

# SOCIETE BIC

## INTERNAL RULES AND PROCEDURES OF THE BOARD OF DIRECTORS

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### PREAMBLE

The purpose of these Internal Rules and Procedures to be followed by the Board of Directors is to formalize the mission, role and operation of the Board of Directors, stipulate the rights and obligations of the Directors and their commitments, and specify the role of the various committees which have been created to facilitate and ensure decision making by the Board of Directors.

These Internal Rules and Procedures are not enforceable vis-à-vis Shareholders or third parties and may not be invoked by such parties against Board members. They are not, however, binding on the Board of Directors, which remains free to depart from them if it considers that this serves the interests of the Company.

Each Board member must be acquainted with and fully aware of the legal provisions outlined in Articles L 225-17 to L 225-56, L 823-19 and R 225-15 to R 225-34-1 of the Commercial Code, and the provisions of the Articles of Association, and must ensure that they are duly complied with and implemented.

In particular, the following obligations result from aforementioned said legislation and the Articles of Association:

- the Board of Directors shall have a minimum of three and a maximum of twelve members;
- Directors are appointed by the Ordinary General Meeting; they are elected for a three-year term of office and are eligible for renewal subject to the provisions relating to the age limit, which is set at 65 years old for Directors and 72 years old for the Chairman, the Chief Executive Officer and the Executive Vice-Presidents; by way of an exception to the above-mentioned three-year term of office, a Shareholders' General Meeting may set the duration of a director's term office at one or two years, in order to enable staggered renewal of the members of the Board of Directors;
- the number of Directors that have an employment contract with the Company cannot exceed one-third of the Directors in office;
- if a vacancy arises as a result of the death or resignation of one or more Directors, the Board of Directors may, between two General Meetings, make appointments on a temporary basis. When the number of directors falls below the legal minimum, the remaining Directors shall immediately convene an Ordinary General Meeting for the purpose of appointing one or more new Directors. Such appointments made by the Board under the above-mentioned circumstances are subject to ratification by the next Ordinary General Meeting. If an appointment is not ratified, the decisions and actions taken previously by the Board of Directors will nevertheless remain valid;
- the Board shall elect a Chairman from among its members. The Chairman may also assume the role of Chief Executive Officer, if the Board opts for combining the Chairman and Chief Executive Officer functions.

In addition, the Company shall refer to the recommendations contained in the AFEP/MEDEF Corporate Governance Code for Listed Companies (hereinafter referred to as "the AFEP/MEDEF Code"), as revised in June 2018, which is appended to these Internal Rules and Procedures. The Directors undertake to comply with this Code. Any instance of non-compliance must be mentioned and explained in the report drawn up by the Board of Directors provided for in Article L. 225-37 of the Commercial Code.

## SECTION 1. THE BOARD OF DIRECTORS

### Article 1.1. Composition of the Board of Directors

The Board shall try to ensure that at least one third of its members are independent Directors. The qualification of independent Director shall be carried out at the time of each appointment in accordance with the criteria and procedures set forth in point 8 of the AFEP/MEDEF Code appended to this document. It shall be discussed by the Nominations Governance and CSR Committee and reviewed each year by the Board of Directors before the publication of the Registration Document.

The Directors qualified as being independent Directors shall do their best to retain this standing. However, if a Director considers that he/she can no longer or will very shortly be unable to be considered to be an independent Director within the meaning of the AFEP/MEDEF Code, the said Director shall immediately inform the Chairman of the Board of Directors, who will place this item on the agenda for the next Board meeting.

The Board shall seek to ensure an appropriate balance in its composition and the composition of the various Board of Directors' Committees, including in terms of diversity (gender representation, nationalities, age, qualifications, professional experience, etc.), while taking due measures to guarantee both the shareholders and the market that its missions are performed with the necessary independence and objectivity.

If the Board of Directors decides to combine the Chairman and Chief Executive Officer functions, it appoints a Vice-President who is also Lead Director. The Vice-President and Lead Director is chosen among the independent Directors. The duration of his mission is limited to term of office of the mandate of the Chairman and/or of the Chief Executive Officer.

The Vice-President and Lead Director, or a Director elected by the Board in case of separation of the offices of Chairman and Chief Executive Officer, replaces the Chairman of the Board in case of impediment for the latter, and this during all the duration of the impediment or, in the event of decease, until the appointment of the new Chairman.

The Vice-President and Lead Director's mission is to assist the Chairman of the Board regarding smooth running of the bodies of governance and prevention of conflicts of interests. To bring his mission to a successful conclusion, the Vice-President and Lead Director may:

- suggest to the Chairman of the Board items for the agenda of any Board of Directors meeting, thus he is consulted by the Chairman on the agenda of Board meetings,

- attend any meeting of the Committees of the Board of Directors, including those of which he is not a member and to have access to the information which these Committees have gathered during their work,
- organize meetings of the non-executive Directors as often as necessary,
- lead the assessments of the functioning of the Board of Directors in accordance with these Internal Rules,
- implement the necessary measures for the identification of conflicts of interests within the Board of Directors and inform the Board of any conflict situation identified,
- ensure that the Directors are able to exercise their missions in the best conditions.

In exercising his powers, the Vice-President and Lead Director takes care not to infringe on the powers of the corporate bodies defined by the applicable legislation and regulations.

The Vice-President and Lead Director reports annually to the Board of Directors.

#### Director(s) representing the Group's employees

Pursuant to the law, the Board of Directors comprises additionally one or several Director(s) representing the Group's employees.

The Company's Articles of Association define the conditions of the appointment of the Director(s) representing the employees and the duration of his/her/their mandate. The Director(s) representing the employees takes office during the first meeting of the Board of Directors following his/her/their appointment by the Group Committee and taking note of such appointment.

## **Article 1.2. Powers and Remits of the Board of Directors**

### **1.2.1. Powers**

The Board of Directors performs the tasks specified by the law and acts all times in the corporate interest by taking into consideration social and environmental issues. If applicable, it proposes any change to the Company's Articles of Association that it considers appropriate.

The Board of Directors shall be responsible for determining the orientation of the Company's activity and ensuring the implementation thereof. Subject to the powers expressly granted to Shareholders' Meetings and within the limit of the Company purpose, the Board of Directors shall discuss and vote on all questions relating to the satisfactory operation of the Company and shall rule on matters concerning the Company.

The Board of Directors reviews, in relation to the strategy, the opportunities and risks, such as financial, legal, operational, social and environmental risks, as well as the measures taken accordingly.

Any disposal of assets representing at least half of the Company's assets over the past two financial years shall be subject to the process provided by the AFEP/MEDEF Code attached.

In its relations with the third parties, the Company is bound even by acts on the part of the Board of Directors that do not come within the scope of the Company purpose, unless it can prove that the third party in question knew that this was the case or could not be unaware of it under the circumstances, mere publication of the Articles of Association being insufficient to constitute such proof.

The Board of Directors shall carry out all the checks and verifications that it considers appropriate.

### 1.2.2. Remits

The Board of Directors has several functions, including:

- convening and setting the agenda for General Meetings,
- appointing and revoking the Chairman, the Chief Executive Officer and the Executive Vice-Presidents,
- determining their compensations,
- drawing up annual and half-yearly accounts,
- approving strategic choices and budgets,
- approving significant acquisitions and transfers,
- approving significant restructuring operations and investments,
- ensuring the quality of the information provided to the shareholders, and to the markets via the financial statements or in connection with major operations,
- monitoring the implementation of the decisions taken by the Board.

At all events, the following will be subject to prior authorization from the Board of Directors:

- any operation outside the scope of the strategy announced by the Company,
- any installation in France or abroad resulting from the creation of an establishment or a direct or indirect subsidiary, or through acquiring a stake in a company, as likewise decisions to withdraw such installations, if the cost of the operation is in excess of 50 million euros,
- any internal restructuring operation the cost of which is in excess of 50 million euros.

These rules are related not only to external acquisitions or disposals, but also to major investments in organic growth or significant internal restructuring actions.

The Board of Directors should be informed in a timely fashion of the Company's cash flow position and off-balance sheet commitments at 30 June and 31 December each year, in order, where appropriate, to take decisions relating to its funding and/or indebtedness.

The Board of Directors is also informed about market developments, the competitive environment and the most important issues at hand, including in the field of social and environmental responsibility.

The Board of Directors ensures the implementation of a mechanism to prevent and detect corruption and influence peddling. It receives all of the information needed for this purpose.

The Board of Directors also ensures that the Executive Corporate Officers implement a policy of non-discrimination and diversity, in particular as regards to the balanced representation of men and women on the governing bodies (Leadership Team and top management).

## **Article 1.3. Functioning of the Board of Directors**

### **1.3.1. Convening meetings**

The Directors is convened to attend Board by any means, even verbally, but in the latter case subject to written confirmation.

### **1.3.2. Deliberations**

At least four Board meetings shall be held each year.

Board of Directors' meetings shall be organized whenever this is necessary in the light of the Group's activity. These meetings must be sufficient in number to ensure that the Board is regularly provided with relevant information, in this way ensuring the right conditions for good corporate management.

When calculating the quorum and majority, except in the cases excluded by the law, Directors who take part in a Board of Directors' meeting by videoconferencing means or telecommunication means will be held to be present. These means must have technical characteristics that guarantee effective participation in the Board meeting being held. The minutes of the meeting will mention the occurrence of any technical incident that affected the videoconference or the telecommunication means and disturbed the proceedings.

At the request of the Chairman, the Chief Executive Officer, Executive Vice-Presidents, the members of the Management, the Auditors and any other person with special knowledge relating to the items or an item on the agenda may be present at a Board meeting or present for part of a Board meeting.

The Board of Directors appoints a Secretary who can be chosen from outside its members.

At least once a year the non-executive Directors (those who are neither Company representatives nor Company Executives nor employees) may

decide to hold a meeting, in order to appraise the performances of the Company Executives and reflect on the future of the Management.

### 1.3.3. Assessment

Every year the Company's Board of Directors, at a date that it considers appropriate, shall appraise the composition of the Board, its organization and its method of operating, and may, on this occasion, decide to adapt any of them in the light of new circumstances, if necessary.

This assessment must have three objectives:

- taking stock of the Board's operating procedures,
- verifying that important questions are appropriately prepared and discussed,
- measuring each Director's effective contribution to the work of the Board.

There is a formal assessment at least once every three years. This can be undertaken under the leadership of the Nominations, Governance and CSR Committee assisted by an external consultant.

### 1.3.4. Compensation

The Board of Directors may be allocated an amount of Directors' fees set by the Shareholders' Meeting. The Board shall share this amount between Directors as it considers appropriate in the light of the obligations and responsibilities incumbent on the various Directors. When sharing it out, the Board of Directors must take into account each Director's effective participation in the work of the Board and that of the various Committees.

Additional Directors' fees can also be allocated to the Vice-President and Lead Director for the exercise of his mission.

## SECTION 2. DUTIES AND OBLIGATIONS APPLICABLE TO DIRECTORS

### Article 2.1. Obligation concerning transparency

#### 2.1.1 Mandates and functions

Each Director undertakes, if so requested, to disclose to the Chairman of the Board, or to any other person designated by the Chairman, an exhaustive list of all his/her mandates (including appointments to sit on committees) and functions exercised in France and abroad. Each Director likewise undertakes to communicate information concerning any change in his/her mandates and functions. The Chairman of the Board, the Chief Executive Officer and the Executive Vice-Presidents will seek the Board's opinion before accepting a new corporate appointment in a listed company.

#### 2.1.2. Company shares

With the exception of the Director(s) representing the employees, every Director must be a shareholder and must hold 500 shares above the requisite statutory shares. If they do not hold this number at the time of taking office, they must use their Director's fee to purchase them. They undertake to keep them throughout their term of office as a Director.

Every Director, as likewise the permanent representatives of legal entities that are Directors, must hold in registered form the Company shares that they hold at the time of their appointment. This rule also applies with respect to any share that they may subsequently acquire.

Every Director must abstain from carrying out operations involving the securities of companies (including derivative instruments), of which they are a Director, insofar as they have information that has not yet been made public. Every Director must declare transactions they have made involving Company's shares, in application of the legal and regulatory provisions.

#### 2.1.3. Conflicts of interest

Every Director will be under an obligation to fully inform the Vice-President and Lead Director (if any) and the Board, in advance if appropriate, of any actual or potential conflict of interest in which he/she might be directly or indirectly involved. He/She must in this case abstain from taking part in discussions and decisions relating to the subjects concerned.

