

# Corporate Governance 2013 Report

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# 1. Governance Framework

## 1.1 GOVERNANCE PRINCIPLES OF THE STOCK EXCHANGE

Foyer S.A. adheres to the ten Corporate Governance Principles of the Luxembourg stock exchange (the "Governance Principles"). The Governance Principles are available on the website

<https://www.bourse.lu/gouvernance-entreprise>.

## 1.2 GOVERNANCE CHARTER

Foyer S.A. has adopted a set of governance rules in its Corporate Governance Charter (the "Governance Charter"). This Governance Charter is available on the website <http://groupe.foyer.lu> and is regularly updated. The last update implements the 3<sup>rd</sup> revision of the Governance Principles of March 2013.

The Governance Charter follows the Governance Principles, with the exception of the following recommendations:

- Independent directors (recommendation 3.5 referring to appendix D, paragraph h) of the Governance Principles: the Board of Directors of Foyer S.A. considers that a long term of office for a director is likely to constitute an advantage due to the in-depth knowledge that this director will have acquired during his/her years within Group Foyer, without his/her critical attitude and/or independence necessarily being compromised.

- Evaluation of executive directors (recommendation 7.4, 2<sup>nd</sup> paragraph): the Board of Directors of Foyer S.A. considers that a meeting without executive directors present, in order to assess their performance, would harm the collegial character of the Board and the principle of equality between directors.

## 1.3 ANNUAL GOVERNANCE REPORT

The present annual report on corporate governance constitutes the declaration on corporate governance according to the meaning of article 68 bis of the law concerning the company and commercial register and the accounting and annual financial statements of companies dated 19 December 2002. In accordance with paragraph 2 of the aforementioned article, the present report constitutes a separate report from the management report.

## 1.4 REGULATION OF LISTED COMPANIES

The shares of Foyer S.A. are listed on the Luxembourg stock exchange and Euronext Brussels.

Foyer S.A. is consequently subject to compliance with the regulations applicable to listed companies. These include, among others, the regulations on market abuse, transparency, takeover bids, squeeze-outs and the prospectus to be published if listed securities are issued.

The regulatory information Foyer S.A. is required to disclose pursuant to transparency regulations are published on its website (<http://groupe.foyer.lu>) and stored with the Luxembourg stock exchange as "Officially Appointed Mechanism" ("OAM") in charge of the centralised storage of regulatory information (<https://www.bourse.lu/informations-reglementees-oam>).

Foyer S.A. also publishes on its website (<http://groupe.foyer.lu/fr/investisseurs/declaration-de-transparence>), transactions on Foyer S.A. shares made by persons having managerial responsibilities within its Group.

In 2013, 4 declarations were published, relating to acquisitions of securities for an overall volume of 430 shares.

## 2. Shareholders

The structure of the shareholders of Foyer S.A. as of 31 December 2013 was as follows:

Foyer Finance S.A.	79,36 %
Luxempart S.A.	6,12 %
Public et institutions	12,87 %
Foyer S.A.	1,65 %
<b>Total</b>	<b>100 %</b>

The mode of functioning and main powers of the general shareholders' meeting, and the rights of shareholders and the procedures for exercising these rights, are contained in detail in the amended law dated 10 August 1915 on commercial companies, as well as in the Governance Charter.

## 3. Board of Directors

The role, composition and functioning of the Board of Directors is described in the Governance Charter, particularly in section "IV. Board of Directors".

### 3.1 CHANGES TO COMPOSITION

The significant events occurring in 2013 concerning the composition of the Board of Directors were as follows:

- After proposal by the Board of Directors, the general shareholders' meeting of 16 April 2013 renewed the terms of office of directors which expired on the day of the general meeting, for a period of three years, until the annual general meeting of 2016, namely the appointments, as directors, of Mr Paul Mousel, Mr Jacquot Schwertzer and Mr Michel Tilmant.
- After proposal by the Board of Directors, the meeting decided to appoint Mr Marc Lauer as a new Executive Director for a period of three years until the ordinary general meeting of 2016.
- Ms Carole Wintersdorff presented her resignation before the Board meeting of 22 August 2013.

