



# Board of Directors Internal Rules and Procedures

Updated on February 11, 2016

## **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 members; and the duties and powers of the Chairman and the Chief Executive Officer, 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 to adhere to these Internal Rules and Procedures and to comply with all of its provisions, and should notify the Chairman 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 has formally stated that it abides by the AFEP-MEDEF Corporate Governance Code of Listed Companies (the “AFEP-MEDEF Code”), and the Board of Directors rigorously enforces its provisions. Where it deems these provisions to be irrelevant in light of the specific circumstances of the Company, it explains its 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.

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

The Board scrutinizes and decides on major financial operations, economic matters or questions relating to human capital, and on strategic initiatives.

It appoints the Executive Directors 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.

It decides on the compensation of the Chairman and of the Chief Executive Officer, who are the sole Executive Directors. This mission cannot be delegated to the Compensation Committee.

It 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:

- 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;
- 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
- all financial or stock market transactions having an immediate or future impact on the share capital, together with all borrowings exceeding €5 million.

The Board of Directors performs such controls and verifications as it deems appropriate.

It is kept informed of all important events affecting the life of the Company.

### **1.3 Board Committees**

The Board may decide to establish specialized committees (the "Committees"), determines their composition, and sets their terms of reference. These Committees are comprised exclusively of Directors and function under the responsibility of the Board.

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

In view of the small number of Directors, the functions of the Nominations Committee called for by the AFEP-MEDEF Code is performed either by the Compensation Committee (in which case the Chairman of the Board is invited to attend), or by the Board in plenary session, according to circumstances.

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 of the Board.

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

Each Committee may invite all persons of its choosing to attend its meetings, conditional on a pledge of confidentiality and subject to veto by its Chairman. In this event, it must then report on this to the Board of Directors.

The Board 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 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. All decisions, and in particular those concerning the compensation of Executive Directors 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 in plenary session.

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

#### **1.4 Separation of the offices of Chairman and Chief Executive Officer**

The Board of Directors has separated the office of Chairman from that of Chief Executive Officer.

It elects from among those of its members who are natural persons a Chairman who is responsible for organizing and directing the work of the Board of Directors, reporting to the General Meeting of Shareholders, and more generally for overseeing the proper functioning of the Company's managing bodies.

The Chairman submits a report on internal control and risk management procedures and on corporate governance to the annual Meeting of Shareholders, this report being appended to the Management Discussion.

He represents the Board of Directors and, unless otherwise decided by the latter, has sole authority to act and speak in its name.

The Board elects from among those of its members who are natural persons a Chief Executive Officer who oversees the general management of the company and is invested with full powers to act in the company's name in all circumstances and represent it in its dealings with third parties. The Board may place limits on the powers of the Chief Executive Officer; however, such limitations are not enforceable against third parties.

#### **1.5 Specific missions of the Chairman**

In addition to the missions prescribed by law, the Chairman of the Board of Directors is invested with the following missions:

- he chairs and runs the Strategic Committee;
- working closely with the Chief Executive Officer, he takes part in the definition of the strategic options and development themes deemed essential in order to build the Company's future prepare it for the global economic challenges and risks to which it is exposed, maximize its market potential, and to reinforce its business model and its operating and financial ratios;  
This mission comprises, among others, preparation of the following key subjects: the strategic plan, the Group's investments for the future and its transformation plan, the annual action plans, research and development, marketing and human resources plans, together with monitoring performance of their execution; external growth operations; and, finally, financial and stock market transactions having a significant immediate or future impact on the share capital and more generally the assets of the shareholders;
- he reviews and discusses with the Chief Executive Officer major decisions within the competence of the Board of Directors or its Committees prior to their consideration by the said bodies;
- at the invitation of the Chief Executive Officer, he attends internal meetings with Group managers and teams dealing with these subjects, to give his views;
- he ensures respect for and promotes in all circumstances Lectra's core values and uncompromising ethical standards in the conduct of its business;

