



Corporate Governance

The Ten Principles of Corporate Governance of the Luxembourg Stock Exchange

Avril 2006

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¹ Translated from the original French text. In case of a conflict of interpretation the original French text shall prevail.

² “Executive managers” are senior managers who are not board directors but who are members of a body of executives (French: “la direction”; German: “der Vorstand”) who are charged with the day-to-day management of the company.

³ The “executive management” consists of executive directors and / or executive managers. Executive directors are board members who have functional management responsibilities within the company.

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Foreword

In 2003 the European Commission launched an Action Plan primarily aimed at enhancing corporate governance within the European Union.

With this in mind, the Board of the Luxembourg Stock Exchange decided to formulate a set of corporate governance rules for Luxembourg. A “Corporate Governance” working group was set up to draft the general principles of best practice in corporate governance for all Luxembourg companies listed on the Stock Exchange. The remit of the working group was to draw up a text that would be in line with international practice and the recommendations of the European Commission, whilst taking into account the interests of all the stakeholders, i.e. shareholders, employees and customers.

On 27 February 2006 a draft was posted on the Stock Exchange website for the purposes of consultation, which enabled a number of comments to be collected. The working group was able to draw on these comments, as well as on the European Commission’s recent recommendations on an appropriate framework for directors’ remuneration and the role of non-executive directors in listed companies and on the committees of the board, when finalising the Ten Principles of Corporate Governance.

The Ten Principles and their Recommendations are highly flexible, which allows them to be adapted to the size, activities and culture of each company. They are based on a “comply or explain” system, which allows companies to deviate from the recommendations when this is justified by their specific circumstances, provided that adequate explanation is provided.

The monitoring of compliance with the Ten Principles of Corporate Governance relies on the shareholders and the market authorities, possibly supplemented by other mechanisms.

The Luxembourg Stock Exchange believes that the Ten Principles of Corporate Governance should be capable of evolving in response to experience gained and to change in legal practices and business conditions. The Luxembourg Stock Exchange will therefore make every effort to ensure that follow-up is exemplary.

Finally, on behalf of the Luxembourg Stock Exchange, I would like to thank all those who have contributed to the preparation of the Ten Principles of Corporate Governance, in particular the members of the working group, who deserve great credit for their work.

Raymond Kirsch
Chairman of the Board

Foreword

Corporate governance is based in the first instance on statute law, which in Luxembourg consists mainly of the Civil Code, the Law of 10 August 1915 concerning commercial companies and, for listed companies, Stock Exchange law. In addition there are the general principles of law, which underlie these texts, providing a framework for them and often supplementing them. To these first two classes can be added a third, which consists of the body of rules for the management of a company and the procedures for implementing the legal texts and the general principles, designed to ensure that a company is managed efficiently and that its business objectives are properly met, in the best interests of the body of shareholders and in accordance with law. Some people also consider that the company's responsibility to its customers and personnel as well as its duty to be a good corporate "citizen", should be placed on the same footing. This body of rules and the procedures for monitoring their implementation are commonly referred to as the Rules or Code of Good Governance. We have opted for the term "Principles of Governance", thereby avoiding any confusion with the many other codes that regulate our companies.

These rules should provide guidance without being overly restrictive. They should facilitate the balanced exercise of power and control within companies, without restricting freedom of enterprise, and they should encourage dialogue and transparency in the best interests of the companies concerned. For listed companies, there is also the important objective of enabling the shareholders, who may be geographically dispersed, to be actively involved in the affairs of the company of which they are ultimately the owners.

The working group, set up by the Société de la Bourse de Luxembourg and composed of representatives of listed companies and the Stock Exchange, had the difficult task of finding a balance between these apparently contradictory objectives, whilst at the same time giving due consideration to the international nature of many companies, which leads to their being listed on several markets and coming under several governance codes. The group has formulated a set of rules designed to be strong, effective and practical and I want to thank my colleagues for their active and expert participation.

It is our hope that these Ten Principles of Corporate Governance and their Recommendations will become an integral part of companies' good business practice, contributing to the quality of their management and thereby building investor confidence.

Alain Georges
Chairman of the Working Group

Preamble

1. What is good corporate governance ?

In a wide sense, “corporate governance” covers the organisation of the control and management of a company. The term is also used in a narrower sense, to refer to the relationship between shareholders and management, and in particular the operation of the company’s board.

It is important for companies to develop an effective model of corporate governance that will enable them to take advantage of opportunities that may arise, whilst at the same time instituting the necessary controls over the associated risks. The rules and standards of corporate governance are considered to be important factors in the creation of prosperous market economies.

Corporate governance consists of a set of rules and conduct in accordance with which companies are managed and controlled. It usually involves the mechanisms by means of which company managers answer for the due and proper running and performance of the company. The company is expected to protect the assets of the shareholders and in the long term the interests of the company and those of the shareholders should converge.

Good corporate governance is designed

- to achieve the goal of a proper balance between entrepreneurship and control, as well as between performance and compliance with the rules of corporate governance ;
- to facilitate performance-driven management, but also to provide mechanisms for management and leadership, whilst ensuring integrity and transparency in the decision-making process ;
- to determine the company’s objectives, the means through which these are to be attained and how performance is to be evaluated. In this respect, corporate governance is intended to encourage and enable the board and management to pursue objectives that are in the best interests of the company, its shareholders and other interested parties, such as the company’s customers and personnel.

“Control” implies effective evaluation of performance, careful management of potential risks, and proper supervision of agreed procedures and processes.

In this respect the emphasis here is on monitoring whether robust control systems are operating effectively, whether potential conflicts of interest are being managed and whether sufficient checks are in place to prevent abuses of power that may allow personal interests to prevail over corporate interests.

2. Main objective

The main objective of the Ten Principles of Corporate Governance is to contribute to the creation of long-term value.

A good corporate governance framework should create a balance between a performance-orientated strategy on the one hand, and adherence to reliable risk management systems and internal controls on the other. The latter requires responsibility, integrity and transparency ; a high-performance strategy requires entrepreneurial leadership.

The internal control process is defined and implemented by the company’s board, management and personnel, with the aim of demonstrating that the following objectives have been reached :

- reliability of financial and accounting information ;
- effectiveness and efficiency in the running of the company's operations ;
- compliance with applicable laws and regulations.

If this balance is upset the creation of long-term value is likely to be compromised.

Successful businesses show that good governance leads to the creation of wealth, not only for the shareholders but also for all the other interested parties.

A corporate governance framework based on transparency and responsibility

- will strengthen investors' confidence in companies ;
- will benefit the other interested parties ;
- will give companies access to lower-cost external financing ;
- will bring macro-economic advantages, such as an improvement in economic efficiency and growth, as well as protecting private investments.

3. Reference framework

These Principles of Corporate Governance should be considered as complementary to Luxembourg legislation, from which they cannot justify any exceptions. No principle or recommendation may be construed as conflicting with Luxembourg law.