The Chairman of the Board of Directors, the Vice-President and Lead Director or the Secretary of the Board may at any time request the Directors to forward to them a written declaration attesting to that they are not in a situation of conflict of interests.



## **Article 2.2 Obligation to act with due diligence**

### 2.2.1. Duty to be available

Acceptance of the mandate of Director implies that you will devote the necessary time and attention to this mandate. In consequence, each Director undertakes to limit the number of his/her mandates in such a way as to be available and to comply with the law and point 18 of the AFEP/MEDEF Code, which is appended to this document.

Every Director must be assiduous and attend all Board meetings and attend all meetings of the Committees of which they are members.

Every Director shall be present at Shareholders' Meetings.

### 2.2.2. Undertaking to act in all circumstances in the Company's interests

Every Director, representing all the shareholders, must act in all circumstances in the Company's best interests, and undertakes to check that decisions taken by the Board are taken in the Company's best interests and do not favour a particular section of the body of shareholders or a particular category of shareholders.

### 2.2.3. Duty to be independent

Every Director undertakes, in all circumstances, to maintain his/her independence in terms of analysis, judgement, reaching decisions and taking action, and undertakes to resist any direct or indirect pressure that might be brought to bear on him/her by Directors, special groups of shareholders, creditors, suppliers or any third parties whatsoever.

Every Director undertakes not to directly or indirectly seek or accept from the Company or from companies associated with it any benefits that might compromise his/her independence.

### 2.2.4. Duty to express one's opinion

Every Director undertakes to clearly express his/her opposition if they consider that any decision taken by the Board is of such a kind as harm the Company, and undertakes to use all possible means to convince the Board of the relevance of his/her position on the issue in question.

### 2.2.5. Duty to be fully informed

In the context of decisions to be taken, every Director has a duty to be fully informed. The Directors must ensure that they receive sufficient relevant information, in due time, in order to enable the Board to reach valid decisions.

If the information that a Director holds to be essential in order to ensure the satisfactory performance of the work of the Board or the Committees has not been made available to them, he/she must react accordingly. He/She will be

responsible for requiring the Chairman to forward to him/her within the necessary timeframe the items of information that he/she considers essential.

Every Director may, if he/she so wishes, be provided with further information concerning the Company's special characteristics, its metiers, its sector of activity and its social and environmental responsibility aspects. The Director(s) representing the employees is/are entitled to a training for the purpose of fulfilling his mandate, as provided for by law.

### **Article 2.3. Obligation of confidentiality**

With regard to information that is not publicly available to which he/she has access in the context of his/her tasks, duties and responsibilities, every Director, as likewise any person invited to be present at Board of Directors' meetings, must consider him/herself to be bound by true business secrecy which goes beyond the obligation to observe strict confidentiality and discretion stipulated by the legislation and the regulatory texts. This obligation is incumbent on the Director vis-à-vis both persons outside the Company and persons whose duties and responsibilities in the Company do not require access to the information in question.

Only the Chairman, and the persons designated by the Chairman, are empowered to provide any third party or the public with information on behalf of the Board of Directors.

## SECTION 3. THE COMMITTEES OF THE BOARD

The Board has three specialized committees, the Audit Committee, the Compensation Committee and the Nominations, Governance and CSR Committee.

These Committees do not release the Board from its duties and responsibilities. The Board alone is legally empowered to take decisions, and it remains responsible for the performance and accomplishment of its missions.

In the context of the fulfilment of their tasks, duties and responsibilities, the Board's Committees may contact the Company's principal executive managers after having informed the Chairman of the Board of Directors that they intend do so, and subject to rendering an account of their discussions with the said executives to the Board.

The Committees may ask for external technical studies to be drawn up, at the Company's expense, on subjects that come within their competence, after having informed the Chairman of the Board of Directors that they intend do so, and subject to report on these studies to the Board. The Committees ensure that the consultant is independent.

### **Article 3.1. The Audit Committee**

#### **3.1.1. Mandate**

The mandate for the Audit Committee (AC) comes by way of delegation of authority from the Board of SOCIÉTÉ BIC. As such, it reports to the Board regularly on the work it has undertaken on its behalf.

#### **3.1.2. Composition**

Consistent with the responsibilities of the Board, its membership represents the interests of all the shareholders: the Audit Committee should be chaired by an independent Board Member and composed of at least three members, at least two-thirds of which are independent (including the Chair). All members of the Audit Committee are non-executive Board members.

The majority of the members shall have competence in accounting and/or auditing.

The appointment or extension of the term of office of the Chairman of the Audit Committee is proposed by the Nominations, Governance and CSR Committee and should be the subject of a specific review by the Board.

The Committee's members are appointed in a personal capacity and cannot be represented (i.e. no delegates are allowed if a member of the Committee is unable to attend).

The term of the Committee's members coincides with their term of office as a member of the Board of Directors.

The Committee shall appoint a Secretary, selected outside its members, in agreement with its Chairman.

### 3.1.3. Remit and responsibilities of the Committee

The remit of the AC can be segmented into two distinct categories depending on whether the task and responsibility emanate from:

- regulations and guidance (including AFEP/Medef recommendations)
- direct delegation from the Board or request from other board committees.

#### 3.1.3.1 Remit covered by regulations and guidance

1. To review and assess the SOCIÉTÉ BIC consolidated accounts on a half yearly and full yearly basis and the statutory accounts (comptes sociaux);

*The review of the accounts must be accompanied by a management presentation describing SOCIETE BIC's exposure to risks, including social and environmental ones, and major off-balance-sheet commitments as well as the chosen accounting methods.*

*The AC makes sure, when preparing the financial information that the accounting methods employed are relevant and applied consistently, in particular when dealing with major transactions. When reviewing the accounts, the AC focuses on major transactions which could have given rise to conflicts of interest.*

2. To inform the Board of the outcome of the statutory audit;  
*The AC informs the Board of the outcome of the statutory audit and explains how the statutory audit contributed to the integrity of financial reporting and what the role of the AC was in that process.*
3. To review and assess the notes to the accounts;  
*When reviewing the notes, the AC reviews the scope of consolidation and, if necessary, the reasons why any companies should not be included in it.*
4. To monitor the financial reporting process and submit recommendations or proposals to ensure its integrity;
5. To review and assess reports in the published accounts in as much as they pertain to the financial statements, including the report of the external auditors;
6. To review and assess the financial press releases and investor presentations;
7. To design and approve the process for the selection, appointment and renewal of the external auditors, as well as their remuneration;
8. To review and monitor the independence of external auditors, in particular any appointment which may conflict with their mandate as external auditors (non-audit fees);

*In this respect, the AC approves the provision of non-audit services in accordance with applicable regulation, in particular concerning the limitations set up for non-audit fees.*

9. To evaluate the external auditor performance when auditing SOCIETE BIC consolidated accounts and the Statutory Accounts, taking into account, if any, findings and conclusions by the Haut Conseil du Commissariat aux Comptes (H3C);
10. To review and assess the effective functioning of the internal controls and risk management within the Company including the work plan of the internal audit function and its execution.

When monitoring the effectiveness of the internal control and risk management systems and, where applicable, the internal audit of the procedures relating to the preparation and processing of the accounting, financial and extra-financial information, the AC hears the persons responsible for the internal audit and risk control and issues an opinion on the organization of their services. It should be informed of the internal audit schedule and receive internal audit reports or a periodical summary of these reports.

The AC reviews the major risks and off-balance-sheet commitments, assesses the significance of any deficiencies or weaknesses of which it has been notified and informs the Board if necessary.

In order to fulfil the remit specified above, additional in depth reviews will be carried into specific technical financial activities and risks. These will include:

1. Insurance policies and claim histories
2. Treasury function, specifically debt and credit facilities / currency hedging
3. Litigation provisions and financial outcomes
4. Contingent liabilities and guarantees and warranties
5. Pension policy principles and guidelines
6. Tax structures.

#### 3.1.3.2 Direct delegation from the Board or request from other board committees.

While risk management is the responsibility of the Executive Management, the Board may ask the Audit Committee to review risk management processes.

These can emerge as a result of both a top down approach and a bottom up approach and may include the following:

1. Major acquisitions process design, progress and review
2. Approval of the principal Delegation of Authority Limits and specific material post investment reviews.
3. Specific financing strategies, such as currency cover policies, share buy- back and dividend metrics.

Finally, there may be subjects, which are brought to the AC from other Board Committees, such as the Remuneration Committee and the Nominations, Governance and CSR Committee. These may include:

1. Succession planning for the role of the finance director
2. Design and metrics of financial indicators used in variable pay incentives both long and short term.

#### 3.1.4. Performance Evaluation

The Committee should put in place a review mechanism to provide feedback on its performance. This would include input from the Board, other Committees, external auditors and senior members of the Leadership Team.

#### 3.1.5. Operating methods:

The Committee is convened by any means, even verbally, but in the latter case subject to written confirmation.

It meets five times a year and additionally if so requested by the Board.

Meetings of the AC are considered valid when at least half of the members participate.

Meetings are held in principle at the registered office or in any other relevant location pursuant to a decision of its members. They may also be held by videoconferencing or telecommunication means, and the Committee members who use these means are deemed to be present.

The Chairman of the AC or its Secretary informs the Chairman of the Board of the recommendations issued by the AC prior to the Board meeting during which these topics will be discussed.

Sufficient time must be available for the provision of the financial statements and their review.

The AC hears the statutory auditors, in particular on the occasion of meetings held to review the process used for preparing the financial information and reviewing the accounts, in order to report on the conduct of their task and the conclusions of their work. This enables the AC to be informed of the main areas of risk or uncertainty relating to the accounts as identified by the statutory auditors, of their approach to the audit and of any difficulties that might have arisen during the conduct of the task.

It also hears the directors responsible for financial affairs, accounting, cash flow and internal audits. Should the Committee so wish, it must be possible to hold these sessions in the absence of the Executive Management.

The AC reports on the performance of its work during the meeting of the Board of Directors following the AC's meeting. The report must enable the Board to be fully informed. A written report of each meeting is made.

## **Article 3.2. The Compensation Committee**

### **3.2.1. Composition**

The Compensation Committee is composed of at least three Directors, the majority of whom are independent Directors. Executive Corporate Officers are not members of this Committee.

The number of members composing the Committee may evolve should the need arise.

The Committee's members are selected from the members of the Board of Directors. They are appointed in a personal capacity and cannot be represented (i.e. no delegates are allowed if a member of the Committee is unable to attend).

The term of the Committee's members coincides with their term of office as a member of the Board of Directors.

The Board of Directors shall appoint the Chairman of the Committee, who must be an independent Director.

The Committee shall appoint a Secretary, selected outside its members, in agreement with its Chairman.

The Chairman and/or the Vice-Chairman and Lead Director may attend all Committee meetings. The CEO may be invited to participate in Committee meetings, as needed. The Committee may also invite members of the Leadership Team to participate in the Committee meetings, as needed, with prior communication and participation of the CEO.

### **3.2.2. Remit and responsibilities of the Committee**

The role of the Compensation Committee is to study, review and prepare the deliberations of the Board of Directors.

Consequently, the Committee issues opinions, proposals and recommendations in its area of competence and acts under the authority of the Board of Directors to which it reports whenever necessary.

The Committee's role includes:

- To recommend and regularly review a compensation philosophy that serves as the foundation for the administration, design and delivery of compensation for the Board of Directors, Chief Executive Officer and the Executive Vice-Presidents;
- To prepare a recommendation on the procedures for the establishment of compensation and/or benefits elements for the Chairman of the Board, the Chief Executive Officer and the Executive Vice-Presidents;

- To prepare, examine, challenge and issue a recommendation to the Board of Directors for all compensation and/or benefits elements for the Chairman of the Board, the Chief Executive Officer and the Executive Vice-Presidents;
- To prepare, examine, challenge and issue a recommendation to the Board of Directors for Director's fees;
- To issue recommendations on the annual amount and methods for the allocation of Directors' attendance fees;
- To recommend performance metrics, in collaboration with the Audit Committee, and prepare an annual assessment of the performance of the Chief Executive Officer and the Executive Vice-Presidents in light of the objectives assigned to them by the Board of Directors;
- To oversee the Long Term Incentive Plans for the Executive Corporate Officers and the Group's employees;
- To ensure the competitiveness of all elements of compensation of the Leadership Team Members and their alignment with the Group's objectives set by the Board of Directors; to this end, the CEO informs the committee of his recommendations for compensation and benefits for the members of the Leadership Team;
- To be kept informed of the application of the compensation policy of the Group.

Moreover, the Committee annually contributes to the chapter of the annual report devoted to informing the shareholders on the compensation of Executive Officers (*mandataires sociaux exécutifs*) and Non-Executive Directors (*mandataires sociaux non exécutifs*).

