



Bourse de
Luxembourg

Corporate Governance

The X Principles of Corporate Governance
of the Luxembourg Stock Exchange

3rd edition-revised version

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

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Foreword

The X Principles of Corporate Governance of the Luxembourg Stock Exchange have now undergone their second revision since their creation in 2006, which undoubtedly reflects the significant changes in corporate governance in recent years.

Having taken the initiative to develop the first set of corporate governance rules for Luxembourg in 2006, the Board of Directors of the Luxembourg Stock Exchange welcomes the development of these X Principles that take into account the interests of all stakeholders such as companies, shareholders, employees and customers.

Following the entry into force of the X Principles on the 1st of January 2007, the first review in October 2009 and especially after the initial lessons learned from the financial crisis, it was considered useful and necessary to conduct a second review of the X Principles so as to improve and adapt them to new realities, based on the conclusions drawn from their application.

Thus, one of the main advantages, namely the flexibility of the “comply or explain” system, which gives companies the opportunity to waive specific recommendations when warranted, has reached its limits due to insufficient explanations. This observation, made at European level, is also confirmed in Luxembourg.

Therefore, an adaptation of the system by the application of more specific requirements became necessary in order to ensure proper explanations and thus maintain a high degree of flexibility. This change will allow each company to adapt its justifications in terms of its size, business and culture.

The Luxembourg Stock Exchange remains convinced that the X Principles of Corporate Governance should continue to be adapted to take into account experience acquired and the evolution of practices in the legal and business arenas.

Improved concepts of corporate governance in neighbouring countries and Europe as well as the regulatory framework and application in Luxembourg, contributed to the revision of the X Principles within the working group.

Finally, on behalf of the Board of Directors and the management of the Luxembourg Stock Exchange, I would like to thank all those who contributed to the development of the X Principles of Corporate Governance, in particular the members of the working group who deserve great credit for their work.

Frank Wagener
Chairman of the Board of Directors

Luxembourg, 15 March 2013

Foreword

Due to notorious poor governance scandals over the past 20 years, efforts to define and establish good governance rules, which were hitherto unwritten, have led to increasingly extensive documentation. Many “Codes” or “Recommendations” have gradually become official and binding.

Prompted by recommendations adopted at the European Union level, the Luxembourg Stock Exchange has defined and issued the “X Principles of Corporate Governance of the Luxembourg Stock Exchange” hereinafter the “X Principles” for listed companies on its regulated market..

The Stock Exchange has therefore chosen a regulatory system based on principles. The aim of these principles is to provide guidance for and encourage the balanced exercise of powers and control within companies, and to promote dialogue and transparency, without, however, hindering the freedom to do business, in the interest of the companies concerned. The principles also encompass the prime aim of increasing the commitment made by shareholders, who are often scattered, and their involvement in the affairs of the company, of which they are the ultimate owners.

The current 3rd version of the “X Principles” was drawn up during a period that was dominated by the shock of new revelations regarding poor governance situations, on the one hand, and by a resurgence of legislators’ attempts to sanction the behaviour of the parties involved in an increasingly detailed and targeted manner, on the other. The Luxembourg Stock Exchange, which is convinced that any effort to legislate “poor management” out of existence is pointless, has chosen to select regulations based on principles. Therefore the “X Principles” that it has selected, which are standardised, with a broad scope that covers the main aspects of corporate governance, are mandatory, with no exceptions. They are implemented by mandatory “Recommendations” on a non-exhaustive basis. However, companies are given room to use their own judgement in the implementation of these “Recommendations”. In fact, a company may adapt a “Recommendation” to its specific situation; but it is then under an obligation to explain the selected variations in its communications (“comply or explain”).

Several amendments that have been made to the wording of the “X Principles” in this 3rd version go well beyond the level of the principles, and touch on the areas of transparency, values, and corporate ethics. They aspire to the ideal of the “prudent manager”. Indeed, this Civil Code archetype must have an equivalent in the corporate governance area, personified by a wise, diligent company director, who cares about the corporate interests entrusted to them as if they were their own. This is the mindset that will dictate the appropriate good governance behaviours and decisions that are likely to meet with shared approval, the ultimate value criterion, to a company director. This is the attitude to which the “X Principles” refer.

The principles-based approach selected gives the “X Principles” a firm grounding within the area of corporate culture, a culture that is built as much by example and education as by laws and regulations. This means that companies are on the right track when they make good governance a key factor in their employee training programmes.

As for the previous versions, the working group, which consists of representatives from listed companies and from the Stock Exchange, set up by the Luxembourg Stock Exchange in order to

review the “X Principles” had the complex task of finding the right compromise, in order to avoid both giving into pressure and opting for nit-picking and micro-managing regulations, and the easy option of purely abstract regulations. Due consideration needed to be given to the international nature of many companies listed in Luxembourg, some of which are listed on several exchanges, which makes them subject to several codes of governance. The principles-based approach selected, and its compliance with the system adopted at the European level, promote the compatibility of the “X Principles” with the governance codes on major European exchanges.

The results, which have been approved by the Luxembourg Stock Exchange, amount to a set of strict, practical and useful rules. I would like to thank my working group colleagues for their active and capable contribution.

Alain Georges
Chairman of the working group

Luxembourg, 15 March 2013

Preamble

1. Corporate governance

Corporate governance consists of the body of principles, rules and practices that determine companies' management and control. It therefore covers the distribution of powers between the shareholders and management of a company, and especially the operation of the company's Board of Directors.

These rules primarily concern the Board of Directors, its operation, and the exercise of its duties and responsibilities. They cover the organisation of the relationship between the Board and the shareholders, on the one hand, and between the Board and Executive Management, on the other.

Good corporate governance includes the procedures and instruments that provide an optimal balance between entrepreneurial spirit and the search for performance, on the one hand, and the control and prevention of risk, on the other.

Good governance forms an integral part of corporate culture, embodies the values of integrity and responsibility, and is based on the transparency of decision-making processes and on respect for the interests of shareholders and any other stakeholders, namely regulators, employees, suppliers, customers, and of civil society in a broader sense. It also implies effective risk management, thorough control mechanisms, a transparent approach to conflicts of interest, and regular reports from Executive Management to the Board of Directors, and from the Board to the General Meeting of Shareholders.

Good governance is therefore a stability factor for companies and for their social and political environment, and therefore promotes a climate that is favourable to investment, and contributes to the creation of long-term value and to economic growth.

