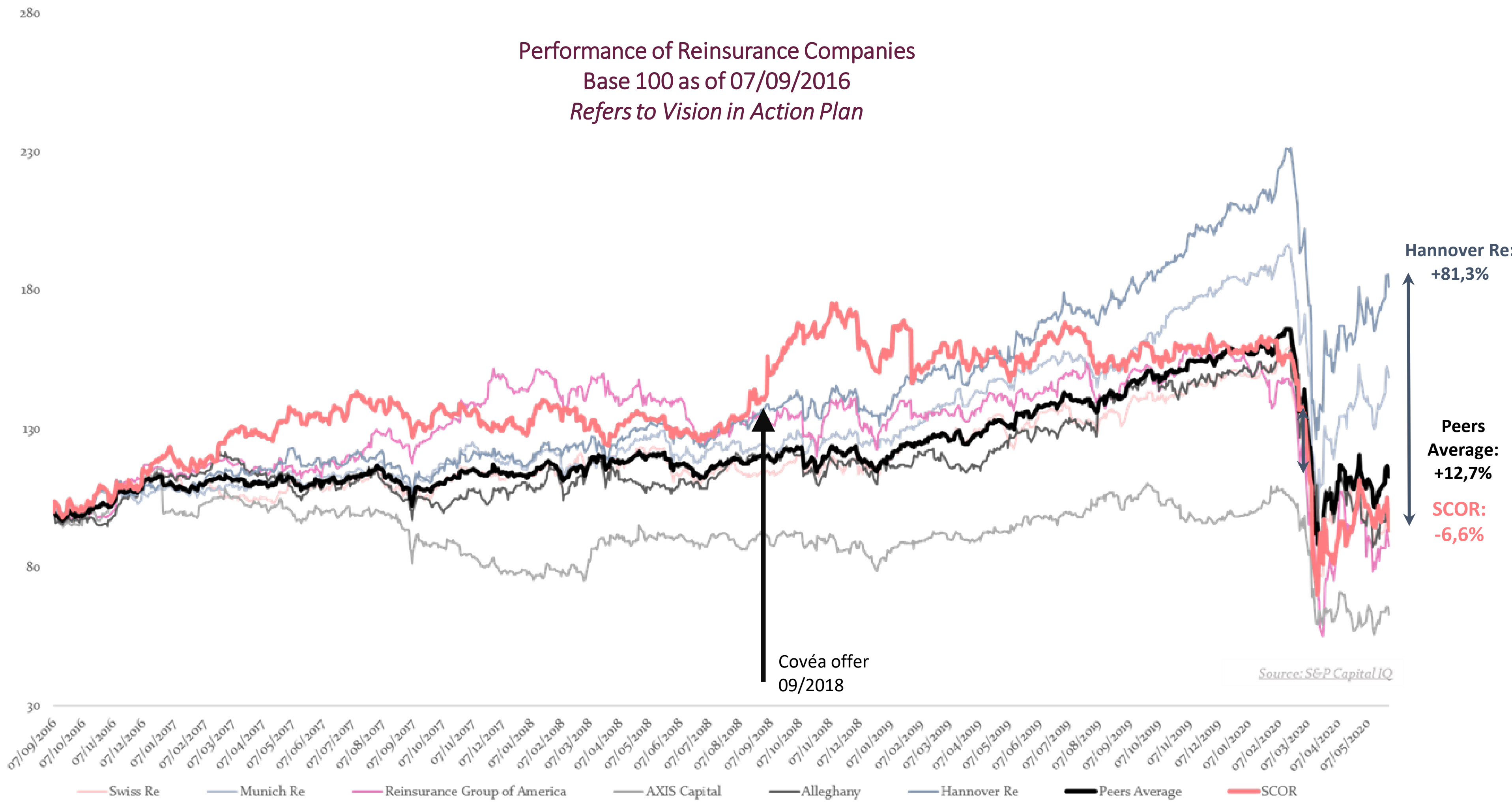
Catherine Berjal
Partner, CEO
Ms. Berjal has 25 years of experience in financial markets, including 18 years as a portfolio manager of event driven strategies.

Anne-Sophie d'Andlau
Partner, deputy CEO
Ms. D'Andlau has 24 years of experience in corporate finance and the event driven sphere.

Veronique Bresson
Head of Governance
Ms. Bresson has 16 years of experience in finance and governance. She is also a member of the Corporate Governance Committee of the French Asset Mgmt Assoc

EXECUTIVE SUMMARY

SCOR Shows a Modest Performance Relative to Direct Peers



* Source : S&P Capital IQ; Datas as of 05/29/2020

SCOR would Benefit from a Stronger Governance Structure

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Our demands are objectively reasonable and in line with governance best practices

Strengthened Board

- The Board lacks sufficient **unquestionably independent members**
- In particular the Board's **Lead Director** (Augustin de Romanet) is not sufficiently independent and is **not responsive to shareholders** (4 mtgs in 2019). He is currently CEO/Chair of Aéroports de Paris
- **Why?** *To navigate the challenging years ahead in a highly consolidating field*

Clear Succession Plan

- **No robust and clear succession plan** publicly disclosed
- Lack of a fresh vision, an bleak new strategic plan (i.e. Quantum Leap) announced
- **No formal Deputy-CEO** appointed although SCOR has strong heads of divisions
- **Why?** *To ensure continuity, provide clarity, bring new ideas and promote a healthy corporate culture*

Separation of the Roles

- Denis Kessler, 68, is the **Chair and CEO** for 18 years and is **over-committed** (BNP Paribas & Invesco)
- Denis Kessler **"threatened" to quit** as CEO if he relinquish his Chair role -> though not required
- Denis Kessler appears to want **SCOR to remain independent**
- **Why?** *To balance the power within the boardroom and ensure no single individual guides the future of a company*

The fact that these (rational) demands are not met suggests to us a problem and the Board is unresponsive

At the (Postponed) June 16, 2020 AGM

CIAM

-Our request to postpone the AGM, originally put forward mid-April, was met.

