

**NEXANS**

**Limited liability Company with registered capital of 28,720,030 euros**

**Registered office: 8 rue du Général Foy**

**75008 Paris, France**

**Trade and Companies' Register Paris 393 525 852**

**INTERNAL REGULATIONS  
OF THE BOARD OF DIRECTORS**

(Updated on 15 November 2011)

The purpose of these Internal Regulations is to supplement legal and regulatory rules and the rules of the Articles of Association in order to specify certain operating procedures of the Board of Directors and its Committees as well as the obligations of its Members, particularly with regard to the corporate governance principles presented in the Code of Corporate Governance of Listed Corporations published by the *Association Française des Entreprises Privées* (AFEP, French Private Business Association) and the *Mouvement des Entreprises de France* (MEDEF, French Business Confederation).

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

Board Members are chosen for their skill and experience in industry, banking or consultancy, so that they can put forward well-informed opinions and recommendations in the Company's interest.

At least one-half of the Members of the Board of Directors must be independent directors.

Board Members are considered "independent" if they maintain no relationships with the Company, its group or its management that could compromise the exercise of their freedom of judgment.

The Appointments and Compensation Committee discusses the qualification of an independent Board Member and the Board reviews such qualification each year prior to publishing the annual report. Each Board Member's situation is made public in the annual report.

The criteria to be examined in order for a Board Member to qualify as independent are as follows:

- Not to be an employee or corporate officer of the Company or an employee or director of any Company in the consolidated group, and not to have occupied a position as such during the past five years.
- Not to be a corporate officer of an entity in which the Company directly or indirectly holds the office of Board Member, or in which an employee designated as such or as a corporate officer of the Company (currently or within the past five years) holds the office of Board Member.
- Not be<sup>1</sup> a customer, supplier, investment banker or commercial banker:
  - o That is material for the Company or its group,
  - o Or for a significant part of whose business the Company or its group accounts.
- Not to have any close family ties with a corporate officer.
- Not to have been an auditor of the Company during the past five years.
- Not to be a Member of the Company's Board of Directors for more than twelve years.

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<sup>1</sup> Or be bound directly or indirectly to.

Board Members representing significant stockholders of the Company may be considered independent as long as they do not take part in the control of the Company. Above a threshold of 10% of the capital or voting rights, the Board enquires as to the qualification of independent Board Member, taking into account the composition of the Company's capital and whether or not there exist potential conflicts of interest.

## **2. Duties and authority of the Board of Directors**

The Board of Directors determines the business orientations of the Company and oversees their implementation. Except where powers are expressly attributed to Stockholders' Meetings and subject to the Company's purpose, the Board may take up any issue concerning the proper running of the Company.

The Board of Directors examines transactions of genuine strategic importance to the Company. Furthermore, plans for the following transactions are presented to the Board for review and prior approval:

- (i) Any merger, acquisition, disposal, restructuring and other industrial or financing plan with a unit value of more than 50 million euros (enterprise value for mergers/acquisitions or disposals).
- (ii) Sale of a share in a subsidiary's capital (joint venture or stock market listing) where the amount obtained for the listing or the entry of a third party in the capital exceeds 25 million euros.

In addition to the above, any transaction or plan representing diversification outside the group's lines of business, irrespective of its value, must be subject to review and prior approval of the Board of Directors.

In accordance with applicable legal and regulatory provisions, the Board approves all transactions having or which could have an effect on the capital or stockholders' equity of the Company, such as: increase or reduction in capital, bond issue, stock repurchase program, stock option awards, among others.

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

- The Board of Directors meets according to the financial and legal calendar of the Company, and at any time its interests so require.
- The Chairman sets forth the agenda of each Board of Directors meeting and communicates it to its Members in a timely manner and by any appropriate means.
- In the event of an urgent matter, the Board Members may be convened immediately and by any means.
- For the purposes of calculating the quorum and majority, Board Members are considered to be present if they participate in the Board Meeting through videoconference or telecommunication means that enable their identification and guarantee their effective participation in all cases set out by the laws and regulations in force.
- If the Chairman is prevented from attending, Board meetings are chaired by the oldest Board Member present, unless the Board decides differently.

- All the points listed on the agenda are examined and discussed during the meeting. During each of its meetings, in the event of urgent matters and upon proposal of the Chairman, the Board may discuss issues not listed on the agenda.
- The minutes of each meeting contains a faithful description of the proceedings of the meeting and an account of the discussions.
- Every year, the Board of Directors either discusses its operating procedures or conducts an assessment of its own operation.

#### **4. Board Members' access to information**

The prior provision of information to Board Members on a regular basis is a paramount condition for them to exercise their duties correctly.