When drafting the Principles of Corporate Governance, the working group responsible for their preparation worked on the basis of existing Luxembourg legislation relating to commercial companies, and in particular on the basis of financial law as applicable to listed companies.

Whilst preparing the Principles of Corporate Governance close attention was paid to the recent initiatives of the European Commission, and more specifically to the initiatives designed to implement the Action Plan adopted in 2003 with a view to "modernising company law and enhancing corporate governance in the European Union". Corporate life will be simplified by an increased use of electronic communications and the electronic publication of relevant information for consultation by shareholders. This will, for example, facilitate shareholder participation in the Annual General Meetings

The Principles of Corporate Governance were formulated on the basis of the unitary (one-tier board) model and influenced by other factors specific to Luxembourg, such as the wide variety of companies listed for trading on the regulated market (large multinational companies, small industrial and commercial companies, companies in the investment field), the companies' shareholding structure (companies with major shareholders, companies with very dispersed share ownership, small companies with restricted share ownership and companies whose shares are mainly owned by institutional investors), and the special circumstances of certain directors. In addition, the Principles of Corporate Governance take into account the Law of 6 May 1974 instituting works councils in private sector companies and organising the representation of employees in public limited companies (sociétés anonymes) and the Law of 25 July 1990 on the status of directors representing the government or a public-law corporation in a public limited company⁴.

⁴ There is no English equivalent for the French term "assemblée générale", which covers all types of legally defined shareholder meetings. In this translation "Annual General Meeting" or "AGM" shall be understood to refer when relevant to all types of legally defined meetings of shareholders, where these are legally empowered to handle the subject matter in question.

4. Structure, content and characteristics of the Principles of Corporate Governance

A flexible approach was chosen, based on the “comply or explain” system. This approach has been used for many years in several countries and the flexibility it offers has been welcomed by both company boards and investors. It is also recommended by the OECD and the European Commission.

In particular, this flexible approach enables the specific circumstances of companies - such as their size, shareholding structure, activities, exposure to risks and management structure - to be taken into account. It is unlikely that a set of principles based on a rigid approach would be complied with by the companies for which they were intended.

The Principles of Corporate Governance consist of three sets of rules: the general principles themselves (“comply”), the recommendations (“comply or explain”) and the guidelines.

Ten general principles form the pillars upon which good corporate governance should rest. These principles are sufficiently broad for all companies to be able to adhere to them, whatever their particular features. All Luxembourg companies whose shares are traded on a regulated market (hereinafter, “listed companies”) should apply them without exception.

The recommendations (some of which have been set out in more detail in Appendices A, B and C, with Appendix D being a reference source for the criteria of independence of directors) describe how the principles can be properly applied. Companies are expected to comply with the recommendations or explain why they are departing from them, taking account of their specific situation. Although listed companies are expected to comply with the recommendations for the Ten Principles of Corporate Governance most of the time, it is acknowledged that special circumstances may justify a departure from certain recommendations.

Smaller listed companies, in particular those which have recently been admitted to trading on the market, as well as young growing companies, may judge that in their case certain recommendations are disproportionate or less relevant. Similarly, holding and investment companies may need a different board structure, which may affect the relevance of certain recommendations to them. In such a case for example, a single committee may handle the tasks of the nomination committee and the remuneration committee. In these cases companies should determine which rules are most suited to their specific situation and provide an explanation in the Corporate Governance Chapter of their annual report.

The recommendations are supplemented by guidelines, providing advice as to how the company should implement or interpret the recommendations. The obligation to “comply or explain” does not apply to the guidelines.

5. Disclosure of information

Transparency - achieved through the disclosure of information - is an essential ingredient of the Principles of Corporate Governance, allowing external control to function effectively. For this reason, the recommendations of the Ten Principles of Corporate Governance aim to institute a high level of transparency in the area of corporate governance.

The disclosure of information is effected through two different documents: the Corporate Governance Charter posted on the company’s website and the Corporate Governance Chapter in the annual report.

In the Corporate Governance Charter, the company describes the main aspects of its corporate governance policy, in particular its structure, the internal regulations of the board and, where relevant, of its committees, as well as other important points (e.g. its remuneration policy). The Charter should be updated regularly.

The Corporate Governance Chapter of the annual report should include more factual information on the governance of the company, including any changes that have been implemented, together with the relevant events that took place during the last financial year, such as the appointment of new directors, the appointment of committee members and the annual remuneration of members of the board.

6. Monitoring and compliance

Unlike in certain neighbouring countries, Luxembourg listed companies are often controlled by one or more major shareholders. It is not, therefore, possible to rely solely on market monitoring to ensure that listed companies comply with the Principles of Corporate Governance. A combined monitoring system, relying on the board, the company's shareholders and the Luxembourg Stock Exchange, possibly supplemented by other mechanisms, has been chosen to ensure continued compliance with the Principles of Corporate Governance.

- *The board*

In a unitary structure, the board plays a dual role: on the one hand to support entrepreneurship and on the other hand to ensure effective monitoring and control. In order to fulfil its role as the guardian of the company's interests, it is important for the board to be composed of experienced directors, with complementary knowledge and skills, taking into account the size and activities of the company. The board may include directors involved in the management of the company at an executive level. All directors should demonstrate a capacity for independent judgment and objectivity in making board decisions and independent directors play an essential role in this respect. The board should ensure the accuracy and completeness of the Corporate Governance Charter and the Corporate Governance Chapter in the annual report.

- *Shareholders*

Given the flexible "comply or explain" approach followed by the text, the shareholders, and in particular institutional investors, have a paramount role to play in carefully evaluating a company's corporate governance.

The shareholders should carefully examine the reasons provided by the company whenever it departs from the recommendations or fails to comply with these and make a reasoned judgment in each case. The shareholders should be open to dialogue in cases where they do not agree with the position taken by the company, bearing in mind, amongst other factors, the size and complexity of the company as well as the nature of the risks and challenges it faces.

The controlling (see Appendix A) or strategic shareholders can appoint representatives to the board. They are therefore able to monitor the company both internally and externally, with all the advantages and risks that their position of strength implies. It is important that the controlling or strategic shareholders make judicious use of their power and respect the rights and interests of the minority shareholders.

- *Luxembourg Stock Exchange*

The Luxembourg Stock Exchange, as part of its role of monitoring compliance by listed companies with their duties to make periodic and ad hoc disclosures (as provided for by the internal byelaw, approved by Ministerial Order of 29 June 2005) will contribute to the external monitoring of the Principles of Corporate Governance. It will provide moral support and will bring its full authority to bear in facilitating the implementation of the disclosure arrangements recommended by these principles for listed Luxembourg companies.

The existence and acceptance of a single set of Principles of Corporate Governance (instituted by the Luxembourg Stock Exchange, in close collaboration with the principal Luxembourg issuers listed on the Exchange) will contribute to a strengthening of the financial centre and to increased investor confidence.

