



## **THE BOARD CHARTER**

Updated by the Board of Directors on 30 April 2009.

## **PREAMBLE**

This Board Charter defines how the Board of Directors (the Board) is organised and operates, and supplements the provisions of law and the Articles of Incorporation in force.

## **ARTICLE 1. MEMBERSHIP**

### **1.1 Members**

The Board must have at least three and at the most eighteen members, the number of Directors being freely determined within these limits by the Articles of Incorporation.

### **1.2 Minimum mandatory shareholding**

Each Director must own at least one share.

### **1.3 Independent Directors**

The Board has at least two independent members. However, if the Board has five or fewer members, the number of independent members may be reduced to one.

Several criteria can be used to demonstrate the independence of Board members, including the absence of any material financial, contractual or family connections that could affect independence of judgement, such as:

- not being an employee or Executive Company Officer of the Company or of a Group company and not having been one within the last three years;
- not being a material customer, supplier or banker of the Company or of a Group company, or one for which the Company or the Group represents a material proportion of its activity;
- not being a key shareholder in the Company;
- not having close family links with a Company Officer or key shareholder;
- not having been the Company's Statutory Auditor within the last three years.

The Board examines the situation of each member individually in the light of the above criteria. Subject to justifying its position, the Board may consider that one of its members is independent although not meeting all these criteria, and conversely it may consider that one of its members who meets all these criteria is not independent.

### **1.4 Appointment of Directors**

Sufficient information on the experience and competence of each Director must be communicated at the Shareholders' General Meeting. Each Director's appointment requires a separate Resolution.

When they take up their appointment, members of the Board must (i) become cognisant with the obligations arising from their appointment and in particular those relating to the legal rules on holding several appointments before accepting it, and (ii) sign this Board Charter.

## **ARTICLE 2. THE BOARD'S POWERS AND RESPONSIBILITIES**

The Board is a collegial body that represents all the shareholders; its work is conducted in the sole interest of the Company and to create value for its shareholders.

The Board rules on all decisions relating to the Group's major strategic, economic, social, financial and technological policies, appoints the Company Officers charged with managing the Company within the framework defined by these policies, exercises control over management and ensures the quality of the information provided to the shareholders and to the financial markets.

The Board holds prior discussions about any transactions that fall outside the Group's announced strategy or that could materially affect or substantially alter the Group's financial structure or results.

The Board is kept regularly informed and can at any time inform itself about changes in the Group's activity and results, its financial situation, indebtedness, cash position and more generally its commitments.

The Board examines and approves important investment and disposal programmes and studies external growth projects. It examines and approves the annual budget and the medium-term business plan.

The Board examines the independence of its members annually and assesses its functioning and the preparation of its work, after having heard the findings of the Compensation and Appointments Committee. This discussion is reported in the Minutes of the meeting.

## **ARTICLE 3. PROVISION OF INFORMATION TO THE BOARD**

Directors receive all information necessary for the performance of their duties and may obtain all documents they consider useful.

Directors make their requests for supplementary information to the Chairman of the Board, who assesses the usefulness of the documents requested.

Before each Board Meeting, Directors receive, in good time and with a reasonable period of notice and subject to the imperatives of confidentiality, a dossier covering the items on the Agenda that require prior analysis and reflection.

Members of the Board are informed during Board Meetings of the Company's and Group's financial situation, market conditions and outlook, and of any disputes likely to have a financial impact on the Group's position or activities. Presentations by management, with comments, are made and supplementary documents are distributed as required.

Outside of Board Meetings, the Directors regularly receive all important information about the Company and the Group and are warned of any event or development that materially affects operations or information of which the Board was previously advised. In particular, they receive the press releases distributed by the Company as well as the main articles appearing in the press and financial analysts' reports.

Directors may meet the Group's main executives, without Company Officers being present, subject to requesting this from the Chairman, who will inform the Company Officers.

## **ARTICLE 4. BOARD MEETINGS**

The Board meets at least four times a year.

