



Pernod Ricard

**BOARD OF DIRECTORS**

**8 November 2019**

**INTERNAL RULES AND REGULATIONS**

The Board of Directors of Pernod Ricard (hereinafter referred to as “the Company”) adopted its Internal Rules and Regulations on 17 December 2002. These rules and regulations were amended several times, more particularly, in order to comply with legislative and statutory changes and take into consideration the recommendations of the AFEP-MEDEF Corporate Governance Code.

**ARTICLE 1**

**PURPOSE OF THE INTERNAL RULES AND REGULATIONS**

The Board of Directors is bound by the provisions of the French Commercial Code and of the Company's Articles of Association.

The purpose of these internal rules and regulations, in the interest of its members, the Company and its shareholders, is to:

- specify the Board of Directors' modus operandi,
- remind the members of the Board of Directors of their different responsibilities.

These internal rules and regulations, as well as the resulting responsibilities, apply to all Directors, whether they are a representative of a legal entity or a natural person.

**ARTICLE 2**

**POWERS OF THE BOARD OF DIRECTORS**

In performing its legal prerogatives, the Board of Directors, among others:

- rules on all issues regarding to the Company's main strategic, economic, social, and financial guidelines and ensures their implementation by the General Management;
- handles all issues concerning the correct running of the Company's business and ensures their follow-up and monitoring;  
To this end, the Board of Directors is entitled to carry out any checks and inspections which it deems necessary, notably management audits of the Company;
- approves investment projects and any transaction, including acquisitions or assignments, which are likely to significantly affect the group's results, its balance sheet structure, or its corporate risk profile;
- adopts the annual and half-year financial statements and prepares the Annual Shareholders' Meeting;
- defines the Company's financial communication policy;
- guarantees the quality of the information, delivered by the Company, to the shareholders and to the Markets;
- appoints the corporate officers in charge of the Company's management upon a proposal by Nominations, Governance and CSR Committee;
- defines the policy of the General Management's compensation conforming to the recommendations of the Compensation Committee;
- annually reviews the situation of each Director, on a case-by-case basis, before the publication of the Annual Report. Then, it informs the Shareholders in order for them to identify the Independent Directors.
- approves the Report of the Board on Corporate Governance and the balanced representation of women and men; on the conditions governing the organisation of the Board's work; and on the internal control and risk management procedures implemented by the Company.

To perform its functions, the Board of Directors shall be advised, at least once per quarter, of the Company's financial and cash-flow position and of any commitments. The Board of Directors shall be kept informed according to the following terms and conditions and, more particularly, by notes prepared by the Financial Division.

In accordance with article L. 225-51 of the French Commercial Code, the Chairman of the Board of Directors organises and directs its work, and reports on it to the annual shareholders' meeting. He ensures the proper functioning of all the Company's bodies and in particular, that the Directors are able to performing their duties. In accordance with the Articles of Association and in agreement with the Board of Directors, the Chairman can simultaneously hold the position of CEO.

In accordance with article L. 225-56 of the French Commercial Code, the CEO has the powers to act on behalf of the Company, in any circumstances. He can exercise his/her powers within the limits of the Company's purpose and the laws applicable to the General Shareholders' Meetings and the Board of Directors.

It should be noted that, as an internal measure, the powers of the Chairman & CEO are limited. Some decisions determined by the Board of Directors must be submitted to the Board for prior approval.

Before committing the Company, the Chairman & CEO thus has to ensure that the Board of Directors agrees on the transaction if it is not within the strategy announced by the Company, or if it included in the list below:

- acquisitions, disposals and exchanges of property or property rights and the undertaking of investments for an amount exceeding 100 million Euros per transaction;
- entering any agreement of joint venture or capital investments, whether the transaction partner is incorporated in France or not. However, this rule does not apply if the transaction partner is one of the Company's subsidiaries (in the meaning of Article L. 233-1 of the French Commercial Code);
- acquiring equity interests or shareholding in any venture, partnership or corporation, incorporated or to be incorporated, whether it is made by subscription, by any kind of contribution, by buying shares, rights or securities, for an amount exceeding 100 million Euros per operation;
- loans, credits and advances granted by the Company for an amount exceeding 100 million Euros per borrower. However, this rule does not apply if the borrower is one of the Company's subsidiary (in the meaning of Article L. 233-1 of the French Commercial Code) and if the loan, credit or advance lasts for less than one year;
- borrowings contracted by the Company, whether there is a provision of securities on one of the company's assets, for a total amount exceeding 200 million Euros during a financial year. However, this rule does not apply if the other party to the borrowing is one of the Company's subsidiary (in the meaning of Article L. 233-1 of the French Commercial Code);
- securities and guarantees, subject to express delegation of powers granted by the Board of Directors within the limits of Articles L. 225-35 and R. 225-28 of the French Commercial Code;
- disposals of equity investment of an enterprise value that exceeds 100 million Euros.