On 31 December 2013, the Board of Directors was composed of 10 members:

- 3 executive directors: the managing director (CEO), the Chief Operating Officer (COO) and the managing director of CapitalatWork Foyer Group;
- 7 non-executive directors, including 5 independent directors.

### 3.2 PRESENTATION OF DIRECTORS

#### Mr Henri Marx

Chairman of the Board of Directors

Non-executive and independent director

Born in 1944, of Luxembourg nationality

After his secondary education, Henri Marx joined Foyer in 1967. From 1988 to 2006, he was a member of the management of the Foyer Group, since 2000 as Assistant General Manager. Mr Marx withdrew from his professional activity in 2006, but he continues, as he has for several years, to be a director of the companies Foyer Assurances S.A. and Foyer Vie S.A. He has been a member of the Board of Directors of Foyer S.A. since 2000. His appointment, for a period of three years, was renewed in 2011 and will expire at the ordinary general meeting of 2014. He was elected Chairman of the Board of Directors on 5 April 2011.

#### Mr François Tesch

Managing director

Executive Director

Chief Executive Officer of Group Foyer S.A.

Born in 1951, of Luxembourg nationality

François Tesch is the holder of a degree in economic sciences and an MBA from INSEAD. After having been a financial analyst at W.R. Grace & Co in New York and financial director with W.R. Grace & Co in Paris, Mr Tesch joined the Foyer insurance group in 1983 as Company Secretary. Since 1985, he has been Managing Director. In 2000, he was appointed Chairman of the Board of Directors of Foyer S.A. In order to comply with the Governance Charter, on 1 November 2007, Mr Tesch passed chairmanship of the Board of Directors to a non-executive director. His appointment, for a period of three years, was renewed in 2012 and will expire at the ordinary general meeting of 2015. Mr Tesch is managing director of Foyer Finance S.A. and CEO of the companies Foyer S.A. and Luxempart S.A. He is also director of the following listed companies: SES S.A., Atenor Group S.A. and Financière de Tubize S.A.

### Mr Romain Becker

Non-executive and independent director

Born in 1954, of Luxembourg nationality Romain Becker has been a member of the Board of Directors of Foyer S.A. since 6 April 2000. His appointment, for a period of three years, was renewed in 2011 and will expire at the ordinary general meeting of 2014. In 1977, Romain Becker obtained a diploma as an electro-technical engineer at EPF in Zürich. In 1978, he joined the Economics and Energy Ministry where he occupied high office until 1996 as a government adviser and government commissioner for energy. After joining Cegedel S.A. in 1996, Romain Becker became chairman of the executive committee from 1997 until this company merged with SOTEG and Saar-Ferngas to form the Enovos Group. In this group, Mr Becker is co-chairman of the executive committee of Enovos International and CEO of Creos Luxembourg. He is also a director of Eurelectric, LuxEnergie and the FEDIL.

### Mr Marc Lauer

Executive Director

Chief Operating Officer of Group Foyer S.A. Born in 1965, of Luxembourg nationality Mr Lauer has a degree in actuarial science and a degree in economic sciences. He began his career at the Luxembourg Insurance Commission ("Commissariat aux Assurances") in 1989 and became a member of the executive committee in 1995. In 2004, he joined Group Foyer S.A. as Chief Operating Officer. Since 16 April 2013, Mr Lauer has been a director of Foyer S.A. His term of office, of three years, will expire at the ordinary general meeting of 2016. Mr Lauer is also chairman of the Board of Directors of Foyer Vie S.A., Foyer Re S.A., Foyer-ARAG S.A. and Raiffeisen Vie S.A. and is a director of the following companies: Foyer Assurances S.A., Foyer International S.A., CapitalatWork Foyer Group S.A. and CapitalatWork S.A. He is also vice-chairman

of the board of the Association of Insurance Companies (ACA) and member of the boards of the Luxembourg financial industry federation (PROFIL), the Luxembourg road safety organisation ("Sécurité Routière Luxembourg") and the Luxembourg automobile club (ACL). Mr Lauer is also a member of the high committee for the Luxembourg financial market (HCPF), the Luxembourg chamber of commerce and a founding member of the Luxembourg association of actuaries (ALAC).

