Choose France™

THE ONGOING

REFORM AGENDA

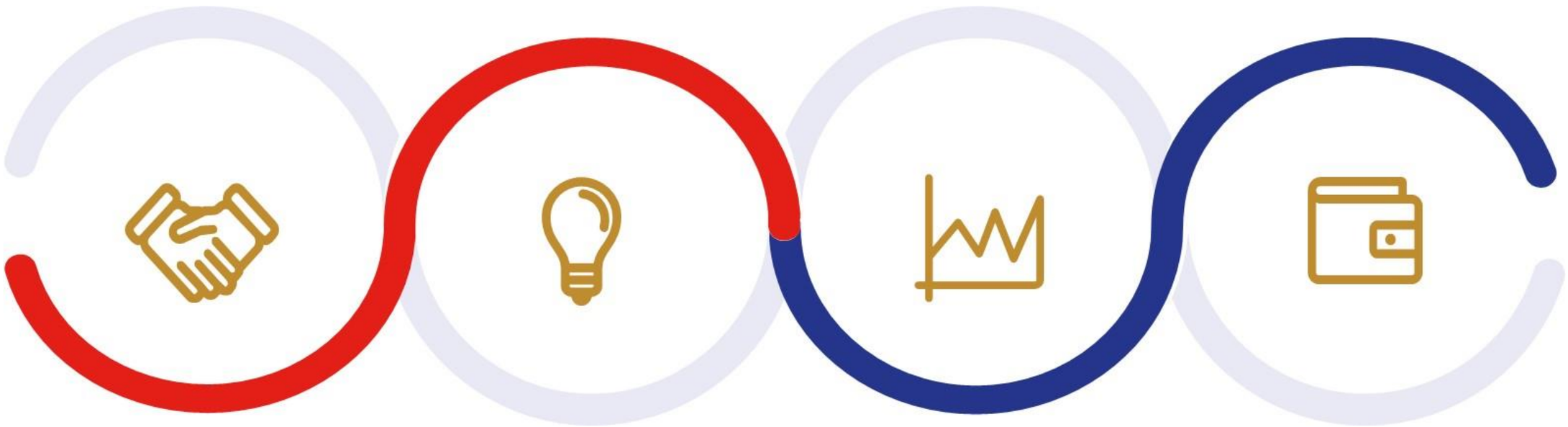
Update: May 31, 2019

Choose France™

A STRAIGHTFORWARD **PRO-BUSINESS AGENDA**

"France is witnessing reform at a rate never seen before"

FINANCIAL TIMES – MAY 17, 2018



GREATER FLEXIBILITY AND PREDICTABILITY
Flexible legal framework to make **businesses more receptive and resilient** to economic change

FOSTERING HUMAN CAPITAL
Better education and training to prepare the workforce for technological breakthroughs

PROMOTING INVESTMENT
Reduced taxation on businesses and capital to promote job creation

INVESTING IN FUTURE INDUSTRIES
Innovation, artificial intelligence, digital and ecological transition

Choose France™

TRANSFORMING FRANCE'S SOCIAL MODEL: **GREATER FLEXIBILITY AND PREDICTABILITY**

LABOR MARKET REFORM
(Executive orders of September 2017):

- More flexible rules adapted to the size and diversity of companies
- Enhanced social dialogue within companies
- More flexible and legally secure framework for recruitment and redundancies
- Simpler framework for restructuring

- **Rules defined at the company level**
- **A single employee consultation committee: The Social and Economic Council**
- **A mandatory scale of damages** to limit the impact of potential disputes
- **One-year limit to appeal against a dismissal,** facilitating voluntary departure plans **(voluntary redundancy plan)**
- **Dismissals on economic grounds:** Evaluation of the financial difficulties of the company on a national scope

TRANSFORMING OUR SOCIAL MODEL: **INVESTING IN HUMAN CAPITAL**

Apprenticeship and vocational training reform

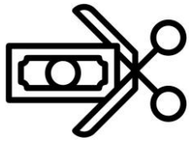
- **Skills Investment Program:** €15 billion => 2 million people to be trained within five years
- **Adapting the workforce's training** to the needs of companies
- **Reforming the unemployment insurance scheme:** Stricter controls, stronger incentives
- **Simpler procedures** for companies to hire apprentices