### 3.2.3. Operating methods

The Committee is convened by any means, even verbally, but in the latter case subject to written confirmation.

The Committee meets at least twice a year when called by its Chairman, or at the request of the Chairman of the Board, the Vice President and/or Lead Director or the Board's Secretary.

Meetings of the Committee are considered valid when at least half of the members participate.

Meetings are held in principle at the registered office or in any other relevant location pursuant to a decision of its members. They may also be held by videoconferencing or telecommunication means, and the Committee members who use these means are deemed to be present.



The Chairman of the Committee or its Secretary informs the Chairman of the Board of the recommendations issued by the Committee prior to the Board meeting during which these issues will be discussed.

The Committee reports on its work on the area of compensation in the absence of those concerned during the meeting of the Board of Directors following the Committee's meeting. The report must enable the Board to be fully informed. A written report of each meeting is made.

The Committee works in close collaboration with the Audit Committee to ensure that the financial information used to set management targets and evaluate management performance are accurate and fair.

In order to ensure that the financial consequences of compensation policy recommendations are taken into account, the Committee's Chairman informs the Chairman of the Audit Committee of recommended changes.

The Committee reviews its performance annually to evaluate the structure, operations, effectiveness, management support and Chairman and individual committee member performance.

### **Article 3.3. The Nominations, Governance and CSR Committee**

#### **3.3.1 Composition**

The Nominations, Governance and CSR Committee is composed of at least three Directors, the majority of whom are independent Directors. Executive Corporate Officers are not members of this Committee.

The number of members composing the Committee may evolve should the need arise.

The Committee's members are selected from the members of the Board of Directors. They are appointed in a personal capacity and cannot be represented (i.e. no delegates are allowed if a member is unable to attend).

The term of the Committee's members coincides with their term of office as a member of the Board of Directors.

The Board of Directors shall appoint the Chairman of the Committee, who must be an independent Director.

The Committee shall appoint a Secretary, selected outside its members, in agreement with its Chairman.

The Chairman, Vice-Chairman and Lead Director may attend all Committee meetings. The CEO may be invited to participate in Committee meetings, as needed. The Committee may also invite members of the Leadership Team to participate in the Committee meetings, as needed, with prior communication and participation of the CEO.

### 3.3.2 Remit and responsibilities of the Committee

The role of the Nominations, Governance and CSR Committee is to study, review and prepare the deliberations of the Board of Directors.

Consequently, the Committee issues opinions, proposals and recommendations in its area of competence and acts under the authority of the Board of Directors to which it reports whenever necessary.

The Committee's role includes:

#### 3.3.1.1. Nominations

##### 1.1 To regularly examine issues concerning the composition of the Board of Directors:

- To propose the criteria for selecting the members of the Board of Directors:

The criteria of choice rely on the desirable balance of its membership as well as in the skills, availability and ethics of its members.

The Committee ensures that the Board includes the proper percentage of independent individuals.

It ensures that the Board regularly considers what would be the desirable balance within its membership and within that of the committees of Board members in particular with respect to the diversity mix, (representation of women and men, nationalities, international experience, skills, etc.). It should publish in the annual report the objectives, methods and results of its policy on these matters. It also makes proposals, as the case may be, to define the « targeted » skills for the Board of Directors and to suggest missing competencies to improve the Board's operating methods.

- To organize a procedure designed for selecting the Directors, the Chairman of the Board of Directors, and/or the Vice-Chairman and Lead Director, and to perform its own review of potential candidates before the latter are approached in any way; at the end of this procedure, to propose their nomination to the Board.
- The Committee works with the Chairman and/or the Vice-Chairman and Lead Director and/or the CEO, as appropriate, to execute the search.

##### 1.2 To examine and propose solutions to the Board for the succession planning of the Chairman of the Board, the Chief Executive Officer and the Executive Vice-Presidents:

- To design and ensure the successful implementation of succession plans, in particular in the event of unforeseeable vacancy. The

Chairman of the Board, and/or the Vice-Chairman and Lead Director, is involved in the Committee's work during the conduct of this task;

- To ensure that the process of selection of the Executive Vice-Presidents comprises at final stage a candidate of each gender;
- To ensure that, once per year, an update on the development of and succession planning for the Leadership Members is in place and implemented.
- Moreover, the Committee is informed of the succession plan and appointment of Leadership Members.

The Chief Executive Officer may, in some cases, be involved in the Committee's work on nominations.

### 3.3.1.2. Governance

- To discuss the qualification as an independent Director, on the occasion of the appointment of a Director, and annually for all Directors;

The criteria to be reviewed by the Committee in order to qualify a Director as independent and to foresee the risks of conflict of interests between a Director and the Company's Executive Management, the Company or its Group, are those set by the AFEP-MEDEF Code.

- To ensure that the Board of Directors makes a regular assessment of its operating methods and that of the Committees, according to the procedures defined in these Internal Rules and Procedures of BIC's Board of Directors;

Following this assessment, the Committee proposes to the Board any steps to be taken to address the findings.

- To examine and give its opinion to the Board of Directors on all proposals to amend the Company's Articles of Association about corporate governance;
- To annually contribute to the chapter of the annual report devoted to informing the shareholders on the composition and the functioning of the Corporate Governance;
- To monitor the compliance of the Company with the recommendations of the AFEP-MEDEF Code and the explanation of the reasons why the Company has deviated from any of them, if any;
- More generally, to deal with any issue regarding a significant risk in terms of human capital for the Group, or regarding governance brought by the Board of Directors.

### 3.3.1.3. Social and Environmental Responsibility

- To review the report on social and environmental responsibility, the actions taken by the Group and its policy.
- To review the progress made against the strategy and commitments taken.

### 3.3.3 Operating methods

The Committee is convened by any means, even verbally, but in the latter case subject to written confirmation.

The Committee meets at least twice a year when called by its Chairman, or at the request of the Chairman of the Board, the Vice-President and Lead Director or the Board's Secretary.

Meetings of the Committee are considered valid when at least half of the members participate.

Meetings are held in principle at the registered office or in any other relevant location pursuant to a decision of its members. They may also be held by videoconferencing or telecommunication means, and the Committee members who use these means are deemed to be present.

The Chairman of the Committee or its Secretary informs the Chairman of the Board of the recommendations issued by the Committee prior to the Board meeting during which these issues will be discussed.

The Committee reports on the performance of its work during the meeting of the Board of Directors following the Committee's meeting. The Committee reports on the area of succession in the absence of those concerned. The reports must enable the Board to be fully informed. A written report of each meeting is made.

The Committee reviews its performance annually to evaluate the structure, operations, effectiveness, management support and individual committee member performance.

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**APPENDIX TO THE INTERNAL RULES AND PROCEDURES  
AFEP/MEDEF CORPORATE GOVERNANCE CODE FOR LISTED  
COMPANIES**

**Amended in  
June 2018**

**Corporate Governance  
Code of Listed Corporations**





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# PREAMBLE

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Since the first report on the corporate governance of listed companies was published at the initiative of the business community in July 1995, Afep and Medef have developed a set of recommendations that enables these companies to improve their functioning and management in an atmosphere of enhanced transparency and thus respond to the expectations of investors and the public (Appendix 1).

This set of recommendations, which constitutes the Afep-Medef Code, may be designated by listed corporations as their reference code pursuant to Articles L.225-37 and L.225-68 of the Commercial Code. The code, which has been adopted by almost all the companies listed on the SBF 120, provides a set of demanding and precise recommendations on corporate governance and, in particular, on the compensation of their executive and non-executive officers.

The revisions made to the code since 2013 have given rise to a broad public consultation of the various stakeholders and, in particular, the public authorities, shareholder associations, investors, proxy advisers, etc. A public consultation was launched on a dedicated website in May 2016 in order to prepare for the new revision of the code. A summary of the responses to this consultation has been made public.

Set up in 2013, the High Committee on corporate governance exercises its task of monitoring the application of the recommendations of the code with care and attention, and assists companies in their application through its application guide. This is regularly updated and helps companies to prepare their report on corporate governance<sup>1</sup>, in particular with regard to the matter of the presentation of the compensation components of company officers submitted to a vote by shareholders.

Concerted professional regulation is a system that is carefully applied in practice and that has shown its value. The code plays a crucial role in the development of good governance practices. Through its revisions, its aim is to provide a frame of reference contributing to the improvement of the governance of listed companies and the dissemination of best practices.

These recommendations are intended for companies whose shares are admitted for trading on a regulated market. It is also both desirable and recommended that other companies apply these recommendations either in whole or in part and adapt them to their specific circumstances.

Finally, most of them have been written with reference to public limited companies (*sociétés anonymes*) with a Board of Directors. Public limited companies with a Management Board and a Supervisory Board, as well as partnerships limited by shares (*société en commandite par actions*) will therefore need to make the necessary adjustments.

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<sup>1</sup> Article L.225-37 of the Commercial Code requires the Board of Directors to present the shareholders' meeting with a report on corporate governance appended to the management report that includes various information relating to executive compensation and the governance of the company. However, the corresponding information may be presented within a specific section of the management report.

In this code, **the executive officers** consist of the Chairman and Chief Executive Officer, the Chief Executive Officer, the Deputy Chief Executive Officer(s) of public limited companies with a Board of Directors, the Chairman and members of the Management Board of public limited companies with a Management Board and a Supervisory Board and the statutory managers of partnerships limited by shares.

**The non-executive officers** consist of the separate Chairman of the Board of Directors of public limited companies with a Board of Directors as well as the Chairman of the Supervisory Board of public limited companies with a Management Board and a Supervisory Board and of partnerships limited by shares.

**The company officers** consist of all the officers listed above.

A table of the company officers can be found in Appendix 2.

## 1 THE TASKS OF THE BOARD OF DIRECTORS

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- 1.1 The Board of Directors performs the tasks conferred by the law and acts at all times in the corporate interest.

It endeavours to promote long-term value creation by the company by considering the social and environmental aspects of its activities. If applicable, it proposes any statutory change that it considers appropriate.

- 1.2 The principal task of the Board of Directors is to define the strategic orientation. It examines and decides on important operations, possibly after review by an *ad hoc* committee, according to the terms laid down in 1.9.
- 1.3 In accordance with the law, the Board of Directors carries out the main tasks below: it appoints and dismisses the company officers, sets their compensation, selects the form of organisation and governance (separation of the offices of Chairman and Chief Executive Officer or combination of such offices), and monitors the management as well as the quality of the information provided to shareholders and to the markets.
- 1.4 It is informed about market developments, the competitive environment and the most important aspects facing the company, including in the area of social and environmental responsibility.
- 1.5 It regularly reviews, in relation to the strategy it has defined, the opportunities and risks, such as financial, legal, operational, social and environmental risks, as well as the measures taken accordingly. To this end, the Board of Directors receives all of the information needed to carry out its task, notably from the executive officers.
- 1.6 If applicable, it ensures the implementation of a mechanism to prevent and detect corruption and influence peddling. It receives all of the information needed for this purpose.
- 1.7 It also ensures that the executive officers implement a policy of non-discrimination and diversity, notably with regard to the balanced representation of men and women on the governing bodies.
- 1.8 The Board's activity is reported in the report on corporate governance.
- 1.9 The internal rules of the Board of Directors should specify:
- the cases where prior approval by the Board of Directors is required, which may differ according to which division of the company is concerned;
  - the principle that any material transaction outside the scope of the firm's stated strategy is subject to prior approval by the Board of Directors;
  - the rules according to which the Board of Directors is informed of the corporation's financial situation, cash position and commitments.

These rules relate not only to external acquisitions or disposals, but also to major investments in organic growth or significant internal restructuring operations. The Board of Directors should be informed in a timely fashion of the corporation's cash position in order, where applicable, to take decisions relating to its funding and indebtedness.

## **2 THE BOARD OF DIRECTORS: A COLLEGIAL BODY**

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- 2.1 Regardless of its membership or how it is organised, the board of directors is and must remain a collegial body mandated by all shareholders.
- 2.2 The wide diversity of listed corporations does not allow formal and identical forms of organisation and operation to be imposed for all Boards of Directors. The organisation of the Board's work, and likewise its membership, must be suited to the shareholder make-up, to the size and nature of each firm's business, and to the particular circumstances facing it. Each Board is the best judge of this, and its foremost responsibility is to adopt the mode of organisation and operation that enable it to carry out its tasks in the best possible manner. Its organisation and operation are described in the internal rules that it has drawn up, which are published in part or in full on the company's website or in the report on corporate governance.
- 2.3 Since the Board acts in the corporate interest, having large numbers of special interests represented within it should be avoided, except in cases provided for by law.
- 2.4 When a corporation is controlled by a majority shareholder (or a group of shareholders acting in concert), the latter assumes a specific responsibility with regard to the other shareholders, which is direct and separate from that of the Board of Directors. They take particular care to prevent conflicts of interest and to take account of all interests.