- he is the guardian of corporate governance, of respect 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. He monitors legislative and regulatory developments on these questions and regularly verifies that the Internal Rules and Procedures of the Board of Directors are up to date and fit for purpose;
- he manages relations with the Directors outside meetings of the Board of Directors to ensure that they are in possession of all information, in good time and in a clear and appropriate form, needed to perform their duties in full knowledge of the facts;
- he draws up the calendar of Board and Committee meetings, prepares the agenda and organizes the proceedings of the Board meetings, and ensures the validity of the decisions made. He coordinates with the chairpersons of the Committees, prepares their agendas, sends out notices of meeting to the Directors, and coordinates the work of the Board of Directors with that of the Committees;
- he may interview the Statutory Auditors in the course of preparing the work of the Board of Directors and the Audit Committee; and
- in concert with the Chief Executive Officer, he attends meetings with the shareholders and potential investors, as well as securities analysts and investors conferences.

The Chairman organizes his time so as to be available and place his experience at the service of the Group. His missions confer no executive authority.

#### **1.6 Missions and powers of the Chief Executive Officer**

The Chief Executive Officer is invested with the fullest powers to act on behalf of the Company in all circumstances. He exercises his powers within the limits of the corporate purpose and subject to those explicitly attributed by law to the Shareholders' Meetings and to the Board of Directors.

He represents the Company in its dealings with third parties.

He may be assisted by one or more executive vice presidents. As required in the Company bylaws, the Chief Executive Officer must be a member of the Board of Directors.

The Chief Executive Officer chairs the Executive Committee and decides its composition.

He is fully responsible for all operational and executive matters, and all Group teams report to him.

He regularly informs the Chairman of significant events and situations pertaining to the life of the Group, the execution of strategy, investment projects, progress in execution of the Group transformation plan and annual action plans, organization and human resources, research and development activity, marketing, sales, financial situation and performance, cash position, significant commitments and budget execution, together with external growth operations and financial or stock market transactions having a significant immediate or future impact on the share capital or more generally on the assets of the shareholders.

He reports to each meeting of the Board of Directors on significant developments relating to the life of the Group and keeps it regularly informed on the aforementioned subjects.

## **1.7 Independent Directors**

The use of the term independent Director is consistent with the terms 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 one-third 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 to assess their independence. The Board verifies with each Director that he or she satisfies all of the criteria of independence as defined by the AFEP-MEDEF Code.

## **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 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 and of the Committees of which they are members, if necessary by videoconference or conference call<sup>1</sup>;
- 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.

They must notify the Chairman of the Board of Directors 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.

Executive Directors may not hold directorships in any French or foreign company, listed or unlisted, outside of the Group.

The Chairman reports annually, in his Report on Internal Control Procedures and Risk Management and on Corporate Governance, on Directors' attendance records at meetings of the Board of Directors and Board Committees.

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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 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 Chairman's report.

### **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 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 of the Board 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 of the Board notifies the Board of any conflicts of interest or potential conflicts he may have identified concerning the Executive Directors and the other Directors.

In the event of a conflict of interest, including a potential conflict of interest, the Board of Directors must decide 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 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 the 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 of the Board of Directors.

All members of the Board will, in the performance of their duties, regularly receive privileged information as defined in article 621-1 of the General Regulation of the *Autorité des Marchés Financiers* (Financial Markets Authority). 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**

With effect from January 1, 2016, each Director must own at least 3,000 of the Company's shares.

Directors who do not hold these shares at the time of joining the Board are required to invest the equivalent of 25% of their annual Director's fee (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.

### **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**

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

If more than two months have elapsed since the last meeting of the Board, one-third at least of the members of the Board, or the Chief Executive Officer, may ask the Chairman to convene a meeting of the Board 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 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**

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

Moreover, the independent Directors meet at least once a year, before the meeting of the Board of Directors devoted to consideration of the evaluation of its proceedings, in the absence of the executive directors, to review the workings of the Board and discuss all matters of their choosing.

The independent Directors conduct a formal evaluation of the functioning of the Board every three years, including an appraisal of each Director's individual contribution to the work of the Board.

Each year the independent Directors note developments relative to the previous evaluation. They report to the Board of Directors on their findings in this regard.

The Board of Directors yearly informs the shareholders in the annual report of the evaluations carried out and of subsequent action taken, if any.