### **ARTICLE 3**

#### **COMPOSITION OF THE BOARD OF DIRECTORS**

The Board of Directors is convinced by the importance of the presence of independent Directors in its midst and seeks to promote their representation to a significant level.

The Company follows the criteria of independence as expressed by the AFEP-MEDEF Corporate Governance Code, that is to say: *“A Director is independent when he or she has no relationship of any kind with the Company, its Group, or its management bodies, that could have influenced their freedom of judgment”*.

In accordance with this aim, the Board of Directors and the Nominations, Governance and CSR Committee shall use the evaluation grid of the AFEP-MEDEF code in order to annually assess the independence of Directors.

The Board of Directors may consider that, while meeting the criteria stated in the AFEP-MEDEF code, a Director should not be considered independent considering his or her particular position or that of the Company, in light of his or her shareholding or because of any other reason.

Conversely, the Board of Directors may consider that a Director who does not meet the criteria stated in the AFEP-MEDEF code is nonetheless independent.

### **ARTICLE 4**

#### **LEAD INDEPENDENT DIRECTOR**

The Board of Directors may decide to appoint a Lead Independent Director if it deems it useful or necessary, under the conditions set out by this article.

#### **4.1 Appointment of the Lead Independent Director**

The Board of Directors appoints a Lead Independent Director, on the recommendation of the Nominations, Governance and CSR Committee, among the Directors considered to be independent.

The appointed Lead Independent Director holds this position while in office as Director, unless otherwise decided by the Board of Directors, which may choose to terminate his duties at any time. If for any reason, the Director is no longer deemed to be independent, his or her position as Lead Independent Director will be terminated.

#### **4.2 Duties of the Lead Independent Director**

The Lead Independent Director's duties include:

##### **4.2.1. Convening meetings of the Board of Directors – Meeting Agenda**

The Lead Independent Director is consulted on the agenda of the Board of Directors and may propose to the Chairman to add items to the agenda of any meeting of the Board of Directors.

The Lead Independent Director may convene the Board of Directors, on his own initiative or in the absence of the Chairman and Chief Executive Officer.

#### 4.2.2. Acting as Chairperson of Board of Directors' meetings

When the Chairman and Chief Executive Officer is unable to attend all or part of a meeting of the Board of Directors, the Lead Independent Director chairs the meeting.

In particular, he or she chairs those Board meetings the proceedings of which relate to the evaluation of the performance of the Board of Directors and to the succession plans.

#### 4.2.3. Evaluation of the functioning of the Board of Directors

The Lead Independent Director manages the evaluation process relating to the functioning of the Board of Directors and reports on this evaluation to the Board of Directors.

#### 4.2.4. Prevention of conflicts of interest

The Lead Independent Director shall prevent the occurrence of conflict of interest situations. He informs the Chairman and Chief Executive Officer and the Board of Directors of any conflicts of interest concerning executive corporate officers and other members of the Board of Directors that he has identified or that have been reported to him.

Pursuant to the obligation to declare conflicts of interest set out in article 5.3 of these Internal Rules and Regulations, any Director affected by an existing or potential conflict of interest must inform the Board of Directors and the Lead Independent Director.

#### 4.2.5. Monitoring of the satisfactory functioning of the Board and compliance with the Internal Rules and Regulations

The Lead Independent Director ensures compliance with the rules of the Corporate Governance Code to which the Company refers and with the Internal Rules and Regulations of the Board of Directors. He or she may take any suggestions or recommendations that he deems appropriate to this end.

He or she ensures that the Directors are in a position to carry out their tasks under optimal conditions and that they receive, in a reasonable manner, sufficient information to perform their duties.

The Lead Independent Director may hold meetings of the Directors who do not hold executive positions on the Board of Directors. The purpose of these meetings is to give Directors an opportunity to express their views on governance matters.

#### 4.2.6. Relationships with Shareholders

The Lead Independent Director reviews shareholders' requests on corporate governance and ensures that they are answered.

He participates, where appropriate, in governance presentations alongside the Chairman and Chief Executive Officer.

