

CEO succession planning highlights governance concerns at SCOR

June 2023

Company: SCOR SE (SCOR)

Meeting date: May 25, 2023

Proposals: Item 15 – Reelect Augustin de Romanet as a director of the company

How the funds voted

At the annual shareholder meeting of SCOR, a French reinsurance company, the Vanguard-advised funds¹ voted against the reelection of the vice chair of the board of directors. The funds' votes reflected concerns regarding succession planning for SCOR's chief executive officer as well as executive compensation practices.

Vanguard's principles and policies

On behalf of the funds, we seek to understand how boards carry out their responsibilities on behalf of shareholders. One of the most important responsibilities of a board is to select and appoint a company's CEO. When we identify that a board has not appropriately carried out its responsibilities to shareholders, including responsibilities regarding CEO succession planning and executive compensation, the funds may not support the election of relevant directors to express governance and oversight concerns.

Analysis and voting rationale

In December 2020, SCOR announced that Denis Kessler, the company's chair and CEO of 18 years, would step down from the CEO role and be replaced by Benoît Ribadeau-Dumas, a former chief of staff to the French prime minister.² SCOR said that Kessler would remain chair of the board, thus splitting the roles of CEO and chair, and that he would stay on as CEO for a transitional period.³ Ribadeau-Dumas would be formally appointed to the role of CEO at the 2022 annual meeting.

In January 2021, we engaged with an independent board member at SCOR. We discussed CEO succession planning, including the board's approach to formulating and executing on the CEO succession plan. SCOR's independent director described a thorough recruitment process underpinned by robust executive succession planning and stated that the board had unanimously decided to appoint Ribadeau-Dumas as SCOR's next CEO.

However, in May 2021, SCOR announced that Kessler had decided, for personal reasons, to step down as CEO at the company's June 2021 annual meeting, a year earlier than planned. Consequently, the company announced the appointment of SCOR executive Laurent Rousseau as CEO. The board made this decision in lieu of executing its prior CEO succession plan that involved having Ribadeau-Dumas assume the position of CEO, saying that

- ¹ Vanguard's Investment Stewardship program is responsible for proxy voting and engagement on behalf of the quantitative and index equity portfolios advised by Vanguard (together, "Vanguard-advised funds"). Vanguard's externally managed portfolios are managed by unaffiliated third-party investment advisors, and proxy voting and engagement for those portfolios are conducted by their respective advisors. As such, throughout this document, "we" and "the funds" are used to refer to Vanguard's Investment Stewardship program and Vanguard-advised funds, respectively.
- ² SCOR SE press release, December 16, 2020: [Benoît Ribadeau-Dumas to succeed Denis Kessler as CEO](#).
- ³ On June 9, 2023, SCOR announced that Mr. Kessler had passed away. We extend our deepest condolences to those who worked with him.

he did not have previous experience in insurance or reinsurance.⁴

In January 2022, we engaged with SCOR leaders. Members of the company's board and company leaders explained that Kessler's unexpected decision to step down early had resulted in changes to the company's CEO succession plan. While Kessler's decision had not been anticipated by SCOR, the board was happy with the appointment of Rousseau and conveyed confidence the company's governance structures were working.

Rousseau later resigned from the role of CEO to pursue other professional opportunities, and in January 2023,⁵ SCOR announced the appointment of Thierry Léger as CEO, marking the company's third CEO appointment in three years. The plan was for Léger, who joined SCOR from a major competitor and had more than 25 years of industry experience, to take on the role of CEO in May 2023.

In April 2023, we met with a SCOR board member. This time, our engagement focused on the lessons the company had learned from the challenges experienced in executing its CEO succession plan. The board member also shared the company's positive outlook on the appointment of Léger as CEO. The board expressed regrets about the outcomes of previous CEO succession planning processes, noting the importance of industry experience for the CEO role.

In determining the funds' votes at SCOR's 2023 annual meeting, we sought to understand the consequences of the board's past decisions with respect to CEO succession planning and assess whether subsequent corrective action by the board was sufficient to safeguard long-term shareholder value. We understand that unforeseen events can test a company's succession plans and may sometimes require a change of plan. However, our research indicated that issues with the company's CEO succession planning coincided with a period of relative stock price underperformance when

compared with the industry and market peers. In our view, the board had not appropriately planned or executed the CEO succession process. To reflect our concerns, the funds did not support the reelection of the vice chair of the board, who served as lead director and chair of the nominating committee during the period in which the plan for a successor to Kessler was both formulated and implemented.

Additionally, at SCOR's annual meetings in 2021 and 2022, the funds had voted against the chair and CEO's compensation because our analysis indicated pay-for-performance misalignment over several years. The current vice chair and chair of the remuneration committee during the period in question was not up for reelection in 2021 or 2022 because of staggered board terms; therefore, the funds' votes against his reelection in 2023 also reflect our concerns regarding the committee's failure to align executive pay to long-term performance outcomes.

At the 2023 annual meeting, the vice chair was reelected with only 58% support from shareholders.

What we look for from companies on this matter

CEO succession planning is one of the most important responsibilities of a corporate board. A robust succession plan can result in both value creation and risk mitigation for company shareholders. The Vanguard-advised funds do not seek to dictate the details of a company's approach to succession planning. Rather, we look for boards to develop, implement, and disclose a coherent plan for senior leadership transitions that supports a company's long-term strategic vision and minimizes risks to investors.

Whether it concerns executive pay, risk oversight, or another area of a board's work, Vanguard looks to directors who chair relevant board committees to ensure that key decisions align to shareholders' interests over the long term.

⁴ SCOR SE press release, May 17, 2021: [The SCOR Board of Directors chooses Laurent Rousseau to succeed D. Kessler as Chief Executive Officer.](#)

⁵ SCOR SE press release, January 26, 2023: [Thierry Léger is appointed Chief Executive Officer of SCOR.](#)

Vanguard publishes Investment Stewardship Policy and Voting Insights to promote good corporate governance practices and to provide public companies and investors with our perspectives on important governance topics and key votes. This is part of our growing effort to enhance disclosure of Vanguard's investment stewardship voting and engagement activities. We aim to provide additional clarity on Vanguard's stance on governance matters beyond what a policy document or a single vote can do. Insights should be viewed in conjunction with the most recent region- and country-specific voting policies.

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