



Bourse de
Luxembourg

Report on the Application of The Ten Principles of Corporate Governance During the 2008 Financial Year



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INTRODUCTION

The present report analyses the application in 2008 of the Ten Principles of Corporate Governance of the Luxembourg Stock Exchange (hereinafter called “the Principles”) by Luxembourg companies listed for trading on the regulated market of the Stock Exchange.

The study presents an analysis of the publication of a chapter (hereinafter called “the CG chapter”) on corporate governance in the annual reports of companies, of their CG charter (hereinafter called “the CG charter”) published on their website, and all the data publicly available on their website and in their annual report.

The period studied is essentially the 2008 financial year, which was the object of the last annual report, the study also taking account of data available on websites during the year 2009.

It is important to stress that the Ten Principles of Corporate Governance came into force officially on 1 January 2007.

METHODOLOGY

The Luxembourg Stock Exchange Company operates two markets. The first began its activities in May 1929. Since then it has become a regulated market in the European Union sense, and thus offers the European passport. The second, launched in July 2005 and called “Euro MTF”, is a multilateral trading system. The internal regulations and the trading manual of the Luxembourg Stock Exchange are applicable on these two markets.

Considering that legislative texts limit the requirement of an obligatory declaration on corporate governance to companies listed on a regulated market, only companies listed on the regulated market of the Luxembourg Stock Exchange were taken into account. Companies listed on the Euro MTF market were not analysed.

The study is based on a total of 24 Luxembourg companies listed on the regulated market of the Luxembourg Stock Exchange. The present report is on the situation as at 1 September 2009.

On 1 September 2009, only one company had not published its annual report for the 2008 financial year. That company was not included in the analysis.

It is to be noted that one company out of the 24 analysed had adopted a specific form, and that explains why certain points could not be analysed and are marked “not applicable”.

For determination of the criteria for analysing the various aspects of the present report, an approach similar to that used in neighbouring countries was chosen.

The object of the present report was to analyse the application of the Principles. It was important to check the publication of a CG chapter in the annual report and the disclosure of a CG charter on the website (Principle 1).

Furthermore, the study presents detailed results on the composition and duties of the board (Principle 2 and Principle 3), as well as an evaluation of the performance of the board (Principle 6), the presence and composition of committees (Principle 3, Principle 4 and Principle 9), the presence of an executive management (Principle 7) and directors' remuneration (Principle 8).

The publication of a note on the policy for dealing with conflicts of interest (Principle 5) and the results on information to shareholders was also analysed (Principle 10).

The application of the Principles by the companies concerned is based on the "comply or explain" system. A company observes the Principles when it makes use of this system. Companies are assumed to apply the Principles or to explain the reasons for any divergence or non-application. The second option does not mean that the non-application of a Principle by making explanations implies that the company is non-compliant.

This study is limited to checking the existence of an explanation without checking its validity or foundation.

Given that new elements may be published regularly, it is important to note that the results in this report may evolve and are brought to the attention of the Luxembourg Stock Exchange.

The present report is divided into 4 parts:

- Part 1: general consideration of the study
- Part 2: detailed review of the observance of the Principles
- Part 3: composition of the LuxX index
- Part 4: conclusion.

1) General consideration of the study

This first part analyses whether companies have published a CG chapter and/or a CG charter before analysing the application of the different codes/principles of governance.

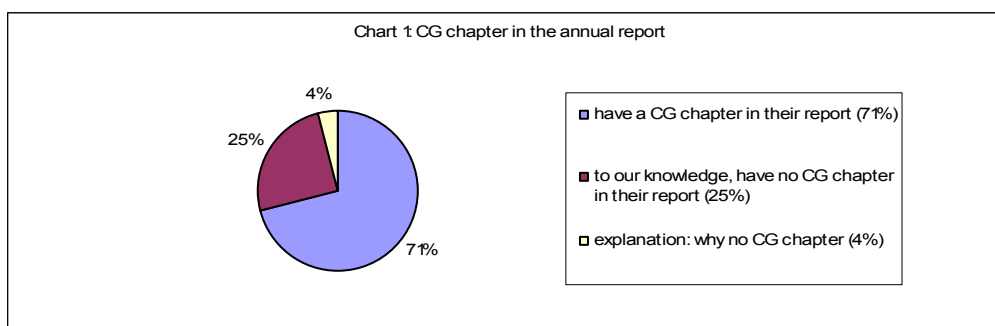
a) Publication of a CG chapter and/or a CG charter

Of the 24 companies,

- 11 companies publish a CG chapter in their annual report and a CG charter on their website,
- 6 companies publish a CG chapter in their annual report but no CG charter on their website,
- 1 company publishes a CG charter on the website but no CG chapter in the annual report,
- 1 company publishes neither a CG chapter in the annual report nor a CG charter on the website, but explains that « *la société, étant une filiale à 77,4% de la société-mère, est indirectement soumise aux règles de gouvernance d'entreprises belges. Pour cette raison, nous n'avons pas émis de règles individuelles* »,
- To our knowledge, 5 companies have not published a CG chapter in their annual report or a CG charter on their website.

The detail of the situations is given below:

- *CG chapter in the annual report*



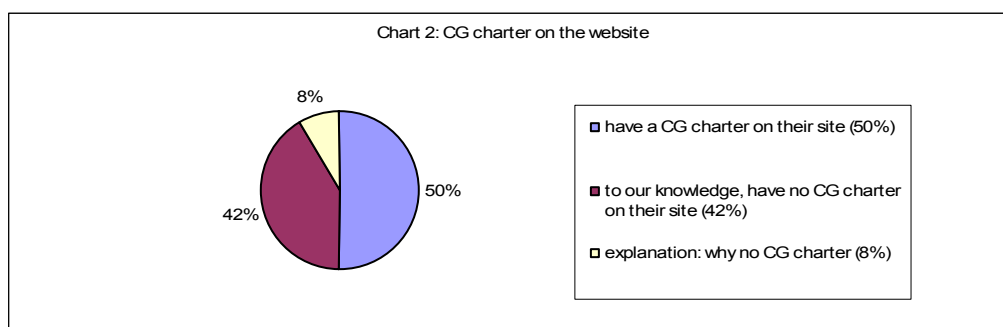
- 17 companies out of 24 publish a CG chapter in their annual report.
- For 6 companies, we have no knowledge of the publication of a CG chapter in the annual report.

For 2 companies:

- the annual report contains chapters entitled « Procédures de contrôles internes » and « La responsabilité sociale de l'entreprise (RSE) ».
- the annual report contains chapters entitled « Informations sur la composition du Conseil d'administration » and « Informations sur le fonctionnement du Conseil d'administration ».

