



Massy, 30 April 2021

**RE: Carrefour AGM - Proxy Advisors' voting recommendations**

Dear Carrefour Shareholder,

We are writing to provide further explanation on certain important resolutions to be presented for approval at our AGM on 21 May for which the Board unanimously recommends that shareholders support. Carrefour values shareholder engagement on corporate governance and has again furthered its efforts in 2021, building on that which was accomplished over the three years prior, for continuous improvement through greater transparency and two-way dialogue.

2020 was another important year for Carrefour as its corporate governance continues its transformational journey in the scope of its wider ESG-inspired Corporate Purpose of becoming the leader in the Food Transition for All. During the full third year of Chairman & CEO, Alexandre Bompard's major strategic initiative, the Carrefour 2022 Transformation Plan, it demonstrated its robustness in the many ways that your Company responded to the Global Pandemic.

The Company has maintained regular and constructive dialogue on its corporate governance for several years now. This exchange with minority investors has contributed to important changes overtime to the:

- Composition and structure of the Carrefour Board:
  - Board refreshment and a reduction of its size;
  - Lead Independent Director, with enhanced powers and attributions;
  - Gender diversity above 40%;
  - Two committees chaired by independent female directors;
  - 27% of our Executive Committee comprised of women; and
- Remuneration Policy:
  - Incorporation of quantifiable non-financial criteria directly linked to Carrefour's ESG strategy
  - Modification of LTIP structure to make them a minimum of three years vesting and be fully performance, share-based grants;
  - Where possible and if not jeopardizing competitive advantage, provision of individual performance criteria results ex-post for corporate officers' variable remuneration; and
  - Revised structure of pension plans

The Carrefour Board values its clear and constructive engagement with our investors because it strengthens our understanding of our minority investors' expectation, fosters innovation in our governance over time and facilitates shareholders ability to take their own voting decisions.

As part of the Board of Director's overall response to the Covid-19 crisis last year, Carrefour quickly implemented certain social and societal responsibility measures related to corporate governance that are important to highlight. In addition, Mr. Bompard voluntarily gave up last year 25% of his fixed compensation for a period of two months. Furthermore, the members of the Executive Committee's remuneration was frozen for all of 2020 and they were asked to forsake 10% of their fixed remuneration for two months. Finally, the members of the Board of Directors decided to reduce their directors' fees by 25% last year. The corresponding amounts were used to finance solidarity actions for Group employees, in France and abroad.

We have noted that overall, the two international proxy advisors have been once again generally supportive of our proposed resolutions this year. While we welcome Glass Lewis' favourable recommendation for the re-election of Alexandre Bompard, we note however that it has recommended against the re-election of one director, Mr. Bazire (R. 9) as well as certain resolutions related to compensation (R. 17, R. 18 & R.29). ISS has also recommended against certain other directors (R. 5, 6, 9 and 13), including the re-election of Mr. Bompard (R.5), solely based on the absence of separation of the functions of Chairman and CEO, and despite the successful implementation of the Carrefour 2022 Transformation Plan and the historical results generated in 2020 under his leadership.

We disagree with their negative recommendations and would like to share with you the reasons why in the Annex below.

Considering the above information, we strongly recommend that investors **VOTE FOR all resolutions** recommended by the Board that are submitted to this year's AGM.

On behalf of the Company, we thank you in advance for your time and consideration.

Yours Sincerely,



Matthieu MALIGE  
Chief Financial Officer



Laurent VALLEE  
General Secretary

## **Annex 1: Further Explanation about certain AGM Resolutions**

### **Item 5. Reelect Alexandre Bompard as Director**

The Pandemic is a systemic risk against which any Board could be judged to determine its resilience, adaptability, depth of experience and ability to think holistically about systemic threats which require workable, real-world solutions.

For the past 14-months, Carrefour has been meeting its objectives related to the Carrefour 2022 strategy and protecting its employees, serve its customers in a multitude of specific and unforeseen ways to feed the communities in which Carrefour operates.

In the face of this exceptional situation, the Board of Directors, as it is composed, has demonstrated to be fully capable of meeting the challenges of the Pandemic in addition to overseeing the implementation of the Carrefour 2022 strategy. The structure in place worked at the committee level and collectively the Board was able to respond appropriately and over time to the myriad of challenges that needed to be addressed to meet Carrefour's responsibilities. In addition, Stéphane Israël became Carrefour's Lead Independent Director ("LID") creating further balance on the Board to ensure that Carrefour continues to remain attentive to all its stakeholders, including its minority shareholders.

