

## **MERSEN**

A French " Société Anonyme" with Board of Directors  
With a capital of 41 273 708 Euros  
Head Office: Tour EQHO  
2 Avenue Gambetta – 92066 La Défense Cedex  
Trade and Companies Register: NANTERRE B 572 060 333

### **INTERNAL RULES OF THE BOARD OF DIRECTORS**

**Updated on 11 May 2016**

#### Preamble

The present internal rules (The "Rules") of Mersen ("Mersen" or the "Company") constitute the governance charter of the Board of Directors and furthermore governs the relations between the members of the latter and Mersen's general management, in a spirit of co-operation, intended particularly to ensure the smoothness of interactions between the organs of the company and in the interests of the shareholders.

It aims to provide the Board of Directors with the means of ensuring the implementation of the best practices in corporate governance. In particular it subscribes to the recommendations of the AFEP-MEDEF code of corporate governance.

The Rules are for internal use and do not replace the Articles of Association of the Company, but implement them in a practical manner. Therefore, the Rules cannot be used against the Company by third parties. The principal characteristics of the Rules will be made known to the market through inclusion under the heading "Regulated Information" on the Company's website and then on an annual basis as a Reference Document of the Company, and more generally in accordance with the applicable legal or regulatory provisions.

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## **1 – Composition of the Board of Directors**

### **1.1 Diversity**

The Board of Directors must provide for balance in its own set-up and in that of the Committees which it sets up within it, by adopting measures in order to ensure that its own missions and those of the committees established by it are carried out with the necessary independence and objectivity. The composition of the Board of Directors must, in particular, ensure a harmonious representation between men and women, and between experience and competences in order to enable the Board to fulfil its mission to the best possible degree.

### **1.2 Independence**

In accordance with the principles and good practices of corporate governance outlined in the AFEP-MEDEF code of corporate governance for listed companies, the Board of Directors and each of its Committees shall include independent members elected or co-opted as such.

The criteria that must be examined by the Board of Directors in order to qualify a member as being independent are as follows:

- He may not be a salaried employee or a corporate officer of the Company or the Group, nor a salaried employee or a director of a shareholder of the Company that holds a controlling interest, by itself or together with others, within the meaning of the law, nor of a company that it has absorbed, and who has not been so during the preceding five years;
- Is not a corporate officer in a company in which the Company holds directly or indirectly a directorship, or in which an employee designated as such, or an corporate officer of the Company (currently or having been so during a period of less than five years) holds a directorship;
- Is not a client (or directly or indirectly linked with a client), supplier, investment banker nor substantial financing banker of the Company or its Group, or for which the Company or its Group represents a significant part of its activities;
- Does not possess any close family links with any corporate officer of the Company or of its Group;
- Has not been an auditor of the business or of a Group Company during the five preceding years;
- Has not been an executive director of the business for more than twelve years;
- Is not receiving or has not received any significant supplementary remuneration from the Company or Group, except for attendance fees or remuneration as Chairman or Deputy Chairman.

The Board of Directors may consider that one of its members, while fulfilling the above criteria, may not be qualified as independent, due to his particular situation or that of the Company, taking into consideration his shareholding or for any other motive. Conversely, the Board may consider that a member of the Board who does not fulfil certain of the above criteria is nevertheless independent. In this case, the Board must provide explanations based on the particular situation of the Company and the Board member concerned.

Members of the Board of Directors who represent significant direct or indirect shareholders of the Company may be considered as independent when such shareholders do not control the Company within the meaning of article L. 233-3 of the Commercial Code. However, above a threshold of 10% in terms of capital or voting rights, the Board of Directors, after a report from the Governance and Remuneration Committee should systematically examine such independence qualification, bearing in mind the composition of the Company's capital and the possible existence of a conflict of interest.

The qualification of an independent member should be examined each year by the Governance and Remuneration Committee, which will produce a report to the Board of Directors on this matter. Every year, the Board of Directors shall on the basis of this report decide on the status of each member of the Board of Directors with respect to the independence criteria.

The Board of Directors must report the conclusions of its review to the shareholders in the Annual Report.

Each member qualified as independent shall inform the Chairman of any change in his personal situation with respect the said criteria, as soon as he becomes aware of it.

