

Excerpts from Corporate Governance Codes in Other Countries

- Disclosure and Transparency
- The Responsibilities of the Board (focusing on the fulfillment of their roles/functions, etc.)
- (▪ Dialogue with Shareholders)

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【Disclosure in General】

● The UK Corporate Governance Code

Section C: Accountability

C.1 Financial and Business Reporting

Main Principle

The board should present a fair, balanced and understandable assessment of the company's position and prospects.

Supporting Principles

The board's responsibility to present a fair, balanced and understandable assessment extends to interim and other price-sensitive public reports and reports to regulators as well as to information required to be presented by statutory requirements.

The board should establish arrangements that will enable it to ensure that the information presented is fair, balanced and understandable.

Code Provisions

- C.1.1 The directors should explain in the annual report their responsibility for preparing the annual report and accounts, and state that they consider the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's position and performance, business model and strategy. ...
- C.1.2 The directors should include in the annual report an explanation of the basis on which the company generates or preserves value over the longer term (the business model) and the strategy for delivering the objectives of the company.
- C.1.3 In annual and half-yearly financial statements, the directors should state whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and identify any material uncertainties to the company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.

● German Corporate Governance Code

7 Reporting and Audit of the Annual Financial Statements

7.1 Reporting

- 7.1.1 Shareholders and third parties are mainly informed by the Consolidated Financial Statements and the Group Management Report. During the financial year they are additionally informed by means of a half-year financial report and, in the first and second halves, by interim reports or quarterly financial reports. The Consolidated Financial Statements and the Condensed Consolidated Financial Statements in the half-year financial report and the quarterly financial report are prepared under observance of internationally recognised accounting principles.
- 7.1.2 The Consolidated Financial Statements must be prepared by the Management Board and examined by the auditor and Supervisory Board. Half-year and any quarterly financial reports shall be discussed with the Management Board by the Supervisory Board or its Audit Committee prior to publication. In addition, the Financial Reporting Enforcement Panel and the Federal Financial Supervisory Authority are authorized to check that the Consolidated Financial Statements comply with the applicable accounting regulations (enforcement). The Consolidated Financial Statements shall be publicly accessible within 90 days of the end of the financial year; interim reports shall be publicly accessible within 45 days of the end of the reporting period.
- 7.1.4 The company shall publish a list of third party companies in which it has a shareholding that is not of minor importance for the enterprise. The trading portfolios of banks and financial services companies, on which voting rights are not exercised, are disregarded in this context. The following shall be provided: name and headquarters of the company, the amount of the shareholding, the amount of equity and the operating result of the past financial year.
- 7.1.5 Notes on the relationships with shareholders considered to be "related parties" pursuant to the applicable accounting regulations shall be provided in the Consolidated Financial Statements.

● France “Corporate Governance Code of Listed Corporations”

2 The Board of Directors and the Market

2.1 Corporations' communications to the market

2.1.1 It is up to each Board of Directors to define the company's financial disclosure policy.

2.1.4 The Board should ensure that the investors receive relevant information, which is balanced and enlightens them about the strategy, development model and long-term strategies of the corporation.

2.2 Off-balance sheet items and corporate risks

Each listed company must be equipped with reliable procedures for the identification, monitoring and assessment of its commitments and risks, and provide shareholders and investors with relevant information in this area.

For such purposes:

- the annual report should specify the internal procedures set up to identify and monitor off-balance-sheet commitments, and to evaluate the corporation's material risks;
- each company must develop and clarify the information provided to shareholders and investors regarding off-balance-sheet commitments and material risks, and disclose the company's ratings by financial rating agencies as well as any changes occurred during the financial year

● Singapore Code of Corporate Governance

Accountability

Principle:

10 The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

Guidelines:

- 10.1 The Board's responsibility to provide a balanced and understandable assessment of the company's performance, position and prospects extends to interim and other price sensitive public reports, and reports to regulators (if required).
- 10.2 The Board should take adequate steps to ensure compliance with legislative and regulatory requirements, including requirements under the listing rules of the securities exchange, for instance, by establishing written policies where appropriate.
- 10.3 Management should provide all members of the Board with management accounts and such explanation and information on a monthly basis and as the Board may require from time to time to enable the Board to make a balanced and informed assessment of the company's performance, position and prospects.

● ICGN Global Governance Principles

7.0 Reporting and audit

7.1 Comprehensive disclosure

The board should present a balanced and understandable assessment of the company's position and prospects in the annual report and accounts in order for shareholders to be able to assess the company's performance, business model, strategy and long-term prospects.

7.2 Materiality

The board should disclose relevant and material information on a timely basis so as to allow shareholders to take into account information which assists in identifying risks and sources of wealth creation. Issues material to shareholders should be set out succinctly in the annual report, or equivalent disclosures, and approved by the board itself.

7.3 Affirmation

The board should affirm that the company's annual report and accounts present a true and fair view of the company's position and prospects. As appropriate, taking into account statutory and regulatory obligations in each jurisdiction, the information provided in the annual report and accounts should:

- a) be relevant to investment decisions, enabling shareholders to evaluate risks, past and present performance, and to draw inferences regarding future performance;
- b) enable shareholders, who put up the risk capital, to fulfil their responsibilities as owners to assess company management and the strategies adopted;
- c) be a faithful representation of the events it purports to represent;

- d) generally be neutral and report activity in a fair and unbiased way except where there is uncertainty. Prudence should prevail such that assets and income are not overstated and liabilities and expenses are not understated. There should be substance over form. Any off-balance sheet items should be appropriately disclosed;
- e) be verifiable so that when a systematic approach and methodology is used the same conclusion is reached;
- f) be presented in a way that enables comparisons to be drawn of both the entity's performance over time and against other entities; and
- g) recognise the 'matching principle' which requires that expenses are matched with revenues.

7.4 Solvency risk

The board should confirm in the annual report that it has carried out a robust assessment of the state of affairs of the company and any material risks, including to its solvency and liquidity that would threaten its viability. The board should state whether, in its opinion, the company will be able to meet its liabilities as they fall due and continue in operation for the foreseeable future, explaining any supporting assumptions and risks or uncertainties relevant to that and how they are being managed. In particular, disclosure on risk should include a description of:

- a) risk in the context of the company's strategy;
- b) risk to returns expected by shareholders with a focus on key consequences;
- c) risk oversight approach and processes;
- d) how lessons learnt have been applied to improve future outcomes; and
- e) the principal risks to the company's business model and the achievement of its strategic objectives, including risks that could threaten its viability.

7.5 Non-financial information

The board should provide an integrated report that puts historical performance into context, and portrays the risks, opportunities and prospects for the company in the future, helping shareholders understand a company's strategic objectives and its progress towards meeting them. Such disclosures should:

- a) be linked to the company's business model;
- b) be genuinely informative and include forward-looking elements where this will enhance understanding;
- c) describe the company's strategy, and associated risks and opportunities, and explain the board's role in assessing and overseeing strategy and the management of risks and opportunities;
- d) be accessible and appropriately integrated with other information that enables shareholders to obtain a picture of the whole company;
- e) use key performance indicators that are linked to strategy and facilitate comparisons;
- f) use objective metrics where they apply and evidence-based estimates where they do not; and
- g) be strengthened where possible by independent assurance that is carried out annually having regard to established disclosure standards.

