



**BOARD OF DIRECTORS
RULES OF PROCEDURE**

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Preface

The powers of the Board of Directors and the rules governing its operation are set out 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 in Articles 10 to 17 of the by-laws of the company.

Directors shall be informed of these legal and statutory provisions and of these Rules of Procedure and Annexes and shall ensure they are respected.

The Board of Directors' principal characteristics and duties, as defined by law or in the by-laws, are as follows:

- the Board of Directors shall have 12 members.
- In application of Article 66 of Act 86-1067 of September 30, 1986, two seats on the Board of Directors shall be allocated to staff representatives (these directors are elected by the college of TF1 SA employees); one of these two seats shall be reserved for engineers, executives and those in a similar category. During the existence of the company, Board members who are not staff representatives shall be appointed or reappointed to their duties by the Ordinary General Meeting of Shareholders.
- The directors' term of office is two years.
- the Board elects from its members a Chairman, who organises and directs its work and ensures that company bodies function properly;
- the Board entrusts the executive management of the company either to the Chairman of the Board of Directors or to another natural person, who may or may not be a director, and who has the title of Chief Executive Officer;
- the Board may appoint, on a motion by the Chief Executive Officer, up to five Deputy Chief Executives to assist the Chief Executive Officer. It sets their term of office in agreement with the Chief Executive Officer.
- The Board of Directors:
 - determines the company's policies and ensures they are implemented (hereafter the "company" is relating to the company and its subsidiaries);
 - deals with issues affecting the proper functioning of the company and with matters concerning it;
 - performs the checks and verifications it deems appropriate;
 - determines the remuneration of the Chairman, the Chief Executive Officer and the Deputy Chief Executives;
 - considers company policy on professional and pay equality once a year.
- Directors shall receive the information needed to perform their duties.

The company refers to the recommendations of the Corporate Governance Code of Listed Corporations published in June 2013 by Afep and Medef (hereafter the "Afep/Medef Code"), which is appended to these Rules of Procedure. The Chairman's report to the Annual General Meeting shall indicate the provisions of this Code, if any, that have not been complied with and the reasons for noncompliance.

These Rules of Procedure enact rules or recommendations to ensure the proper functioning of the Board of Directors and the level of "Corporate Governance" required by TF1 as a listed company.

These Rules of Procedure take into account the fact that under the Privatisation Act of September 30, 1986, a group of investors led by the Bouygues group was assigned 50% of the capital of TF1 on April 4, 1987; and since January 27, 2006 Bouygues has been the lasted and sole participant in the privatisation of TF1. In that capacity it is responsible for honoring the commitments made by the group of investors, particularly with regard to the continuity of operations.

ARTICLE 1: Membership of the Board of Directors

Two directors at least shall be persons who are independent within the meaning of the Afep/Medef Code. The requirements to qualify as an independent director are given in Article 5 of these Rules of Procedure.

At the request of the Chairman of the Board or by decision of the Board, the Chief Executive Officer, members of management, the statutory auditors or other persons from outside the company with special skills in matters on the agenda may attend all or part of a Board meeting. In accordance with the Commercial Code, the statutory auditors shall attend all Board meetings at which the first-half or full-year financial statements are examined or approved.

ARTICLE 2: Meetings of the Board of Directors

In principle, the Board of Directors meets in ordinary session at least once every Quarter:

- First quarter, the Board closes the financial statements for the previous financial year;
- Second quarter, it closes the first-quarter financial statement and it makes enquiries about the activity of the first semester
- Third quarter, it closes the first-half financial statement, the strategic priorities are presented to it for approval.
- Fourth quarter, it closes the third quarter financial statement, it reviews the activity and the estimated sales and earnings of the financial year and of the next one, the business plans and the financing policy for the business segments and the Group, are presented to it for approval.

Other Board meetings are held as the Group's business requires.

In particular, the Board of Directors, with the assistance of an ad hoc committee if needed, shall examine and make decisions on operations of real strategic importance. It shall review for its prior approval any operation considered of major significance for the Group, including investments in organic growth, external acquisitions, disposals, or internal restructuring, particularly where the operation is outside the scope of the company's stated strategy.

The Board of Directors' authorisation shall be required for major financing operations through public offerings or private placement as well as for the principal guarantees and major commitments.

The Board shall ensure the quality of reporting to shareholders and the financial markets, and in particular the information in the financial statements and concerning major operations.

ARTICLE 3: Quorum

Directors who take part in Board meetings by videoconference or other telecommunications systems shall be considered present for the calculation of the quorum and majority.

In accordance with the Commercial Code, this provision shall not apply for the following:

- preparation of full-year parent company financial statements and the management report;
- preparation of the Group's consolidated financial statements and its management report, if it is not included in the annual report.

Videoconferencing or other telecommunications systems shall have the technical capability to allow the directors to be identified and to actually participate in the Board meeting. The minutes shall note any technical incident during the videoconference or telephone communication that has interfered with the meeting.

ARTICLE 4: Directors' Access to Information

The Chairman or the Chief Executive Officer provides the directors with all documents and information needed to perform their duties, including:

- the information needed to follow the progress of business activities and in particular sales figures;
- the financial situation and in particular the company's cash position and commitments;
- any event that materially affects the Group's consolidated financial results or that may do so;
- material events in the human resources area and in particular workforce levels;
- major risks to the company, any change therein, and the steps taken to control them.

Once each quarter, senior management makes a report to the Board of Directors on the previous quarter's operations and consolidated results.

Directors may obtain additional information if they desire, as the Chairman, the Chief Executive Officer and Deputy Chief Executives shall always be at the Board's disposal to provide explanations and relevant information.

Directors can also meet with the company's senior executives without the executive directors being present, on condition that the latter have been informed beforehand.

The Committees charged by the Board of Directors to deal with specific issues help to keep the Board well informed through their work and reports.

Directors shall always receive any document that the company and its subsidiaries have issued publicly, particularly information for shareholders.

Directors may receive, if they wish, additional training relating to the company, its businesses and the sectors in which it works.

ARTICLE 5: Independent Directors

The Board of Directors identifies directors as independent based on substance rather than form. For this purpose, the Selection Committee gives an opinion on the situation of each of its members.

The Afep/Medef Code gives the following recommendations to boards of directors:

1. The classification of directors as independent is discussed by the Selection Committee and reviewed each year by the Board before publication of the annual report. At the proposal of the Selection Committee, the Board reviews the circumstances of each member in light of the criteria set out below before informing the shareholders of its findings in the annual report and when directors are appointed at the Annual General Meeting.

2. The Board of Directors may conclude that even though directors meet these criteria, they cannot be considered independent because of their specific situation or the company's situation in relation to its shareholders or for any other reason. Conversely, the Board of Directors may decide that a director not who does not meet the criteria set out below is nonetheless independent.
3. Independence should be understood as the absence of any important conflict of interest. A Director should not have any business, family nor any relationship of any kind - with the Company, the shareholder who controls it or the senior management of the firms involved – creating a conflict of interest bound to alter his judgment.
4. Directors are independent when they have no relationship of any kind with the company, its group or its management that could impair their freedom of judgment. Thus, an independent director is understood to be not only a nonexecutive director, i.e. one not performing management duties in the company or its group, but also one without any particular bonds of interest (significant shareholder, employee, other) with either the company or its group.
5. The criteria to be reviewed by the Afep/Medef Code in order to have a director qualified as independent are the following:
 - not being an employee or executive director of the company or an employee or director of its parent company or of a company that it consolidates; and not to have been in such a position during the previous five years ;
 - not being an executive director of a company in which the company holds a directorship, either directly or indirectly, or in which a salaried employee designated as such or an executive director of the company (currently serving or having done so within the last five years) is a director ;
 - not being (or directly or indirectly related to) a customer, supplier, investment banker or commercial banker
 - of significance for the company or its group; or
 - for which the company or its group makes up a significant share of its business ;
 - not having close family ties to a corporate officer;
 - not to have been a statutory auditor of the company within the previous five years ;
 - not to have been a director of the company for more than 12 years, with the stipulation that the status of independent director should only be lost on the expiry of the term during which the 12-year limit is exceeded; when this date is reached, the Board shall periodically re-examine the status of that person as an independent director ;
 - directors representing major shareholders of the company or its parent company may be considered independent as long as these shareholders do not share in the control of the company. When the shareholding exceeds 10% of the share capital or voting rights, the Board shall undertake a review, based on a Selection Committee report, of whether the person qualifies for the status of independent director, taking into account the company's shareholder structure and the existence of potential conflicts of interest.

ARTICLE 6: Assessment of the Board of Directors

The Board of Directors shall periodically assess its ability to meet shareholders' expectations by reviewing its membership, organization and operation as well as its committees.

Once a year, the Board shall include an assessment of its operations on the agenda of one of its meetings.

The objectives of this formal assessment are to:

- review the operating methods of the Board and its committees;
- ensure that important issues are properly prepared and debated.

Shareholders shall be informed every year of the assessment and of actions taken, if any, in the report on corporate governance.

Non-executive directors are free to meet once yearly, without the presence of executive directors or directors who are salaried employees, in particular to assess executive directors' performance and to consider future management arrangements.

ARTICLE 7: Board Committees

The committees of the Board of Directors examine issues submitted to them for an opinion by the Board or its Chairman as well as matters assigned them by law. There are four committees: the Audit Committee, the Remuneration Committee, the Selection Committee, and the Ethics, CSR Committee. The Rules of Procedure of these committees are in Annexes 2 to 5 of these Rules of Procedure.

The Board determines the membership and duties of these committees, which are under its responsibility. It chooses their members from among the directors and it appoints the secretary.

ARTICLE 8: Directors' Fees

The Board of Directors determines, within the limits set by the Annual General Meeting, the fees to be paid to directors for serving on the Board and committees, if any, and for serving as Chairman of the Board or of a committee.

The fees consist of a 50% fixed portion and a 50% variable portion, the latter calculated with reference to attendance at Board and committee meetings.

The fixed portion is paid at the end of each semester.

ARTICLE 9: Remuneration of Corporate Officers

The Board determines the fixed remuneration, the variable remuneration and the benefits in kind as well as the retirement benefits or severance package, if any, paid to executive directors: the Chairman of the Board, the Chief Executive Officer and Deputy Chief Executives. It also makes the decision regarding grants of stock options or performance shares.