### 1.3 Chairman

The Board of Directors shall elect from among its members, who are natural persons, a Chairman and may elect a Deputy Chairman for a period that may not exceed the period of his mandate as a Board member. He may be dismissed freely and at any time by the Board. He is, in particular, responsible for convening meetings of the Board, and presiding over its deliberations.

## **2 - Missions of the Board of Directors**

At all times, the Board of Directors shall carry out such verifications and controls as it deems appropriate, and is entitled to receive all such documents concerning the Company and its subsidiaries as it shall consider necessary for the fulfilment of its mission.

Within the scope of its mission, it shall possess in particular the following powers:

- Review of the financial situation, the cash position and the financial commitments of the Company and its subsidiaries;
- Annual review and approval of the budget and strategic plan;
- Approval of the management report;
- Examination and approval of the company accounts and the consolidated accounts of the Company (yearly and half-yearly) and of the auditing process for these accounts, and of the accounts of any subsidiaries insofar as necessary;
- Approval of regulated agreements and their annual review in order to confirm their continuing interest for the Company;
- Nomination and dismissal of the General Manager and, where applicable, of the Deputy General Managers, establishment of their number within the limit provided for under the Articles of Association and establishment of their remuneration;
- Co-optation of members of the Board of Directors;
- Distribution of attendance fees among the members of the Board of Directors, establishment of the remuneration of the Chairman and Deputy Chairman of the Board of Directors;
- Prior consultation on the contents of the half-yearly financial information made available to the market. It is furthermore specified that the Chairman of the Board of Directors shall be consulted concerning the draft of the press release concerning the quarterly turnover,

and with respect to any other draft press release that may have a significant impact on the share price.

The Board of Directors shall receive a monthly report on the development of sales and the results of the group.

Each year the Board of Directors must present to the Ordinary General Meeting a report on the accounts for the financial year.

The Chairman of the Board of Directors must add to this report a report concerning the composition of the Board, the conditions for the preparation and organisation the its work, as well as the procedures for internal control and risk management put into place by the Company and noting in particular any procedures regarding the preparation and processing of financial and accounting information for the accounts of the company and the consolidated accounts.

The Board of Directors will put forward proposals to the General Meeting with regard to the renewal of the positions as member of the Board of Directors.

The Board of Directors shall confer upon the General Manager any required authorisations by means of a provision under the law or a stipulation in the Articles of Association.

Moreover, the following decisions shall be subjected to the prior authorisation from the Board of Directors:

- The issue of securities giving access directly or indirectly to the share capital of the Company;
- Financing operations capable of substantially modifying the financial structure of the Company;
- Investments or the disposal of assets (excluding participations) for a value in excess of 10 million euros;
- Operations for acquisitions or the acquisition of an equity stake, in whatever form, where the individual amount or, in the case of the acquisition of several stakes within the same entity, the cumulative amount, including the addition of all liabilities, is in excess of 3 million euros;
- The provision of sureties, endorsements or other guarantees of whatever nature, where these exceed an amount fixed by the Board, to remain in force for a duration fixed by the Board in its decision;
- Any strategic partnership agreements capable of having a substantial impact on the activities or the results of the Company;
- Proposals for the General Meeting of shareholders;
- The setting up of stock option plans or plans for share purchase, and plans for the allocation of free-of-charge shares for the benefit of the salaried employees of the Company or for the salaried personnel and the corporate officers of any associated companies, as well as setting up stock option plans or plans for share purchase, and plans for the allocation of free-of-charge shares for the benefit of the General Manager and, if applicable, the Deputy General Managers of the Company.

It is specified that in order to examine a particular subject, the Board of Directors, where it considers this to be desirable, may receive the support of a consultant of its choice, at the expense of the Company.

### **3. Meetings of the Board of Directors**

The Board of Directors meets as frequently as is required by the interests of the Company, and at least once per quarter, at the invitation of its Chairman or its Deputy Chairman. A provisional timetable for the meetings shall be addressed to the Board members each year, at latest by 30 November of the preceding year.