-Although the structure of the CEO/Chair compensation is still far from perfect, our demands for better link between pay and performance were partially met. Amendments made primarily aimed to please ISS…

-In light of the current environment, we are not filing any resolutions.

However, we are submitting written questions to demand a clear succession plan and get SCOR to:

- **Commit to separate the CEO & Chairman roles**
- **Disclose a robust succession plan for the CEO role**
- **Undertake an independent strategic review**

CIAM'S HISTORY WITH SCOR

Why CIAM Invested in SCOR in 2018

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The Covéa Offer

- **Aug. 24, 2018:** Covéa, an 8% (and largest) shareholder of SCOR, with one representative on its Board (i.e. Thierry Derez), submits an offer in writing to SCOR's Board - **€43 per share**.
    - **c.21% premium** on the day of announcement
    - **c.94% premium** considering the share price at May **29, 2020**
- **Sept. 4, 2018:** Covéa announces that it made an offer and that it was disappointed that SCOR did not engage.

Strategic Rationale for the Covéa Offer

CIAM saw a strong rationale for the transaction as it would have created a large French player with international exposure:

- Market is in a steady phase of consolidation
- SCOR is a relatively modest player within the industry
- SCOR's performance relative to peers has slowed (since 2016 'Vision in Action') [**slide 6**]
- No disclosed heir to lead SCOR in confronting future challenges

**There was merit in entertaining Covéa's Offer. Instead,
SCOR entered into a public dispute with its largest shareholder.**

2019 AGM: CIAM's Requests for a Stronger Governance at SCOR

CIAM requested an independent Chair and a revision of the pay policy

1 Rejection of Covéa's Offer highlighted poor oversight practices

- **No ad-hoc committee** of independent directors set up to assess the merits of the Offer
- The executive committee **publicly refused to engage** with Covéa representatives
- The **"hostile" reaction** towards its major shareholder (8.43%) was **not necessary**
- Denis Kessler's statements and reaction suggested to CIAM that he made the deal a **"personal matter"**

2 Denis Kessler is a long-tenured Chair/CEO, with no successor

- Denis Kessler, 68, holds both the positions of **Chair and CEO**
- Denis Kessler is **over-present** at SCOR and **over-committed** (with 2 public mandates)
- CIAM does not consider the Board to be **sufficiently independent** and **lacks necessary skills**
- **No formal Deputy-CEO** and **no succession plan publicly disclosed** for a Chair/CEO in position for **c. 18 years**
- **Lack of an unquestionably independent strong Lead Director** (Augustin de Romanet) who also serves as Chair/CEO of Aéroports de Paris (c.€12bn mkt cap)

3 Badly drafted pay policies providing significant pay

- Denis Kessler's pay package remains **out of sync with peers** and disregards the pay-for-performance principle.
- **Repeated shareholder dissent on pay-related items** over the past 4 years – with **no proper Board response**
- **Cosmetic changes** to the pay policy to comply with Proxy Advisors guidelines or **meet long established market practices**
- **Multiple poor pay practices remain**, including (but not limited to): exceptional bonus, "double-dipping", lack of equity award value limit, lack of stretching targets, high pensions, etc.

IMPORTANT NOTE: Under French law, the only route to request an independent Chair was to ask for the removal of Denis Kessler as a Director. Such request would have only affected his position as Board Chair but not as CEO.

2019 AGM: The Need to Strengthen SCOR's Governance is <u>Shared</u>

CIAM

	Remuneration Report Item 4		Remuneration Policy Item 5		Separate Chair/CEO Item A *CIAM proposal*	
	FOR	AGAINST	FOR	AGAINST	FOR	AGAINST
AGM Scores	55%	46%	55%	45%	26%	74%
Minority Shareholders' votes *	48%	52%	49%	51%	29%	71%

- *Excluding votes of shareholders who sit on SCOR's Board:* ***Malakoff Médéric, Groupe Macif, Generali, BNP Paribas, Denis Kessler***

Meanwhile…SCOR presents these results as a success

26 Apr 19

PRESS RELEASE SCOR

In its <u>post-AGM Press Release</u>: SCOR claims "***shareholders reaffirmed their <u>total</u> confidence in the governance*** *of the company, overwhelmingly rejecting the resolution proposed by the fund CIAM.*"