### Mr Dominique Laval

Non-Executive Director

Born in 1948, of Luxembourg nationality Dominique Laval has been a member of the Board of Directors of Foyer S.A. since 2000. His appointment, for a period of three years, was renewed in 2012 and will expire at the ordinary general meeting of 2015. He holds a diploma in corporate administration from E.C.A.D.E. (E.C.L. in Lausanne), as well as a post-graduate degree in management and international trade from the Solvay business school (U.L.B.). Part of the general management of International Carbon and Minerals S.A. Luxembourg, Mr Laval worked on the commercial development of the group for 3 years. He then joined the "Group des Accumulateurs Tudor S.A." in Belgium, where he was active for 15 years, particularly in the finance and administration department. After experience in the financial sector in Luxembourg (founding partner), in 1988 D. Laval joined Group Sogeva S.A. Mr Laval is a director of several unlisted companies, including Foyer Finance S.A., Sogeva S.A., Alltec Participations S.A., Poudrierie de Luxembourg S.A., Teco N.V., CapitalatWork Foyer Group S.A. and Vivalto Home.

### **Mr Paul Mousel**

Non-executive and independent director

Born in 1953, of Luxembourg nationality

Paul Mousel has been a member of the Board of Directors of Foyer S.A. since 2012 and his term of office, of three years, renewed in 2013, will expire at the ordinary general meeting of 2016. Mr Mousel is also one of the founders of the legal firm Arendt & Medernach in Luxembourg, for which he chairs the strategic board. A law graduate of the free University of Brussels and the holder of a special degree in economic law, Paul Mousel is a member of the Luxembourg and Brussels bars. He is a director of several companies, including Belgacom Finance S.A., Belgacom Re S.A., Cargolux Airlines International S.A. and ING Luxembourg S.A. where he also chairs the audit committee. Paul Mousel is a director of several companies composing the Group Sofina S.A., company financing transport and industrial companies. Mr Mousel is a member of several consultative committees to the supervisory committee for the financial sector and chairs the administrative committee of the Luxembourg hospital.

### **Mr John Penning**

Non-Executive Director

Born in 1972, of Luxembourg nationality

John Penning has been a member of the Board of Directors of Foyer S.A. since 5 April 2011. His term of office, of three years, will expire at the ordinary general meeting of 2014. He holds a Masters in Business Administration, University of Otago & University of North Carolina at Chapel Hill, and a bachelor's degree in Political Science and International Relations from the free University of Brussels. Mr Penning, after a career as a professional golfer until 1999, was Co-Founder

& Sports Director of the Luxembourg Golf Open Non-Profit Association between 1999 and 2003 and Co-Founder & Managing Director of DnP Sports Communication & Event Coordination between 2001 and 2004. After his MBA, Mr Penning continued his career as Senior Manager, Corporate Finance Advisory Services, at Deloitte Luxembourg. Since 2009, Mr Penning has been Managing Director of Saphir Capital Partners S.A. Luxembourg. He is a director and chairman of the listed company TROC de l'ILE. He also has appointments in unlisted companies (SOGÉVA S.A., STING S.A., Saphir Capital Investment Fund S.A. and Coogee SARL).

### **Mr Jacquot Schwertzer**

Non-executive and independent director

Born in 1956, of Luxembourg nationality

Jacquot Schwertzer holds a master's degree in economic sciences, corporate management section, from the Louis Pasteur University in Strasbourg. Mr Schwertzer was appointed for the first time as a director of Foyer S.A. in 2000. From the same year, he was a member of the Audit, Compliance and Risk Management Committee of Group Foyer S.A. His term of office as a director on the Board of Foyer S.A., of a period of three years, was renewed in 2013 and will expire at the ordinary general meeting of 2016. He is managing director of a family group Socipar S.A. Since 2001, he has been a member of the management committee of Group Luxempart S.A. In this respect, he is a director of the listed companies Direct Energie S.A. and the unlisted companies Indufin S.A. and Algebra Gesellschaft für Beteiligungen mbH. Also, Mr Schwertzer is a member of the board of directors of Trief Corporation S.A., Winvest International S.A. SICAR, Orange Nassau S.A. SICAR and BIL Banque Internationale à Luxembourg S.A.