2. Framework

The X Principles of Corporate Governance shall be considered as complementary to Luxembourg legislation, from which they cannot deviate. No Principle or Recommendation may be construed as conflicting with Luxembourg law.

The X Principles are based on existing Luxembourg legislation regarding commercial companies, and specifically on the financial regulations that are applicable to companies listed on the Stock Exchange. The rules and regulations adopted at the European level, and the legislation regarding governance in neighbouring countries has also been taken into account.

The X Principles have been influenced by various factors that are specific to Luxembourg:

- the wide variety of the companies with shares admitted for trading on the Luxembourg Stock Exchange regulated market (ranging from large multinational companies to small industrial and commercial companies, or to investment companies);
- the structure of the companies' shareholder base (companies with major shareholders, companies with a very widespread shareholder base, small companies with a more limited

shareholder base, or companies where the shareholder base consists mainly of shareholders who are financial investors); and

- certain specific director situations [(directors representing a public shareholder (Law of 25 July 1990) or the company's employees (Law of 6 May 1974)].

The X Principles have been drawn up for limited companies with a single-tier governance structure (Board of Directors), which is the form most commonly adopted by companies in Luxembourg. However, they are also intended to apply to other forms of companies, including those with a two-tier governance structure, including a Supervisory Board and an Executive Board. In this case, the X Principles must be interpreted and applied by analogy.

3. Structure, content and characteristics of the X Principles of Corporate Governance

The X Principles include three series of rules:

- the actual mandatory ("compliance") Principles;
- the "comply or explain" Recommendations; and
- the Guidelines, which are indicative but not binding.

The X Principles are mandatory. Their scope is sufficiently broad for all companies to be able to adhere to them, regardless of their specific features. All Luxembourg companies where the shares are admitted for trading on a regulated market operated by the Luxembourg Stock Exchange (hereinafter, the "target companies") must therefore apply them without exception.

The **Recommendations** (some of which are detailed in the Appendices to the X Principles) describe the proper application of the principles. **Companies are asked to comply with the Recommendations or to explain why they are departing from them.** In such cases, companies must determine which rules are most suited to their specific situation and provide an appropriate explanation in the statement on corporate governance in their annual report. This flexible approach is based on the "comply or explain" system. This system, which has long been adopted in many countries, is recommended by the OECD and the European Commission. Thanks to its flexibility, this approach enables the specific circumstances of companies, such as their nationality, size, shareholder structure, business activities, exposure to risk, and management structure, to be taken into account.

Smaller target companies, in particular those that have recently been admitted to trading on the market, as well as young growth companies, may take the view that some of the Recommendations are disproportionate or less relevant in their case. Likewise, holding and investment companies may require a different structure for their Board of Directors, which may affect the relevance of some of the Recommendations to them. For instance, in such cases, the role of the Nomination Committee and the Remuneration Committee may be fulfilled by a single committee.

The Recommendations are supplemented by the Guidelines, which provide advice on the appropriate manner for a company to implement or interpret the Recommendations, and reflect "best practices". The Guidelines are optional, and are therefore not subject to the obligation to "comply or explain".

4. Disclosure of information

Transparency – via the publication by each company of the corporate governance principles that it applies – is an essential factor, which the X Principles aim to promote in order to enable effective external monitoring of the application of the X Principles by the company in question.

Information on corporate governance is disclosed in two different documents:

- the Corporate Governance Charter, which is published on the company's website, and
- the statement on corporate governance in the annual report.

In the Corporate Governance Charter, the company describes the main aspects of its corporate governance policy, especially its structure, the internal regulations for the Board, its committees, and Executive Management, as well as other important points (e.g. the remuneration policy). The Charter must be updated on a regular basis.

The statement on corporate governance in the annual report primarily includes factual information on the governance of the company and on the operation of the governing bodies during the year just-ended, including any changes that have occurred, like the appointment of new directors, the appointment of committee members and the remuneration report.

5. Monitoring and compliance

A monitoring system that involves the shareholders, the Board of Directors, the Luxembourg Stock Exchange, the Luxembourg Financial Sector Supervisory Commission ("CSSF") and the other stakeholders, must ensure close compliance with the corporate governance principles. Other mechanisms may be added to this monitoring system.

- The Board of Directors

In a single-tier structure, the Board of Directors plays a dual role: first it manages and heads the company, and second, it ensures effective monitoring of its Executive Management. The Board of Directors must ensure that the Corporate Governance Charter and the statement on corporate governance in the annual report are accurate and complete. Although non-executive directors and directors who rank as independent directors, who ideally form a majority on the Board, have a particular duty to assume this responsibility, it is incumbent on all Directors, who must all demonstrate their independence of judgement, integrity, force of character and objectivity in order to fulfil this role.

- Shareholders

Given the flexible "comply or explain" approach recommended by the X Principles, shareholders, and specifically institutional investors, have a paramount role to play in assessing the company's corporate governance.

Shareholders shall carefully examine the reasons provided by the company whenever it departs from the Recommendations or fails to comply with them, and make a reasoned judgment in each case. Where shareholders do not accept the positions adopted by the company, it is their duty to inform its management or Board of Directors of their position, and to enter into a dialogue with the company on this issue, where applicable.

- The Luxembourg Stock Exchange

The Luxembourg Stock Exchange contributes to the external monitoring of the application of the X Principles by listed companies through providing its support and advice to those companies, in order to encourage implementation of the X Principles.

It shall draw any omission or exception that is not justified by the X Principles to all listed companies' attention, and invite them to provide an explanation on this point to the Stock Exchange, where applicable. The Luxembourg Stock Exchange reserves the right to publish reports on the corporate governance practices of listed Luxembourg companies from time to time.

However, with regard to points where the laws or regulations in force require disclosure, regardless of whether this information is included in the X Principles, the powers of the CSSF, including its powers to impose sanctions, shall take precedence.

6. Follow-up

The definition of what constitutes good corporate governance may need to evolve in step with changes in the business environment, the requirements of financial markets, or even changes to company law.

It is therefore important for companies to ensure that they follow up the X Principles on a regular basis, and review the Recommendations on an ongoing basis, in order to make any adjustments that may become necessary. This requires the implementation of appropriate procedures. The Luxembourg Stock Exchange's "corporate governance" working group is the instrument for these adjustments. It is within this framework that the group has prepared this third revised version of the X Principles.

7. Scope and entry into effect

The X Principles apply to companies incorporated under Luxembourg law, where their shares are listed on a regulated market operated by the Luxembourg Stock Exchange, except for regulated SICAV and Funds, to which specific regulations apply.