CIAM's Interpretation of the 2019 AGM Results

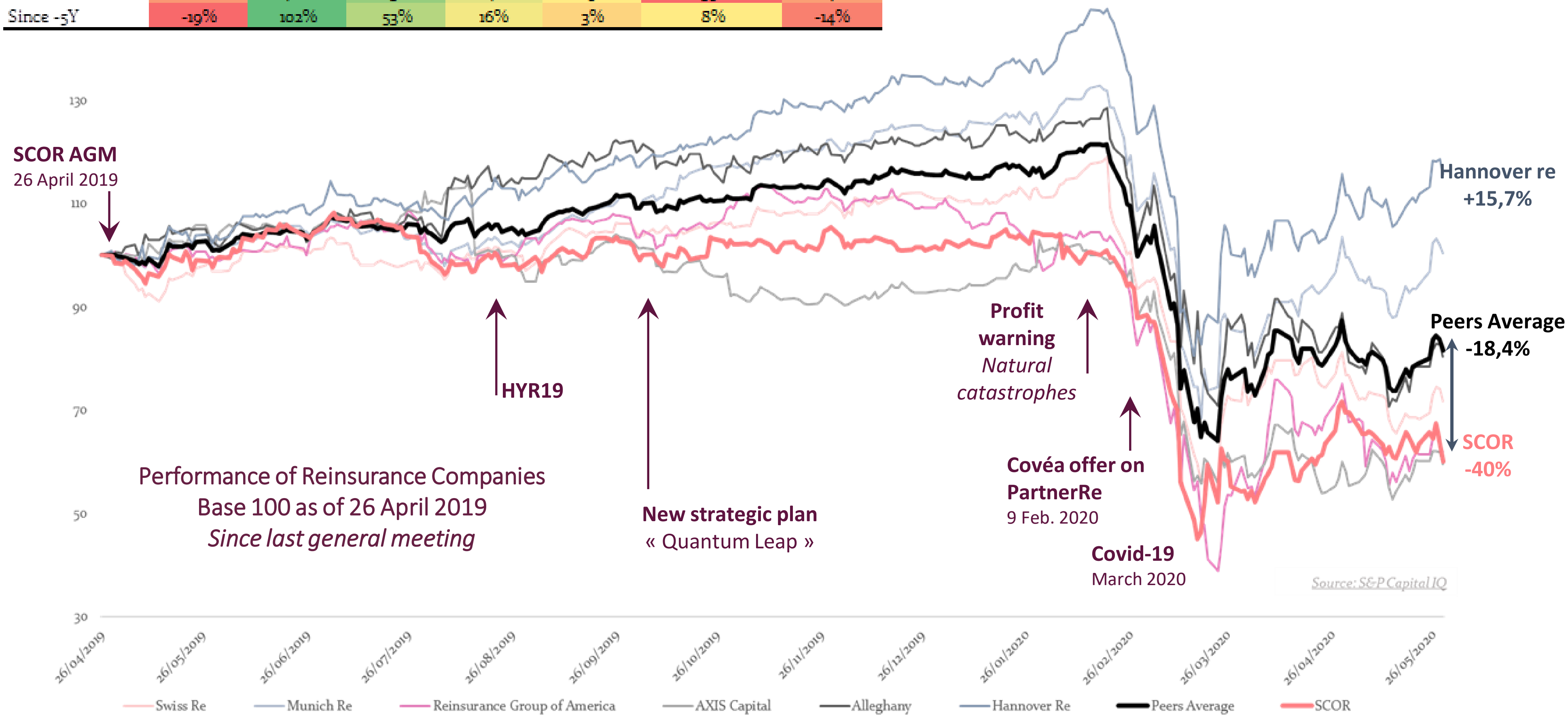
The pay-related items would have <u>failed</u> (if not for "friends") and **CIAM's proposal for an independent Chair most likely faced** the:

- **threat of Denis Kessler quitting** if he were to loose the role of Chair;
- **promise** of a clear and **robust succession plan;** and/or
- **promise** of a **new strategic plan.**

WHAT HAPPENED SINCE THE LAST AGM?

The Share Price Evolution Demonstrates the Lack of Confidence in SCOR

	Axis Capital	Hannover Re	Munich Re	Alleghany	Swiss Re	Reinsurance Group of America	Scor
1 M	3%	0%	-3%	-7%	-12%	-16%	-16%
YTD	-34%	-13%	-19%	-32%	-35%	-42%	-41%
1 Y	-31%	13%	-1%	-20%	-26%	-36%	-39%
Since -2Y	-28%	42%	23%	-4%	-15%	-35%	-27%
Since -5Y	-19%	102%	53%	16%	3%	8%	-14%



* Source : S&P Capital IQ; Datas as of 05/29/2020

Since the 2019 AGM: An Even More Unclear Outlook

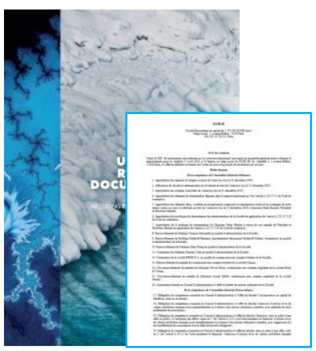
*One would have expected at least for a **robust succession plan** after last year's 2019 AGM…instead, we are faced with*

Uninspiring New Strategic Plan

- Market forces driving **further consolidation** (Appendix 3).
- The new strategic plan, Quantum Leap (Appendix 4) appears very much as a **gradual evolution** of the last strategic plan. No inspiring action/targets announced.
- After initially judging Covid-19 **to not have a material effect on SCOR** and the reinsurance industry during the FY2019 results…SCOR revised its position during the Q1 2020 results that « the impact for the remainder of the financial year cannot be accurately assessed."

Poor Governance Practices Continue

- No clear announcement made in terms of **succession planning**.
- Denis Kessler is still overcommitted



On 13 March 2020, SCOR announces its 2020 AGM to be held on 17 April.

- The AGM to be held **much earlier**, called just within the legal limits.
- 2019 Annual Report highlighted **minimal changes to governance practices**.

CIAM published **2 Press Releases**

24 March 2020 [Press Release]

- Demanded **2020 AGM postponement**
- Requested a **clearer succession plan** for the combined Chair/CEO
- Criticized the **cosmetic changes to the pay policy** and highlighted the **pay-for-performance disconnect**.

31 March 2020 [Press Release]

- Welcomed the new **2020 AGM date,** though only after the Proxy Advisors published their negative reports
- Reiterated the demand for a **clearer succession plan** for the combined Chair/CEO

SCOR: The Governance Structure is not Fit for the Challenge

1. SCOR Claims to Adhere to the Highest Standards of ESG… Yet SCOR Clearly Lag Peers

CIAM

SCOR's ESG Roadshow prior to the 2020 AGM

- **50 pages ESG Roadshow presentation that was not made public by SCOR,** although recommended by the French Regulator, AMF (source).
  - **CIAM was presented with a shorter version** (28 pages) – suggesting an **unequal treatment of shareholders**
- Complying with the local Corporate Governance Code (AFEP-Medef) **cannot be claimed as adhering to the highest standards of governance**
  - SCOR highlighted the **"introduction of say on pay resolutions on directors' remuneration" as a "best-in-class" practice,** while this is just mandatory in France.

