

**REXEL**  
*société anonyme*  
with share capital of €1,516,715,885  
Registered office: 13, boulevard du Fort de Vaux  
75017 Paris  
479 973 513 R.C.S. Paris

**INTERNAL REGULATIONS OF THE  
BOARD OF DIRECTORS OF REXEL**

**July 28, 2017**

## **Introduction**

These internal regulations (the “**Regulations**”) constitute the corporate governance charter of Rexel's Board of Directors and govern the relationship between Rexel's Board of Directors and executive management, in a spirit of cooperation with the principal objective of facilitating the exchange between the company's management bodies in the interest of its shareholders.

The purpose of the Regulations is to contribute to the quality of work produced by the members of the Board of Directors by favoring the application of corporate governance principles and best practices as required by considerations of ethics and efficiency.

For the purposes of these Regulations:

The “**Group**” means Rexel and any company under its control as set forth in clause L.233-3 I and II of the French Commercial Code (*Code de commerce*).

The “**Company**” means Rexel, a company with limited liability with a Board of Directors, with its registered office at 13, boulevard du Fort de Vaux, 75017 Paris.

“**Independent Director**” means a director expressly appointed as an independent director, in accordance with the terms of section II of the Regulations (and excluding any other directors who may meet the eligibility criteria for an Independent Director, but have not been appointed as such).

*The internal regulations are for internal use only. They are not intended to replace the Company's by-laws but rather to implement them. Its provisions therefore cannot be enforced against the Company by third parties. A summary of the Regulations appears in the Company's annual report.*

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## **I. BOARD OF DIRECTORS**

### **1.1 Competence**

The Board of Directors determines the direction of the Company's business and sees to its implementation. Subject to the powers expressly conferred to the shareholders' meetings and within the scope of the corporate purpose, it acts on all matters relating to the proper operation of the Company and manages the Company's business through its deliberations.

In its relationships with third parties, the Company is bound even by the *ultra vires* acts of the Board of Directors, unless it is able to prove that the third party was aware of the *ultra vires* nature of the relevant act, or could not have been unaware of it in the circumstances, it being specified that the mere publication of the By-Laws shall not suffice to establish such proof.

The Board of Directors conducts all controls and verifications it deems appropriate.

Each director receives all information required for him/her/it to discharge his/her/its duties, and may obtain copies of any and all documents he/she/it deems useful from the Chairman.

The Board of Directors possesses the following powers, inter alia:

- (i) Powers relating to audits:
  - management control;
  - examination of the Company's financial and cash situation, and of the obligations of Company and its subsidiaries;
  - examination of the cash position of the Company and of its subsidiaries;

- examination of the verification procedure for the financial statements and the information provided to the Company's shareholders and the market;
- authorization of regulated agreements.

(ii) Powers relating to appointments and compensation:

- Appointment and removal of the Chairman of the Board of Directors and the Deputy Chairman of the Board of Directors;
- appointment and removal of the Chief Executive Officer and of the Deputy Chief Executive Officers, determination of the number of Deputy Chief Executive Officers in accordance with the limits set forth in the Company's by-laws and determination of their level of compensation;
- choice of the executive management organization method (dissociation or merger of the functions of Chairman and Chief Executive Officer);
- cooptation of directors;
- allocation of attendance fees;
- information about appointment, revocation or dismissal of the Executive Committee members,
- advice about the remuneration policy of the Executive Committee members.

(iii) Preparation of reports for the general meetings of the Company's shareholders:

Each year, the Board of Directors must present to the ordinary general meeting of the shareholders a report on the position and activities of the Company during the financial year ended, as well as on the financial statements for the financial year.

The Chairman of the Board of Directors must attach to this report another report which details the manner in which the Board of Directors' work was carried out, as well as the internal control procedures established by the Company.

The Board of Directors issues proposals relating to the renewal of the functions of the directors.

(iv) Powers relating to prior authorization of certain decisions of the Chief Executive Officer:

The Board of Directors confers on the Chief Executive Officer authorizations as required by law or the Company's by-laws.

