



# Board of Directors Internal Rules and Procedures

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Updated on July 29, 2021

## Foreword

The Internal Rules and Procedures set forth the composition, role and operating procedures of the Board of Directors of Lectra (the “**Company**”); the rights, duties and rules of conduct incumbent upon Board of Directors members; and the duties and powers of the Chairman and Chief Executive Officer (*Président-Directeur Général*), in accordance with the provisions of the French Commercial Code and in addition to Part III of the Company’s bylaws. The Company and its subsidiaries are referred to as the “**Group**”.

These Internal Rules and Procedures apply to each member of the Board of Directors, regardless of whether he or she is a natural person or the permanent representative of a legal entity, and, more generally, to all persons taking part in or present at its meetings, occasionally or on a permanent basis.

Each member of the Board of Directors (“**Director**”) is deemed upon joining the Board of Directors to adhere to these Internal Rules and Procedures and to comply with all of its provisions, and should notify the Chairman and Chief Executive Officer at their own initiative if such is not the case or in the event of difficulty in applying them due to specific circumstances.

The Company abides by the AFEP-MEDEF Corporate Governance Code of Listed Companies (the “**AFEP-MEDEF Code**”) updated on January 30, 2020. The Company implements the AFEP-MEDEF Code’s recommendations, or in cases where it deems the recommendations inappropriate in light of specific circumstances, it explains the reasons for non-compliance.

## 1. COMPOSITION, ROLE AND POWERS OF THE BOARD OF DIRECTORS

### 1.1. Composition of the Board of Directors

The Board of Directors comprises a minimum of three members and a maximum of twelve, subject to legally permitted exceptions.

Each Director is elected for a term of four years.

The Board of Directors seeks to strike a balance, notably with regard to gender and the diversity of expertise, to enable it to perform its duties with the requisite independence and objectivity, in its composition and in that of the Committees it establishes.

### 1.2. Roles and powers of the Board of Directors

The Board of Directors determines the overall directions of the Company’s business and oversees their execution. The principal role of the Board of Directors is to determine the Company’s strategic direction. The Board of Directors considers and decides upon transactions of strategic importance, after review by the Strategic Committee where appropriate.

The members of the Board of Directors are informed of market developments, the competitive environment and the Company’s main challenges, including in the areas of corporate and environmental responsibility. The Board of Directors ensures shareholders and investors are provided with relevant, balanced and educational information on the Company’s strategy and growth model, on its response to material non-financial challenges, and its long-term outlook.

Subject to powers expressly invested in the Shareholders’ Meetings and within the limits of the corporate purpose, the Board of Directors considers all issues pertaining to the proper functioning of the Company and decides all matters concerning it.

The Board of Directors analyzes the major financial operations, economic matters or questions relating to human capital, and sets out the Group’s strategic orientations.

It appoints the Company Officers (*dirigeants mandataires sociaux*) entrusted with the management of the Company and chooses the form of organization (separation of the positions of Chairman and of Chief Executive

Officer, or combination of these offices in a single person), and oversees their management. As defined in the preamble and article 3.2 of the AFEP-MEDEF Code, the Company Officers consist of (i) the Chairman of the Board of Directors (non-executive Officer) and the Chief Executive Officer in the case of a separation of the offices or (ii) the Chairman and Chief Executive Officer in the case of a combination of the offices.

It regularly reviews, in relation to the strategy it has defined, the opportunities and risks, such as financial, legal, operational, social and environmental risks, as well as the measures taken accordingly. To this end, the Board of Directors receives all of the information needed to carry out its mission, notably from the Chairman and Chief Executive Officer.

The Board of Directors decides on the compensation of the Company Officers. This mission cannot be delegated to the Compensation Committee.

The Board of Directors ensures the implementation of a mechanism to prevent and detect corruption and influence peddling. It receives all of the information needed for this purpose. It also ensures that the Chairman and Chief Executive Officer implements a policy of non-discrimination and diversity, notably with regard to the balanced representation of men and women on the governing bodies.

The Board of Directors formulates the Company's policy on financial disclosure and ensures the quality of the information provided to shareholders and to the financial markets.

The following items require prior approval by the Board of Directors:

1. all significant transactions external to the Group's stated strategy or liable to have a significant impact on its financial results, balance sheet structure, or risk profile,
2. all creations of subsidiaries, all acquisitions of companies or activities, together with all disposals of a subsidiary, activity or item of Group intellectual property, and
3. all financial or stock market transactions having an immediate or future impact on the share capital, together with all borrowings exceeding €5 million.