- SCOR highlighted its ESG rankings from providers that are less known and **conveniently does not show poorer ESG ratings from well-recognized agencies.**

REFINITIV

SCOR highlights (in its non-public governance roadshow deck) its strong ranking on ESG aspects by Refinitiv only, which one can argue is not the leading ESG rating agency utilized by institutional investors.

	SCOR	Swiss Re	Munich RE	hannover re	BNP PARIBAS	AXA
CDP	C	A-	C	C	A-	A-
SAM	36	81	79	43	79	83
SUSTAINALYTICS	71	84	95	82	79	86
MSCI	BB	AAA	AA	BBB	A	AAA
vigeo eiris	53	63	55	42	70	69
FTSE4Good	NON	OUI	OUI	OUI	OUI	OUI

Note : All ratings and scorings are available and transparent on the websites of providers
Last ratings available as of June 2020

2. Denis Kessler – A Chair & CEO for 18 years (1/3)

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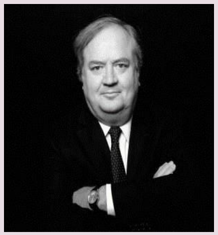
Despite issues raised last year around his **omnipresence** at SCOR and **numerous external commitments**, no change has been implemented.



- Aged 68, he has been SCOR's CEO/Chair since 2002 (c. **18-year tenure**)
- **Lack of** an unquestionably **independent strong Lead Director** (Augustin de Romanet, a long-standing friend of Denis Kessler).
  - → Augustin de Romanet serves as a Lead Director while **also serving as an active CEO.**
  - → They were **both board members at Dexia before its collapse**.
  - → Despite being granted the responsibility to engage with shareholders (only in 2019), **Augustin de Romanet only met with 4 shareholders** (according to SCOR in its non-public governance roadshow deck).
- Denis Kessler still **serves on the Boards and Committees of 2 public companies**: BNP Paribas (largest French bank) & Invesco (US-listed Asset Manager):
  - → **18 internal meetings** (incl. both Board and Committees' meetings) at SCOR in 2019
  - → **39 external meetings** (incl. both Board and Committees' meetings) at BNP Paribas & Invesco in 2019
  - → The average outside board seats for a CEO within SCOR's global peers is **1.1** (source: MSCI)

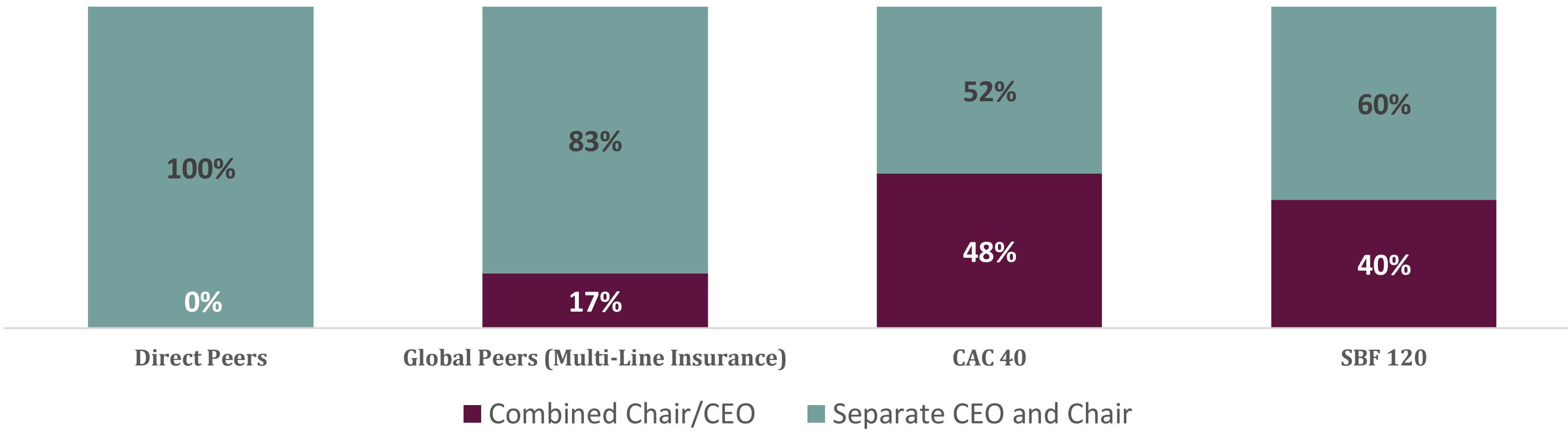
➡ **No announcement regarding his succession,**

➡ **Still No formal Deputy CEO**

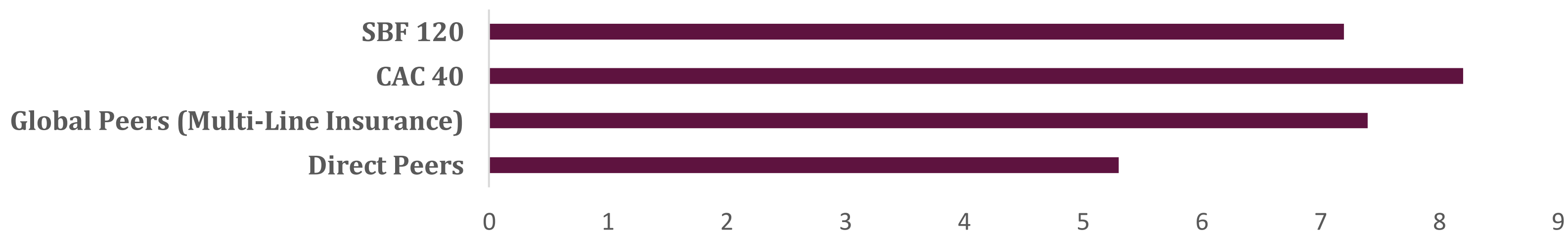
Denis Kessler was instrumental to the Company's recovery in the early 2000's but it is now time to look forward and prepare for the future challenges – especially considering the uninspiring new strategic plan.