The Luxembourg Stock Exchange recommends that listed companies disclose significant information about their corporate governance rules and practices in compliance with the Principles of Corporate Governance. Listed companies are themselves responsible for determining whether they comply with the recommendations issued for each of the principles, or for justifying their non-compliance. In the event that, contrary to Principle 1 and Appendices B and C, a specific item referred to in the Principles of Corporate Governance has not been disclosed, the Luxembourg Stock Exchange will draw the attention of the listed company to this fact and, where necessary, will invite it to explain why it has failed to comply with this specific provision of the Principles of Corporate Governance. The Luxembourg Stock Exchange will limit its role to verifying whether the “comply or explain” principle is being applied and recommending that companies follow it. The Luxembourg Stock Exchange reserves the right to publish from time to time general comparisons of the corporate governance practices within listed Luxembourg companies.

However, with regard to items for which the laws or regulations in force require disclosure, whether or not this information is dealt with in the Principles of Corporate Governance, the jurisdiction of the CSSF (Commission de Surveillance du Secteur Financier - Commission for Financial Sector Monitoring), including its authority to impose sanctions, will remain unchanged. The Stock Exchange’s role in the external monitoring of compliance with the Principles of Corporate Governance does not affect the CSSF’s legal responsibility as a regulator.

7. Follow-up

What constitutes good corporate governance may need to evolve in step with changes in business circumstances, the requirements of the international financial markets, and company law. It is therefore interesting to take note of the ongoing discussions regarding the Law of 10 August 1915 relating to Luxembourg commercial companies. These discussions relate to a body of measures - such as the possibilities offered by telecommunications for holding the AGM and board meetings, the possibility of postal voting, the reduction of the shareholding threshold required to request an Extraordinary General Meeting (EGM) or contribute items to the AGM or EGM agenda, or the right to consult the management report in advance of the AGM - which can all be related to the wider context of corporate governance.

It is therefore important to ensure that the Principles of Corporate Governance are regularly reviewed and the recommendations adapted. This will require that an appropriate mechanism be set up. During a transitional period, pending the setting up of a mechanism for the follow-up of the Principles of Corporate Governance, the “corporate governance” working party of the Luxembourg Stock Exchange will continue to be active.

8. Scope and entry into force

The principles set out here are intended to apply to listed companies. Given their flexibility, however, the Ten Principles of Corporate Governance could also serve as a reference framework for all other companies, including those governed by non-Luxembourg law and which are subject to a corporate governance code of conduct in their country of incorporation (although compliance with these Principles of Corporate Governance is not compulsory for the latter) and companies governed by Luxembourg law which have applied for listing on a foreign regulated market. Multi-listed Luxembourg companies which may be faced with a number of corporate governance codes of conduct, are asked to follow these Principles of Corporate Governance and recommendations closely. They are free to apply the provisions of codes of conduct in place in other jurisdictions, where these are stricter than the provisions of these Principles.

The Principles of Corporate Governance will enter into force on 1 January 2007. During the 2006 AGM, corporate governance should be an item for consideration on the agenda. Where possible, a statement to this effect should appear in the annual report for 2006, published in 2007.

As from 1 January 2007, listed companies should have published a Corporate Governance Charter, outlining their structure and policies in this area.

In their annual report for 2006, published in 2007, listed companies should devote a special chapter to corporate governance, presenting their governance practices for the preceding financial year and, where relevant, providing explanations for any deviations from the Principles of Corporate Governance.

9. Members of the “Corporate Governance” working group

Martine Hue,	Director of Investor Relations	Arcelor S.A.
Pierre-Alexandre Degehet,	Legal Department	Arcelor S.A.
Paul Junck,	Secretary General	Arcelor S.A.
Jean-François Leidner,	Director General	Banque Degroof Luxembourg S.A. (until 15 December 2005)
Alain Georges, Chairman of the working group	Chairman of the Board	BIP Investment Partners S.A.
Marc Faber,	Director General	BIP Investment Partners S.A.
Romain Becker,	Chairman of the Management Committee	Cegedel S.A.
François Tesch,	Director General	Le Foyer Assurances S.A.
Alain Huberty,	Director	Luxempart S.A.
Carole Wintersdorff	General Counsel	Millicom S.A., (until 16 January 2006)
Georges Majerus,	Secretary General	Quilvest S.A. (until 30 September 2005)
Carlo Hoffmann,	Secretary General	Quilmes Industrial S.A.
Edouard de Fierlant,	Company secretary	RTL Group
Pierre Margue,	Vice President Legal and Corporate Affairs	SES Global
Michel Maquil,	Chairman of the Management Committee	Société de la Bourse de Luxembourg S.A.
Daniel Dax, Rapporteur for the working group	Assistant Director	Société de la Bourse de Luxembourg S.A.

The corporate governance working party was assisted in the preparation of the Principles of Corporate Governance by the drafting group, composed of Alain Georges, Paul Junck, Alain Huberty, Pierre Margue and Daniel Dax.

The working group would like to thank Professor André Prüm, Dean of Luxembourg University’s Faculty of Law, Economy and Finance, who advised it on specific topics. The working group is also grateful to all those who advised it during the preparation of the Principles of Corporate Governance.

Principle 1 – Corporate governance framework

The company will adopt a clear and transparent corporate governance framework for which it will provide adequate disclosure.

Recommendation 1.1. The corporate governance framework should be defined in the company's articles of association and the internal regulations of the board and of the management.

Guideline The company should disclose the essential aspects of its corporate governance framework in its Corporate Governance Charter (hereinafter, the "CG Charter").

Guideline The corporate governance framework should take account wherever possible of the characteristics, activity and needs of each company.

Recommendation 1.2. The corporate governance framework should set out the respective functions of the board and management, as well as their powers and obligations. These should be described in the internal regulations of the board and of the management.

Recommendation 1.3. The executive management of the company should be entrusted to a management body, headed by an individual other than the chairman of the board. The board should make a clear distinction between the duties and responsibilities of its chairman and of the chief executive officer and set this out in writing.

Recommendation 1.4. The company should draw up a CG Charter describing the main aspects of its corporate governance, including the items referred to in Appendix B.

Recommendation 1.5. The CG Charter constitutes the company's commitment to comply with the principles of corporate governance laid down by this text.

Recommendation 1.6. The CG Charter should be updated as often as necessary to accurately reflect at all times the company's corporate governance framework. It should be posted on the company's website, with an indication of when it was last updated.

Recommendation 1.7. The company should publish a Corporate Governance Chapter (hereinafter, the "CG Chapter") in its annual report, describing all the relevant events connected with corporate governance that took place in the preceding financial year. This document should at least include the items cited in Appendix C. If the company does not fully implement one or more of the recommendations, it should explain its decision in the CG Chapter of its annual report.