The Board makes these decisions, based on the recommendations of the Remuneration Committee, by evaluating each senior executive's overall remuneration and by seeking a fair balance between the company's general interest, market practices, and the senior executive's performance.

The Board does this in compliance with:

- the recommendations in the Afep/Medef Code, which is appended to these Rules of Procedure;
- the AMF's recommendations concerning the information on corporate officers' remuneration to be provided in registration documents.

ANNEX 1: Directors' Code of Conduct

1. Preface

Directors are required to comply with this Code of Conduct, which sets forth the rules of conduct listed in Article 20 of the Afep/Medef Corporate Governance Code regarding the ethical conduct of directors.

Before accepting their position on the Board, directors must be familiar with the general and specific obligations of this position. In particular, they must be familiar with the relevant laws, regulations, by-laws, recommendations of the Afep/Medef Code, rules of conduct and the Board's full Rules of Procedure.

When directors have a question concerning the interpretation or application of a rule in this charter, they should consult the Board's compliance officer and/or the chairman of the Ethics and CSR Committee, if they judge it would be useful.

2. Representation of shareholders

Though directors are shareholders themselves, they are the representatives of all shareholders and must act in all circumstances in the best interest of the company; failure to do so can give rise to personal liability.

3. Duty to be informed

Directors have a duty to be well informed. Accordingly, they must request from the Chairman in a timely manner the information they need to work effectively on the issues on the Board's agenda.

4. Regular attendance – Multiple directorships

Directors must devote the necessary time and attention to their functions. They must attend and participate regularly in the meetings of the Board and of any committees of which they are a member.

All directors are required to comply with the instructions set out in the Commercial Code governing the holding of multiple positions as corporate officers in Sociétés Anonymes (public limited companies), as well as the recommendations of the Afep/Medef Code according to which:

- executive directors must not agree to hold more than two directorships in listed companies, including foreign companies, outside their group; they must also seek the opinion of the Board before accepting another directorship in a listed company;
- directors must not agree to hold more than four directorships in listed companies, including foreign companies, outside their group. This recommendation applies to the appointment or the renewal of a term of office as director.
- directors must inform the Board of directorships held in other companies, including their involvement in board committees of these French or foreign companies.

5. Preventing conflicts of interest

Directors must ensure that they do not perform an activity that would place them in a conflict of interest with the company. In particular, directors shall not seek to hold an interest or invest in a company, whether a customer, supplier or competitor of the company, if this interest or investment could influence their actions in their role as a director.

Directors undertake to inform the Chairman of any conflict of interest, even of a potential nature, between their duties in relation to the company and their private interests and/or other duties, and not to take part in voting on any resolution directly or indirectly affecting them.

If the situation requires, directors may be obliged not to attend Board meetings during deliberations and not to take part in any voting on a resolution and not to have access to documents and information brought to the attention of the other directors concerning the subject in question.

The Chairman of the Board may ask directors at any time to confirm in writing that they are not subject to any conflict of interest.

6. Information concerning directors

The Chairman of the Board may ask directors at any time to provide a certification, statement or details, notably on the following points: their family ties with other directors; service contracts binding them to the company or to any of its subsidiaries and entitling them to benefits under such a contract; their curriculum vitae; their management expertise and experience; the activities and mandates they exercise or have exercised in other listed or unlisted companies and on their committees, in France or abroad; the number of the company's shares they own; their situation with regard to the Afep/Medef Code's criteria for independent director's status; a detailed account of any restriction accepted by them concerning the sale, within a certain period of time, of their shareholding in the company.

The directors undertake to inform the Chairman of the Board of any convictions for fraud, of any incrimination, preventive measure or official sanctions issued in the last five years as well as of any insolvency, compulsory administration or liquidation proceedings with which they have been associated in the last five years. The Chairman of the Board may ask directors at any time to confirm in writing that they are not affected by any of these situations.

7. Share ownership

The by-laws stipulate that each director must hold at least one share in the company. The Rules of Procedure recommend that each director, who does not represents employees, own 100 shares in the company and each director who represents employees own 10 shares in the Company.

8. Holding of the company's shares in registered form

In accordance with Article L. 225-109 of the Commercial Code, the Chairman, the Chief Executive Officer, the Deputy Chief Executive Officer, the directors, whether individuals or legal entities, as well as standing representatives of legal entity directors (the "Persons Concerned"), are required to convert to registered form any TF1 shares as well as listed shares issued by any subsidiary held by them (or owned by any minor-age children of theirs) when they take up their duties and any shares they subsequently acquire. The same obligation applies to the non-separated spouses of the Persons Concerned.

9. Confidentiality

Directors shall consider themselves bound to professional secrecy that exceeds the mere obligation of discretion stipulated by regulations, with regard to non-public information acquired in the performance of their duties.

Directors as well as any person called to attend a meeting of the Board or of one of its committees are bound by a strict obligation of confidentiality with regard both to persons outside the company and to persons with no cause to be aware of information as a result of their duties in the company.

Only the executive directors of the company are authorized to provide third parties and the public with information on company policy, strategy, business and performance.

10. Prevention of insider trading

Directors are reminded that they are likely to hold inside information at all times and that they must ensure before carrying out any transaction that they are not engaging in insider trading. Directors must therefore manage their shares in the company in a rigorous and ethical manner.

Directors must observe the following rules of conduct, which apply to all financial markets, whether French or foreign, in which they carry out transactions.

10.1 Ban on circulating or making use of inside information

Besides the general obligation of confidentiality described in paragraph 9 above, any Person Concerned holding inside information about the company, its subsidiaries or a transaction under consideration by the company or its subsidiaries is bound by an obligation of strict confidentiality and non-participation. Accordingly, Persons Concerned are prohibited from directly or indirectly acquiring or selling, or attempting to acquire or sell, on their own account or on behalf of others, financial instruments to which such inside information relates, and any financial instruments to which those instruments are in turn connected.

More generally, they are prohibited from communicating any inside information to third parties, and from recommending to third parties that they buy or sell, or arrange for another person to buy or sell, the aforementioned financial instruments on the basis of inside information.

Inside information is understood to mean any specific information that has not been made public, that relates directly or indirectly to the company, its subsidiaries or one or more financial instruments issued by them, and which, if made public, would be likely to have a significant effect on the price of the financial instruments in question or the price of financial instruments connected to them.

The Persons Concerned are bound by this obligation of confidentiality and nonparticipation even where they hold inside information by chance and in no way as a result of their role as a director.

Directors are reminded of the seriousness of the legal sanctions that may be imposed for failing to observe the aforementioned obligations:

- the AMF may impose a fine of up to €100 million or, if profits have been realized, ten times the amount of the profits;
- a senior executive or person who holds inside information while exercising his/her profession or duties and who carries out directly or allows an intermediary to carry out one or more transactions before the public is aware of this information is liable to two years' imprisonment and a fine of €1,500,000, with the possibility of the fine's being increased by up to ten times the amount of any profits realized;
- any person possessing inside information concerning the prospects or situation of an issuer and who communicates this information to a third party outside of the normal scope of his/her profession or duties is liable to one year's imprisonment and a fine of €150,000.

10.2 Closed periods

In any case, all Persons Concerned must refrain from trading in the company's shares during (all TF1 option plans include a lock-up requirement, whereby options that have been allotted cannot be exercised and option shares cannot be sold in the period prior to the release of the financial statements):

- the period of 30 calendar days preceding the publication of TF1's full year, first-half or quarterly financial statements, and the day of their publication;
- the period of 15 calendar days preceding the publication of TF1's quarterly sales, and the day of their publication.

This obligation to refrain from trading should also be observed during any period in which a Person Concerned is aware of inside information and the day of its publication.

In addition, pursuant to Article L. 225-197-1 of the Commercial Code, bonus shares may not be sold:

- in the ten trading sessions following the date on which the consolidated financial statements are published;
- in the ten trading sessions following the date on which inside information is published.

10.3 Consultation of the Board's compliance officer

Any Person Concerned who wishes to carry out a transaction in the shares of TF1 may consult the Board's compliance officer to confirm that he/she would not be engaging in insider trading.

This consultation is obligatory for executive directors and salaried directors.

In any case, the Board's compliance officer's opinion is advisory only, and the decision to trade in the company's shares or not is the sole responsibility of the Person Concerned.

10.4 Ban on speculative transactions

Directors undertake not to engage in speculative trading in the shares of TF1 through such transactions as short selling or buying on margin, rolling orders over onto the deferred settlement market, round-tripping or transactions on derivatives.

10.5 Ban on hedging

Directors formally undertake to refrain from entering into hedging transactions to cover their risk exposure in respect of options, shares issued on exercise of options or performance shares.

10.6 Share trading plans

It is noted that the AMF recommends the setting up of share trading plans allowing senior executives to benefit, under certain conditions specified by the AMF, from a rebuttable presumption that they are not engaging in insider trading.

Directors should determine, in light of their personal situation, the advisability of setting up such plans, which, where appropriate, may remain in place during the closed periods described above.

10.7 Declaring transactions in the company's shares

In accordance with Article L. 621-18-2 of the Monetary and Financial Code and Article 223-22 of the AMF General Regulation, the Persons concerned must declare to the AMF all their transactions in TF1 shares, whether made directly or through an intermediary, on their own account or on behalf of a third party under the terms of an agreement, unless that agreement is performed under a third-party management agreement.

The same applies to transactions in TF1 shares carried out by persons closely related to a Person Concerned, namely:

- their non-separated spouse or civil-union partner;
- children over whom the Persons Concerned exercise parental authority or who usually or alternately reside with them and whom they effectively and permanently support;
- any other direct relative or relative by marriage having lived in the home of the Person Concerned for at least one year at the time of the transaction;
- any legal entity other than TF1 and:
 - whose supervision, administration or management is performed by the Person Concerned or by a person closely related to him/her and acting for the benefit of one of these persons (for example, a transaction carried out for the benefit of the Person Concerned by a company that the Person Concerned manages); or

- that is controlled, directly or indirectly, by the Person Concerned or by a person closely related to them (for example, a transaction carried out by a company in which the Person Concerned has more than a 50% shareholding); or
- that is constituted for the benefit of the Person Concerned or a person closely related to them; or
- for which the Person Concerned or a person closely related to them enjoys at least the majority of the economic benefits (for example, a transaction carried out by a company of which the Person Concerned is the principal supplier).