2. Denis Kessler – A Chair & CEO for 18 years (2/3)

The trend is clear*, best (and market) practices suggest for a* ***separation of Chair and CEO roles*** *(see Appendix 6 and 7)*

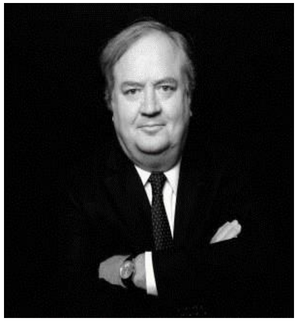


A tenure of 18 years is long*, it may limit the introduction of fresh perspective and hinder an effective corporate culture*



Average Tenure
Source *: MSCI ESG Research*
Direct Peers: *Alleghany, AXIS Capital, Hannover Re, Munich Re, Swiss Re, Reinsurance Group of America*

2. Denis Kessler – A Chair & CEO for 18 years (3/3)



- Denis Kessler's **term ends at the 2021 AGM**, when he will be **69.**
- **SCOR's Bylaws** require that both the CEO and/or the Chairman **resign at the AGM following reaching the age of 70.**

CIAM asks SCOR to communicate clearly if it will separate the roles for the 2021 AGM. SCOR should also communicate a clearer succession plan for the role of CEO.

SCOR's Succession Planning Disclosure

"In particular, the Compensation and Nomination Committee devoted a significant portion of its time in 2019 to the succession of the Chairman and Chief Executive Officer. A leading recruitment firm has been mandated to assist the Committee. As part of its work, the Committee focused in particular on defining the expected profile with regard to the challenges facing the Company and the reinsurance industry over the next few years and on the persons likely to correspond to this profile. **The Committee also discussed the opportunity of separating the functions of Chairman and Chief Executive Officer as of the 2021 General Assembly Meeting.** This topic was also discussed during the non-executive directors' session, under the chairmanship of the Lead Independent Director."

Source: p.73 2020 SCOR AR

3. A Board that Lacks Independence to Effectively Oversee Strategy

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SCOR's Board may be too lenient

→ A Board which was **41%* independent** for CIAM vs. 83%* for SCOR

→ **Denis Kessler is the longest serving Director.** Two-thirds of the Directors were appointed over the past five years (8 out of 12 Board members).

→ **Lead Director not sufficiently independent, lacks sufficient responsibilities.**

→ Denis Kessler **chairs the Strategic Committee** which is composed of all Directors except the 2 employee representatives.

→ **None of the Audit Committee members have 'Accounting' experience** according to SCOR (p.63 of 2020 AR)

* Excluding Employee representatives

GLASS LEWIS

"Given that in the course of the last seven years, shareholders may wonder where the tenure of the independent directors has nearly halved ***whether the board has sufficient experienced independent opinion to counterbalance the position of a very long tenured chair and CEO.****"*

(Source: 2019 Glass Lewis Proxy Paper, SCOR)

Non-Independent Board Members (in addition to Claude Tendil)

Director	Main Position	SCOR	OFG	Non-Independent Rationale
Fields Wicker-Miurin	Partner of Leaders' Quest Ltd (UK) Director – BNP Paribas	Yes	No	Relationship with BNP Paribas & cross-directorship with Denis Kessler
Jean-Marc Raby	CEO - Macif Group	Yes	No	Shareholder representative
Thomas Saunier**	CEO - Malakoff Médéric Group and Humanis Group	Yes	No	Shareholder representative
Augustin de Romanet	CEO/Chairman – Aéroports de Paris	Yes	No	Historic relationship with Denis Kessler

*OFG is an independent investigative governance research house in France

** Proposed for re-election at the 2020 AGM

CIAM welcomes the non-renewal of Marguerite Bérard given her role at BNP Paribas, which CIAM raised as a concern last year and SCOR recognized the conflict (p.62 of 2020 AR)