Principle 2 – Duties of the board

- *The board will be responsible for the management of the company. It will act in the best interests of the company and protect the general interests of the shareholders by ensuring the sustainable development of the company. It will function in a well-informed manner as a collective body.*

Recommendation 2.1. The board as a collective body is bound by a fiduciary duty to its company and shareholders.

Recommendation 2.2. The board should be organised in such a way that it is able to perform its tasks effectively.

Guideline The board should meet as often as is necessary for the effective discharge of its obligations. It would be appropriate for the board to meet at least once a quarter, in order to monitor the development of the company's activities.

Recommendation 2.3. The board should determine, inter alia, the values and strategies of the company, the acceptable level of risk for the company, together with its key policies, and should prepare the annual and periodic accounts.

Guideline The board should determine, inter alia, the values and strategies of the company, the acceptable level of risk for the company, together with its key policies, and should prepare the annual and periodic accounts.

Guideline When determining the company's values, the board should give proper consideration to its staff policy and code of business ethics.

Recommendation 2.4. The board should appoint a chairman who prepares the agenda for board meetings after consultation with the chief executive officer. The chairman should ensure that the procedures for the preparation of meetings, deliberations, decision-making and the implementation of decisions, are correctly applied. He should take the necessary steps to create a climate of trust within the board, contributing to open discussion, the constructive expression of differences of opinion and support for decisions taken by the board.

Guideline The chairman should establish a close relationship with management, providing support and advice, without encroaching on the latter's executive responsibilities.

Recommendation 2.5. No single director or group of directors should dominate the board's decision-making process. The decision-making process should allow each director to express his⁵ point of view.

Guideline Directors who are not part of executive management (hereinafter "non-executive directors") should engage in constructive and critical discussion of the strategy and key policies put forward by executives⁶ and should contribute to their development.

Recommendation 2.6. Directors are bound to keep confidential any information they acquire in their capacity as directors and should not use it for any purpose other than the exercise of their duties.

⁵ Throughout this text the words "his" and "he" shall be understood to refer to both men and women.

⁶ "Executives" (French: "membres de la direction"; German: "Vorstandsmitglieder") are executive directors and/or executive managers – see Principle 3 below.

Recommendation 2.7. The board should adopt appropriate rules in order to avoid its members or the company's employees becoming guilty of insider dealing or market manipulation of its securities. Management should regularly provide the members of the board with information on the provisions governing these areas.

Recommendation 2.8. The board should formulate a set of rules (hereinafter, the "Rules") regulating the behaviour and notification obligations in relation to transactions in the company's shares or other financial instruments (hereinafter, the "company's securities") carried out for their own account by directors and other individuals bound by these obligations. The Rules should specify which information regarding those transactions should be disclosed to the market.

Guideline The Rules should set limitations on the carrying out of transactions in the company's securities for a designated period prior to the publication of its financial results ("closed periods") and all other periods considered to be sensitive ("prohibited periods").

Guideline The board should ensure that a compliance officer is appointed, whose duties and responsibilities should be defined by the Rules. The compliance officer's mission is, inter alia, to monitor compliance with the Rules.

Guideline When a director or other individual bound by the obligations mentioned in this recommendation carries out a transaction in the company's securities and the compliance officer has been informed, the transaction should be made public in accordance with the Rules.

Recommendation 2.9. Each director should undertake to devote the necessary time and attention to his duties and to limit his other professional commitments (in particular positions held with other companies) to the extent necessary for him to be able to properly discharge his duties.

Guideline A director should only accept a limited number of directorships in listed companies.

A director who is a full-time member of executive management (hereinafter "executive director") should accept no more than one other non-executive directorship of a listed company. An individual should not be chairman of the board of more than one listed company.

Each year, the company should disclose this information in its annual report.

The director should inform the company secretary of the board of all subsequent changes in his commitments.

Recommendation 2.10. The board should appoint a company secretary to ensure, under the authority of the chairman, the implementation of the rules and procedures regulating the functioning of the board. The company secretary, in conjunction with the chairman of the board, should prepare minutes summing up the deliberations, noting any resolutions passed and indicating the votes cast by the directors.

⁶ "Executives" (French: "membres de la direction"; German: "Vorstandsmitglieder") are executive directors and/or executive managers – see Principle 3 below.

Principle 3 – Composition of the board and the special committees

The composition of the board will be balanced so as to enable it to take well-informed decisions.

It will ensure that any special committees necessary for it to properly fulfil its duties are set up.

Recommendation 3.1. The composition of the board should be such that it includes a variety of individuals, providing complementary experience, knowledge and skills. A list of the board members should be disclosed in the Corporate Governance Chapter of the annual report (hereinafter, the “CG Chapter of the annual report”).

Recommendation 3.2. The board should be of an appropriate size in order to facilitate effective decision-making. It should be large enough for its members to contribute experience and knowledge from different fields and for changes in its composition not to create undue disruption. To ensure effective deliberation and decision-making, the number of directors should remain within reasonable limits.

Guideline A maximum of 16 board members can be considered a reasonable limit.

Recommendation 3.3. When the board includes directors who are part of executive management⁷ (“executive directors”), its composition and operation should be organised in such a way that all the directors are able to effectively discharge their duties having regard to their collective responsibility.

Recommendation 3.4. Every board should have a sufficient number of independent directors.

Guideline The number of independent directors will depend inter alia on the nature of the company’s activities and its share ownership structure.

Recommendation 3.5. To be considered independent, a director must not have any significant business relationship with the company, close family relationship with any executive, or any other relationship with the company, its controlling shareholders or executives that is liable to create a conflict of interest which could impair the independence of the director’s judgment.

The company should draw up a detailed list of the criteria for assessing independence on the basis of the above. The list of criteria should be disclosed in the CG Chapter. To this end, the company may make use of the independence criteria appearing in Annex II of the European Commission Recommendation of 15 February 2005 on the role of non-executive directors (and members of the supervisory board) of listed companies and on the committees of the board (or supervisory board). These criteria appear in Appendix D of this text.

⁷ The “executive management” (French: “la direction”; German: “der Vorstand”) is a management body charged with the day-to-day running of the company. It consists of executive directors and / or executive managers. Executive directors are board members who have functional management responsibilities within the company.

Recommendation 3.6. The company should ensure that new directors receive an induction into the way the company functions, enabling them to contribute in the best possible manner to the work of the board.

Guideline For directors called upon to join a committee of the board, this induction should include a description of the committee's remit, together with all other information regarding the specific role of that committee.

Guideline For new members of the audit committee, this programme should include an overview of the company's organisation of internal control and of its risk management systems. In particular, they should receive comprehensive information on the company's accounting, financial and operational features. This induction should also involve contact with the external and internal auditors.

Recommendation 3.7. Directors should update their skills and improve their knowledge of the company with a view to fulfilling their role both on the board and, where relevant, on committees of the board.