In accordance with the Company's by-laws, the following decisions require the prior authorization of the Board of Directors:

- adoption of the annual budget,
- adoption of the strategic plan,
- proposed resolutions to be submitted to the general meeting of shareholders pertaining to any distribution (including dividends or reserves) to shareholders,
- proposed resolutions to be submitted to the general meeting of shareholders pertaining to replacement of the statutory auditors,

- adoption of significant changes in accounting methods,
- acceptance of and resignation from any office as a member of a board of directors or equivalent body by the Company and appointment and revocation of the appointment of the Company permanent representatives to such boards of directors or equivalent body,
- proposed resolutions to be submitted to the general meeting of shareholders and use of authorizations or powers granted by the general meeting pertaining to the issuance of shares or securities granting immediate or future access to the share capital of the Company, of a company that directly or indirectly owns more than half of the Company's share capital or of a company in which the Company directly or indirectly owns more than half of the share capital, or securities granting rights to the award of debt securities,
- proposed resolutions to be submitted to the general meeting of shareholders pertaining to any share buyback program,
- acquisition and disposal of any business segments, equity interests in any company, any assets and undertaking any investment, in each case, with an enterprise value exceeding a threshold determined by the Board of Directors,
- the creation of any business division or subsidiary, the realization of investments in any business division or the acquisition of any equity interest in a country in which the Company does not operate,
- borrowing (including by issuing bonds) or assumption of liabilities, in each case, in an amount exceeding a threshold determined by the Board of Directors,
- awarding options to subscribe for or to purchase shares, awarding free shares or other plans for the employees of the Company or its subsidiaries involving equity securities of the Company,
- entering into merger, spin-off or asset transfer agreements,
- admission to trading of negotiable securities issued by the Company or one of its subsidiaries on an organized exchange,
- any transaction entailing a significant change in the scope of the business activities of the Company and its subsidiaries,
- any transaction or settlement in connection with any litigation in an amount exceeding a threshold determined by the Board of Directors.

## **1.2 Prior consultation with the Committees**

Insofar as possible and depending on the circumstances, any deliberation of the Board of Directors on a matter falling within the scope of a Committee shall be preceded by referring such matter to the relevant Committee and may be made only after the relevant Committee has submitted its recommendations or proposals.

In the interests of good corporate governance, the Chairman of the Board of Directors shall transmit to the chairman of the relevant Committee, within a reasonable period of time under the circumstances, all information and documents necessary for the Committee to carry out its mission and formulate its opinions, recommendations and proposals on the matters proposed by the Board of Directors for deliberation.

### **1.3 Meetings**

The Board of Directors meets as often as required to serve the interests of the Company and at least once every quarter at meetings called by its Chairman or Deputy Chairman.

Except with the written consent of all its members, the Board of Directors must be convened in writing, in any form, including by fax or by e-mail, at least three (3) days before the meeting date. The agenda of the meeting and all documents prepared for submission to the Board of Directors shall be attached to the meeting notice. However, when all members of the Board of Directors are present or represented (including participation or representation during telephone or video conferences) at a meeting, the meeting may be held without prior notice and without complying with the three-day notice rule.

Meetings are held at the registered office of the Company or at any other place specified in the meeting notice.

However, if the Board of Directors has not met in more than two months, a group of directors may, provided they represent at least one third of the directors in office, request the Chairman to call the Board of Directors on a specific agenda. In all other cases, the agenda is set by the Chairman and must, in any event, be mentioned in the meeting notice.

The Board of Directors is duly convened only if a quorum consisting of at least one half of its members is present.

An attendance register is maintained and signed by the directors who attended the Board of Directors' meeting; it must show the name of the members who attended the meeting by videoconference or other form of telecommunication.

The deliberations of the Board of Directors are recorded in minutes, which are drawn up in accordance with applicable law. They are signed by the chairman of the meeting and at least one director or, in the event that the chairman is unable to sign, by two directors.

Copies or excerpts of these minutes are certified by the Chairman of the Board of Directors, the Chief Executive Officer, the Deputy Chief Executive Officers, the director temporarily acting as Chairman of the Board of Directors, or a person duly authorized for such purpose.

### **1.4 Meetings held by videoconference or other form of telecommunication**

Directors who attend meetings of the Board of Directors by videoconference or other form of telecommunication in accordance with the following conditions shall be deemed present for purposes of quorum and majority requirements:

- The means of videoconference or telecommunication may be used for any meeting of the Board of Directors.
- Such means of videoconference or telecommunication must ensure effective participation to the deliberations of the Board of Directors, which must take place normally and without interruption.
- Each participant must be able to participate and hear what is said at the meeting.
- Directors who participate in a meeting of the Board of Directors by videoconference or other means of telecommunication must inform other attendees of the potential presence of any other person who might hear or see the deliberations.
- Where applicable, attendance of members to each meeting of the Board of Directors by videoconference or other means of telecommunication is recorded in the attendance register.
- Directors who attended meetings of the Board of Directors by videoconference or other means of telecommunication must sign the attendance register.