The combined role of Chairman and CEO demonstrated, once again, its relevance to effective corporate governance at Carrefour because Alexandre Bompard has led both the creation of Carrefour's sustainable and profitable growth model as well as an effective response to the Pandemic. Through Mr. Bompard's leadership Carrefour met an unprecedented challenge while delivering its strongest performance in the past twenty years. While the combination of the chairmanship and the role of CEO is debated in the international corporate governance community, the Carrefour Board believes that it is the most appropriate means of governance for the Group and is convinced that it fully demonstrated its utility in the way Carrefour has been able to manage this systemic risk.

For the reasons above, we disagree with ISS' recommendation that Alexandre Bompard not be reelected to the Carrefour board. He has demonstrated leadership skills that have driven tremendous company performance since his arrival, permitted Carrefour to become an early ESG adopter (leader of the food transition for all) and address the Pandemic in a humane and socially responsible way that protected our employees, served our clients and communities while delivering long-term shareholder value.

The Board of Directors regularly reviews the Company's governance structure. Conscious that many institutional investors have a policy preference for the separation of the roles of Chairman and Chief Executive Officer, particular care has been taken to ensure a suitably balanced governance structure is in place. The powers of the independent Lead Director have been extended in 2021 to enable the latter to be consulted on the agenda and schedule Board meetings, propose specific items to be included in the agenda of Board meetings and organise meetings without the Executive Officers being present (executive sessions).

The Board of Directors considers that the current structure provides a suitable balance of powers in line with best practices and offers the guarantees required to operate a combined management structure, particularly considering:

- the presence of a majority of Independent Directors as members of the Board of Directors and two Directors representing employees;
- the existence of the Board of Directors' five specialized Committees with different duties and responsibilities;
- the Chairmanship by an Independent Director of the Audit Committee, Governance Committee, Compensation Committee and CSR Committee;
- the presence of an independent Lead Director with specific responsibilities and duties that have been extended in 2020 and 2021;

- the appointment, in 2020, of a Vice-Chairman of the Board of Directors, a position held by a Director representing an early shareholder of the Company; and
- limitations to the powers of the Chairman and Chief Executive Officer under the Board of Directors' Internal Rules, providing for the Board of Directors' prior approval on certain major strategic decisions or likely to have a material adverse effect on the Company.

#### **Item 9. Reelect Nicolas Bazire as Director**

The Company adheres to the AFEP-MEDEF corporate governance code for listed companies (AFEP-MEDEF Code), as amended in January 2020. Pursuant to Article 19.2 of the AFEP-MEDEF Code relating to the maximum number of directorships a director may hold: "an executive officer should not hold more than two other directorships in listed corporations, including foreign corporations, outside of his or her group". Two of the mandates held by Nicolas Bazire are overlapping in nature and undeniably part of the same group as Christian Dior holds over 42% of the issued share capital in LVMH and over 59% of total voting rights. The Company therefore considers Mr. Nicolas Bazire not to be overboarded.

Furthermore, Mr. Nicolas Bazire has demonstrated his capacity to "devote the necessary time and attention to [his] duties" (in compliance with Article 19.1 of the AFEP-MEDEF Code) with a 2020 attendance rate of 100% in each of the Board of Directors, Strategic Committee, Audit Committee and Compensation Committee to which he participated (out of a total of 20 meetings).

Finally, Mr. Bazire is fully capable of making an important and valuable contribution to the Board and its committees and it benefits greatly from his long experience, expertise and familiarity with Carrefour. Nicolas Bazire brings to the Board of Directors the benefit of his experience as a director of major multinationals and executive of listed companies, in addition to his expertise in the banking and financial sectors.

#### **Independence classification of Mr. Charles Edelstenne (tenure exceeding 12 years)**

On the recommendation of the Governance Committee, the Board of Directors closely examined the status of Charles Edelstenne. The question of the length of his tender was a subject of the Board's internal evaluation. The conclusion was that Mr. Edelstenne continues to remain an independent and valued member of the Carrefour Board despite his length of service to the Group.

Charles Edelstenne, whose term is due to expire at the end of the Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2021, had, as of July 2020, been a director for longer than the maximum period of 12 years recommended by the AFEP-MEDEF Code.

Accordingly, the Board of Directors considered through the Nomination Committee's deliberations and its internal evaluation that Charles Edelstenne's personality, professional experience and the objectivity he has consistently demonstrated during Board meetings throughout his tenure, his critical judgement and ability to make sound decisions in all situations, as regards Executive Management.

The Board of Directors also considered the change to the management team that took place in 2017, which meant that close ties could not be formed with the current team given the duration of his term. In that way, it was like a new mandate for all the existing board members at that time. Charles Edelstenne's qualities and in-depth knowledge of the Group were considered essential given the radical change in the composition of the Board that has occurred since 2018. Given the reduced size of the current Carrefour Board, Mr. Edelstenne's contributions have become even more valuable to making the Board's most strategic decisions. Given this internal assessment, the Board of Directors considered that the length of directorship criterion defined in the AFEP-MEDEF Code among five other criteria was not itself sufficient for Charles Edelstenne to automatically lose his independent status, and that there was no other reason to prevent him from continuing in office as an Independent Director until the end of his term at the 2022 Shareholders' Meeting. The Board firmly believes that an exception to general practices is warranted in Charles Edelstenne's case.