#### **4.3 Means of the Lead Independent Director**

The Chairman and Chief Executive Officer must regularly update the Lead Independent Director on the Company's activities. He or she may meet, at his request, and after informing the Chairman and Chief Executive Officer, with the operational or functional managers.

The Lead Independent Director has access to all of the documents and information necessary for the performance of his or her duties.

In respect of the duties entrusted to him, the Lead Independent Director may receive additional Director's fees, under the conditions set out in article 9 of these Internal Rules and Regulations.

The Lead Independent Director may request to attend meetings of Committees of which he is not a member, in agreement with the Chairman of the Committee concerned.

The Lead Independent Director must report annually to the Board of Directors of the work and activities performed over the year. During the Annual General Meetings, the Chairman and Chief Executive Officer may invite the Lead Independent Director to report on his or her activities.

### **ARTICLE 5 DUTIES OF THE DIRECTORS**

#### **5.1 General duties**

Each member of the Board of Directors acknowledges being aware of the Company's Articles of Association and the laws and regulations which govern French "*sociétés anonymes*" (limited companies) with a Board of Directors, in particular:

- the regulations limiting the number of directorships held,
- the regulations relating to agreements and operations entered into by the Director and the Company,
- the scope of the Board of Directors' powers.

Each member also acknowledges being aware of:

- the definition and the sanctions of insider trading (Art. L. 465-1 of the French Monetary and Financial code) as well as of the penalties for the use of privileged information (Art. L. 621-15 of the French Monetary and Financial Code), and
- all the rules relating to the Board of Directors provided for by the AFEP-MEDEF Corporate Governance code, and more particularly, the rules of professional conduct applicable to Directors.

## **5.2 Non-competition duty**

Putting the Company's interests before the Director's own one requires him or her to respect a non-competition duty. Until the end of their directorship, all members of the Board of Directors undertake not to hold any positions with a competitor of the Company and companies it controls (in accordance with Article L. 233-3 of the French Commercial Code).

## **5.3 Duties of loyalty and revelation of conflicts of interests**

The duty of loyalty requires the members of the Board of Directors not to act in their own interests against those of the Company they run, in any circumstances.

The Director represents all the shareholders. He must act in the interest of the Company which corresponds to the shareholders' interests, in any circumstances

In a situation which reveals or could reveal a conflict of interests between the Company's best interest and his/her direct or indirect personal interest, or the interest of the shareholder or the group of shareholders that he or she represents, he or she must abstain from attending the debate and taking part in voting the decision in question.

In order to avoid the risks of conflicts of interests and to allow the Board of Directors to provide shareholders and markets with reliable information, each Director must inform the Board of Directors via the Lead Independent Director:

- as soon as he or she is aware of a situation which reveals or could reveal a conflict of interests between the Company's best interest and his/her direct or indirect personal interests, or the interests of the shareholder or group of shareholders that he or she represents,
- of any directorship or position held in any company during the previous financial year, in the month following the end of the next financial year,
- considering the last five years and as soon as he or she is aware of it:
  - o any directorship held outside the Group in a subsidiary controlled by the Company,
  - o any conviction for fraud,
  - o any association with a bankruptcy, receivership, or liquidation,
  - o any official public accusation and/or penalty by statutory or regulatory authorities,

- any impediment order issued by the judge to act as a member of an issuer's management, administration or supervisory body.

#### **5.4 Duties related to the possession of financial instruments issued by the Company**

Not only the Directors have to own 50 shares, as required by the Articles of Association, but it is also recommended that each Director progressively acquires and holds, during their directorship, and at least within the two years following their appointment, a minimum of shares in the Company corresponding to one year of Directors' fees (fixed and variable portions) as would be allocated to a Director sitting in every Board meeting (it being specified that the Directors' fees allocated for any Committee memberships are excluded). It is reminded that the aforementioned rules do not apply to the Directors representing the employees appointed in accordance with Art. L225-23 of the French Commercial Code and to the Directors appointed in accordance with Art. L225-27 and L225-21-1 of the French Commercial Code.

The Directors undertake to have the shares that he or she owns changed into the registered form (pure or administered).

Each Director must declare any acquisition, assignment, subscription and/or exchange of financial instruments issued by the Company or related financial instruments, or related debt securities of the Company whether the transaction has been directly carried out or done so by a third party.