Guideline The chairman of the board should ensure that the necessary resources are available for improving and updating the knowledge and skills of the directors.

Recommendation 3.8. All of the directors should be provided with timely information necessary for the proper performance of their duties.

Guideline The chairman of the board should ensure, with the assistance of the company secretary and management, that directors receive timely and adequate information enabling them to perform their duties in an informed manner.

Guideline Directors should fully acquaint themselves with the information received. In addition, they may request additional information via the chairman of the board whenever they consider it to be appropriate.

Recommendation 3.9. The board should ensure that special committees are constituted to examine specific topics chosen by the board and to advise the board about them. It should choose each committee's chairman and members with due regard to the need to ensure that the committee membership is refreshed and that undue reliance is not placed on particular individuals. Decision-making will remain a collective responsibility of the board, which remains fully answerable for decisions taken within its field of competence.

Guideline Special committees should ideally be composed of four members.

Recommendation 3.10. The committees of the board should perform their tasks within the framework of the terms of reference that they have been given and ensure that they report regularly on their activity and on the results of their work to the board.

Recommendation 3.11. The committees may seek expert assistance in obtaining the necessary information for the proper fulfilment of their duties. The company should provide each committee with the financial resources it needs for this purpose.

Principle 4 – Appointment of directors and executive managers⁸

The company will establish a formal procedure for the appointment of directors and executive managers.

Recommendation 4.1. The board should establish selection criteria and nomination procedures for directors, where appropriate formulating specific rules for executive directors, subject to the legal provisions in force concerning the status of directors representing the government or a public-law corporation in a public limited company and those concerning works councils in private sector companies and organising the representation of employees in public limited companies.

Guideline: A nomination procedure should define where nomination proposals should be sent, any deadlines to be complied with and the arrangements for disclosure.

Recommendation 4.2. The board should establish a nomination committee from amongst its members to assist in the selection of directors. It should lay down the internal regulations of the committee.

If the company does not have a nomination committee, the need to create one should be assessed annually.

Recommendation 4.3. The nomination committee should be composed of a majority of non-executive directors. It should contain a sufficient number of independent directors.

The chairman of the board or another non-executive director should chair the nomination committee.

The board should ensure that the nomination committee has access to the necessary skills to effectively fulfil its role.

The chairman of the nomination committee should prepare minutes of its meetings.

Guideline The nomination committee should be composed of a majority of independent directors.

Recommendation 4.4. The nomination committee should regularly evaluate its own effectiveness and make recommendations to the board for the necessary adjustments in its internal regulations.

Recommendation 4.5. The nomination committee should meet as often as it considers necessary.

Recommendation 4.6. After each meeting of the nomination committee, its chairman should make a report to the board.

⁸ “Executive managers” are senior managers who are not board directors but who are members of a body of executives (French: “la direction”; German: “der Vorstand”) who are charged with the day-to-day management of the company.

Recommendation 4.7. The nomination committee should recommend suitable candidates to the board. The latter should decide which applications to submit to the Annual General Meeting⁹.

The nomination committee may seek assistance from external experts in the performance of its duties.

Guideline The nomination committee should prepare plans for the succession of directors. It should ensure that a balance of skills is maintained within the board at all times. It should ensure that there is a sufficient number of independent directors.

Recommendation 4.8. For every position to be filled, an evaluation should be made of the existing and required skills, knowledge and experience. On the basis of this evaluation, a description of the role, together with the skills, knowledge and experience required, should be drawn up.

Guideline When dealing with a new appointment, the chairman of the nomination committee should ensure that, prior to considering the approval of an application, he has received sufficient information about the candidate, including his curriculum vitae and, where relevant, the necessary information for evaluating the candidate's independence. He should submit this information to the board, together with his recommendation.

Recommendation 4.9. The nomination committee should consider all proposals submitted by the shareholders, the board or executive management. It is also entitled itself to suggest candidates for appointment to the board.

Guideline The chief executive officer should be consulted by the nomination committee and should be authorised to submit proposals, in particular when executive directors are under consideration.

Recommendation 4.10. When a directorship falls vacant, the board should consult with the nomination committee before proceeding with the co-opting of a new director.

Recommendation 4.11. All proposals for the appointment of a director submitted to the Annual General Meeting should be accompanied by a recommendation from the board. The proposal should specify the proposed term for the directorship. It should be accompanied by relevant information on the professional qualifications of the candidate as well as a list of the positions and directorships held by the candidate. The board should indicate whether the candidate meets the independence criteria set by the company.

Guideline The nomination proposals should be disclosed before the Annual General Meeting, accompanied by relevant information on the professional qualifications of the candidate, a list of the positions and directorships already held by him and a statement regarding the adherence to independence criteria.

Recommendation 4.12. The nomination committee should likewise assist the board with the procedure for nominating executive managers, applying the recommendations 4.1 and 4.8 above.

The chief executive officer should be consulted ex officio as part of this procedure.

⁹ There is no English equivalent for the French term "assemblée générale", which covers all types of legally defined shareholder meetings. In this translation "Annual General Meeting" or "AGM" shall be understood to refer where relevant to all types of legally defined meetings of shareholders, where these are legally empowered to handle the subject in question.

Principle 5 – Conflicts of interest

The directors will take decisions in the interests of the company and will refrain from taking part in any deliberation or decision that creates a conflict between their personal interests and those of the company or any subsidiary controlled by the company.

Recommendation 5.1. In accordance with Article 57 of the Law of 10 August 1915 relating to commercial companies, as amended, each director should take care to avoid any direct or indirect conflict of interest with the company or any subsidiary controlled by the company. He should inform the board of conflicts of interest as they arise and refrain from deliberating or voting on the relevant issue in accordance with the relevant legal provisions. Any abstention from a vote as a result of a conflict of interest should be noted in the minutes of the meeting and disclosed in accordance with the relevant legal provisions in force.

Guideline Each director should inform the chairman of the board of any other directorship, office or responsibility - including executive positions - that he takes up outside the company during the term of his directorship.

Principle 6 – Evaluation of the performance of the board

The board will regularly evaluate its performance and its relationship with the executive management¹⁰.

Recommendation 6.1. The board should regularly carry out an evaluation of its performance. It should likewise examine its composition, organisation and effectiveness as a collective body.

It should draw the necessary conclusions from this evaluation and, where necessary, take appropriate steps to improve its performance.

A similar evaluation should be carried out by each committee.

Recommendation 6.2. The board should disclose the method of evaluation and, where relevant, any changes made to its mode of operation.

¹⁰ The “executive management” consists of executive directors and / or executive managers. Executive directors are board members who have functional management responsibilities within the company.

Principle 7 – Management structure

The board will set up an effective structure of executive management. It will clearly define the duties of executive management and delegate to it the necessary powers for the proper discharge of those duties.