Measures promoting talents

- Student Guidance and Success Act – Parcoursup (March 2018)
- **"Bienvenue en France" program** (welcoming 500,000 international students in France by 2027)
- Improvement of international school offer

BUSINESS
TAX STRATEGY

Decreased nominal corporate tax rate:



33.3% in 2017

31% by 2019 (revenues < €250 million)

28% by 2020

26.5% by 2021

25% **by 2022**

Reduced employer social security contributions

Business-friendly tax authorities, introduction of a new "right to amend errors"

- Support takes precedence over penalties
- Partnership-oriented relationship, separate from audit functions, between companies and French tax authorities
- A one-stop-shop for filing and processing requests

Supplementary depreciation allowance for SMEs

Covering 40% of the cost price of certain investments made in 2019 and 2020

PERSONAL
TAX STRATEGY

A single tax rate
on capital gains

More competitive personal tax

30%

flat tax on all capital gains from 2018

Abolition of the solidarity wealth tax for all non-real estate assets, to foster investment in innovation and corporate investments

Individuals are now only liable for their real estate properties

All other investments are exempt from this tax for real estate assets

GROWTH FOR ALL
SHARED OPPORTUNITIES

Concrete and immediate measures to increase the value of work and to bolster purchasing power

Overtime hours exempt from tax and social security contributions

A rise of the activity bonus for low-income workers

A year-end bonus free of taxes, paid at employers' discretion

In 2018: **€1 billion** paid to two million employees

Decreased income tax for 15 million tax households, for a total amount of €5 billion in tax cuts, effective January 1, 2020

Exemptions for housing tax for eight out of 10 tax households

Equality between territories:

High-speed and very high-speed internet across France in 2020, promoting mobility of people

Helping young people:

Easy access to housing (Housing Act)

PACTE **ACT**

A clear ambition

Free, better funded,
more innovative
and fairer companies

Administrative simplification:

- **Revision of social thresholds, with three new levels** set at 11, 50 and 250 employees
- Creation of an online platform designed to be the **single interface for business formalities**
- **Reinforcement of the scheme to attract talent: Exemption from pension contributions for employees who relocate to France** (for a period of three years, renewable once)

PACTE **ACT**

Fostering innovation and promoting competitiveness

A package of economic liberalization measures aimed at boosting business performance

- **Rethinking Paris as an attractive financial center** by simplifying initial public offerings
- **A new legal ICO (Initial Coin Offerings) framework**, based on blockchain technology
- A €10 billion **disruptive innovation fund**

A positive impact leading to an increase in GDP of 0.3 points by 2025

BUSINESS ENVIRONMENT:
BETTING ON ARTIFICIAL INTELLIGENCE (AI)

Bringing together corporations, startups, investors, researchers and public authorities around the development of artificial intelligence in France

March 2018, "Villani report": Seven strategic propositions to boost the French AI sector

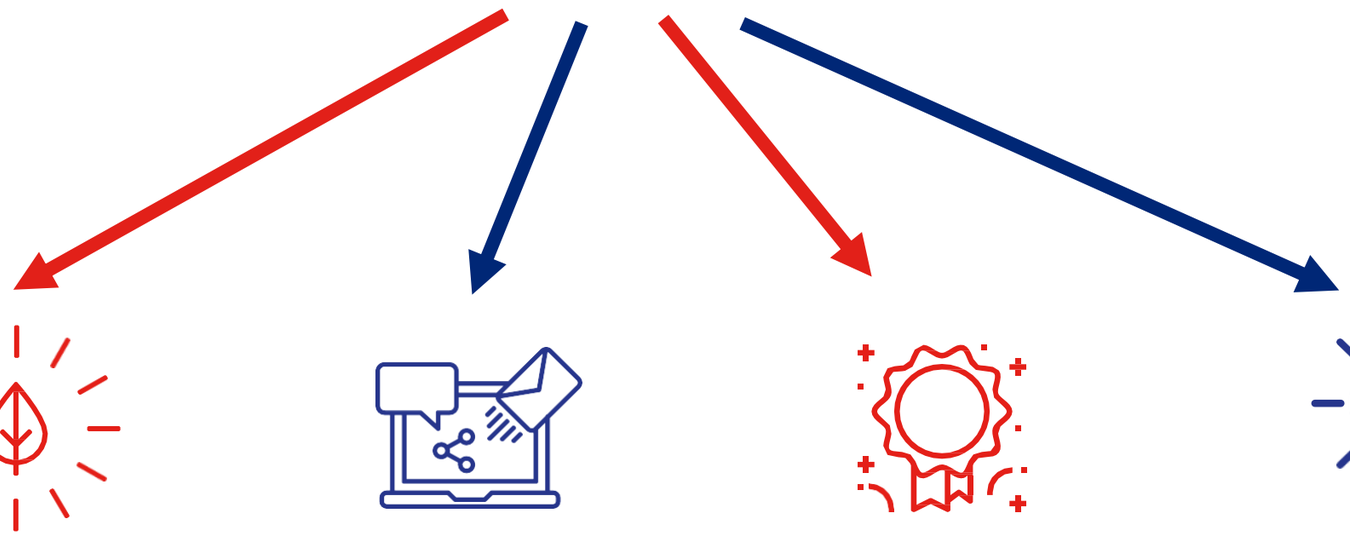
=> November 2018: Creation of the first four "AI Institutes" in Toulouse, Grenoble, Paris and Nice