#### 3.1 Convocation:

The members of the Board of Directors shall be invited to Board meetings by the Chairman using any written mean at least five (5) days in advance, and without notice in the event of unanimous agreement by the directors. The invitation shall indicate the agenda. At least two (2) days before the date of the meeting provided for in the invitation at least one third of the members of the Board of Directors shall have the possibility of proposing in writing the inclusion of additional points in such agenda, without this calling into question the convocation nor the Board meeting at the specified date.

The Chairman of the Board of Directors is obliged to call such a Board meeting at a date within no more than fifteen (15) days, if the General Manager or at least a third of the members of the Board of Directors presents him with a request to that effect. If such request is not followed up, then its authors may themselves proceed with the invitation, stating the agenda for the meeting.

Meetings shall be held either at the Company headquarters or in any other place indicated in the invitation.

#### 3.2 Participation:

The Chairman of the Board of Directors may invite the General Manager in the case of separation of functions and, where applicable, members of the General Management, to participate in meetings of the Board of Directors, without the right to vote.

The Board of Directors shall only deliberate validly if at least one half of its members are present.

With the agreement of the Chairman, directors may participate in the deliberations of the Board of Directors by means of video conferencing or telecommunications methods enabling them to be identified and guaranteeing their effective participation. However, such procedures may not be used for approving the annual accounts and the management report, nor for the approval of the consolidated accounts or the group management report.

Any member of the Board of Directors may give in writing to another member of the Board of Directors a proxy for representing him at a Board meeting.

The meetings will be presided over by the Chairman or, in his absence, by the Deputy Chairman if there is one, or otherwise by any other director designated by the Board of Directors.

#### 3.3 – Majority rules

Decisions shall be taken by a majority of the members present or represented. Each member of the Board of Directors possesses one vote, and may not represent more than one of his colleagues.

#### 3.4 – Minutes of the meeting

The deliberations of the Board meeting shall be recorded in minutes set out in accordance with the legal provisions in force and signed by the Chairman of the meeting and by at least one member of the Board of Directors or, if the Chairman is unable to officiate, by two members of the Board of Directors.

The draft minutes shall be communicated to all the members of the Board of Directors as quickly as possible, and at latest within three weeks from the date when the Board meeting was held, and may be subject to modification before being submitted for approval by the Board.

Copies of or extracts from these minutes shall be certified by the Chairman of the Board of Directors, the Deputy Chairman of the Board of Directors or the secretary of the Board.

An attendance register shall be kept, to be signed by those members of the Board of Directors participating in the Board meeting and which, where applicable, must mention the names of members of the Board of Directors who participated in such deliberations by audio or video conference or by other telecommunications means, as well as the names of any director who was represented by another director.

#### 3.5 – Secretary of the Board of Directors

The Board of Directors shall nominate a secretary, chosen from within or from outside their number.

Under the responsibility of the Chairman of the Board of Directors, the mission of the secretary is:

- The management of the timetable for Board meetings and meetings of its Committees,
- The preparation of invitations to the Board meetings,
- The communication to the Board members of documents produced by the General Manager or by the company for review by the Board or necessary for its work and deliberations; insofar as possible, these documents will be issued at the same time as the invitation and, in any event, within the shortest possible period of time,
- The practical organisation of the Board meetings,
- The drafting of the minutes of the meeting,
- Keeping the attendance registers and the minutes of the Board meetings,
- The issue of extracts or of a certified copy of the minutes of a Board meeting.

In general, the secretary shall take care of the good progress of the work and the deliberations of the Board in accordance with the applicable legal and regulatory provisions.

### **4. Remuneration of the members of the Board of Directors**

#### 4.1 – Attendance fees

The Board members shall receive attendance fees, the total amount of which is determined by the General Meeting in accordance with the legal provisions.

This global envelope was fixed at 264 000 euros by the General Meeting of 11 May 2016 for the financial year 2016 and will be retained until any new resolution decides otherwise for the succeeding financial years.

The Board shall set and shall distribute among its members the sums allocated to it for this purpose, subject to any legal or regulatory provisions, and in such proportions as it shall consider appropriate, bearing in mind the actual participation in meetings of the Board and, where applicable, of its Committees.