If need be, a Director's non-separated spouse, partner in a Civil Union (PACS<sup>1</sup>), dependent children, relatives or relatives by marriage who have been living at his or her domicile for at least a year and/or any legal entity, trust, *fiducie*, partnership, that he/she run, manage, or control, directly or indirectly, which has been created to benefit him/her or whose economic interests are significantly equivalent to his/her own, must be informed by him that they are subject to the same duty.

This declarative duty applies to both the permanent representatives of legal entities, and to legal entities themselves.

Moreover, transactions, carried out by a Director and for a global amount which does not exceed 20,000 Euros per calendar year, may not be registered. The transactions carried out by a Director and by a related person do not add up to calculate this amount<sup>2</sup>.

This information must be passed on to the French *Autorité des Marchés Financiers* ("AMF", the Financial Markets Authority) within three business days after the transaction. A copy of this notification must be sent to the Company.

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<sup>1</sup> *Pacte Civil de Solidarité*

<sup>2</sup> To be noted, according to the article 223-23 of the General Regulation of the French Financial Markets Authority (AMF) and the footnote of the p.79 of the Policy Statement ("*Position-recommandation*") AMF 2016-08, the 20,000 Euros threshold is calculated by adding the transactions carried out by an Executive Officer and the transactions carried out on behalf of a person related to him.



The AMF publishes and updates a note on the nature of operations that have to be declared, the procedure and the conditions of this declaration on its internet site ([www.amf-france.org](http://www.amf-france.org)). Before making such an operation, the Director must refer to this note.

## **5.5 Duties related to insider information**

As a general rule, and regarding non-public information acquired in the performance of his/her duties, the Director shall consider himself/herself to be constrained by an actual professional secrecy which goes beyond the simple need for discretion provided by Article L. 225-37 para 5 of the French Commercial Code<sup>3</sup>.

More specifically, in the performance of his/her duties, the Director might have the opportunity to obtain specific and non-public information concerning the Company and the financial instruments that it issues. If it was to be made public, this information, would be likely to have a significant influence on the stock market price.

In the event of possession of inside information, each Director will appear on a specific list of insiders relative to this inside information established by the Company and made available to the AMF.

If a Director holds such information, he or she shall not<sup>4</sup>:

- use this/her information to acquire or assign, or to attempt to acquire or assign, for himself/herself or on behalf of a third party, directly or indirectly, financial instruments to which this/her information refers or financial instruments to which these instruments are related;
- to pass on this/her information to anyone outside of his/her normal working environment, his/her profession or his/her duty, or for purposes other than those for which it was passed on;
- to advise another person to acquire or dispose, or to have acquired or disposed said financial instruments<sup>5</sup>.

### **Restricted periods:**

In addition to the major events and decisions that constitute insider information, the precise knowledge of the Company's accounts before their publication can constitute a sensitive information. Consequently, all Directors undertake not to carry out transactions on the Company's financial instruments and, if needed, on the options concerning the Company's shares for a period of:

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<sup>3</sup> Article L. 225-37, para 5 of the French Commercial Code: "The directors, as well as any persons summoned to attend the Board of Directors meetings, are bound by discretion regarding confidential information or data presented as such by the Chairman of the Board of Directors".

<sup>4</sup> Article 14 of the Regulation (EU) No 596/2014 of 16 April 2014.

<sup>5</sup> In the event of a violation of these abstention rules, the offender be sanctioned with 5 years of imprisonment the AMF can fine the offender up to EUR 100,000,000 or, if profits have been made, up to ten times their amount (and when the offender is a legal entity, the financial penalty (administrative) could reach until 15% of its annual total consolidated sales revenue).

- thirty calendar days before the date on which the consolidated half-yearly or annual accounts are made public, in accordance with the Director's calendar;
- fifteen calendar days before the date on which the quarterly, half-yearly, or annual turnover is made public in accordance with the Director's calendar

The restricted period is extended, in the two following situations:

- 1/ to the day following the publication, when it occurred after the closing of the markets (after 6 p.m. Paris local time);
- 2/ to the day of the publication, when it occurred before the opening of the markets (before 9 a.m. Paris local time).

The calendar of restricted periods for the coming six months is distributed to the Directors periodically.

It is also noted that it remains forbidden for Directors to carry out transactions on any of the Company's financial instruments within the period between the date on which he or she obtains the information which, if it was to be made public, could have a significant influence on the Pernod Ricard's share price, and the date on which this/her information is made public. In the event of difficulties, or doubts on the nature of what is considered to be insider information or not, the Directors are asked to contact the Ethics Committee.

Furthermore, the Directors are invited to refer to the Ethics Code, adopted by the Board of Directors on 16 February 2011, and that applies to them under specific arrangements.