## **3 THE DIVERSITY OF FORMS OF ORGANISATION OF GOVERNANCE**

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- 3.1 French law allows all public limited companies to choose between a unitary formula (Board of Directors) and a two-tier formula (Supervisory Board and Management Board).
- 3.2 In addition, corporations with a Board of Directors can choose between separation of the offices of Chairman and Chief Executive Officer and the combination of such offices. The law does not favour either formula and allows the Board of Directors to choose between the two forms of exercise of executive management. It is up to the Board to decide and explain its decision. The Board may appoint a Lead Director from among the independent directors, particularly when it has been decided to combine such offices. In the event of the separation of the offices of Chairman and Chief Executive Officer, any tasks entrusted to the Chairman of the Board in addition to those conferred upon him or her by law must be described.

- 3.3 If the Board decides to confer upon a director, and in particular a Lead Director, special tasks that relate to governance or shareholder relations, these tasks and the resources and prerogatives available to him or her must be described in the internal rules.
- 3.4 French public limited companies are therefore able to choose between three forms of organisation of management and supervisory powers. The chosen formula and the reasons for this decision are communicated to shareholders and third parties.

## **4 THE BOARD AND COMMUNICATION WITH SHAREHOLDERS AND THE MARKETS**

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- 4.1 It is up to each Board of Directors to define the company's financial disclosure policy. Each corporation should have a very rigorous policy for communication with the market and analysts.
- 4.2 Any communications activities must allow everyone to access the same information at the same time.
- 4.3 The Board should ensure that the shareholders and investors receive relevant information that is balanced and keeps them fully cognisant of the strategy, the development model, the consideration of non-financial aspects that are of significance to the corporation as well as its long-term outlook.
- 4.4 Shareholder relations with the Board of Directors, particularly with regard to corporate governance aspects, may be entrusted to the Chairman of the Board of Directors or, if applicable, to the Lead Director. He or she shall report on this task to the Board of Directors.
- 4.5 Each listed corporation must have reliable procedures for identifying, monitoring and assessing its commitments and risks, and provide shareholders and investors with relevant information in this area.
- 4.6 To this end:
- the annual report should specify the internal procedures set up to identify and monitor off-balance-sheet commitments, as well as to evaluate the corporation's material risks;
  - the ratings given to the firm by financial ratings agencies should be published along with any changes that have occurred during the financial year.

## **5 THE BOARD OF DIRECTORS AND THE SHAREHOLDERS' MEETING**

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- 5.1 The Board of Directors is mandated by all of the shareholders. It exercises the powers that have been assigned to it by law in the corporate interest. It is collectively accountable for the performance of its tasks before the shareholders' meeting, in relation to which, by law, it assumes its responsibilities.

- 5.2 The shareholders' meeting is a decision-making body for the areas stipulated by law as well as a vital forum in which the company can engage in a dialogue with its shareholders. It is not only the occasion when the managing bodies report on the corporation's activities and on the operation of the Board of Directors and its specialised committees, but also an opportunity for a dialogue with the shareholders.

The Board of Directors must respect the specific competence of the shareholders' meeting if the transaction that it is proposing is such as to modify, in fact or in law, the corporate purpose, which is the very basis of the contract founding the corporation.

- 5.3 If a disposal is contemplated, in one or more transactions, concerning at least half of the company's assets over the past two financial years, the Board of Directors and the executive management must assess the strategic merits of the transaction and ensure that the process takes place in accordance with the corporate interest, in particular by putting in place resources and procedures to identify and manage any conflicts of interest. To this end, they may seek external opinions, in particular concerning the merits of the transaction, its valuation and the contemplated arrangements. It is also recommended that the Board should set up an *ad hoc* committee, at least two-thirds of which is made up of independent directors, from which executive officers are excluded.
- 5.4 Before carrying out this disposal, the Board must present the shareholders' meeting with a report about the context and the progress of the transactions. This presentation shall be followed by an advisory vote by the shareholders subject to the same quorum and majority conditions as for ordinary shareholders' meetings. If the meeting issues a negative opinion, the Board shall meet as soon as possible and immediately publish on the company's website a notice detailing how it intends to proceed with the transaction.

## **6 MEMBERSHIP OF THE BOARD OF DIRECTORS: GUIDING PRINCIPLES**

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- 6.1 The quality of a Board of Directors can be seen in the balance of its membership as well as in the skills and ethics of its members.

All directors are expected to act in the corporate interest and to possess the following essential qualities:

- sound judgement, in particular, of situations, strategies and people, based primarily on his or her own experience;
- a capacity to anticipate that enables him or her to identify risks and strategic issues;
- integrity, regularity of attendance, active participation and involvement.

- 6.2 Each Board should consider what the desirable balance of its membership and that of the Board committees should be, particularly in terms of diversity (gender representation, nationalities, age, qualifications, professional experience, etc.). It should make public in the report on corporate governance a description of the diversity policy applied to members of the Board of Directors as well as a description of the objectives of this policy, its implementation measures and the results achieved in the past financial year.

## 7 REPRESENTATION OF EMPLOYEE SHAREHOLDERS AND EMPLOYEES

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- 7.1 Within a group, the directors representing employees elected or appointed in accordance with the legal requirements sit on the Board of the company that declares that it refers to the provisions of this code in its report on corporate governance. When several group companies apply these provisions, the Boards shall determine the corporation(s) eligible for this recommendation.
- 7.2 In the same way as the other directors, directors representing employee shareholders<sup>2</sup> and directors representing employees<sup>3</sup> are entitled to vote at meetings of the Board of Directors<sup>4</sup>, which is a collegial body that has the obligation of acting under all circumstances in the corporate interest. Like all other directors, they may be selected by the Board to participate in committees.
- 7.3 Without prejudice to the legal provisions specific to them, directors representing employee shareholders and directors representing employees have the same rights, are subject to the same obligations, in particular in relation to confidentiality, and take on the same responsibilities as the other members of the Board.

## 8 INDEPENDENT DIRECTORS

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- 8.1 The quality of the Board of Directors cannot be defined simply by reference to a percentage of independent directors, as the directors are above all required to be honest, competent, active, regularly attending and engaged. It is nevertheless important for the Board of Directors to include a significant proportion of independent directors, not only in order to satisfy the expectations of the market but also in order to improve the quality of proceedings.
- 8.2 A director is independent when he or she has no relationship of any kind whatsoever with the corporation, its group or its management that may interfere with his or her freedom of judgement. Accordingly, an independent director is understood to be any non-executive director of the corporation or the group who has no particular bonds of interest (significant shareholder, employee, etc.) with them.
- 8.3 The independent directors should account for half the members of the Board in widely held corporations without controlling shareholders. In controlled companies<sup>5</sup>, independent directors should account for at least a third of Board members. Directors representing the employee shareholders and directors representing employees are not taken into account when determining these percentages.

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<sup>2</sup> Article L.225-23 of the Commercial Code.

<sup>3</sup> Articles L.225-27 and L.225-27-1 of the Commercial Code.

<sup>4</sup> Companies with more than fifty employees are required to have at least one representative of the works committee sitting on the Board of Directors in an advisory capacity according to the conditions laid down by the law.

<sup>5</sup> Within the meaning of Article L.233-3 of the Commercial Code.



8.4 Qualification as an independent director should be discussed by the nominations committee in the light of the criteria set out in § 8.5 and decided on by the Board:

- on the occasion of the appointment of a director;
- and annually for all directors.

The shareholders must be made aware of the conclusions of this review.

The Board of Directors may consider that, although a director meets the criteria set out in § 8.5, he or she cannot be held to be independent owing to the specific circumstances of the person or the company, due to its shareholding structure or for any other reason. Conversely, the Board may consider that a director who does not meet these criteria is nevertheless independent.

8.5 The criteria to be reviewed by the committee and the Board in order for a director to qualify as independent and to prevent risks of conflicts of interest between the director and the management, the corporation, or its group, are as follows:

**8.5.1** not to be and not to have been within the previous five years:

- an employee or executive officer of the corporation;
- an employee, executive officer or director of a company consolidated within the corporation;
- an employee, executive officer or director of the company's parent company or a company consolidated within this parent company;

**8.5.2** not to be an executive officer of a company in which the corporation holds a directorship, directly or indirectly, or in which an employee appointed as such or an executive officer of the corporation (currently in office or having held such office within the last five years) holds a directorship<sup>6</sup>;

**8.5.3** not to be a customer, supplier, commercial banker, investment banker or consultant<sup>7</sup>:

- that is significant to the corporation or its group;
- or for which the corporation or its group represents a significant portion of its activities.

The evaluation of the significance or otherwise of the relationship with the company or its group must be debated by the Board, and the quantitative and qualitative criteria that led to this evaluation (continuity, economic dependence, exclusivity, etc.) must be explicitly stated in the report on corporate governance;

**8.5.4** not to be related by close family ties to a company officer;

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<sup>6</sup> Thus, Mr X, executive officer of company A, may not be considered as an independent director of company B if:

- company B holds a directorship in company A either directly or through a subsidiary (indirectly);
- or if company B appoints an employee as a director of company A;
- or if an executive officer of company B (current or within the past five years) holds a directorship in company A.

<sup>7</sup> Or be linked directly or indirectly to these persons.

**8.5.5** not to have been an auditor of the corporation within the previous five years;

**8.5.6** not to have been a director of the corporation for more than twelve years. Loss of the status of independent director occurs on the date when this twelve years is reached.

8.6 A non-executive officer cannot be considered independent if he or she receives variable compensation in cash or in the form of shares or any compensation linked to the performance of the corporation or the group.

8.7 Directors representing major shareholders of the corporation or its parent company may be considered independent, provided these shareholders do not take part in the control of the corporation. Nevertheless, beyond a 10% threshold in capital or voting rights, the Board, upon a report from the nominations committee, should systematically review the qualification of a director as independent in the light of the make-up of the corporation's capital and the existence of a potential conflict of interest.

## **9 EVALUATION OF THE BOARD OF DIRECTORS:**

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9.1 The Board of Directors should evaluate its ability to meet the expectations of the shareholders that have mandated it to direct the corporation, by periodically reviewing its membership, organisation and operation (this involves a corresponding review of the Board committees).

Each Board should review the desirable balance of its membership and that of the Board committees and periodically consider the adequacy of its organisation and operation for the performance of its tasks.

9.2 The evaluation has three objectives:

- to assess the way in which the Board operates;
- to check that the important issues are suitably prepared and discussed;
- to measure the actual contribution of each director to the Board's work.

9.3 The evaluation should be performed in the following manner:

- Once a year, the Board should debate its operation;
- There should be a formal evaluation at least once every three years. This can be undertaken under the leadership of the appointments or nominations committee or of an independent director assisted by an external consultant.
- the shareholders should be informed each year in the report on corporate governance of the evaluations carried out and, if applicable, of any steps taken as a result.

## **10 MEETINGS OF THE BOARD AND OF THE COMMITTEES**

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- 10.1 The number of meetings of the Board of Directors and of the Board committees held during the past financial year should be mentioned in the report on corporate governance, which must also provide the shareholders with any relevant information relating to the directors' individual attendance at such meetings.
- 10.2 The frequency and duration of meetings of the Board of Directors should be such that they allow in-depth review and discussion of the matters that come under the competence of the Board. The same applies to meetings of the Board committees (audit, compensation, appointments, nominations committee, etc.).
- 10.3 It is recommended that at least one meeting not attended by the executive officers should be organised each year.
- 10.4 Proceedings should be unambiguous. The minutes of the meeting should summarise the discussions and the matters raised, and indicate the decisions made and any reservations expressed. In this way, they make it possible to maintain a record of what the Board has done in order to carry out its duties.

## **11 DIRECTORS' ACCESS TO INFORMATION**

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- 11.1 The manner in which the right to disclosure provided for by law is exercised and the related duties of confidentiality should be set out in the internal rules of the Board of Directors.
- 11.2 Corporations must also provide their directors with appropriate information between meetings of the Board throughout the life of the corporation, if the importance or urgency of the information so requires. Ongoing disclosure should also include any relevant information, including criticism, relating to the corporation, such as articles in the press and financial analysts' reports.
- 11.3 Conversely, the directors are required to request the appropriate information that they consider necessary in order to perform their duties. Accordingly, if a director considers that he or she has not been suitably informed for participation in the proceedings, he or she is obliged to inform the Board of this in order to obtain the information necessary to perform his or her duties.
- 11.4 Directors must have the opportunity to meet with the corporation's principal executive managers, including in the absence of the company officers. In the latter case, these should be given prior notice.