The scale for allocating the attendance fees shall be established in accordance with the following rules:

- For each meeting of the Board or of a specialised Committee, an attendance sheet shall be signed and the number of participations determined (one participant in one meeting = one participation); it is pointed out that meetings not scheduled in the annual timetable will not be taken into account for calculations concerning the allocation of attendance fees, and that the annual strategy meeting, which brings together all members of the Board is regarded as a Board meeting and not as a meeting of the Strategy Committee,
- At the beginning of year  $n + 1$ , the total number of participations in the Board meetings and of the specialised Committees shall be established,
- Within the limits of the total amount authorised by the General Meeting, the amounts of the attendance fees is established as follows:
  - 2/3 of the total authorised amount of the attendance fees is reserved for remunerating membership of the Board of Directors, and the presence of each member in the Board meetings. On this basis, 45% of this amount is reserved for membership and shall be equally distributed amongst the members, and 55% shall be reserved for attendance, distributed pro rata to the effective attendance at the Board meetings. For each member, where applicable, the fixed part shall be adjusted "pro rata temporis" in order to take into account the effective duration of his mandate during the course of a given financial year.
  - 1/3 of the total authorised amount of the attendance fees is reserved for remunerating membership of the Committee, and the presence of each member in the Board meetings. The total amount for the attendance fees shall be distributed in accordance with the same principles between membership and attendance, at a rate of 13.3% for the Audit and Accounts Committee, 10% for the Strategy Committee and 10% for the Governance and Remuneration Committee. For each member, where applicable, the fixed part shall be adjusted "pro rata temporis" in order to take into account the effective duration of his mandate during the course of a given financial year.
- The remuneration for each Committee Chairman for both membership and attendance is 1.5 times the remuneration for a member.

#### 4.2 – Remuneration of the Chairman and Deputy Chairman

The remuneration of the Chairman of the Board of Directors and, where applicable, that of the Deputy-Chairman shall be fixed by the Board of Directors.

#### 4.3 – Exceptional Remuneration

The Board of Directors may allocate exceptional remuneration for missions or mandates conferred upon members of the Board of Directors; in this case, such remuneration shall be included in the operating costs and submitted for approval by the Ordinary General Meeting.

The Board of Directors may authorise reimbursement for travel and accommodation costs and for expenses incurred by its members in the interests of the Company.

Except as provided for above, no other remuneration, whether permanent or not, may be allocated to members of the Board of Directors, unless they are bound to the Company by a contract of employment under conditions authorised by legislation or regulations.

### **5. Obligations of the members of the Board of Directors**

The Board of Directors, a collegial body, is obliged to act in all circumstances in the best interests of the Company and in the interests of all the Company's shareholders.

The members of the Board of Directors shall exercise their functions in good faith, with loyalty and professionalism, while respecting the principles of confidentiality and of due diligence.

The members of the Board of Directors shall take knowledge of the legal and regulatory texts, the Company's Articles of Association, the internal rules for the Board of Directors and other internal texts of the Company that shall be communicated to them with respect to the obligations for which they are responsible.

Each member of the Board of Directors must own at least 800 shares in the Company, that must be fully paid-up. These shares must be registered in the name of the holder.

Each member of the Board of Directors shall consider himself as being bound by the rules of professional secrecy, with respect to any non-public information that becomes known to him within the context of his functions. He undertakes personally to observe total confidentiality regarding all information which he receives, as well as regarding the deliberations in which he takes part and the decisions taken. In particular, each member of the Board undertakes to observe the Procedure attached as an Appendix to the present rules concerning the use or disclosure of privileged information.

The members of the Board of Directors:

- Undertake to devote to their functions the necessary time and attention,
- Must be assiduous and, except when prevented from so doing, participate in all the meetings of the Board and of the Committees of which they are members,
- Shall keep themselves informed concerning the features of the business and the special characteristics of the Company's activity, the challenges it faces and its values,
- Will ensure they keep up-to-date the knowledge they need for the proper fulfilment of their mission,



- Are under obligation to request and to make every effort to obtain within appropriate time periods such items as they consider necessary for informing themselves for the deliberations in the Board meetings, with full knowledge of the matters. The Chairman of the Board and, where applicable, the General Manager, must provide to the Board members all information that is significant with respect to the Company of which the former are aware, and which they judge relevant to communicate.