However, given their flexibility, the X Principles can easily be used as a reference framework for any company incorporated under Luxembourg law, or under the laws of another country, or any company incorporated under Luxembourg law that has asked for its shares to be admitted to a foreign regulated market. Where Luxembourg companies admitted for trading on various regulated markets in addition to the regulated market operated by the Luxembourg Stock Exchange are faced with several codes of conduct in terms of corporate governance, they are invited to apply the X Principles. Indeed, under most circumstances, the regulatory nature of the X Principles enables these companies to comply with the provisions of the governance codes in effect on other regulated markets as well.

The third version of the X Principles of Corporate Governance of the Luxembourg Stock Exchange enters into effect on 1 May 2013, and applies to annual reports for financial years as from that date.

Principle 1 – Corporate governance framework

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

Recommendation 1.1. The corporate governance framework shall be defined in the company's articles of association and the internal regulations of the Board and of the Executive Management.

Guideline The corporate governance framework shall take the nature, size, complexity, business activities and requirements of each company into account.

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

Recommendation 1.3. The Executive Management of the company shall be entrusted to a management body, headed by an individual other than the Chairman of the Board. The Board shall make a clear distinction between the duties and responsibilities of its Chairman and of the Chief Executive Officer and set this out in writing.

Guideline The Non-Executive Directors shall choose a Senior Independent Director among the Independent Directors. This Director shall chair the Nomination and Remuneration Committees. The Senior Independent Director is specifically responsible for ensuring close compliance with the good governance rules, and the strict application of the X Principles. He shall be the Chairman of the Board's preferred contact person in these areas.

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

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

Recommendation 1.6. The CG Charter shall be updated as often as necessary, in order to provide an accurate reflection of the company's corporate governance framework at all times. It shall be posted on the company's website, with an indication of when it was last updated.

Recommendation 1.7. The company shall publish a corporate governance statement (hereinafter, the "CG Statement") in a specific section of its management report or in a separate chapter in the annual report published with the management report, describing all the relevant events connected with corporate governance that took place in the preceding financial year. This document shall include at least the items listed in Appendix C. If the company does not fully implement one or more of the recommendations, it shall submit every derogation and instance where it does not apply one or several recommendations to the Board of Directors with detailed explanations, for the Board's express approval. It shall explain these decisions in the CG Statement.

Principle 2 – The Board of Directors’ remit

The Board shall be responsible for the management of the company. As a collective body, it shall act in the corporate interest, and shall serve all the shareholders by ensuring the long-term success of the company.

Recommendation 2.1. The Board, and each of its members, shall be bound by a duty of loyalty towards the company and all of its shareholders.

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

Guideline The Board shall 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 shall specifically decide on the values and objectives of the company, its strategy and key policies in implementing them and the level of risk acceptable to the company. It draws up the annual and periodic accounts.

Guideline 1 The Board shall ensure that the necessary financial and human resources are available, in order to enable the company to reach its objectives.

Guideline 2 The Board shall draw up the main categories of risk faced by the company, such as financial risk, strategic risk, operational risk, legal and regulatory risk, reputational risk, and other risks. The Board shall determine the risks that require particularly close monitoring.

Guideline 3 The Board shall draw up a code of business ethics.

Guideline 4 When determining the company’s values, the Board shall give full consideration to its staff policy and code of business ethics.

Guideline 5 When determining the company’s values, the Board shall take into consideration all aspects of the company’s corporate responsibility.

Recommendation 2.4. The Board shall appoint a Chairman, who shall prepare the agenda for board meetings after consulting the Chief Executive Officer. The Chairman shall ensure that the procedures relating to the Board meetings, the preparation of meetings, deliberations, and for taking and implementing decisions, are correctly applied. He³ shall take the necessary steps to create a climate of trust within the Board, contributing to open discussion, the constructive expression of the opinions of each of its members, and support for decisions taken by the Board.

Guideline 1 The Chairman shall see to the proper application of the rules of governance and shall establish a close relationship with the Executive Management, giving it his advice and opinions, respecting the executive responsibilities of the latter.

³ Throughout this text the words “his” and “he” shall be understood to refer to both men and women.

Guideline 2 The Chairman shall keep in regular contact with the Senior Independent Director, and shall draw up the measures and initiatives relating to the company's governance issues with him.

Recommendation 2.5. No single Director or group of Directors shall dominate the Board's decision-making process. The decision-making process shall allow each director to express his point of view.

Guideline All the Directors shall contribute to the development of the strategy and key policies via critical and constructive discussion of the proposals submitted.

Recommendation 2.6. The Board shall appoint a Secretary to ensure the implementation of the rules and procedures governing the operation of the Board, under the authority of the Chairman. The Board Secretary shall prepare minutes summing up the Board Meeting deliberations and noting any decisions taken by the Board, in conjunction with the Chairman of the Board. These minutes shall be submitted for the Board's approval.

Guideline The minutes shall indicate the votes cast by the Directors.

Principle 3 – Composition of the Board of Directors and of the special committees

The Board shall be composed of competent, honest, and qualified persons. Their choice shall take account of the specific features of the company.

The Board shall establish the special committees necessary for the proper execution of its remit.

Recommendation 3.1. The Board shall include the shareholders' representatives, and must include an appropriate number of Independent Directors.

Guideline The number of Independent Directors shall primarily depend on the nature of the company's business activities and on the structure of its shareholder base. There must be at least two Independent Directors.

Recommendation 3.2. The members of the Board shall provide complementary experience and knowledge that is useful to the company through their diverse backgrounds. A list of the Board members shall be provided in the CG Statement, which shall contain information regarding each Board member's level of independence.

Guideline In order to ensure a balanced composition of the Board, account shall be taken of the specific features of the company and its activities, and specifically of the company's various business lines and their geographical diversity.

Recommendation 3.3. The Board shall be of an appropriate size in order to facilitate effective decision-making. It shall 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 shall remain limited.

Guideline A maximum of 16 Directors may be considered as a reasonable limit.

Recommendation 3.4. The Board shall be organised so that the Directors who are part of the Executive Management (hereinafter the "Executive Directors") and the Non-Executive Directors have equivalent access to the information and resources necessary for them to discharge their duties.

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 Manager, or any other relationship with the company, its controlling shareholders or Executive Managers which is liable to impair the independence of the Director's judgment.

The company shall draw up a detailed list of criteria for assessing independence on the basis of the above. The list of criteria shall be provided in the CG Statement. To this end, the company may make use of the independence criteria shown in Appendix D of this document.