The transactions covered by this obligation are subscriptions, purchases, sales and exchanges involving:

- shares of TF1, including the subscription of shares through the exercise of stock options (even when not followed by a sale of shares obtained) and the sale of bonus shares;
- securities giving access to shares of TF1;
- or derivatives on TF1 shares;
- as well as forward transactions on TF1 shares;

if the said transactions carried out by the Person Concerned and/or persons closely related to them should exceed a total of €5,000 per civil year. Once the cumulative amount of transactions over the civil year goes over €5,000, the Person Concerned is required to declare all transactions carried out including those that had not been declared because the €5,000 limit had not been reached.

Transactions carried out by legal entities in the group to which they belong are not taken into account.

The Persons Concerned must declare directly to the AMF any transaction mentioned above within a maximum of five trading days from the conclusion of the transaction, using the AMF's standard report form via the secure extranet. A copy of this declaration must be sent to the Chairman of the Board of TF1 within the same time period.

The Persons Concerned may ask the manager of their share account to file the required declarations.

Persons who are closely related to the Persons Concerned are also required to declare within the same time period and in the same way the transactions they have carried out in TF1 shares.

The members of the Board shall be informed within the same time period of any transaction carried out by one of the executive directors.

ANNEX 2: Audit Committee Rules of Procedure

1. The Audit Committee, operating under the responsibility of the Board of Directors and in accordance with the provisions of the Afep/Medef Code appended to these Rules of Procedure, deals with matters related to the preparation and control of accounting and financial information. It is responsible for:
 - monitoring the preparation of financial data; for this purpose, it
 - examines the parent company and consolidated financial statements at least two days before they are presented to the Board;
 - ensures that the accounting methods used to draw up these financial statements are relevant and consistent;
 - examines the internal control procedures for drawing up the financial statements, with the assistance of internal departments and qualified advisors;
 - examines changes having a material impact on the financial statements;
 - examines the main options for closing the financial statements and for making estimates and judgments as well as the main changes in the scope of consolidation.
 - monitoring the effectiveness of internal control and risk management systems.
 - monitoring the statutory review of parent company and consolidated financial statements by the statutory auditors;
 - monitoring the independence of the statutory auditors; for this purpose, it :
 - examines in detail the fees paid by the company and group companies to the statutory auditors' network and verifies that these fees do not represent a large enough share of the revenues of each statutory auditor's firm to impair his or her independence;
 - manages the statutory auditor selection and renewal procedure;
 - makes a recommendation on the statutory auditors nominated for appointment by the Annual General Meeting.
 - making reports and recommendations to the Board in relation to the foregoing, both periodically, when the financial statements are drawn up, and when an event warrants them.
2. The Audit Committee shall have at least two members competent in finance and accounting. Neither corporate officers nor executives of the company may serve on this Committee. At least two of its members, including the Committee Chairman, shall be independent directors within the meaning of the Afep/Medef Code and of European regulation of the 15th February 2005.

At the time of their appointment, Audit Committee members shall be provided with information concerning the company's specific accounting, financial and operational characteristics.

A director cannot be appointed member of the Account Committee of a corporate officer or salaried director of TF1 is a member of a similar committee in a company in which this director is himself a corporate officer.

3. The Audit Committee can duly deliberate only if two or more of its members, including its Chairman, are in attendance.

Audit Committee meetings are called by its Chairman or at the request of the Chairman of the Board of Directors.

At least four meetings shall be held each year to examine the quarterly, the first-half and full year financial statements before they are submitted to the Board.

The Audit Committee's Chairman shall draw up the agenda for its meetings.

4. To carry out its duties, the Committee has access to all accounting and financial documents that it deems useful. It shall also meet with the statutory auditors and directors of the company who are in charge of finance, accounting, cash management and internal audit. These meetings shall be held, at the request of the Committee, without the company's senior management being present.
5. The Audit Committee shall consider the Chairman's draft report on internal control and risk management procedures, and if necessary communicate its observations on the draft report.
6. The statutory auditors shall present to the Audit Committee a summary of their work and the accounting procedures adopted to close the financial statements.
7. The Audit Committee shall meet with the statutory auditors at least once a year without company representatives being present to ensure that they have had access to all the information and have everything necessary to perform their duties.
8. During the examination of the financial statements, the statutory auditors shall submit to the Audit Committee a memorandum pointing out the essential aspects of the scope of consolidation, the findings and the accounting options chosen. The Chief Financial Officer shall submit to the Audit Committee a memorandum describing the company's risk exposure and material off-balance sheet commitments.
9. The statutory auditors' main recommendations shall be incorporated in an action plan and a follow-up procedure that are presented to the Audit Committee and to senior management at least once a year.
10. The Audit Committee's discussions and the information provided to it are highly confidential and shall not be disclosed outside of the Board of Directors.
11. The Audit Committee's decisions are approved by a simple majority of its members. In the event of a tie, the Chairman has the casting vote.
12. The Audit Committee shall report on its work at the following Board meeting, indicating the specific actions it has taken, its conclusions, and any recommendations it may have. It shall inform the Board promptly of any difficulty encountered in performing its duties.

ANNEX 3: Remuneration Committee Rules of Procedure

1. In accordance with the recommendations of the AMF and the Afep/Medef Code appended to these Rules of Procedure, the Remuneration Committee is responsible for:
 - submitting proposals to the Board of Directors concerning the remuneration to be paid to executive directors as well as any benefits provided to them;
 - proposing and overseeing the rules used to determine the variable portion of executive directors' remuneration each year, and ensuring that the arrangements are consistent with their performance and with the company's medium-term strategy;
 - proposing a general policy for awarding stock options or bonus shares, stipulating in particular that no discount may be offered on options or bonus shares awarded to Group senior executives, and in particular executive directors;
 - examining stock option plans or bonus shares awarded to executive directors and employees; and making recommendations to the Board on whether the option plans should concern new or existing shares;
 - proposing remuneration and incentive arrangements for the Group's senior executives;
 - where stock options or performance shares are awarded to the Chairman, Chief Executive Officer or Deputy Chief Executive Officer, making recommendations on the number of shares resulting from the exercise of stock options or performance share grants that the beneficiary is required to retain until the end of his or her term of office;
 - submitting each year to the Board of Directors the draft reports on:
 - remuneration of corporate officers, and on stock options and performance shares;
 - subscription or purchase options exercised by corporate officers and the ten employees of the company who are the main beneficiaries;
 - the options exercised by the employees of the companies owned mainly by TF1.
2. The Remuneration Committee must have at least two members who are independent directors. The Committee cannot include executive directors or senior executives of the company. An independent director chairs the Committee.

A director cannot be appointed to the Remuneration Committee if an executive director or salaried director of TF1 is a member of an equivalent committee in a company in which the director also serves as an executive director.
3. Committee meetings are valid only where two members, including the Committee Chairman, are in attendance.

The Committee meets at the initiative of its Chairman or at the request of the Chairman of the Board of Directors.

The Committee Chairman draws up the agenda.
4. In the course of its work, the Committee may meet with the Chairman of the Board of Directors or any other person designated by the Chairman.
5. The opinions issued by the Remuneration Committee are based on a simple majority. In the event of a tie, the Chairman has the casting vote.

6. When the report on the work of the Remuneration Committee is presented to it, the Board of Directors deliberates with no executive directors present.
7. The Committee reports on its work at the following meeting of the Board of Directors.

ANNEX 4: Selection Committee Rules of Procedure

1. The Selection Committee is responsible for:
 - periodically reviewing issues related to the membership, organization and operation of the Board of Directors in order to make proposals to the Board;
 - reviewing for this purpose:
 - applications for directorships, taking care to ensure that at least two of its members shall be independent directors within the meaning of the Afep/Medef Code and of European regulation of the 15th February 2005;
 - plans to form analysis committees within the Board, and proposed lists of their remits and members;
 - giving an opinion on appointments to the Board and on term of office renewals or removals from office of a director or an executive director presented to the Board;
 - The Selection Committee pays particular attention to the mix of skills; experience and knowledge of the Group businesses that each candidate will need to make an effective contribution to the Board's work.
2. The Selection Committee comprises at least two directors. The Committee is chaired by an director. It does not include any executive directors.
3. Committee meetings are valid only if two or more of its members, including its Chairman, are in attendance.

The Committee meets at the initiative of its Chairman or at the request of the Chairman of the Board of Directors.

The Committee Chairman draws up the agenda.
4. The Chairman of the Board of Directors is involved in the Committee's proceedings. In the course of its work, the Committee may meet with any candidates it considers suitable for positions to be filled.
5. The opinions issued by the Selection Committee are based on a simple majority. In the event of a tie, the Chairman has the casting vote.
6. The Committee reports on its work at the following meeting of the Board of Directors.

ANNEX 5: Ethics and CSR Committee Rules of Procedure

1. The Ethics and CSR Committee has the following responsibilities:

➤ in the field of ethics, the Committee:

- helps define the Code of Conduct or principles underpinning corporate behavior applicable to senior management and employees alike;
- makes recommendations or gives an opinion on initiatives aimed at promoting best practices in this area;
- ensures compliance with the values and rules of conduct thus defined.

➤ in the field of CSR, the Committee

- examines at least once a year problems encountered by the Group in terms of HR, environmental and social responsibility;
- transmits to the Board its opinion on the report required under Article L. 225-102-1 of the Commercial Code in terms of CSR;

2. The Ethics and CSR Committee shall have at least two directors. It does not include any executive directors and consists mainly of independent directors. The Committee Chairman shall be independent director within the meaning of the Afep/Medef Code and of European regulation of the 15th February 2005.

A director cannot be appointed to the Ethics and CSR Committee if an executive director or salaried director of TF1 is a member of an equivalent committee in a company in which the director also serves as an executive director.

3. Committee meetings are valid only where two members, including the Committee Chairman, are in attendance.

The Committee meets at the initiative of its Chairman or at the request of the Chairman of the Board of Directors.

The Committee Chairman draws up the agenda.

4. In the course of its work, the Committee may meet with the Chairman of the Board of Directors or any other person designated by him.

5. The opinions issued by the Ethics and CSR Committee are based on a simple majority. In the event of a tie, the Chairman has the casting vote.