● TSE “ Principles of Corporate Governance for Listed Companies”

4 Disclosure and transparency

Corporate governance for listed companies should ensure that timely and accurate disclosure is conducted on all material matters including the financial condition, performance results and ownership distribution. Listed companies shall be obliged to conduct timely and accurate disclosure regarding corporate activities. Such disclosure is indispensable for appropriate investor evaluation of enterprises in the market, and concurrently for the appropriate exercising of voting rights by shareholders. For this purpose, shareholders require periodic, reliable and comparable information sufficient to evaluate the operational conditions of businesses by the management, and further timely disclosure regarding material events taking place during the intervals between periodic disclosures. Such disclosure shall be conducted simultaneously to ensure equal treatment of shareholders. Fair disclosure helps to secure the confidence of investors in the market and is an important means to prevent the abuse of insider information.

○ Issues requiring attention

Listed companies should direct their attention to the following issues in order to conduct timely and accurate disclosure

- 1) Enhanced disclosure of quantitative information on financial conditions and operating results and enhanced disclosure of qualitative information that deepens the understanding of the management conditions of companies by investors
- 2) Securing opportunities for investors to access information equally and easily
- 3) Development and improvement of internal systems to secure the accuracy and promptness of disclosure

【Disclosure on Remuneration】

● German Corporate Governance Code

4 Management Board

4.2 Composition and Compensation

4.2.4 The total compensation of each one of the members of the Management Board is to be disclosed by name, divided into fixed and variable compensation components. The same applies to promises of benefits that are granted to a Management Board member in case of premature or statutory termination of the function of a Management Board member or that have been changed during the financial year. Disclosure is dispensed with if the General Meeting has passed a resolution to this effect by three-quarters majority.

4.2.5 Disclosure shall be made in the Notes or the Management Report. A compensation report as part of the Management Report outlines the compensation system for Management Board members. The outline shall be presented in a generally understandable way.

The compensation report shall also include information on the nature of the fringe benefits provided by the company.

In addition, for financial years starting after 31 December 2013, and for each Management Board member, the compensation report shall present:

- the benefits granted for the year under review including the fringe benefits, and including the maximum and minimum achievable compensation for variable compensation components;
- the allocation of fixed compensation, short-term variable compensation and long-term variable compensation in/for the year under review, broken down into the relevant reference years;
- for pension provisions and other benefits, the service cost in/for the year under review.

5 Supervisory Board

5.4 Composition and Compensation

5.4.6 ... The compensation of the members of the Supervisory Board shall be reported individually in the Notes or the Management Report, subdivided according to components. Also payments made by the enterprise to the members of the Supervisory Board or advantages extended for services provided individually, in particular, advisory or agency services, shall be listed separately on an individual basis.

7 Reporting and Audit of the Annual Financial Statements

7.1 Reporting

7.1.3 The Corporate Governance Report shall contain information on stock option programmes and similar securities-based incentive systems of the company, unless this information is already provided in the Annual Financial Statements, the Consolidated Financial Statements or the compensation report.

● France “Corporate Governance Code of Listed Corporations”

21 Directors' Compensation

21.3 The rules for allocation of the directors' fees and the individual amounts of payments thereof made to the directors should be set out in the annual report.

24 Information on Executive Directors' Compensation and the Awarding Policy for Share Options and Performance Shares

The law imposes on companies the obligation to disclose in their management report the aggregate compensation and benefits of all types paid during the financial year to each executive director as well as the amount of the compensation and benefits of any type that each of these directors has received during the financial year from companies of the group.

Comprehensive information must be provided to shareholders so that they can have a clear view, not only of the individual compensation paid to executive directors, but also of the policy applied by the company in order to determine the compensation paid.

● Singapore Code of Corporate Governance

Disclosure on Remuneration

Principle:

9 Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

Guidelines:

- 9.1 The company should report to the shareholders each year on the remuneration of directors, the CEO and at least the top five key management personnel (who are not also directors or the CEO) of the company. This annual remuneration report should form part of, or be annexed to the company's annual report of its directors. It should be the main means through which the company reports to shareholders on remuneration matters.

The annual remuneration report should include the aggregate amount of any termination, retirement and post-employment benefits that may be granted to directors, the CEO and the top five key management personnel (who are not directors or the CEO).

- 9.2 The company should fully disclose the remuneration of each individual director and the CEO on a named basis. For administrative convenience, the company may round off the disclosed figures to the nearest thousand dollars. There should be a breakdown (in percentage or dollar terms) of each director's and the CEO's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives.

- 9.3 The company should name and disclose the remuneration of at least the top five key management personnel (who are not directors or the CEO) in bands of S\$250,000. Companies need only show the applicable bands. There should be a breakdown (in percentage or dollar terms) of each key management personnel's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives.

In addition, the company should disclose in aggregate the total remuneration paid to the top five key management personnel (who are not directors or the CEO).

As best practice, companies are also encouraged to fully disclose the remuneration of the said top five key management personnel.

- 9.4 For transparency, the annual remuneration report should disclose the details of the remuneration of employees who are immediate family members of a director or the CEO, and whose remuneration exceeds S\$50,000 during the year. This will be done on a named basis with clear indication of the employee's relationship with the relevant director or the CEO. Disclosure of remuneration should be in incremental bands of S\$50,000. The company need only show the applicable bands.
- 9.6 For greater transparency, companies should disclose more information on the link between remuneration paid to the executive directors and key management personnel, and performance. The annual remuneration report should set out a description of performance conditions to which entitlement to short-term and long-term incentive schemes are subject, an explanation on why such performance conditions were chosen, and a statement of whether such performance conditions are met.

● ICGN Global Governance Principles

6.0 Remuneration

6.3 Disclosure

The board should disclose a clear, understandable and comprehensive remuneration policy which is aligned with the company's long-term strategic objectives. The remuneration report should also describe, on an individual basis, how awards granted to senior management and the CEO were determined and deemed appropriate in the context of the company's underlying performance in any given year. This extends to non-cash items such as director and officer insurance, fringe benefits and terms of severance packages if any.

1. Disclosure and Transparency

【Disclosure on Appointments of Directors 1/4】

【Disclosure on Appointments of Directors】

● The UK Corporate Governance Code

B.2 Appointments to the Board

Code Provisions

B.2.4 A separate section of the annual report should describe the work of the nomination committee, including the process it has used in relation to board appointments. This section should include a description of the board's policy on diversity, including gender, any measurable objectives that it has set for implementing the policy, and progress on achieving the objectives. An explanation should be given if neither an external search consultancy nor open advertising has been used in the appointment of a chairman or a non-executive director. Where an external search consultancy has been used, it should be identified in the annual report and a statement made as to whether it has any other connection with the company.

B.7 Re-election

Code Provisions

B.7.2 The board should set out to shareholders in the papers accompanying a resolution to elect a non-executive director why they believe an individual should be elected. The chairman should confirm to shareholders when proposing re-election that, following formal performance evaluation, the individual's performance continues to be effective and to demonstrate commitment to the role.

1. Disclosure and Transparency

【Disclosure on Appointments of Directors 2/4】

● German Corporate Governance Code

5 Supervisory Board

5.4 Composition and Compensation

5.4.1 The Supervisory Board has to be composed in such a way that its members as a group possess the knowledge, ability and expert experience required to properly complete its tasks.

... Recommendations by the Supervisory Board to the competent election bodies shall take these objectives into account. The concrete objectives of the Supervisory Board and the status of the implementation shall be published in the Corporate Governance Report.

In its election recommendations to the General Meeting, the Supervisory Board shall disclose the personal and business relations of each individual candidate with the enterprise, the executive bodies of the company and with a shareholder holding a material interest in the company. The recommendation to disclose is limited to those circumstances which, in the appraisal of the Supervisory Board, a shareholder judging objectively would consider authoritative for his election decision. ...

5.4.7 If a member of the Supervisory Board took part in less than half of the meetings of the Supervisory Board in a financial year, this shall be noted in the Report of the Supervisory Board.