Recommendation 3.6. The company shall ensure that new directors receive induction training on the way the company operates, enabling them to contribute in the best possible manner to the work of the Board. The company shall allocate adequate resources to the induction and ongoing training of its Directors.

Guideline 1 The company shall provide its new Directors with corporate governance training, which will be provided either internally or by specialist external institutions.

Guideline 2 For Directors called upon to join a Board committee, this induction training programme shall cover the description of the committee's remit, and the skills required to fulfil its assignment.

Guideline 3 For new members of the Audit Committee, this training programme shall include an overview of the company's organisation of internal control and of its risk management systems. In particular, they shall receive comprehensive information on the company's accounting, financial and operational features. This programme shall also involve contact with the Statutory Auditor and with the internal auditor. The Board shall specifically ensure that the Directors are able to acquire the necessary skills to manage the various risks that are considered to require specific monitoring.

Recommendation 3.7. Directors shall update their skills and improve their knowledge of the company with a view to fulfilling their role both on the Board and, where applicable, on Board committees. Directors must acquire an excellent understanding of the company's business activities, and of the group's structure, where applicable.

Guideline The Chairman of the Board shall ensure that the necessary resources are available for improving and updating the knowledge and skills of the Directors.

Recommendation 3.8. All Directors shall be provided with the information necessary for the proper performance of their duties in good time.

Guideline 1 The Chairman of the Board shall ensure, with the assistance of the Board Secretary and the Executive Management, that the Directors receive timely and adequate information enabling them to perform their duties in an informed manner.

Guideline 2 Directors shall review and assess the information received. Moreover, they may request additional information via the Chairman of the Board whenever they consider it to be appropriate.

Recommendation 3.9. The Board shall ensure that special committees are set up in order to review specific issues determined by the Board, and to advise the Board on these issues. It shall choose each committee's chairman and members with due regard to the need to ensure that the membership of the committee is renewed to some degree, and to avoid undue reliance on particular individuals. Decision-making shall remain a collective responsibility of the Board, which remains fully answerable for decisions taken within its area of competence.

Guideline Special committees shall ideally be composed of four members.

Recommendation 3.10. The Board committees shall discharge their duties within the framework of the remit that they have been given, and shall ensure that they report on their activity and on the results of their work to the Board on a regular basis.

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

Principle 4 – Appointment of Directors and Executive Managers

The company shall establish a formal procedure for the appointment of Directors and Executive Managers.

Recommendation 4.1. The Board shall establish the appointment criteria and procedures for Directors, and provide specific rules for Executive Directors, where applicable, subject to current legal provisions regarding the status of Directors representing the government or a public-law corporation within a public limited company and to the provisions regarding works councils in private sector companies and organising the representation of employees in public limited companies.

Among the criteria to select for the appointment or re-appointment of Directors, the company shall take account of diversity criteria, including criteria relating to professional experience, geographical origin and the appropriate representation of both genders, aside from overall skill-based criteria.

Guideline A nomination procedure shall define to whom appointment proposals shall be sent, any deadlines to be complied with, and the arrangements for disclosure.

Recommendation 4.2. The Board shall establish a Nomination Committee from amongst its members to assist in the selection of Directors. It shall define the committee's internal regulations.

Where the company does not have a Nomination Committee, the Board shall perform the duties of that committee and shall assess the need to create one on an annual basis.

Recommendation 4.3. The Nomination Committee shall be composed of a majority of Non-Executive Directors. It shall include an appropriate number of Independent Directors.

The Nomination Committee cannot be chaired by an Executive Director.

The Board shall ensure that the Nomination Committee has the skills and resources required to perform its role effectively.

The Chairman of the Nomination Committee shall see that minutes of its meetings are prepared.

Recommendation 4.4. The Nomination Committee shall assess its own effectiveness on a regular basis, and shall make recommendations to the Board regarding the necessary adjustments to its internal regulations.

Recommendation 4.5. The Nomination Committee shall meet as often as it considers necessary.

Recommendation 4.6. After each meeting of the Nomination Committee, its Chairman shall make a report to the Board.

Recommendation 4.7. For every position to be filled, an evaluation should be made by the Nomination Committee of the existing and required skills, knowledge and experience. Based on this assessment, a description of the role, together with the skills, knowledge and experience required, shall be drawn up.

Guideline 1 The Nomination Committee may seek assistance from external experts in the performance of its duties.

Guideline 2 The Nomination Committee shall prepare plans for the succession of Directors. It shall ensure that a balance of skills and diversity are maintained within the Board at all times. It shall ensure that there is an appropriate number of Independent Directors.

Guideline 3 When dealing with a new appointment, the Chairman of the Nomination Committee shall ensure that, prior to assessing the 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.

Recommendation 4.8. The Nomination Committee shall consider all proposals submitted by the shareholders, the Board, or Executive Management. It is also entitled to suggest candidates for appointment to the Board.

Guideline The Chief Executive Officer shall be consulted by the Nomination Committee and shall be authorised to submit proposals, especially when executive directors are under consideration.

Recommendation 4.9. The Board shall draw up the list of candidates to be submitted to the General Meeting.

Recommendation 4.10. If a Director is co-opted when a Director's directorship becomes vacant, the above recommendations shall remain applicable.

Recommendation 4.11. All proposals for the appointment of a Director submitted to the General Meeting shall be accompanied by a recommendation from the Board. The proposal shall specify the proposed term for the directorship. It shall 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 shall indicate whether the candidate meets the independence criteria set by the company.

Guideline Appointment proposals shall be disclosed within a reasonable timeframe before the General Meeting.

Recommendation 4.12. The Board shall appoint the Executive Managers and shall appoint their Chairman. It shall ensure that Executive Managers have the skills required to fulfil their responsibilities. An Executive Manager must be responsible for controlling and monitoring the various risks that the Board has identified.

Recommendation 4.13. The Nomination Committee shall assist the Board with the procedures for appointing executive managers, applying Recommendations 4.1 and 4.7 above.

The Chief Executive Officer shall be consulted *ex officio* as part of this process.

Principle 5 – Conflicts of interest and business ethics rules

The Directors must show integrity and commitment. Each shall represent the shareholders as a whole, and shall make decisions solely in the company's interest, and independently of any conflict of interest.