### **Mr Michel Tilmant**

Executive Director

Born in 1952, of Belgian nationality

Mr Tilmant has been a member of the Board of Directors of Foyer S.A. since April 2010. His term of office, of three years, renewed in 2013, will expire at the ordinary general meeting of 2016. Since June 2011, Mr Tilmant has been managing director of CapitalatWork Foyer Group S.A. He holds a degree in business administration from the University of Louvain and a diploma from the Louvain School for European Affairs. Mr Tilmant began his career in 1977 with Morgan Guaranty Trust Company of New York in New York. In 1990, he was appointed vice-chairman of the executive committee of the Banque Internationale in Luxembourg. In 1992, he joined Banque Bruxelles Lambert (BBL) where he was appointed chairman of the executive committee in 1997. After BBL was taken over by ING in 1998, Mr Tilmant was successively a member of the executive committee and chairman of ING bank. From 2004 to 2009, he managed the ING Group as Chairman of the Executive Board. Mr Tilmant is a director of BNP Paribas, Lhoist, Sofina, the Catholic University of Louvain, Guardian Assurance, NMGB and the Royal Automobile Club of Belgium.

### **Mr Patrick Zurstrassen**

Non-executive and independent director

Born in 1945, of Belgian nationality

Patrick Zurstrassen has been a member of the Board of Directors of Foyer S.A. since 2002. His appointment, for a period of three years, was renewed in 2012 and will expire at the ordinary general meeting of 2015. He is the holder of several postgraduate diplomas: Civil engineer from the University of Liège, MSC in physics from Leeds University, MBA from the University of California in

Los Angeles and he is also a graduate in banking techniques at the Brussels banking training centre.

From 1974 to 2001, Mr Zurstrassen held several positions of great responsibility within Group Crédit Agricole, including that of CEO and chairman of the executive committee of Crédit Agricole Indosuez Luxembourg S.A. (1987-2001). Between 1988 and 2007, he was professor at the economic sciences faculty of the Catholic University of Louvain.

Mr Zurstrassen is an independent director in UCITS companies. He is currently chairman of the European Confederation of Directors' Associations (ecoDa).

### **Ms Carole Wintersdorff**

Ms Wintersdorff resigned as director before the meeting of the Board of Directors on 23 August 2013.

Mr Peter Vermeulen, Legal Director of the Group, acts as secretary to the Board of directors.

### 3.3 ACTIVITY REPORT

#### Subjects of the discussion

The main subjects of discussion and deliberation within the Board of Directors in 2013 were as follows:

- examination and approval of the annual financial statements and consolidated annual financial statements for 2012, the half-yearly financial report for 2013, the intermediate declarations of May and November 2013 and related press releases;
- publication of the aggregate embedded value as of 31 December 2012 for Foyer Vie S.A. and Foyer International S.A.;
- preparation for the ordinary general meeting of 16 April 2013;
- monitoring economic, stock market and tax developments and analysing their impact on the Group;
- strategy for the development of the Group and corporate plan 2014-2016;
- examination of the conclusions and recommendations made by specialist committees;
- assignment of rights to options as part of the stock option plan reserved for members of the Group's Executive Committee;
- monitoring the non-life-insurance business in Belgium ("Regio");
- monitoring developments to the regulations for investment companies concerning governance and risk management (circular CSSF 12/552 as modified by circular CSSF 13/563);
- examining the new organisation involving setting up a single manager for the commercial functions (front office) and the operational functions (back office);
- review of Group Foyer's IT systems;
- examination of the acquisition of the Employee Benefits business from the Luxembourg life insurance company IWI International Wealth Insurer;

- adaptation of the Governance Charter to the new governance principles of the Luxembourg stock market and to the recommendations of the European insurance supervisory authority (EIOPA).

#### Periodicity of meetings

The Board met six times during the past financial year.

The average rate of presence of directors at Board meetings for the past financial year was 98.36%.

#### Remuneration

The general principles of the remuneration policy are contained in the Governance Charter, particularly section VIII.6 "Remuneration policy of Group Foyer S.A."