Creation of a dedicated platform: "France AI", to bring together AI startups and initiatives, and participate in creating a vibrant AI scene in France

CHOOSE FRANCE SUMMIT 2018: Several GAFA announced new investments in AI in France

A MAJOR PUBLIC INVESTMENT PLAN **TO FUND TRANSFORMATIONS**

€57 billion from 2018 to 2022



€20 bn
Accelerating ecological transition

€9 bn
Creating the Digital State

€15 bn
Building a skilled society

€13 bn
Consolidating innovation and competitiveness

"PUBLIC ACTION 2022" **PLAN**

An ambitious program to overhaul the role of the public sector

- For users: **Improving public service quality**
- For taxpayers: **Decreasing public expenditure** (with a target of -3% in GDP by 2022)
- For public servants: Providing a modernized working environment

ACTION PUBLIQUE 2022

Rewriting a new model for carrying out public policies by using:

- **Digital technologies**
- **Innovation**
- The transformation of **public action fund** (€700 million)

FIRST EFFECTS OF REFORMS

CONDUCTED SINCE MAY 2017

FIRST MACROECONOMIC **EFFECTS**

Sustained growth:

2018	**1.7%**	1.5%	1.4%
2019 (estim.)	**1.4%**	0.8%	1.2%
2020 (estim.)	**1.4%**	1.2%	1.0%

According to the **OECD,** reforms in France could boost GDP per capita by 3.2 percentage points in only 10 years

French exports increased in 2018

… and will strengthen:

2019 (estim.)	**2.4%**	0.9%	1.8%
2020 (estim.)	**2.7%**	2.4%	1.6%

500,000 jobs created since 2017

Unemployment of 8.7% in Q1, 2019 (vs. 10% end of 2016)

+14% of permanent contracts (CDI) since May 2017

Reduction in caseloads in Labor Courts

Use of collective termination agreements

Public deficit below 3% in 2017 and 2.5% in 2018

Public spending controlled

Choose France™

BENEFICIAL RESULTS **FOR BUSINESSES**

Labor costs managed thanks to lower social security contributions

In 2019, hourly labor cost for minimum wage earners was lower in France (€10.40) than in Germany (11€)

Sustained investment by French businesses

+3.9% in 2018, leading to a gain in competitiveness

Profit share of non-financial corporations: 31.2% in 2018 (29.7% in 2013)