Recommendation 5.1. Each Director shall take care to avoid any direct or indirect conflict of interest with the company or any subsidiary controlled by the company. He shall inform the Board of conflicts of interest when they arise and shall refrain from deliberating or voting on the issue concerned in accordance with relevant legal provisions, except for everyday transactions entered into under normal conditions. Any abstention due to a conflict of interest shall be indicated in the minutes of the meeting and disclosed at the next General Meeting, in accordance with applicable legal provisions.

Guideline 1 Every Director shall inform 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.

Guideline 2 Every Director shall consult the Chairman of the Audit Committee or else the Chairman of the Board in the event of uncertainty as to the nature of an operation or transaction likely to result in a conflict of interest.

Recommendation 5.2. In the event of a declared conflict of interest, the operation or transaction concerned shall be submitted by the Director concerned to the Audit Committee, the Statutory Auditor or to an external expert, once the Chairman of the Board has been informed, if possible prior to the execution of that operation or transaction. The opinion of the latter shall be communicated to the Board.

Recommendation 5.3. Directors are required to keep the information received in their capacity as Directors confidential, and may not use it for any other purpose than for fulfilling their remit.

Recommendation 5.4. The Board shall adopt the appropriate rules to avoid its members and the company's employees becoming guilty of insider trading or of manipulating the market in its shares.

Recommendation 5.5. The Board shall draw up a series of rules regarding transactions in the company's shares, covering behaviour and statements relating to transactions in the company's shares or other financial instruments (hereinafter the "company's securities") performed by Directors, by persons exercising management responsibilities within the company, by persons closely related to the latter, and by any other persons required to comply with the same obligations, on their own account. The rules relating to transactions in the company's securities specify which information regarding these securities must be disclosed to the market.

Guideline 1 The rules regarding transactions in the company's securities set the limits for the execution of transactions in the company's securities during a determined period before the publication of its financial results ("closed periods") or any other periods considered as sensitive ("black-out periods").

Guideline 2 The Board shall make sure to appoint a Compliance Officer, whose obligations and responsibilities are defined by the rules regarding transactions in the company's securities.

The Compliance Officer's responsibilities include ensuring that the rules regarding transactions in the company's securities are complied with. The Compliance Officer shall have access to the Chairmen of the Board and of the Audit Committee at all times.

Guideline 3 Any transaction in the company's securities performed by a person bound by the obligations mentioned in this Recommendation must be authorised by the Compliance Officer. The transaction shall be made public in accordance with the rules regarding transactions in the company's securities.

Recommendation 5.6. Every Director shall undertake to dedicate the time and attention required to his duties, and to limit the number of his other professional commitments (especially offices held at other companies) to the extent required for him to be able to fulfil his duties properly. The number of offices held shall be a function of the nature, size, and complexity of the company's business.

Guideline 1 A Director should only accept a limited number of board directorships at other companies.

A full-time Executive Director should not accept more than two other appointments as a Non-Executive Director for a listed company. No person should be the Chairman of more than one listed company.

Guideline 2 The company shall publish information on the Directors' appointments at other listed companies in its annual report and on its website every year.

The Director shall keep the Secretary of the Board informed of any subsequent change in his commitments.

Recommendation 5.7. In the event of a transaction between the company or another entity that is part of the same group and a private individual or company related to a shareholder who is represented on the Board, the Board shall ensure that the transaction is entered into under normal market conditions, except in the case of everyday transactions entered into under normal conditions.

Guideline 1 The Board may consult an expert in order to ensure that the terms and conditions of the planned transaction comply with normal market conditions.

Guideline 2 Any operation or transaction, or series of related operations or transactions entered into between the company and a Director, or a company in which this Director has a direct or indirect interest, must be disclosed to the Audit Committee, even if they involve everyday operations or transactions entered into under normal conditions, where these operations or transactions amount to a material percentage of the company's revenues in value terms.

Principle 6 – Evaluation of the performance of the Board

The Board shall assess regularly its operating methods and its relationship with the Executive Management.

Recommendation 6.1. The Board shall dedicate a point on the agenda of one of its meetings to discussing its operation, the effective fulfilment of its remit, and compliance with good governance rules at least once every two years.

Recommendation 6.2. In the evaluation of its operation, the Board shall in particular examine its composition, its organisational structure and its effectiveness as a collective body, as well as its relationship with Executive Management.

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

A similar evaluation shall be carried out by each committee.

Guideline 1 The Board may instruct an external expert to perform the evaluation.

Guideline 2 In its evaluation, the Board shall:

- consider the terms of its operation;
- check that the items on the agenda are sufficiently documented and prepared.

Recommendation 6.3. The Board shall disclose the method of evaluation and, where relevant, any changes made to its operating methods.

Principle 7 – Management structure

The Board shall set up an effective structure of executive management. It shall clearly define the assignments and duties of Executive Management and shall delegate the powers required for the proper discharge of these assignments and duties to the latter.

Recommendation 7.1. The Board shall determine the structure, organisation and operation of Executive Management, and specifically their responsibilities, obligations and powers, and record them in the internal management regulations. These principles shall be revised and adapted, if required, for the effective exercise of the respective powers and obligations of the Board and the Executive Management.

The Board shall define the skills, knowledge, and experience required for Executive Management to operate effectively.

Guideline 1 The Executive 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 2 When establishing the organisational and operating principles governing the Executive Management, the Board shall work closely with the Chief Executive Officer or the Managing Director.

Guideline 3 Internal management regulations, setting out the responsibilities, obligations, composition and operation of Executive Management, shall be submitted to the Board by the Executive Management.

Guideline 4 The Board shall ensure that the skills, knowledge and experience that are essential for the effective operation of a collective management process are assembled, thanks to a diversified Board composition.

Recommendation 7.2. The Board shall grant Executives, including any Executive Directors, where applicable, the necessary powers for them to fulfil their responsibilities and obligations.

Recommendation 7.3. The Executive Management shall:

- be entrusted with the day-to-day running of the company;
- be responsible for preparing complete, timely, reliable and accurate financial statements 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;
- regularly submit proposals to the Board regarding strategy definition;
- participate in the preparation of decisions to be taken by the Board;
- supply the Board with all the 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 role in this matter;
- regularly account to the Board regarding the discharge of its responsibilities.

Guideline The Executive Management, through its Chairman, shall establish close relations with the Chairman of the Board with a view to the organisation and coordination of the above duties.

Recommendation 7.4. The Board shall establish critical procedures for assessing and reviewing the performance of the Executive Management as a whole and of the individual executives.

The Non-Executive Directors shall meet without the Executive Directors once a year. A critical assessment of the performance of the Executive Directors and of the Executive Managers shall be performed during that meeting.