- The minutes of each meeting of the Board of Directors must include the names of those directors who attended by videoconference or other means of telecommunication and, as the case may be, details of any technical disruption which may have occurred during the meeting.

### **1.5 Majority rules**

In accordance with the Company's by-laws, decisions are approved by a majority of votes of the members present or represented; each director has one vote and may not represent more than one of his colleagues. In the event of a tie, the Chairman of the meeting shall cast the tie-breaking vote, if and only if the Board of Directors consists of an even number of directors and only at meetings chaired by the Chairman of the Board of Directors.

### **1.6 Members of the Board of Directors**

The Board of Directors is composed of a minimum of 5 and a maximum of 15 members, subject to exemptions provided for by law in the case of a merger.

During the Company's lifetime, Board members are appointed or reappointed by the Ordinary Shareholders' Meeting.

They are appointed for a term of four years.

However, the first directors appointed by the shareholders' meeting of May 22, 2014 and who were previously members of the Supervisory Board of the Company on the date of the shareholders' meeting of May 22, 2014 have been appointed for a period of time equal to the remainder of their term of office as members of the Supervisory Board of the Company.

The term of office of a director expires at the end of the ordinary shareholders' meeting convened to approve the financial statements for the previous financial year and held during the year in which the term of office of such director expires.

The Board of Directors shall be renewed in quarters, rounded to the higher whole number every year so that it is fully renewed every four years. The order of early termination of the terms of office shall be determined by the unanimous decision of the directors present or represented or, if unanimity is unable to be reached, by drawing lots. The term of office of the persons so designated will expire on the date determined by the unanimous decision of the Board of Directors or determined by the Chairman of the Board of Directors before the draw. The renewal of Board of Directors shall then be carried out in the order of length of service.

Directors are always eligible for reelection.

They may be dismissed at any time by the ordinary shareholders' meeting.

No individual exceeding the age of 70 may be appointed as director if such appointment raises the number of directors who are over this age to more than one-third.

Directors may be individuals or legal entities. Any legal entities must, at the time of their appointment, designate a permanent representative who is subject to the same conditions and obligations and who incurs the same liability as if he/she were a director in his/her own name, without prejudice to the joint and several liability of the legal entity he/she represents. This office of permanent representative is concurrent with the term of office of the legal entity that he represents. It must be renewed each time the term of office of the legal entity comes up for renewal.

Should the legal entity revoke the appointment of its permanent representative, it must notify the Company thereof without delay by registered mail and identify its new permanent representative. The same shall apply in the event of the death, resignation or long-term disability of the permanent representative.

Should one or more seats on the Board of Directors become vacant between two general meetings of shareholders as a result of the death or resignation of members, the Board of Directors may appoint one or more persons to serve as interim members in accordance with applicable laws.

Any co-opted directors appointed by the Board of Directors are subject to ratification by the shareholders at the next ordinary general meeting.

If the appointment of members is not ratified, the resolutions adopted and actions carried out previously shall be nonetheless valid.

Should the number of directors fall to less than three, the remaining directors shall immediately call an ordinary general meeting of shareholders to bring the number of directors up to the required minimum.

A director who is appointed to replace another director shall remain in office only for the remainder of his predecessor's term.

No person may be appointed as director unless he/she/it complies with the rules on holding multiple offices, conflicts of interests or disqualification or prohibitions as provided by applicable law and regulations.

The number of directors who have an employment agreement with the Company may not exceed one third of the directors in office.

## **1.7 Chairman, Deputy Chairman and Senior Independent Director**

The Board of Directors elects a Chairman and, as the case may be, a Deputy Chairman from among those of its members who are private individuals. The term of office of the Chairman and of the Deputy Chairman lasts for as long as their term of office as directors, unless the Board of Directors decides to appoint a new Chairman and, as the case may be, a new Deputy Chairman.

### **1.7.1 Chairman**

The Chairman of the Board of Directors convenes the Board of Directors and organizes and leads the work of the Board of Directors, on which he/she reports to the shareholders' meeting. He/she oversees the proper operation of the Company's corporate bodies and in particular ensures that the directors are in a position to discharge their duties. The Chairman prepares the report of the Chairman of the Board drawn up pursuant to article L. 225-37 of the French Commercial Code.