In addition, the Board of Directors shall comply with the stable shareholding agreement (the "**Stable Shareholding Agreement**") entered into between the Company and AIPCF VI LG Funding LP ("**Funding**") on 1 June 2021 as regards to the procedure described below as long as such Stable Shareholding Agreement is in force:

- The following items (the "**Significant Decisions**") shall require prior approval by the Board of Directors:
  1. any modification of the share capital of the Company, including the issuance of shares or of any other equity securities by the Company, except for any issuance in which Funding has pre-emptive rights pursuant to the Stable Shareholding Agreement or any issuance that is an exception to Funding's pre-emptive rights listed in the Stable Shareholding Agreement,
  2. any merger, de-merger or contribution and any creation or dissolution, purchase or sale of any company, business, subsidiary, branch, or any other entity, assets and business concern, in each case with a value, per transaction, greater than €75 million,
  3. the dissolution of the Company,
  4. the material reorientation of the Company's or its subsidiaries' activities,
  5. any material amendment to the corporate purpose or the form of the Company,
  6. any amendment to the provisions of these Internal Rules relating to these significant decisions that adversely impacts Funding's rights under the Stable Shareholding Agreement,
  7. the delisting of the Company's Shares from the regulated market Euronext, or
  8. any agreement or undertaking to do any of the foregoing.
- Notwithstanding anything to the contrary set forth in these Internal Rules, if the Director designated by Funding votes against or abstains during the first meeting of the Board of Directors called upon to vote on a Significant Decision, said Significant Decision will not be adopted. The members of the Board of Directors will try to reach a consensus during a period of three weeks following this first meeting. At

the end of such period, said Significant Decision may be submitted again to the vote of the Board of Directors reconvened on second notice and may be in such case, authorized by the Board of Directors through a simple majority vote.

The Board of Directors performs such controls and verifications as it deems appropriate. It is informed of all important events affecting the life of the Company.

### **1.3. Board of Directors Committees**

The Board of Directors may decide to establish specialized committees (the “**Committees**”), which must necessarily include an Audit Committee mandated by law, determines their composition, and sets their terms of reference. These Committees are comprised exclusively of Directors and function under the responsibility of the Board of Directors.

Four committees have been formed: an Audit Committee, a Compensation Committee, a Nominations Committee and a Strategic Committee, whose composition complies with the prescriptions of the French Commercial Code, represents fairly the interests of the different shareholders of the Company, and complies with the recommendations of the AFEP-MEDEF Code.

The members of each Committee are designated by the Board of Directors in their personal capacity and may not be represented in the performance of their duties. They are appointed for an indefinite period of time and may be revoked by majority vote of the Board of Directors at the recommendation of the Chairman and Chief Executive Officer.

Each Committee makes proposals and recommendations and delivers opinions within its area of competence, and reports on its work to the following meeting of the Board of Directors.

Items that the Chairman and Chief Executive Officer or the Chairs of the different Committees wish to see discussed are placed on their respective agendas. When an item on the agenda of the Board of Directors requires prior discussion by one of the Committees, the Chair of the said Committee communicates the Committee’s observations, if any, and recommendations to the plenary session of the Board of Directors. The Committee chairperson’s reports ensure that the Board of Directors is fully informed, thereby facilitating its deliberations.

The Chair of a Committee may invite all persons of its choosing to attend a meeting of the said Committee, conditional on a pledge of confidentiality, in order to provide information or facilitate its deliberations. In this event, the Chair must then report on this to the Board of Directors.

The Board of Directors has sole legal authority to make decisions. The Committees must in no circumstances reduce or limit its powers, or decide in its place, nor act in a manner liable to diminish its collegiality, the Board of Directors remaining collectively responsible for the execution of its missions.

The Committees deliver opinions and recommendations only. They are not entitled to make any decision within the competence and terms of reference of the Board of Directors. All decisions, and in particular those concerning the compensation of Company Officers and the granting of stock options plans or bonus shares to managers and employees, together with all external growth operations, are scrutinized and approved by the Board of Directors in plenary session.

The Company must provide the Committees with the premises necessary to enable them to hold their meetings.

Between meetings of the Committees, their members may communicate as necessary by email, in particular with the Chairman and Chief Executive Officer, in order to further discuss and/or obtain further information on certain questions.

### **1.4. Combination of the offices of Chairman and Chief Executive Officer**

The Board of Directors has decided to opt for a combination of the offices of Chairman and that of Chief Executive Officer, it being specified that the Chairman and Chief Executive Officer will act, as the case may

be, as Chairman or Chief Executive Officer.

The Chairman and Chief Executive Officer, elected by the Board of Directors, has the following duties and responsibilities:

- to organize and direct the work of the Board of Directors, reporting to the General Meeting of Shareholders, and more generally to oversee the proper functioning of the Company's managing bodies;
- to be the guardian of corporate governance, of abidance by the Board of Directors and its members for the rules of conduct, together with the demands of good faith and transparency in the Company's financial and corporate publications;
- to oversee the proper functioning of the Company's managing bodies and especially the Committees of the Board of Directors;
- to chair and runs the Strategic Committee;
- to represent the Board of Directors and, unless otherwise decided by the latter, has sole authority to act and speak in its name;
- to oversee the general management of the Company. In this capacity, he is invested with full powers to act in the Company's name in all circumstances and represent it in its dealings with third parties, and he assumes all operational and executive responsibilities; and all teams in the Group report to him.