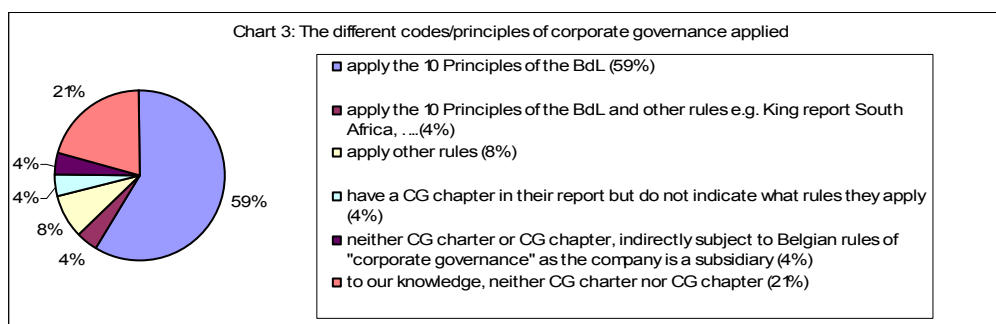
- 1 company indicates that it does not publish a CG chapter in its report and takes advantage of the “comply or explain” system to give the reason for not abiding by certain provisions, providing the following explanation:
 - « *la société, étant une filiale à 77,4% de la société-mère, est indirectement soumise aux règles de gouvernance d’entreprises belges. Pour cette raison, nous n’avons pas émis de règles individuelles* ».

- *CG charter on the website*



- 12 companies out of 24 publish a CG charter on their website.
- 2 companies state why they do not publish a CG chapter and/or CG charter and take advantage of the “comply or explain” system to give the reason for not abiding by certain provisions, providing the following explanation:
 - « *la société, étant une filiale à 77,4% de la société-mère, est indirectement soumise aux règles de gouvernance d’entreprises belges. Pour cette raison, nous n’avons pas émis de règles individuelles* ».
 - « *the company believes that its principles of corporate governance are fully set out in the prospectus published last October and has not codified these further by way of a formal corporate governance charter* ».
- The 10 companies which do not have a CG charter, however, provide general information on their website about corporate governance (e.g. composition of the board of directors, composition of committees,...).
The publication of a CG charter is promised for 4 of these 10 companies.

b) The different codes/principles of governance applied



It emerges that out of the 24 companies analysed, 18 companies have applied principles of corporate governance.

For the remaining 6 companies, we have not found any reference to the possible application of Principles.

The results indicate that 14 companies (out of 18) have applied the Principles.

1 company out of 15 applies the Principles and also complies with the French rules of corporate governance.

Here is the detail for the remaining 3 companies (out of 18):

- 1 company applies international criteria including the rules of the King Report on Corporate Governance;
- 1 company indicates that it « continually monitors U.S., European Union and Luxembourg legal requirements »;
- 1 company has a CG chapter in its report but does not indicate what rules it applies.

2) Detailed review of the observance of the Ten Principles of Corporate Governance

It is to be noted that this part analyses the 24 Luxembourg companies listed on the regulated market, even those which state that they apply other codes/principles of corporate governance.

The study analyses data available publicly:

- in the annual report for the year 2008,
- in the CG chapter of the annual report for the year 2008,
- on the website,
- in the CG charter on the website.

PRINCIPLE 1: Corporate governance framework

The company will adopt a clear and transparent corporate governance framework for which it will provide adequate disclosure.

- 11 companies publish a CG chapter in their report and a CG charter on their website,
- 6 companies have a CG chapter in their report, but do not publish a CG charter on their website,
- 1 company has a CG charter on the website, but does not publish a CG chapter in the report,
- 5 companies have neither CG chapter nor CG charter,
- 1 company indicates why it does not publish a CG chapter in its report and refers to the “comply or explain” system to explain why it does not abide by certain provisions, providing the following explanation:
 - o « *la société, étant une filiale à 77,4% de la société-mère, est indirectement soumise aux règles de gouvernance d’entreprises belges. Pour cette raison, nous n’avons pas émis de règles individuelles* ».

The results found indicate that 18 companies out of 24 are interested in corporate governance and have published either a CG chapter in their annual report or a CG charter on their website.

Out of those 18 companies:

- 6 dedicated a chapter in their annual report
- 1 dedicated a charter on the website
- and 11 companies published a CG chapter in their annual report as well as a CG charter on their website.

6 companies published neither a CG chapter in their annual report nor a CG charter on their website. 1 company gives an explanation for this.

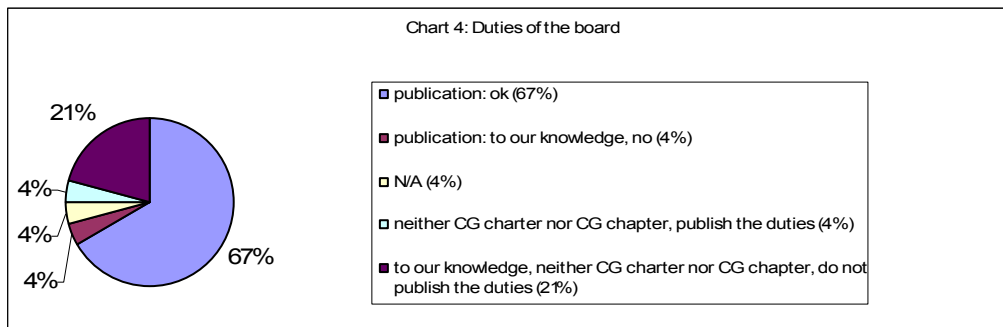
75% of companies have adopted this principle of corporate governance. They abide by it in order to improve transparency, control and management of the company. The objective is to increase the confidence of investors and to act in the corporate interest of the Company.

PRINCIPLE 2: Duties of the board

The board will be responsible for the management of the company. It will act in the best interests of the company and protect the general interests of the shareholders by ensuring the sustainable development of the company. It will function in a well-informed manner as a collective body.

(Reminder: publication is understood to be the annual report, the chapter in the annual report, the website and the charter on the website)

a) Objective: to check whether the duties of the board are described and published



Of the 24 companies:

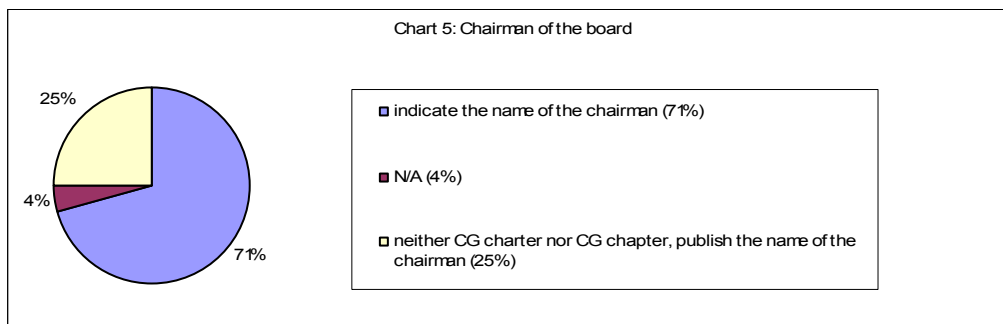
- 17 companies publish the duties of the board 71%
- To our knowledge, 7 companies do not publish them 29%
 - 1 company – not applicable 4%
 - 1 company – CG chapter and/or CG charter, report and/or site 4%
 - 5 companies – neither CG charter nor CG chapter, report and/or site 21%

Below are similar elements given by majority of companies which publish the duties of their board:

« Le CA est l'organe en charge de l'administration et de la gestion de la société et a les pouvoirs les plus étendus pour la réalisation de l'objet social.