In order to possess the fullest knowledge about the Company, the features of its business, its activities and the special characteristics thereof, each member of the Board may also receive any appropriate information at the time of his nomination or during his mandate.

The members of the Board of Directors shall ensure that under all circumstances they retain their independence of judgement, decision and action.

They shall inform the Board of Directors concerning any conflict of interest in which they may be involved. In such case, they shall abstain from taking part in deliberations and any decisions relating to the matters concerned.

The members of the Board of Directors must promptly inform the Chairman of the Board of Directors and the Chairman of the Governance and Remuneration Committee on accepting any new mandate or on any change in their professional responsibilities.

The members of the Board of Directors must inform the Chairman of the Board of Directors and the Chairman of the Governance and Remuneration Committee if they accept a supplementary mandate in a French or foreign listed company.

## **6. Evaluation of the Board of Directors**

The Board of Directors shall proceed to evaluate its ability to ensure fulfilment of its mission by periodically reviewing its position, its organisation and the manner in which it operates (which implies a similar review for the Board Committees).

Such evaluation should have three objectives:

- To assess the way in which the Board and its Committees operate,
- To check that important matters relevant to its mission are properly prepared and discussed,
- To measure the actual contribution of each director to the work of the Board and its Committees through his competence and involvement in discussions.

The evaluation must be performed in the following manner:

- Once per year the Board of Directors must dedicate one point on its agenda to a debate concerning its operation;
- A formal evaluation must be carried out at least once every three years. This could be implemented under the leadership of the Governance and Remuneration Committee or of an independent member of the Board, possibly with the help of an external consultant;
- The shareholders should be informed each year in the Annual Report concerning the evaluations carried out and, if applicable, of any measures taken as a result.

The members of the Board shall meet once a year, without the presence of any members having executive functions within the Company. In addition, independent members of the

Board shall meet at least once per year without the presence of any non-independent members.

## **7. The Committees of the Board of Directors**

The Board of Directors has the possibility of setting up one or more specialised Committees, for which it shall establish the composition and the remit, and which shall exercise their activities under the Board's responsibility. The Committees have a consultative role.

The Board of Directors is supported by the following permanent Committees:

- The Audit and Accounts Committee,
- The Governance and Remuneration Committee,
- The Strategy Committee.

Insofar as is possible, and depending on the circumstances applying, any deliberation by the Board of Directors relating to an area of competence of one of the Committees must have been preceded by a referral to the competent Committee concerned, and no decision may be taken unless the competent Committee has submitted its recommendations or proposals.

However, this consultation with the Committees may not have the purpose of delegating to them any powers attributed to the Board of Directors by law or under the Articles of Association, nor may it have the effect of reducing or limiting the powers of the Board of Directors or of the General Management.

### 7.1 – Common rules for the Committees

The members of the Committees and their Chairmen shall be selected by the Board of Directors from among its members. They may be dismissed by the Board of Directors.

The duration of the mandate of members of a Committee is the same as the duration of their mandate as a member of the Board of Directors. It may be subject to a renewal at the same time as renewal of the latter mandate.

A single member of the Board of Directors may participate in a maximum of two Committees.

The Chairman of each Committee is nominated by the Board of Directors. He is responsible for organising the work of the said Committee.

After having informed the Chairman of the Board of Directors (and, in case of separation of functions, the General Manager and, where applicable, the Deputy General Managers, in cases (i) and (ii) below), and with the responsibility of reporting it to the Board of Directors, each of the Committees may, in the exercise of the remit given to it:

- (i) obtain from the Company any document that it considers necessary for fulfilling its mission;
- (ii) in the case of separation of functions, interview of General Manager and, where applicable, the Deputy General Managers or any other person whom the Committee shall consider it necessary to interview;
- (iii) hold meetings attended by any third party it shall choose (expert, consultant or Auditor);

- (iv) carry out, at the Company's expense and within the budgets approved by the Board of Directors, any internal or external study by experts concerning subjects relevant to their competence, and which is capable of shedding light upon the deliberations of the Board.

The Committees may also invite the General Manager and, where applicable, the Deputy General Managers to attend their meetings.