In accordance with these principles, and in accordance with the decision taken by the general meeting of shareholders on 16 April 2013:

The executive directors received no remuneration in 2013 for exercising their appointments as directors.

Non-executive directors were remunerated in 2013:

- by a gross fixed annual payment: the total amount of the gross fixed annual payments allocated to all non-executive directors was €238,986.30;
- by an attendance fee, per meeting attended by non-executive directors: the total gross amount of attendance fees assigned to all non-executive directors was €51,000.00;
- a payment of €13,013.70 gross was paid to a non-executive director.



## 4. Committees of the Board of Directors

The role, composition and functioning of the committees of the Board of Directors are described in the Governance Charter, particularly in section "V. Specialist committees of the Board of Directors".

### 4.1 AUDIT, COMPLIANCE AND RISK-MANAGEMENT COMMITTEE

#### CHANGES TO COMPOSITION

The appointments of the members of the Audit, Compliance and Risk Management Committee were renewed from 16 April 2013 for a period of three years until the annual shareholders' general meeting of 2016.

The current composition of the Committee is as follows:

- Mr Jacques Schwertzer, Chairman of the Committee, non-executive and independent director,
- Mr Dominique Laval, non-executive director,
- Mr Henri Marx, non-executive and independent director.

Mr Franck Tusch, internal audit manager, acts as secretary to the Committee.

The Group's Compliance Manager, Ms Sylvie Bertholet and the Chief Risk Officer, Mr Paul Fohl, may attend meetings of the Committee.

#### ACTIVITY REPORT

##### Subjects of the discussion

- examination of the annual consolidated financial statements as of 31 December 2012 and the conclusions of the audit performed by the company auditor as of 31 December 2012;
- examination of the half-yearly summary consolidated financial statements and conclusions of the company auditor's limited review as of 30 June 2013;
- analysis of the internal control letters ["management letters"] issued by the company auditor following the review of the 2012 annual financial statements for the companies of the Group;
- report on the main conclusions of the internal audit relative to assessing the systems for internal control;
- monitoring, by the Committee, of the implementation and development of the system for managing risk for Group Foyer S.A., in order to comply with the future Solvency II regulations;
- review of internal audit and compliance activities during the 2013 financial year and scheduling activities and missions programmed for 2014, in consideration of the risks overview;
- review of the internal audit charters for Group Foyer S.A and CapitalatWork Foyer Group S.A.;
- proposal to establish a policy and procedure for prior approval, by the Audit, Compliance and Risk Management Committee, of services other than audit provided by the external auditor;
- analysis of the actuarial reports as of 31 December 2012 established in accordance with the provisions of the Solvency II directive;
- monitoring the transposition of the recommendations made by the Audit, Compliance and Risk Management Committee and the external auditor;
- review of the independence of the company auditor.

### Periodicity of meetings

The Audit, Compliance and Risk Management Committee met four times in 2013. The rate of presence of the members of the Committee at these meetings was 100%.

### Remuneration

In accordance with the remuneration policy defined in section VIII.6 "Remuneration policy of Group Foyer S.A." of the Governance Charter, non-executive members of the Audit, Compliance and Risk Management Committee are entitled to an attendance fee per meeting of the Committee that they attend.

In accordance with the decision of the general meeting of shareholders on 16 April 2013, the total gross amount of attendance fees allocated in 2013 to all non-executive members of the Audit, Compliance and Risk Management Committee stood at €22,000.00.

## 4.2 APPOINTMENTS AND REMUNERATION COMMITTEE

### CHANGES TO COMPOSITION

The terms of office of the members of the Appointments and Remuneration Committee were renewed from 16 April 2013 for a period of three years until the annual shareholders' general meeting of 2016.

The current composition of the Committee is as follows:

- Mr Patrick Zurstrassen, Chairman of the Committee, non-executive and independent director
- Mr Romain Becker, non-executive and independent director
- Mr André Elvinger, non-executive external member (1)
- Mr François Tesch, executive director, CEO (2)

Mr Benoît Dourte, director of cross-company services, acted as secretary of the Committee.