Guideline 1 The Remuneration Committee shall assist the Board with this task.

Guideline 2 The Senior Independent Director shall chair the regular meetings held without the Executive Directors, primarily in order to assess the performance of all executive members.

Principle 8 – Remuneration policy

The company shall secure the services of qualified Directors and Executive Managers by means of a fair remuneration policy that is compatible with the long-term interests of the company.

Recommendation 8.1. The remuneration must be sufficient to enable the company to attract, motivate, and retain the members of the Board and of the Executive Management who have the qualities and skills set out by the Board.

The remuneration must be structured in such a way as to protect the company against taking excessive risks.

Recommendation 8.2. In its CG Charter, the company shall describe its policy for remunerating members of the Board and the Executive Management. That description shall specify the balance sought between the fixed and variable parts of the remuneration and shall provide a comprehensive overview of the various factors entering into the remuneration, such as the award of shares, share options, or any other right to acquire shares, directors' fees, retirement and departure conditions, and specific benefits, regardless of whether they are awarded by the company, by its subsidiaries or by companies that belong to the same group.

Recommendation 8.3. Any significant change in the remuneration policy must be highlighted in the remuneration report. The company shall draw up a remuneration report every year, which shall be included in the CG Statement, and shall explain the relationship between the remuneration paid to its directors in a given year and the company's remuneration policy, specifying the criteria for assessing directors' performance in relation to the company's goals, the observation period for this assessment, and the methods for checking the assessment criteria. This information shall be provided in a way that does not disclose any confidential information on the company's strategy.

Recommendation 8.4. The Board shall draw up simple, transparent and precise rules, in order to determine the remuneration of its members and those of the Executive Management.

It shall define significant, demanding and objective performance criteria respecting the policy fixed by the company regarding the variable part of that remuneration including bonus and share allocations, share options or any other right to acquire shares.

These criteria shall be in line with the company's medium and long-term goals, and shall take account of its performance and effective and potential development, its results and the wealth created for the company and its shareholders, and of the individual and collective performance of the Board or the Executive Management respectively. The criteria shall also take into consideration the appropriate level of risk defined by the Board.

Guideline 1 The Board shall ensure that the rules for awarding bonuses to members of the Executive Management take account of their medium-term performance.

Guideline 2 The Board shall ensure that it maintains an equitable relationship between the change in the average individual remuneration within the company and the remuneration of Executive Management.

Guideline 3 Redundancy compensation, or that for amicable termination of a contract of employment, of company executives together with any other benefit granted by virtue of the redundancy or in relation to an amicable termination must correspond to actual performance over time and must be designed so as not to reward failure. The compensation shall be limited to a maximum of two years of annual fixed remuneration. Any additional compensation must be a function of the company's results.

Recommendation 8.5. The criteria for Directors' remuneration, as well as share attribution schemes, share options or any other right to acquire shares in favour of members of the Board and the Executive Management shall be subject to the approval of the Annual General Meeting of Shareholders.

Any 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, shall be disclosed to at the General Meeting of Shareholders.

Guideline The conditions of a share attribution scheme, share options or any other right to acquire shares shall not be liable to be re-valued after implementation.

Shares cannot vest any earlier than three years after the options or the rights to acquire shares were awarded, and only on condition that the beneficiary is still working for his employer at that date.

Recommendation 8.6. The remuneration of Non-Executive Directors shall be proportional to their responsibilities and the time devoted to their functions.

Guideline Non-Executive Directors shall not receive any remuneration relating to their individual performance, or any bonuses, long-term incentive plans, benefits in kind or benefits linked to pension plans.

Recommendation 8.7. The Board shall establish a Remuneration Committee from among its members, which will assist it in drawing up a remuneration policy for Directors and Executive Managers. It shall define the Committee's internal regulations.

If the company does not have a Remuneration Committee, the need to create one shall be assessed annually. Until a Remuneration Committee has been set up, the Board shall deal with these tasks and responsibilities at least once a year.

Recommendation 8.8. The Remuneration Committee shall consist exclusively of Non-Executive Directors. It shall include an appropriate number of Independent Directors.

The Board shall ensure that the Remuneration Committee has access to the necessary skills and means to fulfil its role effectively.

The Chairman of the Remuneration Committee shall have minutes of its meetings prepared.

Guideline 1 The Remuneration Committee shall be chaired by the Chairman of the Board or by an Independent Director.

Guideline 2 The Remuneration Committee may seek assistance from external experts for the fulfilment of its duties.

Guideline 3 The Remuneration Committee shall hear the Chief Executive Officer.

Recommendation 8.9. The Remuneration Committee shall meet as often as it considers necessary, but at least once a year.

After each meeting of the Remuneration Committee, its Chairman shall make a report to the Board.

Recommendation 8.10. The Remuneration Committee shall regularly assess its own effectiveness and make recommendations to the Board regarding the necessary adjustments in its internal regulations.

Recommendation 8.11. The Remuneration Committee together with the Chief Executive Officer, shall draw up an assessment of the way Executive Management operates and of the performance of its members at least once a year, in accordance with Recommendation 7.4. The Chief Executive Officer shall not attend when his own assessment is being discussed. The assessment criteria shall be clearly defined by the remuneration committee.

Recommendation 8.12. The Remuneration Committee shall submit proposals regarding the remuneration of Executive Managers to the Board, ensuring that these proposals are in accordance with the remuneration policy adopted by the company and the evaluation carried out of the performance of the person concerned. To that end, the Committee shall be informed of the total remuneration paid to each member of the Executive Management by other companies affiliated to the group.

Recommendation 8.13. Individuals shall not be involved in decisions regarding their own remuneration.

Recommendation 8.14. The overall direct and indirect remuneration amounts received due to their position for all Non-Executive Directors on the one hand, and for all Executive Directors and Executive Managers, on the other shall be disclosed in the remuneration report. A distinction shall be drawn between the fixed and variable portion of that remuneration. The company shall disclose the number of shares and options and the conditions of their exercise granted to those same groups of people. It shall also disclose any other benefits granted, such as benefits in kind, contributions to pension schemes and severance payments.

Guideline The company shall specify the number of members of the Executive Management concerned.

Recommendation 8.15. The company shall table an item on Directors' remuneration on the agenda for the General Meeting on an annual basis.

Guideline The shareholders shall issue an opinion on each amount, as described in Recommendation 8.14, via an advisory vote.

Principle 9 – Financial reporting, internal control, and risk management

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

Recommendation 9.1. The Board shall 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 shall define the committee's internal regulations.