The Chairman also has the following responsibilities:

- to ensure that the principles of corporate governance are defined and implemented;
- with the support of the Nomination Committee, to endeavor to build an efficient and balanced Board and efficient and balanced committees and to organize the replacement and succession processes that concern the Board of Directors and nominations on which it will have to decide on;
- to ensure that the directors have access to all the documentation and information necessary to carry out their duties in a timely manner and in a clear and appropriate form;
- as the case may be, to provide assistance and advice to the Chief Executive Officer, while respecting the functions of the latter;
- to contribute to promoting the values and image of the Company within the Group and externally;
- to ensure that the quality of relations with shareholders is maintained in close coordination with the Chief Executive Officer.

To such effect, the Chairman:

- will be informed of significant events affecting the life of the Company and of the Group;
- shall have access to the documents and information he/she may deem necessary or useful for the fulfillment of his/her missions;
- may assist any meetings of the committees of which he/she is not a member, without the right to vote; and
- may meet any current or potential shareholders, and forward their concerns in relation to governance to the Board of Directors.

The Chairman reports on his/her work to the Board of Directors.

### **1.7.2 Deputy Chairman and Senior Independent Director**

In the event of the Chairman's unavailability, the Deputy Chairman performs the same duties and enjoys the same powers as the Chairman. In the event of unavailability, the Deputy Chairman shall act as Chairman for the entire duration of the Chairman's unavailability. In the event of death, the Deputy Chairman shall act as Chairman until a new Chairman is elected.

In the Chairman's absence, the Deputy Chairman presides the meetings of the Board of Directors.

The Deputy Chairman may also act as Senior Independent Director. The Deputy Chairman acting as Senior Independent Director must qualify as an Independent Director under the criteria made public by the Company.

The appointment of a Deputy Chairman is mandatory if the functions of Chairman of the Board of Directors and of Chief Executive Officer are exercised by the same person; in such case, the Deputy Chairman shall also act as Senior Independent Director.

In his/her capacity as Senior Independent Director, the Deputy Chairman shall have the following responsibilities:

- managing any conflict of interest situations;
- as the case may be, providing assistance and advice to the Chairman of the Board of Directors on the principles of corporate governance or on the organization of the Board of Directors and committees, while respecting the functions of the latter; and
- conducting the annual reviews of the organization and operation of the Board of Directors and of its committees.

To such effect, the Deputy Chairman/Senior Independent Director:

- presents potential conflict of interest situations identified by him/her to the Chairman of the Board of Directors and the Board of Directors, as well as his/her recommendations in relation to the means of handling such conflict of interest situations;
- shall have access to the documents and information he/she may deem necessary or useful for the fulfillment of his/her missions;
- may assist any meetings of the committees of which he/she is not a member, without the right to vote;
- may meet with the directors at least once a year, outside the presence of the corporate officers; and
- may meet any current or potential shareholders and forward their concern in relation to governance to the Board of Directors.

The Deputy Chairman reports on his/her work to the Board of Directors.



## **1.8 Executive management**

The Company's executive management is exercised, under his/her responsibility, either by the Chairman of the Board of Directors, or by another private person, who need not be a director, appointed by the Board of Directors and bearing the title of Chief Executive Officer.

The Board of Directors chooses one of the two aforementioned executive management methods, by the majority set forth in §2 of article 17 of the By-Laws. The shareholders and third parties are informed of the method chosen in accordance with the provisions of the Law.

The executive management method applies until a contrary decision is made in accordance with the same procedure.

In order to ensure the continued operation of the Company upon expiry of the functions of the Chairman and Chief Executive Officer, or in the event of unavailability of the Chairman and Chief Executive Officer, the Deputy Chief Executive Officer(s) shall, unless otherwise decided by the Board of Directors, assume the Company's executive management until a new Chief Executive Officer is appointed, and the Deputy Chairman shall temporarily assume the functions of Chairman of the Board of Directors.

## **1.9 Ethics**

**1.9.1** The Board of Directors, a collegiate body, is required to act in the Company's best interests under all circumstances.

**1.9.2** Directors carry out their duties with loyalty and professionalism.

**Loyalty and good faith:** Directors shall not take any initiative that would be contrary to the interests of the Company and shall act in good faith under all circumstances.

In addition to the confidentiality undertaking provided by article L. 225-37 of the French Commercial Code (*Code de commerce*), each director shall consider himself/herself to be bound by the rules of professional secrecy with respect to any information obtained in the performance of his duties and that has not been made public. Each member personally undertakes to keep completely confidential the information he receives, the discussions in which he participates and the decisions adopted.

