

Corporate Governance Practices
Recently Adopted Recommendations and Requirements in France

Viénot I Report. In July 1995, two of the leading French business associations, the AFEP (*Association Française des Entreprises Privées*) and the MEDEF (*Mouvement des Entreprises de France*) requested a panel composed of CEOs of 14 major French public companies to issue a report promoting non-binding corporate governance principles. The report focused on the composition, functioning and duties of Board of Directors of French listed companies.

Viénot II Report. In July 1999, as advocated by the Viénot I Report and at the request of the AFEP and the MEDEF, the same panel reviewed effective implementation of these principles in French listed companies. The report reiterated the Viénot I report's recommendations and emphasized on new non-binding principles regarding Director compensation, stock options and Director independence.

Bouton Report. In reaction to the Enron and Vivendi Universal scandals, the AFEP and MEDEF requested the same panel to re-examine application in France of corporate governance principles. The 25-page report issued on September 23, 2002 contained stricter recommendations regarding Directors' independence, Committees' roles, Statutory Auditors' independence and financial information.

Although the recommendations advocated in these 3 reports are non-binding, French listed companies are strongly encouraged to comply with them by the end of 2003. Some of these recommendations were also given a binding effect due to their inclusion in Statute no. 2001-420 on so-called "New Economic Regulations" or in the rulings issued by the *Commission des Opérations de Bourse* (which is the French equivalent of the SEC).

Statute no. 2001-420 of May 15, 2001 on "New Economic Regulations". With the view to enhancing shareholders' protection, Statute no. 2001-420 was enacted on May 15, 2001. One of its main purposes is to increase transparency of the management towards shareholders.

COB Rulings. The rulings issued by the COB, which are binding on companies listed on the French stock exchange markets, have recently focused on Statutory Auditors' independence (Ruling 2002-06) and fair disclosure of information to the market (Rulings 98-02, 2002-01 and 2002-04).

Draft Statute regarding "Financial Security". Due to the failure for the Bouton report to contain recommendations considered as sufficiently protective of investors, the Minister of the Economy proposed the enactment of new binding corporate governance rules (identified in this document between brackets). These rules aim at increasing the Statutory Auditors' independence and the role of the Shareholders' Assembly meeting as a counterbalancing force to the executive management. These new proposed rules are currently under discussion by the French Parliament. They should be enacted before Summer 2003. Relatively few changes are expected from the remaining discussions in the French Parliament and we thus included the new rules in this report and will provide you with an update in the event the final rules differ.

This report does not aim at exhaustively listing all French rules relating to corporate governance but should rather be viewed as a synthesis of the most significant requirements adopted to promote corporate governance principles in France. Except if otherwise provided, article numbers preceded by the letter L. refer to the French Commerce Code.

The text appearing in blue and italics represents the most stringent requirements.

*We have identified with * the provisions applying to French and foreign issuers.*

<u>Issue</u>	RECOMMENDATIONS			LEGISLATION
	<u>Viénot I Report</u>	<u>Viénot II Report</u>	<u>Bouton Report</u>	<u>Statutes / COB Rulings</u>
Board independence	<ul style="list-style-type: none"> It is desirable that each Board has at least two independent Directors. 	<ul style="list-style-type: none"> 1/3rd of the Directors should be independent. 	<ul style="list-style-type: none"> <i>In companies having a dispersed ownership structure, a majority, at least, of the Board members should be independent.</i> <i>Companies having controlling shareholders are exempt from this requirement.</i> 	
Definition of "independence" [group should cover controlled subsidiaries, parent and entities under common control, collectively defined hereafter as "group affiliates"]	<ul style="list-style-type: none"> A Director is independent when he or she has no direct or indirect link with the Company or the companies of its group and he or she can thus be deemed to participate objectively in the works of the Board. 	<ul style="list-style-type: none"> A Director is independent when he or she has no relationship of any kind whatsoever with the Company or the companies of its group that is such as to jeopardize exercise of his or her free judgment. 	<ul style="list-style-type: none"> <i>A Director is independent when he or she has no relationship of any kind whatsoever with the Company, its group or their management that is such as to influence his or her judgment.</i> 	
Persons who are "independent" Employees	<ul style="list-style-type: none"> A Director is deemed independent when he or she is not or has not been an employee or former employee of the Company or its group affiliates during the 3-year period preceding the appointment as Director. 	<ul style="list-style-type: none"> A Director is deemed independent when he or she is not an employee of the Company or any group affiliate. 	<ul style="list-style-type: none"> <i>A Director is deemed independent when he or she is not or has not been an employee or former employee of the Company, its parent or a consolidated subsidiary, during the 5-year period preceding the appointment as Director.</i> 	
Persons who are "independent" Corporate officers	<ul style="list-style-type: none"> A Director is deemed independent when he or she is not: <ul style="list-style-type: none"> - or has not been a current or former President or General Manager of the Company or its group affiliate during the 3-year period preceding the appointment as Director; 	<ul style="list-style-type: none"> A Director is deemed independent when he or she is not: <ul style="list-style-type: none"> - an executive Director of the Company or any group affiliate; 	<ul style="list-style-type: none"> <i>A Director is deemed independent when he or she is not: <ul style="list-style-type: none"> - or has not been a corporate officer (mandataire social) or former corporate officer of the Company, its parent or a consolidated subsidiary during the 5-year period preceding the appointment as Director;</i> 	