## 12 DIRECTORS' TRAINING

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- 12.1 One of the major conditions for appointing a director is his or her abilities, but it cannot be expected *a priori* that every director has specific knowledge of the corporation's organisation and its activities. Each director should accordingly be provided, if he or she considers it to be necessary, with supplementary training relating to the corporation's specific features, its businesses, its business sector and its social and environmental responsibility aspects.
- 12.2 The members of the audit committee should be provided, at the time of their appointment, with information relating to the corporation's specific accounting, financial and operational features.
- 12.3 Directors representing employees<sup>8</sup> or representing employee shareholders should be provided with suitable training enabling them to perform their duties

## 13 DURATION OF DIRECTORS' TERMS OF OFFICE

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- 13.1 The duration of directors' terms of office, laid down by the by-laws<sup>9</sup>, should not exceed four years, so that the shareholders can express their wishes regarding their term of office with sufficient frequency.
- 13.2 Terms of office should be staggered so as to avoid replacement of the entire body and to favour a smooth replacement of directors.
- 13.3 The report on corporate governance should detail the start and end dates of each director's term of office to make the existing staggering clear. For each director, it should also indicate, in addition to the list of offices and positions held in other corporations, the director's nationality, age and principal position, and provide a list of names of the members of each Board committee.
- 13.4 When the shareholders' meeting is asked to appoint or reappoint a director, the booklet or the notice calling the shareholders' meeting should, in addition to the items required by statute, contain biographical information outlining his or her *curriculum vitae* as well as the reasons for proposing his or her appointment to the shareholders' meeting.

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<sup>8</sup> Article L.225-30-2 of the Commercial Code.

<sup>9</sup> Under French law, the duration of directors' terms of office is laid down by the by-laws, and may not exceed six years.

## **14 BOARD COMMITTEES: GENERAL PRINCIPLES**

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The general principles apply to all the committees set up by the Board.

The number and structure of the committees are determined by each Board. However, in addition to the tasks assigned to the audit committee by law<sup>10</sup>, it is recommended that the compensation and the appointments of directors and company officers should be the subject of preparatory work by a specialised committee of the Board of Directors.

### **14.1 Membership of the committees**

The proportion of independent directors that the code recommends for inclusion in the committees is set out below.

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.

The existence of cross-directorships in the committees<sup>11</sup> should be avoided.

### **14.2 Appointment of the committees**

When the Board has appointed specialised committees, the creation of such committees shall in no event remove matters from the purview of the Board itself, which has sole statutory decision-making authority, nor may it lead to division within the Board, which is and should remain accountable for the discharge of its duties. The committees do not act in the place of the Board, but rather as an extension of the Board in order to facilitate its work.

For this reason in particular, it is necessary to emphasise the importance of the quality of the activity reports drawn up by the Board committees and of the rules which must keep the latter fully informed in order to facilitate its deliberations as well as of including a description of the committees' activities in the past financial year in the report on corporate governance.

### **14.3 Methods of operation of the committees**

When exercising their duties, Board committees may contact the principal managers of the corporation after informing the company officers and subject to reporting back to the Board on such contacts.

The Board committees may request external technical studies relating to matters within their competence, at the corporation's expense, after informing the Chairman of the Board of Directors or the Board of Directors itself, and subject to reporting back to the Board thereon. If committees have recourse to services provided by external consultants (e.g. a compensation consultant in order to obtain information on

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<sup>10</sup> Article L.823-19 of the Commercial Code.

<sup>11</sup> The terms cross-directorships or reciprocal directorships are used to refer to a situation in which a company officer of company A sits on a Board committee of company B and, conversely, a company officer of company B sits on the corresponding Board committee of company A.

compensation systems and levels applicable in the main markets), the committees must ensure that the consultant concerned is objective.

Each committee must have internal rules setting out its duties and mode of operation. The committees' internal rules, which must be approved by the Board, may be integrated into the internal rules of the Board or be set out in separate provisions.

The committees' secretariat tasks shall be undertaken by the persons nominated by the chairman of the committee or in agreement with him or her.

## 15 THE AUDIT COMMITTEE<sup>12</sup>

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Each Board should appoint an audit committee, the duties of which are inseparable from those of the Board of Directors, which is legally bound to approve the annual corporate financial statements and to prepare the annual consolidated accounts. Approving the accounts is the main occasion on which the Board assumes two of its essential duties: the review of the management and the verification of the reliability and clarity of the information to be provided to the shareholders and the market.

### 15.1 Membership

The audit committee members should be competent in finance or accounting.

The proportion of independent directors on the audit committee should be at least equal to two-thirds, and the committee should not include any executive officer.

The appointment or reappointment of the chairman of the audit committee is proposed by the nominations committee and should be the subject of a specific review by the Board.

### 15.2 Duties

In addition to the duties conferred on it by law, the audit committee must, when preparing the financial information, make sure that the accounting methods employed are relevant and applied consistently, in particular when dealing with major transactions. It is also desirable that when reviewing the accounts, the committee focus on major transactions which could have given rise to conflicts of interest.

In the framework of monitoring the effectiveness of the internal control and risk management systems and, where applicable, of the internal audit of the procedures relating to the preparation and processing of financial and extra-financial accounting information, the committee<sup>13</sup> should hear the persons responsible for the internal audit and risk control and issue an opinion on the organisation of their services. It should be informed of the internal audit schedule and receive internal audit reports or a periodical summary of these reports.

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<sup>12</sup> This committee may have various names, depending on the company. For convenience, the name "audit committee" will be used. The tasks assigned to the audit committee can be divided in two, for example between an audit committee and a risk committee.

<sup>13</sup> Another specialised committee of the Board of Directors may perform this task.

The committee reviews the major risks and off-balance-sheet commitments, assesses the significance of any deficiencies or weaknesses of which it has been notified and informs the Board if necessary.

The review of the accounts must be accompanied by a management presentation describing the company's exposure to risks, including those of a social and environmental nature, and significant off-balance-sheet commitments as well as the accounting options chosen.

Finally, it should review the scope of consolidation and, if necessary, the reasons why any companies should not be included in it.

### 15.3 **Operating methods**

Sufficient time must be available for the provision of the accounts and their review.

The committee hears the statutory auditors, in particular on the occasion of meetings held to review the process used for preparing the financial information and reviewing the accounts, in order to report on the conduct of their task and the conclusions of their work.

This enables the committee to be informed of the main areas of risk or uncertainty relating to the accounts as identified by the statutory auditors, their approach to the audit and any difficulties that might have arisen during the conduct of the task.

It also hears the directors responsible for financial affairs, accounting, cash flow and internal audits. Should the committee so wish, it must be possible to hold these sessions in the absence of the company's executive management.

## 16 **THE NOMINATIONS COMMITTEE**

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The nominations committee plays an essential role in shaping the future of the company, as it is responsible for preparing the future membership of the leadership bodies. Accordingly, each Board should appoint, from its members, a committee for the nomination of directors and company officers which may or may not be separate from the compensation committee.

### 16.1 **Membership**

It must not include any executive officer and must mostly consist of independent directors.

### 16.2 **Duties**

#### **16.2.1 *In the case of the selection of new directors***

This committee is responsible for submitting proposals to the Board after reviewing in detail all of the factors to be taken into account in its proceedings, in particular with regard to the make-up and changes in the corporation's shareholding structure, in order to arrive at a desirable balance in the

membership of the Board: gender representation, nationality, international experience, expertise, etc. In particular, it should organise a procedure for the nomination of future independent directors and perform its own review of potential candidates before the latter are approached in any way.

### **16.2.2 In the case of succession planning for company officers**

The nominations committee (or an *ad hoc* committee) should design a plan for replacement of company officers. This is one of the committee's most important tasks, even though it can, if necessary, be entrusted by the Board to an *ad hoc* committee. The Chairman may or may not contribute to the committee's work during the conduct of this task.

### **16.3 Operating methods**

The Chief Executive Officer<sup>14</sup> contributes to the work of the nominations committee. If the functions of Chairman and Chief Executive Officer are separated, the non-executive Chairman can be a member of this committee.

## **17 THE COMPENSATION COMMITTEE<sup>15</sup>**

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### **17.1 Membership**

It must not include any executive officer and must mostly consist of independent directors. It is recommended that the chairman of the committee should be independent and that one of its members should be an employee director.

### **17.2 Duties**

The compensation committee is responsible for reviewing and proposing to the Board all of the elements determining the compensation and entitlements accruing to the company officers. The Board of Directors in its entirety is responsible for making the corresponding decisions. It also issues recommendations concerning the global amount of and methods used for the distribution of the fees awarded to directors.

Furthermore, the committee must be informed of the compensation policy applicable to the principal managers who are not company officers. To this end, the compensation committee involves the executive officers in its work.

### **17.3 Operating methods**

When the report on the work of the compensation committee is presented, the Board should deliberate on issues relating to the compensation of the company officers in the absence of the latter.

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<sup>14</sup> This recommendation applies to the Chairman and Chief Executive Officer or Chief Executive Officer in companies with a Board of Directors, to the Chairman of the Management Board, to the sole Managing Director in companies with a Management Board and a Supervisory Board and to statutory managers in partnerships limited by shares.

<sup>15</sup> This committee may have various names, depending on the company. For convenience, we propose to use the term "compensation committee".



## **18 NUMBER OF DIRECTORSHIPS OF COMPANY OFFICERS AND DIRECTORS**

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- 18.1 Directors should devote the necessary time and attention to their duties.
- 18.2 An executive officer should not hold more than two other directorships in listed corporations, including foreign corporations, outside of his or her group<sup>16</sup>. He or she must also seek the opinion of the Board before accepting a new directorship in a listed corporation.
- 18.3 With regard to non-executive officers, the Board may draw up specific recommendations on this issue, taking into account the individual's particular situation and the specific tasks conferred on him or her.
- 18.4 A director should not hold more than four other directorships in listed corporations, including foreign corporations, outside of the group. This recommendation will apply at the time of appointment or for the next renewal of the director's term of office.
- 18.5 The director should keep the Board informed of directorships held in other companies, including his or her participation on Board committees of these companies, both in France and abroad.

## **19 ETHICAL RULES FOR DIRECTORS**

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Any director<sup>17</sup> of a listed corporation should consider himself or herself as being bound by the following obligations:

- Before accepting office, the director should ensure that he or she is familiar with the general or specific obligations connected with that office. In particular, he or she should familiarise himself or herself with the relevant laws and regulations, by-laws, these recommendations as supplemented by the Board as well as internal rules adopted by the Board;
- In the absence of legal provisions to the contrary, the director should personally be a shareholder and, by virtue of the provisions in the by-laws or the internal rules, hold a minimum number of shares that is significant in relation to the directors' fees awarded. If he or she does not hold these shares when assuming office, he or she should use his or her directors' fees to acquire them. The director will notify the corporation of this information, which will publish it in its report on corporate governance;
- The director is mandated by all the shareholders and should act in all circumstances in the best interests of the corporation;
- The director is bound to report to the Board any conflict of interest, whether actual or potential, and abstain from attending the debate and taking part in voting on the related resolution;

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<sup>16</sup> The above limit does not apply to directorships held by an executive officer in subsidiaries and holdings, held alone or together with others, of companies whose main activity is to acquire and manage such holdings.

<sup>17</sup> The obligations are naturally applicable both to permanent representatives of legal entities holding directorships and to individual directors.

- The director should be regular in his or her attendance and take part in all meetings of the Board and of any committees of which he or she is a member. He or she must also be present at the shareholders' meeting;
- The director has a duty to remain informed. To this end, he or she should request from the Chairman in due time all the information required to effectively contribute to the items on the agenda of Board meetings;
- With regard to any non-public information obtained in the discharge of his or her duties, the director should consider that he or she is bound by a strict duty of confidentiality that goes beyond the mere duty of discretion provided for by law;
- The director will comply with the applicable legal and regulatory provisions relating to the declaration of transactions and the requirement to abstain from dealing in the securities of the corporation.

Each Board is responsible for supplementing, if appropriate, this list of basic obligations placed on directors with specific provisions that it deems necessary for its operation. To this end, it is desirable that the internal rules set out the rules for preventing and managing conflicts of interest.