1. Disclosure and Transparency

【Disclosure on Appointments of Directors 3/4】

● Singapore Code of Corporate Governance

Board membership

- 4.6 A description of the process for the selection, appointment and re-appointment of directors to the Board should be disclosed in the company's Annual Report. This should include disclosure on the search and nomination process.
- 4.7 Key information regarding directors, such as academic and professional qualifications, shareholding in the company and its related corporations, board committees served on (as a member or chairman), date of first appointment as a director, date of last re-appointment as a director, directorships or chairmanships both present and those held over the preceding three years in other listed companies, and other principal commitments, should be disclosed in the company's Annual Report. In addition, the company's annual disclosure on corporate governance should indicate which directors are executive, non- executive or considered by the NC to be independent. The names of the directors submitted for appointment or re-appointment should also be accompanied by details and information to enable shareholders to make informed decisions. Such information, which should also accompany the relevant resolution, would include:
- (a) any relationships including immediate family relationships between the candidate and the directors, the company or its 10% shareholders;
 - (b) a separate list of all current directorships in other listed companies; and
 - (c) details of other principal commitments.

1. Disclosure and Transparency

【Disclosure on Appointments of Directors 4/4】

● ICGN Global Governance Principles

3.4 Appointment process

The board should disclose the process for director nomination and election / re-election along with information about board candidates which includes:

- a) board member identities and rationale for appointment;
- b) core competencies, qualifications, and professional background;
- c) recent and current board and management mandates at other companies, as well as significant roles on non-profit/ charitable organisations;
- d) factors affecting independence, including relationship/s with controlling shareholders;
- e) length of tenure;
- f) board and committee meeting attendance; and
- g) any shareholdings in the company.

【Roles of External Auditors】

● The UK Corporate Governance Code

C.3 Audit Committee and Auditors

C.3.2 The main role and responsibilities of the audit committee should be set out in written terms of reference and should include:

- to make recommendations to the board, for it to put to the shareholders for their approval in general meeting, in relation to the appointment, re-appointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor;
- to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements;
- to develop and implement policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm; and to report to the board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken;

C.3.8 A separate section of the annual report should describe the work of the committee in discharging its responsibilities. The report should include:

- an explanation of how it has assessed the effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external auditor, and information on the length of tenure of the current audit firm and when a tender was last conducted; and
- if the external auditor provides non-audit services, an explanation of how auditor objectivity and independence are safeguarded.

● German Corporate Governance Code

7.2 Audit of Annual Financial Statements

- 7.2.1 Prior to submitting a proposal for election, the Supervisory Board or, respectively, the Audit Committee shall obtain a statement from the proposed auditor stating whether, and where applicable, which business, financial, personal and other relationships exist between the auditor and its executive bodies and head auditors on the one hand, and the enterprise and the members of its executive bodies on the other hand, that could call its independence into question. This statement shall include the extent to which other services were performed for the enterprise in the past year, especially in the field of consultancy, or which are contracted for the following year.
- The Supervisory Board shall agree with the auditor that the Chairman of the Supervisory Board or, respectively, the Audit Committee will be informed immediately of any grounds for disqualification or partiality occurring during the audit, unless such grounds are eliminated immediately.

- 7.2.2 The Supervisory Board commissions the auditor to carry out the audit and concludes an agreement on the latter's fee.
- 7.2.3 The Supervisory Board shall arrange for the auditor to report without delay on all facts and events of importance for the tasks of the Supervisory Board which arise during the performance of the audit. The Supervisory Board shall arrange for the auditor to inform it and/or note in the Auditor's Report if, during the performance of the audit, the auditor comes across facts which show a misstatement by the Management Board and Supervisory Board on the Code.
- 7.2.4 The auditor takes part in the Supervisory Board's deliberations on the Annual Financial Statements and Consolidated Financial Statements and reports on the essential results of its audit.

● France “Corporate Governance Code of Listed Corporations”

16 The Audit Committee

16.2 Duties

16.2.2 Relationship between the audit committee and the statutory auditors

In accordance with the law, the statutory auditors must present to the committee:

- their general work programme and the tests they have achieved;
- the changes that they believe should be made to the accounts or accounting documents and their observations on the evaluation methods used;
- any irregularity or inaccuracy that they have identified;
- the conclusions which have been drawn from the observations and corrections of the results for the reporting period as compared to those in the previous period.

The committee must interview the statutory auditors regularly, including interviews without executive managers present.

The statutory auditors must, in particular, be interviewed at the committee meetings dealing with evaluation of the process for preparing financial information and review of the accounts in order to report on the execution of their tasks and the conclusions of their work.

This will enable the committee to keep itself informed of the main areas of risk or uncertainty in the accounts, identified by the statutory auditors, their audit approach and any difficulties that may have been encountered in fulfilling their tasks.

The statutory auditors must also inform the audit committee of any significant weaknesses in internal control identified in the course of their work, in relation to the procedures for preparing and processing the accounting and financial information.

16.2.3 Monitoring of the rules securing the statutory auditors' independence and objectivity

The committee should steer the procedure for selection of the statutory auditors and submit a recommendation to the Board of Directors regarding the statutory auditors proposed for appointment by the shareholders' meeting. The committee shall suggest to the Board a procedure for selection and in particular if there is a need to make a call for tenders. It must supervise the call for tenders and approve the specifications and the choice of firms consulted, making sure that the selection results in the appointment of the "best bidder" and not the "lowest bidder".

The committee should in particular receive each year the following information from the statutory auditors:

- their statement of independence;
- the amount of the fees paid to the network of statutory auditors by the companies controlled by the company or the entity controlling the company, in respect of services not directly related to the statutory auditors' assignment ;
- information concerning the services supplied in respect of the tasks directly related to the statutory auditors' engagement.

The committee will review with the statutory auditors the risks weighing on their independence and the protection measures taken in order to reduce these risks. The committee must in particular ensure that the amount of the fees paid by the company and its group, or the share of such fees in the turnover of the firms and networks is not likely to impair the statutory auditors' independence.

The statutory auditor must ensure that its tasks are exclusive of any other assignment not related to these tasks, by referring to the professional code of conduct for auditors and professional auditing standards. The selected firm should, for itself and the network to which it belongs, refrain from any consulting activity (legal, tax, IT, etc.) performed directly or indirectly for the corporation that has selected it. With regard to controlled companies or the controlling company, the statutory auditor must refer more specifically to the professional code of conduct for auditors.

However, subject to prior review from the audit committee, services that are accessory or directly complementary to auditing may be performed, such as acquisition audits, but exclusive of valuation or advisory services.

● Singapore Code of Corporate Governance

12.4 The duties of the AC should include:

- (d) reviewing the scope and results of the external audit, and the independence and objectivity of the external auditors;
- (e) making recommendations to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors.

12.5 The AC should meet (a) with the external auditors, and (b) with the internal auditors, in each case without the presence of Management, at least annually.

12.6 The AC should review the independence of the external auditors annually and should state (a) the aggregate amount of fees paid to the external auditors for that financial year, and (b) a breakdown of the fees paid in total for audit and non-audit services respectively, or an appropriate negative statement, in the company's Annual Report. Where the external auditors also supply a substantial volume of non-audit services to the company, the AC should keep the nature and extent of such services under review, seeking to maintain objectivity.

12.9 A former partner or director of the company's existing auditing firm or auditing corporation should not act as a member of the company's AC: (a) within a period of 12 months commencing on the date of his ceasing to be a partner of the auditing firm or director of the auditing corporation; and in any case (b) for as long as he has any financial interest in the auditing firm or auditing corporation.

16.3 All directors should attend general meetings of shareholders. In particular, the Chairman of the Board and the respective Chairman of the AC, NC and RC should be present and available to address shareholders' queries at these meetings. The external auditors should also be present to address shareholders' queries about the conduct of audit and the preparation and content of the auditors' report.