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<p>Persons who are "independent"</p> <p>Corporate officers (cont'd)</p>			<ul style="list-style-type: none"> - a corporate officer of a company in which the Company holds, directly or indirectly, a directorship, or in which a directorship is held by an employee of the Company or by a current or former (going back 5 years) corporate officer of the Company; - does not have close family ties with a corporate officer of the Company; - has not been a Board Director of the Company for more than 12 years; 	
<p>Significant commercial relationships</p>	<ul style="list-style-type: none"> - a person related in any way to a significant and usual commercial or financial partner of the Company or its group affiliates; 		<ul style="list-style-type: none"> - directly or indirectly, a significant customer, supplier, investment or commercial banker of the Company or its group affiliates; - a customer, supplier, investment or commercial banker of the Company or its group, a significant part of the activity of which is brought by the Company or its group affiliates; 	
<p>Significant shareholders</p>	<ul style="list-style-type: none"> - a significant shareholder of the Company or of a group affiliate; - related in any way to such a shareholder. 	<ul style="list-style-type: none"> - a significant shareholder. 	<ul style="list-style-type: none"> - does not represent on the Board a shareholder controlling the Company. (No control if the shareholder holds less than 10% of capital or voting rights; above 10%, the Nominating Committee must assess the independence. 	

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Executive sessions of the Board	<ul style="list-style-type: none"> • Board meetings should be convened whenever required, and otherwise <i>4 to 6 times per year</i>. • <i>It would be desirable for the law to allow Board meetings to be held by way of conference calls or video conferences [Now enacted].</i> 	<ul style="list-style-type: none"> • <i>Frequency and duration of Board meetings should be such as to allow in-depth review of matters.</i> 		<ul style="list-style-type: none"> • <i>The bylaws must contain provisions regarding convocation (form, delay) and deliberations (quorum and majority rules) of the Board (L. 225-36-1).</i> • <i>If the Board has not met for the last two months, 1/3 of the Board Directors may request a meeting and set the agenda thereof (L. 225-36-1).</i> [• <i>Statutory Auditors are convened to all meetings of the Board of Directors or of the Management Board and Supervisory Board which examine or approve annual or intermediary financial statements (L. 225-238).]</i>
Committees - General	<ul style="list-style-type: none"> • Companies should have at least an Audit, a Compensation and a Nominating Committee. 	<ul style="list-style-type: none"> • Companies should have an Audit, a Compensation/Stock Options and a Nominating Committee. 	<ul style="list-style-type: none"> • <i>Companies should have an Audit, a Compensation and a Nominating Committee.</i> • <i>Other types of Committees may be set up such as a Strategic Committee.</i> 	
Committees - Charters	<ul style="list-style-type: none"> • <i>There should be no interlocking between Committees of two companies</i> (Committee of A should not comprise a Director of B if Committee of B comprises a Director of A). 	<ul style="list-style-type: none"> • The Board and Committees should have a <i>written charter addressing their membership, organization and operation.</i> • <i>Charters should be attached to the bylaws or put at the disposal of third parties.</i> 	<ul style="list-style-type: none"> • <i>Rules of operation specifying responsibilities and operating procedures should be drawn up at least for the Audit and the Compensation Committees and approved by the Board.</i> 	

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Committees - Reporting to Board		<ul style="list-style-type: none"> • Committees should report to the Board <i>after discussions with the Company's main officers and management as well as after obtaining technical reviews by third party experts.</i> 	<ul style="list-style-type: none"> • <i>The Audit and Compensation Committees must report to the Board to ensure full information of the Board with respect to the Committees' work.</i> 	
Audit Committee - General and composition	<ul style="list-style-type: none"> • <i>Audit Committees should be composed of at least three Directors.</i> • At least one Audit Committee member should be an independent Director. • <i>No member of the Audit Committee should hold a general management or employment position in the Company.</i> 	<ul style="list-style-type: none"> • 1/3rd of Audit Committee members should be independent. 	<ul style="list-style-type: none"> • <i>At least 2/3rd of Audit Committee members should be independent.</i> • <i>No Audit Committee member should be a corporate officer (mandataire social) of the Company [or of its group affiliates].</i> • <i>Renewal of the term of office of the Audit Committee Chairman should be subject to specific review by the Board.</i> 	
Audit Committee - Charter		<ul style="list-style-type: none"> • The Audit Committee should have a <i>written charter addressing membership, organization and operation.</i> 	<ul style="list-style-type: none"> • <i>Rules of operation specifying responsibilities and operating procedures should be drawn up by the Audit Committee and approved by the Board.</i> 	
Audit Committee - Meetings		<ul style="list-style-type: none"> • <i>Frequency and duration of the Audit Committee meetings should be such as to allow in-depth review of matters.</i> 		