Only the Chairman may speak on behalf of the Board of Directors, except in exceptional circumstances or in the case a specific mandate is granted to another director.

Other than the Chairman of the Board of Directors, the Directors undertake to refrain from speaking about the Company or the Group, except during the meetings of the Board of Directors or at the Chairman's invitation or with his/her approval.

In the event of a demonstrated breach by a Director of his or her confidentiality duty, the Chairman of the Board of Directors, after having consulted with the Senior Independent Director and the Nomination Committee, will report to the Board on any actions, including legal, that he/she intends to take as a result of this breach.

### **Professional approach and involvement:**

Directors:

- (i) undertake to dedicate the necessary time and attention to carrying out their duties;
- (ii) shall be diligent and attend all meetings of the Board of Directors and of the Committees to which they belong whenever possible;

- (iii) shall inform themselves of the business and special characteristics of the Company's businesses, its challenges and its values;
- (iv) shall strive to keep up-to-date the knowledge they need to effectively carry out their duties;
- (v) shall request and undertake the necessary procedures to timely obtain the information they consider to be essential to deliberate as a member of the Board of Directors with full knowledge of the matters addressed;
- (vi) shall comply with all provisions of code of conduct regarding trading in the Company's securities on the stock exchange as approved by the Board of Directors.

Directors representing employees are provided with training adapted to the performance of their duties, at their request.

Each Director undertakes to resign from his/her position on the Board of Directors when he or she believes in good faith that he or she is no longer able to fully assume his or her duties and obligations.

### **Independence and conflicts of interest**

- (i) Directors shall, under all circumstances, strive to maintain independence in their judgment, decision-making and actions. They shall not be influenced by any factor that is not in keeping with the corporate interests that they are responsible for defending.
- (ii) They undertake to avoid any conflict that may exist between their moral and material interests and those of the Company. They shall notify the Senior Independent Director of any conflict of interests, actual or potential, with the Company or any company of the Group, in which they may be involved. In such cases, they shall abstain from taking part in the discussions and in any decisions on the relevant matters and shall not receive any documents in relation to the situation that is, or potentially is, creating a conflict of interest.

The Senior Independent Director, or the Chairman in case the Senior Independent Director is the one concerned by the conflict, may elect to deal with any actual or potential conflict of interest which may come to his/her attention and conduct investigation that will enable him/her to identify or prevent them.

### **1.10 Compensation**

The ordinary general meeting may allocate attendance fees to directors; the amount of such fees is included in the operating expenses of the Company and is maintained until the general meeting decides otherwise.

The Board of Directors divides such fees among the directors as it sees fit.

The compensation of the Chairman of the Board of Directors, of the Chief Executive Officer and of the Deputy Chief Executive Officers is determined by the Board of Directors. Such compensation may be either fixed or proportional or both fixed and proportional.

The Board of Directors may allot exceptional compensation for special missions or duties assigned to directors. Any such compensation is recorded in operating expenses and is subject to approval by the ordinary general shareholders' meeting, in accordance with the procedure set forth in articles L. 225-38 to L. 225-42 of the French Commercial Code.

The Board of Directors may authorize reimbursement of travel and other expenses incurred by its members in the interest of the Company upon presentation of receipts and according to the expenses policy implemented by the Board of Directors.

Members of the Board of Directors who reside in a different continent from the place of the meeting of the Board shall be granted a "time and travel allowance" for an amount fixed by the Board of Directors. This "time and travel allowance" will be subject to tax.

No compensation other than as described herein, whether permanent or temporary, may be paid to directors, other than pursuant to an employment agreement with the Company under the conditions allowed by applicable law and regulations.

### **1.11 Holding of shares by the directors**

During the whole duration of their term of office, the members of the Board of Directors should hold at least one thousand (1,000) shares of the Company. Should a director not own the required number of shares on the date of his appointment or should he cease to own them during his term of office, he shall be deemed to have resigned from office if he has not regularized the situation within the time limits provided for by applicable laws and regulations.

Each director, as an individual member or as permanent representative of a legal entity, shall hold, under the registered form (*sous la forme nominative*), during the term of his or her mandate, a number of shares of the Company corresponding to an amount at least equal to the gross amount of the fixed portion on yearly theoretical basis (assuming a participation to all the meetings of the Board of Directors) of the attendance fees received by such director. If a director does not hold a sufficient number of shares at the time of the entry into force of these stipulations that is to say on 10 February 2016 or, if later, at the time of his or her appointment, the said director shall progressively acquire the said number of shares over a period of four years by using the attendance fees received.