The Chairman and Chief Executive Officer chairs the Executive Committee, of which he decides its composition. He ensures abidance by and in all circumstances promotes the Company's core values and uncompromising ethical standards in the conduct of its business. He exercises his powers within the limits of the corporate purpose and subject to the powers explicitly attributed by law to the shareholders' meetings and to the Board of Directors.

The Board of Directors may place limits on the powers of the Chairman and Chief Executive Officer; however, such limitations are not enforceable against third parties.

The Chairman and Chief Executive Officer may be assisted by one or more Deputy Chief Executive Officers (*Directeurs Généraux Délégués*).

### **1.5. Independent Directors**

The use of the term independent Director is consistent with the recommendations of the AFEP-MEDEF Code.

In general, a Director is deemed to be independent of the Company's management when there is no relationship of any kind whatsoever with the Group or its management liable to compromise the said Director's freedom of judgment.

At least half of the members of the Board of Directors must be independent Directors.

All Directors must communicate all information concerning their personal situation to the Company, to enable the Board of Directors to assess their independence.

The definition of independence with respect to Directors is discussed by the Nominations Committee having due regard to the criteria set forth in the AFEP-MEDEF Code established by the Board of Directors, when appointing a Director and annually for all of the Board of Directors' members. The shareholders are informed of the resulting findings.

### **1.6. Secretary of the Board of Directors**

The Secretary of the Board of Directors, in coordination with and under the supervision of the Chairman and Chief Executive Officer, is responsible, among other duties, for drafting the minutes of meetings of the Board of Directors and assisting the Directors regarding material and regulatory issues, particularly payment of Directors' compensation and filings on any securities transactions by Directors.

## 1.7. Lead Director

An independent Director, in his/her capacity as Lead Director, is entrusted with certain specific tasks, namely:

- to perform the role of leader of the non-executive Directors;
- to organize at his/her discretion, and at least once a year, and to set the agenda and chair meetings of the non-executive Directors in the absence of the Chairman and Chief Executive Officer, in order to evaluate their performance and their succession plan, and to report to the Chairman and Chief Executive Officer and to the Board of Directors in full session, as appropriate;
- to monitor and manage possible conflicts of interest in connection with the Company Officers;
- to propose to the Chairman and Chief Executive Officer, if necessary, items for placing on the agenda of meetings of the Board of Directors;
- to direct the annual evaluation of the Board of Directors; and
- to manage the selection process for future Independent Directors; and
- in the event the Chairman and Chief Executive Officer are unable to do so, to convene and to chair the meetings.

The Lead Director is assisted by the Secretary of the Board of Directors for the performance of administrative tasks arising from his/her role and receives no compensation in respect of this role.

Except within the framework of exceptional missions entrusted to him/her and as explicitly provided for, the Lead Director has no authority to communicate with the shareholders in the name of the Board of Directors.

The Lead Director reports to the Board of Directors on his/her duties at least once a year. A report on his/her activity is appended to the Report on Corporate Governance.

## 1.8. General duties of Directors

Before taking up their duties, each Director must acknowledge that they have been apprised of the general and particular duties pertaining to their position. They must in particular familiarize themselves with the legislation, regulations, company bylaws and Internal Rules and Procedures herewith, and shall be bound by all of their provisions.

A Director represents all of the shareholders and acts in the interests of the Company when taking part in the deliberations of the Board of Directors and when voting.

## 1.9. Duty of care

Each member of the Board of Directors undertakes to devote the necessary time and attention to their duties, to attend all meetings regularly, unless prevented from doing so by circumstances beyond their control:

- to attend in person all meetings of the Board of Directors and of the Committees of which they are members, if necessary by videoconference or conference call<sup>1</sup>;
- to take part in all decision-makings of the Board of Directors carried out in writing<sup>2</sup>; and
- to attend all General Shareholders' Meetings;

Directors should be careful to limit the number of directorships held in other companies in order to remain sufficiently available in order to fully perform their duties.

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<sup>1</sup> As prescribed in article L. 225-37 of the French Commercial Code, unless otherwise stated in the company bylaws (the authorization figures in article 14.1 of the bylaws), the Internal Rules and Procedures may allow Directors to take part in the proceedings of the Board of Directors by videoconference or conference call permitting identification of the Directors and guaranteeing their effective participation in the meeting. However, these means of participation may not be used in the case of meetings of the Board of Directors held to close the annual accounts, the consolidated financial statements, the Management Discussion and the Report on Corporate Governance.

<sup>2</sup> Pursuant to article L.225-37, paragraph 3 of the French Commercial Code and article 14.1 of the Company's Bylaws, the decisions falling within the remit of the Board of Directors as well as the decisions relating to the transfer of the Company's head office within the same department may be made by means of consulting the Directors in writing.

They must notify the Chairman and Chief Executive Officer prior to accepting any new directorship in a French or foreign company, listed or unlisted, including membership of board committees, or of any change in their professional responsibilities.