## **20 DIRECTORS' COMPENSATION**

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- 20.1 It should be recalled that the method of allocation of this compensation, the total amount of which is determined by the shareholders' meeting, is set by the Board of Directors. It should take account, in such ways as it shall determine, of the directors' actual attendance at meetings of the Board and committees, and the amount shall therefore consist primarily of a variable portion.
- 20.2 Directors' participation in specialised committees may give rise to the award of additional directors' fees. Similarly, the exercise of special tasks, such as those of Vice President or Lead Director, may give rise to additional fees or payment of extraordinary compensation subject to the application of the procedure for related parties agreements.
- 20.3 The amount of directors' fees should reflect the level of responsibility assumed by the directors and the time that they need to devote to their duties. Each Board must review the adequacy of the level of directors' fees with regard to the duties and responsibilities placed on the directors.
- 20.4 The rules for allocation of the directors' fees and the individual amounts of payments made in this regard to the directors should be set out in the report on corporate governance.

## **21 TERMINATION OF EMPLOYMENT CONTRACT IN THE EVENT OF BECOMING A COMPANY OFFICER**

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- 21.1 When an employee becomes a company officer, it is recommended to terminate his or her employment contract with the company or with a group company, whether through contractual termination or resignation<sup>18</sup>.
- 21.2 This recommendation applies to the Chairman and Chief Executive Officer or Chief Executive Officer in corporations with Boards of Directors, to the Chairman of the Management Board, to the sole Managing Director in companies with a Management Board and a Supervisory Board and to the statutory managers of partnerships limited by shares.
- 21.3 It does not apply to employees of a group of companies who are company officers of a subsidiary of the group, whether listed or not.

## **22 REQUIREMENT FOR COMPANY OFFICERS TO HOLD SHARES**

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The Board of Directors defines a minimum number of registered shares that the company officers must retain through to the end of their term of office. This decision is reviewed at least on each extension of their term of office.

The Board may base its decisions on various references, for example:

- the annual compensation;
- a defined number of shares;
- a percentage of the capital gain net of taxes and social security contributions and of expenses related to the transaction, in the case of exercised options or performance shares;
- a combination of these references.

Until this objective regarding the holding of shares has been achieved, the company officers will devote a proportion of exercised options or awarded performance shares to this end as determined by the Board. This information must be presented in the corporation's report on corporate governance.

## **23 CONCLUSION OF A NON-COMPETITION AGREEMENT WITH A COMPANY OFFICER**

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- 23.1 The purpose of concluding a non-competition agreement is to restrict the freedom of a company officer to hold a position with a competitor. It is an instrument designed to protect the company and justifies financial compensation for the aforementioned company officer.

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<sup>18</sup> Where the employment contract continues, it will be suspended as provided for under applicable legislation.

- 23.2 In accordance with the procedure governing related parties agreements, the Board must authorise the conclusion of the non-competition agreement, the length of the requirement for non-competition and the amount of benefits, taking into account the actual and effective scope of the non-competition requirement. The decision of the Board must be made public.
- 23.3 When the agreement is concluded, the Board must incorporate a provision that authorises it to waive the application of this agreement when the officer leaves.
- 23.4 The Board must also make provision for no non-competition benefit to be paid once the officer claims his or her pension rights. In any event, no benefit can be paid over the age of 65.
- 23.5 There must be no possibility of concluding a non-competition agreement at the time when the company officer leaves in cases where no such clause had previously been stipulated.
- 23.6 The benefit paid in respect of the non-competition agreement must not exceed the ceiling of two years of (annual fixed + variable) compensation. When a termination benefit is also paid, the aggregate of these two benefits must not exceed this ceiling (see above). The non-competition benefit must be paid in instalments during its term.

## **24 COMPENSATION OF COMPANY OFFICERS**

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### **24.1 Principles for the determination of the compensation of executive officers and the role of the Board of Directors**

#### ***24.1.1 Role of the Board of Directors***

The Board must debate the performances of the executive officers in the absence of the interested parties.

The Board of Directors which appoints the executive officers is responsible for determining their compensation on the basis of proposals made by the compensation committee. The Board provides reasons for its decisions in such matters.

The compensation of these directors must be competitive, adapted to the company's strategy and context and must aim, in particular, to improve its performance and competitiveness over the medium and long term, notably by incorporating one or more criteria related to social and environmental responsibility.

The compensation must make it possible to attract, retain and motivate high-quality directors.

### **24.1.2 Principles for the determination of compensation**

In order to determine the compensation of executive officers, the Boards and committees must take into account and rigorously apply the following principles:

- **comprehensiveness:** the determination of the compensation must be comprehensive. All the components of the compensation must be taken into account when determining the overall compensation level;
- **balance between the compensation components:** each component of the compensation must be clearly substantiated and correspond to the corporate interest;
- **comparability:** this compensation must be assessed within the context of a business sector and the reference market. If the market is taken as a reference, it cannot be the only one since the compensation of a company officer depends on the responsibilities assumed, the results achieved and the work performed. It may also depend on the nature of the tasks entrusted to him or her or on the specific situations (for example, turning around a company in difficulty);
- **consistency:** the company officer's compensation must be determined in a manner consistent with that of the other officers and employees of the company;
- **understandability of the rules:** the rules should be simple, stable and transparent. The performance criteria used must correspond to the company's objectives, and be demanding, explicit, and, to the greatest extent possible, long-lasting;
- **proportionality:** the determination of the compensation components must be well balanced and simultaneously take account of the corporate interest, market practices, the performance of the officers, and the company's other stakeholders.

These principles apply to all compensation components, including long-term and extraordinary compensation.

### **24.1.3 Application of the principles to partnerships limited by shares**

It is desirable that partnerships limited by shares apply the same compensation rules as those that are applicable to public limited companies, with the sole exclusion of differences justified by the specific characteristics of this corporate form and, more specifically, those associated with the status of manager of a partnership limited by shares.

## 24.2 Principles for the determination of the compensation of non-executive officers

In the same way as for executive officers, the Board of Directors, which appoints non-executive officers, is responsible for determining their compensation on the basis of proposals made by the compensation committee. The Board provides reasons for its decisions in such matters.

It is not desirable to award variable compensation, stock options or performance shares. If, despite this, such awards are granted, then the Board must justify the reasons for this and the director cannot be considered to be independent (*see above*).

## 24.3 Components of the compensation of executive officers

### 24.3.1 Fixed compensation of executive officers

In principle, fixed compensation may only be reviewed at relatively long intervals.

If, however, the company opts for an annual increase in the fixed compensation, this increase must be modest and must respect the principle of consistency set out in § 24.1.2.

In the event of any significant increase in compensation, the reasons for this increase must be clearly indicated.

### 24.3.2 Annual variable compensation of executive officers

The Board may decide to award annual variable compensation, the payment of which may be deferred if appropriate.

The rules for fixing this compensation must be consistent with the annual review of the performances of the executive officers and the corporate strategy. They depend on the director's performance and the progress made by the company.

The terms of the annual variable compensation must be understandable to shareholders, and clear and comprehensive information must be provided each year in the report on corporate governance.

The Board defines the criteria that make it possible to determine the annual variable compensation as well as the objectives to be achieved. These must be precise and, of course, predetermined.

These criteria must be reviewed regularly, while avoiding overly frequent revisions.

The **quantifiable** criteria are not necessarily financial and must be simple, relevant and suited to the corporate strategy. They must account for the largest share of this compensation.

If used, the stock exchange price must not constitute the only quantifiable criterion and may be assessed on a relative basis (comparison with similar companies or indexes).

The **qualitative** criteria must be defined precisely. When qualitative criteria are used within the annual variable compensation, a limit must be set for the qualitative part.

The maximum amount of annual variable compensation must be defined as a percentage of the fixed compensation and must be of a magnitude that is proportionate to this fixed part.

Except in justified cases, the award of annual variable compensation may not be restricted solely to executive officers.

### **24.3.3 Long-term compensation of executive officers**

- **General principles**

The aim of the long-term compensation mechanisms is not only to encourage directors to adopt a long-term approach but also to secure their loyalty and harmonise their own interests with the corporate interest and the interests of the shareholders.

These mechanisms may consist of the award of instruments such as stock options or performance shares or may take the form of the award of securities or cash payments within the framework of multi-annual variable compensation plans.

Such plans are not restricted solely to executive officers, and all or a part of the company's employees may benefit from them.

They must be simple and comprehensible, both for the interested parties themselves and for the shareholders.

When awarding them, the Board may include a provision authorising it to rule on the maintenance or otherwise of long-term compensation plans not yet acquired, options not yet exercised or shares not yet vested at the time of departure of the beneficiary.

These plans, the award of which must be proportionate to the annual fixed and variable compensation components, must provide for demanding performance conditions to be fulfilled over a period of several consecutive years. These conditions may be performance conditions that are internal to the company or relative conditions, that is to say linked to the performances of other corporations, a reference sector, etc. If chosen as a criterion, the stock exchange price may be assessed on a relative basis (comparison with similar companies or indexes). Whenever possible and relevant, these internal and relative performance conditions should be combined.

Only under exceptional circumstances (substantial change to scope, unexpected change in the competitive context, loss of relevance of a reference index or a comparison group, etc.) is it permissible to modify the performance conditions during the period in question. In this case, these changes are made public following the Board meeting at which they were decided on. In the event of a change to the performance conditions, the alignment of the interests of the shareholders with those of the beneficiaries must be maintained.

In the event of the departure of a director, please refer to § 24.5.1.

- **Provisions specific to stock options and performance shares**

The award of stock options and/or performance shares must correspond to a policy of involvement in the capital, i.e. a policy that aligns the interests of beneficiaries with those of the shareholders along with the associated uncertainty.

The Board must ensure that awards are made at the same calendar periods, e.g. after the publication of the financial statements for the previous financial year, and should preferably do so each year.

It is necessary to specify periods preceding the publication of the annual and interim financial statements during which the exercise of the stock options is not possible. The Board of Directors or Supervisory Board must specify these periods and, where applicable, specify the procedure to be followed by the beneficiaries prior to any exercise of the stock options in order to ensure that they do not hold any information likely to prevent them from exercising these options.

With regard to executive officers, it is necessary:

- to ensure that the stock options and performance shares valued in accordance with the method chosen for the consolidated financial statements represent a proportionate percentage of the aggregate of all compensation, options and shares awarded to them. The Board must specify the percentage of the compensation not to be exceeded by such awards;
- to avoid awards from being overly concentrated on them. According to the situation of each company (size, industry, broad or narrow scope of the award, number of officers, etc.), the Board must define the maximum percentage of options and performance shares that may be awarded to company officers, as compared with the aggregate award approved by the shareholders. The resolution authorising the award plan submitted to a vote at the shareholders' meeting must mention this maximum percentage in the form of an award sub-ceiling for company officers;
- to remain consistent with the corporation's prior practices for the valuation of the awarded options and performance shares.



No discount should be applied upon the award of stock options to company officers.

Company officers who are beneficiaries of stock options and/or performance shares must make a formal commitment not to engage in any hedging transactions in respect of their own risks with regard to options, shares resulting from the exercise of options or performance shares, and to respect this commitment until the end of the share retention period determined by the Board of Directors.

#### **24.3.4 Extraordinary compensation of executive officers**

Only highly specific circumstances may warrant the award of extraordinary compensation (for example, due to their importance for the corporation, the involvement they demand and the difficulties they present).

Justified reasons for the payment of this compensation must be given, and the realisation of the event that gave rise to the payment must be explained.

#### **24.4 Taking up of positions by executive officers**

Benefits for taking up a position may only be granted to a new executive officer who has come from a company outside the group.

The payment of this benefit, which may take a number of different forms, is intended to compensate the director for the loss of the entitlements from which he or she previously benefited. It must be explicitly indicated and the amount must be made public at the time it is determined, including in the event of periodic or deferred payment.

#### **24.5 Departure of company officers**<sup>19</sup>

##### **24.5.1 General provisions**

It is not acceptable that directors whose company has failed or who have personally failed may receive benefits upon departure.

The law gives a major role to shareholders by making these predefined benefits, paid on termination of office as a company officer, subject to the procedure for related parties agreements. It demands total transparency and makes termination payments conditional upon performance conditions.

The performance conditions set out by the Board for these benefits must be assessed over at least two financial years. They must be demanding and may not allow for the indemnification of a director, unless his or her departure is imposed, regardless of the form of this departure.

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<sup>19</sup> This provision is governed by Articles L.225-42-1 and L.225-90-1 of the Commercial Code.

The payment of any termination benefits to a company officer must be excluded if he or she elects to leave the company in order to hold another position or is assigned to another position within the same group or is entitled to benefit from his or her pension rights.