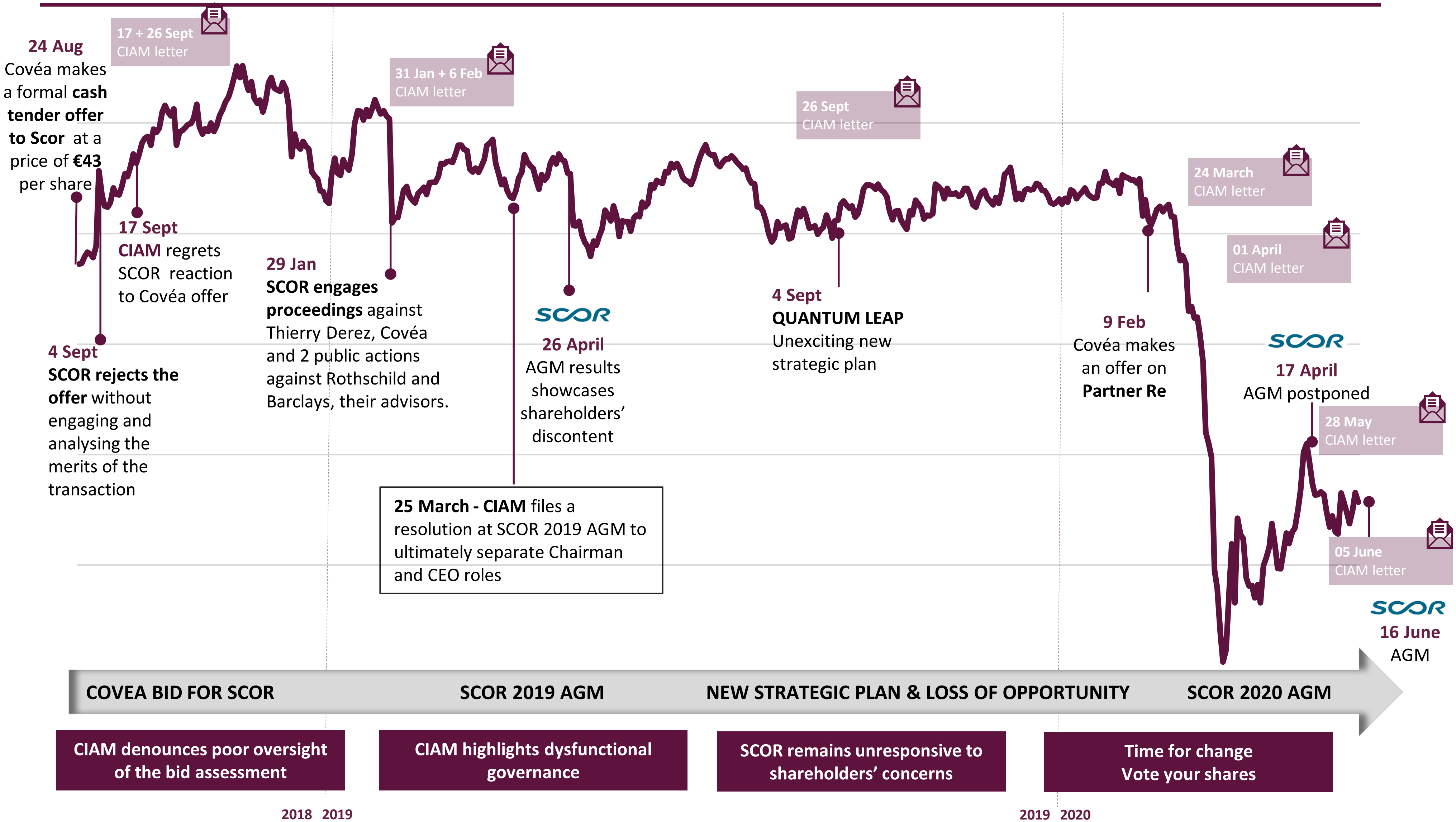
4. Despite some reactive efforts, a Poorly Designed Pay

The renunciation by Denis Kessler to 30% of his 2019 annual bonus and the amendments to the 2020 remuneration policy **address only partially the excessive quantum and the pay for performance misalignment we raised last year:**

- **Inappropriate Peer Group**: SCOR compares itself with **North-American peers and insurance companies** to justify the quantum offered
- **Weak Bonus Plan**: Out of six performance criteria, **only two are financial and quantifiable**.
  - The **CEO's bonus is heavily (40% of maximum bonus opportunity) rewarded by non-quantifiable objectives.**
  - On average, bonuses have been paid out at 94% of salary over the past 3 years, with **qualitative individual elements achieved on average at 120%, compensating the underperforming financial performance**.
- **A Poorly Structured Long-Term Incentive Plan (LTIP):** Like the bonus plan, SCOR uses ROE and Solvency ratios as performance measures for equity awards **("double-dipping").** This leads to Denis Kessler being rewarded twice for the same performance
- **Lack of Stretching Performance Targets**:
  - The new stepwise scale for the ROE criterion still allows for **substantial payouts before reaching the target;**
  - **Solvency ratios are set at the lower end of the strategic targets** although SCOR has constantly achieved a better ratio;
  - For a company operating in the Financial Services sector, the level of sophistication on the Environmental, Social and Governance (ESG) criteria incorporated within the bonus plan is poor. There is **no clear forward-looking quantitative ESG priorities set for 2020,** including on the topics ranging from climate change to gender equality. The Committee appears to be focusing on **reducing carbon emissions** from offices and car travel and **not on emissions caused by air travel** (which accounts for 83% of SCOR's carbon emissions and has been increasing steadily since 2012).
- **Lavish Benefits - Pension** : Denis Kessler's pension was considered by local proxy advisor, Proxinvest, as "**one of the most generous pension plans in France**" and was again highlighted in their 2020 research report on SCOR. It is recorded at up to €24.7 million in SCOR's accounts (Source – Proxinvest, Lettre Conseil SCOR SE, 2018 and 2019).

APPENDIX

Appendix 1: CIAM's Investment in SCOR



Appendix 2: SCOR's Public Fallout with its Largest Shareholder, Covéa

CIAM

SCOR rejected Covéa's offer on the grounds that the price (i.e. €43) was *"fundamentally incompatible with SCOR's strategy of independence and not reflective of the company's intrinsic nor strategic value"* -- Sept. 4, 2018

- **November 2018** - SCOR removed its largest shareholder representative, Covéa's CEO Thierry Derez, from the Board.
- **January 2019** - SCOR engaged in legal proceedings, incl. criminal actions, against Thierry Derez, and initiated two public actions against Rothschild and Barclays, Covéa's advisors. Legal proceedings were followed by the online publication of private communications, only to be removed later.
- **March 2019 -** Covéa announces having filed a complaint for defamation against SCOR.
- **May 2019** - The French Prudential Supervision and Resolution Authority (ACPR) has advised that re/insurers SCOR and Covéa end their conflict in order to avoid financial instability.
- **June 2019** - The mediation initiated under the supervision of ACPR was proved unsuccessful
- **Jan 2020** - The London High Court of Justice dismissed Barclays' application to stay the UK proceedings for breach of confidence and trade secrets against the bank in connection with Covéa's unsolicited takeover proposal for SCOR

A lost opportunity for SCOR's shareholders.