6. The Committee reports on its work at the following meeting of the Board of Directors.

ANNEX 6: Afep/Medef Corporate Governance Code

Amended in
June 2013

Corporate governance code of listed corporations



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PREAMBLE

Listed corporations developed principles for corporate governance which were first published in the "VIENOT" report of July 1995. Since then, the recommendations have been supplemented and successively updated in July 1999, September 2002, January 2007 and October 2008 on the compensation of executive directors¹ of listed corporations, and in April 2010 on the presence of women on boards. This collection of recommendations was prepared by working parties of the *Association Française des Entreprises Privées* (Afed) and the *Mouvement des Entreprises de France* (Medef). These recommendations have stemmed from initiatives of the business community itself, which attaches importance to defining certain principles of good operation and transparency intended to improve management practices and to respond to the expectations of investors and the public. This new version gave rise to a consultation, in particular of the public authorities, organisations representing individual and institutional shareholders and proxy advisors.

This set of recommendations, which constitutes the Afep-Medef Code, may be designated by listed companies as their reference code pursuant to Articles L.225-37 and L.225-68 of the French Commercial Code.

These recommendations are aimed at those companies whose securities are admitted to trading on a regulated market. It is also advisable and recommended that other companies apply these recommendations in whole or in part while adapting them to their own specific features.

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

¹ Within the meaning of this document, Executive Directors include the Chairman, the Chief Executive Officer, the Deputy Chief Executive Officers of companies having a Board of Directors, the Chairman and members of the Management Board of companies having a Management Board and Supervisory Board and the statutory managers of limited stock partnerships.

1. THE BOARD OF DIRECTORS: A COLLEGIAL BODY

- 1.1.** Regardless of its membership or how it is organised, the Board of Directors is and must remain a collegial body mandated by all shareholders. It carries out the missions that have been assigned to it by the law in order to act at all times in the corporate interest.
- 1.2.** In exercising its statutory prerogatives, the Board of Directors carries out the main missions below: it defines the corporation's strategy, appoints the executive directors in charge of managing the corporation in line with that strategy, selects the form of organisation (separation of the offices of Chairman and Chief Executive Officer or combination of such offices), monitors the management and secures the quality of information provided to shareholders and to the markets, through the accounts or in connection with major transactions.
- 1.3.** It is not desirable, having regard to the great diversity of listed corporations, to impose formal and identical ways of organisation and operation 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 modes of organisation and operation enabling it to carry out its mission 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 reference document.

2. THE BOARD OF DIRECTORS AND THE MARKET

2.1 Corporations' communications to the market

- 2.1.1.** It is up to each Board of Directors to define the company's financial disclosure policy.
- 2.1.2.** Each corporation should have a very rigorous policy for communication with analysts and the market. Certain practices of "selective disclosure", intended to assist analysts with their forecasts of results, should be prohibited.
- 2.1.3.** Any form of communication must allow everyone to access the same information at the same time.
- 2.1.4.** The Board should ensure that the investors receive relevant information, which is balanced and enlightens them about the strategy, development model and long-term strategies of the corporation.

2.2 Off-balance sheet items and corporate risks

Each listed company must be equipped with reliable procedures for the identification, monitoring and assessment of its commitments and risks, and provide shareholders and investors with relevant information in this area.

For such purposes:

- the annual report should specify the internal procedures set up to identify and monitor off-balance-sheet commitments, and to evaluate the corporation's material risks;
- each company must develop and clarify the information provided to shareholders and investors regarding off-balance-sheet commitments and material risks, and disclose the company's ratings by financial rating agencies as well as any changes occurred during the financial year.

3. SEPARATION OF THE OFFICES OF CHAIRMAN OF THE BOARD OF DIRECTORS AND CHIEF EXECUTIVE OFFICER

3.1. The diversity of forms of organisation of the management and supervisory powers under French law

French law offers an option between a unitary formula (Board of Directors) and a two-tier formula (Supervisory Board and Management Board) for all corporations.

In addition, corporations with Boards of Directors have an option between separation of the offices of Chairman and Chief Executive Officer and maintenance of the aggregation of such duties. 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 each corporation to decide on the basis of its own specific constraints. When a corporation opts for separation of the offices of Chairman and Chief Executive Officer, if appropriate, the tasks entrusted to the Chairman of the Board of Directors in addition to those conferred upon him or her by law must be described.

French public limited companies (*sociétés anonymes*) accordingly can choose from three forms of organisation of management and supervisory powers.

3.2. Disclosure of the option selected

With regard to the choice of form of organisation of management and supervisory powers, the main principle applicable which needs to be stressed is transparency: transparency between executive management and the Board of Directors, transparent corporate management in relation to the market, and transparency in relations with shareholders, in particular at the time of the General Meeting.

In this respect, it is essential for the shareholders and third parties to be fully informed of the choice made between separation of the offices of Chairman and Chief Executive Officer and maintenance of these positions as a single office.

In addition to the forms of disclosure required by regulations, the reference document or the annual report may serve as the medium for the disclosure to which shareholders are entitled, and the Board should report to them the grounds and justifications for its decisions.

4. THE BOARD OF DIRECTORS AND STRATEGY

The Board of Directors should consider and decide upon transactions with a genuinely strategic importance, after review by an *ad hoc* committee if appropriate. The internal rules of the Board of Directors should specify:

- the cases in which prior approval by the Board of Directors is required, setting out the related principles, which may differ according to which division of the group 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.

All of these rules are related not only to external acquisitions or disposal, but also to major investments in organic growth or internal restructuring action. The Board of Directors should be informed in a timely fashion of the corporation's cash position, and where appropriate take decisions relating to its funding and indebtedness.

5. THE BOARD OF DIRECTORS AND THE GENERAL MEETING OF SHAREHOLDERS

- 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 order to act in the interests of the company. It is collectively accountable for performance of its assignments to the meeting of shareholders, in relation to which it assumes by statute its responsibilities: it calls the meeting and sets its agenda, appoints and dismisses the Chairman, the Chief Executive Officer and the deputy Chief Executive Officers in charge of the corporation's management, supervises their management, determines the annual accounts submitted to the meeting of shareholders for approval, and reports on its action in the annual report.

- 5.2.** The shareholders' meeting is a decision-making body for the areas stipulated by law; it is also a privileged moment for the company to engage a dialogue with its shareholders. Its sessions must be not only the occasion when the managing bodies report on the corporation's business and on the operation of the Board of Directors and the specialised committees (audit, compensation, etc.), but also an opportunity for a genuine and open dialogue with the shareholders².

The Board of Directors must take care not to infringe upon the specific powers of the shareholders' meeting if the transaction that it proposes is such as to modify, in fact or in law, the corporate purpose of the company, which is the very basis of the contract founding the corporation.

Even when no change in the corporate purpose of the company is involved, the Board of Directors must refer the matter to the meeting of shareholders if the transaction relates to a material part of the group's assets or businesses.

6. MEMBERSHIP OF THE BOARD OF DIRECTORS: GUIDING PRINCIPLES

- 6.1.** The first quality of a Board of Directors is the balance of its membership, together with the skills and ethics of its members.

All directors should have the following essential qualities:

- He or she should care about the corporate interest;
- He or she should have the ability to judge, in particular, situations, strategies and people, notably based on its experience;
- He or she should have the capacity to anticipate, enabling the identification of risks and the strategic issues;
- He or she should be honest, attend regularly, be active and involved.

- 6.2.** Regardless of personal qualities or abilities, each director should act in the corporate interest; failure to do so may give rise to personal liability.

- 6.3.** Each Board should consider what would be the desirable balance within its membership and within that of the committees of Board members which it has established, in particular as regards the representation of men and women, nationalities and the diversity of skills, and take appropriate action to assure the shareholders and the market that its duties will be performed with the necessary independence and objectivity. It should publish in the reference document the objectives, methods and results of its policy in these matters.

² In its final report of 2 July 2012 on shareholder meetings of listed companies, the AMF published recommendations on permanent dialogue between shareholders and issuers.

- 6.4.** With regard to the representation of men and women, the objective is that each Board shall reach and maintain a percentage of at least 20% of women within a period of three years and at least 40% of women within a period of six years from the shareholders' meeting of 2010³ or from the date of the listing of the company's shares on a regulated market, whichever is latter. Directors who are permanent representatives of legal entities and directors representing employee shareholders are taken into account in order to determine these percentages, but this is not the case with directors representing employees.

When the Board comprises fewer than nine members, the difference at the end of six years between the number of directors of each gender may not be in excess of two.

- 6.5.** When the Board has decided to confer special tasks upon a director that relate to governance or shareholder relations, in particular by appointing them as Lead Director or Vice President, these tasks and the resources and prerogatives to which he or she has access must be described in the internal rules.

7. REPRESENTATION OF EMPLOYEES

- 7.1.** The Commercial Code provides that one or more directors should be appointed at the shareholders' meeting from the employee shareholders as soon as the shareholdings held by the employees of this group exceed 3% of the corporate capital⁴.
- 7.2.** The Commercial Code also provides for the election or appointment of at least one or two directors to represent employees in certain companies⁵ depending on the terms set out in the by-laws.
- 7.3.** In the same way as other directors, directors representing employee shareholders and directors representing employees⁶ are entitled to vote at the Board of Directors, a collegial body, which is assigned the duty of acting at all times in the interest of the company. As with the other directors, they may be selected by the Board to participate in committees.
- 7.4.** 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.

³ This is the year in which this recommendation was published.

⁴ Article L.225-23 of the Commercial Code.

⁵ Article L.225-27 and L.225-27-1 of the Commercial Code

⁶ Companies with more than fifty employees are also required to have at least one representative of the works committee who is a Board member acting in an advisory capacity according to the conditions laid down in law.

8. MINORITY SHAREHOLDERS

It is not desirable to have within the Board representatives of various specific groups or interests because the Board could become a battleground for vested interests instead of representing the shareholders as a whole.

When a corporation is controlled by a majority shareholder (or a group of shareholders acting in concert), the latter assumes a specific responsibility to the other shareholders, which is direct and separate from that of the Board of Directors. The majority shareholder must take particular care to avoid possible conflicts of interest, to secure transparency of the information provided to the market, and to fairly take all interests into account.

9. INDEPENDENT DIRECTORS

- 9.1.** A director is independent when he or she has no relationship of any kind whatsoever with the corporation, its group or the management of either that may colour his or her judgment. Accordingly, an independent director is understood to be not only a non-executive director, i.e. one not performing management duties in the corporation or the group, but also one devoid of any particular bonds of interest (significant shareholder, employee, other) with them.
- 9.2.** Although 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 involved, it is important to have on the Board of Directors the presence of a significant proportion of independent directors not only in order to satisfy an expectation of the market but also in order to improve the quality of proceedings.