The termination payment must not exceed, where applicable, two years of (annual fixed and variable) compensation.

If a non-competition clause has also been stipulated, the Board decides on whether or not to apply this clause at the time of the director's departure, in particular in cases when the director leaves the company in order to claim entitlement or after claiming entitlement to his or her pension rights. Under no circumstances may the aggregate amount of these two benefits exceed this ceiling (*see above*).

This two-year ceiling also covers, where applicable, any benefits relating to termination of the employment contract.

Any artificial increase in compensation during the period preceding the departure should be prohibited.

A company officer cannot be awarded stock options or performance shares at the time of his or her departure.

In the event that a company officer leaves before the completion of the term envisaged for the assessment of the performance criteria for the long-term compensation mechanisms, continued entitlement to all or part of the long-term compensation benefit and its payment must be evaluated by the Board and the reasons for its decision must be indicated.

#### **24.5.2 Rules governing information**

In addition to the requirements imposed by law, when a company officer leaves the company, the financial conditions relating to his or her departure must be set out in detail. The information that is to be published comprises:

- the fixed compensation paid in respect of the current financial year;
- the way in which the annual variable compensation will be calculated for the current year;
- if applicable, any extraordinary compensation;
- how the following will be dealt with:
  - ongoing multi-annual or deferred variable compensation plans;
  - stock options that have not yet been exercised and performance shares not yet vested;
- the payment of any termination or non-competition benefits;
- benefits from any supplementary pension schemes.

## 24.6 Supplementary pension schemes of company officers

### 24.6.1 General principles

The supplementary pension schemes make it possible to supplement the pensions paid by the basic and complementary schemes.

Irrespective of its nature, the award of a supplementary pension scheme to a company officer must comply with the principles used to determine compensation as set out in § 24.1.2. Except where its purpose is to offset the loss of potential entitlements in respect of which the benefit has already been subject to performance conditions, the award of entitlements or compensation intended to constitute a supplementary pension scheme is subject to such conditions. This recommendation applies to the schemes set up as from the publication of the revised code in June 2018. It does not apply to the schemes pursuant to the sixth paragraph of Article L.225-42-1 of the Commercial Code.

### 24.6.2 Supplementary pension schemes with defined benefits governed by Article L.137-11 of the Social Security Code

Supplementary pension schemes with defined benefits for senior executives and company officers must be subject to conditions intended to prevent abuse.

These supplementary pension schemes must be subject to the condition that the beneficiary be a director or employee of the company when claiming his or her pension rights under the applicable rules.

In order to prevent any abuse, and in addition to the legal provisions<sup>20</sup>, it is necessary to impose the following rules (without prejudice to schemes closed to new beneficiaries, which may not be altered):

- the group of potential beneficiaries must be considerably larger than the company officers alone;
- the beneficiaries must meet reasonable requirements of seniority within the company, equal to at least two years, as determined by the Board of Directors, before they benefit from payments from a pension plan with defined benefits;
- the performance conditions permitting the annual definition of the acquisition of conditional rights, applicable in accordance with current legislation, must be demanding;
- the benchmark period taken into account for the calculation of the benefits must cover several years, and any artificial increase in compensation aimed solely at increasing pension benefits over the same period must be excluded;

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<sup>20</sup> Article L.225-42-1 of the Commercial Code.

- systems that confer an entitlement, either immediately or after a small number of years, to a high percentage of the total end-of-career compensation must therefore be excluded;
- the maximum percentage of the reference income which the supplementary pension scheme would confer must not be greater than 45% of the reference income (annual fixed and variable compensation due in respect of the reference period).

## **25 INFORMATION ON COMPANY OFFICERS' COMPENSATION AND THE POLICY FOR AWARDING STOCK OPTIONS AND PERFORMANCE SHARES**

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The law imposes on companies the obligation to disclose in their report on corporate governance or, if applicable, in a specific section of their management report the aggregate compensation and entitlements of all types paid during the financial year to each company officer, as well as the amount of the compensation and entitlements of any type that each of these officers has received during the financial year from group companies. Comprehensive information must be provided to shareholders so that they can have a clear view, not only of the individual compensation paid to company officers, but also of the policy applied in order to determine the compensation.

### **25.1 Ongoing information**

All of the company officers' compensation components, whether potential or vested, must be publicly disclosed, immediately after the meeting of the Board approving them.

### **25.2 Annual information**

The report on corporate governance must include a chapter, prepared with the support of the compensation committee, devoted to informing shareholders of the compensation received by company officers.

This chapter must contain a detailed presentation of the policy used to determine the compensation of the company officers, in particular:

- the rules governing the award of the annual variable part. Without jeopardising the confidentiality that may be linked to certain elements in the determination of the variable part of the compensation, this presentation must indicate the breakdown of the qualitative or quantifiable criteria on the basis of which this variable part is determined, their relative importance, how these criteria have been applied during the financial year and whether the individual targets have been attained. It must also, where necessary, specify whether the payment of this variable part is partly deferred and indicate the conditions and methods of this deferred payment.
- the rules governing the award of multi-annual variable compensation. Without jeopardising the confidentiality that may be justified for certain elements in the determination of this multi-annual variable compensation, it must indicate the qualitative or quantifiable criteria on the basis of which this compensation is determined and their respective importance and, when the multi-annual variable part is paid, how these criteria have been applied;

- a description of the policy for awarding stock options to company officers. In particular, it is necessary to specify the nature of the options (purchase or subscription options), the frequency of the plans and the conditions decided on by the Board for the exercise of the options. A summary table showing all the data relating to current option plans, as set out in the report on corporate governance;
- a description of the policy for awarding shares to company officers, the conditions and, if applicable, the criteria defined by the Board of Directors. In the same way as for stock options, a summary table must show all these data and, in particular, the number of performance shares awarded to each company officer;
- the valuation of stock options and performance shares awarded to company officers, if applicable, at the time of the award and in accordance with the method used for the consolidated financial statements, and the fraction (of the capital) awarded to each of them must also be indicated.

This chapter must also contain:

- a detailed presentation of each company officer's individual compensation, compared with that of the preceding financial year, and broken down between fixed components and variable components. Although the Commercial Code does not impose any such obligation, it appears that the information most relevant for shareholders consists of connecting the variable component to the financial year in respect of which it is calculated, even if it is only paid during subsequent financial years. It is therefore recommended to disclose on a priority basis the compensation due in respect of the financial year and to show in a summary table the amounts due and paid for the current and the preceding financial years;
- the aggregate and individual amount of directors' fees paid to directors and the rules for allocating these, as well as the rules governing the payment of the directors' fees awarded, where applicable, to the general management team in respect of corporate offices held in group companies;
- information on the pension system. Given their wide variety, it is necessary to indicate whether company officers benefit from the same pension scheme as the group's senior executives or whether they benefit from a specific pension scheme, and to describe the main features of these schemes and in particular their calculation methods.

It is recommended that this should follow the standard presentation (shown in Appendix 3) for all the compensation components received by the directors.

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## 26 CONSULTATION OF SHAREHOLDERS ON THE COMPENSATION OF INDIVIDUAL COMPANY OFFICERS<sup>21</sup>

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26.1 The Board must present the compensation of company officers at the annual ordinary shareholder's meeting. This presentation covers the compensation components due or awarded in respect of the closed financial year to each company officer:

- the fixed part;
- the annual variable part together with the performance criteria that contribute to the determination of this amount;
- extraordinary compensation;
- stock options, performance shares and multi-annual variable compensation plans together with the performance criteria used to determine these compensation components;
- benefits linked to taking up or terminating office;
- the supplementary pension scheme;
- any other entitlements.

26.2 It is essential that this presentation is followed by a vote by shareholders. It is recommended to present the following to be voted on by the shareholders:

- one resolution for the Chief Executive Officer or the Chairman of the Management Board;
- one resolution for the Chairman of the Board of Directors or the Chairman of the Supervisory Committee;
- one resolution for the Deputy Chief Executive Officer(s) or the other members of the Management Board.

If the ordinary shareholders' meeting issues a negative opinion, the Board must meet within a reasonable period after the shareholders' meeting and examine the reasons for this vote and the expectations expressed by the shareholders.

Following this consultation and on the recommendations of the compensation committee, the Board will rule on the modifications to be made to the compensation due or awarded in respect of the closed financial year or the future compensation policy. It must then immediately publish information on the company's website indicating how it has responded to the vote at the shareholders' meeting and report on this at the next shareholders' meeting.

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<sup>21</sup> This paragraph applies to companies not affected by the provisions of Articles L.225-37-2, L.225-82-2 and L.225-100 of the Commercial Code. The commitments made to company officers that correspond to compensation components, benefits or entitlements due, or likely to be due as a result of termination or change of office or retrospectively due to these, are subject to the procedure for related parties agreements.

## **27 IMPLEMENTATION OF THE RECOMMENDATIONS**

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### **27.1 Implementation by companies of the "comply or explain" rule**

Listed corporations referring to this Corporate Governance Code should report in detail, in their report on corporate governance, on the implementation of these recommendations and, if applicable, provide an explanation when they deviate, if applicable, from any of them.

The explanation to be provided when a recommendation has not been applied must be comprehensible, relevant and detailed. It must be substantiated and adapted to the company's particular situation and must convincingly indicate why this specific aspect justifies an exemption. It must state the alternative measures that have been taken, if applicable, and must describe the actions that allow the company to comply with the aims of the relevant provision of the code.

If a company intends to implement a recommendation in the future from which it has provisionally deviated, it must state when this temporary situation will come to an end. Companies must indicate in a specific section or table the recommendations that they have not implemented and the respective explanations.

### **27.2 The High Committee on corporate governance**

In order to ensure the effective implementation of the fundamental corporate governance rule, "comply or explain", Afep and Medef formed a High Committee on corporate governance in October 2013. It is responsible for monitoring the implementation of the Corporate Governance Code for the listed corporations that refer to it and ensures the actual implementation of the fundamental corporate governance rule, which is the "comply or explain" principle.

It consists of five experts who either hold or have held directorships in companies that refer to this code, and four qualified individuals who represent the investors and/or have been chosen for their legal or ethical expertise. The Chairman is appointed from among the five individuals who hold or have held directorships.

These individuals are appointed for a period of three years, which may be renewed once by Afep and Medef, on a staggered basis. The members of the High Committee must declare their directorships in listed companies and their participation in professional associations.

It is responsible for:

- monitoring the application of the principles contained in this code. To this end, it may firstly receive questions from Boards on any provision or interpretation connected with the code (for example, qualification as an independent director) and, secondly, it may decide to investigate at its own initiative if it establishes that a company has failed to implement one of the code's recommendations without sufficient explanations and refer the matter to the Board of the company in question. In the event of investigation, the company must reply to the High Committee's letter within a maximum period of two months. If it does not respond within this period, it runs the risk of the investigation being made public.

If a company decides not to follow the High Committee's recommendations, it must indicate the latter's opinion in its report on corporate governance, together with the reasons why it decided not to comply with these recommendations;

- proposing to Afep and Medef updates to the code in the light of changing practices and recommendations that it may have made to companies in the course of its task of monitoring the implementation of the code.

The High Committee publishes an annual activity report.

## **28 REVISION OF THE CODE**

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The code is revised at the initiative of Afep and Medef, which regularly review the appropriateness of updating the code, notably in line with proposals from market participants.

The proposed revisions are submitted for public consultation.



# APPENDICES

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## APPENDIX 1

### STAGES IN THE DEVELOPMENT OF THE AFEP-MEDEF CODE

- **July 1995:** the Viénot I report focused primarily on the membership and tasks of the Board of Directors.
- **July 1999:** for the first time, the Viénot II report addressed the question of compensation by recommending bringing together the information on this compensation in an *ad hoc* chapter and further introduced the "comply or explain" principle.
- **September 2002:** the main features of the Bouton report were to strengthen the tasks of the audit committee and to define "independent director".
- **October 2003:** these reports were consolidated to form the "corporate governance code of listed corporations".
- **January 2007** and **October 2008:** the recommendations of the code were extended to comprise the compensation of the company officers.
- **April 2010:** recommendations were added to the code relating to the presence of women on Boards. The final aim was that all Boards should achieve and then maintain a percentage of at least 40% women as of the shareholders' meeting of 2016 or the admission of the company's shares for trading on a regulated market.
- **June 2013:** the recommendations of the code were extended to include the shareholders' vote on compensation, or "*say on pay*", the strengthening of the "comply or explain" rule and the establishment of the High Committee on corporate governance.
- **November 2015:** the recommendations of the code were extended to include the disposal of significant assets, in the light of the recommendations made by AMF, and consistency with the new statutory provisions governing supplementary pensions was established.
- **November 2016:** the recommendations of the code were specified in further detail and extended, in particular in the fields of independence, CSR and the compensation of company officers, by creating specific paragraphs on compensation applicable to non-executive officers, long-term compensation and extraordinary compensation and by ensuring the transparency of the elements relating to the departure of directors.