Le CA agit dans l'intérêt de la société et défend l'intérêt commun des actionnaires en veillant au développement durable de la société. »

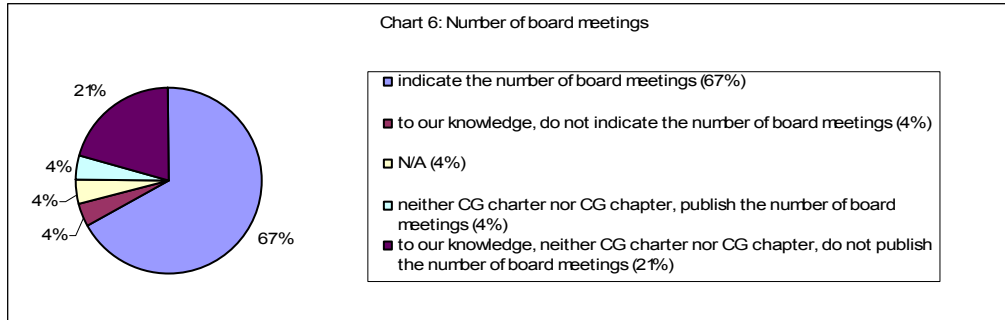
b) Objective: to determine the name of the chairman



Of the 24 companies:

- 23 companies publish the name of the chairman of the board 96%
- To our knowledge, 1 company does not publish it 4%
 - 1 company – not applicable 4%

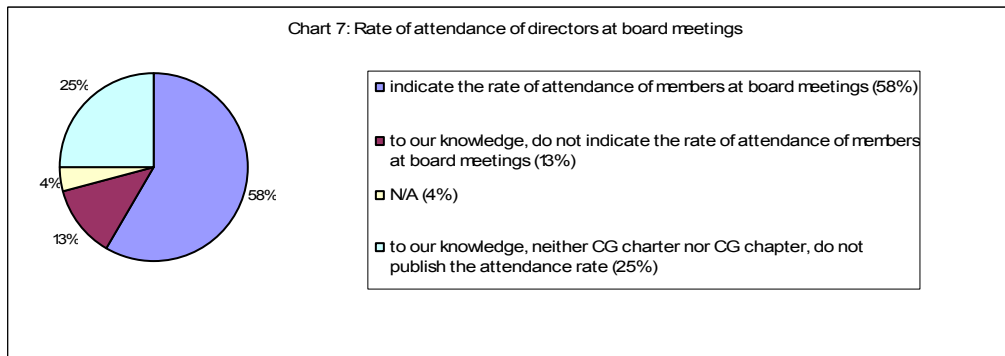
c) Objective: to check publication of the number of board meetings



Of the 24 companies:

- 17 companies publish the number of board meetings 71%
- To our knowledge, 7 companies do not publish it 29%
 - 1 company – not applicable 4%
 - 1 company – CG chapter and/or CG charter, report and/or site 4%
 - 5 companies – neither CG charter nor CG chapter, report and/or site 21%

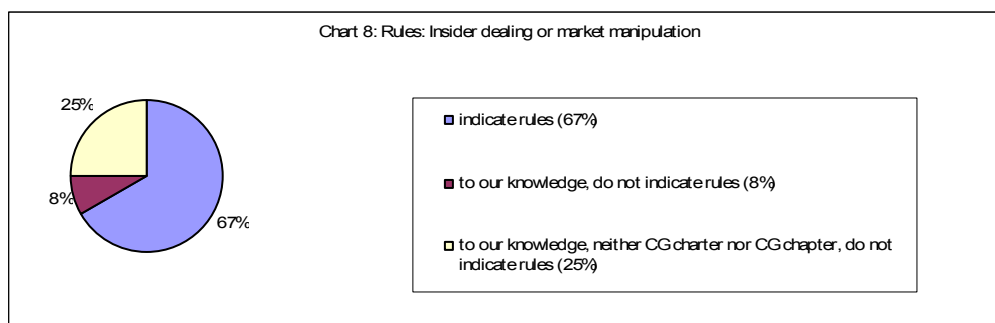
d) Objective: to check whether the rate of attendance of directors at board meetings is published



Of the 24 companies:

- 14 companies publish the rate of attendance of directors at board meetings 58%
Some companies even state the rate of attendance for each of the directors or explain the reason for their absence.
- To our knowledge, 10 companies do not publish it 42%
 - 1 company – not applicable 4%
 - 3 companies – CG chapter and/or CG charter, report and/or site 13%
 - 6 companies – neither CG charter nor CG chapter, report and/or site 25%

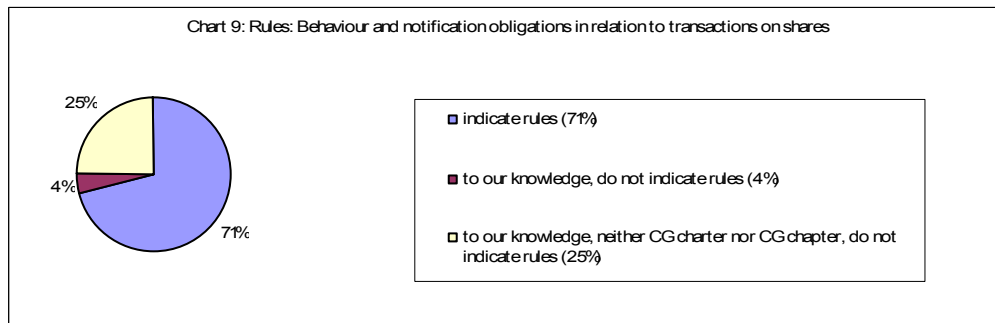
e) Objective: to check whether the board adopts appropriate rules to avoid its members and the company's employees becoming guilty of insider dealing or market manipulation



Of the 24 companies:

- 16 companies publish rules 67%
- To our knowledge, 8 companies do not publish rules 33%
 - 2 companies – CG chapter and/or CG charter, report and/or site 8%
 - 6 companies – neither CG charter nor CG chapter, report and/or site 25%