In order to validly deliberate, at least half of the members of the Committee must be present. No member of a Committee may allow himself to be represented by another. The members of the Committee may take part in Committee meetings by video or audio conference, with the agreement of the Chairman of the Committee concerned.

The recommendations or proposals of the Committees are issued on the basis of a simple majority of their members.

The frequency and duration of the meetings of a Committee must be such that they allow for a thorough examination and discussion of the matters related to the Committee's area of competence.

When a submission by a Committee has been requested under the terms of the Rules, the Committee must meet within a period of time compatible with the degree of urgency notified to it by the Board of Directors when the referral was made.

Each Committee may appoint a Committee secretary who, if necessary, may be selected from outside its members.

Minutes of the meetings of the Committee shall be taken. Such minutes shall be communicated to the Committee members themselves, and then to the other members of the Board of Directors. The Chairman of the Committee or a member appointed for this purpose shall prepare a report to the Board of Directors concerning the Committee's work.

#### 7.2 – Audit and Accounts Committee

The Audit and Accounts Committee shall be composed of a minimum of three members and a maximum of six members, having a majority of two thirds of independent members.

The members of the Audit and Accounts Committee must be selected in particular for their competence in the fields of accounting or finance. No legal representative within the meaning of the AFEP-MEDEF Code may be a member of the Audit and Accounts Committee.

The nomination or renewal of the mandate of the Chairman of the Audit and Accounts Committee, which shall be proposed by the Governance and Remuneration Committee, shall be subject to a special review by the Board.

The Audit and Accounts Committee is responsible for:

1/ following the process of preparing financial information,

- a) by examining and evaluating the financial documents issued by the Company, and in particular the accounting representation of significant or complex operations,

b) by ensuring the existence of a sufficiently well-structured and organised process for producing financial information, particularly by ensuring the appropriateness and permanence of compatible principles and methods,

c) by examining any significant off-balance sheet risks and commitments and by assessing the company's management of these risks,

more generally by examining all questions concerning the drawing up, control and publication of the Company's individual or consolidated accounts, whether annual or interim;

2/ monitoring the effectiveness of the systems for internal control and risk management:

a) by evaluating, together with the Company's administration and finance director and his staff, the Company's internal control systems,

b) by examining with the persons responsible the objectives and plans for intervention and action in the field of internal controls,:

- the conclusions from interventions and actions
- the recommendations and consequences ascribed to them.

c) by ensuring that a process exists for the identification and analysis of risks capable of having a significant effect on the group,

d) by reviewing the work of the Group's Executive Committee with regard to such risks, and by evaluating on an annual basis whether the risks confronting the Company have been correctly identified and dealt with, and by reporting back to the Board of Directors;

3/ examining the accounts and ensuring the pertinence and permanence of the accounting methods adopted for setting up the company accounts and consolidated accounts of the Company, as well as the legal auditing of the annual and consolidated accounts by the statutory auditors, taking knowledge of:

a) their general work programme and any particular investigations they have made;

b) any changes which they feel should be made to the accounts or accounting documentation, and their observations on the evaluation methods used;

c) any irregularities or inaccuracies they have discovered;

d) the conclusions arising from the observations and corrections to the results of the period compared with those for the preceding period;

e) any significant weaknesses in the internal control function identified during their work, with respect to procedures for the production of or processing of the financial and accounting information.

4/ the independence of the Statutory Auditors,

a) by evaluating for the benefit of the Board of Directors proposals for the nomination of the Company's Statutory Auditors and their remuneration;

b) by meeting with the Statutory Auditors at least once per year without Management being present;

- c) by examining together with the Statutory Auditors the risks affecting their independence and the safeguard measures taken to mitigate such risks. In particular, the Committee must ensure that the amount of fees paid by the Company and its group, or by the part that they represent within the turnover of the auditing firms and networks is not likely to affect the independence of the statutory auditors.

The Audit and Accounts Committee shall meet at least three times per year and on any occasion that it feels necessary, and also prior to meetings of the Board of Directors when the agenda includes the review of a topic related to its mission.