### **2.3 Attendance at meetings of the Board 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 by videoconference or by all other electronic means. In such cases, the notice of the meeting of the Board indicates the possibility of attendance at the Board 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 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 meeting, whose deliberations must be transmitted continuously;
- the minutes of the Board 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.

## **2.4 Quorum and majority**

At least half of the Directors must be present for the deliberations of the Board 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 and to vote in their name on items on the agenda. The mandate may be given by letter, facsimile or email, the Board 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 shall have the casting vote.

## **2.5 Board discussions**

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

## **2.6 Guest participants**

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

## **2.7 Secretary of the Board**

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

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

- drafts the minutes of the Board 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, 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, as well as to that pertaining to the work of the Board. The Secretary acts as the Board's memory, notably with regard to past commitments;
- assists the Directors in addressing material and regulatory issues, and in particular the payment of Directors' fees 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.

## **2.8 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, 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, in good time, any information they deem indispensable in order to contribute usefully to the discussion of the items on the agenda of Board meetings.

## **2.9 Training of Directors**

The non-executive Directors receive regular training or briefings on the specific characteristics of the Company, its businesses and sectors of activity, its product and services offer, its organization and business processes, in particular by means of the meetings of the Strategic Committee, the Compensation Committee and with operational and corporate managers, or through visits to the Group technology campus in order to deepen their knowledge.

## **2.10 Meetings with operational and corporate managers**

The Chairman of the Board of Directors ensures that meetings take place with the Group's operational and corporate managers, whether at his initiative, at that of the Chief Executive Officer, or at the request of the independent Directors, on the strategic topics of their choosing.

## **2.11 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' fees according to an allocation determined by the Board and reported in the Management Discussion submitted to the annual Meeting of Shareholders.

There is no provision for any other form of compensation.

## **2.12 Expenses**

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

### **3. AUDIT COMMITTEE**

#### **3.1 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;
- 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 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); and
- make recommendations and express all opinions to the Board.

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

#### **3.2 Composition**

At least two-thirds of the Audit Committee members are independent Directors; no Executive Director 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.

#### **3.3 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 at least four times a year on the occasion of the Board meetings called to review the quarterly and annual financial statements.

The Audit Committee ensures that the review of the quarterly and annual financial statements is accompanied by a presentation by the Chief Financial Officer describing the Company’s financial results, accounting methods chosen, exposure to risks and significant off-balance sheet liabilities. 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 Chairman 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 Committee notably reviews significant off-balance sheet risks and liabilities, assesses the magnitude of malfunctions or weaknesses brought to its attention, and any necessary corrective measures, 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 Committee meeting preceding the meeting of the Board of Directors held to consider the preparation of the Annual Shareholders' Meeting, the Committee notably reviews the Board of Directors' Management Discussion and the Chairman's Report on internal control procedures and risk management, and on corporate governance, for the past year, and makes recommendations.

Finally, the 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 Company and consolidated accounts for the year ended, and confirming the independence of their companies 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.

## **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 Executive Directors, 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 and amount of fixed and variable compensation, together with 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 €150,000 or its equivalent in foreign currencies;
- review, prior to the meeting of the Board of Directors to vote 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 to make recommendations to the Board prior to annual discussion by the latter, as prescribed in the (French) January 13, 2011 Act;
- 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 the aforementioned areas.

### **4.2 Composition**

At least half of the members of the Compensation Committee must be independent Directors. No Executive Director 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 whenever the agenda provides for the setting of compensation and additional benefits for the Executive Directors, or for the granting of stock options, and reports on its recommendations to the said meeting.

The Compensation Committee meets without the Executive Directors being present in order to discuss their 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.

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 at least once a year.

## **5. STRATEGIC COMMITTEE**

### **5.1 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 formulates all recommendations and delivers all opinions to the Board.

### **5.2 Composition**

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

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

### **5.3 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.

It notably reviews and discusses the major strategic directions and development themes proposed by the Chairman of the Board and the 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 investments for the future and Group transformation 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.

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

These Internal Rules and Procedures were approved by the Board of Directors on February 11, 2016.

They may be adapted and amended at all times at the motion of its Chairman, by decision of the Board of Directors, by majority vote of Directors present or represented as defined in article 2.3, 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.