An attractive "French Tech" for funds and talents

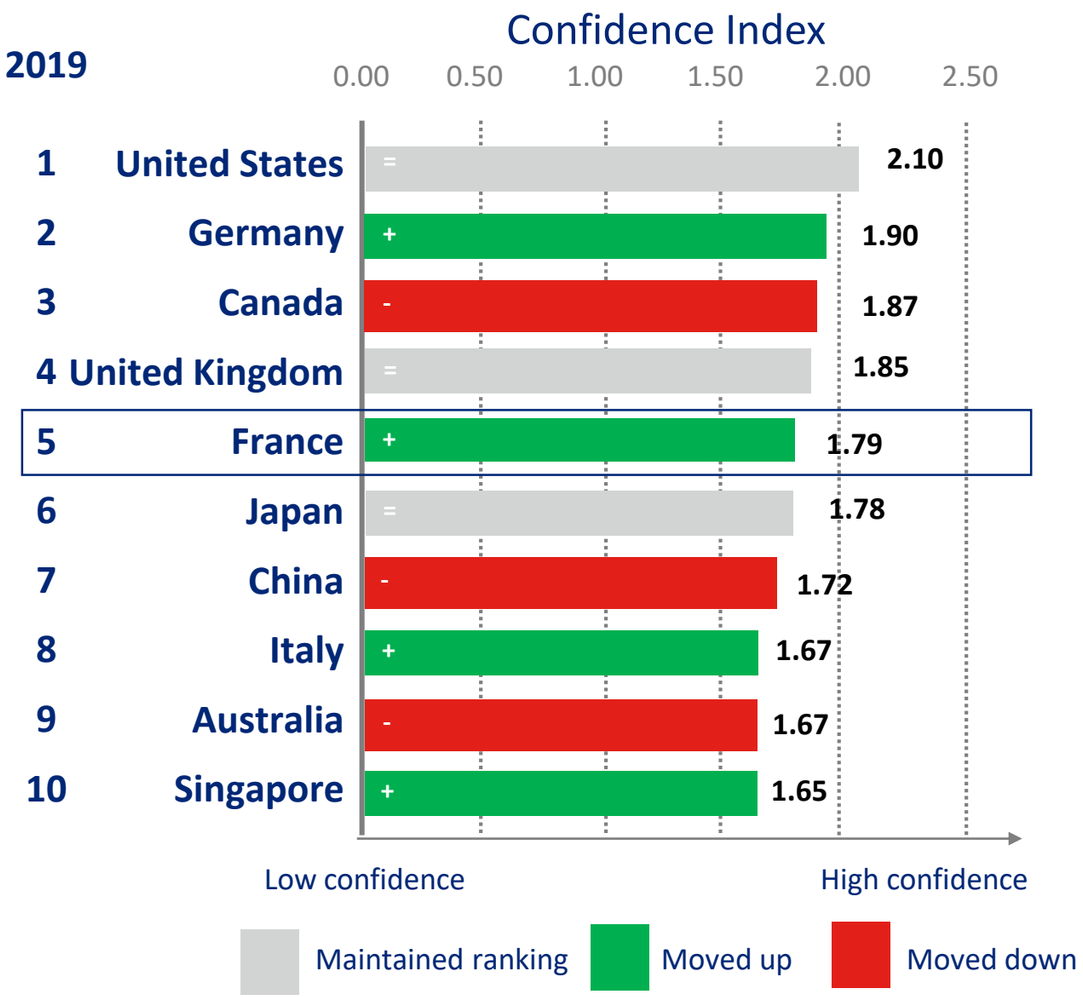
€3.6 billion invested in startups in 2018 (up 41%)

Towards improved performance of the rail system (SNCF)

Act passed in June 2018 in preparation for the opening to competition in 2020 (TGV)

A RISE IN INTERNATIONAL **RANKINGS**

Choose France™



The 2019 A.T. Kearney Foreign Direct Investment Confidence Index®

Foreign investors' renewed interest in France's attractiveness:

1,323 foreign investment projects in 2018 (new record over the last 10 years)

France is making strong progress in international rankings:

Jumping five places, in the 2019 WEF Competitiveness Report (from 22nd to 17th place)

Fifth place (+2) in the top 10 most attractive countries in the world for the next three years *(A.T. Kearney, 2019)*