Unless the Audit Committee expresses a wish to meet in his absence, the meetings of the Committee will be attended by the Chief Financial Officer, or by any other person whom the Committee wishes to interview. In particular, the Audit and Accounts Committee may interview the VP's, the Treasurer and the Group VP of Risks and Internal Audit. The Statutory Auditors shall attend the meetings of the Audit and Accounts Committee concerning the establishment, control and publication of the Company's individual or consolidated accounts, whether annual or half-yearly.

### 7.3 – Governance and Remuneration Committee

The Governance and Remuneration Committee is composed of a minimum of three members and a maximum of six members, with a majority of independent members.

Neither the Chairman nor other officers of the company may be members of the Governance and Remuneration Committee. However, they may be associated with the work of the Governance and Remuneration Committee, but they must not participate in work of the Committee dealing with their own remuneration, nor with any work concerning the renewal or revocation of their mandates.

The Committee must be chaired by an independent member.

The Governance and Remuneration Committee shall have the following missions:

#### **(i) Governance**

- to be able to formulate a proposal for the nominations, revocations and renewals of mandates for the General Manager, the Chairman of the Board, the Committee members and, where applicable, the Deputy General Managers;
- to provide an opinion on the candidatures that are under consideration for the above functions, in terms of competence, availability, matching with the requirements and complementarity with the other members of the Board of Directors;
- to ensure that there exists a succession plan for the members of the Executive Committee;
- to be informed a priori regarding the nomination or revocation of members of the Company's Executive Committee being considered by the general management;
- to propose the qualifications for being an independent member with respect to the relevant members of the Board of Directors;

- to examine and evaluate the practices within the Company regarding the rules for governance of the business; and in particular, to review the development of the rules for corporate governance to which the Company refers, and to inform the Board of Directors concerning such developments;
- to periodically evaluate the structure, composition and operation of the Board of Directors and to submit recommendations concerning any possible modification;
- to prepare the evaluation of the Board of Directors provided for in the internal rules and to make recommendations to the Board of Directors with respect to its operation on the basis of the results of such evaluation.

**(ii) Remuneration**

- to propose the remuneration of the Chairman and the Deputy Chairman of the Board of Directors; to propose to the Board of Directors any modification in the global amount of the attendance fees for the purpose of producing a resolution to be submitted to the general meeting;
- to make recommendations to the Board of Directors regarding the remuneration of the Chairman of the Board of Directors, the General Manager and, where applicable, the Deputy General Managers, the rules for determining the variable components and complementary components, such as pension scheme and benefits in kind;
- to issue recommendations on the compensation and benefits to be taken into consideration in the event of the revocation or termination of the mandate of the Chairman of the Board of Directors or of the General Manager, and, where applicable, of the Deputy General Managers;
- to keep informed concerning the compensation envisaged by the General Manager in the event of any breach of contract of employment by a member of the Executive Committee, and to give its opinion on this matter to the Chairman of the Board of Directors;
- to provide an opinion concerning the policy of allocation of share options, performance-based shares and all other types of transferrable securities applied by the Board of Directors with respect to all categories of beneficiaries, and more particularly, with respect to the General Manager and the members of the Company's Executive Committee; to make a recommendation on the frequency of such allocations and the methods of allocation;
- To keep informed in advance of conditions and the developments in the remuneration for the members of the Executive Committee.

The Governance and Remuneration Committee shall meet at least twice per year and, in any case, prior to Board meetings when the agenda includes the review of a topic related to its mission.

**7.4 - Strategy Committee**

The Strategy Committee shall be composed of at least three members and a maximum of eight members, with a majority of independent members.

The Strategy Committee shall investigate in greater depth certain subjects of a strategic nature such as, for example, the analysis of the prospects in certain markets, technological developments, new marketing approaches, evolution of competitors ...) in order to cast light upon the positions adopted by the Board of Directors.

At the request of the Chairman of the Board of Directors, the Committee may also be required to carry out an initial review of an acquisition project, or more generally, of any strategic project, if its complexity and/or importance, justifies work in a reduced committee.

The Board of Directors shall be involved in the preparation of the annual work programme of the Strategy Committee.

For each meeting of the Strategy Committee, a report will be given by its Chairman to the following meeting of the Board of Directors, so that the members of the Board of Directors who are not members of the Strategy Committee may gather the main points.