The independent directors should account for half the members of the Board in widely-held corporations without controlling shareholders. In controlled companies⁷, independent directors should account for at least a third. Directors representing the employee shareholders and directors representing employees are not taken into account in order to determine these percentages.

- 9.3.** Qualification as an independent director should be discussed by the appointments committee and reviewed every year by the Board of Directors prior to publication of the annual report.

The Board of Directors must, upon the motion of the appointments committee, review individually the position of each of its members on the basis of the criteria mentioned below, then notify its conclusions to the shareholders in the annual report and to the shareholders' meeting when the directors are appointed, so that identification of independent directors is carried out not only by the corporation's management but by the Board itself.

⁷ Within the meaning of Article L.233-3 of the Commercial Code.

The Board of Directors may consider that, although a particular director meets all of the above criteria, he or she cannot be held to be independent owing to the specific circumstances of the person or the company, due to its ownership structure or for any other reason.

Conversely, the Board may consider that a director who does not meet the above criteria is nevertheless an independent director.

9.4. 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 the following:

- not to be an employee or executive director of the corporation, or an employee or director of its parent or a company that the latter consolidates, and not having been in such a position for the previous five years;
- not to be an executive director of a company in which the corporation holds a directorship, directly or indirectly, or in which an employee appointed as such or an executive director of the corporation (currently in office or having held such office for less than five years) is a director⁸;
- not to be⁹ a customer, supplier, investment banker or commercial banker:
 - that is material to the corporation or its group,
 - or for a significant part of whose business the corporation or its group accounts.

The evaluation of how significant the relationship is with the company or its group must be debated by the Board and the criteria that lead to the evaluation must be explicitly stated in the reference document:

- not to be related by close family ties to an executive director;
- not to have been an auditor of the corporation within the previous five years;
- not to have been a director of the corporation for more than twelve years¹⁰.

Although he or she may be an executive director¹¹, a Chairman of the Board may be considered as independent if the company can justify this based on the criteria set out above.

⁸ Thus, Mr X, executive director of company A may not be considered as an independent director of company B if:

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

⁹ Or be bound directly or indirectly to.

¹⁰ Loss of the status of independent director on the basis of this criterion should occur only upon expiry of the term of office during which the 12-year limit is reached.

¹¹ See the definition p.1

- 9.5.** Directors representing major shareholders of the corporation or its parent company may be considered as being independent, provided that these shareholders do not take part in control of the corporation. Nevertheless, beyond a 10% holding of stock or votes, the Board, upon a report from the appointments or nominations committee, should systematically review the qualification of a director as an independent director, with regard to the make-up of the corporation's capital and the existence of a potential conflict of interest.

10. EVALUATION OF THE BOARD OF DIRECTORS

- 10.1.** For sound corporate governance, the Board of Directors should evaluate its ability to meet the expectations of the shareholders that have entrusted authority to it to direct the corporation, by reviewing from time to time its membership, organisation and operation (which implies a corresponding review of the Board's committees).

Accordingly, each Board should think about the desirable balance in its membership and that of the committees created from its members and consider from time to time the adequacy of its organisation and operation for the performance of its tasks.

- 10.2.** The evaluation should have three objectives:

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

- 10.3.** The evaluation should be performed in the following manner:

- Once a year, the Board should dedicate one of the points on its agenda to a debate concerning its operation;
- There should be a formal evaluation at least once every three years. This could be implemented under the leadership of the appointments or nominations committee or an independent director, with help from an external consultant.
- The shareholders should be informed each year in the annual report of the evaluations carried out and, if applicable, of any steps taken as a result.

- 10.4.** It is recommended that the non-executive directors meet periodically without the executive or "in-house" directors. The internal rules of operation of the Board of Directors must provide for such a meeting once a year, at which time the evaluation of the Chairman's, Chief Executive Officer's and Deputy Chief Executive's respective performance shall be carried out, and the participants shall reflect on the future of the company's executive management.

11. MEETINGS OF THE BOARD AND OF THE COMMITTEES

- The number of meetings of the Board of Directors and of the committees held during the past financial year should be mentioned in the annual report, which must also provide the shareholders with any relevant information relating to the directors' attendance at such meetings.
- 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 subject to the Board's authority. The same applies to meetings of the Board's committees (audit, compensation, appointments/nominations, etc.).
- Proceedings should be unambiguous. The minutes of the meeting should summarise the discussion and specify the decisions made. They are of particular importance, since they provide, if necessary, a record of what the Board has done in order to carry out its duties. Without being unnecessarily detailed, they should mention briefly questions raised or reservations stated.

12. DIRECTORS' ACCESS TO INFORMATION

- The law recognises the principle that the Chairman or the Chief Executive Officer is bound to disclose to each director all the documents and information required for performance of his or her duties. The manner in which this right to disclosure is exercised and the related confidentiality duty should be set out in the internal rules of the Board of Directors, the Board being responsible, where necessary, for determining the relevance of the documents requested.
- Corporations must also provide their directors with the appropriate information throughout the life of the corporation between meetings of the Board, 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.
- Conversely, the directors are bound to request the appropriate information that they consider necessary to perform their duties. Accordingly, if a director considers that he or she has not been able to take part in the proceedings with appropriate information, he or she is bound to say so to the Board in order to obtain the necessary information.
- Directors should have the opportunity to meet with the corporation's principal executive managers, even outside the presence of executive directors. In the latter case, these should be given prior notice.

13. DIRECTORS' TRAINING

- 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 prior knowledge of the corporation's organisation and 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 and its markets.
- The audit committee members should be provided, at the time of appointment, with information relating to the corporation's specific accounting, financial and operational features.
- Directors representing employees¹² or directors representing employee shareholders shall be provided with training adapted to the performance of their duties.

14. DURATION OF DIRECTORS' TERMS OF OFFICE

Without affecting the duration of current terms, the duration of directors' terms of office, set by the by-laws ("statuts")¹³, should not exceed a maximum of four years, so that the shareholders are called to express themselves through elections with sufficient frequency.

Terms should be staggered so as to avoid replacement of the entire body and to favour a smooth replacement of directors.

The annual report should detail the dates of the beginning and expiry of each director's term of office, to make the existing staggering clear. It should also mention, for each director, in addition to the list of offices and positions held in other corporations, his or her nationality, age and principal position, and a list by name of members of each Board committee.

When the meeting of shareholders is asked to appoint a director or extend his or her term, the booklet or the notice calling the meeting of shareholders, must contain a biographical notice outlining his or her *curriculum vitae*, in addition to the items required by statute.

Even though it is not required by law, it is imperative that the by-laws or the internal rules set a minimum number of shares in the corporation concerned that each director must personally hold and which must appear in the annual report and/or in the booklet or the notice calling the meeting of shareholders.

¹² Article L.225-30-2 of the Commercial Code.

¹³ Under French law, the duration of directors' terms of office is set by the by-laws, and may not exceed six years.

15. COMMITTEES OF 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 law¹⁴, it is recommended that the compensation and the appointments of directors and executive directors should be subject to preparatory work by a specialised committee of the Board of Directors.

When the Board has appointed specialised committees to address particular concerns, the creation of such committees shall in no event remove the matter from the purview of the Board itself, which has sole statutory decision-making authority, nor be allowed to cause division within the Board which, as a collegial body, is and should remain accountable for the performance of its duties. The committees do not act in the place of the Board, but rather as an extension of the Board, facilitating its work. For this reason in particular, the quality of reports by the committees to the Board and the inclusion in the annual report of a description of the committees' activities should be stressed.

The committees of the Board may contact, when exercising their duties, the principal managers of the corporation after informing the Chairman of the Board of Directors and subject to reporting back to the Board on such contacts.

The committees of the Board 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. In the event of committees having recourse to services offered by external consultants (e.g. a compensation consultant in order to obtain information on compensation systems and levels applicable in the main markets), the committees must ensure that the consultant concerned is objective.

Each committee must be provided with internal rules setting out its duties and mode of operation. The committees' internal rules, which should 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 by agreement with the Chairman.

The existence of cross-directorships in the committees¹⁵ should be avoided.

¹⁴ Article L.823-19 of the Commercial Code.

¹⁵ The terms cross-directorships or reciprocal directorships are used to refer to a situation whereby an executive director of company A sits on a committee of the Board of company B and vice versa, an executive director of company B sits on the similar committee of the Board of company A.

16. THE AUDIT COMMITTEE¹⁶

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 corporate accounts and to prepare the consolidated accounts. Approving the accounts is the main occasion on which the Board assumes two of its essential duties: the review of management performance and verification of the reliability and clarity of the information to be provided to the shareholders and the market.

16.1. Membership

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

The proportion of independent directors on the audit committee (excluding the directors representing employee shareholders and directors representing employees, who are not taken into account) should be at least equal to two-thirds, and the committee should not include any executive director.

The appointment or extension of the term of office of the audit committee's Chairman is proposed by the appointments/nominations committee, and should be specially reviewed by the Board.

16.2. Duties

16.2.1. *Review of the accounts*

The main tasks of the audit committee are:

- to review the accounts and ensure the relevance and consistency of accounting methods used in drawing up the corporation's consolidated and corporate accounts;
- to monitor the process for the preparation of financial information;
- to monitor the effectiveness of the internal control and risk management systems.

The central concern is to assess the follow-up of the systems whereby the accounts are drawn up and the validity of methods selected to account for material transactions, rather than to go into details of the accounts. It is also desirable, at the time of review of the accounts, for the committee to consider the major transactions in connection with which conflicts of interest could have arisen.

The time available for reviewing the accounts should be sufficient (no less than two days before review by the Board).

¹⁶ This committee may have various names, depending on the company. For convenience the name "audit committee" will be used.

The review of accounts by the audit committee should be accompanied by a presentation from the statutory auditors stressing the essential points not only of the results of the statutory audit, in particular the adjustments resulting from the audit and significant weaknesses in internal control identified during the auditor's works, but also of the accounting methods chosen. It should also be accompanied by a presentation from the Chief financial officer describing the corporation's risk exposures and its material off-balance-sheet commitments.

16.2.2. *Relationship between the audit committee and the statutory auditors*

In accordance with the law, the statutory auditors must present to the committee:

- their general work programme and the tests they have achieved;
- the changes that they believe should be made to the accounts or accounting documents and their observations on the evaluation methods used;
- any irregularity or inaccuracy that they have identified;
- the conclusions which have been drawn from the observations and corrections of the results for the reporting period as compared to those in the previous period.