- Every Board Member receives all the information necessary to accomplish their duties and may have all documents that they consider useful communicated to them.
- Materials on the agenda items requiring special analysis and prior consideration are sent to Board Members in a reasonable timeframe prior to the Board meetings, unless otherwise dictated by confidentiality requirements.
- Important press releases and the consensus of financial analysts are communicated to the Board of Directors.
- An update is provided on a regular basis at management's initiative on the course of business, the financial position, the cash flow status and the commitments of the Company and of the group.
- All Board Members may at any time before each meeting, during meetings or outside any meetings, request any additional information that they consider useful and necessary to clarify their judgment. In this respect, board members may request, if necessary, a complementary training on the specificities of the company, its businesses and activities.
- Board Members may meet with members of the management, during or outside Board meetings, with or without the presence of the Chairman and CEO, but with the latter's knowledge.

#### **5. Deontology of Board Members**

All Members of the Board in office must:

- be familiar with the legal and regulatory texts associated with their duties, the Articles of Association, these Internal Regulations and the principles of corporate governance presented in the Code of Corporate Governance to which the Company adheres.
- hold the minimum number of Company shares required by the Articles of Association. Furthermore, it is desirable that each Board Member holds at least 500 of the Company's shares.
- act in the interests of the Company under all circumstances.

- be available and devote the time and attention required to their duties.
- keep informed and request in due time from the Chairman of the Board information that is necessary for an effective participation in the topics on the Board's agenda.
- maintain strict confidentiality beyond the obligation of discretion required by law concerning the content of the Board's discussions and deliberations and any non-public information obtained during the course of their duties. It is specified that the same obligation is required of all individuals attending Board meetings with regard to confidential information presented as such by the Chairman of the Board.
- Each Board Member in office must inform the Board of any conflict of interests regarding the topics presented for discussion and must abstain from voting on such matters.

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

### **6.1 Accounts and Audit Committee**

#### **Composition**

The Accounts and Audit Committee is composed of three members, two of which at least are independent directors, appointed by the Board of Directors. No executive manager of the Company may be a member of this Committee.

Members of the Accounts and Audit Committee are chosen for their financial or accounting skills. In accordance with legal provisions, at least one of the members must present specific skills in one or the other of these fields.

#### **Responsibilities**

The Accounts and Audit Committee monitors issues relating to the preparation and control of accounting and financial information in accordance with applicable regulations.

The Committee's main responsibilities are as follows:

- It examines the accounts and ensures the relevance and continuous application of the accounting methods adopted by the Company for its corporate and consolidated accounts; and
- It monitors the process of preparing the financial information, the effectiveness of the internal control and risk management systems, and the independence of the external auditors.

In the context of carrying out its responsibilities, the Committee:

- examines the scope of the consolidated companies.
- ensures that a description of internal procedures to identify off-balance sheet commitments and risks is made known to the members of the Committee and examines significant off-balance sheet commitments and risks.

- takes note of the work carried out by internal audit, gives its opinion, and reviews the principal conclusions of the work undertaken.
- participates in the selection process to propose the appointment of external auditors to the Board of Directors.
- defines the rules for using the auditors' networks for assignments outside their audit work, subject to applicable laws and regulations, in order to ensure that the amount of the fees paid to the auditors by the Company or its group, or the share that they represent in the turnover of the firm and the network are not likely to jeopardize the independence of the auditors.
- meets with and hears from, at its request, including without the presence of the Company's executive directors, the statutory auditors, the Chief Financial Officer, the Financing Director, the Corporate Vice-President Consolidation, the Corporate Vice-President Internal Audit and the Director of non-ferrous metal activities.
- may, after informing the Chairman and CEO, carry out specific studies, and to this end may be granted the possibility of making contact with the Company's main senior-level managers and report its findings to the Board.

### **Rules of operation**

- The accounts remitted to the members of the Committee are accompanied by a memorandum from the auditors highlighting the essential points and indicating any available options, together with a statement from the Chief Financial Officer describing the bases used for preparing the accounts and, if need be, the exposure to risks and the Company's off-balance sheet commitments, if these are significant.

During the examination of the accounts, the Committee has the option to ask for any explanation or additional information it may consider necessary. It may on this occasion hear from the Chief Financial Officer and external auditors.

- Each meeting results in the preparation of minutes.
- The Accounts and Audit Committee submits its opinion on the accounts to the Board meeting that approves the accounts and informs the Board of the discussions that took place on subjects other than the approval of the accounts.
- A summary of its activity is published in the Annual Report.