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<p>Audit Committee – Responsibilities</p> <p>Financial Statements</p> <p>Internal Audit</p>	<ul style="list-style-type: none"> • The Audit Committee should: <ul style="list-style-type: none"> - <i>ensure relevance and permanence of the accounting principles used for preparation of financial statements;</i> - <i>verify that internal procedures for collection and control of information guarantee the relevance and permanence of accounting principles;</i> - <i>review significant transactions that may have given rise to conflicts of interest.</i> 	<ul style="list-style-type: none"> • The Audit committee should: <ul style="list-style-type: none"> - <i>present to the Board</i> a report highlighting the consequences of the choice of accounting standards for consolidation. 	<ul style="list-style-type: none"> • The Audit Committee should: <ul style="list-style-type: none"> - review financial statements; - <i>interview</i> (without the presence of the management and of the Statutory Auditors) <i>the CFO and heads of the accounting, treasury and internal audit departments;</i> - <i>express its views on organization of the internal audit department;</i> - <i>be informed of the internal audit department's work program and copied on internal audit reports or on periodic summaries thereof;</i> - <i>review scope of consolidation;</i> - <i>examine material risks and off-balance-sheet liabilities.</i> 	
<p>Audit Committee – Responsibilities</p> <p>Relationship with Statutory Auditors</p>	<ul style="list-style-type: none"> • The Audit Committee should: <ul style="list-style-type: none"> - express an opinion regarding appointment of Statutory Auditors; - <i>express an opinion regarding the quality of the Statutory Auditors' work.</i> 	<ul style="list-style-type: none"> • The Audit Committee should: <ul style="list-style-type: none"> - <i>yearly assess whether the Statutory Auditor is independent</i> (see Auditor Independence); 	<ul style="list-style-type: none"> • The Audit Committee should: <ul style="list-style-type: none"> - <i>monitor compliance with the rules designed to ensure Statutory Auditor independence;</i> - <i>conduct the Statutory Auditor selection process, i.e., express an opinion on the amount of fees requested for statutory audit work and report to the Board on the selection process;</i> 	

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Audit Committee – Responsibilities Relationship with Statutory Auditors		- verify each year whether the fees paid by the Company and its group affiliates to the network to which the Statutory Auditor belongs do not represent an excessive share of the network's total fees. <i>The Audit Committee must report to the Board.</i>	- review amount of fees paid by the Company and its group affiliates to the audit firm and its network; - ensure that amount and proportion represented by fees paid by the Company and its group affiliates in comparison with the total fees received by the audit firm and its network do not bear a risk of jeopardizing the Statutory Auditors' independence.	
Nominating/Corporate Governance Committee - General and composition	• A Nominating Committee should be appointed.		• A Nominating Committee should be appointed. It may or not be distinct from the Compensation Committee.	
Nominating/Corporate Governance Committee - General and composition	<ul style="list-style-type: none"> • <i>Nominating Committees should be composed of 3 to 5 members.</i> • Chairman of the Board should be a member of the Nominating Committee. • At least one Nominating Committee member should be independent. 	<ul style="list-style-type: none"> • Chairman of the Board should be a member of the Committee when it draws up a plan for succession of executive and non-executive Directors (<i>mandataires sociaux</i>) but should not chair it. • <i>1/3rd of the Nominating Committee members should be independent.</i> 	<ul style="list-style-type: none"> • <i>Chairman of the Board should be a member of the Nominating Committee.</i> 	
Nominating/Corporate Governance Committee—Charter		• <i>The Nominating Committee should have a written charter addressing membership, organization and operation.</i>		

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<p>Nominating/Corporate Governance Committee— Responsibilities</p>	<ul style="list-style-type: none"> • The Nominating/Corporate Governance Committee should: <ul style="list-style-type: none"> - <i>be allowed to meet, outside the presence of other Directors, with the persons that take part in the elaboration of the financial statements or the control thereof (financial department, internal audit department, auditors);</i> - <i>conduct a detailed review of elements to be taken into account to select future Board Directors</i> (balance of the composition of the Board in light of the evolution of the shareholding, desirable number of independent Directors, representation of particular categories of shareholders, research and assessment of possible candidates, opportunity of renewal of mandates); - <i>recommend to the Board names of Board Directors.</i> 	<ul style="list-style-type: none"> • The Nominating Committee should: <ul style="list-style-type: none"> - <i>draw up a plan for succession of executive and non-executive officers and Directors</i> (mandataires sociaux). 	<ul style="list-style-type: none"> • The Nominating Committee should: <ul style="list-style-type: none"> - <i>organize a procedure designed to select future independent Directors;</i> - <i>carry out its own research on potential candidates before independent Directors have been approached in any way.</i> 	
<p>Compensation Committee - General and composition</p>		<ul style="list-style-type: none"> • Majority of the members should be independent. 	<ul style="list-style-type: none"> • <i>Majority of the members should be independent.</i> • <i>No corporate officer of the Company [or its group affiliates] should be a Compensation Committee member.</i> 	