All such appointments must be listed in their biography published on the Company website.

The Chairman and Chief Executive Officer may not hold a directorship in any French or foreign company, listed or unlisted, outside of the Group.

The Report on Corporate Governance reports annually on Directors' attendance records at meetings of the Board of Directors and Board Committees.

#### **1.10. Conflicts of interest**

Each Director must ensure at all times that their personal situation avoids all conflict of interest with the Company or Group companies, has a duty spontaneously to inform the Board of Directors of any situation or risk of conflict of interest, real or potential, and must abstain from taking part in corresponding discussions, votes or deliberations.

Further, and without prejudice to the formalities requiring prior authorization and control prescribed by law and the Company bylaws, Directors are required to notify the Chairman and Chief Executive Officer without delay of any related-party transaction into which the Group may enter and in which they have a direct or indirect interest, regardless of its nature.

The Chairman and Chief Executive Officer notifies the Board of Directors of any conflicts of interest or potential conflicts he may have identified concerning the Company Officers and the other Directors.

In the event of a conflict of interest, including a potential conflict of interest, the Board of Directors decides on this question and, if necessary, call upon the Director concerned to rectify their position.

#### **1.11. Duty of confidentiality—Privileged information**

Each member of the Board of Directors is required to treat information coming to their knowledge in the course of their duties as confidential and to refrain from using said information for purposes other than the strict performance of their duties as Director. They are bound by this obligation vis-à-vis both persons outside the Company and persons within the Company who, by virtue of their position in the Company, are not required and authorized to have knowledge of the information in question.

No Director other than the Chairman and Chief Executive Officer is entitled to speak in public regarding the policy of the Company, its strategy, its activities or its commercial and financial performance without prior consent of the Chairman and Chief Executive Officer.

All members of the Board of Directors will, in the performance of their duties, regularly receive privileged information as defined in article 7 of Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April, 2014 on Market Abuse (the Market Abuse Regulation). Consequently, their names are included on the list of insiders established by the Company and held available to the Financial Markets Authority.

Any Director in possession of privileged information must refrain from undertaking directly or indirectly, or from recommending to undertake, any transaction on the Company's shares or communicating the said information to outside parties until such information is made public.

#### **1.12. Obligation to own a minimum number of shares in the Company**

Each Director must own at least 1,500 of the Company's shares.

Directors who do not hold these shares at the time of joining the Board of Directors are required to invest the equivalent of 25% of their annual Director's compensation (i.e. roughly half of the net amount received by them after deduction of social security contributions and personal income tax) until they have acquired the requisite number of shares. Such investment must be made within 12 months following payment of the said Director's compensation.

### **1.13. Trading in Company shares**

Directors are prohibited from purchasing or selling the shares of the Company during the period starting fifteen calendar days before the end of each calendar quarter and expiring two stock market trading days after the meeting of the Board of Directors closing the quarterly and annual financial statements of the Group.

In keeping with good governance practice, shares held directly or indirectly by a Director must be registered in nominative form or in a registered account administered by the financial institution responsible for their administration.

Under French law, Directors are required to notify the Financial Markets Authority of transactions on Company shares, addressing a copy to the Secretary of the Board of Directors.

## **2. PROCEEDINGS OF THE BOARD OF DIRECTORS**

### **2.1. Meetings of the Board of Directors**

The Board of Directors meets as often as the interests of the company require and at least four times a year upon notice given by its Chairman and Chief Executive Officer. Notice to attend may be communicated by all means, including orally. In the absence of the Chairman and Chief Executive Officer, the Board of Directors is chaired by the Lead Director. In the absence of the Chairman and Chief Executive Officer and the Lead Director, the Board of Directors, at each meeting, designates one of its members to take the chair.

If more than two months have elapsed since the last meeting of the Board of Directors, one-third at least of the members of the Board of Directors may ask the Chairman and Chief Executive Officer to convene a meeting of the Board of Directors on the said agenda, indicating the agenda for the meeting, the Chairman being bound to comply.

A draft of the minutes is drawn up for each meeting and submitted to the Board of Directors for approval at its next meeting.

The Company's financial calendar, indicating dates of publication of quarterly and annual results, the General Meeting of Shareholders and the two annual meetings with securities analysts, is drawn up prior to the close of the current year for the following year, published on the Company website and communicated to Euronext.

### **2.2. Evaluation of the Board of Directors**

At least once a year, an item on the agenda of the Board of Directors meeting is devoted to an evaluation of the Board of Directors' composition, organization and proceedings.

The Board of Directors informs the shareholders each year, in the Report on Corporate Governance, of the evaluations carried out and of subsequent action taken, if any.

### **2.3. Meetings of the non-executive Directors**

The non-executive Directors meet at least once a year, before the meeting of the Board of Directors devoted to consideration of the evaluation of its proceedings, without the executive Company Officers being present, to review the workings of the Board of Directors and discuss all matters of their choosing. The non-executive Directors conduct a formal evaluation of the functioning of the Board of Directors every three years, including an appraisal of each Director's individual contribution to the work of the Board of Directors.