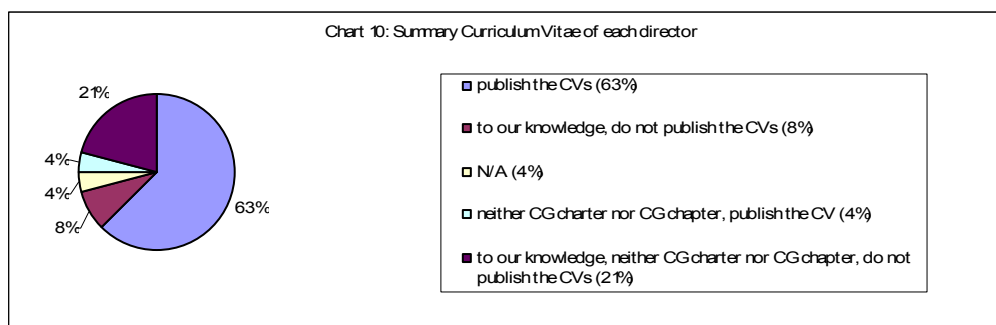
f) Objective: to check whether the board formulates a set of rules regulating the behaviour and notification obligations in relation to transactions in the company's shares and other financial instruments carried out on their own account by directors and other individuals bound by these obligations



Of the 24 companies:

- 17 companies publish rules 71%
- To our knowledge, 7 companies do not publish rules 29%
 - 1 company – CG chapter and/or CG charter, report and/or site 4%
 - 6 companies – neither CG charter nor CG chapter, report and/or site 25%

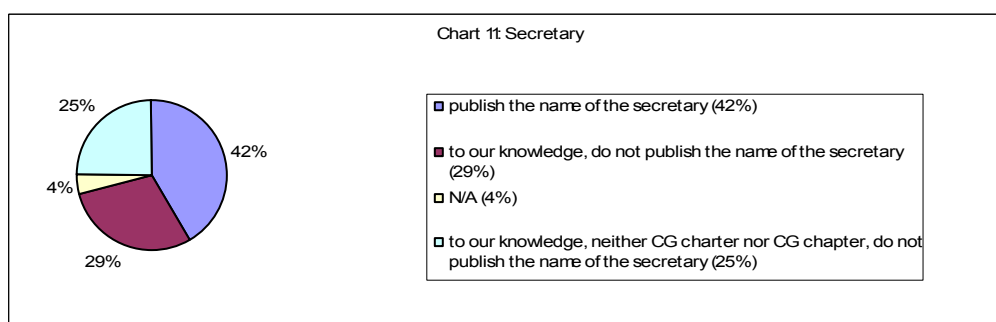
g) Objective: to check publication of a summary curriculum vitae of each director in order to take account of the experience required and directorships in other companies



Of the 24 companies:

- 16 companies publish the CVs 67%
 - 1 company publishes the curriculum vitae of new directors in its annual report.
 - 2 companies only publish the « autres mandats exercés par les mandataires sociaux dans des sociétés cotées ».
- To our knowledge, 8 companies do not publish it 33%
 - 1 company – not applicable 4%
 - 2 companies – CG charter and/or CG charter, report and/or site 8%
 - 5 companies – neither CG charter nor CG chapter, report and/or site 21%

h) Objective: to check publication of the name of the secretary



Of the 24 companies:

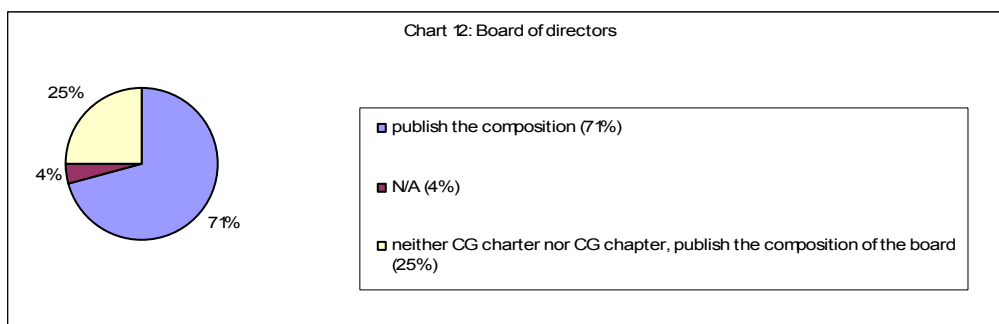
- 10 companies publish the name of the secretary 42%
- To our knowledge, 14 companies do not publish it 58%
 - 1 company – not applicable 4%
 - 7 companies – CG chapter and/or CG charter, report and/or site 29%
 - 6 companies – neither CG charter nor CG chapter, report and/or site 25%

PRINCIPLE 3: Composition of the board and the special committees

The composition of the board will be balanced so as to enable it to take well-informed decisions.

It will ensure that any special committees necessary for it to properly fulfil its duties are set up.

a) Objective: to check publication of the composition of the board

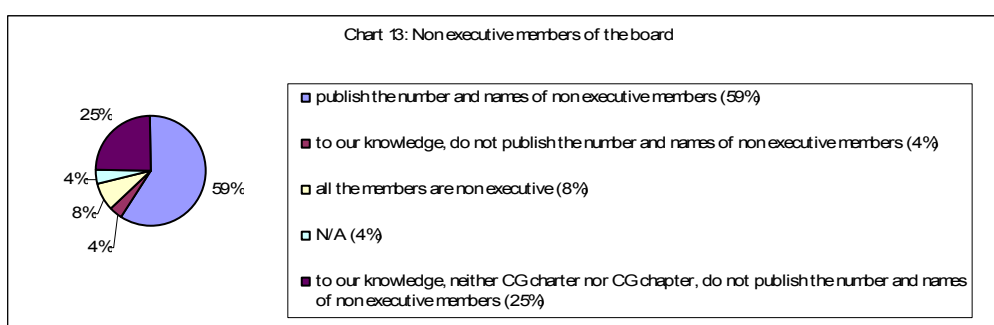


Of the 24 companies:

- 23 companies publish the composition of the board 96%
- To our knowledge, 1 company does not publish it 4%
 - 1 company – not applicable 4%

The results relating to transparency having regard to the composition of the board are perfect.

