

## THE FRENCH INVESTMENTS AGENCY PROTECTS COMPANIES IN STRATEGIC SECTORS



*Interview with Martin Vial,  
Commissioner for French Government Investments,  
Director of the French Investments Agency  
(2015-2021), published in May 2021*



*Special issue compiled and edited by Marina Guérassimova and  
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### Sovereignty

*How does the French government ensure it has sufficient control over structurally strategic companies such as nuclear and defence-related businesses?*

**Martin Vial:** The State shareholder investment policy means that we invest or continue to invest in companies that are important to France's sovereignty – defence companies and civil and military nuclear power companies.

In the civil and military defence sectors, the State holds a majority or 100% control over the major players: EDF, Orano, Areva and TechnicAtome. In these sectors, the government also has specific and very extensive powers to authorise the operation of nuclear installations and exports. Lastly, the safety of nuclear facilities is monitored by an independent authority, the French Nuclear Safety Authority.

In the defence sector, the State shareholder has two complementary levers:

- Firstly, it has significant holdings in the capital of the main companies in the French defence industry or

those with defence divisions in which it is generally the main shareholder or joint shareholder (100% of SNPE/Eurencos, 65% of Naval Group, 50.3% of TechnicAtome, 50% of KNDS, 26% of Thales, 11% of Safran and 11% of Airbus).

- Secondly, it holds special shares (known as “golden” shares) that give it certain powers over a company's capital over and above the generally applicable rules of law in situations where protecting the country's vital interests in matters of public order, public health, public security or national defence is at stake. The State currently holds a golden share in Thales, Nexter Systems and Safran Ceramics.

This golden share regime was strengthened by the PACTE Law, which extended the scope of the mechanism while maintaining its compliance with the principles of European law.

Lastly, the government may use other mechanisms in addition to golden shares to secure certain strategic assets, such as special agreements with certain companies or the French foreign direct investment control mechanism.

## Strategic sectors and industries

*What approach does the government take in providing support for the development of domestic companies in sectors that are essential for the growth of the French economy? What will happen in the post-Covid world?*

**Martin Vial:** In 2017, we simplified the State shareholder investment policy. The government's aim is to be a shareholder in three types of companies: strategic companies that contribute to our country's sovereignty (defence and nuclear), companies with public service remits or of national or local general interest and for which regulation would be inadequate to protect public interests and fulfil public service remits, and lastly, companies in difficulty whose disappearance might lead to a systemic risk.

The Covid pandemic has changed our portfolio management priorities significantly. This hypercrisis has prompted us to revise our guidelines, at least for the time being. Our first priority is to rescue or safeguard large companies. Many of the companies in our portfolio are enduring unparalleled disruption to their business models because they have no idea when their sectors – transport, aeronautics, automotive – will return to pre-crisis levels of activity. For some of them, we have already intervened; for others, we will undoubtedly have to support them in the future.

The second priority of the State as a shareholder is to support those companies in our portfolio that are only slightly or not at all affected by the pandemic and that should seize opportunities for acquisitions and mergers or to refocus their activities. We are currently engaged in a shareholder dialogue with some of these companies' management and governance teams to this end.

Our interventions will also be disrupted into the future because the crisis marks a shift in the defence of French sovereignty and the protection of French economic interests. The crisis has not only weakened the financial situation of French and European companies, especially in the most exposed sectors, but has also highlighted how fragmented the capital of some of them is, exposing them to unfriendly and unwanted takeovers. France's Minister for the Economy, Finance and Recovery, Bruno Le Maire, recently spoke of the importance of economic sovereignty for our country. This is why the government may have to intervene to prevent takeovers that jeopardise decision-making powers or research and technology assets in France. This happened recently with Photonis and Carrefour. The French Investments Agency may also have to intervene to secure the capital of certain large French companies.

Lastly, the pandemic has strengthened environmental requirements and accelerated implementation.

Rather than pushing environmental issues into the background, the hypercrisis has actually strengthened them. The French Parliament – like most parliaments in EU countries – has increased environmental requirements for companies that the State supports and has made eco-conditionality a benchmark for controlling this support. We must increasingly align our portfolio management with this approach.

## Rescue

*How does the State intervene to save a company whose disappearance would pose a systemic risk for France? What about in the post-Covid world?*

**Martin Vial:** The French Investments Agency's special allocation account received €20 billion from an emergency budget in 2020 to provide financial support to strategic companies weakened by the health crisis. It has already used almost €9 billion of this: Air France-KLM (€3.6 billion), SNCF (€4 billion), EDF (€1 billion).

The aviation and aeronautics sector is a good illustration of government intervention in a sector stricken by the shutdown of air traffic. The pandemic has had a profound effect on air traffic worldwide, with repercussions for the entire French aeronautics industry of nearly 1,300 industrial companies employing more than 300,000 people. Production output for manufacturers' main programmes decreased by between 35% and 40%, affecting all companies, both prime contractors and subcontractors. To support the industry through the crisis, but also to prepare it to meet the unavoidable future challenge of the green transition, Bruno Le Maire decided in spring 2020 to put in place a support plan of more than €15 billion in aid, investments, loans and guarantees, which was approved by the government in June 2020. This support plan was closely coordinated with the French Aerospace Industries Association and prime contractors such as Airbus, Safran and Thales, in which the French State is a shareholder. The plan also includes an industry support fund, designed to bolster the equity of aeronautical subcontractors affected by the crisis. This fund is managed by Ace Capital Partners, and is now fully up and running. The French government and Bpifrance have set aside €200 million in this fund, matching the money earmarked by all the industry's prime contractors (Airbus, Safran, Thales and Dassault Aviation).

Besides this plan for the aeronautics industry, the government's Recovery Plan included sector-specific plans to support the automotive, nuclear and rail industries. The State shareholder clearly has a major part to play in financing this support.