*(1) Mr A. Elvinger was requested to join the Appointments and Remuneration Committee in his capacity of chairman of the Board of Directors of the parent company Foyer Finance S.A., in order to ensure an appointments and remuneration policy consistent between the two business divisions, which are grouped under Foyer Finance S.A., namely Group Foyer S.A. and Group Luxempart S.A.*

*(2) Mr F. Tesch is a member of the Appointments and Remuneration Committee only for questions concerning the appointment or dismissal of directors or the COO.*

## ACTIVITY REPORT

### Subjects of the discussion

- opinion on the renewal of the terms of office of outgoing directors with a view to the ordinary general meeting of 16 April 2013;
- analysis of the current composition of the Board of Directors and proposals for candidates in view of the appointment of new directors within Foyer S.A.;
- proposal to revise salaries for members of the Group Executive Committee;
- proposal for bonuses and the assignment of Foyer S.A. options to be allocated in 2013 to members of the Group Executive Committee pursuant to the 2012 financial year, taking into account the annual assessment of their performance and the results of the companies of the Group;
- proposal on the remuneration of directors and members of specialist committees;
- proposal for a new self-assessment form on the functioning of the Board of Directors of Foyer S.A.

### Periodicity of meetings

During the 2013 financial year, the Appointments and Remuneration Committee met twice, with a rate of presence of 100%.

### Remuneration

In accordance with the remuneration policy defined in section VIII.6 "Remuneration policy of Group Foyer S.A." of the Governance Charter, non-executive members of the Appointments and Remuneration Committee are entitled to an attendance fee per meeting of the Committee that they attend.

In accordance with the decision of the general shareholders' meeting of 16 April 2013, the total gross amount of attendance fees allocated pursuant to the 2013 financial year to all non-executive members of the Appointments and Remuneration Committee stood at €11,000.00.

## 5. Executive management

The role, composition and functioning of the Executive Management are described in the Governance Charter, particularly in section "VI. Executive Management (day-to-day management)".

### 5.1 CHANGES TO COMPOSITION

#### **The Chief Executive Officer (CEO)**

Mr François Tesch's function as managing director was renewed by decision of the Board meeting on 16 April 2013.

#### **The Chief Operational Officer (COO)**

Pursuant to delegation of powers by the CEO, Mr Marc Lauer was confirmed as COO.

#### **The Executive Committee**

The Executive Committee was composed of the aforementioned CEO and COO.

Mr Benoît Dourte, director of cross-company services and member of the Executive Committee of CapitalatWork Foyer Group S.A. continued to be a standing invitee to meetings of the Executive Committee.

#### **The Group management**

The group management meets either in plenary session (Executive Committee or "Group EC"), or in restricted composition, as "Local EC" for local life and non-life activities and as "International EC" for financial and international life insurance activities.

The Group management was composed as follows:

#### **Commercial and marketing manager, local market - Gilbert Wolter**

member of the Group EC and the Local EC

#### **Director of local market operations - Franck Marchand**

member of the Group EC and the Local EC

#### **Wealth management director - Michel Tilmant**

Managing director of CapitalatWork Foyer Group

#### **Chief Financial Officer (CFO) and Chief Actuary - Philippe Bonte**

member of the Group EC and the Local EC

#### **Chief Investment Officer (CIO) - André Birget**

member of the Group EC, the Local EC and the International EC

#### **International Life Director - Jean-Louis Courange**

member of the Group EC and the International EC

#### **Chief Risk Officer (CRO) - Paul Fohl**

member of the Group EC, the Local EC and the International EC

#### **Director of human resources and cross-company services - Benoît Dourte**

member of the Group EC, the Local EC and the International EC

#### **Information systems director - Daniel Albert**

member of the Group EC and the Local EC

#### **Legal director - Peter Vermeulen**

member of the Group EC

## ACTIVITY REPORT

### Subjects of the discussion

During the 2013 financial year, the Executive Management paid particular attention to the following points:

- monitoring the results compared to the budget in the corporate plan;
- writing and publishing intermediate statements from the management relative to the financial situation of Group Foyer S.A. and to important events and transactions affecting the financial situation of the companies of the Group;
- preparing the corporate plan 2014-2016;
- operational and organisational monitoring of the Group's companies;
- monitoring the work of implementing the provisions of the Solvency II directive concerning the solvency requirements of insurance companies;
- monitoring economic, stock market and tax developments and analysing their impact on the Group;
- monitoring the non-life-insurance business in Belgium ("Regio");
- examining the new organisation involving setting up a single manager for the commercial functions (front office) and the operational functions (back office);
- examination of the acquisition of the Employee Benefits business from the Luxembourg life insurance company IWI International Wealth Insurer.