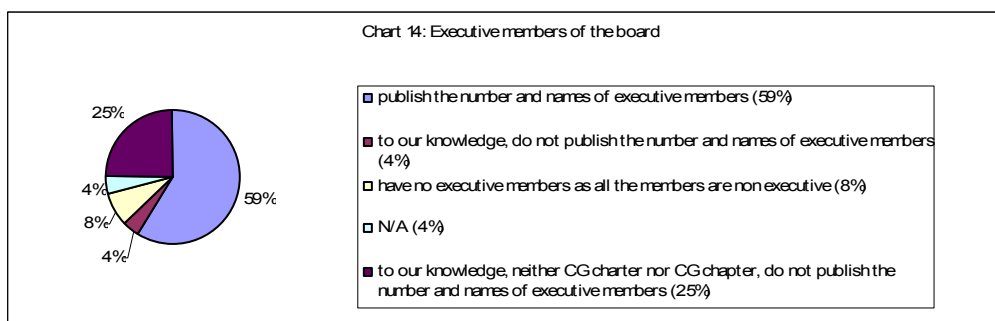
b) Objective: to check publication of the number and names of non executive members of the board



Of the 24 companies:

- 16 companies publish the number and names of non executive members 67%
- In 2 companies, all the members are non executives.
- To our knowledge, 8 companies do not publish these 33%
 - 1 company – not applicable 4%
 - 1 company – CG chapter and/or CG charter 4%
 - 6 companies – neither CG charter nor CG chapter 25%

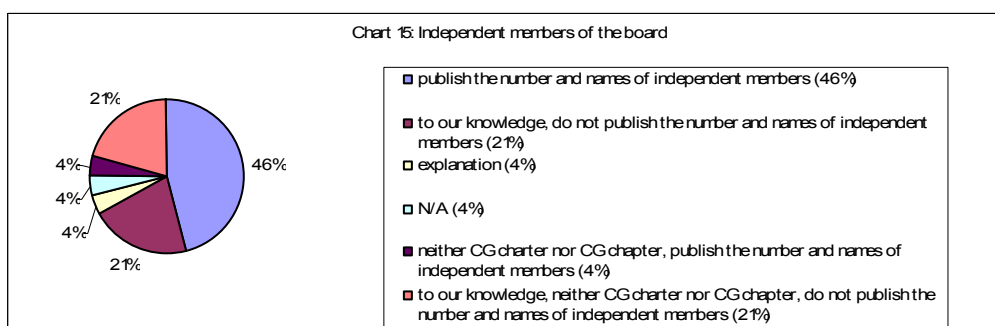
c) Objective: to check publication of the number and names of executive members of the board



Of the 24 companies:

- 16 companies publish the number and names of executive members 67%
- In 2 companies, all the members are non executives.
- To our knowledge, 8 companies do not publish these 33%
 - 1 company – not applicable 4%
 - 1 company – CG chapter and/or CG charter 4%
 - 6 companies – neither CG charter nor CG chapter 25%

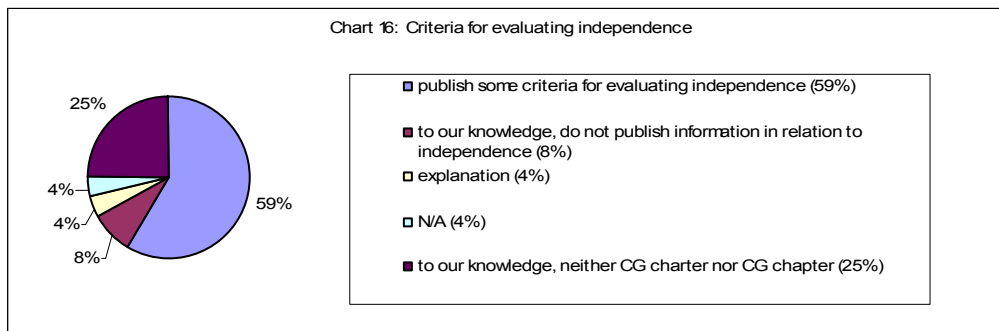
d) Objective: to check publication of the number and names of independent members of the board



Of the 24 companies:

- 12 companies publish the number and names of independent members 50%
- To our knowledge, 12 companies do not publish these 50%
 - 1 company – not applicable 4%
 - 5 companies – CG chapter and/or CG charter 21%
 - 1 company gives the following explanation: 4%
 - « Wegen der Bestimmungen im Staatsvertrag vom 10. Juli 1958 wird von einigen Empfehlungen des Corporate Governance Kodex der Luxemburger Börse abgewichen (z.B. keine unabhängigen Verwaltungsratsmitglieder, kein Auswahlausschuss zur Nominierung der Mitglieder, keine begleitende Empfehlung des Verwaltungsrats zu Vorschlägen für die Wahl von Mitgliedern). »
 - 5 companies – neither CG charter nor CG chapter 21%

e) Objective: to determine the publication of criteria for evaluating the independence of directors

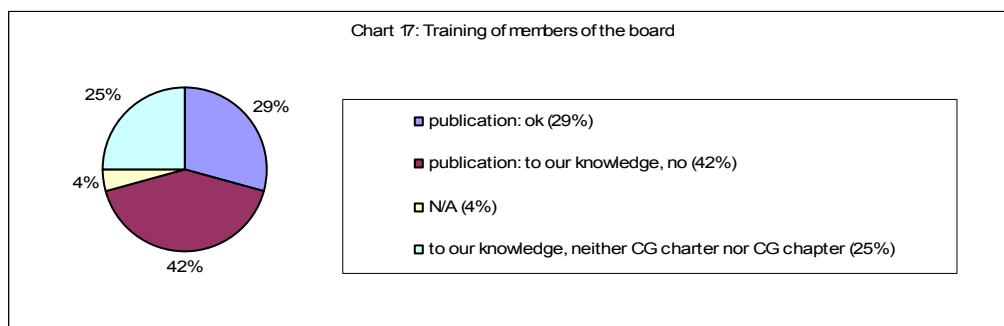


Of the 24 companies:

- 14 companies publish a definition of the notion of independence 59%
 - 1 company explains: « Toutefois, en ce qui concerne les critères d'indépendance des administrateurs, le CA considère, contrairement aux critères proposés par la recommandation 3.5., qu'un mandat de longue durée d'un administrateur est susceptible de constituer un avantage en raison de la connaissance approfondie que cet administrateur aura acquis durant ces années, sans que pour autant son esprit critique et/ou son indépendance s'en trouvent nécessairement compromis. »
 - 3 companies indicate that: « Le conseil d'administration spécifie le terme du mandat et vérifie que l'administrateur réponde aux critères d'indépendance. » The list of independence criteria is not published in the CG chapter.
 - 1 company indicates that: « L'annexe D des 10P de GE de la BdL dresse une liste des critères d'indépendance. Parmi ces critères, un administrateur indépendant s'il n'a pas siégé au CA (ou de surveillance) en qualité d'administrateur non exécutif ou de membre du conseil de surveillance pendant plus de 12 ans. Le CA n'a pas repris ce critère parmi les critères d'indépendance car il considère que ... »
- To our knowledge, 10 companies do not publish information on this subject 41%
 - 1 company – not applicable 4%
 - 2 companies – CG chapter and/or CG charter 8%
 - 1 company gives the following explanation: 4%
 - « Wegen der Bestimmungen im Staatsvertrag vom 10. Juli 1958 wird von einigen Empfehlungen des Corporate Governance Kodex der Luxemburger Börse abgewichen (z.B. keine unabhängigen Verwaltungsratsmitglieder, kein Auswahlausschuss zur Nominierung der Mitglieder, keine begleitende Empfehlung des Verwaltungsrats zu Vorschlägen für die Wahl von Mitgliedern). »
 - 6 companies – neither CG charter nor CG chapter 25%