If the company does not have an Audit Committee, the need to create one shall be assessed annually. Until an Audit Committee has been set up, the Board shall deal with these tasks and responsibilities in close collaboration with the internal auditor, the Statutory Auditor and the Risk Manager, where applicable.

Guideline Until such time as the Board sets up an Audit Committee, it shall meet with the internal auditor, the Statutory Auditor and the Risk Manager, where applicable, at least three times a year to discuss issues connected with financial reporting, internal control and risk management.

Recommendation 9.2. The Board or, where relevant, the Audit Committee, shall regularly examine the effectiveness of the financial reporting, internal control, and risk management system adopted by the company. It shall make sure that the audits carried out and the subsequent audit reports comply with the audit plan approved by the Board or the Audit Committee.

Recommendation 9.3. The Audit Committee shall consist exclusively of Non-Executive Directors, of which at least half shall be Independent Directors.

The Chairman of the Board shall not chair the Audit Committee.

The Board shall ensure that the Audit Committee has access to the necessary skills and resources to fulfil its role effectively, especially with regard to financial, risk management, audit and accounting issues.

The Chairman of the Audit Committee shall prepare minutes of its meetings.

Guideline The Audit Committee shall be chaired by an Independent Director.

One of the members of the Audit Committee shall have accounting experience, while another member shall have had auditing experience.

A training programme shall be organised for the new members of the Audit Committee; the programme will specifically cover the internal auditing process, risk management, the accounting standards applicable to the company, and the presentation of the Statutory Auditors report.

Recommendation 9.4. The Audit Committee may invite any other person whose collaboration it considers to be beneficial to assist it in its work and to attend its meetings. In addition, it shall be authorised to meet with any individual outside the presence of any executives. It shall meet with the internal auditor and with the Statutory Auditor at least once a year without the presence of any executives.

Recommendation 9.5. The Audit Committee shall assess its own effectiveness, and shall make recommendations to the Board regarding the necessary adjustments in its internal regulations.

Recommendation 9.6. The Audit Committee shall meet as often as it considers necessary, but at least three times a year.

Guideline During its meetings, the Audit Committee shall deal with the half-yearly and yearly results and with the way in which they are disclosed to the shareholders and to the general public, as well as with the review of the accounting principles applied by the company.

Recommendation 9.7. After each meeting of the Audit Committee, its Chairman shall make a report to the Board, identifying the issues where he considers that action or improvement is called for, and making recommendations on the measures to be taken.

Recommendation 9.8. The Audit Committee shall 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 9.9. The Audit Committee shall assist the Board to draw up a description of the risks specific to the company and to implement a risk control system, so that the main risks to which the company is exposed are identified and managed correctly, and are disclosed to the Board.

Guideline The Board may decide to set up a separate Risk Committee among its members, in order to discuss factors relating to the management and control of the risks to which the company is exposed.

In this case, the Audit Committee shall be relieved of these duties.

The member of Executive Management who is responsible for risk shall be invited to all the meetings.

Recommendation 9.10. An internal audit function shall be set up. It may be entrusted to an outside expert.

Its resources and skills shall be appropriate to the nature, size, and complexity of the company's business.

Recommendation 9.11. In addition to maintaining an effective working relationship with management, the internal auditor, the Statutory Auditor and the Risk Manager, where applicable, shall have free access to the Board. To this end, the Audit Committee shall act as principal contact point.

The internal auditor, the Statutory Auditor and the Compliance Officer may approach the Chairman of the Audit Committee or the Chairman of the Board directly at all times.

The Audit Committee shall receive timely information regarding any issue raised by the internal auditor or by the Statutory Auditor.

Recommendation 9.12. The Audit Committee shall be informed of the internal auditor's work programme and shall receive periodic summaries of his work. The Committee may make recommendations regarding the internal auditor's work programme.

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

The Audit Committee shall make recommendations regarding the selection, appointment, and dismissal of the internal auditor.

In the event that the internal auditor resigns, the Committee shall investigate the reasons for that resignation, and shall make recommendations regarding any measures that are needed.

Recommendation 9.13. The Audit Committee shall be informed of the Statutory Auditor's work programme and shall receive a report from the latter describing all existing relationships between the Statutory Auditor on the one hand and the company and its group on the other hand. It may submit recommendations regarding the Statutory Auditor's work programme.

The Audit Committee shall make recommendations to the Board regarding the selection, appointment, reappointment and dismissal of the Statutory Auditor as well as the terms and conditions of his remuneration.

It shall monitor the independence and objectivity of the Statutory Auditor, in particular by monitoring the rotation of the partners of the audit firm.

It shall examine the nature and scope of the non-audit services to be provided or that have been provided by the Statutory Auditor, with a view to avoiding any conflict of interest. To this end, the Audit Committee shall establish a policy specifying which non-audit services shall be prohibited or authorised after consideration by the Committee, or authorised ex officio without prior review by the Committee.

In addition, the Audit Committee shall monitor the effectiveness of the external audit process and check that the Executive Management acts on the letter of recommendations from the Statutory 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.

The Audit Committee shall assess the work performed by the Statutory Auditor on a regular basis and shall review the length of the remit of their firm and/or of the partners' responsible for certifying the financial statements.

Recommendation 9.14. The Board shall review and assess the main risks to which the company is exposed in pursuing its corporate purpose, and the strategy implemented to control and manage these risks at least once a year. This review shall include an assessment of the structure and operation of the risk control function, as well as of any major changes that have occurred at this level since the Board's last review. This work must be carried out in close collaboration with the members of the Audit Committee and the Statutory Auditor. The Board shall inform the shareholders of the conclusions of its review and assessment.

Principle 10 – Shareholders

The company shall respect the rights of its shareholders and shall ensure that they receive equal treatment.

The company shall establish a policy of active communication with its shareholders.

Recommendation 10.1. The company shall disclose its share ownership structure. Such disclosure shall expressly specify the number of shares issued, the number of shares with voting rights, the number of treasury shares held by the company, and the identity of shareholders who hold 5% or more of the voting rights, to the extent of the company's knowledge. Whilst fulfilling legal disclosure obligations, the company shall use the most appropriate media to disseminate this information in the most effective way, and shall ensure that it is updated on a regular basis.

Recommendation 10.2. The company shall ensure that its shareholders receive equal treatment, by providing them with useful and relevant information that enables them to exercise their rights. The Board shall make sure that the rights of both majority and minority shareholders are respected equally.