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Compensation Committee - Charter		<ul style="list-style-type: none"> The Compensation Committee should have a <i>written charter addressing membership, organization and operation.</i> 	<ul style="list-style-type: none"> <i>Rules of operation specifying responsibilities and operating procedures should be drawn up by the Compensation Committee and approved by the Board.</i> 	
Compensation Committee - Responsibilities	<ul style="list-style-type: none"> The Compensation Committee should: <ul style="list-style-type: none"> - be in charge of proposing the compensation of corporate officers and granting of stock options plans. 	<ul style="list-style-type: none"> The Compensation Committee should: <ul style="list-style-type: none"> - <i>assist in drafting the part of the annual report regarding officers' (dirigeants) compensation.</i> 	<ul style="list-style-type: none"> The Compensation Committee should: <ul style="list-style-type: none"> - <i>set the variable part of the remuneration of officers;</i> - <i>define rules for the variable part which should be consistent with the evaluation of the management and with the Company's medium-term strategy;</i> - <i>verify annually implementation of these rules.</i> 	
Compensation Committee - Responsibilities			<ul style="list-style-type: none"> The Compensation Committee should: <ul style="list-style-type: none"> - <i>assess all compensation and benefits in kind received by statutory officers from other group affiliates, including, if any, pension and other benefits;</i> - <i>define a general policy governing the granting of stock options;</i> - <i>define in advance periodicity of granting of stock options;</i> 	

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Compensation Committee – Responsibilities (cont'd)			- report to the Board on the policy regarding granting of stock options and on proposals regarding the type of stock options and consequences of choice.	
Outside advisors to Board Committees		<ul style="list-style-type: none"> • Committees should be able to request technical reviews by third parties, at the Company's expense, after informing the Chairman of the Board and subject to a duty to report to Board. 	<ul style="list-style-type: none"> • The Audit Committee should be able to call upon outside experts if and when necessary. 	
Board evaluations	<ul style="list-style-type: none"> • Board should periodically review its: <ul style="list-style-type: none"> - membership, in particular to assess need for independent Directors; - organization; - operation (including frequency and number of meetings, adequacy of information provided to members, opportunity to create Committees). • Board should disclose to shareholders actions taken in this respect. 	<ul style="list-style-type: none"> • The Board should conduct a self-evaluation of its: <ul style="list-style-type: none"> - membership; - organization; operation; at least annually, to determine whether it and its Committees are effectively functioning. 	<ul style="list-style-type: none"> • Self evaluation should be aimed at: <ul style="list-style-type: none"> - assessing the way in which the Board operates; - checking that important issues are suitably prepared for and discussed; - measuring the actual contribution of each Director to the Board's work through his or her competence and involvement in discussions. • Evaluations should be conducted as follows: <ul style="list-style-type: none"> - annual Board discussion on its operation; - more formal evaluation every 3 years, under the leadership of an independent Director, with the help of an external consultant. 	

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Board evaluations (cont'd)			<ul style="list-style-type: none"> • <i>Directors external to the Company (i.e., which are neither employees nor corporate officers) should evaluate, each year, performance of the Chairman of the Board and CEO and discuss annually the future the Company's executive management.</i> 	
Director Selection			[See above for Independent Directors selection.]	
Term Limits/Retirement age for Directors		<ul style="list-style-type: none"> • <i>Duration of Directors' term of office should not exceed a maximum of 4 years in order to enable shareholders to pronounce upon their appointment frequently enough.</i> • <i>The terms of office of Directors should be staggered so as to avoid renewal of the Board as a whole.</i> 	<ul style="list-style-type: none"> • <i>Term limit for independent Directors: Directors are not deemed independent when they have been on the Board for more than 12 years.</i> 	<ul style="list-style-type: none"> • Number of directorship that can be held at the same time: <ul style="list-style-type: none"> - an individual may not hold more than five mandates as Director or member of a Supervisory Board of French companies. Mandates in companies which are consolidated(in this latter case up to 5) do not count.
Maximum number of mandates of Directors				<ul style="list-style-type: none"> • Number of directorship that can be held at the same time: <ul style="list-style-type: none"> - an individual may not hold more than one mandate as Chief Executive Officer or member of the Management Board in a French listed company. Two mandates may be held if neither companies are listed. A second or a third mandate may be held in a consolidated company, even if it is listed;

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Maximum number of mandates of Directors (cont'd)				- an individual may not hold more than an aggregate of 5 mandates as Director, member of a Supervisory Board, Chief Executive Officer and member of the Management Board. Exceptions listed above regarding mandates held in a consolidated company apply (L. 225-21, L. 225-54-1, L. 225-67, L. 225-77 and L. 225-94).
Succession planning	<ul style="list-style-type: none"> The Nominating Committee should be in charge of being at all times <i>in a position to present the Board with succession solutions in case of unexpected vacancy, even if these solutions must remain confidential.</i> 	<ul style="list-style-type: none"> <i>The Nominating Committee should draw up a plan for succession of executive and non-executive officers and Directors.</i> The Chairman of the Board should be a member of the Nominating Committee when it is performing this responsibility but should not chair it. 	<ul style="list-style-type: none"> Independent Directors: See Nominating Committee - Responsibilities above. 	
Board consultation with senior management	<ul style="list-style-type: none"> The Audit Committee should be entitled to meet (outside the presence of other corporate officers or Directors that have active positions within the Company) with the individuals who participate in the elaboration of the accounts and the control thereof: financial management, internal audit management, Statutory Auditors. 	<ul style="list-style-type: none"> Committees should be allowed the opportunity to approach the Company's senior officers and management <i>after informing the Chairman of Board and subject to a duty of report to the Board.</i> 	<ul style="list-style-type: none"> <i>Directors should meet with the key executives of the Company, including without the corporate officers being present but being informed beforehand.</i> 	

