

## SHAREHOLDER ENGAGEMENT

proposed by the Ethics and Investment association on the occasion of  
Responsible Finance Week **October 2024**

### Question to BNP-Paribas

The french Ethics and Investment Association (E&I) notes that :

- 1) An intense relationship between BNP Paribas and the French telecommunications group Altice has been particularly developed (see Appendix 1 below)
- 2) In recent years, the Altice group has been publicly suspected of failing to satisfy its stakeholders expectations, in particular with regard to its social responsibility and good governance (see Appendix 2 below).
- 3) In the eyes of several observers, the CEO and main shareholder of the Altice group is said to have built up a considerable personal fortune that seems to be associated with questionable management as well as with large-scale tax evasion (see Appendix 3 below)
- 4) More recently, important Altice executives have been indicted for various criminal offences in these areas (see Appendix 4 below)
- 5) BNP Paribas' Code of Conduct is not in this specific case in harmony with the management of this multinational group, which threatens both the outstanding loans and the risks transferred to the companies (see Appendix 5 below).

Therefore, Ethics et Investment Association hereby presents the following written question to the company :

**« An important and long-standing client of BNP Paribas, the Altice group, has clearly behaved repeatedly in violation of the bank's Code of Conduct. BNPP has been advising and financing the group and its managers for more than twenty years, while encouraging his clients and correspondents to invest in it. Consequently, does the bank consider, in order to protect its stakeholders (customers, depositors and shareholders), to join, like the Altice group itself, the civil actions in the ongoing criminal cases? »**

## BACKGROUND NOTE AND APPENDICES

SEVERAL ALERTS MOTIVATE THIS INITIATIVE OF



### BACKGROUND NOTE NOTE :

**The question hereby being asked for France's leading bank is framed in a regulatory context that should be remembered.**

**Since the 1984 banking law, which introduced the principle of universal banking in France, and the repeal in 1999 of the Glass-Steagall Act, which established an incompatibility between the professions of deposit banking and investment banking in the United States, all western banking institutions can offer all financial services to all their customers. while continuing to benefit from the legitimate old public deposit guarantee in the event of bankruptcy.**

**This new freedom and ease - the final protection of the taxpayer - constitute an exceptional and little-known commercial privilege - which has allowed banks to develop with less risk in many sectors , such as insurance, real-estate development, funds management and many kinds of brokerage and transactions on the financial markets, etc.**

This possibility of alternative sources of income to credits and deposits, which is developed in a context of economies of scale linked to the volumes processed, also leads banks to favour the major financial operations of large groups ( such as IPOs, bond and debt placement, mergers and acquisitions, leveraged buyouts, etc.) at the expense of the operations needed by small borrowing or depositing clients.

The question posed here therefore puts its finger on some of the conflicts of interest specific to such universal banking model, which transfers to the humblest world depositors, savers and tax payers and to the many small customers who cannot find bank loans, the cost of the surprising enrichment of very large players pampered by the universal banks.

## APPENDICES

### Appendix 1

The relationship between BNP Paribas and the Altice group is particularly close and developed. «Preferred lender of the Altice group», according to an article in the Financial Times (23 July 2023), BNP Paribas is Altice's largest bank and the two groups have long had the same director and shared senior executives.

#### *In the press*

- September 2023, Le Monde: BNP Paribas is appointed with Lazard by Altice to sell part of SFR's capital.
- September 2023, Reuters: BNP Paribas Paribas is one of the banks mandated by Altice to "carry out a review of its assets in Europe in order to proceed with possible disposals to reduce its debt."
- 2022, Financial Times: BNP Paribas supported Patrick Drahi's private holding companies, notably as sole lender for the takeover of Sotheby's in 2019 and the takeover of Altice Europe in 2021. According to Luxembourg financial records, BNP Paribas financed the purchase by Altice in 2021 of Bombardier private jet for \$21 million frequently used for personal purpose by the CEO.
- June 10th 2021, Financial Times: BNP Paribas (with Morgan Stanley), advises Altice on the acquisition of 12.1% of British Telecom for 2.2 billion pounds.
- September 11th, 2020, Les Echos : Patrick Drahi offers to buy the 51% stake in Altice Europe that he does not own, i.e. a total of about 2.5 billion via his personal holding company Next Private, and BNP Paribas is funding the operation.
- September 11th 2020, Financial Times: BNP Paribas finances the €2.5 billion offer for the acquisition of minority shares of Altice Europe.