Recommendation 10.3. The company shall dedicate a specific section of its website to its shareholders, where all disclosures to shareholders and to the general public must be available. The shareholders shall be able to find, *inter alia*, the financial timetable, including the forecast timetable for meetings and periodic information, convocations to General Meetings with the access conditions and voting procedures for shareholders, downloadable registration and proxy forms, and any relevant documentation for General Meetings of shareholders.

Recommendation 10.4. The company shall encourage the active participation of shareholders at meetings and take the necessary measures to facilitate that participation taking account of the composition of its share ownership structure. Shareholders who cannot attend must be able to vote *in absentia*, whether by proxy, correspondence or remote participation via electronic means.

Guideline The company shall 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 shall make use of modern technology to make it easier for shareholders to participate in General Meetings. The company shall draw up procedures in this regard, which specifically include the remote exercise of voting rights under conditions that are sufficiently similar to those of General Meetings. It shall also do its best to use the appropriate languages for its shareholders.

Recommendation 10.5. In the convocation to a General Meeting, the company shall send all the shareholders the items on the agenda and the resolutions to be put to the vote in good time, taking account of its shareholders' diverse geographical locations.

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

Recommendation 10.6. The company shall acknowledge the right of any shareholder or group of shareholders holding at least 5% of the capital to ask for items to be included in the agenda for the General Meeting, and to lodge draft resolutions on the items on the agenda on the day of the General Meeting.

Recommendation 10.7. The company shall guarantee its shareholders the power to play their role fully at meetings and to enter into dialogue with the Board and the Executive Management. The Chairman of the Board shall ensure that relevant questions raised by shareholders before, or during the General Meeting receive the appropriate answers, provided that they are not likely to cause serious harm to the company, its shareholders or staff.

Guideline The company shall give shareholders the option to submit questions via the company's website.

Recommendation 10.8. Several decisions must not be grouped together in one resolution even if they are of the same nature, in order not to force shareholders to vote for or against all these decisions in one block. Likewise the appointment of several members of the Board, or the renewal of their appointment, must not be presented in one single resolution, so that shareholders can vote on each application separately.

Recommendation 10.9. The company shall post the details of the vote results and the minutes of the General Meeting on its website without delay once the meeting has taken place.

Recommendation 10.10. General Meetings shall be privileged occasions when the Board accounts for the execution of its duties to shareholders. The company shall ensure that the Board and the Executive Management are represented there in large numbers.

Appendix A: Definition of control (Preamble)⁴

Pursuant to European Union Directive 83/349/CEE, a shareholding is said to be “controlling” in the following situations, where a shareholder:

- (a) has a majority of the shareholders’ or members’ voting rights in an 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 an 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 he is a shareholder or member, pursuant to a contract entered into with that undertaking or to a provision in its articles of association, where the law governing that subsidiary undertaking allows it to be subject to such contracts or provisions. Member States need not prescribe that a parent undertaking must be a shareholder in or a member of its subsidiary undertaking. Member States where the laws 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 body 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 their voting rights; or
 - (bb) has sole control, pursuant to an agreement with other shareholders in or members of that undertaking (a subsidiary undertaking), of 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.

⁴ 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 shall 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 of Directors, the company shall disclose:

- a description of the company's governance structure;
- the essential features of the corporate governance framework, as set out in the internal regulations of the Board;
- the policy implemented by the Board regarding transactions in the company's securities and other contractual relationships;
- a description of the risk management system.

With regard to committees, the company shall disclose the essential aspects of the internal regulations of each committee.

With regard to the Executive Management, the company shall disclose the essential aspects of the internal regulations of the Executive Management.

With regard to the remuneration policy for Board members and the Executive Managers, the company shall disclose information relating to that policy, in compliance with the requirements of the X Principles of Corporate Governance.

With regard to the shareholders, the company shall disclose the information relating to the latter that has been disclosed to it pursuant to the law, in compliance with the requirements of the X Principles of Corporate Governance.

Appendix C: Transparency requirements

Corporate Governance Statement on (the CG Statement) (Recommendation 1.7.)

The company shall disclose in its annual report a Corporate Governance Statement (CG Statement) which describes annually all major aspects of its corporate governance, including at least the items listed below. The company shall declare that it follows the Principles of Corporate Governance of the Luxembourg Stock Exchange, otherwise, it shall indicate the principles that it applies.

Where applicable, it shall 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 General Meeting of Shareholders, the company shall publish the information relating to its operating processes and to its main powers.

With regard to the shareholders, the company shall publish the information relating to the latter that has been disclosed to it pursuant to the law, and in compliance with the X Principles of Corporate Governance.

With regard to the Board of Directors, the company shall disclose:

- a list of the Board members, indicating which of them are Independent Directors;
- a presentation of each new Director, including supporting evidence if the Director is considered 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 positions held by Directors in other companies;
- a summary curriculum vitae for each Director;
- a business report on Board meetings, including the number of meetings and the average attendance by the Directors;
- how the Board carried out its own assessment, and the assessment of the committees, indicating to what extent the assessment has led to significant changes;
- information on any significant additional remuneration paid by the company or a related company, except for the fees usually received by a Non-Executive or Supervisory Director.

With regard to committees, the company shall disclose:

- a list of members of Board Committees;
- a business report on committee meetings, including the number of meetings and the average attendance by the Directors.

With regard to Executive Management, the company shall disclose:

- a list of Executives;
- a summary curriculum vitae for each Executive Manager.

With regard to remuneration, the company shall disclose the related information, in compliance with the requirements of the X Principles of Corporate Governance.

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 Board (or Supervisory Board) Committees

"It is not possible to provide an exhaustive list of all threats to directors' independence; the relationships or circumstances that 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 shall be based on substance rather than form. In this context, a number of criteria, to be used by the Board or Supervisory Board, shall be adopted at the national level. Such criteria, which shall be tailored to the national context, shall 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 specifically covers any participation in a share option or any other performance-related pay scheme; it does not cover the receipt of fixed compensation amounts under a retirement plan (including deferred compensation) for prior service with the company (provided that such compensation is not contingent on continued service in any way);
- d) is not and does not represent a strategic shareholder with a 10% or larger holding in any way;
- 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 that has 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 Statutory 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 his independence of analysis, decision and action in all circumstances;
- 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 a Non-Executive or Supervisory Director has serious reservations, then that Non-Executive or Supervisory Director shall draw all the appropriate consequences from this. If he were to resign, he shall explain his reasons in a letter to the Board or the Audit Committee.”

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