The committee must interview the statutory auditors regularly, including interviews without executive managers present.

The statutory auditors must, in particular, be interviewed at the committee meetings dealing with evaluation of the process for preparing financial information and review of the accounts in order to report on the execution of their tasks and the conclusions of their work.

This will enable the committee to keep itself informed of the main areas of risk or uncertainty in the accounts, identified by the statutory auditors, their audit approach and any difficulties that may have been encountered in fulfilling their tasks.

The statutory auditors must also inform the audit committee of any significant weaknesses in internal control identified in the course of their work, in relation to the procedures for preparing and processing the accounting and financial information.

16.2.3. Monitoring of the rules securing the statutory auditors' independence and objectivity

The committee should steer the procedure for selection of the statutory auditors and submit a recommendation to the Board of Directors regarding the statutory auditors proposed for appointment by the shareholders' meeting. The committee shall suggest to the Board a procedure for selection and in particular if there is a need to make a call for tenders. It must supervise the call for tenders and approve the specifications and the choice of firms consulted, making sure that the selection results in the appointment of the "*best bidder*" and not the "*lowest bidder*".

The committee should in particular receive each year the following information from the statutory auditors:

- their statement of independence;
- the amount of the fees paid to the network of statutory auditors by the companies controlled by the company or the entity controlling the company, in respect of services not directly related to the statutory auditors' assignment ;
- information concerning the services supplied in respect of the tasks directly related to the statutory auditors' engagement.

The committee will review with the statutory auditors the risks weighing on their independence and the protection measures taken in order to reduce these risks. The committee must in particular ensure that the amount of the fees paid by the company and its group, or the share of such fees in the turnover of the firms and networks is not likely to impair the statutory auditors' independence.

The statutory auditor must ensure that its tasks are exclusive of any other assignment not related to these tasks, by referring to the professional code of conduct for auditors and professional auditing standards. The selected firm should, for itself and the network to which it belongs, refrain from any consulting activity (legal, tax, IT, etc.) performed directly or indirectly for the corporation that has selected it. With regard to controlled companies or the controlling company, the statutory auditor must refer more specifically to the professional code of conduct for auditors.

However, subject to prior review from the audit committee, services that are accessory or directly complementary to auditing may be performed, such as acquisition audits, but exclusive of valuation or advisory services¹⁷.

¹⁷ This is consistent with the notion of directly related tasks which are subject to recognised professional auditing standards.

16.3. Operation

The audit committee's operating reports to the Board of Directors should provide the Board with full information, thereby facilitating the latter's proceedings.

The annual report should include a statement on the audit committee's activity during the past financial year.

The audit committee should interview the statutory auditors, and also the persons responsible for finance, accounting and treasury matters. It should be possible to hold these interviews, if the committee so wishes, without the presence of the corporation's executive management.

The committee should review the consolidation scope, and if applicable, the reasons for excluding certain companies.

The committee should be able to call upon outside experts as needed making sure they have the requisite skills and independence.

As regards the effectiveness of internal control and risk management systems, the committee should ensure that these systems exist, that they are implemented and that corrective action is taken in the event of significant weaknesses or flaws. To this end, it must be informed of the main findings of the statutory auditors and the internal audit. It must interview those responsible for the internal audit and for risk control and give its opinion on the organisation of their services. It should be informed of the programme for the internal audit and receive internal audit reports or a regular summary of those reports.

The committee shall examine the risks and the material off-balance-sheet commitments, assess the importance of any failures or weaknesses which are communicated to it and, if necessary, inform the Board.

17. THE COMMITTEE IN CHARGE OF APPOINTMENTS OR NOMINATIONS¹⁸

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

17.1. Membership and form of operation

When the appointments or nominations committee is separate from the compensation committee, the recommendations relating to the latter's membership and mode of operation are also applicable to it (see hereafter).

¹⁸ This committee may have different names, depending on the company. For convenience it is suggested that the name "appointments or nomination committee" should be used.

However, unlike the provisions governing the compensation committee, the Chief Executive Officer shall be associated with the appointments or nominations committee's proceedings. In the event that the offices of Chairman of the Board of Directors and Chief Executive Officer are separate, the Chairman may be a member of this committee.

17.2. Duties

17.2.1. Selection of new directors

This committee is in charge of submitting proposals to the Board after reviewing in detail all of the factors that it is to take into account in its proceedings: desirable balance in the membership of the Board with regard to the make-up of and changes in ownership of the corporation's stock, balance between men and women on the Board, identification and evaluation of potential candidates, desirability of extensions of terms. 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.

17.2.2. Succession planning for executive directors

The appointments or nominations committee (or an *ad-hoc* committee) should design a plan for replacement of executive directors in order to be able to submit to the Board solutions for replacement in particular in the event of an unforeseeable vacancy. This is one of the committee's main tasks, even though such a task may, if necessary, be entrusted by the Board to an *ad-hoc* committee. It is natural for the Chairman to be a member of the committee for carrying out this task, but while his or her views should be considered, it is not desirable that he or she should chair this committee, since he or she is not independent.

As for the other committees, the annual report should contain a statement on the appointments committee's activity during the relevant financial year.

18. THE COMMITTEE IN CHARGE OF COMPENSATION¹⁹

18.1. Membership

The committee should not include any executive directors, and should have a majority of independent directors. It should be chaired by an independent director. It is advised that an employee director be a member of this committee.

¹⁹ This committee may have different names, depending on the company. For convenience it is suggested that the name "compensation committee" should be used.

18.2. Operation

The committee's operating reports to the Board of Directors should provide the Board with full information, thereby facilitating its proceedings. When the report on the proceedings of the compensation committee is presented, the Board should deliberate on issues relating to the compensation of the executive directors without the presence of the latter.

The annual report should include a statement on the compensation committee's activity during the past financial year.

18.3. Duties

The compensation committee must ensure that the Board of Directors is given the best conditions in which to determine all the compensation and benefits accruing to executive directors. All decisions are to be made by the Board of Directors.

Furthermore, the committee must be informed of the compensation policy applicable to the principal executive managers who are not executive directors of the company. For that purpose, the executive directors attend meetings of the compensation committee.

19. NUMBER OF DIRECTORSHIPS FOR EXECUTIVE AND NON-EXECUTIVE DIRECTORS

The director should give his or her duties the necessary time and attention.

An executive director should not hold more than two other directorships in listed corporations, including foreign corporations, not affiliated with his or her group²⁰. He or she must also seek the opinion of the Board before accepting a new directorship in a listed corporation.

In the case of a separate Chairman, the Board may draw up specific recommendations on this issue, taking into account its particular situation and the missions conferred to him/her.

A non-executive director should not hold more than four other directorships in listed corporations, including foreign corporations, not affiliated with his or her group. This recommendation will apply at the time of appointment or the next renewal of the term of office.

The director should keep the Board informed of directorships held in other companies, including his or her participation on committees of the Boards of these companies, both in France and abroad.

²⁰ The limit above does not apply to directorships held by an executive director in subsidiaries and holdings, held alone or together with others, of companies whose main activity is to acquire and manage such holdings.

20. ETHICAL RULES FOR DIRECTORS

Any director²¹ 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/herself with relevant laws and regulations, the company by-laws, these recommendations as supplemented by the Board and internal rules adopted by the Board;
- In the absence of legal provisions to the contrary²², the director should be a shareholder personally and hold a fairly significant number of shares in relation to the directors' fees; if he or she does not hold these shares when assuming office, he or she should use his or her directors' fees to acquiring them;
- 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 taking part in voting on the related resolution;
- The director should be regular in his or her attendance and take part in all meetings of the Board, and any committees of which he or she is a member;
- The director is under a duty to obtain information. To that end, he or she should request from the Chairman in due time all useful information required to effectively participate in meetings with respect to the matters on the Board's agenda;
- As regards any non-public information obtained pursuant to his or her duties, the director should consider that he or she is bound by a strict confidentiality duty, going beyond the mere duty of discretion provided for by law;
- The director should, as required by law and regulations:
 - abstain from engaging in transactions in securities (including derivative financial instruments) of the corporations for which (and insofar as) he or she, as a result of his or her duties, has inside information,
 - disclose transactions entered into in respect of the corporation's securities.

Lastly, the directors should attend the meetings of shareholders.

Each Board is responsible for supplementing, if appropriate, this list of directors' basic obligations with specific provisions that seem necessary for its operation.

²¹ The obligations are naturally applicable both to permanent representatives of legal entities holding directorships and to individual directors.

²² Article L.225-25 of the Commercial Code.

21. DIRECTORS' COMPENSATION

21.1. It shall be recalled that the method of allocation of directors' compensation, the total amount of which is determined by the meeting of shareholders, 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 therefore include a significant variable portion.

It is natural that directors' attendance at meetings of specialised committees should give rise to an additional amount of directors' fees. Similarly, undertaking individual 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.

21.2. The amount of directors' fees should reflect the level of responsibility assumed by the directors and the time that they need to apply to their duties. Each Board must review the adequacy of the level of directors' fees with regard to the duties and responsibilities placed on directors.

21.3. The rules for allocation of the directors' fees and the individual amounts of payments thereof made to the directors should be set out in the annual report.

22. TERMINATION OF EMPLOYMENT CONTRACT IN CASE OF APPOINTMENT AS EXECUTIVE DIRECTOR

When an employee is appointed as executive director, it is recommended to terminate his or her employment contract with the company or with a company affiliated to the group, whether through contractual termination or resignation²³.

This recommendation applies to the Chairman, Chief Executive Officer and managing director of companies having a Board of Directors, to the Chairman of the Management Board and to the sole managing director of companies having a Management Board and a Supervisory Board and to statutory managers of limited stock partnerships.

This recommendation does not apply to employees of a group of companies who are executive directors of a subsidiary of the group, whether listed or not.

²³ Where the employment contract continues, it will be suspended in accordance with case law.

23. COMPENSATION OF EXECUTIVE DIRECTORS

23.1. Principles for the determination of the compensation of executive directors and role of the Board of Directors

Boards of Directors and Supervisory Boards are responsible for determining the compensation of executive directors, based on proposals made by the compensation committee.