It is not always possible to know the degree of independence of the chairmen and members of special committees, as 12 companies do not specify whether the directors are considered to be independent.

f) Objective: information in relation to the training of directors



Of the 24 companies:

- 7 companies provide information on the training of directors 29%
- To our knowledge, 17 companies do not publish information 71%
 - 1 company – not applicable 4%
 - 10 companies – CG charter and/or CG charter 42%
 - 6 companies – neither CG charter nor CG chapter 25%

Only 7 companies (29%) communicate on the training of directors, and their professional experience has not been retained.

g) Objective: establishing special committees in companies

Of the 24 companies:

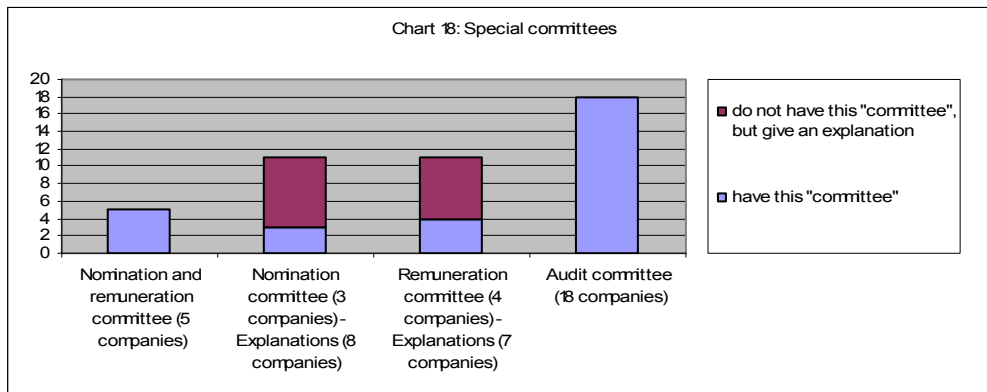
- 18 companies (75%) mention the existence of one or more special committees. 8 companies created certain committees and explain why they do not create others.
- To our knowledge, 6 companies (25%) do not mention the existence of one or more special committees.

Concerning this principle and the reading of the recommendations and guidelines relating thereto, we think it is important to state that in particular Recommendation 3.9 is not always followed:

Recommendation 3.9.

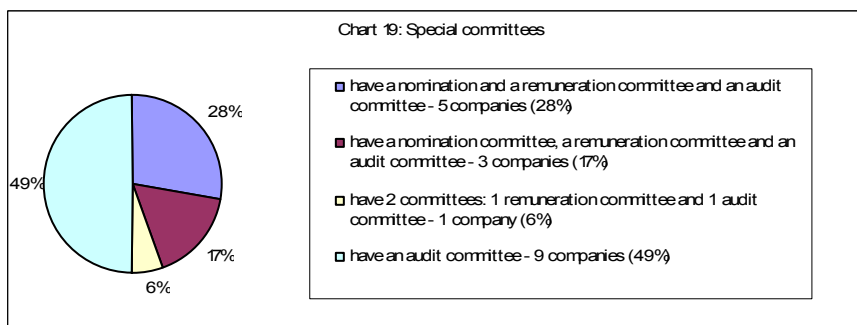
The board should ensure that special committees are constituted to examine specific topics chosen by the board and to advise the board about them. It should choose each committee's chairman and members with due regard to the need to ensure that the committee membership is refreshed and that undue reliance is not placed on particular individuals. Decision-making will remain a collective responsibility of the board, which remains fully answerable for decisions taken within its field of competence.

Some companies make a mention in their charter, in their internal regulations or in their articles of association of the possibility or duty to create committees, but to our knowledge there is no trace in their report and/or on their websites that these committees have been created.



Of the 18 companies mentioning the existence of one or more special committees, the analysis permits an observation to be made of the existence of:

- 5 nomination and remuneration committees,
- 3 nomination committees,
- 4 remuneration committees,
- 18 audit committees.



By analysing the above chart, we observe that among the 18 companies mentioning the existence of committees:

- 5 companies (28%) have a nomination and remuneration committee and an audit committee. One of these companies explains that:
« Le principe 4 des dix principes de gouvernance d'entreprise recommande la constitution d'un Comité de Nomination et le principe 8 recommande la constitution d'un Comité de Rémunération. Pour des raisons pragmatiques et en raison de la taille de la Société, le CA a choisi de regrouper les deux comités en un seul, nommé : Comité de rémunération et de nomination. »
- 3 companies (17%) have a nomination committee, a remuneration committee and an audit committee.
- 1 company (6%) only has 2 committees, a remuneration committee and an audit committee, and explains that:
« No Nomination Committee has been created as relevant decisions are prepared directly by the Board. »

- 9 companies (49%) have only 1 committee, the audit committee. 6 companies explain that:
 - 1) « The Board of Directors does not consider that the establishment of a nomination committee to assist in the selection of directors is necessary, given the specific logic prevailing in *the company's* Board composition, where representatives from major shareholders and major subsidiaries are necessarily represented together with a sufficient number of independents. »

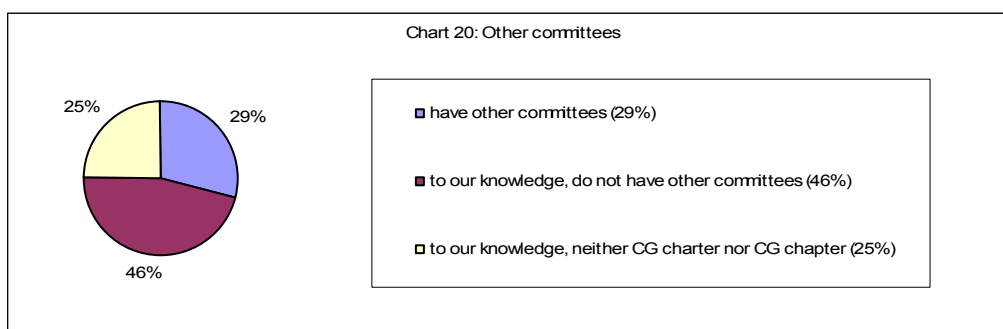
« The Board of Directors considers that, since the vast majority of its members are not remunerated by ESFG, the establishment of a remuneration committee is not necessary. »
 - 2) « It is based on the Ten Principles of Corporate Governance published in 2006 by the Luxembourg Stock Exchange, although it differs in certain respects in order to take account of the specificities of the Company. »
 - 3) « Pour des raisons pragmatiques et en raison de la taille de la société, le conseil d'administration a choisi de ne pas constituer de comité de nomination. »