**Common directors** : H el ene Ploix, President of Pechel Industries, was a director of BNP Paribas from 2003 to 2013, and a director of several Altice entities between 2007 and 2012, including Ypso Holding and Completel NV.

**Common managers** : Some of the bank's senior executives have also joined the management of the Altice group, including: Martin Douxami, 35, Corporate Finance Director of Altice since October 2008, previously responsible for BNP Paribas' leverage finance telecommunications. Laurence Beghin, recruited in 2021 by Altice, according to L'Inform e, is now director of several holding companies owned by Patrick Drahi. According to Bloomberg <https://www.bloomberg.com/news/articles/2021-09-29/drahi-hires-longtime-banker-laurence-beghin-from-bnp-paribas> Laurence Beghin was at BNPP for 27 years and directly associated with Patrick Drahi's operations on Sotheby. (2019) and BT Group (2021).

## Appendix 2

The Altice group has been implicated for various breaches of its stakeholders expectations, in terms of social responsibility and good governance.

In addition to the usual disputes concerning the terms of sale or repurchase of shares in the group listed companies, the Altice group has been the subject of several alarming disputes in the social or financial field.

Thus, in France, important litigations with SFR's suppliers revealed the group's heavy-handed methods, demanding retroactive price reductions or during the course of the contract - a practice deemed illegal, which earned the group two successive fines in 2015 and 2019 for illegal cash retention (Le Monde 18 November 2019).

In the State tax context, Capital magazine revealed in April 2022 that €420 million in new tax adjustments had been imposed to the French telecoms operator in 2021, for income tax for the years 2017 to 2019 and VAT for the years 2017 and 2018.

In September 2022, Altice transacted for a €75 million fine in September 2022 for failing to meet its commitments to deploy fibre optics, following the acquisition of SFR by Numericable in 2014.

As far as employment is concerned, which he had committed to maintain at SFR until July 2017, Patrick Drahi announced in 2016 the elimination of 5,000 jobs through a voluntary redundancy plan, which was later contested by many signatories; then the dismissal of several thousand employees at SFR between 2018 and 2021, leading the Paris Judicial Court to blame on September 21, 2021 the lack of economic justification of the social plan qualifying SFR's social behavior as unfair.

Minority shareholders have also been harmed. For example, the CIAM fund (Le Monde, 27 July 2017) filed a complaint for misuse of corporate assets related to decisions concerning the management of SFR's premises and the media group, as well as related to the imposed adoption of remuneration conditions for the use of the Altice brand. In June 2020, Capital magazine reported on the real estate operations driven by the manager at the expense of the controlled companies SFR, NextRadioTV, l'Express, forced to move to premises acquired from Axa at high costs and higher rents, from their owned facilities then sold to Primonial for a substantial capital gain for the group, after signing longer and expensive leases.

An American class action related to the listing (IPO) of Altice USA shares was filed and won in 2022 by the aggrieved shareholders subscribing to Altice USA between June and November 2017. Altice USA, in another class-action concerning the management of subscription rates of subsidiaries Optimum and Suddenlink from July 2018 to May 2023, recently settled for \$15 million in compensation for violating consumer protection laws. In August 2024, it settled a lawsuit by BMG for infringement of its intellectual property rights and is still facing a heavy complaint for the same grievance from music publishing majors Warner and Sony.

## Appendix 3

Altice's founder and controlling shareholder is said to have built up a considerable fortune, which is difficult to explain solely by the economy of the group created in 1991, and which seems to be associated with abnormal management acts for the companies managed and large-scale tax evasion for the benefit of the person concerned and his family.

According to Forbes and Challenges, Mr. Patrick Drahi holds a fortune of \$6 to \$8 billion... He declared to the French Senators of the Economic Affairs Committee (8 June 2016) who heard him that he had created his group by borrowing 50,000 FF in 1991.

On 14 March 2014, Arnaud Montebourg, then Minister for Industrial Recovery, already declared: "Numéricable has a holding company in Luxembourg, his company is listed on the Amsterdam stock exchange, his personal stake is in Guernsey in a British tax haven and he (Patrick Drahi) is a Swiss resident." Since 2015, these shareholdings have been transferred to Luxembourg holding companies.

Holder of five nationalities (in the order of acquisition: Morocco, France, Israel, Portugal, St Kitt and Nevis, a tax haven in the Caribbean), Patrick Drahi was also the subject of a heavy tax dispute between three Swiss cantons (Geneva, Vaud and Valais) related to his tax residence. The canton of Geneva is publicly claiming tax arrears of 7.4 billion Swiss francs from him in 2024, for having staged a false separation from his wife and false moves to other cantons during the 2000s (5le Temps March 22 2024).