● ICGN Global Governance Principles

7.7 Independent external audit

The board should publish the report from the external auditor which should provide an independent and objective opinion whether the accounts give a true and fair view of the financial position and performance of the company. The engagement partner should be named in the audit report and the company should publish its policy on audit firm rotation. If the auditor resigns then the reasons for the resignation should be publicly disclosed by the resigning auditor.

7.8 Non-audit fees

The audit committee should, as far as practicable, approve any non-audit services provided by the external auditor and related fees to ensure that they do not compromise auditor independence. The non-audit fees should be disclosed in the annual report with explanations where appropriate. Non-audit fees should normally be less than the audit fee and, if not, there should be a clear explanation as to why it was necessary for the auditor to provide these services and how the independence and objectivity of the audit was assured.

【Expected Roles and Responsibilities of the Board】

● The UK Corporate Governance Code

Section A: Leadership

A.1 The Role of the Board

Main Principle

Every company should be headed by an effective board which is collectively responsible for the long-term success of the company.

Supporting Principles

The board's role is to provide entrepreneurial leadership of the company within a framework of prudent and effective controls which enables risk to be assessed and managed. The board should set the company's strategic aims, ensure that the necessary financial and human resources are in place for the company to meet its objectives and review management performance. The board should set the company's values and standards and ensure that its obligations to its shareholders and others are understood and met.

All directors must act in what they consider to be the best interests of the company, consistent with their statutory duties.

2. The Responsibilities of the Board 【Expected Roles and Responsibilities of the Board 2/8】

● German Corporate Governance Code

3 Cooperation between Management Board and Supervisory Board

- 3.2 The Management Board coordinates the enterprise's strategic approach with the Supervisory Board and discusses the current state of strategy implementation with the Supervisory Board at regular intervals.
- 3.3 For transactions of fundamental importance, the Articles of Association or the Supervisory Board specify provisions requiring the approval of the Supervisory Board. They include decisions or measures which fundamentally change the asset, financial or earnings situations of the enterprise.
- 3.4 ... The Management Board informs the Supervisory Board regularly, without delay and comprehensively, of all issues important to the enterprise with regard to strategy, planning, business development, risk situation, risk management and compliance. The Management Board points out deviations of the actual business development from previously formulated plans and targets, indicating the reasons therefor.
- 3.8 The Management Board and Supervisory Board comply with the rules of proper corporate management. If they violate the due care and diligence of a prudent and conscientious Managing Director or Supervisory Board member, they are liable to the company for damages. In the case of business decisions an infringement of duty is not present if the member of the Management Board or Supervisory Board could reasonably believe, based on appropriate information, that he/she was acting in the best interest of the company (Business Judgment Rule).

5 Supervisory Board

5.1 Tasks and Responsibilities

- 5.1.1 The task of the Supervisory Board is to advise regularly and supervise the Management Board in the management of the enterprise. It must be involved in decisions of fundamental importance to the enterprise.

2. The Responsibilities of the Board 【Expected Roles and Responsibilities of the Board 3/8】

● France “Corporate Governance Code of Listed Corporations”

1 The Board of Directors: a Collegial Body

- 1.1 Regardless of its membership or how it is organised, the Board of Directors is and must remain a collegial body mandated by all shareholders. It carries out the missions that have been assigned to it by the law in order to act at all times in the corporate interest.
- 1.2 In exercising its statutory prerogatives, the Board of Directors carries out the main missions below: it defines the corporation's strategy, appoints the executive directors in charge of managing the corporation in line with that strategy, selects the form of organisation (separation of the offices of Chairman and Chief Executive Officer or combination of such offices), monitors the management and secures the quality of information provided to shareholders and to the markets, through the accounts or in connection with major transactions.

6 Membership of the Board of Directors: Guiding Principles

- 6.1 The first quality of a Board of Directors is the balance of its membership, together with the skills and ethics of its members.

All directors should have the following essential qualities:

- He or she should care about the corporate interest;
- He or she should have the ability to judge, in particular, situations, strategies and people, notably based on its experience;
- He or she should have the capacity to anticipate, enabling the identification of risks and the strategic issues;
- He or she should be honest, attend regularly, be active and involved.

2. The Responsibilities of the Board 【Expected Roles and Responsibilities of the Board 4/8】

● France “Middlenext Governance Code for Small and Midcaps”

2 "Supervisory" power

Supervisory power: points to be watched but not subject to specific recommendations

...Supervisory power is exercised by the Board of Directors in companies with a Board of Directors, or by the Supervisory Board in companies with an Executive Board and a Supervisory Board.

According to law, in companies with a Board of Directors, in addition to this supervisory role, the Board of Directors is the place of decision-making and control and sets the orientations for the activity of the company.

The Board of Directors is a collegiate body which collectively represents all the shareholders and is bound by the obligation to take account of the corporate interest of the company at all times.

Five points to be watched for the “supervisory” function:

2 . Are the directors carrying out their supervisory duties effectively?

In the spirit of reasonable governance, supervisory duties imply that the directors act on a collegiate basis to ensure that the interests of all the shareholders are taken into account and respected. They ascertain the ability of the executive to lead the company sustainably.

2. The Responsibilities of the Board 【Expected Roles and Responsibilities of the Board 5/8】

● Singapore Code of Corporate Governance

The Board's Conduct of Affairs

Principle:

- 1 Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board

Guidelines:

1.1 The Board's role is to:

- (a) provide entrepreneurial leadership, set strategic objectives, and ensure that the necessary financial and human resources are in place for the company to meet its objectives;
- (b) establish a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders' interests and the company's assets;
- (c) review management performance;
- (d) identify the key stakeholder groups and recognise that their perceptions affect the company's reputation;
- (e) set the company's values and standards (including ethical standards), and ensure that obligations to shareholders and other stakeholders are understood and met; and
- (f) consider sustainability issues, e.g. environmental and social factors, as part of its strategic formulation.

- 1.2 All directors must objectively discharge their duties and responsibilities at all times as fiduciaries in the interests of the company.

2. The Responsibilities of the Board 【Expected Roles and Responsibilities of the Board 6/8】

● ICGN Global Governance Principles

Section A Board

1.0 Responsibilities

1.1 Duties

The board should act on an informed basis and in the best interests of the company with good faith, care and diligence, for the benefit of shareholders, while having regard to relevant stakeholders.

1.2 Responsibilities

The board is accountable to shareholders and relevant stakeholders and is responsible for protecting and generating sustainable value over the long term. In fulfilling their role effectively, board members should:

- a) guide, review and approve corporate strategy and financial planning, including major capital expenditures, acquisitions and divestments;
- b) monitor the effectiveness of the company's governance practices, environmental practices, and social practices, and adhere to applicable laws;
- c) embody high standards of business ethics and oversee the implementation of codes of conduct that engender a corporate culture of integrity;
- d) oversee the management of potential conflicts of interest, such as those which may arise around related party transactions;

2. The Responsibilities of the Board

【Expected Roles and Responsibilities of the Board 7/8】

- e) oversee the integrity of the company's accounting and reporting systems, its compliance with internationally accepted standards, the effectiveness of its systems of internal control, and the independence of the external audit process;
- f) oversee the implementation of effective risk management and proactively review the risk management approach and policies annually or with any significant business change;
- g) ensure a formal, fair and transparent process for nomination, election and evaluation of directors;
- h) appoint and, if necessary, remove the chief executive officer (CEO) and develop succession plans;
- i) align CEO and senior management remuneration with the longer term interests of the company and its shareholders; and
- j) conduct an objective board evaluation on a regular basis, consistently seeking to enhance board effectiveness.