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Director compensation	<ul style="list-style-type: none"> • <i>Director compensation should not be symbolic.</i> • <i>Participation of Directors to Committees should be encouraged by additional compensation.</i> 	<ul style="list-style-type: none"> • See Disclosure Requirements hereunder. 	<ul style="list-style-type: none"> • <i>Allocation process of compensation paid to Directors should take into account the attendance record of each Director and therefore compensation should include a variable portion.</i> • <i>Taking into account the changing workloads and responsibilities of Directors, the Board should consider the appropriateness of the current level of attendance fees.</i> • <i>The Board should be primarily concerned that the level of compensation enables appointing independent Directors of suitable quality.</i> 	<ul style="list-style-type: none"> • <i>Allocation of attendance fees between Directors must be decided by the Board itself after decision by the shareholders' meeting of the aggregate amount of fees (L. 122-45).</i>
Director education and orientation			<ul style="list-style-type: none"> • <i>Audit Committee members should have financial management and/or accounting expertise and be informed on the Company's specific features.</i> • <i>Directors must have a mix of competence, experience (which should not be over emphasized) and independence serving the Company and its shareholders.</i> • <i>Directors should have a strong command of the strategic issues at play in the markets where the Company is present, and this requires a sound knowledge of its businesses.</i> 	

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<p>Auditor independence</p> <p>Prohibition of Non-Audit Services</p>		<ul style="list-style-type: none"> • The Company or its group affiliates should not entrust significant (in terms of fees or impact for the Company) assistance or consulting work to entities belonging to the same network as the Statutory Auditor. • Unless the <i>network is able to warrant that such task is not likely to prejudice the Statutory Auditor's independence.</i> 	<ul style="list-style-type: none"> • <i>The statutory auditing of a listed Company should be carried out to the exclusion of all other work for that Company and its group such as consulting work.</i> • <i>Subject to prior approval from the Audit Committee, ancillary work or work directly complementary to the audit of the financial statements can be carried out. As an example, acquisition due diligence audits may be acceptable, but no valuation work should be allowed.</i> 	<ul style="list-style-type: none"> [• <i>Statutory Auditors may not take, receive or hold, directly or indirectly, an interest in the audited Company, or with a person which controls or which is controlled by this Company (control includes holding, directly or indirectly, more than 50% of the voting rights at shareholders' meetings or determining in practice, considering the voting rights, the decisions taken at such meetings) (L. 822-11 I).]</i> [• <i>The Statutory Auditor may not provide the audited Company, or the company controlling this Company or the company controlled by this Company, any services not directly linked to audit services. Professional rules will define the conditions under which services may be deemed as directly linked to audit services (L. 822-11).]</i> [• <i>A Statutory Auditor, affiliated to a multidisciplinary network, may not audit the accounts of a Company already benefiting from services rendered by another network affiliate, if such services are not directly linked to audit services. The independent High Council of Statutory Auditors will be in charge of determining whether a direct link exists between the services provided by the network and the audit services (L. 822-11).]</i>
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Auditor independence Prohibition of Non-Audit Services (cont'd)				<p><i>[• The code of ethics of Statutory Auditors will define the circumstances where the Statutory Auditor's independence is affected by its affiliation to a multidisciplinary network and the provision by other network affiliates of non-audit services to the person controlling the Company or under the control of the audited Company. To assess the impact on the Statutory Auditor's independence, the amount of fees paid by the group of companies to the network for non-audit services will be compared to the aggregate amount of fees paid by the group to the network (L. 822-11).]</i></p> <p><i>[• The High Council of Statutory Auditors will assess, on a case by case basis, how restrictions to hold financial interests in the audited Company apply to individuals other than the Statutory Auditor (associates, spouse, and more generally any person in a position to influence the result of the audit). (L. 822-11).]</i></p>
Auditor independence Efficiency of the Dual Auditing System			<p><i>• An effective dual auditing system should be carried out, each Statutory Auditor conducting a review of material issues [French listed companies must have two statutory auditors].</i></p>	<p><i>[• The two Statutory Auditors must perform together a survey of the conditions and methods used for the preparation of the financial statements (L. 225-228 2).</i></p>