Recommendation 7.1. The board should establish organisational and operational principles to govern the executive management, including its responsibilities, obligations and powers, and record these in the internal regulations for management. These principles should be revised and adapted, if required, for the effective exercise of the respective powers and obligations of the board and management.

Guideline The management structure may be based either on a collective delegation of powers to an executive committee, or on one or more delegations of power to individual executives.

Guideline When establishing the organisational and operational principles governing the executive management, the board should work closely with the chief executive officer or the director general, as the case may be.

Guideline Internal regulations for management, detailing the responsibilities, obligations, composition and operation of management, should be submitted to the board by the executive management.

Recommendation 7.2. The board should grant executives, including where relevant, any executive directors, the necessary powers enabling them to fulfil their responsibilities and obligations.

Recommendation 7.3. The executive management should

- be entrusted with the day-to-day running of the company;
- be responsible for preparing complete, timely, reliable and accurate financial reports in accordance with the accounting standards and policies of the company;
- submit an objective and understandable assessment of the company's financial situation to the board;
- participate in the preparation of decisions to be taken by the board;
- supply the board with all information necessary for the discharge of its obligations in a timely fashion;
- set up internal controls (systems for the identification, assessment, management and monitoring of financial and other risks), without prejudice to the board's monitoring role;
- regularly account to the board for the discharge of its responsibilities.

Recommendation 7.4. The board should establish procedures for evaluating and examining the performance of the executive management as a whole and of the individual executives.

Guideline The remuneration committee should assist the board with this task

Principle 8 – Remuneration Policy

The company will secure the services of good quality directors and executive managers by means of a suitable remuneration policy that is compatible with the long-term interests of the company.

Recommendation 8.1. The board should establish a remuneration committee from among its members, to assist in formulating a remuneration policy for directors and managers. It should define the committee's internal regulations.

If the company does not have a remuneration committee, the need to create one should be assessed annually. Until a remuneration committee has been set up, the board should deal with these tasks and responsibilities at least once a year.

Recommendation 8.2. The remuneration committee should be composed exclusively of non-executive directors. It should contain a sufficient number of independent directors.

The chairman of the board or another non-executive director should chair the remuneration committee.

The board should ensure that the remuneration committee has access to the necessary skills to effectively fulfil its role.

The chairman of the remuneration committee should prepare minutes of its meetings.

The remuneration committee may seek assistance from external experts for the fulfilment of its duties.

Guideline The chief executive officer should be invited to the meetings of the remuneration committee.

Guideline The remuneration committee should be composed of a majority of independent directors.

Recommendation 8.3. The remuneration committee should submit proposals to the board regarding the remuneration of directors and managers, ensuring that these proposals are in accordance with the remuneration policy adopted by the company.

Recommendation 8.4. At least once a year, the remuneration committee should discuss with the chief executive officer the performance of executive management and of the individual executives. The chief executive officer should not be present at the discussion of his own evaluation. The evaluation criteria should be clearly defined.

Recommendation 8.5. The remuneration committee should regularly evaluate its own effectiveness and make recommendations to the board for the necessary adjustments in its internal regulations.

Recommendation 8.6. The remuneration committee should meet as often as it considers necessary, but at least once a year.

Recommendation 8.7. After each meeting of the remuneration committee, its chairman should make a report to the board.

Recommendation 8.8. The remuneration of non-executive directors should be proportional to their responsibilities and the time devoted to their functions.

Guideline Non-executive directors should neither receive remuneration linked to their individual performance, nor bonuses, long-term incentive plans, benefits in kind or benefits linked to pension plans.

Recommendation 8.9. The board should establish formal and transparent procedures with regard to the remuneration of managers. Individuals should not be involved in decisions regarding their own remuneration.

Recommendation 8.10. In the event that managers are eligible for a bonus, this should be determined on the basis of significant, rigorous and objective performance criteria designed to increase the value of the company, taking into account both the company's performance and the individual and collective performance of the managers.

Recommendation 8.11. Schemes providing for the remuneration of directors and managers by new share issues, share options or any other new share acquisition right should be approved in advance by a resolution of the shareholders at an Annual General Meeting, prior to being adopted.

Recommendation 8.12. All discounts on share option plans, giving the right to subscribe to shares at a price lower than the quoted price on the date the exercise price is set, or an average of the quoted prices over a certain number of days just prior to the date on which the exercise price is set, should be disclosed to the shareholders.

Guideline A remuneration scheme cannot normally allow for any revision of its conditions.

Shares cannot normally be permanently granted any earlier than three years after their initial allotment.

Recommendation 8.13. The company should disclose its remuneration policy in its CG Charter.

Recommendation 8.14. The total amount of direct and indirect remuneration received by directors and executive managers by virtue of their position should be disclosed in the annual report. A distinction should be made between the fixed and the variable components of this remuneration. The company should disclose the number of options granted to those individuals and the conditions of their exercise.

Principle 9 – Financial reporting, internal control and risk management

The board will establish strict rules, designed to protect the company's interests, in the areas of financial reporting, internal control and risk management.

Recommendation 9.1. The board should establish an audit committee from among its members to assist in the discharge of its responsibilities in the areas of financial reporting, internal control and risk management. It should define the committee's internal regulations.

If the company does not have an audit committee, the need to create one should be assessed annually. Until an audit committee has been set up, the board should deal with these tasks and responsibilities, in close collaboration with the internal and external auditors.

Guideline Until such time as the board sets up an audit committee, it should meet at least twice a year with the internal and external auditors to discuss issues connected with financial reporting, internal control and risk management.

Recommendation 9.2. The board or, where relevant, the audit committee, should regularly examine the effectiveness of the financial reporting, internal control and risk management system adopted by the company. It should make sure that the audits carried out and the subsequent audit reports conform to the audit plan approved by the board or the audit committee.

Recommendation 9.3. The audit committee should be composed exclusively of non-executive directors. It should contain a sufficient number of independent directors.

The chairman of the board should not chair the audit committee.

The board should ensure that the audit committee has access to the necessary skills to effectively fulfil its role, in particular in the area of finance.

The chairman of the audit committee should prepare minutes of its meetings.

Guideline The audit committee should be chaired by an independent director.

The audit committee should be composed of a majority of independent directors.

At least one of the members of the audit committee should have had training in finance or accounting.

Recommendation 9.4. The audit committee may invite any other person whose collaboration it deems to be advantageous to assist it in its work and to attend its meetings. In addition, it should be authorised to meet with individuals without the presence of any executives. It should meet with the internal and external auditors at least once a year without the presence of any executives.

Recommendation 9.5. The audit committee should regularly evaluate its own effectiveness and make recommendations to the board for the necessary adjustments in its internal regulations.

Recommendation 9.6. The audit committee should meet as often as it deems necessary, but at least twice a year.

Guideline The audit committee should normally meet four times a year. Two of its meetings should deal with the half-yearly and yearly results and their disclosure to the shareholders and the public.