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## **II. INDEPENDENT DIRECTORS**

In accordance with the corporate governance principles and practices set out in the Regulations, the Board of Directors and each of the Committees comprise Independent Directors who are elected or co-opted as such.

### **2.1 Definition of independence and related criteria**

Independence and criteria of independence are defined by reference to the AFEP and MEDEF Code of Corporate Governance for listed companies.

The Board of Directors may find that, while one of its directors fulfills the aforesaid criteria, he may not be designated as Independent Member as a result of his individual situation or the situation of the Company in light of its shareholder base, or for any other reason. Conversely, the Board of Directors may consider that a director who does not meet the aforementioned criteria is nonetheless independent.

### **2.2 Qualification procedure for Independent Directors**

The Nomination Committee reviews the designation of Independent Directors each year and draws up a report to the Board of Directors on the matter. Each year, in light of this report, the Board of Directors reviews the situation of each director with respect to independence criteria.

The Board of Directors submits the findings of its review to the shareholders in the annual report.

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### **III. OBSERVERS (*CENSEURS*)**

The Board of Directors may appoint up to three observers (*censeurs*), who may be but are not required to be shareholders, and who shall be asked to attend meetings of the Board of Directors, exclusively for purposes of information.

Observers serve in an advisory capacity and do not have the right to vote.

Observers may be members of the committees created by the Board of Directors.

Observers are appointed for a maximum term of four years. They are always eligible for reelection and may be dismissed at any time.

Barring a decision to the contrary by the Board of Directors, observers do not receive compensation.

Barring a decision to the contrary by the Board of Directors, observers shall have access to the same information as directors.

Observers are bound by all confidentiality and discretion requirements applicable to directors set forth in 1.9.2 above, as well as those arising from articles L. 225-38 et seq. of the French Commercial Code (*Code de commerce*).

Observers shall abstain from all actions in connection with the management, supervisory or control powers falling within the exclusive scope of the legal bodies and shall not substitute themselves for such bodies.

### **IV. COMMITTEES**

#### **4.1 Rules applicable to all Committees**

##### **4.1.1 Composition**

Committee members are selected by the Board of Directors from among the directors, on the recommendation of the Nomination Committee. Their appointment may be revoked by the Board of Directors upon the advisory opinion of the Nomination Committee.

The term of office of Committee members is concurrent with their term of office as director. It may be renewed at the same time as their term of office as director.

Each Committee appoints its own chairman who is in charge of organizing its work on the recommendation of the Nomination Committee. The chairman of the Nomination Committee is appointed by members of the said Committee from among its members.

##### **4.1.2 Access to information, interviews and support**

After notifying the Chairman of the Board of Directors (and the [Chief Executive Officer] in the cases set forth in (i) and (ii) below) and subject to reporting thereon to the Board of Directors, each Committee shall have the right, in carrying out its responsibilities:

- (i) to receive from the Company any document that it may deem useful in carrying out its duties;
- (ii) to interview the Chief Executive Officer or any other person that the Committee may deem useful to interview; and
- (iii) to be assisted by any third party of its choosing (expert, adviser, attorney or auditor) during meetings.

The Committees may also invite the Chief Executive Officer and the Deputy Chief Executive Officers to attend their meetings.

#### **4.1.3 Operations**

(i) **Majority rules**

In order to be duly convened, at least half of the members of the Committee must be present at the meeting. A Committee member may not be represented by proxy.

Committees adopt recommendations or proposals by a simple majority of the members.

In case of a tie, the Chairman of a committee does not cast the tie-breaking vote.

(ii) **Meeting - Referral**

The frequency and duration of a Committee's meetings must be such that they allow for in-depth review and discussion of the matters falling within the scope of that Committee.

Whenever a matter must be referred to a Committee under clause 1.2 of the Regulations, that Committee shall meet as soon as required by the urgency of the matter, as indicated by the Board of Directors when the matter is referred.

(iii) **Minutes**

Minutes of Committee meetings shall be drawn up. They shall be transmitted to members of that Committee and may be communicated to other members of the Board of Directors. The chairman of the Committee or a member appointed for this purpose shall report to the Board of Directors on the Committee's work.

(iv) **Reimbursement of expenses**

Committee members may request reimbursement for reasonable expenses as provided in Article 1.10 of the Regulations.