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Auditor independence Efficiency of the Dual Auditing System (cont'd)				<ul style="list-style-type: none"> • <i>*From January 1, 2003 on, offering prospectuses of listed companies must include for the last two years (R. COB 2002-06):</i> <ul style="list-style-type: none"> - <i>the amount of fees paid to Statutory Auditor(s) and their networks by the Company and its fully consolidated subsidiaries;</i> - <i>a clear distinction between audit or audit-related fees and fees paid for other assignments (tax and legal, IT, internal audit, others).</i> <i>[•For non listed companies, information regarding the amount of fees paid to each Statutory Auditor (and not in the aggregate) is put at the disposal of the shareholders at the Company's registered office (L. 820-3).]</i>
Auditor independence Appointment of Auditor			<ul style="list-style-type: none"> • <i>When the Auditors' term of office expires, the selection or re-appointment of an audit firm should, upon a Board decision, be subject to a tender process overseen by the Audit Committee:</i> <ul style="list-style-type: none"> - <i>selection of the best offer rather than merely the lowest price;</i> 	<ul style="list-style-type: none"> <i>[•The Stock Exchange Markets Authority (AMF) reviews the appointment or renewal of Statutory Auditors and may oppose to the appointment of a Statutory Auditor. The AMF's comments are brought to the knowledge of the shareholders (L.621-22 I of the Monetary and Financial Code).]</i>

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<p>Auditor independence Appointment of Auditor (cont'd)</p>			<p>- issuance by the Audit Committee of an opinion concerning the amount of fees requested in the bids and recommendation to the Board.</p>	<p>[•Statutory Auditors are proposed for appointment by the shareholders meeting pursuant to a resolution prepared by the shareholders, the Board of Directors or the Supervisory Board (L. 225-228) (i.e., and not by executive managers).]</p> <p>[•In companies with registered securities (i.e., not listed but with more than 100 French shareholders), the name of the Statutory Auditors proposed for appointment by the shareholders meeting must be chosen during a Board of Directors' meeting without the General Manager and the Deputy General Managers taking part in the vote, if they are also Directors of the issuer (L. 225-228).]</p> <p>[•The Statutory Auditor up for appointment (or renewal) must inform the Company in writing of (i) its affiliation with a multidisciplinary network, and (ii) the aggregate amount of fees paid to the network for non audit services by the person controlling and the persons controlled by, the Company the accounts of which the Statutory Auditor wishes to audit (L. 820-3). This information is sent to the shareholders together with the draft resolutions to be voted at the shareholders' meeting deciding upon the appointment.</p>
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	<u>Viénot I Report</u>	<u>Viénot II Report</u>	<u>Bouton Report</u>	<u>Statutes / COB Rulings</u>
Auditor independence Appointment of Auditor (cont'd)				<i>The information is updated annually by the Statutory Auditor and put at the disposal of the shareholders at the Company's registered office (L. 820 3).]</i>
Auditor independence Appointment of Auditor (cont'd)				<p><i>[• Employees or managers of a Company may not be appointed as its Statutory Auditors (and may not become shareholders or managers of the audit firm) prior to the expiry of a 5-year period after they have ceased being employed or managing the Company. This prohibition applies also to the appointments as Statutory Auditor of entities holding over 10% of the share capital of the Company and to entities in which the Company holds over 10% of the share capital (L. 822-13).]</i></p> <p><i>[• Independent appraisers appointed during the last 2 years with the duty to appraise a merger or a contribution involving the Company, the company controlling it or which it controls, must inform the Board of Directors or the Supervisory Board of the Company at the time they are proposed for appointment as Statutory Auditors of the Company (L. 225-224).]</i></p>

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Auditor independence Appointment of Auditor (cont'd)				<i>[• Individual Statutory Auditors as well as individuals certifying the accounts on behalf of an audit firm may not be employed or appointed as managers of the Company they have audited prior to the expiry of a 5-year period after their last audit (L. 822-12).]</i>
Auditor rotation			<ul style="list-style-type: none"> • Lead partners in charge of the audit for major firms should regularly be rotated. • <i>Terms of office of the 2 Statutory Auditors should be staggered.</i> 	<i>[• Individual Statutory Auditors and persons signing the accounts on behalf of an audit firm may not audit the accounts of a company for more than 6 consecutive financial years (L. 822-14).]</i>
Stockholder approval of option plans		See Disclosure Requirements hereunder		<ul style="list-style-type: none"> • Only the general meeting of shareholders has the power to authorize the granting of options, to set their maximum number and price and to determine the main conditions of the granting process (L. 225-79). • Shareholders' authorization given to the Board to grant stock options is valid for 38 months (L. 225-179). • Stock options may not be granted within 10 trading days prior to the public disclosure of the annual or consolidated accounts nor during the period until disclosure of an information which if known would have a significant impact on the trading price (L. 225-177).