Each year the non-executive Directors note developments relative to the previous evaluation and report to the Board of Directors on their findings in this regard.

In addition, the independent Directors meet in ad hoc committee to draw up a succession plan for the Company Officers, in order to submit to the Board of Directors possible succession solutions in anticipation of foreseeable departures due in particular to age limits or unforeseeable vacancies. The Chairman and Chief Executive Officer may take part in or be associated with the proceedings of this ad hoc committee for the purposes of this task.



The Report on Corporate Governance informs shareholders of the performance of this duty, without the need to publish its results.

#### **2.4. Attendance at meetings of the Board of Directors via videoconference**

Subject to the reservations and in the conditions provided by law and Company bylaws, Directors may take part in meetings of the Board of Directors by videoconference or by all other electronic means of telecommunication or remote data transmission. In such cases, the notice of the meeting of the Board of Directors indicates the possibility of attendance at the Board of Directors meeting via videoconference or conference call, together with the technical details to permit access to them.

Except in the cases provided by law and the Company bylaws, members of the Board of Directors taking part in the meeting via videoconference or conference call are deemed to be present for the purpose of calculating the quorum and majority.

Further, pursuant to the provisions of the French Commercial Code and applicable regulations:

- the technology employed for the videoconference or conference call must transmit, at a minimum, the voices of those taking part and must satisfy the technical requirements for continuous and simultaneous transmission of the deliberations;
- the videoconference or conference call technology employed must in particular satisfy the technical requirements necessary to guarantee effective participation in the Board of Directors meeting, whose deliberations must be transmitted continuously;
- the minutes of the Board of Directors meeting must record the occurrence of any technical incident occurring in the course of a videoconference or conference call if this disturbs the proceedings; and
- the register of attendance at the meeting must mention the names of persons deemed to be present within the meaning of article L. 225-37 of the French Commercial Code.

#### **2.5. Consultation in writing**

The decisions falling within the remit of the Board of Directors, as referred to in article L.225-37, paragraph 3 of the French Commercial Code, may be made by means of consulting the Directors in writing. These decisions comprise as follows:

- the appointment of a Director in the event of vacancy due to death or resignation, or if the number of Directors falls below the legal or statutory minimum, or if the gender balance is not met;
- the authorization of sureties, endorsements and guarantees;
- the bringing into compliance of the Bylaws with the legal and regulatory provisions;
- the convening of the Annual Shareholders' Meeting; and
- the transfer of the Company's head office within the same department.

Each Director is notified of the consultation by simple letter, fax or email. The notice includes the text of the proposed resolutions as well as all documents providing Directors with necessary information.

The deadline for responding is specified in the notice of the consultation and must be reasonable. Responses by return of post, fax and email are accepted. The vote for each resolution is based on the text of the proposed resolutions and is worded by "adopted", "rejected" or "abstention". In case of response by return of email, a signed copy of the response shall be attached.

Directors who have voted are included in the calculation of the quorum and the majority. The decisions are made by majority vote.

The consultation is recorded in a Board of Director's written resolution, which is submitted to the Board of Directors for approval.

## **2.6. Quorum and majority**

At least half of the Directors must be present for the deliberations of the Board of Directors to be valid. Directors attending via videoconference or conference call are deemed to be present for the purpose of calculating the quorum and majority.

A Director may mandate any other Director to represent them at a meeting of the Board of Directors and to vote in their name on items on the agenda. The mandate may be given by letter, facsimile or email, the Board of Directors alone being qualified to rule on its validity. Each Director may represent only a single Director in the course of the given meeting.

Directors who are represented are not included in the calculation of the quorum but are deemed to be present for the purpose of calculating the majority.

Voting is by majority vote of members present or represented. In the event of a tied vote, the Chairman and Chief Executive Officer shall have the casting vote.

## **2.7. Board of Directors discussions**

The Chairman and Chief Executive Officer ensures that the Board of Directors devotes sufficient time in its meetings to enable each Director to express themselves freely.

## **2.8. Guest participants**

Provided the majority of Board of Directors members present agree, one or more outside persons may be invited to take part in all or part of a meeting of the Board of Directors. However, the Chairman and Chief Executive Officer may veto this attendance, giving reasons.

## **2.9. Secretary of the Board of Directors**

The Board of Directors designates a Secretary from among the members of the Company's management team.