5.0 Risk oversight

5.1 Proactive Oversight

The board should proactively oversee, review and approve the approach to risk management regularly or with any significant business change and satisfy itself that the approach is functioning effectively. Strategy and risk are inseparable and should permeate all board discussions and, as such, the board should consider a range of plausible outcomes that could result from its decision-making and actions needed to manage those outcomes.

2. The Responsibilities of the Board 【Expected Roles and Responsibilities of the Board 8/8】

● TSE “ Principles of Corporate Governance for Listed Companies”

5 Responsibilities of Board of Directors, Auditors, Board of Company Auditors, and other relevant group(s)

Corporate governance for listed companies should enhance the supervision of management by the Board of Directors, Auditors, Board of Company Auditors, and other relevant group(s)(*1), and ensure their accountability to shareholders.

※1 The term “Board of Directors, Auditors, Board of Company Auditors, and other relevant group(s)” refers to the organization responsible for supervising management, mainly the Board of Directors and Auditors or Board of Company Auditors.

The legal framework or basis for corporate governance permits the choice of a corporate auditors system or committees system. In either case, the Board of Directors, Auditors, Board of Company Auditors, and other relevant group(s) should evaluate whether the management (*2) has been accurately and efficiently executing business pursuant to their strategic guidance on strategies, and prevent the occurrence of conflicts of interest between the company and the management by reflecting on such evaluation prior to the election or discharge of management or the execution of decisions on compensation, and thereby fulfill their appropriate supervision responsibilities.

※2 The term “management” means the persons recognized by the company to have actually been involved in the management of the company, including representative directors and executive officers, which in turn include representative executives and executives.

【Knowledge and Experience of Directors or the Board】

● The UK Corporate Governance Code

B.2 Appointments to the Board

Code Provisions

B.2.2 The nomination committee should evaluate the balance of skills, experience, independence and knowledge on the board and, in the light of this evaluation, prepare a description of the role and capabilities required for a particular appointment.

● German Corporate Governance Code

5.4 Composition and Compensation

5.4.1 The Supervisory Board has to be composed in such a way that its members as a group possess the knowledge, ability and expert experience required to properly complete its tasks.

● France “Corporate Governance Code of Listed Corporations”

6 Membership of the Board of Directors: Guiding Principles

6.1 The first quality of a Board of Directors is the balance of its membership, together with the skills and ethics of its members.

All directors should have the following essential qualities:

- He or she should care about the corporate interest;
- He or she should have the ability to judge, in particular, situations, strategies and people, notably based on its experience;
- He or she should have the capacity to anticipate, enabling the identification of risks and the strategic issues;
- He or she should be honest, attend regularly, be active and involved.

● Singapore Code of Corporate Governance

Board Composition and Guidance

2.6 The Board and its board committees should comprise directors who as a group provide an appropriate balance and diversity of skills, experience, gender and knowledge of the company. They should also provide core competencies such as accounting or finance, business or management experience, industry knowledge, strategic planning experience and customer-based experience or knowledge.

● ICGN Global Governance Principles

3.0 Composition and appointment

3.1 Composition

...There should be a sufficient mix of individuals with relevant knowledge, independence, competence, industry experience and diversity of perspectives to generate effective challenge, discussion and objective decision-making.

【Delegation from the Board to the Management】

● The UK Corporate Governance Code

Section A: Leadership

A.1 The Role of the Board

Code Provisions

A1.1 .. The annual report should include a statement of how the board operates, including a high level statement of which types of decisions are to be taken by the board and which are to be delegated to management.

● Singapore Code of Corporate Governance

The Board's Conduct of Affairs

1.5 Every company should prepare a document with guidelines setting forth:

- (a) the matters reserved for the Board's decision; and
- (b) clear directions to Management on matters that must be approved by the Board.

The types of material transactions that require board approval under such guidelines should be disclosed in the company's Annual Report.

【Evaluation of the Board and Directors】

● The UK Corporate Governance Code

Section B: Effectiveness

B.6 Evaluation

Main Principle

The board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors.

Supporting Principles

Evaluation of the board should consider the balance of skills, experience, independence and knowledge of the company on the board, its diversity, including gender, how the board works together as a unit, and other factors relevant to its effectiveness.

The chairman should act on the results of the performance evaluation by recognising the strengths and addressing the weaknesses of the board and, where appropriate, proposing new members be appointed to the board or seeking the resignation of directors.

Individual evaluation should aim to show whether each director continues to contribute effectively and to demonstrate commitment to the role (including commitment of time for board and committee meetings and any other duties).

2. The Responsibilities of the Board 【Evaluation of the Board and Directors 2/6】

Code Provisions

- B.6.1 The board should state in the annual report how performance evaluation of the board, its committees and its individual directors has been conducted.
- B.6.2 Evaluation of the board of FTSE 350 companies should be externally facilitated at least every three years. The external facilitator should be identified in the annual report and a statement made as to whether they have any other connection with the company.
- B.6.3 The non-executive directors, led by the senior independent director, should be responsible for performance evaluation of the chairman, taking into account the views of executive directors.

● German Corporate Governance Code

5 Supervisory Board

5.6 Examination of Efficiency

The Supervisory Board shall examine the efficiency of its activities on a regular basis.

2. The Responsibilities of the Board 【Evaluation of the Board and Directors 3/6】

● France “Corporate Governance Code of Listed Corporations”

10 Evaluation of the Board of Directors

10.1 For sound corporate governance, the Board of Directors should evaluate its ability to meet the expectations of the shareholders that have entrusted authority to it to direct the corporation, by reviewing from time to time its membership, organisation and operation (which implies a corresponding review of the Board’s committees).

Accordingly, each Board should think about the desirable balance in its membership and that of the committees created from its members and consider from time to time the adequacy of its organisation and operation for the performance of its tasks.

10.2 The evaluation should have three objectives:

- assess the way in which the Board operates;
- check that the important issues are suitably prepared and discussed;
- measure the actual contribution of each director to the Board’s work through his or her competence and involvement in discussions.

2. The Responsibilities of the Board 【Evaluation of the Board and Directors 4/6】

10.3 The evaluation should be performed in the following manner:

- Once a year, the Board should dedicate one of the points on its agenda to a debate concerning its operation;
- There should be a formal evaluation at least once every three years. This could be implemented under the leadership of the appointments or nominations committee or an independent director, with help from an external consultant.
- The shareholders should be informed each year in the annual report of the evaluations carried out and, if applicable, of any steps taken as a result.

10.4 It is recommended that the non-executive directors meet periodically without the executive or “in-house” directors. The internal rules of operation of the Board of Directors must provide for such a meeting once a year, at which time the evaluation of the Chairman’s, Chief Executive Officer’s and Deputy Chief Executive’s respective performance shall be carried out, and the participants shall reflect on the future of the company’s executive management.

● France “Middlenext Governance Code for Small and Midcaps”

R15 Introduction of Board evaluation

Context: Given the characteristics of Small and Midcaps, formal external evaluation is not indispensable, although it may prove useful as a means of providing a fresh insight into company practice. The emphasis should be placed on internal assessment by the directors and on their ability to evaluate the relevance of their work on an annual basis.

Recommendation : Once a year, the Chairman of the Board should call upon the directors to express themselves on the working of the Board and the preparation of its work. This discussion is recorded in the minutes of the session.

2. The Responsibilities of the Board 【Evaluation of the Board and Directors 5/6】

● Singapore Code of Corporate Governance

Board Performance

Principle:

- 5 There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.