### **Overall independence level of the Board of Directors**

In accordance with Article 15.1 of the AFEP-MEDEF Code: "The directors representing employee shareholders and directors representing employees are not taken into account when calculating the percentages of independent directors on the Board committees."

Consequently, the Company considers that the level of independent directors in 2020 and, subject to the approval of the renewals proposed at the next AGM to be held on 21 May 2021, stands as follows:

- 50% (Board of Directors)
- 60% (Audit Committee)
- 75% (Compensation Committee)
- 50% (Governance Committee)

### **Item 17. Approve Compensation of Alexandre Bompard, Chairman and CEO**

In relation to ISS' analysis of the 2020 Compensation of Carrefour's Chairman and CEO, we would like to highlight important points that investors should consider. Carrefour does take shareholder voting results seriously and does engage in regular discussion on how to improve remuneration structures and transparency. Indeed, since Mr. Bompard's arrival, Carrefour has made substantial changes to its compensation policy and structures to make accountability clearer for shareholders and the criteria more demanding to attain. Your company operates in a highly competitive sector with many unlisted peers that makes the disclosure about performance challenging for the Board because it may inadvertently harm the Group over time by providing too much competitive intelligence to our competitors.

Specific disclosure on performance targets are not provided ex ante due to this context. No conclusions should be drawn on future ex post disclosure as a result. The Board continues to examine this point attentively. It is worth noting that disclosure around annual variable compensation has been improved as from last year with individual achievement rates provided for each metric in place of an overall achievement rate for the metric categories.

In addition, the LTIP structure used last year applied two major changes that were a result of interaction with Carrefour shareholders. The performance measurement was increased from 2 to 3 years performance measurement and cash payments were abandoned in 2019 in favor of shareholder-favored performance shares. In terms of compensation effects between performance metrics in the annual variable remuneration and long-term component of pay, whilst the overachievement of a performance criterion can indeed offset the underperformance of another, it remains impossible to achieve maximal pay outcomes without overall significant outperformance.

We remind Carrefour shareholders that under Mr. Bompard's leadership, your Company had its best performance in the past twenty years in 2020.

### **Item 18. Approve Remuneration Policy of Chairman and CEO**

The Company would like to point out that, as indicated in its Universal Registration Document ("URD") on page 182, the overall maximum cap at 200% for the CEO's annual variable compensation remains unchanged compared to the approved policy from the previous year.

In addition, please refer to the same page of our URD for the underlying rationale in setting the FY21 ceiling at 190% of base salary:

"[...] The annual variable compensation ceiling for the Chairman and Chief Executive Officer was set at 165% of his annual fixed compensation upon his appointment.

At the renewal of the term of office of the Chairman and Chief Executive Officer this year, the Board of Directors decided, on the recommendation of the Compensation Committee, to bring his annual variable compensation ceiling in line with market practices, while adhering to current compensation policy, by setting it at 190%."

The Company would further like to point out, as indicated on page 185 of its URD, that as a correlative, the performance condition to reach said ceiling was also increased such that performance will need to be greater than or equal to 140% (compared to 130% previously).

**Item 29. Authorize up to 0.8 Percent of Issued Capital for Use in Restricted Stock Plans**

The Company would like to correct the assertion that no information regarding the existence of performance criteria is provided. Indeed, the text of the resolution, page 43 of the Notice of Meeting, clearly states that:

"[...] the definitive allocation of shares must be linked to the fulfilment of performance conditions defined by the Board of Directors at the time they make their decision to allocate the shares." Whilst the Board of Directors wishes to retain flexibility in the specific calibration of these metrics, reference should be made to historic grants.

We would like to remind Carrefour shareholders that your company operates in a highly competitive sector with many unlisted peers that makes ex-ante disclosure about performance challenging for the Board because it may inadvertently harm the Group over time by providing too much competitive intelligence to our competitors. Specific disclosure on performance targets are not provided ex ante due to this context. No conclusions should be drawn on future ex post disclosure as a result.

Furthermore, we would like to point out that the Group remuneration policy aims at building loyalty and motivate the Group's talent, and give salaried personnel a stake in its performance. Performance share plans are a means of improving key employee engagement and retention, at a time of significant transformation for the Group and in a highly competitive business environment. The Group's aim is to regularly allocate these shares to a significant number of Group employees in all of its host countries.

The terms and conditions of this resolution remain similar to the previous authorization, but for a term of 26 months (compared to 38 months for the previous authorization, approved by the Shareholders' Meeting in 2019), in order to gradually increase the number of beneficiaries, be better aligned with market practices and attract new talent.