The Secretary of the Board of Directors, coordinating with and supervised by the Chairman and Chief Executive Officer:

- drafts the minutes of the Board of Directors meetings and, prior to their approval, ensures that they faithfully reflect the proceedings;
- prepares or contributes to the preparation of the different documents circulated to the Directors or shareholders prior to meetings of the Board of Directors, the Board Committees and the Shareholders' Meeting, and contributes to the material preparation of the Shareholders' Meeting, of which he or she is also Secretary;
- pays close attention to the risk of breach of confidentiality with regard to the documents communicated to the Directors and to persons attending the meetings of the Board of Directors, as well as to that pertaining to the work of the Board of Directors. The Secretary acts as the Board of Directors' memory, notably with regard to past commitments;
- assists the Directors in addressing material and regulatory issues, and in particular the payment of Directors' compensation and overseeing the reporting of their share transactions, if any;
- manages relations with individual shareholders.

The review of the Secretary's missions and performance is integral to the evaluation of the work of the Board of Directors.

## **2.10. Directors' access to information**

Between meetings of the Board of Directors, the Directors are kept permanently informed, if necessary, of all significant events, and may at all times receive communication of documents pertaining to the development of

the Company, its financial results or financial condition.

Before each meeting of the Board of Directors, all relevant documents pertaining to the items on the agenda are communicated to the Directors in a timely fashion, to enable them to prepare and deliberate in full knowledge of the facts. The same applies for each meeting of the Board Committees.

Each Director has a duty to remain informed, and may to that end demand from the Chairman and Chief Executive Officer, in good time, any information they deem indispensable in order to contribute usefully to the discussion of the items on the agenda of Board of Directors meetings.

### **2.11. Training of Directors**

The non-executive Directors receive regular training or briefings on the specific characteristics and operational issues of the Company, mainly its businesses, sectors of activity, products and services, as well as on its organization and business processes in order to deepen their knowledge.

Meetings with the Company's principal senior executives, and a visit of the Group's technology campus, are regularly organized for all the Directors.

### **2.12. Meetings with operational and corporate managers**

The Chairman and Chief Executive Officer ensures that meetings are held with the Group's operational and corporate managers, whether at his initiative, or at the request of the non-executive Directors, on the strategic topics of their choosing.

### **2.13 Compensation of Directors**

The General Meeting of Shareholders allocates a fixed annual amount to the Board of Directors to be distributed among the Directors in respect of Directors' compensation according to an allocation determined by the Board of Directors and reported in the Report on Corporate Governance submitted to the annual Meeting of Shareholders.

There is no provision for any other form of compensation.

### **2.14 Expenses**

Members of the Board of Directors may be reimbursed for costs and expenses incurred in the performance of their duties, subject to authorization by the Board of Directors. Insofar as is possible, these expenses are borne directly by the Company in compliance with the rules applicable to the Company Officers and the members of the Executive Committee.

## **3. AUDIT COMMITTEE**

### **3.2 Mission**

As prescribed in law and as recommended by the AFEP-MEDEF Code, the mission of the Audit Committee is to:

- review the financial statements, and in particular ensure the relevance and continuity of the Company's accounting methods used to prepare the consolidated and statutory financial statements; oversee the process for the preparation of financial disclosure and the effectiveness of internal control and risk management procedures; and, prior to meetings of the Board of Directors, to review press releases and quarterly and annual financial announcements. The Audit Committee scrutinizes important transactions liable to give rise to conflicts of interest. It reviews significant risks and off-balance sheet liabilities, assesses the importance of malfunctions or shortcomings brought to its attention, and informs the Board of Directors where appropriate. It also reviews the scope of consolidation and, where appropriate, examines reasons for the exclusion of companies;

- oversee the rules governing the independence and objectivity of the Statutory Auditors, manage the procedure for the selection of Statutory Auditors when their current appointment expires, and to make its recommendation to the Board of Directors. Each year the Statutory Auditors inform the Audit Committee on the services provided, directly related to their statutory audit engagement, together with fees paid by Group companies to members of their network in respect of services not directly related to this mission
- review the information required under the “Grenelle II” Act of July 12, 2010 (French law no. 2010-788);
- examine, in relation to the Group's strategy, the Group's commitment and policies in the areas of ethics and corporate social, environmental and societal responsibility, the implementation of such policies, and their results. In this respect, it checks for the existence of systems to identify and manage the principal risks relating to these issues, and for compliance with legal and regulatory requirements (including monitoring the application of French Law 2016-1691 of December 9, 2016 on transparency, the fight against corruption, and modernization of the economy (the Sapin II Act) and Order 2017-1180 of July 19, 2017 and its enabling decree 2017-1265 of August 9, 2017 on the introduction of a non-financial statement. It examines the information provided annually in the management discussion in the form, for the first time in respect to the fiscal year ended December 31, 2018, a non-financial statement, appended to the said management discussion for non-financial information as required by law, particularly article L. 225-102-1 of the French Commercial Code; and
- make recommendations and express all opinions to the Board of Directors.

More generally, the Audit Committee may consider all questions brought to its attention and pertaining to these areas.

### **3.3 Composition**

At least two-thirds of the Audit Committee members are independent Directors; no Officer may be a member. The Audit Committee is chaired by an independent Director.

The members of the Audit Committee must possess financial or accounting expertise, and they are briefed, on appointment, on accounting, financial and operational aspects specific to the Company.