Meetings are conducted in French or English.

The Minutes of each meeting are drawn up in French by the Secretary to the Board or his deputy and are entered into the Minute Book, which is maintained in French.

## **ARTICLE 5. PARTICIPATION IN BOARD MEETINGS BY MEANS OF VIDEOCONFERENCING OR TELECOMMUNICATION FACILITIES**

Before each Board Meeting, the Chairman may decide to allow one or more Directors to take part in the meeting by means of videoconferencing or any other telecommunication facilities, in accordance with regulations in force. This must be requested within a period that is compatible with the use of the videoconferencing or telecommunication facilities used.

Directors who take part in meetings by means of videoconferencing or telecommunication facilities are deemed to be present for the calculation of the quorum and voting majorities.

The videoconferencing or telecommunication facilities used must meet technical standards that guarantee everyone's effective participation in the Board Meeting. The necessary arrangements must be made to allow each person to be identified and the quorum to be verified.

Participation by means of videoconferencing or other telecommunication facilities is not allowed for the following decisions: the appointment, remuneration, and removal of the Chairman, the Chief Executive Officer, and the Deputy Chief Executive Officers, the finalisation of the individual and consolidated financial statements and the preparation of the Company's and Group's Management Report.

A Director who takes part in a Meeting by means of videoconferencing or other telecommunication facilities may represent another Director on condition that, on the day of the meeting, the Chairman of the Board has a power of attorney from the Director so represented.

In the event of a malfunction of the videoconferencing or other telecommunication facilities, formally noted by the Chairman, the Board can validly conduct its discussions and/or continue with only those members who are physically present whenever the quorum conditions are met. Any technical incidents disturbing the Meeting's proceedings are recorded in the Minutes.

A Director taking part in a Meeting by means of videoconferencing or other telecommunication facilities and who can no longer be deemed to be present due to a malfunction may then appoint a Director who is physically present as his representative, subject to informing the Chairman of this appointment. Such a Director may also send a power of attorney beforehand, stipulating that it will only become effective in the event of a malfunction prohibiting him from being deemed present. However, a Director may not sub-delegate in this way a power of attorney that he has received and can no longer use.

The Board Meeting Attendance Register must state, if applicable, which Directors took part in any Meeting by means of videoconferencing or telecommunication facilities.

## **ARTICLE 6. BOARD COMMITTEES**

### **6.1 General provisions**

The Board may set up one or more specialised committees of which it sets the membership and powers and responsibilities. The role of these Committees is to conduct studies and prepare certain of the Board's discussions and to submit their opinions, proposals and recommendations to the Board.

The Committees may, in performing their duties and after having informed the Chairman of the Board, carry out, or have carried out at the Company's expense, any studies that could inform the Board's discussions, and take evidence from Group executives or the Statutory Auditors. They report on the opinions obtained.

The Chairman of each Committee reports to the Board on the Committee's work, opinions, proposals and recommendations. A description of the Committees' activities is included annually in the Chairman's report.

The remuneration of Committee members is set by the Board and takes account of their attendance at Committee meetings.

The Board has set up two specialised committees, the Audit Committee and the Compensation and Appointments Committee.

## **6.2 The Audit Committee**

### **6.2.1 Powers and responsibilities**

#### **a) Examination of the financial statements**

The Audit Committee's main duties are to:

- examine the financial statements and satisfy itself as to the pertinence and permanency of the accounting methods adopted for the preparation of the Company's individual company and consolidated financial statements;
- monitor the financial information preparation process; and
- monitor the effectiveness of internal control and risk management systems.

It is not the Audit Committee's role to consider the details of the financial statements but rather to monitor the process for their preparation and to assess the validity of the methods chosen for reporting material transactions.

Furthermore, when examining the financial statements, the Audit Committee considers the important transactions in which conflicts of interest may have arisen.

The Audit Committee must have at least two days within which to examine the financial statements before they are examined by the Board.