Guideline:

- 5.1 Every Board should implement a process to be carried out by the NC for assessing the effectiveness of the Board as a whole and its board committees and for assessing the contribution by the Chairman and each individual director to the effectiveness of the Board. The Board should state in the company's Annual Report how the assessment of the Board, its board committees and each director has been conducted. If an external facilitator has been used, the Board should disclose in the company's Annual Report whether the external facilitator has any other connection with the company or any of its directors. This assessment process should be disclosed in the company's Annual Report.
- 5.2 The NC should decide how the Board's performance may be evaluated and propose objective performance criteria. Such performance criteria, which allow for comparison with industry peers, should be approved by the Board and address how the Board has enhanced long-term shareholder value. These performance criteria should not be changed from year to year, and where circumstances deem it necessary for any of the criteria to be changed, the onus should be on the Board to justify this decision.
- 5.3 Individual evaluation should aim to assess whether each director continues to contribute effectively and demonstrate commitment to the role (including commitment of time for meetings of the Board and board committees, and any other duties). The Chairman should act on the results of the performance evaluation, and, in consultation with the NC, propose, where appropriate, new members to be appointed to the Board or seek the resignation of directors.

● ICGN Global Governance Principles

3.0 Composition and appointment

3.7 Evaluation

The nomination committee should evaluate the process for a rigorous review of the performance of the board, the company secretary (where such a position exists), the board's committees and individual directors prior to being proposed for re-election. The board should also periodically (preferably every three years) engage an independent outside consultant to undertake the evaluation.

The non-executive directors, led by the lead independent director, should be responsible for performance evaluation of the chair, taking into account the views of executive officers. The board should disclose the process for evaluation and, as far as reasonably possible, any material issues of relevance arising from the conclusions and any action taken as a consequence.

2. The Responsibilities of the Board 【Succession Planning 1/3】

● German Corporate Governance Code

5 Supervisory Board

5.1 Tasks and Responsibilities

5.1.2 The Supervisory Board appoints and dismisses the members of the Management Board.

When appointing the Management Board, the Supervisory Board shall also respect diversity and, in particular, aim for an appropriate consideration of women. Together with the Management Board it shall ensure that there is a long-term succession planning. The Supervisory Board can delegate preparations for the appointment of members of the Management Board, as well as for the handling of the conditions of the employment contracts including compensation, to committees. ...

2. The Responsibilities of the Board 【Succession Planning 2/3】

● France “Corporate Governance Code of Listed Corporations”

17 The Committee in Charge of Appointments or Nominations

17.2.2 Succession planning for executive directors

The appointments or nominations committee (or an ad-hoc committee) should design a plan for replacement of executive directors in order to be able to submit to the Board solutions for replacement in particular in the event of an unforeseeable vacancy. This is one of the committee's main tasks, even though such a task may, if necessary, be entrusted by the Board to an ad-hoc committee. It is natural for the Chairman to be a member of the committee for carrying out this task, but while his or her views should be considered, it is not desirable that he or she should chair this committee, since he or she is not independent.

As for the other committees, the annual report should contain a statement on the appointments committee's activity during the relevant financial year.

● France “Middlenext Governance Code for Small and Midcaps”

1 Executive power

Executive power : Points to be watched but not subject to specific recommendations

Four points to be watched for the executive function :

4 *Are there arrangements for the succession of the “manager”?*

Given the far-reaching role of the manager, it would appear reasonable that the governance system should address the issue of preparing for their succession and the means to be deployed if they should be unable to fulfil all or part of their functions.

2. The Responsibilities of the Board 【Succession Planning 3/3】

● Singapore Code of Corporate Governance

Board Membership

Principle:

- 4 There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.
 - 4.2 The NC should make recommendations to the Board on relevant matters relating to:
 - (a) the review of board succession plans for directors, in particular, the Chairman and for the CEO;

● ICGN Global Governance Principles

3.0 Composition and appointment

3.8 Nomination committee

The board should establish a nomination committee comprised of non-executive directors, the majority of whom are independent. The main role and responsibilities of the nomination committee should be described in the committee's terms of reference. This includes:

- f) board succession planning.

【Remuneration For Directors and Senior Executives】

● The UK Corporate Governance Code

Section D: Remuneration

D.1 The Level and Components of Remuneration

Main Principle

Executive directors' remuneration should be designed to promote the long-term success of the company. Performance-related elements should be transparent, stretching and rigorously applied.

Supporting Principles

The remuneration committee should judge where to position their company relative to other companies. But they should use such comparisons with caution, in view of the risk of an upward ratchet of remuneration levels with no corresponding improvement in corporate and individual performance, and should avoid paying more than is necessary.

They should also be sensitive to pay and employment conditions elsewhere in the group, especially when determining annual salary increases.

2. The Responsibilities of the Board

【Remuneration For Directors and Senior Management 2/10】

Code Provisions

- D.1.1 In designing schemes of performance-related remuneration for executive directors, the remuneration committee should follow the provisions in Schedule A to this Code. Schemes should include provisions that would enable the company to recover sums paid or withhold the payment of any sum, and specify the circumstances in which it would be appropriate to do so.
- D.1.2 Where a company releases an executive director to serve as a non-executive director elsewhere, the remuneration report should include a statement as to whether or not the director will retain such earnings and, if so, what the remuneration is.
- D.1.3 Levels of remuneration for non-executive directors should reflect the time commitment and responsibilities of the role. Remuneration for non-executive directors should not include share options or other performance-related elements. If, exceptionally, options are granted, shareholder approval should be sought in advance and any shares acquired by exercise of the options should be held until at least one year after the non-executive director leaves the board. Holding of share options could be relevant to the determination of a non-executive director's independence (as set out in provision B.1.1).

2. The Responsibilities of the Board

【Remuneration For Directors and Senior Management 3/10】

Schedule A: The design of performance-related remuneration for executive directors

Balance

The remuneration committee should determine an appropriate balance between fixed and performance-related, immediate and deferred remuneration. Performance conditions, including non-financial metrics where appropriate, should be relevant, stretching and designed to promote the long-term success of the company. Remuneration incentives should be compatible with risk policies and systems. Upper limits should be set and disclosed.

The remuneration committee should consider whether the directors should be eligible for annual bonuses and/or benefits under long-term incentive schemes.

Share-based remuneration

Traditional share option schemes should be weighed against other kinds of long-term incentive scheme. Executive share options should not be offered at a discount save as permitted by the relevant provisions of the Listing Rules.

Any new long-term incentive schemes which are proposed should be approved by shareholders and should preferably replace any existing schemes or, at least, form part of a well-considered overall plan incorporating existing schemes. The total rewards potentially available should not be excessive.

For share-based remuneration the remuneration committee should consider requiring directors to hold a minimum number of shares and to hold shares for a further period after vesting or exercise, including for a period after leaving the company, subject to the need to finance any costs of acquisition and associated tax liabilities. In normal circumstances, shares granted or other forms of deferred remuneration should not vest or be paid, and options should not be exercisable, in less than three years. Longer periods may be appropriate. Grants under executive share option and other long-term incentive schemes should normally be phased rather than awarded in one large block.

● German Corporate Governance Code

4.2 Composition and Compensation

4.2.2 The full Supervisory Board determines the respective total compensation of the individual Management Board members. If there is a body which deals with Management Board contracts, it shall submit its proposals to the full Supervisory Board. The full Supervisory Board resolves the Management Board compensation system and reviews it regularly.

The total compensation of the individual members of the Management Board is determined by the full Supervisory Board at an appropriate amount based on a performance assessment, taking into consideration any payments by group companies. Criteria for determining the appropriateness of compensation are both the tasks of the individual member of the Management Board, his/her personal performance, the economic situation, the performance and outlook of the enterprise as well as the common level of the compensation taking into account the peer companies and the compensation structure in place in other areas of the company. The Supervisory Board shall consider the relationship between the compensation of the Management Board and that of senior management and the staff overall, particularly in terms of its development over time. The Supervisory Board shall determine how senior managers and the relevant staff are to be differentiated.