Recommendation 9.7. After each meeting of the audit committee, its chairman should make a report to the board, identifying the issues in respect of which he considers that action or improvement is called for and making recommendations on the measures that should be taken.

Recommendation 9.8. An independent internal audit function should be established.

Its resources and skills should be appropriate to the nature, size and complexity of the company.

Recommendation 9.9. The audit committee should assist the board in monitoring the reliability and integrity of the financial information provided by the company, in particular by reviewing the relevance and consistency of the accounting standards applied by the company (including the consolidation criteria).

Recommendation 9.10. The audit committee should assist the board at least once a year to review the internal control and risk management systems, with a view to ensuring that the main risks have been correctly identified, managed and disclosed.

Recommendation 9.11. The internal and external auditors should, in addition to maintaining an effective working relationship with management, have free access to the board. To this end, the audit committee should act as principal contact point.

The internal and external auditors may at all times approach the chairman of the audit committee or the chairman of the board directly.

The audit committee should receive timely information regarding any issue raised by the internal or external auditor.

Recommendation 9.12. The audit committee should be informed of the internal auditor's work programme and should receive periodic summaries of his work. It may make recommendations regarding the internal auditor's work programme.

It should monitor the effectiveness of the internal audit function and make sure that the internal auditor has adequate resources for the performance of the tasks entrusted to him.

In the event of the resignation of the internal auditor it should investigate the issues leading to this and make recommendations concerning any measures that are needed.

Recommendation 9.13. The audit committee should be informed of the external auditor's work programme and receive a report from the auditor describing all existing relationships between the external auditor on the one hand and the company and its group on the other hand. It may make recommendations regarding the external auditor's work programme.

The audit committee should make recommendations to the board regarding the selection, appointment, reappointment and removal of the external auditor and, in addition, the terms and conditions of their remuneration.

It should monitor the independence and objectivity of the external auditor, in particular by monitoring the rotation of the partners of the audit firm.

It should examine the nature and scope of non-audit services provided, with a view to avoiding any conflict of interest. To this end, the audit committee should establish an official policy specifying which non-audit services shall be (a) prohibited (b) authorised after consideration by the committee and (c) authorised ex officio without the need for consultation of the committee.

In addition, the audit committee should monitor the effectiveness of the external audit process and check that the executive management acts on the letter of recommendations submitted to it by the external auditor.

In the event of the resignation of the external auditor, it should investigate the issues leading to this and make recommendations concerning any measures that are needed.

Principle 10 – Shareholders

*The company will respect the rights of its shareholders and ensure they receive equitable treatment.
The company will establish a policy of active communication with the shareholders.*

Recommendation 10.1. The company should ensure that its shareholders receive equitable treatment, by providing them with relevant information enabling them to exercise their rights.

Recommendation 10.2. The company should disclose the structure its share ownership in its CG Charter, mentioning any shareholders whose shareholding exceeds 5% of the voting rights, insofar as it is aware of this, and as soon as it has received the relevant information. The company should also disclose any cross-shareholdings exceeding 5% of the voting rights, insofar as it is aware of them, and as soon as it has received the relevant information.

Recommendation 10.3. The company should devote a specific section of its website to the disclosure of relevant information for its shareholders, including, inter alia, a description of the conditions of access to and procedures for voting at Annual General Meetings of shareholders. This section should also include a timetable of periodic reports and AGMs, as well as all documentation relevant to the these meetings. It should give shareholders the possibility to submit proxies or to download proxy and/or registration forms.

Guideline Wherever possible, the company should give shareholders the option to raise issues via the company's website.

Recommendation 10.4. The Annual General Meeting should enable the shareholders to exercise their rights fully. It should allow shareholders to engage in dialogue with the board. The company should encourage shareholders to take part in meetings. Shareholders who cannot attend should be able to vote in absentia, e.g. by proxy.

Guideline The company should also take into account the situation of shareholders who are not resident in the Grand Duchy of Luxembourg but who wish to exercise their rights. Subject to compliance with the existing legal framework, the company should make use of modern technology to facilitate shareholders' participation in Annual General Meetings. It should also do its best to use languages appropriate to its shareholders.

Recommendation 10.5. Prior to Annual General Meetings the company should make relevant information accessible by all useful means and in particular via electronic channels.

Recommendation 10.6. When calling Annual General Meetings, the company should communicate the agenda and resolutions put forward by the board to all shareholders in a timely fashion and with due regard for the geographic dispersal of the shareholders.

Guideline For particularly complex issues, the company should provide adequate explanations via its website.

Recommendation 10.7. Any shareholder holding at least 5% of the company's share capital may submit proposals to the board concerning the agenda for the Annual General Meeting.

Guideline Any proposal from a shareholder concerning the agenda for the Annual General Meeting should reach the board at least two months prior to the meeting being held.

Recommendation 10.8. The chairman should take the necessary steps to provide answers to relevant questions raised by shareholders during the Annual General Meeting. Directors should reply to questions except where an answer might seriously harm the company, its shareholders, or its personnel.

Recommendation 10.9. The company should post the results of votes and the minutes of an Annual General Meeting on its website as soon as possible after this meeting.

Appendix A: Definition of control (Preamble) ¹¹

Pursuant to European Union Directive 83/349/CEE, a shareholding is said to be “controlling” in the following situations, i.e. in the case of a shareholder who:

- a) has a majority of the shareholders’ or members’ voting rights in another undertaking (a subsidiary undertaking); or
- b) has the right to appoint or remove a majority of the members of the administrative , management or supervisory body of another undertaking (a subsidiary undertaking) and is at the same time a shareholder in or member of that undertaking ; or
- c) has the right to exercise a dominant influence over an undertaking (a subsidiary undertaking) of which it is a shareholder or member, pursuant to a contract entered into with that undertaking or to a provision in its memorandum or articles of association, where the law governing that subsidiary undertaking permits its being subject to such contracts or provisions. A member state need not prescribe that a parent undertaking must be a shareholder in or member of its subsidiary undertaking . Those member states the laws of which do not provide for such contracts or clauses shall not be required to apply this provision ; or
- d) is a shareholder in or member of an undertaking, and :
 - aa) a majority of the members of the administrative, management or supervisory bodies of that undertaking (a subsidiary undertaking) who have held office during the financial year, during the preceding financial year and up to the time when the consolidated accounts are drawn up, have been appointed solely as a result of the exercise of its voting rights ; or
 - bb) controls alone, pursuant to an agreement with other shareholders in or members of that undertaking (a subsidiary undertaking), a majority of shareholders’ or members’ voting rights in that undertaking. The Member States may introduce more detailed provisions concerning the form and contents of such agreements.

¹¹ The references in parentheses refer to the relevant provisions of the text of European Union Directive 83/349/CEE.

Appendix B: Transparency requirements

Corporate Governance Charter (the CG Charter) (Recommendation 1.4.)