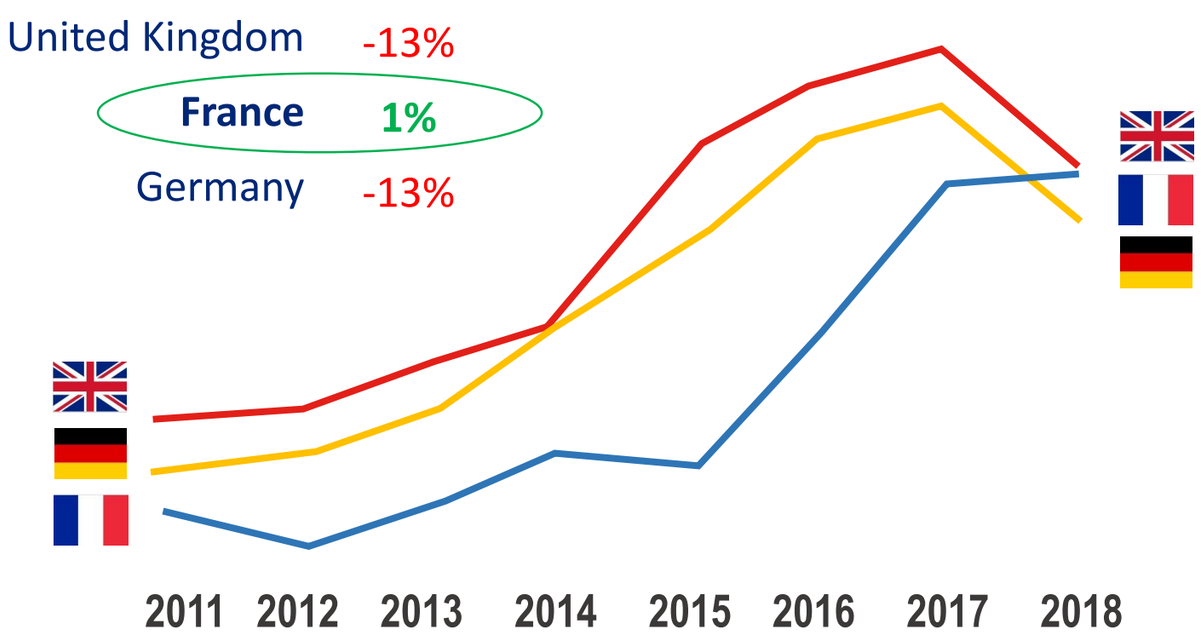
HEC and INSEAD in the top three of the European Business School Rankings 2018

Choose France™

A RISE IN INTERNATIONAL **RANKINGS**

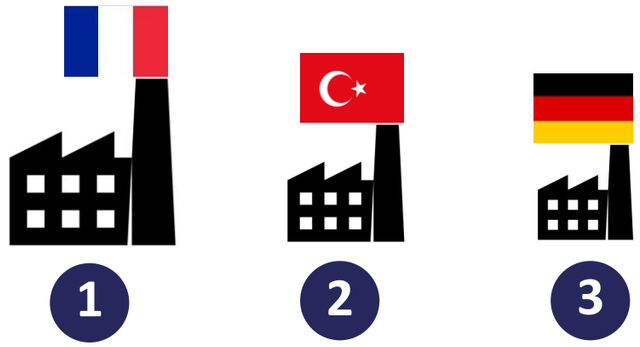
EY Investment Attractiveness Report 2019:

Slowdown in Europe and in the UK,
France (2nd) ahead of Germany,
and not far from taking on leadership



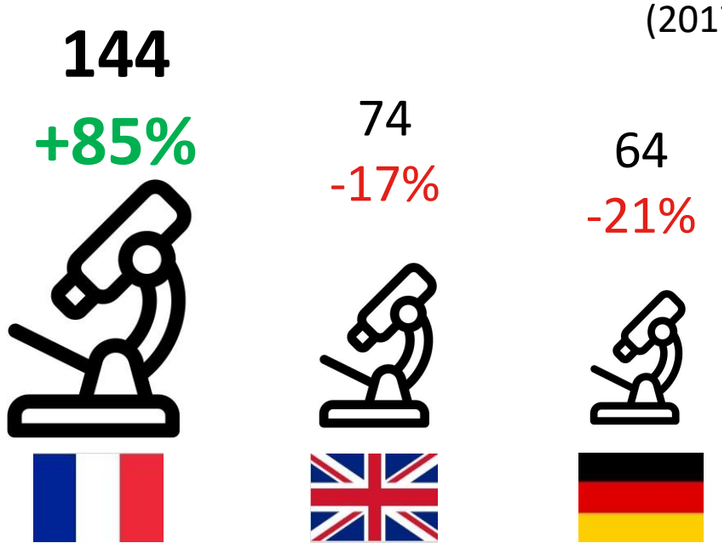
Source: EY, France Investment Attractiveness Report 2019

France remains the European leader for international industrial investments…



… and is becoming the most attractive country in innovative investments

Top three host countries of R&D centers in Europe
(2017-2018)