When the Audit Committee examines the financial statements, it will receive a presentation from the Statutory Auditors underlining the main points, not only of the results but also of the accounting options adopted, and a presentation by the Finance Director describing the Company's risk exposure and material off-balance sheet commitments.

The Audit Committee takes part in the preparation of the part of the Report of the Chairman on Corporate Governance and Internal Control that relates to internal control.

#### **b) Monitoring compliance with the rules on the independence and objectivity of the Statutory Auditors**

It is also a fundamental duty of the Audit Committee to ensure that the rules guaranteeing the independence and objectivity of the Statutory Auditors are complied with.

With regard to this, the Audit Committee:

- steers the selection procedure for Statutory Auditors and submits its findings to the Board;
- obtains information annually from the Statutory Auditors on the services provided by them;
- examines with the Statutory Auditors the risks to which their independence is exposed and the precautionary measures taken to attenuate these risks. In this regard, the Committee must in particular satisfy itself that the amount of fees paid by the Company and the Group, or the proportion that those fees represent in the audit firms' or networks' total revenue, are not such as to affect the Statutory Auditors' independence.

### **c) Examination of the consolidation scope**

The Audit Committee examines the consolidation scope and, if applicable, the reasons why companies are not included in it.

#### **6.2.2 Members**

The Audit Committee must have at least three members.

The Audit Committee must comprise at least one independent director and no Executive Company Officer may be a member. At least one of the members of the Committee must be competent in finance or accounting.

#### **6.2.3 Method of functioning**

When they are appointed, new members of the Audit Committee are given information on the Company's particular accounting, financial and operational features. This is provided by the Company's Chief Administrative and Financial Officer when the first Committee members are appointed and by the Committee itself when a member is appointed to replace one who leaves.

The Audit Committee takes evidence from the Statutory Auditors, Finance Directors, Accounting Managers and Treasurers. Such hearings must be able to be held without the Company's General Management being present whenever the Committee so wishes.

With regard to internal audit and risk management, the Audit Committee must examine material risks and off-balance sheet commitments. The Committee must take evidence from the Deputy Chief Executive Officer in charge of internal control policy, express its opinion on the organisation of internal control and be informed of its work programme.

Furthermore, it must receive the Statutory Auditors' report on the improvement of internal control regarding financial matters.

## **6.3 The Compensation and Appointments Committee**

### **6.3.1 Powers and responsibilities**

The Compensation and Appointments Committee's main duties are to consider the Company's General Management's recommendations and make proposals to the Board regarding:

- the remuneration and benefits paid to members of the Group's Executive Committee
- the granting of share subscription or share purchase options

- the granting of free shares
- the appointment of senior executives of the Group and its main subsidiaries and of members of the Board
- the functioning of the Board
- the renewal of the membership of the Board
- succession plans to cover the unforeseeable absence of Executive Company Officers, with the Chairman's opinion
- the membership of the Board Committees.

Regarding the selection of new Directors, the Compensation and Appointments Committee makes proposals to the Board after detailed examination of all the factors it must take into account. These are the desirable balance in the composition of the Board, in view of the composition and changes in its shareholder register, the search for and assessment of possible candidates, and the advisability of renewing appointments. In particular, the Committee must organise a procedure for the selection of future independent directors and conduct its own study of potential candidates before they are approached.

Regarding the succession of Executive Company Officers, the Compensation and Appointments Committee draws up an Executive Company Officers succession plan in order to be able to propose succession solutions to the Board in the event of an unforeseeable vacancy. The Chairman gives his opinion on this plan.

The Compensation and Appointments Committee is also charged with examining the independence of members of the Board in the light of the definition given in Article 1 of this Board Charter.

The Compensation and Appointments Committee prepares an annual review of the functioning of the Board and the independence of Directors.

The Compensation and Appointments Committee is informed of the remuneration policy regarding those main executives who are not company officers. On this occasion, the Committee meets in the presence of the Company Officers.