« Les rémunérations de la direction opérationnelle de *la société* sont fixées par les actionnaires de référence. Le conseil d'administration ne juge pas nécessaire la constitution d'un comité de rémunération. »
 - 4) « Wegen der Bestimmungen im Staatsvertrag vom 10. Juli 1958 wird von einigen Empfehlungen des Corporate Governance Kodex der Luxemburger Börse abgewichen (z.B. keine unabhängigen Verwaltungsratsmitglieder, kein Auswahlausschuss zur Nominierung der Mitglieder, keine begleitende Empfehlung des Verwaltungsrats zu Vorschlägen für die Wahl von Mitgliedern). »

« Die Verwaltungsratsmitglieder erhalten keine Bonuszahlungen, Aktienoptionen oder sonstigen erfolgsorientierten Leistungsanreize. Anders als im Corporate Governance Kodex der Luxemburger Börse empfohlen gibt es deshalb keinen Vergütungsausschuss für die Festlegung der Bezüge und Entschädigungen der Verwaltungsratsmitglieder. »

« Die Administrateurs-Délégués erhalten keine Bonuszahlungen, Aktienoptionen oder sonstigen erfolgsorientierten Leistungsanreize. Anders als im Corporate Governance Kodex der Luxemburger Börse empfohlen gibt es deshalb keinen Vergütungsausschuss für die Festlegung ihrer Vergütung. »

It is to be noted that one of the above explanations is given for 2 companies.



Of the 24 companies:

- 7 companies have other committees 29%
- To our knowledge, 17 companies do not have other committees 71%
 - 11 companies – CG charter and/or CG charter 46%
 - 6 companies – neither CG charter nor CG chapter 25%

For example:

- “Capital Allocation Committee”
- “Risk Committee”
- “Stock Option Committee”
-

PRINCIPLE 4: Appointment of directors and executive managers

The company will establish a formal procedure for the appointment of directors and executive managers.

Of the 24 companies:

- 3 companies have established a nomination committee. The names of the directors comprising it, the number of independent members, the number of non executive members, the number of meetings and a description of the task of the committee are given. The name of the chairman and the rate of attendance of members at meetings are not always given. Companies experience difficulties in publishing the terms of their evaluation of the performance of this committee.
- For 5 companies, the nomination committee is associated with the remuneration committee, thus composing the *nomination and remuneration committee*. All companies publish the composition of this committee as well as the name of the chairman, the number of independent members, the number of non executive members, the number of meetings and a description of the task of the committee. The rate of attendance of members at meetings of this committee and the terms of their evaluation of the performance of this committee are less well published.

Of the 5 companies, one explains why it has combined the two committees in one:

- « Le principe 4 des dix principes de gouvernance d'entreprise recommande la constitution d'un Comité de Nomination et le principe 8 recommande la constitution d'un Comité de Rémunération. Pour des raisons pragmatiques et en raison de la taille de la Société, le CA a choisi de regrouper les deux comités en un seul, nommé : Comité de rémunération et de nomination. »
- 8 other companies apply the “comply or explain” principle:
 - « The Board of Directors does not consider that the establishment of a nomination committee to assist in the selection of directors is necessary, given the specific logic prevailing in *the company's* Board composition, where representatives from major shareholders and major subsidiaries are necessarily represented together with a sufficient number of independents. »
 - « It is based on the Ten Principles of Corporate Governance published in 2006 by the Luxembourg Stock Exchange, although it differs in certain respects in order to take account of the specificities of the Company. »
 - « Pour des raisons pragmatiques et en raison de la taille de la société, le conseil d'administration a choisi de ne pas constituer de comité de nomination. »
 - « Wegen der Bestimmungen im Staatsvertrag vom 10. Juli 1958 wird von einigen Empfehlungen des Corporate Governance Kodex der Luxemburger Börse abgewichen (z.B. keine unabhängigen Verwaltungsratsmitglieder, kein Auswahlausschuss zur Nominierung der Mitglieder, keine begleitende Empfehlung des Verwaltungsrats zu Vorschlägen für die Wahl von Mitgliedern). »

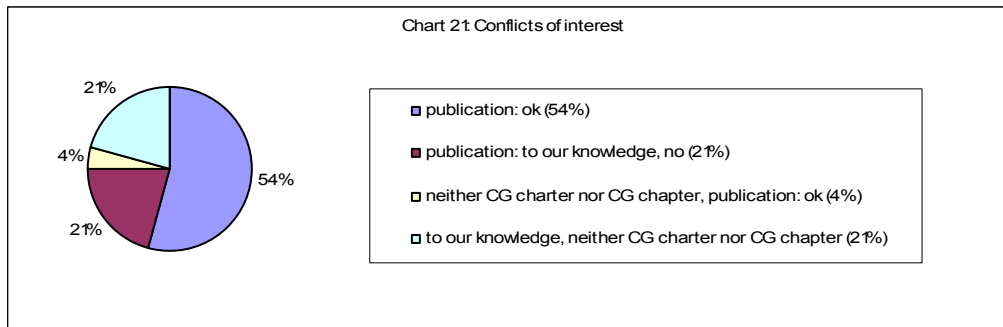
It is to be noted that one of the above explanations is given for 2 companies.

- To our knowledge, 8 companies do not publish information in relation to a nomination committee.

PRINCIPLE 5: Conflicts of interest

The directors will take decisions in the interests of the company and will refrain from taking part in any deliberation or decision that creates a conflict between their personal interests and those of the company or any subsidiary controlled by the company.

Objective: to check publication of a mechanism with regard to the policy for dealing with conflicts of interest



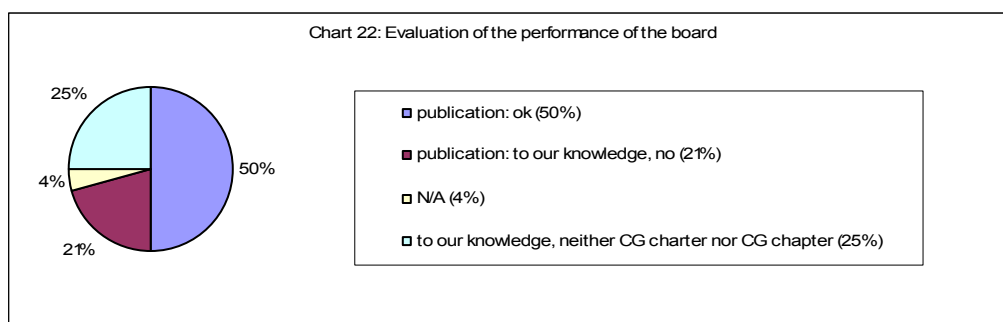
Of the 24 companies:

- 14 companies (58%) publish a mechanism with regard to the policy for dealing with conflicts of interest.
- One company published the mechanism with regard to the policy for dealing with conflicts of interest in the « code of business conduct and ethics » on its website.
- To our knowledge, 10 companies (42%) do not publish a mechanism
 - 5 companies – CG charter and/or CG charter 21%
 - 5 companies – neither CG charter nor CG chapter 21%

PRINCIPLE 6: Evaluation of the performance of the board

The board will regularly evaluate its performance and its relationship with the executive management.