The performance of the Altice group hardly justifies such a fortune. To date, Altice USA has lost 93% of its value on the stock market over the past five years and, at the end of 2023, Altice France-SFR announced (for a turnover of €11.1 billion compared to €14 billion in 2015) a group loss of €1.4 billion, a free cash flow of €1.6 billion compared facing a debt of €24 billion. Altice group's total debt exceeded \$60 billion before the recent sale of some assets, while the rating agency Moody's pointed to "the highly leveraged capital structure, low free cash flow, complexity of the group's structure, and the group's limited management resources given its complexity."

The group has multiplied the number of companies under management and carried out numerous complex operations on its assets and liabilities. Several regulated treaty transactions (rents, brands, management fees), observed and contested by the group's minority shareholders, nevertheless allowed the managers to accumulate significant indirect remuneration, while their tax mobility tended to maximize their personal income. These facts testify to a keen science of international taxation and bank guarantees that likely weaken the industry group for the benefit of its CEO.

Finally, Bloomberg in an article of July 12, 2024, informs that the proceeds of the recent sales of assets of Altice France, Altice Media, XPFibre and UltraEdge, assets previously declared "unrestricted", (<https://alticefrance.com/sites/default/files/pdf/>) for more than €2 billion have been transferred to the manager's personal holdings in Luxembourg and cannot be mobilized, if necessary, to repay the €24 billion in outstanding debt of the French group alone.

## Appendix 4

Leading Altice executives are now personally indicted for various offenses in these areas.

Armando Pereira, former deputy chief executive officer of SFR in France, who became Portugal's first fortune, right-hand man and associate of Patrick Drahi, was arrested in Lisbon on July 13, 2023 and indicted as part of an investigation for corruption and money laundering. At the heart of this dispute: the arrangements made at the expense of the Meo group (formerly Portugal Telecom) whose purchases were directed at the price of secret commissions to companies close to the managers, returning to their profit a few tens of thousands of euros per year. The main beneficiary would be Armando Pereira, who has participated in most of Altice's projects through holding companies, notably in the American subsidiary Altice USA, launched in 2016, or in the auction house Sotheby's taken over in 2019, an operation in which it has an economic interest of 14%. According to Patrick Drahi himself Pereira would hold by way of options an average interest of 20% in his group.

Armando Pereira and a several currently dismissed executives are suspected of eleven crimes as part of the operation carried out by the Portuguese justice department. According to the website L'Informé, Armando Pereira's service providers were active in almost the entire Altice group, and "Patrick Drahi himself or his close collaborators had same knowledge of a good part of Armando Pereira's strange practices" (September 28, 2023).

One understands why Altice Portugal in 2023, and later Altice France in the spring of 2024, have filed a civil suit in these cases.

## Appendix 5

BNP Paribas' Code of Conduct has therefore not been in harmony for some time with the management of this multinational Altice group to which the Bank grants these supports and benefits. Such banking management threatens both outstanding loans, the risks ceded to customers, as well as the group's employees and its civilian environment.

The bank's Code of Conduct provides that "every decision must be marked by the deepest sense of ethical responsibility. This starts with the ability to learn from misguided practices." The chronology of the elements (see appendices below) hardly bears witness to this.

The Code also states that in order to be "a respected financial institution and a leader in sustainable finance", "the BNP Paribas Group respects the highest standards of conduct and ethics, in the fight against corruption, respect for human rights and environmental protection".

It specifies that "The rules of conduct provide for ensuring fair treatment of clients, combating money laundering, corruption and terrorism, managing the risk of conflicts of interest", "not being in a situation of conflict of interest in the context of external activities,", "not to give unjustified preferential treatment to a client", to ensure that "activities strictly comply with applicable laws and regulations, including competition law rules and tax rules".

It stipulates to "actively contribute to the fight against all forms of economic crime, in particular against fraud, money laundering regardless of the circumstances or the stakeholders involved", by being "careful that clients' transactions are not linked to corruption", by ensuring that "never participate in operations whose objective is to notionally alter the market value of assets or liabilities in order to generate income or profits, or to avoid losses".

## Coda :

In view of the facts concerning the Altice Group and the BNP Paribas rules of conduct mentioned above, Ethics and Investment considers it is appropriate and fair that a written question be discussed and raised in the perspective of the May 2025 AGM, as the potential consequences of these links between a Bank and a client of this size would affect all of its clients, depositors or investors who give credence to the bank's position as a major player in sustainable and responsible finance.