## **6.2 Appointments and Compensation Committee**

### **Composition**

The Appointments and Compensation Committee is composed of a maximum of five members, the majority of which are independent directors, appointed by the Board of Directors. No executive manager of the Company may be a member of this Committee.

However, executive directors may be invited to take part in meetings relating to the compensation policy for senior-level managers or appointments. In addition, executive directors may be heard by the Committee before it deliberates on their compensation.

## **Responsibilities**

- The Appointments and Compensation Committee proposes to the Board of Directors the appointment of new Board Members and corporate officers, for cooptation or proposal to the Stockholders at the Annual General Meeting, together with a review and selection procedure prior to making contacts and succession plans for corporate officers.
- It examines the qualification of independence of each Board Member for a final decision by the Board of Directors.
- It formulates a proposal to submit for the Board's decision regarding the fixed and variable portions of compensation for executive directors based on the rules of determination that it defines, ensuring the consistency of these rules with the annual performance appraisal of the Company's senior-level managers and medium-term strategy and market practices.
- As concerns variable compensation for the past year, it formulates a proposal for the Board, in particular on the achievement of non-quantitative objectives.
- It is kept informed of the compensation policy for the main senior-level managers.
- It defines the policy concerning stock option plans (the frequency, persons concerned and amount), which it proposes to the Board of Directors, and gives its opinion to the Board on the plans proposed by the Management.

## **Rules of operation**

- Each meeting results in the preparation of minutes.
- The Committee reports on its meetings to the Board of Directors.
- A summary of its activity is published in the Annual Report.

## **Appendix to the Internal Regulations**

### **Principles governing the compensation policy of executive directors**

Unless otherwise indicated, the principles that follow apply to the following positions: Chairman, Chief Executive Officer, and if applicable, Chief Operating Officer (hereunder "**Executive Directors**").

#### **1. Discontinuance of the employment contract in case of appointment to a corporate office**

When a senior executive of the group becomes Chairman of the Board, Chief Executive Officer or Chairman and CEO of the Company, the employment contract with the Company is terminated either contractually or by resignation, unless the Board of Directors decides otherwise.

#### **2. Restricted (free) shares ("*performance shares*") and stock options**

- The right for Executive Directors to exercise their options on the one hand and the award of performance shares to Executive Directors on the other hand are conditional upon the acknowledgement by the Appointments and Compensation Committee that the performance conditions determined upon grant have been achieved.
- Award
  - Restricted (free) shares and stock options, valued in accordance with IFRS standards, must not represent a disproportionate percentage of all of the compensation, options and shares allocated to each Executive Director.
  - At each award of restricted (free) stocks or of stock options, the Board ensures that the awards for Executive Directors do not represent an excessive portion of the total number of restricted (free) shares or stock options, respectively, that are granted, unless a decision to the contrary with the reasons thereof is provided.
  - The Board makes awards in periods consistent with prior Company practice, which calls for an award each year in November, unless a decision with the reasons thereof is provided under special circumstances.
  - According to the terms set by the Board and made public upon the award, vesting of restricted (free) shares granted to Executive Directors must be conditional upon the acquisition of a defined quantity of shares at the time when the beneficiary may dispose of the awarded shares.
  - Price
    - Persons granted restricted (free) shares or stock options do not benefit from any discount on the price.
    - Executive Directors may not use hedging instruments for the options granted to them after this appendix goes into effect.

- Exercise

The exercise of stock options followed by a sale of the shares subscribed or purchased accordingly is prohibited during blackout periods, in accordance with the group's "Insider Trading" procedure.

- Holding

- In accordance with the law and the procedures adopted periodically by the Board of Directors, executive directors are subject to the obligation to hold a portion of the shares arising from the exercise of options.

- Executive Directors must hold a significant and increasing number of the shares acquired as a result of exercising subscription or purchase options or resulting from the definitive acquisition of restricted (free) shares.

### **3. Termination payments**

The payment to an Executive Director of termination indemnities is conditional upon the acknowledgement by the Board that the performance conditions determined by the Board have been satisfied and can only occur in case of forced departure linked to a change of control or strategy, which shall be deemed to be the case, unless otherwise decided by the Board.

All termination payments (including indemnities paid under a non-compete clause) must not exceed two (2) years of compensation (fixed and variable).

### **4. Supplemental retirement plans**

The Company's executive directors benefit from the supplemental retirement plan established by the Group in favor of certain employees and executive directors.

The total annual amount of additional benefit pensions received by an Executive Director under the supplementary retirement plan may not exceed 30% of his or her last annual compensation (fixed and variable).

### **5. Information on compensation of executive director**

The compensation of Executive Directors, whether acquired or potential, is made public after the decision of the Board of Directors having determined them.