The evaluation of Covéa's Offer and subsequent fallout with SCOR's largest shareholder prompted CIAM to evaluate SCOR's governance in detail

Appendix 3: An Increasingly Consolidated Industry

CIAM

SCOR is a small player in the industry and will have to grow inorganically (missed acquisition of PartnerRe in 2016) or to have a convincing strategy to remain independent and compete

- **Real challenges with the rise of premiums** to face the increasing risks (natural disasters, Covid-19, cyber attacks, rate cuts, etc...)
- **Have led more and more consolidation**: Covéa had offered to buy Exor-owned PartnerRe - the transaction marked the latest example of consolidation in the sector pre-Covid-19, before withdrawal in may 2020.

2018	2018	2018	2020	2020*
AXA	AIG	MARSH & McLENNAN COMPANIES	Arch	Covéa
XL €13 Bn	**Validus** €4,9 Bn	**Jardine Lloyd Thompson** €5 Bn	**29% Coface** €460 M	**PartnerRe** €8,3 Bn

* The deal has since be abandoned in light of Covid-19

REUTERS

Scor-ched earth

11 February 2020 | By Christopher Thompson

The $7.5 bln French insurer fought off an unwanted offer from Covea. Now its erstwhile suitor may team up with rival PartnerRe. That leaves CEO Denis Kessler short of options. If Covea sells its 8% stake in Scor, shares which have trailed the industry will face further pressure.

Reinsurance News

Rating agencies view Covéa takeover as beneficial for PartnerRe

5th March 2020 - Author: Matt Sheehan

Rating agencies Fitch and Moody's have said that they view the recently confirmed acquisition of PartnerRe by Covéa as potentially beneficial for the Bermudian reinsurer.

Appendix 4: Quantum Leap – An bleak Outlook

CIAM

J.P.Morgan CAZENOVE

Scope for acquisition

« SCOR does not make any specific reference to M&A potential in its press release, and indeed the plan continues to outline a colpelling organic growth story. In our view, the attitude towards M&A is likely to be unchanged – **if a deal could be found that accelerated the delivery of Quantum Leap, we believe it would be considered**.»

4 Sept. 2019

ODDO BHF CORPORATES & MARKETS

RoE target remains unchanged

« SCOR maintained its RoE target (>800 bp above average rate) as well as solvency margin (target range 185%/200%). **We expected SCOR to raise its RoE target by 50 bp. »**

5 Sept. 2019

Morgan Stanley

New targets broadly unchanged

« We expect a flattish share price reaction this morning. Nothing really exciting in the announcement. The group has announced a new set of objectives, which remain broadly in line with the previous 3-year strategic plan. **It is now aiming to invest EUR250m in digital initiatives, but no mention of M&A. We wouldn't expect to see any M&A, as the group has relatively high debt leverage and capital just at the top end of its target range** »

4 Sept. 2019

In September 2019, Scor introduced to the market its new 2-year strategic plan Quantum Leap – which was very similar to its previous 3-year strategic plan Vision in Action

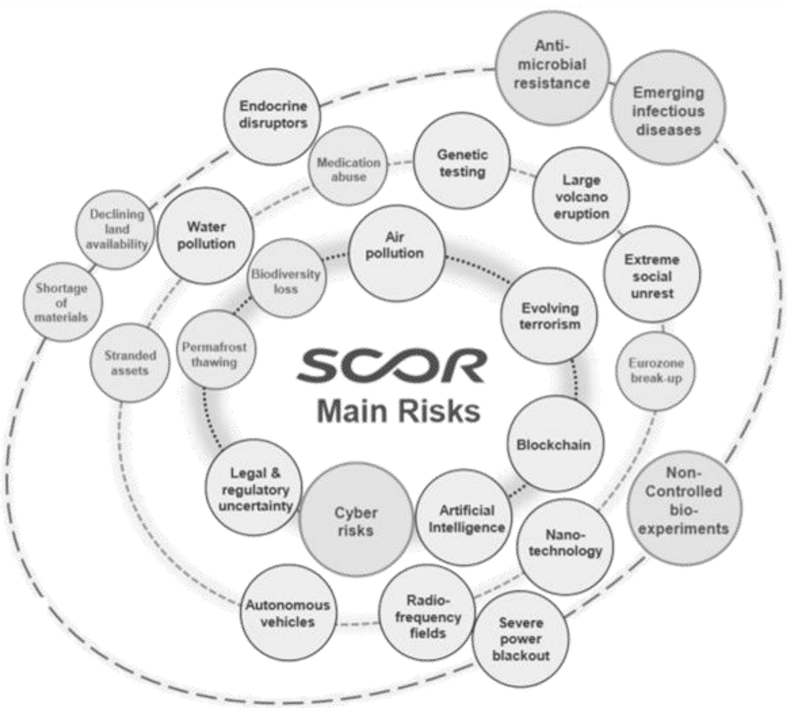
Consistent targets	**Profitability**: RoE above 800 bps over the 5-year risk-free rates across the cycle[1)] **Solvency**: Solvency ratio in the optimal 185% to 220% range

		"Vision in Action"	"Quantum Leap"
Underlying Assumptions	Gross written premium annual growth	~4% to 7%	~4% to 7% (organic)
	P&C combined ratio	~95% to 96%	~95% to 96%
	Life technical margin	~6.8% to 7.0%	~7.2% to 7.4%
	Value of New Business annual growth	-	~6% to 9%
	Return on Invested Assets	2.5% to 3.2%	~2.4% to 2.9%[2)]
	Leverage Ratio	≤ 25%	~25%
	Group cost ratio	4.9% to 5.1%	~5.0%
	Tax rate	22% to 24%	~20% to 24%

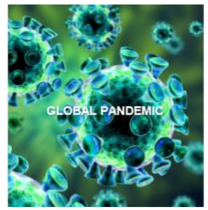
A new strategic plan which appears very much as a gradual evolution of the last strategic plan. No inspiring strategic action/targets announced.