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Corporate governance principles	<ul style="list-style-type: none"> • <i>Boards should ensure that the number of interlocking directorship positions are not excessive.</i> 		<ul style="list-style-type: none"> • It is recommended that the proposals be implemented as rapidly as possible and at the latest by the end of 2003. 	
Codes of conduct	<ul style="list-style-type: none"> • <i>Every Director of a public company must:</i> <ul style="list-style-type: none"> - <i>before accepting the position, ensure he has knowledge of all general and specific obligations regarding his position;</i> - <i>hold personally a shareholding interest in the Company and possess a relatively significant number of shares. If not, he should use his Director compensation to acquire said shares;</i> - <i>represent all shareholders and act in the best corporate interest of the Company;</i> - <i>inform the Board of any conflict of interest, including potential ones, and abstain from voting in the relevant instance;</i> - <i>devote to his position the required time and attention;</i> 			<ul style="list-style-type: none"> • <i>* Officers (individuals, entities and individuals representing such entities which are members of the Management Board, of the Supervisory Board and of the Board of Directors, General Manager and Deputy General Managers) of a Company listed in France must put under the nominative form upon their appointment all securities (except stock options) held in the Company (Recommendation COB 2002-01).</i> [• <i>* Sales and purchases of listed securities of the Company made by any Director, officer or manager of the Company (Recommendation COB 2002-01) for persons having close personal links with any of them (L. 621-18-2 of the Monetary and Financial Code) must be promptly disclosed to the AMF and the market.</i>

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Codes of conduct (cont'd)	<ul style="list-style-type: none"> - <i>be assiduous and attend all Board meetings;</i> - <i>keep himself informed;</i> - <i>with regard to non public information obtained in the course of his duties, consider himself bound by professional secrecy rules which exceed the mere discretion obligation provided for by legal provisions;</i> - <i>abstain from carrying out operations on the equity securities of companies with regard to which he has non public information.</i> 			<ul style="list-style-type: none"> • <i>* Officers and directors (dirigeants) and shareholders holding more than 10% of the Company's share capital must declare monthly to the COB the number of Company shares sold to the Company (Recommendation COB 98-02).</i> • <i>* Executive officers must abstain from purchasing or selling Company shares during the 15-day period prior to disclosure of the consolidated or annual financial statements and during a period until disclosure of an information which if known would have a significant impact on the trading price (Recommendation COB 90-04).</i> • <i>* During a tender offer, the target's and the bidder's management and officers (organes de direction et d'administration) must declare daily to the COB sales and purchases of the target or bidder shares. Such information must include the identity and address of the seller/purchaser, date of closing, number of shares and trade price and number of shares held after closing of the transaction (Recommendation COB 2002-04).</i>
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Codes of conduct (cont'd)				<i>[•The management of an issuer is prohibited from taking any action directed towards the financial analysts the services of which the issuer uses, which action is intended to, or could, favor the management's own interests or that of the shareholders to the detriment of a sincere information (L. 544-1 of the Monetary and Financial Code).]</i>
Disclosure requirements (in the annual report except if otherwise specifically provided)		Compliance with corporate governance <i>• Information regarding compliance with French corporate governance principles or reason for not complying.</i>	Compliance with corporate governance <i>• Discussion of the extent to which the recommendations of the Bouton report have been implemented.</i>	Compliance with corporate governance <i>[•The President of the Board of Directors (including where the functions of President of the Board and Chairman are differentiated) or of the Supervisory Board must disclose in the annual report information regarding:</i> <ul style="list-style-type: none"> <i>- the preparation and organization of Board Meetings;</i> <i>- the internal control procedures set up in the Company;</i> <i>- limitations to the powers of the General Manager (L. 225-37 and 225-68).]</i>

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Disclosure requirements (in the annual report except if otherwise specifically provided) (cont'd)				<p><i>[•Statutory Auditors must present to the shareholders' meeting a report giving an overview of the Company's methods and internal control procedures used in connection with the preparation and presentation of the financial statements (L. 225-35).]</i></p> <p><i>[•The AMF will issue each year a report based on the information contained in the report prepared by the President of the Board of Directors or of the Supervisory Board (L. 621-18-3 of the Monetary and Financial Code).]</i></p>
Disclosure requirements (in the annual report except if otherwise specifically provided) (cont'd)			<p>Accelerated disclosure of financial information</p> <ul style="list-style-type: none"> <i>• Draft consolidated annual financial statements should be disclosed within one month after year end.</i> <i>• Final consolidated statements should be disclosed within 3 months from year end.</i> <i>• In the absence of consolidated financial statements, the yearly financials should be disclosed within 2 months from year end.</i> <i>• Mid-year financial statements should be disclosed within 2.5 months after the end of the first semester.</i> 	