(v) **Rules**

Committee rules may be drawn up by the Committee's members and, if so, shall be submitted to the Board of Directors for approval.

(vi) **Improvement of Committee operations**

The members of the Committees shall make all recommendations that they deem likely to improve the operations of their Committee.

#### **4.2 Audit and Risk Committee**

##### **4.2.1 Composition**

The Audit and Risk Committee is composed of a maximum of seven members and includes Independent Directors. At least one of the Independent Directors is appointed on the basis of specific skills in the financial or accounting fields.

The Committee should not include any executive directors.

Audit and Risk Committee members shall be selected for their expertise in accounting and finance.

#### **4.2.2 Powers**

The Audit and Risk Committee is in charge of any matters relating to the preparation and control of accounting and financial information. It assists the Board of Directors in ascertaining the accuracy and faithfulness of the parent company and consolidated financial statements of the Company and the quality of the information provided. Its mission, as assigned by the Board of Directors when preparing the parent company and consolidated financial statements, which are drawn up annually, half-yearly and quarterly in accordance with applicable regulations, and when preparing any deliberations with respect to the financial statements of the Company, is to make recommendations and submit proposals to the Board of Directors in all areas listed below:

- Review and audit of the accounting and financial information:
  - Knowledge of the scope of consolidation, accounting methods and audit procedures;
  - Review of the process for preparation of financial information and, where appropriate, the formulation of recommendations to ensure its integrity;
  - Review of the quarterly, half-yearly and annual financial statements, and in particular analysis of provisions, and of material risks and off-balance sheet commitments;
  - Knowledge of accounting positions taken in recognizing material transactions;
  - Submission of recommendations to the Board of Directors on proposed adoptions of material changes to accounting methods;
  - Review of the Group's financial position, review and issue of recommendations to the Board of Directors on any borrowing or assumption of liabilities by the Company in an amount exceeding the threshold which such transactions are subject to prior approval by the Board of Directors;
  - Review of the procedures for preparing information provided to shareholders and to the market and review of the Group press releases relating to accounting and financial information.
- Oversight of the way the statutory auditors conduct their assignment:
  - Monitoring the work of the statutory auditors on the quarterly, half year and annual company and consolidated financial statements;
  - Reporting to the Board of Directors on the results of the assignment to certify the financial statements, the way in which this assignment contributed to the integrity of the financial information and the role it played in this process and informing it immediately of any difficulties encountered;
  - Monitoring the checks carried out by the French High Council of Statutory Auditors (*Haut Conseil du commissariat aux comptes*).
- Oversight of the independence of the statutory auditors:
  - Steering of the selection procedure applicable to the statutory auditors;
  - Submission of recommendations to the Board of Directors on the proposals to the general meeting of shareholders with respect to appointing, replacing and reappointing the statutory auditors;

- Knowledge of the amount of fees paid to the statutory auditors and recommendation thereon to the Board of Directors;
  - Ascertaining that the statutory auditors comply with the rules governing their independence;
  - Approval of the provision of services other than the certification of accounts by the statutory auditors.
- Oversight of the effectiveness of internal control, risk management and internal audit procedures:
- Submission of recommendations on the mission and organization of the Group's internal audit department and its action plan;
  - Review of the main conclusions made by the internal audit department within its work, followed by a report to the Board of Directors;
  - Review of the contribution of the internal audit department within the evaluation of the risk management process and of the internal control;
  - Review of the organization and of the implementation of the internal control guidelines within the Group and review of the process for identifying and monitoring risks.

#### **4.2.3 Operations**

The Audit and Risk Committee meets at least four times per year and whenever it deems it necessary. It meets prior to those meetings of Directors during which matters falling within the Audit and Risk Committee's responsibilities scope are to be addressed. The frequency and duration of Audit and Risk Committee meetings must be such that they allow for in-depth review and discussion of the matters falling within the Committee's scope.

### **4.3 Nomination Committee**

#### **4.3.1 Composition**

The Nomination Committee is composed of a maximum of seven members and includes Independent Directors. It should be chaired by an Independent Director.

The Committee should not include any executive directors.

#### **4.3.2 Powers**

The responsibilities of the Nomination Committee are the following:

- Make proposals for appointments, revocations, dismissals and renewals of directors and the Chairman of the Board of Directors, members and the chairman of the Committees, the Chief Executive Officer and Deputy Chief Executive Officers, and issue recommendations on the candidates considered, in terms of expertise, availability, appropriateness and complementarity with other members of the Board of Directors or of executive management.
- Be informed about appointment, revocation or dismissal of the Executive Committee members.
- Propose the qualification of relevant directors as Independent Directors of the Board of Directors.