### **3.4 Meetings and Activities**

The Audit Committee organizes its work as it sees fit. It meets as often as the interests of the Company demand and at least four times a year, prior to the meetings of the Board of Directors called to review the quarterly and annual financial statements.

The Audit Committee reports on its proceedings to the Board of Directors at least four times a year to the Board of Directors meetings called to review the quarterly and annual financial statements. The Chair of the Audit Committee systematically communicates the Audit Committee's recommendations to the meetings of the Board of Directors.

The review of the quarterly and annual financial statements is accompanied by a presentation by the Chief Financial Officer, during which the Company's financial results, accounting methods chosen, exposure to risks, including those of a social, environmental and societal nature, and significant off-balance sheet commitments are described. It also ensures that the Statutory Auditors present the key aspects of the results and accounting methods chosen, together with work done within the framework of their mission, and their observations, if any, and in particular any reservations they may wish to express in their reports. The Chair of the Audit Committee reports on its work and its recommendations to the Board of Directors on the occasion of the meetings called to review the quarterly and annual financial statements.

The Audit Committee continuously oversees the preparation of the Company accounts, internal audits and financial reporting practices, together with the quality and fairness of the Company's financial reports. The Chief Financial Officer assists the Committee in the performance of its duties, and the Committee periodically reviews with him areas of potential risk to which it needs to be alerted or requiring closer attention. The

Committee also works with him in reviewing and approving guidelines for the work program on management control and internal control for the year in progress.

The Audit Committee notably reviews significant off-balance sheet risks and commitments, assesses the magnitude of malfunctions or weaknesses brought to its attention, and any corrective measures put in place, and it informs the Board of Directors at its discretion. Further, it reviews the assumptions used in closing the consolidated and statutory, quarterly, half-year and annual financial statements, the annual budget prepared by the Executive Committee, and the revenue and financial results scenarios for the fiscal year before review by the Board of Directors.

At the Audit Committee meeting preceding the meeting of the Board of Directors held to consider the preparation of the Annual Shareholders' Meeting, the Audit Committee notably reviews the Board of Directors' Management Discussion and Report on Corporate Governance, for the past year, and makes recommendations.

The Audit Committee reviews and discusses with the Statutory Auditors the scope of their engagement and their fees, and ensures that these are sufficient to enable them to exercise a satisfactory level of control: each Group company is subject to an annual verification, usually carried out by a local member of the Statutory Auditors' firms, and a limited review is conducted on the half-year reporting package of the main subsidiaries. At each meeting, the Committee invites the Statutory Auditors to report on their control program and on new areas of risk they may have identified in the course of their work, and it discusses the quality of accounting information with them. Once a year, it receives from the Statutory Auditors a report prepared exclusively for its attention on the findings of their audit of the statutory and consolidated accounts for the year ended, and confirming the independence of their firms in accordance with the French code of professional conduct and the August 1, 2003 (French) Financial Security Act.

The Audit Committee annually reviews with the Statutory Auditors the risks to the latter's independence, and ensures that the mission of the Statutory Auditors is exclusive of all other services unrelated to their legal verification, notably all consulting (legal, tax, information systems, etc.) performed directly or indirectly for the benefit of the Company and its subsidiaries. However, the Statutory Auditors may perform ancillary work or work directly complementing verification of the accounts, subject to prior approval of the Audit Committee.

The Audit Committee is required to report regularly to the Board of Directors on the performance of its duties, on the findings of the accounts certification process, on the contribution made by this process to the integrity of financial information, and on the role played by the Committee in this process. It is further required to notify the Board of Directors immediately of any difficulty encountered.

Finally, the Audit Committee establishes a charter governing the delegation of authority to the Chairman and Chief Executive Officer, the Chief Financial Officer and the Deputy Chief Financial Officer regarding the services which may be provided by the Statutory Auditors and their networks.

## **4. COMPENSATION COMMITTEE**

### **4.1 Mission**

The mission of the Compensation Committee is to:

- review, prior to meetings of the Board of Directors called to vote on these questions, the principles and amount of fixed and variable compensation, together with the corresponding annual targets serving to determine the variable portion thereof, and the additional benefits paid to Company Officers, and make recommendations. At year-end closing, the Committee validates the actual amount corresponding to variable compensation earned during the fiscal year elapsed;
- review the principles, criteria, amount of fixed and variable compensation, annual targets governing calculation of the variable portion, together with additional benefits paid to other members of the Executive Committee;
- review the fixed and variable compensation of all Group managers whose total annual compensation

- exceeds €200,000 or its equivalent in foreign currencies;
- prepare the draft resolutions regarding compensation for Company Officers to be submitted to the shareholders' meeting for approval;
- review, prior to the meeting of the Board of Directors voting on these questions, the details, rules and granting of the annual stock options plan, and make its recommendations;
- review the Company policy on equal opportunities and equal pay, and make recommendations to the Board of Directors prior to annual discussion by the latter, as prescribed in Law 2011-103 of January 27, 2011, on the balance between women and men on Boards of Directors and supervisory boards and professional equality, and Law 2014-873 of August 4, 2014, to promote real equality between women and men;
- take cognizance annually of the Group's human resources performance report, of its policies and of the corresponding plan for the current fiscal year; and
- express all opinions to the Board of Directors.