If the Supervisory Board calls upon an external compensation expert to evaluate the appropriateness of the compensation, care must be exercised to ensure that said expert is independent of respectively the Management Board and the enterprise.

2. The Responsibilities of the Board

【Remuneration For Directors and Senior Management 5/10】

4.2.3 The total compensation of Management Board members comprises the monetary compensation elements, pension awards, other awards, especially in the event of termination of activity, fringe benefits of all kinds and benefits by third parties which were promised or granted in the financial year with regard to Management Board work.

The compensation structure must be oriented toward sustainable growth of the enterprise. The monetary compensation elements shall comprise fixed and variable elements. The Supervisory Board must make sure that the variable compensation elements are in general based on a multi-year assessment. Both positive and negative developments shall be taken into account when determining variable compensation components. All compensation components must be appropriate, both individually and in total, and in particular must not encourage to take unreasonable risks. The amount of compensation shall be capped, both overall and for individual compensation components. The variable compensation components shall be related to demanding, relevant comparison parameters. Changing such performance targets or the comparison parameters retroactively shall be excluded. For pension schemes, the Supervisory Board shall establish the level of provision aimed for in each case - also considering the length of time for which the individual has been a Management Board member - and take into account the resulting annual and long-term expense for the company.

In concluding Management Board contracts, care shall be taken to ensure that payments made to a Management Board member on premature termination of his/her contract, including fringe benefits, do not exceed the value of two years' compensation (severance pay cap) and compensate no more than the remaining term of the employment contract. If the employment contract is terminated for a serious cause for which the Management Board member is responsible, no payments are made to the Management Board member. The severance payment cap shall be calculated on the basis of the total compensation for the past full financial year and if appropriate also the expected total compensation for the current financial year.

Payments promised in the event of premature termination of a Management Board member's contract due to a change of control shall not exceed 150 % of the severance payment cap.

The Chairman of the Supervisory Board shall outline once to the General Meeting the salient points of the compensation system and then any changes thereto.

● France “Corporate Governance Code of Listed Corporations”

21 Directors' Compensation

- 21.1 It shall be recalled that the method of allocation of directors' compensation, the total amount of which is determined by the meeting of shareholders, is set by the Board of Directors. It should take account, in such ways as it shall determine, of the directors' actual attendance at meetings of the Board and committees, and therefore include a significant variable portion.

It is natural that directors' attendance at meetings of specialised committees should give rise to an additional amount of directors' fees. Similarly, undertaking individual tasks such as those of Vice President or Lead Director may give rise to additional fees or payment of extraordinary compensation subject to the application of the procedure for related parties agreements.

- 21.2 The amount of directors' fees should reflect the level of responsibility assumed by the directors and the time that they need to apply to their duties. Each Board must review the adequacy of the level of directors' fees with regard to the duties and responsibilities placed on directors.

2. The Responsibilities of the Board 【Remuneration For Directors and Senior Management 7/10】

● France “Middlenext Governance Code for Small and Midcaps”

1 Executive power

The Managers: Middlenext recommendations

R2 Definition and transparency of the compensation of corporate officers

Context: *For the same reasons as those given previously, compensation of the corporate officers, who in the majority of cases are either large shareholders or founders of the company, is rarely excessive, if only in relation to their relative impact on the company’s income statement. Rather than focusing on the level of compensation, the important thing is therefore to ensure that the rules defining it are clear.*

Recommendation : The Board of Directors of each company should determine the level of compensation of its managers and the information disclosed on the subject, in accordance with the law and regulations. They should base themselves on the following seven principles:

- Exhaustive: the determination of corporate officers’ compensation must be exhaustive: fixed part, performance-related part (bonus), stock options, bonus shares, directors’ fees, pension terms and particular benefits must be taken into account in assessing overall compensation.
- Balanced: between the various components of the compensation: each component of the compensation must be justified and correspond to the general interest of the company.
- Benchmarked: compensation must be assessed, to the extent possible, in relation to a reference profession and market, and must be in proportion with the situation of the company, while paying attention to any inflationary effects.
- Consistent: the manager’s compensation must be set in a manner that is consistent with that of the company’s other managers and employees.

2. The Responsibilities of the Board 【Remuneration For Directors and Senior Management 8/10】

- Clear rules: the rules must be simple and transparent; the performance criteria used for the performance-related components of compensation or for allocating any options or bonus shares must correspond to the purposes of the company, must be demanding, explainable and, to the extent possible, sustainable.
- Measured: the compensation and allocation of options or bonus shares should find the right balance and take account of the general interest of the company, market practices and manager performance.
- Transparent: annual information disclosure to shareholders on the compensation of the managers must be made in accordance with the applicable regulations.

2 "Supervisory" power

The Board of Directors: Middelnext Recommendations

R14 Directors' compensation

Context : Average compensation of directors in Small and Midcaps remains significantly lower than the amounts distributed by other listed companies. As the responsibilities of directors increase, setting the compensation of directors in Small and Midcaps must take account of the increasing involvement and professionalism demanded of them.

Recommendation : The distribution of attendance fees, the global amount of which is determined by the general meeting, should be determined by the Board on the basis of the attendance record of the directors and the time they dedicate to the function. In its Annual Report and Chairman's Report, the company provides information on the attendance fees that have been paid out.

● Singapore Code of Corporate Governance

Level and Mix of Remuneration

Principle:

- 8 The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

Guidelines:

- 8.1 A significant and appropriate proportion of executive directors' and key management personnel's remuneration should be structured so as to link rewards to corporate and individual performance. Such performance-related remuneration should be aligned with the interests of shareholders and promote the long-term success of the company. It should take account of the risk policies of the company, be symmetric with risk outcomes and be sensitive to the time horizon of risks. There should be appropriate and meaningful measures for the purpose of assessing executive directors' and key management personnel's performance.
- 8.2 Long-term incentive schemes are generally encouraged for executive directors and key management personnel. The RC should review whether executive directors and key management personnel should be eligible for benefits under long-term incentive schemes. The costs and benefits of long-term incentive schemes should be carefully evaluated. In normal circumstances, offers of shares or grants of options or other forms of deferred remuneration should vest over a period of time. The use of vesting schedules, whereby only a portion of the benefits can be exercised each year, is also strongly encouraged. Executive directors and key management personnel should be encouraged to hold their shares beyond the vesting period, subject to the need to finance any cost of acquiring the shares and associated tax liability.

● ICGN Global Governance Principles

6.0 Remuneration

6.1 Alignment

Remuneration should be designed to effectively align the interests of the CEO and senior management with those of the company and its shareholders. Remuneration should be reasonable and equitable and the quantum should be determined within the context of the company as a whole.

6.2 Performance

Performance measurement should integrate risk considerations so that there are no rewards for taking inappropriate risks at the expense of the company and its shareholders. Performance related elements should be rigorous and measured over timescales, and with methodologies, which help ensure that performance pay is directly correlated with sustained value creation. Companies should include provisions in their incentive plans that enable the company to with-hold the payment of any sum, or recover sums paid ('clawback'), in the event of serious misconduct or a material misstatement in the company's financial statements.

2. The Responsibilities of the Board 【Internal Control System 1/4】

【Internal Control System】

● The UK Corporate Governance Code

Section C: Accountability

C.2 Risk Management and Internal Control

Main Principle

The board is responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives. The board should maintain sound risk management and internal control systems.

Code Provision

- C.2.2 Taking account of the company's current position and principal risks, the directors should explain in the annual report how they have assessed the prospects of the company, over what period they have done so and why they consider that period to be appropriate. The directors should state whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, drawing attention to any qualifications or assumptions as necessary.
- C.2.3 The board should monitor the company's risk management and internal control systems and, at least annually, carry out a review of their effectiveness, and report on that review in the annual report. The monitoring and review should cover all material controls, including financial, operational and compliance controls.