Appendix 5: A News Flow Which Pushes Reinsurers on the Overriding Need to Gather

- A sector which raises its premiums in order to face the **increasing challenges** (natural disasters, cyber attacks, rate cuts) and stay profitable
- A sector which suffers from effective infectious diseases, natural disasters … and have to stay strong & profitable for all insurance players



Most relevant questions from financial analysts
SCOR Analyst Call - February 06,2020



Covid-19 - World : an exponential increase with an incapacity to estimate the contamination

« The second question is just on coronavirus. If you can shed any lights about whether or not it could be an issue for your contingency [blue goal] from a cancellation or anything like that on the P&C side, that would be appreciated » .

SCOR : "… business interruption exposure could result from non-proportional property contracts for commercial risks, such as hotels or commercial buildings, but we don't really see anything yet. And for industrial risks, infectious disease is usually excluded… So in summary, the group believes the exposures are limited, but we continue to monitor the situation. »

Typhoons Hagibis & Faxai - Japan : the wake of natural disasters – an unpredictable risk

«… It's on the nat cat hedge for the fourth quarter last year that appears to be particularly high. Can you give us a sense of what was the real surprise for you? And since you're assuming about $8 billion loss industry-wide for Typhoon Hagibis versus about $8 billion to $10 billion range from most market participants ».

SCOR : "…and I think having $4 billion or $5 billion, $6 billion market loss in Japan is a much more frequent occurrence than we had initially anticipated. … the $8 billion market loss is where we feel that, based on the information given to date, is a reasonable market estimate".

Appendix 6: Separation of Powers Manages Risk Better

Theoretically, a combined Chair/CEO could:

- Shape the Board to his/her advantage
- Ensure he/she remains at the centre of all decisions being made and prevent the strengthening of oversight systems
- Make it difficult for leaders to emerge and prevent succession issues to be discussed
- Take credit for all achievements/successes

which then creates risks:

- The Board not effectively challenging and overseeing strategy leading the Chair/CEO to become complacent and uninspiring
- The board considering the Chair/CEO is irreplaceable, putting the company's outlook in jeopardy
- The board being convinced that high executive pay is a fair recognition

THE TREND IS CLEAR

- **STOXX Europe 600 Index:** 90% of companies have separated the roles (*according to ISS, 2018*)
- **SBF 120 (France):** c. 60% of companies have separated the roles. A number of companies – L'Oreal, Valeo, Cap Gemini - have announced they will dissociate roles
- **Atos, Plastic Omium, Renault**, and **Genfit** have recently separated the roles (in France)

CEO & CHAIRMAN

FUNDAMENTALLY DIFFERENT ROLES

A **Board Chair** leads the Board's effort to excel at advising on strategy, monitoring performance, overseeing finance and controls, and evaluating management.

A CEO establishes within the company a shared set of values, practices, and goals that enables the company to execute its strategic plan and build a meaningful future.

Source HBR Article, March 2020

APPENDIX 7: POLICIES OF GOVERNANCE INSTITUTIONS ON COMBINED ROLES

ICGN

"The board should be chaired by an independent non-executive director. There should be a clear division of responsibilities between the role of the chair of the board and executive management. The chair should be independent on the date of appointment." *Global Governance Principles – Chair and CEO, p14*

Council of Institutional Investors®

"The board should be chaired by an independent director. The CEO and chair roles should only be combined in very limited circumstances; in these situations, the board should provide a written statement in the proxy materials discussing why the combined role is in the best interests of shareowners, and it should name a lead independent director who should have approval over information flow to the board, meeting agendas and meeting schedules to ensure a structure that provides an appropriate balance between the powers of the CEO and those of the independent directors." *Corporate Governance Principles – 2.4 Independent Chair/Lead Director, p6*

afg association française de la gestion financière

"AFG is in favour of the general principle of separation of functions, namely executive and control power, through a separation of the function of chairperson of the board from that of the chief executive officer, or through a supervisory and management board's structure. Functions assigned respectively to the chairperson of the board and the chief executive officer should be described in the documents available at general meetings." *Corporate Governance recommendations for French listed companies – 3. Separation of functions, p15*

OECD

"In countries with single tier board systems, the objectivity of the board and its independence from management may be strengthened by the separation of the role of chief executive and Chair. Separation of the two posts is generally regarded as good practice, as it can help to achieve an appropriate balance of power, increase accountability and improve the board's capacity for decision making independent of management. The designation of a lead director is also regarded as a good practice alternative in some jurisdictions if that role is defined with sufficient authority to lead the board in cases where management has clear conflicts." *OECD G20/OECD Principles of Corporate Governance*, p51

GLASS LEWIS

"We typically encourage our clients to support separating the roles of chair and CEO whenever that question is posed in a proxy, as we believe that it is in the long-term best interests of the company and its shareholders". *Continental European Policy, p9*

ISS

"Generally, vote against the (re)election of combined chair/CEOs at widely-held European companies. When the company provides assurance that the chair/CEO would only serve in the combined role on an interim basis (no more than two years), the vote recommendation would be made on a case-by-case basis. In the above-mentioned situation, ISS will consider the rationale provided by the company and whether it has set up adequate control mechanisms on the board (such as a lead independent director, a high overall board independence, and a high level of independence on the board's key committees)." *Continental Europe Proxy Voting Guidelines, p9*

Proxinvest

"To limit potential conflict of interests between these functions, Proxinvest recommends that management and supervisory powers be separate. They can be separated by choosing: either a limited company with a Supervisory Board and a Management Board, or separation of the functions of the chairman and managing director within a single Board of directors" *Corporate Governance principles and Voting guidelines*, p17

ACPR BANQUE DE FRANCE

Executive and supervisory functions should be clearly separated to ensure the sound and prudent management of the institution. The implementation of the new governance rules in the banking industry: progress and outlook p3

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