In order to determine the said compensation, the relevant Boards and committees must take into account the following principles:

- **Comprehensiveness:** the compensation determined through this process must be comprehensive. Fixed components, annual or multi-annual variable components, stock options²⁴, performance shares, directors' fees, pension terms, specific benefits and generally any other component of compensation must be taken into account when determining the overall compensation level.
- **Balance** between the compensation components: each one must be clearly substantiated and correspond to the general interest of the company.
- **Benchmark:** the compensation must be assessed within the context of a business sector and the benchmark European or global market.
- **Consistency:** the executive director's compensation must be determined in a manner consistent with that of the other officers and employees of the company.
- **Undestandability** of the rules: the rules should be simple, stable and transparent; the performance criteria used in order to determine the annual variable part of the compensation, multi-annual compensation or where applicable the award of options or performance shares, must correspond to the company's objectives, and be demanding, explainable, and, to the greatest extent possible, long-lasting.
- **Proportionality:** the determination of the fixed, annual variable and where applicable multi-annual compensation and the award of stock options and performance shares must be balanced and take into account at the same time the company's general interest, market practices and officer performance.

²⁴ This relates to subscription or purchase options.

23.2. Compensation policy applicable to executive directors and award of stock options and performance shares²⁵

The compensation of executive directors must be appropriate, balanced and fair. Such compensation must strengthen the sense of solidarity and motivation within the company. The need to provide explanations and to maintain balance must also prevail as regards shareholders. Compensation must also take into account, to the greatest extent possible, the reactions of other stakeholders and of public opinion. Such compensation must make it possible to attract, retain and motivate effective executive officers.

While the market is a benchmark, it may not be the sole one. An executive director's compensation depends on the work carried out, the results obtained and also the responsibilities taken on. An executive director bears the ultimate responsibility for the management team, and this warrants higher compensation.

The compensation of an executive director may also depend on the nature of the tasks entrusted to him or her or on special circumstances (e.g. the restructuring of an ailing company).

In order to encourage their long term involvement, stock options, performance shares and generally multi-annual compensation are aimed at increasing the executive directors' loyalty and promoting the alignment of their interests with the corporate and shareholders' interests. The award of stock options and/or performance shares must correspond to a policy of involvement in the capital, i.e. aligning the interests of beneficiaries with the associated uncertainty, and not instantaneous additional remuneration. The conditions of exercise for stock options and the definitive acquisition of performance shares must be adapted accordingly.

The general policy for the award of stock options and performance shares should be debated within the compensation committee, and, on the basis of a recommendation from the committee, approved by the Board of Directors. Such policy, which must be reasonable and appropriate, is explained in the annual report and during the shareholders' meeting, in connection with the review of a draft resolution authorising the award of stock options or performance shares.

The Board of Directors must monitor the evolution in all components of the compensation over several years, with regard to corporate performance.

²⁵ Performance shares are shares awarded to executive directors under Articles L. 225-197-1 *et seq.* of the French Commercial Code, while being subject to additional requirements mandated by these recommendations.

23.2.1. Requirement to retain shares

The Chairman of the Board, the Chief Executive Officer, the deputy Chief Executive Officers, the members of the Management Board or the statutory manager of a limited stock partnership are required to hold as registered shares until the end of their term of office a significant number of shares periodically determined by the Board of Directors or the Supervisory Board. The number of shares, which may be made up of exercised stock options or performance shares, must be significant and increasing, where necessary, to a level determined by the Board.

For each executive director, the Board may use either a reference to the annual compensation, or a significant fixed number of shares, or in the case of shares resulting from the exercise of the options or performance shares, a significant percentage of the capital gain net of the taxes and social contributions and of expenses related to the transaction, or a combination of these references.

Regardless of the standard used, it will need to be compatible with potential performance criteria and must be periodically reviewed in the light of the executive director's situation, at least upon each renewal of the directorship.

23.2.2. Fixed part of executive directors' compensation

The fixed part may be calculated differently depending on whether the executive director has followed a continuous career within the company or is recruited from outside the company.

In principle, such fixed compensation may only be reviewed at relatively long intervals, e.g. every three years.

Any increases in compensation must be linked to events affecting the company and must take into account performance through other components of the compensation, including fringe benefits.

If, however, the company opts for annual increase of the executive director's fixed compensation, this increase must be moderated and must respect the principle of consistency mentioned in 23.1.

23.2.3. Variable part of executive directors' compensation

The Board may decide to award executive directors annual or multi-annual variable compensation.

These different forms of variable compensation may be cumulative, but this cumulative amount must be decided on the basis of the aforementioned principles, in particular comprehensiveness and proportionality.

The variable compensation must be determined by the Board of Directors for a fixed period. The rules governing the determination of the variable compensation must be consistent with the annual or multi-annual assessment of executive directors' performance and with the company's strategy. The variable compensation is a reward for the director's performance and the progress of the company in the period under consideration. The share price must not be the only criteria for measuring this performance.

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

The variable compensation must be subject to the achievement of precise and, of course, predetermined objectives.

Quantitative criteria must be simple, relevant, objective, measurable and suited to the corporate strategy.

These criteria must be regularly reviewed in order to avoid any ad-hoc adjustments.

It is also necessary to pay considerable attention to possible threshold effects generated by quantitative criteria.

Only highly specific circumstances may warrant the award of an extraordinary variable component.

The qualitative criteria must be defined precisely. For the variable part, when qualitative criteria are used, a limit must be determined for the qualitative part while allowing, where applicable, exceptional circumstances to be taken into consideration.

The variable compensation must be set at a level that is balanced in relation to the fixed part. The variable part is a maximum percentage of the fixed part, and is adapted to the business conducted by the company and predefined by the Board.

Except in justified cases, the award of variable compensation may not only be restricted to executive directors.

In the event that an executive director leaves before completion of the term envisaged for assessment of the performance criteria, the payment of the variable part of the compensation must be ruled out, unless there are exceptional circumstances which can be justified by the Board.

23.2.4. Stock options and performance shares

- **Award**

Awards of options and shares to executive directors must be conditional on the attainment of performance targets.

An executive director may not be awarded any stock option or performance share at the time of his or her departure.

In accordance with legal provisions, if stock options or performance shares are not awarded to all employees, then it is necessary to provide for another scheme involving them in corporate performance (incentive scheme, profit-sharing scheme other than the mandatory scheme, granting of bonus shares, etc.).

The total amount of the stock option plans and performance shares must represent a small fraction of the capital, and the right balance must be struck according to the benefits derived by shareholders from the management. The level of dilution must be taken into account.

Furthermore, it is necessary to ensure that:

- The awarded stock options and performance shares valued in accordance with IFRS standards do not represent a disproportionate percentage of the aggregate of all compensation, options and shares awarded to each executive director. To that end, the Board must systematically review the award of new stock options and performance shares in view of all compensation items awarded to the executive director concerned. The Board shall then be responsible for determining the percentage of the compensation (in accordance with market standards) not to be exceeded by the said award;
- Awards are not overly concentrated on executive directors. 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 executive directors, as compared with the aggregate award approved by shareholders. The resolution for authorising the award plan submitted to a vote at the meeting of shareholders must mention this maximum percentage in the form of an award sub-ceiling for executive directors;
- Awards are made at the same calendar periods, e.g. after the disclosure of the financial statements for the previous financial year, and probably each year, in order to limit any windfall effects;

- Any windfall effects associated with a bear market are prohibited. The value of awarded options and performance shares may not be markedly different from the company's earlier practices, unless a material change in the scope of business justifies a revision of the scheme;
- In accordance with terms determined by the Board and announced upon the award, the performance shares awarded to executive directors are conditional upon the acquisition of a defined quantity of shares once the awarded shares are available.

- **Price**

No discount should be applied upon the award of stock options and in particular for stock options awarded to executive directors.

Executive directors 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, either on options or on shares resulting from the exercise of options or on performance shares, until the end of the period determined by the Board of Directors for holding shares.

- **Exercise**

The exercise by executive directors of all of the options and the acquisition of the shares must be related to serious and demanding performance conditions that are to be met over a period of several consecutive years. These conditions may be internal and/or external performance requirements, i.e. related to the performance of other companies, a benchmark sector, etc. Where it is possible and relevant, these internal and external performance requirements are combined.

It is necessary to determine periods preceding the disclosure 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 determine these periods and where applicable determine the procedure to be implemented by executive directors prior to any exercise of the stock options in order to ensure that they do not hold any information likely to prevent such exercise.

23.2.5. Benefits for taking up a position, termination and non-competition

- **Benefits for taking up a position**

Benefits for taking up a position may only be granted to a new executive director who has come from a company outside the group. In this case the amount must be made public when it is determined.

- **Termination payments²⁶**

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

The law gives a major role to shareholders by making these predefined benefits, paid on termination of office of the executive director, subject to the procedure for related parties agreement. It imposes total transparency and makes termination payments conditional upon performance requirements. These performance requirements must be assessed over at least two financial years.

These performance requirements set by the Board must be demanding and may not allow for the indemnification of an executive director, unless his or her departure is imposed, regardless of the form of this departure, and linked to a change in control or strategy.

The payment of any termination benefits to an executive director must be excluded if the said executive director elects to leave the company in order to hold another position or is assigned to another position within the same group or is able to benefit in the near future from pension rights.

The termination payment should not exceed when applicable two years of compensation (fixed and variable). If a non-competition clause is additionally applied, the aggregate of these two benefits must not exceed this ceiling (*see hereafter*).

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

- **Non-competition benefits**

In the context of implementation of the procedure for related parties transactions as stipulated by law, the conclusion of a non-competition agreement must be subject to substantial reflection in the compensation committee.

²⁶ This measure is also governed by the law, in Articles L.225-42-1 and L.225-90-1 of the Commercial Code.

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.

When the agreement is being concluded, the Board must incorporate a provision that authorises it to waive the application of this agreement when the executive director leaves.

The Board must announce whether or not the non-competition agreement will be upheld at the time that the director leaves, in particular when the director leaves the company to claim, or after having claimed his or her pension rights.

In any event, the non-competition payment should not exceed a ceiling of two years of compensation (fixed and variable).

When a termination benefit is also paid, the aggregate of these two benefits must not exceed this ceiling (*see above*).

23.2.6. Supplementary pension schemes

The supplementary pension schemes mentioned in Article L.137-11 of the Social Security Code for senior executives and executive directors must comply with conditions that prevent abuse.

Supplementary pension schemes with defined benefits must be subject to the condition that the beneficiary must be a director or employee of the company when claiming his or her pension rights pursuant to the applicable rules.