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Disclosure requirements (in the annual report except if otherwise specifically provided) (cont'd)		<p>Functioning of Board and Committees</p> <ul style="list-style-type: none"> • <i>Name of the independent Directors.</i> • <i>Number of Board and Committees meetings as well as members' attendance to these meetings.</i> • <i>For each Director: date of beginning and term of office in order to highlight the staggering, age, position, mandates held in other listed French or foreign companies, number of shares held in the Company and Committees' membership.</i> • Conclusion of the Board's self-evaluation regarding its membership, organization and operations. 	<p>Functioning of Board and Committees</p> <ul style="list-style-type: none"> • Information regarding <i>results of the independence review for Directors</i> in order to ensure that appointment of independent Directors is not effectively carried out only by the executive management but by the Board itself. • <i>Information regarding Board's evaluations carried out and, if applicable, description of steps taken as a result.</i> 	<p>Functioning of Board and Committees</p> <ul style="list-style-type: none"> • The reference document (<i>document de référence</i>: periodic filing made with the COB) must include: <ul style="list-style-type: none"> - number of Board of Directors or Supervisory Board meetings held during the last year; - <i>rules regarding Directors (existence of charters);</i> - <i>rules regarding Committees;</i> - information in the aggregate regarding Director compensation (Recommendation COB 91-02).
		<p>Compensation</p> <ul style="list-style-type: none"> • <i>Chapter of the annual report, drafted with the assistance of the Compensation Committee,</i> regarding compensation received by officers (<i>dirigeants</i>). Officers include individuals identified in the annual report as being part of the company's general management team. • In order for this information to be relevant, it should be limited to 12 to 15 individuals. 	<p>Compensation</p> <ul style="list-style-type: none"> • <i>Presentation of the activities of the Compensation and Nominating Committees.</i> 	<p>Compensation</p> <ul style="list-style-type: none"> • <i>Information regarding compensation, including allocation methods, paid by the Company (if listed or consolidated with a listed entity) and its group affiliates (parent and subsidiary) must be disclosed for each corporate officer of the group (mandataire social) and not only in the aggregate (L.225-102-1 and L. 225-184).</i>

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Disclosure requirements (in the annual report except if otherwise specifically provided) (cont'd)		<ul style="list-style-type: none"> • <i>This part of the annual report should be divided in three parts describing:</i> <ul style="list-style-type: none"> - <i>in detail, the policy for determining the compensation (principles for allocation of fixed and variable compensation, criteria to calculate the variable compensation and rules applying to bonus awarded);</i> - <i>the aggregate amount of compensation paid, whatever the nature, broken down between fixed and variable portions;</i> - <i>the aggregate and individual amount of attendance fees paid to Directors and Committee members and applicable allocation rules (per member and broken down between fixed and variable portions).</i> • <i>Rules for collection of attendance fees granted to the members of the management team in respect of directorship held in group affiliates should also be disclosed.</i> 		

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<p>Disclosure requirements (in the annual report except if otherwise specifically provided) (cont'd)</p>		<p>Stock options</p> <ul style="list-style-type: none"> • <i>Chapter of the annual report, drafted by the Compensation Committee, detailing the policy for granting of options.</i> • <i>Focus should be given on type of options, criteria used for the determination of the classes of beneficiaries, frequency of option plans, change in the grant policy and terms applying to the options.</i> <p>Particular rules, if any, applying to options granted to members of the management team should be disclosed.</p> <ul style="list-style-type: none"> • <i>Inclusion of a table summarizing the main characteristics of the options together with the discount granted or premium charged.</i> Information in the aggregate for the management team (<i>équipe de direction générale</i>) should be clearly identified with regard to options granted by the Company and by consolidated companies. 	<p>Stock options</p> <ul style="list-style-type: none"> • <i>General policy governing the granting of options proposed by the Compensation Committee.</i> 	<p>Stock options</p> <ul style="list-style-type: none"> • <i>Information regarding stock options granted by the Company and its group affiliates must be disclosed for each corporate officer of the group (mandataire social) and not only in the aggregate (L. 225-102-1 and L. 225-184).</i> • The reference document filed with the COB must include the following information: <ul style="list-style-type: none"> - number, exercise date and exercise price of all options granted by the Company and its group affiliates to each corporate officer (<i>mandataire social</i>); - number and price of options shares purchased or subscribed to by exercise of the stock options; - <i>aggregate number and average exercise price of the stock options granted by the Company and its group affiliates to the ten employees of the Company or its group affiliates which have been granted the most important number of stock options and number and price of options shares purchased or subscribed to by exercise of the stock options by these ten employees</i> (Recommendation COB 98-01, 95-01 and 98-08)
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Miscellaneous				<ul style="list-style-type: none"> • Unusual transactions or transactions containing unusual provisions executed between the Company and a shareholder holding more than 10% of its voting rights or the shareholder controlling this shareholder are subject to a report by the Statutory Auditors and prior approval by the Board when significant for one of the parties (L. 225-38, L. 225-86 and L. 227-10). • Information regarding differentiation of offices of Chairman of the Board and Chief Executive Officer, if any, must be disclosed in the annual report (L. 225-51-1). [• Amendments proposed by shareholders to the draft resolutions presented at the shareholders' meetings must be disclosed to the shareholders (L. 225-105).]

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Miscellaneous (cont'd)				<ul style="list-style-type: none"> • * Crossing of the 1/20, 1/10, 1/5, 1/3 and 1/2 thresholds of the share capital or voting rights of a listed issuer must be notified by the shareholder (whether French or foreign) crossing the threshold to the AMF and the issuer within 5 stock days from the crossing. Notification must mention total number of shares and voting rights held. Crossing is disclosed to the market (L. 233-7). • * Clauses of agreements providing for preferential terms for the sale or purchase of 0.5% or more of the share capital or voting rights of a listed issuer must be notified to the AMF within 5 stock days from execution of the agreement. The AMF must also be informed of the date at which the clause ceases to apply. Information is disclosed to the market. Applicable to agreements executed by foreign persons (L. 233-11).]
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