- Verify compliance with independence criteria and issue opinions thereon, as required, and advise the Chairman of the Board of Directors on the number of Independent Directors.
- Be in a position at any time to formulate a proposal on a potential successor to the Chairman of the Board of Directors or to the Chief Executive Officer.
- Issue recommendation, upon the Chief Executive Officer's proposal, on the acceptance and resignation by the Company of any office as member of the board of directors or any equivalent body, and on the appointment and dismissal of permanent representatives of the Company from such board of directors or equivalent bodies.

Pursuant to the responsibilities above, executive directors may be invited to take parts to meetings to give their opinion with regards to the proposed appointments, except when it concerns their own situation.

#### **4.3.3 Operations**

The Nomination Committee meets at least once each year and whenever it deems it necessary. It meets prior to those meetings of the Board of Directors during which matters falling within its scope are to be reviewed. The frequency and duration of Nomination Committee meetings must be such that they allow for in-depth review and discussion of the matters falling within the committee's scope.

#### **4.4 Compensation Committee**

##### **4.4.1 Composition**

The Compensation Committee is composed of a maximum of seven members and includes Independent Directors. It should be chaired by an Independent Director.

The Committee should not include any executive directors.

##### **4.4.2 Powers**

The responsibilities of the Compensation Committee are the following:

- Make recommendations to the Board of Directors on the compensation of the Chairman of the Board of Directors, of the Chief Executive Officer, and of the Deputy Chief Executive Officer, on the rules for determining the variable components and any supplemental components such as pension schemes and benefits in kind.
- Make recommendations to the Board of Directors with regards to allocation of directors' attendance fees.
- Be informed of planned compensation in the event of the breach of an employment agreement of the Chief Executive Officer, of the Deputy Chief Executive Officers or of a member of the Executive Committee and to render an opinion in this respect to the Chairman of the Board of Directors.
- Render an opinion on the stock option and free shares award policy, for all categories of beneficiaries, and more particularly in relation to the Chief Executive Officer, Deputy Chief Executive Officers and members of the Executive Committee; to make recommendations on the frequency of such awards and the terms and conditions of award.
- Make recommendations with regards to the compensation policy of the Executive Committee members. On this occasion, executive directors may be invited by the



Committee to take parts to meetings to give their opinion regarding the compensation of the Executive Committee members.

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## **V. EVALUATION OF THE BOARD OF DIRECTORS**

The Board of Directors shall assess periodically and at least on a yearly basis, its performance, covering the following aspects of its duties and commitment:

- Functioning modalities of the Board of Directors
- Frequency of meetings of the Board of Directors and directors' attendance.
- Preparation and discussion of important matters;
- Scope of the directors' duties and their contribution to the work of the Board of Directors.
- Contribution of the Board of Directors to the development of the Company.
- Efficiency of the Committees established by the Board of Directors.
- Involvement of the Board of Directors in decisions relating to operational or financial investment or divestiture projects.

The assessment of the performance of the Board of Directors is carried out by the Senior Independent Director, active observer(s) (*censeur(s)*) or by an Independent Director. It may take the form of anonymous question forms sent to each director. Once a year, the directors may debate the results of this assessment of the Board of Directors, during a meeting of the Board of Directors and, under the supervision of an observer, or an Independent Director. Upon this assessment, the various aspects of the duties and commitment of the Board of Directors and of its members are reviewed and where appropriate, recommendations for a better operation are drawn up.

In addition, at least every three years, an assessment of the performance of the Board of Directors must be carried out with the assistance of an external consultant, and may be supervised by an Independent Director.

A summary on the evaluation and on any recommendations resulting from it shall appear in the Company's annual report.

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## **VI. MISCELLANEOUS**

### **6.1 Amendments to the Regulations**

Any amendment to the Regulations requires a simple majority of the members of the Board of Directors.

### **6.2 Notification of the Regulations**

The principal elements of the Regulations shall be brought to the attention of the market, initially through the Company's *Document de Base*, and then on an annual basis through the Company's *Document de Référence*, and also generally, in accordance with applicable legal or regulatory requirements

### **6.3 Disputes**

In the event of any inconsistency between the Regulations and the Company's by-laws, the provisions in the Company's by-laws shall prevail.

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