## APPENDIX 2

## COMPANY OFFICERS IN PUBLIC LIMITED COMPANIES AND PARTNERSHIPS LIMITED BY SHARES

		Public limited companies with a Board of Directors	Public limited companies with a Management Board / Supervisory Board	Partnerships limited by shares
Executive officers	Executive officers	<ul style="list-style-type: none"> <li>• Chairman and Chief Executive Officer (combination of offices)</li> <li>• Chief Executive Officer</li> <li>• Deputy Chief Executive Officer(s)</li> </ul>	<ul style="list-style-type: none"> <li>• Chairman of the Management Board</li> <li>• Members of the Management Board</li> </ul>	Manager(s)
Non-executive officers	Non-executive officers	Chairman of the Board of Directors (separation of the offices of Chairman and Chief Executive Officer)	Chairman of the Supervisory Board	Chairman of the Supervisory Board
	Directors / members of the Supervisory Board	Directors	Members of the Supervisory Board	Members of the Supervisory Board

## APPENDIX 3

### OVERVIEW OF THE BOARD OF DIRECTORS

	PERSONAL INFORMATION				EXPE-RIENCE	POSITION ON THE BOARD				PARTI-CIPATION IN BOARD COM-MITTEES
	Age	Gender	Nationality	Number of shares		Number of directorships in listed corporations	Independence	Initial date of appointment	Term of office expires	
Company officer/ Director										
Directors										
Director(s) representing employee shareholders										
Director(s) representing employees										

## Profile, experience and expertise of directors

### Name:

- **Age and nationality**
- **First appointment**
- **Term of office expires**
- **Shares held**
  
- **Participation in Board committees**
  
- **Summary of the main areas of expertise and experience (or referral to the biography if applicable)**
  
- **Main activities carried out outside of the company**
  
- **Current directorships**
  - Directorships and positions in group companies
  - Directorships and positions in companies outside of the group: (*French listed corporations, French unlisted corporations, foreign listed corporations, foreign unlisted corporations*)
  
- **Directorships that have expired within the past five years**

## Changes that have occurred within the membership of the Board of Directors and committees during the financial year

Situation as at...

	Departure	Appointment	Reappointment
Board of Directors	(name) dd/mm/yy		
Audit committee			
Compensation committee			
Nominations committee			
Other			

## Independence of directors

The following table shows the status of each director with regard to the criteria for independence set out in § 8 of the code

<p><b>Criterion 1: <i>Employee company officer within the previous 5 years</i></b></p> <p>Not to be and not to have been within the previous five years:</p> <ul style="list-style-type: none"> <li>• an employee or executive officer of the company;</li> <li>• an employee, executive officer or director of a company consolidated within the corporation;</li> <li>• an employee, executive officer or director of the company's parent company or a company consolidated within this parent company.</li> </ul>
<p><b>Criterion 2: <i>Cross-directorships</i></b></p> <p>Not to be an executive officer of a company in which the Corporation holds a directorship, directly or indirectly, or in which an employee appointed as such or an executive officer of the Corporation (currently in office or having held such office within the last five years) holds a directorship.</p>
<p><b>Criterion 3: <i>Significant business relationships</i></b></p> <p>Not to be a customer, supplier, commercial banker, investment banker or consultant:</p> <ul style="list-style-type: none"> <li>• that is significant to the corporation or its group;</li> <li>• or for which the corporation or its group represents a significant portion of its activity.</li> </ul> <p>The evaluation of the significance or otherwise of the relationship with the company or its group must be debated by the Board and the quantitative and qualitative criteria that led to this evaluation (continuity, economic dependence, exclusivity, etc.) must be explicitly stated in the annual report.</p>
<p><b>Criterion 4: <i>Family ties</i></b></p> <p>Not to be related by close family ties to a company officer.</p>
<p><b>Criterion 5: <i>Auditor</i></b></p> <p>Not to have been an auditor of the corporation within the previous 5 years.</p>
<p><b>Criterion 6: <i>Period of office exceeding 12 years</i></b></p> <p>Not to have been a director of the Corporation for more than 12 years. Loss of the status of independent director occurs on the date of the 12th anniversary.</p>
<p><b>Criterion 7: <i>Status of non-executive officer</i></b></p> <p>A non-executive officer cannot be considered independent if he or she receives variable compensation in cash or in the form of securities or any compensation linked to the performance of the corporation or group.</p>
<p><b>Criterion 8: <i>Status of the major shareholder</i></b></p> <p>Directors representing major shareholders of the corporation or its parent company may be considered independent, provided these shareholders do not take part in the control of the corporation. Nevertheless, beyond a 10% threshold in capital or voting rights, the Board, upon a report from the nominations committee, should systematically review the qualification as independent in the light of the make-up of the corporation's capital and the existence of a potential conflict of interest.</p>

Criteria (1)	Dir	Dir	Dir	Dir	Dir	Dir	Dir	Dir
<b>Criterion 1:</b> <i>Employee corporate officer within the past 5 years</i>								
<b>Criterion 2:</b> <i>Cross-directorships</i>								
<b>Criterion 3:</b> <i>Significant business relationships</i>								
<b>Criterion 4:</b> <i>Family ties</i>								
<b>Criterion 5:</b> <i>Auditor</i>								
<b>Criterion 6:</b> <i>Period of office exceeding 12 years</i>								
<b>Criterion 7:</b> <i>Status of non-executive officer</i>								
<b>Criterion 8:</b> <i>Status of the major shareholder</i>								

(1) In this table, ✓ signifies that a criterion for independence is satisfied and ✗ signifies that a criterion for independence is not satisfied

### Regular attendance of members of the Board of Directors

	Regular attendance on the Board of Directors	Regular attendance on the Audit Committee	Regular attendance on the Compensation Committee	Regular attendance on the Nominations Committee	Other
<i>First name and surname (position)</i>					

n/a: non applicable

## APPENDIX 4

### STANDARD PRESENTATION OF THE COMPENSATION OF COMPANY OFFICERS OF COMPANIES WHOSE SECURITIES ARE ADMITTED TO TRADING ON A REGULATED MARKET

In order to improve the clarity and comparability of information about company officers' compensation, Afep and Medef recommend that companies whose securities are admitted for trading on a regulated market should adopt the following presentation in the form of tables.

These ten tables must be grouped in a specific chapter of the report on corporate governance devoted to company officers' compensation. These tables supplement, but do not replace, the information that must be otherwise disclosed by the said companies, for instance as regards the compensation policy, the criteria for the determination of the variable fraction of compensation, or the full details of past stock option plans.

Furthermore, these tables must be supplemented by such information as might be needed to make them understandable and by data that cannot be detailed in tables, such as the details of collective benefit schemes and pension schemes entailing a risk factor.

**Table 1**

<i>Table summarising the compensation, options and shares awarded to each executive officer</i>		
	<b>Financial year N-1</b>	<b>Financial year N</b>
Company officer's name and position		
Compensation <u>due</u> in respect of the financial year ( <i>detailed in table 2</i> )		
Valuation of the stock options awarded during the financial year ( <i>detailed in table 4</i> )		
Valuation of the performance shares awarded during the financial year ( <i>detailed in table 6</i> )		
Valuation of the other long-term compensation plans		
<b>TOTAL</b>		

**Table 2**

<i>Table summarising the compensation of each executive officer</i>				
Company officer's name and position	Financial year N-1		Financial year N	
	Amounts due	Amounts paid	Amounts due	Amounts paid
Fixed compensation				
Annual variable compensation				
Extraordinary compensation				
Directors' fees				
Fringe benefits <sup>22</sup>				
TOTAL				

**Table 3**

<i>Table on the directors' fees and other compensation received by non-executive directors</i>		
Non-executive directors	Amounts paid in N-1	Amounts paid in N
<b>Name</b>		
Directors' fees		
Other compensation		
<b>Name</b>		
Directors' fees		
Other compensation		
TOTAL		

<sup>22</sup> These fringe benefits must be described: car, accommodation, etc.



**Table 4**

<b><i>Subscription or purchase options awarded during the financial year to each executive officer by the issuer and by any group company</i></b>						
(list of names)	No. and date of the plan	Nature of the options (purchase or subscription)	Valuation of the options according to the method used for consolidated financial statements	Number of options awarded during the financial year	Exercise price	Exercise period

**Table 5**

<b><i>Subscription or purchase options exercised during the financial year by each executive officer</i></b>			
(list of names)	No. and date of the plan	Number of options exercised during the financial year	Exercise price

**Table 6**

<b><i>Performance shares awarded during the financial year to each executive officer by the issuer and by any group company</i></b>						
(list of names)	No. and date of the plan	Number of shares awarded during the financial year	Valuation of the shares according to the method used for consolidated financial statements	Acquisition date	Availability date	Performance conditions

**Table 7**

<b><i>Performance shares that have become available during the financial year for each executive officer</i></b>		
(list of names)	No. and date of the plan	Number of shares that have become available during the financial year

Table 8

PAST AWARDS OF SUBSCRIPTION OR PURCHASE OPTIONS <sup>(1)</sup>				
INFORMATION ABOUT THE SUBSCRIPTION OR PURCHASE OPTIONS <sup>(1)</sup>				
	Plan no. 1	Plan no. 2	Plan no. 3	Etc.
Date of meeting				
Date of Board of Directors or Management Board meeting, as applicable				
Total number of shares <sup>(2)</sup> available for subscription or purchase, of which the number available for subscription or purchase by:				
The company officers <sup>(3)</sup>				
Director 1				
Director 2				
Director 3				
Starting date for the exercise of options				
Expiry date				
Subscription or purchase price <sup>(4)</sup>				
Methods of exercise (when the plan comprises several tranches)				
Number of shares subscribed on [...] (most recent date)				
Cumulative number of subscription or purchase options cancelled or lapsed				
Subscription or purchase options remaining at the end of the financial year				

(1) Also includes other financial instruments giving access to capital (BSA, BSRA, BSPCE, etc.). The same information is given for other optional instruments, awarded as a result of operations reserved for company officers.

(2) State when the parity is not from a derivative in respect of a share by adding a comment. Similarly, if an adjustment has been made to the parity or to the capital, the table must be presented following adjustment.

(3) List of names of company officers (executive and non-executive officers).

(4) State the methods used to determine the subscription or purchase price.

**Table 9**

<b>PAST AWARDS OF PERFORMANCE SHARES</b>				
<b>INFORMATION ABOUT PERFORMANCE SHARES</b>				
	<b>Plan no. 1</b>	<b>Plan no. 2</b>	<b>Plan no. 3</b>	<b>Etc.</b>
Date of meeting				
Date of Board of Directors or Management Board meeting, as applicable				
Total number of shares awarded, of which the number awarded to:				
The company officers <sup>(1)</sup>				
Director 1				
Director 2				
Director 3				
Date of acquisition of shares				
Date of the end of the retaining period				
Performance conditions				
Number of shares acquired on [...] (most recent date)				
Cumulative number of shares cancelled or lapsed				
Performance shares remaining at the end of the financial year				

(1) List of names of the executive and non-executive officers.

**Table 10**

<b>TABLE SUMMARISING THE MULTI-ANNUAL VARIABLE COMPENSATION PAID TO EACH EXECUTIVE OFFICER<sup>23</sup></b>			
<b>Company officer's name and position</b>	<b>Financial year <sup>24</sup></b>	<b>Financial year</b>	<b>Financial year</b>

**Table 11**

<b>Executive officers</b>	<b>Employment contract</b>		<b>Supplementary pension scheme</b>		<b>Benefits or entitlements due or likely to become due as a result of termination or change of position</b>		<b>Benefits relating to a non-competition clause</b>	
	<b>Yes</b>	<b>No</b>	<b>Yes</b>	<b>No</b>	<b>Yes</b>	<b>No</b>	<b>Yes</b>	<b>No</b>
Name								
Position								
Term start date								
Term end date								
Name								
Position								
Term start date								
Term end date								

<sup>23</sup> It is not possible to provide a single, all-embracing model, and this table must therefore be adapted in the light of the specific nature of the plans and must provide a clear description of the mechanisms involved.

<sup>24</sup> The table must indicate the financial years concerned in the duration of the plan.