### Periodicity of meetings

As a rule, the Group EC meets once every quarter, as does the International EC, and the local EC meets weekly.

### Remuneration

The general principles of the remuneration policy are contained in the Governance Charter, particularly section VIII.6 "Remuneration policy of Group Foyer S.A."

The Remuneration of Executive Managers is based on an annual assessment of their services in relation to the objectives of Foyer S.A. The variable remuneration is determined according to a pre-established formula, taking into consideration the consolidated IFRS results of Foyer S.A., the results of the company or companies in which the Executive Manager had a predominant influence, and the rate of achievement of individual objectives fixed annually.

The remuneration thus paid in 2013 to the 12 members of the Executive Management (CEO, COO and 10 directors) was as follows:

Fixed remuneration	€3,052,872.37
Variable remuneration	€1,850,745.54
Allowances for supplementary pension	€325,609.10
Other emoluments (entertainment expenses)	€62,083.33

Two members of the Executive Management benefited from a loan granted by a company of the Group for a combined amount of €309,866.90 (situation as of 31 December 2013).

Under the stock option plan implemented for members of the Group Executive Committee, 35,022 share options were allocated in September 2013 to 10 beneficiaries pursuant to the 2012 financial year.

The company freely decides, each year, whether or not it is appropriate to assign option rights. The granting of options is subject to an outright taxation model upon entry. Rights to options, if there are any, are assigned annually according to the achievement of everyone's performance objectives. The right to options is subject to an unavailability period of four years and must be exercised within ten years from the granting of the right to options.

The stock option plan for members of the Group Executive Committee is supplied by a programme for Foyer S.A. to purchase treasury stock in accordance with the authorisation given by the general shareholders' meeting of Foyer S.A. on 16 April 2013 and the buyback programme approved by the Board of Directors of Foyer S.A. on the same day. This programme is described in a document entitled "Programme to purchase treasury stock" and available on the website <http://groupe.foyer.lu>.

The valuation of share options is described in point 2 "Fair value of payments based on shares" in note 33 to Foyer SA's consolidated financial statements as of 31 December 2013.

## 6. Process of establishing financial information

The systems for internal control and risk management relating to the establishment of financial information are subject to the supervision of the Board of Directors assisted by its Audit, Compliance and Risk Management Committee.

The definition and implementation of appropriate internal control for financial information is the responsibility of the Group's management. It delegates them, firstly to the Chief Financial Officer and secondly, to the financial directors of the entities Foyer International and CapitalatWork, which do their own accounting work. Establishing the financial statements is not outsourced from the Group. This internal control aims to ensure that financial information is reliable, compliant with applicable laws and regulations and that instructions given by Management are applied.

In the insurance activities and at the Group level, the management of risks relative to financial information is assigned to the Chief Risk Officer. He/she implements a system for controlling risks of all kinds. The Board of Directors and the management of CapitalatWork Foyer Group S.A. are responsible for managing risks in their wealth-management and financial intermediation business, and the activities of their subsidiaries.

### 6.1. ACCOUNTS AND STATEMENTS FROM THE MANAGEMENT

The accounting information (annual unconsolidated and consolidated financial statements, half-yearly summary consolidated financial statements and intermediate statements from the management) are prepared according to processes that are documented, regularly updated and periodically reviewed by the internal auditor and the company

auditor. The accounting principles are consistent within the companies of the Group. What is more, the accounting software is an application that is common to all entities.

Within the Group's financial Department, the accounting processes adapt the level of control to perceived and recognised risks, to avoid any significant errors, particularly in determining the earnings and valuing shareholders' equity. The process of closing and consolidating the accounts incorporates documented checks on coherence and reconciliation between information sources. The comprehensiveness of the posted transactions is checked by direct confirmation of certain data, both inside and outside the Group.