The Compensation and Appointments Committee takes part in the preparation of the part of the Report of the Chairman on Corporate Governance and Internal Control that relates to corporate governance.

### **6.3.2 Members**

The Compensation and Appointments Committee must have at least two members.

The Compensation and Appointments Committee must have at least one independent director and no Executive Company Officer may be a member.

## **ARTICLE 7. REMUNERATION**

Directors may receive directors' fees of which the principle, the amount and allocation are decided by the Board, within the limits set by a Shareholders' Ordinary and Extraordinary General Meeting.

Directors' fees are allocated by the Board on the basis of Directors' attendance and the time devoted to their duties.

Expenses directly related to the performance of their duties are refunded, within reasonable limits, and on production of documentary evidence, to members of the Board and of the Committees.

## **ARTICLE 8. TRANSPARENCY**

Directors must convert all shares or securities conferring a right to future access to a portion of the Company's share capital that they hold when they take up their appointment, or that they acquire during its term, to registered status.

They must inform the Board of all shares or securities conferring a right to future access to a portion of the Company's share capital that they also hold indirectly (through a legal entity or a spouse) and of the name of shareholders for whom they may control voting rights or the decision to sell or purchase Orolia shares.

#### **ARTICLE 9. LOYALTY**

Each Director undertakes to display loyalty towards the Company in their actions.

#### **ARTICLE 10. NON-COMPETITION**

Members of the Board must refrain from becoming employees, directors or service providers for French or foreign companies that are competitors of Orolia.

They must also refrain from holding shares in unlisted competing companies or shares representing more than 5% of a listed competing company's share capital.

Directors must inform the Board immediately of any shares that they hold in a company that is a competitor of Orolia.

Any failure to meet these obligations could lead to the removal of the Director involved.

#### **ARTICLE 11. DIRECTORS' DUTY OF CONFIDENTIALITY**

Members of the Board must observe absolute confidentiality regarding the content of discussions conducted by the Board or its Committees and the information presented to those bodies.

The Chairman informs Directors of the information that has to be released to the financial markets and of the text of communiqués distributed in the Group's name for that purpose.

In the event of a Director's demonstrable failure to observe confidentiality, the Chairman of the Board makes a report to the Board on the resulting action, which may be legal action, he intends taking as a result of that failure.

#### **ARTICLE 12. DIRECTORS' DUTY OF INDEPENDENCE**

In performing the duties for which they have been appointed, Directors must make their decisions independently of any interest other than the interest of the Company and the collective interest of the Company's shareholders.

Directors must inform the Board of any situation involving them that could create a conflict of interests with the Company or a Group company. Absence of such information is considered as recognition that there are no conflicts of interest.

Subsequently, Directors must act in consequence and in particular abstain from voting or taking part in discussions or, if applicable, resign.

Members of the Board must refrain from carrying out transactions on the Company's securities whenever they hold privileged information.

### **ARTICLE 13. DIRECTORS' DUTY OF DILIGENCE**

In accepting their appointment, Directors undertake to assume their duties in full and in particular to devote the necessary time and attention to their performance.

Directors inform themselves about the Company's businesses and specific features, its challenges and values, including by questioning its principal executives. In general, Directors satisfy themselves that they receive all the necessary information on the topics discussed at meetings.

They take part in meetings of the Board and of the Committees of which they are members assiduously and diligently. Likewise, they attend Shareholders' General Meetings.

Directors undertake to tender their resignation whenever, in good faith, they consider themselves no longer able to discharge their duties fully.

### **ARTICLE 14. HOLDING SEVERAL APPOINTMENTS**

Without prejudice to compliance with legal obligations, a Director who is Chairman, Chief Executive Officer or Deputy Chief Executive Officer may not accept more than three other directorships in listed companies, including foreign companies, outside the Group.

### **ARTICLE 15. AMENDMENT OF THE BOARD CHARTER**

This Board Charter may only be amended by the Board, at the Chairman's initiative or following a suggestion by any member of the Board.