The company should describe and disclose all the main aspects of its corporate governance policy, including at least the items listed below, in its Corporate Governance Charter (CG Charter):

With regard to the board, the company should disclose:

- a description of the company's governance structure
- the essential aspects of the corporate governance framework as set out in the internal regulations of the board
- the policy implemented by the board for transactions in the company's securities and other contractual relations
- the existence and nature of the risk management system in place.

With regard to the committees, the company should disclose:

- the internal regulations for each committee

With regard to executive management, the company should disclose:

- the internal regulations for executive management

With regard to the remuneration policy for board members and executive managers, the company should disclose:

- a) an explanation of the relative importance of the variable and non-variable components of the remuneration;
- b) sufficient information on the performance criteria on which any entitlement to share options, shares or variable components of remuneration is based;
- c) sufficient information on the link between remuneration and performance;
- d) a description of the main characteristics of supplementary pension and early retirement schemes for directors.

With regard to shareholders, the company should disclose:

- a description of the rights of shareholders, in particular their voting rights

The Corporate Governance Charter should also include measures taken to comply with Directive 2003/6/CE on insider dealing and market manipulation (market abuse).

Appendix C: Transparency requirements

Corporate Governance Chapter (the CG Chapter) (Recommendation 1.7.)

The company should describe and disclose all the main aspects of its corporate governance for the year, including at least the items listed below, in a Corporate Governance Chapter (CG Chapter) in its annual report.

The company should declare that it follows the Ten Principles of Corporate Governance.

Where relevant, it should specify which Recommendations it has departed from during the financial year and provide reasons for these deviations. Where there has been a deviation, it should explain how the solution it has adopted nevertheless allows it to reach the objective sought by the underlying principle.

With regard to the board, the company should disclose:

- a list of the board members, indicating which of them are independent directors;
- a presentation of each new director, including a justification if the director is deemed to be independent, even if the director fails to meet one or more of the criteria appearing in appendix D;
- information about directors who no longer meet the conditions for independence;
- a list of other paid positions held by directors in other listed companies, with the exception of positions held in companies belonging to the group in which the director has an executive position;
- a summary curriculum vitae for each director;
- an activity report about board meetings, including the number of meetings and the average attendance by the directors;
- how the board carried out its own evaluation and the evaluation of the committees, indicating to what extent the evaluation carried out has led to important changes.

With regard to committees, the company should disclose:

- a list of members of board committees;
- an activity report about committee meetings, including the number of meetings and the average attendance by the directors;

With regard to executive management, the company should disclose:

- a list of executives;
- a summary curriculum vitae for each executive manager.

With regard to remuneration, the company should disclose:

In connection with the remuneration and other benefits of executive and non-executive directors and executive managers, the following information should be presented:

- the total amount of remuneration and other benefits granted directly or indirectly by the company or any other undertaking belonging to the same group.

- with regard to shares or entitlements to share options and all other share-incentive schemes:
 - a) the number of share options offered or shares granted by the company during the relevant financial year and their conditions of application;
 - b) the number of share options exercised during the relevant financial year and, for each of them, the number of shares involved and the exercise price or the value of the stakes in the share-incentive scheme at the end of the relevant financial year;
 - c) the number of share options unexercised at the end of the financial year, their exercise price, their exercise date and the main conditions for the exercise of the rights;
 - d) any changes in the terms and conditions of exercise of share options occurring during the financial year;
 - e) the number and, where relevant, the specific characteristics of the shares thus acquired while in office.
- the total amount of loans granted by the company to its directors or executive managers.

With regard to shareholders, the company should disclose:

- the company's share ownership and control structure, together with any cross-shareholdings exceeding 5% of the shares or voting rights, insofar as it is aware of them and as soon as it has received the relevant information;
- the identity of the major shareholders (holding 5% or more of the shares or voting rights) insofar as it is aware of them, with a description of their voting rights;
- all other significant relationships between the company and its major shareholders, insofar as it is aware of them.

In addition, the Corporate Governance Chapter should include details of the measures taken by the company to comply with Directive 2003/6/CE on insider dealing and market manipulation (market abuse).

Appendix D: Independence criteria (Recommendation 3.5.)

(Appendix II - Profile of non-executive and supervisory directors - from the European Commission Recommendation of 15 February 2005 on the role of non-executive directors (and members of the supervisory board) of listed companies and on the committees of the board (or supervisory board)).

“It is not possible to list comprehensively all threats to directors’ independence; the relationships or circumstances which may appear relevant to its determination may vary to a certain extent across Member States and companies, and best practices in this respect may evolve over time. However, a number of situations are frequently recognised as relevant in helping the board or supervisory board to determine whether a given non-executive or supervisory director is independent or not, even though it is widely understood that assessment of the independence of any particular director should be based on substance rather than form. In this context, a number of criteria, to be used by the board or supervisory board, should be adopted at national level. Such criteria, which should be tailored to the national context, should be based on due consideration of at least the following situations:

- a) a non-executive or supervisory director is not an executive director (or manager) of the company or an associated company, and has not been in such a position for the previous five years;
- b) is not an employee of the company or an associated company, and has not been in such a position for the previous three years;
- c) does not receive, and has not received, significant additional remuneration from the company or an associated company apart from a fee received as a non-executive or supervisory director. Such additional remuneration covers in particular any participation in a share option or any other performance-related pay scheme; it does not cover the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the company (provided that such compensation is not contingent in any way on continued service);
- d) is not and does not represent in any way a strategic shareholder with a 10% or greater holding;
- e) does not have, and has not had within the last financial year, a significant business relationship with the company or an associated company, either directly or as a partner, shareholder, director or senior employee of a body having such a relationship. Business relationships include the situation of a significant supplier of goods or services (including financial, legal, advisory or consulting services), of a significant customer of the company, and of organisations that receive significant contributions from the company or its group;
- f) is not, and has not been within the last three years, a partner or employee of the present or former external auditor of the company or an associated company;
- g) is not an executive director (or manager) in another company in which an executive director (or manager) of the company is a non-executive or supervisory director, and does not have other significant links with executive directors (or managers) of the company due to positions held in other companies or bodies;

- h) has not served on the board or supervisory board as a non-executive (or supervisory) director for more than twelve years;
- i) is not a close family member of an executive director or manager, or of persons in the situations referred to in points (a) to (h);

The independent director undertakes:

- a) to maintain in all circumstances his independence of analysis, decision and action;
- b) not to seek or accept any unreasonable advantages that could be considered as compromising his independence, and
- c) to clearly express his opposition in the event that he finds that a decision of the board (or supervisory board) may harm the company. When the board (or supervisory board) has made decisions about which an independent non-executive or supervisory director has serious reservations, then that non-executive or supervisory director should draw all the appropriate consequences from this. If he were to resign, he should explain his reasons in a letter to the board or the audit committee.”



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