Lastly, in each of the Group's entities, cost-accounting reviews, carried out at different levels, particularly by the managing personnel, validate the coherence of accounting data.

### 6.2 OTHER FINANCIAL INFORMATION

The publication of privileged information and other declarations relative to shares issued by the company (transactions carried out by the company on treasury stock, transactions made by persons with access to privileged information or with management responsibilities, annual information relative to the capital and voting rights) is checked by several departments, including the legal department, financial Department, the Chief Investment Officer and the compliance officer. The information is reconciled to check that it is accurate, comprehensive and compliant with regulations, particularly concerning the form and publication deadline.

## 7. Regulatory information on takeover bids

In accordance with article 11 of the law dated 19 May 2006 on takeover bids, this section contains information on the structures and provisions that could hinder a bidder from acquiring and exercising control of Foyer S.A.

### **a) the capital structure**

The equity capital of Foyer S.A. stands at €44,994,210.00 represented by 8,998,842 ordinary shares fully paid up with no face value. There are no other categories of shares and no options or preferential rights giving entitlement to the issue of shares of any other category, which could dilute the number of shares issued. The shares issued all give entitlement to the same rights, both concerning voting rights in ordinary and extraordinary general meetings and concerning the dividend voted by shareholders at general meetings.

### **b) any restrictions on share transfer**

There are no restrictions on the transfer of shares.

### **c) significant investments in the capital**

Significant investments in the capital are given below in section "2. Shareholders".

### **d) securities including special control rights**

There are no special control rights to which certain shareholders are entitled.

### **e) the specified control mechanism in any system of personnel shareholding**

Within Foyer S.A., there is a stock option plan implemented for members of the Group Executive Committee. The company freely decides, each year, whether or not it is appropriate to assign option rights. The right to options is subject to an unavailability period of four years and must be

exercised within ten years from the granting of the right to options. The stock option plan for members of the Group Executive Committee is supplied by a programme for Foyer S.A. to purchase treasury stock in accordance with the authorisation given by the general shareholders' meeting of Foyer S.A. However, this stock option plan contains no control mechanism.

### **f) any restrictions on voting rights**

There are no restrictions on voting rights.

### **g) agreements between shareholders**

There are no agreements between shareholders known to Foyer S.A. which could lead to restrictions on transferring shares or on voting rights.

### **h) appointment and replacement of directors and managers and modification of the articles of association**

Concerning the appointment and replacement of directors and managers and the modification of the articles of association, Foyer S.A. has not specified any rules going beyond what is required by the law and which could hinder a bidder from taking and exercising control of Foyer S.A.

The rules applicable to the appointment and replacement of directors and managers are described in the Governance Charter, particularly sections "IV. Board of Directors" and "VI. Executive Management".

The rules applicable to changes to the articles of association are described in the Governance Charter, particularly in sections "III. General meetings of shareholders" and "VIII.7 Articles of Association of Foyer S.A.".



#### **i) the powers of directors to issue or buy back shares**

Authorised capital: The Extraordinary General Meeting (EGM) of shareholders dated 6 April 2010 fixed authorised capital of €74,350,000.00. The EGM authorised the Board of Directors to make any increase to the authorised capital and to issue new shares without reserving, for prior shareholders, preferential subscription rights for the shares to be issued. The authorisation granted to the Board of Directors concerning the authorised capital is described in article 5 of the articles of association (repeated in the Governance Charter in section "VIII.7 Articles of Association of Foyer S.A."). This authorisation expires on 5 April 2015.

Share buybacks: Following the general meeting of shareholders on 16 April 2013, on the same day, the Board of Directors approved the implementation of a programme to repurchase treasury stock. This programme is described in a document entitled "Programme to purchase treasury stock" and available on the website <http://groupe.foyer.lu>.

#### **j) important agreements affected by a takeover bid**

There are no agreements to which Foyer S.A. is party and which take effect, are modified or end in case of a change of control of Foyer S.A. following a takeover bid.

#### **k) agreements with directors or personnel in case of a takeover bid**

There are no agreements between Foyer S.A. and the directors, managers or personnel which specify compensation if they resign or are dismissed without just cause or if their employment ends due to a takeover bid.