2. The Responsibilities of the Board 【Internal Control System 2/4】

● German Corporate Governance Code

4 Management Board

4.1 Tasks and Responsibilities

4.1.3 The Management Board ensures that all provisions of law and the enterprise's internal policies are abided by and works to achieve their compliance by group companies (compliance).

5 Supervisory Board

5.3 Formation of Committees

5.3.2 The Supervisory Board shall set up an Audit Committee which, in particular, handles the monitoring of the accounting process, the effectiveness of the internal control system, risk management system and internal audit system, ... compliance.

● France “Corporate Governance Code of Listed Corporations”

16 The Audit Committee

16.3 Operation

As regards the effectiveness of internal control and risk management systems, the committee should ensure that these systems exist, that they are implemented and that corrective action is taken in the event of significant weaknesses or flaws.

2. The Responsibilities of the Board 【Internal Control System 3/4】

● Singapore Code of Corporate Governance

Risk Management and International Controls

Principle:

- 11 The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

Guidelines:

- 11.1 The Board should determine the company's levels of risk tolerance and risk policies, and oversee Management in the design, implementation and monitoring of the risk management and internal control systems.
- 11.2 The Board should, at least annually, review the adequacy and effectiveness of the company's risk management and internal control systems, including financial, operational, compliance and information technology controls. Such review can be carried out internally or with the assistance of any competent third parties.
- 11.3 The Board should comment on the adequacy and effectiveness of the internal controls, including financial, operational, compliance and information technology controls, and risk management systems, in the company's Annual Report. The Board's commentary should include information needed by stakeholders to make an informed assessment of the company's internal control and risk management systems. The Board should also comment in the company's Annual Report on whether it has received assurance from the CEO and the CFO:
- (a) that the financial records have been properly maintained and the financial statements give a true and fair view of the company's operations and finances; and
 - (b) regarding the effectiveness of the company's risk management and internal control systems.
- 11.4 The Board may establish a separate board risk committee or otherwise assess appropriate means to assist it in carrying out its responsibility of overseeing the company's risk management framework and policies.

2. The Responsibilities of the Board 【Internal Control System 4/4】

● ICGN Global Governance Principles

7.0 Reporting and audit

7.6 Internal controls

The board should oversee the establishment and maintenance of an effective system of internal control which should be measured against internationally accepted standards of internal audit and tested periodically for its adequacy. Where an internal audit function has not been established, full reasons for this should be disclosed in the annual report, as well as an explanation of how adequate assurance of the effectiveness of the system of internal controls has been obtained.

2. The Responsibilities of the Board 【Access to Information 1/5】

【Access to Information】

● The UK Corporate Governance Code

B.5 Information and Support

Main Principle

The board should be supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties.

Supporting Principles

The chairman is responsible for ensuring that the directors receive accurate, timely and clear information. Management has an obligation to provide such information but directors should seek clarification or amplification where necessary.

Under the direction of the chairman, the company secretary's responsibilities include ensuring good information flows within the board and its committees and between senior management and non-executive directors, as well as facilitating induction and assisting with professional development as required.

The company secretary should be responsible for advising the board through the chairman on all governance matters.

2. The Responsibilities of the Board 【Access to Information 2/5】

Code Provisions

- B.5.1 The board should ensure that directors, especially non-executive directors, have access to independent professional advice at the company's expense where they judge it necessary to discharge their responsibilities as directors. Committees should be provided with sufficient resources to undertake their duties.
- B.5.2 All directors should have access to the advice and services of the company secretary, who is responsible to the board for ensuring that board procedures are complied with. Both the appointment and removal of the company secretary should be a matter for the board as a whole.

● German Corporate Governance Code

3 Cooperation between Management Board and Supervisory Board

- 3.4 Providing sufficient information to the Supervisory Board is the joint responsibility of the Management Board and Supervisory Board.

The Management Board informs the Supervisory Board regularly, without delay and comprehensively, of all issues important to the enterprise with regard to strategy, planning, business development, risk situation, risk management and compliance. The Management Board points out deviations of the actual business development from previously formulated plans and targets, indicating the reasons therefor.

The Supervisory Board shall specify the Management Board's information and reporting duties in more detail. The Management Board's reports to the Supervisory Board are, as a rule, to be submitted in writing (including electronic form). Documents required for decisions are to be sent to the members of the Supervisory Board, to the extent possible, in due time before the meeting.

2. The Responsibilities of the Board 【Access to Information 3/5】

● France “Corporate Governance Code of Listed Corporations”

12 Directors' Access to Information

- The law recognises the principle that the Chairman or the Chief Executive Officer is bound to disclose to each director all the documents and information required for performance of his or her duties. The manner in which this right to disclosure is exercised and the related confidentiality duty should be set out in the internal rules of the Board of Directors, the Board being responsible, where necessary, for determining the relevance of the documents requested.
- Corporations must also provide their directors with the appropriate information throughout the life of the corporation between meetings of the Board, if the importance or urgency of the information so requires. Ongoing disclosure should also include any relevant information, including criticism, relating to the corporation, such as articles in the press and financial analysts' reports.
- Conversely, the directors are bound to request the appropriate information that they consider necessary to perform their duties. Accordingly, if a director considers that he or she has not been able to take part in the proceedings with appropriate information, he or she is bound to say so to the Board in order to obtain the necessary information.
- Directors should have the opportunity to meet with the corporation's principal executive managers, even outside the presence of executive directors. In the latter case, these should be given prior notice.

2. The Responsibilities of the Board 【Access to Information 4/5】

● France “Middlenext Governance Code for Small and Midcaps”

2 "Supervisory" power

Supervisory power :

Five points to be watched for the “supervisory” function:

3. Do the directors have the material means to fulfil their mission?

This concerns providing the necessary information for preparing board meetings (providing knowledge of the subjects to be addressed to allow directors to forge an opinion) and the working of the Board, which must allow respect for, the expression and traceability of any diverging opinions before decisions are made on a collegiate basis. It seems preferable to provide the directors with sufficient information about the activities and organisation of the group when they take up their functions.

● Singapore Code of Corporate Governance

Access to Information

Principle:

6 In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

2. The Responsibilities of the Board 【Access to Information 5/5】

Guidelines:

- 6.1 Management has an obligation to supply the Board with complete, adequate information in a timely manner. Relying purely on what is volunteered by Management is unlikely to be enough in all circumstances and further enquiries may be required if the particular director is to fulfil his duties properly. Hence, the Board should have separate and independent access to Management. Directors are entitled to request from Management and should be provided with such additional information as needed to make informed decisions. Management shall provide the same in a timely manner.
- 6.2 Information provided should include board papers and related materials, background or explanatory information relating to matters to be brought before the Board, and copies of disclosure documents, budgets, forecasts and monthly internal financial statements. In respect of budgets, any material variance between the projections and actual results should also be disclosed and explained.
- 6.3 Directors should have separate and independent access to the company secretary. The role of the company secretary should be clearly defined and should include responsibility for ensuring that board procedures are followed and that applicable rules and regulations are complied with. Under the direction of the Chairman, the company secretary's responsibilities include ensuring good information flows within the Board and its board committees and between Management and non-executive directors, advising the Board on all governance matters, as well as facilitating orientation and assisting with professional development as required. The company secretary should attend all board meetings.
- 6.4 The appointment and the removal of the company secretary should be a matter for the Board as a whole.
- 6.5 The Board should have a procedure for directors, either individually or as a group, in the furtherance of their duties, to take independent professional advice, if necessary, and at the company's expense.