In order to prevent any abuse, it is necessary to impose certain additional rules (without prejudice to schemes closed to new beneficiaries which may not be altered):

- the relevant benefit must be taken into account in the overall determination of the compensation on the basis of the general principles stated above;
- the group of potential beneficiaries must be materially broader than the sole executive directors;
- the beneficiaries must meet reasonable requirements of seniority within the company, for at least two years, as determined by the Board of Directors, to benefit from payments from a pension plan with defined benefits;

- each year, the increase in potential rights shall be progressive in relation to the seniority in the scheme and shall only account for a percentage limited to 5% of the beneficiary's compensation. This progression must be described;
- the benchmark period taken into account for the calculation of the benefits must cover several years, and it is necessary to avoid over the same period any artificial increase in compensation, aimed at increasing pension benefits;
- therefore, it is necessary to exclude any schemes giving a right, immediately or over time, to a high percentage of the total compensation at the end of the career;
- In addition, information on individual potential rights, in particular the reference income and the maximum percentage of this income, which the supplementary pension scheme would confer, must be made public. The percentage may not be more than 45% of the reference income (fixed and variable compensation due in the reference period).

24. INFORMATION ON EXECUTIVE DIRECTORS' COMPENSATION AND THE AWARDING POLICY FOR SHARE OPTIONS AND PERFORMANCE SHARES

The law imposes on companies the obligation to disclose in their management report the aggregate compensation and benefits of all types paid during the financial year to each executive director as well as the amount of the compensation and benefits of any type that each of these directors has received during the financial year from companies of the group.

Comprehensive information must be provided to shareholders so that they can have a clear view, not only of the individual compensation paid to executive directors, but also of the policy applied by the company in order to determine the compensation paid.

24.1. Ongoing information

All of the executive directors' compensation components, whether potential or vested, must be publicly disclosed, immediately after the meeting of the Board approving the relevant decisions.

24.2. Annual information

The annual report must include a chapter, drawn up with the support of the compensation committee, informing shareholders of the compensation received by executive directors.

This chapter must contain the following:

- A detailed presentation of the policy on determination of the compensation paid to executive directors, and in particular the rules governing the award of the annual variable part. Without jeopardising the confidentiality that may be linked to certain elements of determining the variable part of the compensation, this presentation must indicate the criteria on the basis of which this variable part is determined, the manner in which these criteria have been applied during the financial year, as compared with initial expectations, and whether the individual director's personal targets have been attained. It must also, where necessary, specify if the payment of this variable part is partly deferred and indicate the conditions and methods of this deferred payment. Finally, it must, where necessary, specify the rules governing the award of multi-annual variable compensation. Without jeopardising the confidentiality that may be justified for certain elements of determining the variable part of the compensation, it must indicate the criteria on the basis of which this compensation is determined, and when the payment of the multi-annual variable part is made, the manner in which these criteria have been applied;
- Information concerning the pension systems or commitments provided by the company. Taking into account the considerable variety of pension schemes, it is necessary to indicate whether executive directors benefit from the same pension schemes as the group's senior executives or benefit from a specific pension scheme and describe the main features of these schemes and in particular their calculation methods;
- A detailed presentation of each executive director's individual compensation, compared with that of the preceding financial year, and broken down between fixed components and variable components. Although the French Commercial Code does not impose any such obligation, it appears that the information most relevant for shareholders consists in connecting the variable component to the financial year in respect of which it is calculated, even though the compensation is only paid during the following 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 fees, 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 affiliates of the group;

- A description of the policy for the award of stock options to all beneficiaries by explaining separately, where applicable, the specific award policy applicable to executive directors. In particular, it is necessary to indicate the nature of the options (purchase or subscription options), where applicable the criteria used to define categories of beneficiaries, the periodicity of the plans, the conditions approved by the Board as regards the exercise of the options and the dilutive impact of each option award. A summary table must show all data relevant to the existing option plans, as used for the benchmark document;
- A description of the share award policy applicable to employees or to certain categories of employees and to executive directors, the conditions and where applicable the criteria if determined by the Board of Directors and the dilutive impact of each share award. In the same manner as for stock options, a summary table must show all of these data and in particular the number of performance shares awarded to each executive director and the total number of shares awarded to the main beneficiaries who are employees of the group;
- The valuation of stock options and performance shares awarded to executive directors, at the time of the award and in accordance with the method used for consolidated financial statements, and the fraction of the capital awarded to each executive director.

It is recommended to comply with the standardised presentation (attached as a schedule hereto) of all director compensation items.

24.3. Consultation of shareholders on individual executive directors' compensation²⁷

The Board must present the compensation of executive directors at the annual General Meeting. This presentation must cover the elements of the compensation due or awarded at the end of the closed financial year to each executive director:

- the fixed part;
- the annual variable part and where necessary the multi-annual variable part with the objectives that contribute to the determination of this variable part;
- extraordinary compensation;
- stock options, performance shares, and any other element of long-term compensation;

²⁷ The commitments made to executive directors which correspond to the elements of compensation, payments or benefits due, or likely to be due as a result of termination or change of office or retrospectively of such, are subject to the procedure of regulated agreements.

- benefits linked to taking up or terminating office;
- supplementary pension scheme;
- any other benefits.

This presentation should be followed by an advisory vote by shareholders. It is recommended that at the shareholders' vote, one resolution is presented for the Chief Executive Officer or the Chairman of the Management Board and one resolution for the Deputy Chief Executive Officers or for the other members of the Management Board. When the ordinary shareholders' meeting issues a negative opinion, the Board, acting on the advice of the compensation committee, must discuss this matter at another meeting and immediately publish on the company's website a notice detailing how it intends to deal with the opinion expressed by the shareholders at the General Meeting.

25. IMPLEMENTATION OF THE RECOMMENDATIONS

25.1. Implementation by companies of the "comply or explain" rule

Listed corporations referring to this Corporate Governance Code should report, with particulars, in their reference documents or in their annual reports, on implementation of these recommendations and, if applicable, provide an explanation of the reasons why they have deviated 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 measure within 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.

25.2. The High Committee in charge of monitoring implementation of the code

In order to ascertain the actual implementation of the fundamental corporate governance rule (comply or explain), Afep and Medef have formed a High Committee responsible for monitoring the implementation of the Corporate Governance Code of Listed Corporations.

The corporations who refer to this code join the High Committee.

It comprises four persons of recognised competence, who hold or have held executive positions in groups operating at international level, and three qualified persons representing investors and/or selected for their competence in legal and ethical matters. The Chairman is selected from among the four persons who hold or have held executive positions.

These persons are appointed for a period of three years, renewable once, on a staggered basis. The members of the High Committee must declare their directorships in listed companies.

It is responsible for:

- monitoring 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, the qualification as an independent director), and secondly it may itself initiate proceedings to seize the Board of a company if it establishes that a company has failed to implement one of the code's recommendations without sufficient explanations. If a company decides not to follow the recommendations of the High Committee, it must mention in its annual report/reference document the latter's opinion and the reasons why it has decided not to act on its recommendations;
- proposing updates to the code to reflect changes in practice, including at the international level, AMF recommendations or areas for reflection, and investor requests.

The High Committee shall publish an annual activity report.

ANNEX

STANDARDISED PRESENTATION OF THE COMPENSATION OF EXECUTIVE DIRECTORS OF COMPANIES WHOSE SECURITIES ARE ADMITTED TO TRADING ON A REGULATED MARKET

In order to improve the clarity and comparability of executive directors' compensation information, AFEP and MEDEF recommend that companies whose securities are admitted to trading on a regulated market adopt the following disclosure format in the form of a table.

These ten tables must be grouped in a specific chapter of the annual report devoted to executive directors' 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.

Also, these tables must be supplemented by information 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 director</i>		
	Financial year N - 1	Financial year N
Executive director'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>)		
TOTAL		

Table 2

<i>Table summarising the compensation paid to each executive director²⁸</i>				
Executive director's name and position	Financial year N - 1		Financial year N	
	Amounts due	Amounts paid	Amounts due	Amounts paid
Fixed compensation				
Variable compensation				
Extraordinary compensation				
Directors' fees				
Fringe benefits ²⁹				
TOTAL				

Table 3

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

²⁸ When variable multi-annual compensation is due or paid, the table must be changed accordingly.

²⁹ These fringe benefits must be described: car, accommodation, etc.

Table 4

<i>Subscription or purchase options awarded during the financial year to each executive director by the issuer and by any company of the group</i>						
(named list)	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

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

Table 6

<i>Performance shares awarded during the financial year to each executive director by the issuer and by any company of the group</i>						
(named list)	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

<i>Performance shares that have become available during the financial year for each executive director</i>			
(named list)	No. and date of the plan	Number of shares available during the financial year	Acquisition terms ³⁰

³⁰ Quantity of shares to be acquired upon the availability of the shares according to the methods determined by the Board at the time they are awarded.

Table 8

PAST AWARDS OF SUBSCRIPTION OR PURCHASE OPTIONS ⁽¹⁾				
INFORMATION ON THE SUBSCRIPTION OR PURCHASE OPTIONS ⁽¹⁾				
	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 ⁽²⁾ able to be subscribed or purchased, of which the number able to be subscribed or purchased by:				
Executive directors ⁽³⁾				
Director 1				
Director 2				
Director 3				
Starting date for the exercise of shares				
Expiry date				
Price of purchase or subscription ⁽⁴⁾				
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 executive directors.

(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 carried out to the parity or to the capital, the table must be shown after adjustments.

(3) Named list of the directors (executive and non-executive directors).

(4) State the methods of determining the price of the subscription or purchase.

Table 9

PAST AWARDS OF PERFORMANCE SHARES				
INFORMATION ON PERFORMANCE SHARES				
	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 awarded, of which the number awarded to:				
Executive directors ⁽¹⁾				
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 at [...] (most recent date)				
Cumulative number of shares cancelled or lapsed				
Performance shares remaining at the end of the financial year				

(1) Named list of the directors (executive and non-executive directors).

Table 10

Executive directors	Employment contract		Supplementary pension scheme		Benefits or advantages due or likely to be due as a result of terminations or changes of office		Benefits relating to a non-competition clause	
	Yes	No	Yes	No	Yes	No	Yes	No
Name								
Position								
Start date of term of office								
Expiry date of term of office								
Name								
Position								
Start date of term of office								
Expiry date of term of office								