More generally, the Compensation Committee may consider all questions brought to its attention and pertaining to these areas.

## **4.2 Composition**

At least half of the members of the Compensation Committee must be independent Directors. No Officer may be a member of the Compensation Committee.

The Compensation Committee is chaired by an independent Director.

## **4.3 Meetings and Activities**

The Compensation Committee organizes its work as it sees fit. It meets as often as the interests of the Company demand and at least before each meeting of the Board of Directors whenever the agenda provides for the setting of compensation and additional benefits for the Chairman and Chief Executive Officer, or for the granting of stock options, and reports on its recommendations to the said meeting.

The Compensation Committee meets without the Chairman and Chief Executive Officer being present in order to discuss his compensation.

No member of the Board of Directors may take part in the formulation of recommendations regarding their own compensation.

The Compensation Committee reviews the compensation and additional benefits of the other members of the Executive Committee, as well as reviewing annually the compensation of the senior Group managers, and makes recommendations to the Board of Directors.

In addition, it annually reviews the Company's policy on equal opportunities and equal pay, and makes its recommendations to the Board of Directors.

The Compensation Committee reports on its proceedings to the Board of Directors at least once a year.

# **5. NOMINATIONS COMMITTEE**

## **5.1 Mission**

The mission of the Nominations Committee is to:

- make proposals to the Board of Directors regarding the nomination and the re-election of Independent Directors, in the framework of the selection procedure. To do so, it organizes the search and selection of future Independent Directors, conducts its own review of potential candidates before they are approached in any way, and gives a reasoned opinion on the candidates, after having thoroughly examined all relevant information, particularly in light of the desired make-up of the Board of Directors as well as the make-up and changes in the Company's shareholding structure;
- set out the diversity policy applied to Directors and lead the reflection process regarding the desired

- make-up of the Board of Directors and its Committees;
- examine the independence status at the time of the nomination of a Director, and each year for all Directors, and make recommendations to the Board of Directors; and
- formulate its recommendations and express any and all opinions to the Board of Directors.

## **5.2 Composition**

The Nominations Committee is made up entirely of Independent Directors.

The Nominations Committee is chaired by the Lead Director.

## **5.3 Meetings and activities**

The Nominations Committee organizes its work as it sees fit. It meets following notice from its Chair whenever he/she or the Board of Directors considers it appropriate, and at least once a year.

No member of the Nominations Committee may attend or participate in the deliberations of the Committee regarding his or her personal case.

The Nominations Committee reports on its proceedings to the Board of Directors at least once a year.

# **6. STRATEGIC COMMITTEE**

## **6.1 Mission**

The prime mission of the Strategic Committee is to review the consistency of the Company's strategic plan, its key challenges and risks to which it is exposed, its internal and external growth drivers, and the optimization of its development in the medium term.

It makes all recommendations and delivers all opinions to the Board of Directors.

## **6.2 Composition**

The Strategic Committee comprises at least three Directors designated by the Board of Directors, including the Chairman and Chief Executive Officer and two independent Directors. The Strategic Committee is chaired by the Chairman and Chief Executive Officer.

It formulates all recommendations and expresses all opinions to the Board of Directors.

## **6.3 Meetings and Activities**

The Strategic Committee organizes its work as it sees fit. It meets as often as the interests of the Company demand and at least once a year.

The Strategic Committee reports on its proceedings to the Board of Directors at least once a year and whenever it wishes to make recommendations to the Board of Directors.

It notably reviews and discusses the major strategic directions and development themes proposed by the Chairman and Chief Executive Officer in order to prepare the Group for the global economic challenges and key risks to which it is exposed, and to reinforce its business model and its operating and financial ratios.

Within this framework, it also studies and formulates recommendations on the strategic plan, on the broad aims of annual action plans, on external growth operations, and, finally, on financial or stock market transactions having a significant immediate or future impact on the share capital and more generally on assets of the shareholders. It is kept informed of their execution.

## **7. ADAPTATION AND AMENDMENT OF THE INTERNAL RULES AND PROCEDURES**

These Internal Rules and Procedures were approved by the Board of Directors on 29 July 2021.

They may be adapted and amended at all times at the motion of the Chairman and Chief Executive Officer by decision of the Board of Directors, by majority vote of Directors present or represented as defined in article 2.6, provided that those clauses of these Internal Rules and Procedures that incorporate certain provisions of the Company bylaws may be amended only insofar as the corresponding provisions of the Company bylaws have previously been amended by an Extraordinary General Meeting of Shareholders. The Internal Rules and Procedures will be amended whenever so required by a change in the law or regulations.