The Strategy Committee shall meet as a minimum twice per year, and on any occasion that the Board of Directors or the Chairman of the Board of Directors considers necessary.

It is recalled that the approval of the strategy for the group, as well as the approval of any acquisitions or disposals provided for under article 2 of the present internal rules, shall be the subject of a decision by the Board of Directors.

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Any change to the Rules requires a simple majority by the members of the Board of Directors.

In the event of a conflict between the Rules and the Articles of Association of the Company, the Articles of Association shall have precedence.

The present Rules were modified and approved by the Company's Board of Directors on 11 May 2016 and entered into force on the same date.

## APPENDIX

### PROCEDURE FOR THE PREVENTION OF THE USE OR DISCLOSURE OF PRIVILEGED INFORMATION

The quotation of Mersen shares on the Paris financial market exposes the Mersen Group to the risk of the use or disclosure of information that is of a privileged nature.

Independently of the liability to civil, administrative or criminal penalties that would apply to Group officers or employees, or to any outside agent working for the Group being found guilty of offences, or of complicity in offences or of concealment, the actual occurrence of such offences would have a definite negative effect on the Group in relation to investors, the financial community, the stock market authorities, clients and the public in general.

The present note acts as a reminder regarding the concepts of "privileged information" and "insider", and of establishing rules for conduct with respect to the use or disclosure of privileged information.

#### I – REMINDER

##### **What is privileged information?**

An item of privileged information is defined as an item of information which is: (a) precise and non-public, (b) which relates to the prospects or the situation of a company of which the securities (shares or other transferable securities) are quoted on a regulated market, and (c) which, if it was made public, would be capable of exerting a significant influence on the share price (or the price of any other transferable security) of that company.

##### **What is an "insider"?**

An insider is considered to be any person who has knowledge of privileged information within the context of his functions or mandate. With respect to the Mersen Group, the following people are concerned:

- Office holders (members of the Board of Directors, the General Manager and, where applicable, the Deputy General Managers);
- Persons having functional or operational responsibility (in particular the members of the Executive Committee);
- Employees who may have direct access, even on a temporary basis, to privileged information on the Group;
- Any external agent or consultant (whether private or public) who, in the context of providing a service or making an intervention, obtains access to privileged information on the Group;

In accordance with the applicable legal and regulatory provisions, a list of the so-called "insiders" shall be established by the Company and communicated to the Financial Markets Authority (AMF).

In December of each year, a note is addressed to all persons referred to above by the Chairman of the Board of Directors or by the secretary of the Board of Directors, to inform them of the periods during which it is specifically requested by the Company not to carry out any purchase or sale operation on MERSEN shares.



## II – PREVENTION INSIDER OFFENCES

### **Obligations – prohibitions:**

Any person who may be considered as an insider is bound by the following obligations:

- not to disclose any privileged information;
- not to recommend a third party to act or to cause others to act on the basis of any privileged information;
- is strictly forbidden from using, on their own behalf or on behalf of others, any privileged information for the purpose of carrying out or of knowingly allowing others to carry out, either directly or through an intermediary, one or more operations regarding the Company's securities, for so long as the privileged information has not been revealed to the public.

They must contact the Chief Financial Officer before proceeding with any operation concerning Mersen securities in order to check whether such operation would be carried out during a period prohibited by regulations or by the Company. In the event of separation of functions, if it is possible that an operation involving the shares might be carried out by the General Manager, the latter must similarly contact the Chairman of the Board of Directors.

Moreover, it is recalled that the AMF recommendations oblige every officer/director to declare to AMF all operations with shares of the company that he may carry out directly or through an intermediary.

### **Preventive measures:**

The main persons with functional or operational responsibility in the Mersen Group must ensure that preventive measures are put in place if specific operations or particular events are carried out which are capable of constituting privileged information, and in particular:

- To assign a code name to the operation or event;
- To inform the persons involved in the operation or event regarding the confidential nature of the information to which they will get access due to their participation; and
- Depending on the importance of the operation or event, to cause the persons involved to sign a confidentiality undertaking.

It is recalled that any fines and sanctions provided for by law do not exclude any disciplinary sanctions that may be implemented by the Mersen Group.