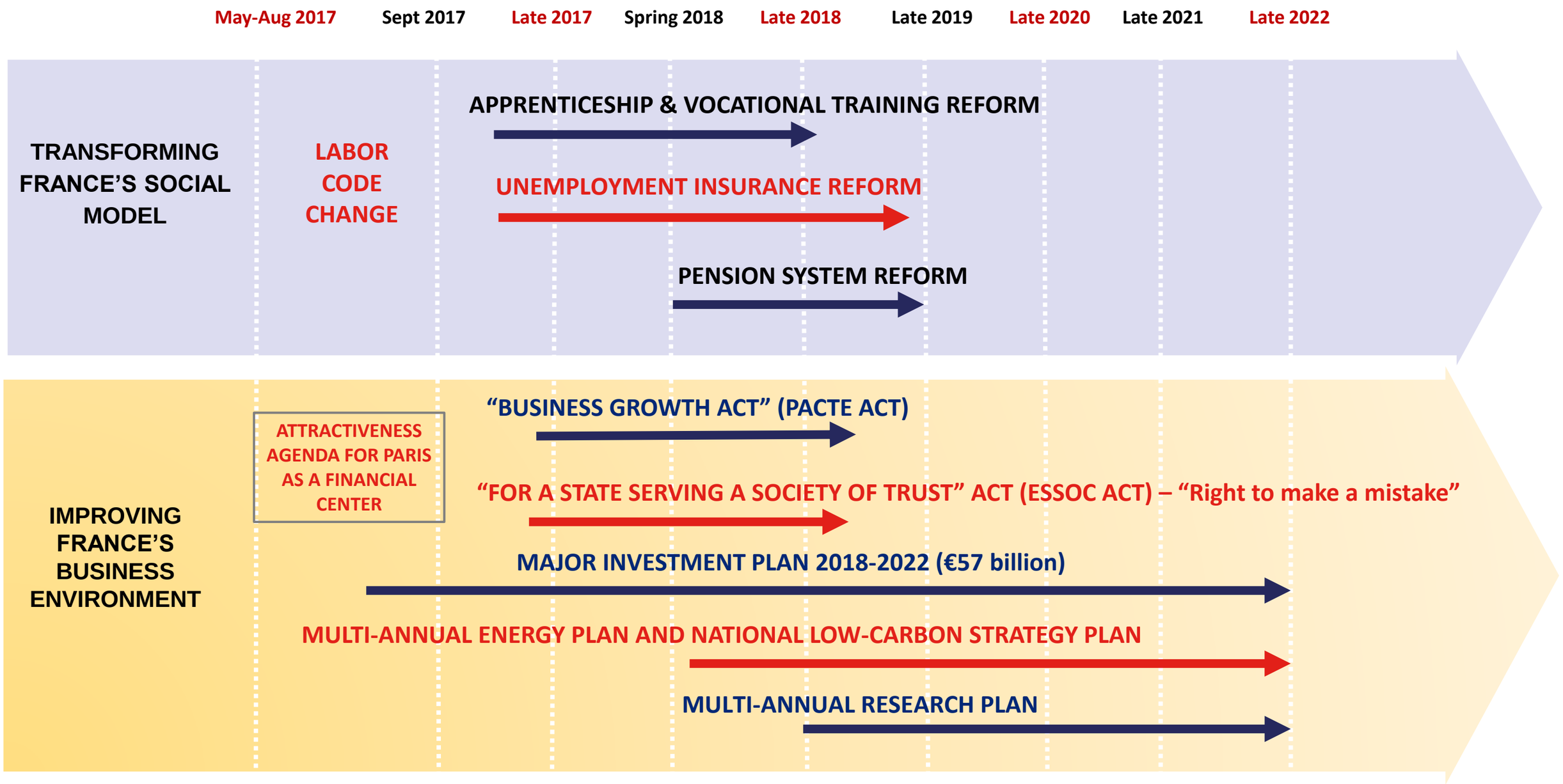


REFORM
AGENDA

A DETAILED AND TRANSPARENT **REFORM AGENDA**

Choose France™

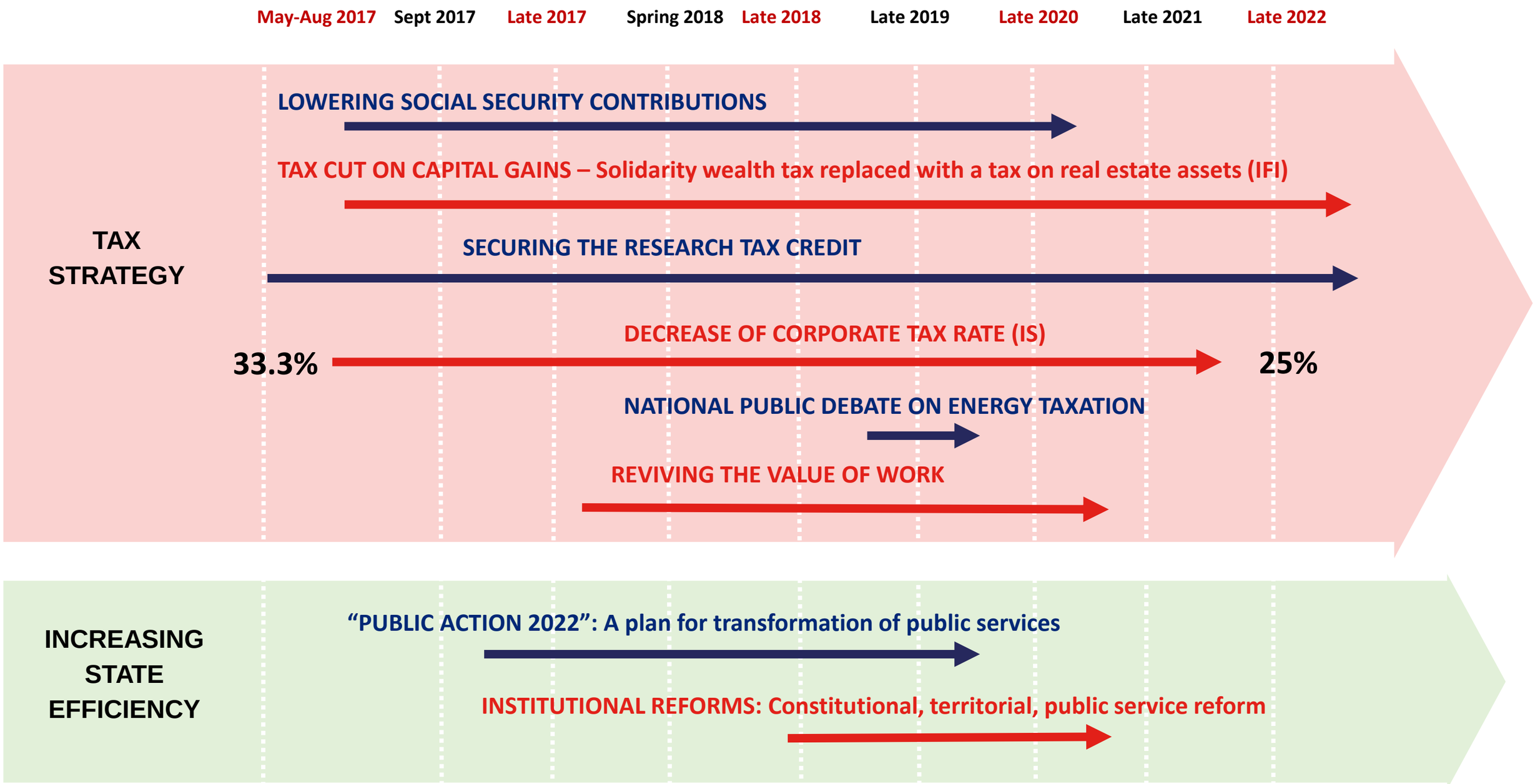
AGENDA



Choose France™

A DETAILED AND TRANSPARENT **REFORM AGENDA**

AGENDA



Update: May 29, 2019

Choose France™

BUSINESSFRANCE

Liberté • Égalité • Fraternité
RÉPUBLIQUE FRANÇAISE

MINISTÈRE DE L'ÉCONOMIE
ET DES FINANCES

Liberté • Égalité • Fraternité
RÉPUBLIQUE FRANÇAISE

MINISTÈRE
DE L'EUROPE ET DES
AFFAIRES ÉTRANGÈRES