## **5.6 Duty of diligence and vigilance**

All members of the Board of Directors undertake to be assiduous and agree to:

- attend all Board of Directors meetings in person, by videoconference or telecommunications, except in the event of an unavoidable impediment,
- attend all Annual Shareholders' Meetings,
- attend meetings of all Committees set up by the Board of Directors of which he or she is a member,
- to analyse all questions dealt with by the Board of Directors.

The Director shall receive, generally eight days prior to the Board of Directors meeting, the meeting's agenda as well as the documents enabling him/her to give his/her or her opinion on the items of the agenda in a fully informed manner. Notes and documents that support any matters which have a current, urgent, or confidential nature may be provided during the meeting.

To effectively take part in the preparation of the work and the decisions of the Board of Directors, the Director shall request all documents or complementary information that he or she deems necessary. Requests to this/her end shall be made to the Chairman of the Board of Directors, whose mission is to ensure that the Directors are able to correctly perform their duties.

Directors should also find themselves spontaneously provided with useful information at any time in the Company's life between Board meetings if the importance or urgent nature of the information requires it.

Each Director may undergo additional training in specific features of the Company, its business lines or business sector, if he deems this/her necessary.

If a director wishes to meet one of the Company's operational officer, he or she has to give notice to the Chairman of the Board of Directors before.

## **ARTICLE 6**

### **MEETINGS OF THE BOARD OF DIRECTORS**

#### **6.1 Meetings**

The Board of Directors shall meet as often as required in the Company's interest and at least 6 times per year.

The meetings are held in any place stated in the notice of meeting and, as far as it is possible, in the Company's registered office or in one of its subsidiaries.

The notices of meeting may be given by any means. However, except in particular circumstances, they shall be delivered in writing at least eight days prior to each meeting.

#### **6.2 Minutes**

The drafted minutes are, as far as it is possible, submitted to the Directors' approval during the next Board of Directors meeting. They are attached to the notice of meeting.

#### **6.3 Use of video conference or telecommunications facilities**

Directors attending the meeting via video conferencing or telecommunications are deemed to be present for the purpose of calculating the quorum and the majority.

This/her method of participation is not applicable for decision-making whose aim is to:

- draw up the annual corporate accounts and the management report,
- draw up the consolidated annual accounts and the Group management report.

The video conferencing or telecommunications means must at least transmit the participants' voices and enable the continuous and simultaneous video transmission of the deliberations.

The minutes of the deliberations shall mention the Directors' attendance via video conferencing or telecommunications means and, if the course of the meeting was disturbed, the occurrence of technical problems.

## **ARTICLE 7**

### **COMMITTEES OF THE BOARD OF DIRECTORS**

The Board of Directors may, upon a proposal by its Chairman, set up Committees - whose composition and mandates – are defined by the Board, as often as required in the best interests of the Company.

The Committees handle subjects in the area for which they have been given responsibility for and may request external technical studies on matters in their area of competences, at the Company's expenses, after having notified the Chairman of the Board of Directors or the Board of Directors itself. They report their opinions and recommendations to the Board of Directors.

Should the Committees establish their own internal rules and regulations, they shall have them first approved by the Board of Directors.

There are four permanent Committees:

- the **Strategic Committee**, whose main missions are:
  - To review the key strategic issues of the Company or of its Group;
  - To draw up and give its prior opinion about any important transaction of partnership, significant assignment or acquisition ;
  - Generally, to deal with any strategic issue regarding the Company or its Group.
  
- the **Audit Committee**, whose main missions are:
  - Examine the Group's draft annual and half-year statutory and consolidated accounts before they are submitted to the Board of Directors;
  - Ensure the appropriateness and consistency of the accounting methods and principles in force, prevent any breach of these rules and ensure the quality of the information supplied to the shareholders;
  - Make, if necessary, recommendations to ensure the integrity of the financial reporting process;
  - Ensure the appropriateness of the accounting treatment of the Group's complex and/or unusual transactions;
  - Examine the scope of consolidation and where appropriate the reason why some companies may not be included;
  - Assess the Group's internal control systems and review the internal audit plans and actions;
  - Examine the material risks and off-balance sheet commitments and assess how they are handled by the management;
  - Examine any financial and accounting matter submitted by the Board of Directors;
  - Provide the Board of Directors with opinion or recommendation regarding the renewal or appointment of the Statutory Auditors, the quality of their work related to the legal control of the statutory and consolidated financial statements, the amount of their fees, while ensuring compliance with the rules and principles that guarantee the Statutory Auditors' independence

- and objectivity (especially through the approval of the missions other than the certification of accounts);
  - Consider the observations and conclusions relating to the control carried out by the French High Council of Statutory Auditors (*Haut Conseil du Commissariat aux Comptes*);
  - Oversee the Statutory Auditor selection procedure.
- the **Compensation Committee**, whose main missions are:
- To review and propose to the Board of Directors the compensation granted to a company executive officer (or officers) as well as with pension arrangements and benefits of any kind to be made available to him/her (or them);
  - Accordingly, to propose and evaluate on an annual basis, the rules to determine the variable portion to be paid to company executive officer(s) and monitor the consistency of the selected criteria with the Company's short, medium and long-term strategic guidelines;
  - To recommend to the Board of Directors the amount of director's compensation before the approval of the annual meeting of shareholders, together with the conditions of its distribution in accordance with the following functions:
    - member of the Board of Directors;
    - member of one of the Board Committees; or
    - censor;
  - To be kept informed, in the presence of one or more company executive officer, of the compensation policy granted to chief executives, who are not company officers, of every company which belongs to the Company's Group;
  - To ensure the consistency of the remuneration policy for executives who are not company officers with the policy for executives who are company officers;
  - To propose a general policy for the allocation of free shares and to subscribe to/or purchase stock options and more particularly, the terms and conditions of allocation applicable to the Company's executive officers;
  - To approve information on the remuneration of the Company officers' compensation provided to shareholders in the annual report (especially the compensation policy and the components of the compensation the shareholders have to vote on regarding the say on pay) together with information on the policy for the allocation of free shares, and more generally, on other works conducted by the Compensation Committee.
- the **Nominations, Governance and CSR Committee**, whose main missions are:
- To make proposals concerning the appointment of new Directors and propose a procedure to select and renew directors;
  - To discuss, in consideration of the AFEP-MEDEF code's criteria of independence, of the independence of the current Directors and the candidates for the position of Director or Board Committee member. This discussion must be held periodically, and at least once a year.
  - To ensure the sustainability of the managing bodies by drawing up a succession plan for one or more Company executive officers and Directors

- in order to be able to propose solutions to the Board of Directors in case there is an unplanned leave;
- To be kept informed of succession plans for key positions within the Company's Group;
  - To regularly review the composition of the Board of Directors in order to control, notably the quality (number of members and diversity of profile, feminization) and regular attendance of its members;
  - To periodically carry out an assessment of the Board of Directors;
  - To assess the relevance of the Company's commitments regarding corporate social responsibility (CSR);
  - To follow-up on the implementation of CSR's commitments at Group level.

#### Composition of the Committees:

The Committees are composed of members chosen among non-executive Directors. However, the Chairman & CEO shall be associated with the work of the Nominations, Governance and CSR Committee and he chairs the Strategic Committee.

Moreover, at least two thirds of the members of the Audit Committee and the majority of both the Compensation Committee and the Nominations, Governance and CSR Committee, shall be independent, as defined by Article 3 of these internal rules and regulations.

### **ARTICLE 8**

#### **ORGANISATION AND OPERATION OF THE BOARD OF DIRECTORS**

Periodically at least once a year, the Board devotes one of its agenda's item to its functioning notably about the following matters:

- the reviewing of its composition, operation and organisation;
- the verifications of that important matters are appropriately prepared and discussed.

Furthermore, at least once every three years, the Board carries out or commissions a formal assessment of its work.

Every year, the Board of Directors shall inform the shareholders, in the annual report, of the assessments it has carried out and, if needed be, of any follow-up action.

**ARTICLE 9  
COMPENSATION**

The annual amount of the Directors' fees is submitted to the vote of the shareholders at the Annual Shareholders' Meeting. It is allocated by the Board of Directors, in accordance with the recommendations of the Compensation Committee, among the Directors. The allocation must take into account their actual attendance at the Board meetings, their level of involvement in the Board's and the Committees' work and the Committees, and the distance between the Board's meetings place and their usual residence.

Furthermore, their travel and accommodation expenses relating to the Board of Directors meetings are reimbursed.

**ARTICLE 10  
ADAPTATIONS AND AMENDMENTS TO THE INTERNAL RULES AND REGULATIONS**

These internal rules and regulations may be adapted and amended upon decision of the Board of Directors.

Any new member of the Board of Directors shall be given a copy of these rules and regulations as well as a copy of the Company's Articles of Association.

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