Objective: to check publication with regard to the evaluation of the performance of the board



Of the 24 companies:

- 12 companies (50%) publish information with regard to the evaluation of the performance of the board
- To our knowledge, 12 companies (50%) do not publish information
 - 1 company – not applicable 4%
 - 5 companies – CG chapter and/or CG charter 21%
 - 6 companies – neither CG charter nor CG chapter 25%

It should be noted that the detail of the information published is extremely variable.

Of the 12 companies which publish information with regard to the evaluation of the performance of the board:

- 2 companies mention that an evaluation of the performance of their board was made during that financial year;
- 1 company mentions that an evaluation of the performance of the board must be made annually (but does not state that it was made);
- 2 companies mention that an evaluation of the performance of their board is made regularly (at least every three years);
- 3 companies mention that an evaluation of the performance of their board is made regularly (they state neither the deadline nor whether it was done for this financial year);
- 2 companies mention that a committee is responsible for the evaluation of the performance of their board (but they state neither the deadline nor whether it was done for this financial year);

- 1 company mentions: « The principle related to the evaluation of the performance of the board of Directors has been implemented in 2008. The process will include the Audit Committee and the Compensation Committee as from 2009. »

- 1 company mentions: « Contrairement à 2007, le Conseil d'administration n'a pas procédé, en 2008, à une auto-évaluation de sa composition, de son travail et de son fonctionnement. Il est prévu de procéder à cet exercice en 2009. »

PRINCIPLE 7: Management structure

The board will set up an effective structure of executive management. It will clearly define the duties of executive management and delegate to it the necessary powers for the proper discharge of these duties.

Of the 24 companies:

- 20 companies (83%) indicate their executive management structure (executive committee or management committee),
1 company mentions: « Die Beschlüsse des Administrateurs-Délégués werden einstimmig getroffen. Erweist sich dies als nicht möglich, wird der Beschluss zur Entscheidung an den Verwaltungsrat weitergeleitet. Der Vorsitzende der Administrateurs-Délégués hat dementsprechend kein übergeordnetes Stimmrecht. Die Machtkonzentration, von der die Empfehlung 1.3. des Corporate Governance Kodex der Luxemburger Börse abrät, ist somit relativiert, indem der Vorsitzende der Geschäftsleitung bestenfalls ein "primus inter pares" ist. »
- To our knowledge, 4 companies (17%) do not publish information in relation to their executive management.

Of the 20 companies which publish their executive management structure, one company does not mention the names of the members comprising it and some fail to mention the name of the chief executive officer as well as the duties of their executive management.

PRINCIPLE 8: Remuneration policy

The company will secure the services of good quality directors and executive managers by means of a suitable remuneration policy that is compatible with the long-term interests of the company.

Of the 24 companies:

- 4 companies have established a remuneration committee. The names of the directors, the number of independent members, the number of non executive members and a description of the task of the committee are always mentioned. The name of the chairman, the number of meetings and the attendance rate, as well as the terms of the evaluation of performance are not always given.
- In 5 companies, the nomination committee is associated with the remuneration committee, thus comprising the *nomination and remuneration committee*. All the companies publish the composition of this committee as well as the name of the chairman, the number of independent members, the number of non executive members, the number of meetings and a description of the task of the committee. The rate of attendance of members at meetings of this committee and the terms of the evaluation of the performance of this committee are less well published.
Of the 5 companies, one explains why it has combined the two committees in one:
 - « Le principe 4 des dix principes de gouvernance d’entreprise recommande la constitution d’un Comité de Nomination et le principe 8 recommande la constitution d’un Comité de Rémunération. Pour des raisons pragmatiques et en raison de la taille de la Société, le CA a choisi de regrouper les deux comités en un seul, nommé : Comité de rémunération et de nomination. »
- 7 other companies apply the “comply or explain” principle:
 - « The Board of Directors considers that, since the vast majority of its members are not remunerated by *the company*, the establishment of a remuneration committee is not necessary. »
 - « It is based on the Ten Principles of Corporate Governance published in 2006 by the Luxembourg Stock Exchange, although it differs in certain respects in order to take account of the specificities of the Company. »
 - « Les rémunérations de la direction opérationnelle de *la société* sont fixées par les actionnaires de référence. Le conseil d’administration ne juge pas nécessaire la constitution d’un comité de rémunération. »
 - « Pour des raisons pragmatiques et en raison de la taille de la Société, le CA a choisi de regrouper les deux comités en un seul, nommé : Comité de rémunération et de nomination. »

- « Die Verwaltungsratsmitglieder erhalten keine Bonuszahlungen, Aktienoptionen oder sonstigen erfolgsorientierten Leistungsanreize. Anders als im Corporate Governance Kodex der Luxemburger Börse empfohlen gibt es deshalb keinen Vergütungsausschuss für die Festlegung der Bezüge und Entschädigungen der Verwaltungsratsmitglieder. »
« Die Administrateurs-Délégués erhalten keine Bonuszahlungen, Aktienoptionen oder sonstigen erfolgsorientierten Leistungsanreize. Anders als im Corporate Governance Kodex der Luxemburger Börse empfohlen gibt es deshalb keinen Vergütungsausschuss für die Festlegung ihrer Vergütung. »

It is to be noted that one of the above explanations is given for 2 companies.

- To our knowledge, 8 companies do not publish information in relation to a remuneration committee.

Of the 24 companies, 23 companies publish information concerning the remuneration of members of the board and/or the executive management, e.g. percentage fees, directors' fees, the overall amount allocated to members of the board and so on. We note nonetheless that the amount of detail on remuneration varies considerably.

Of the 23 companies:

- Only 8 companies publish their remuneration policy.
- 19 companies publish an overall amount of remuneration allocated to directors in their financial report.
- 17 companies publish the number of options and the conditions for their exercise granted to directors and to members of the executive management.

PRINCIPLE 9: Financial reporting, internal control and risk management

The board will establish strict rules, designed to protect the company's interests, in the areas of financial reporting, internal control and risk management.

Of the 24 companies:

- 18 companies have established an audit committee.
- To our knowledge, 6 companies do not have an audit committee.

The names of the directors comprising it are always given. Publication of the name of the chairman, the number of independent members and non executive members and the number of meetings does not always occur. Only one company does not publish the task of this committee. Companies also experience difficulties in publishing the rate of attendance of members at meetings and the terms of the evaluation of performance.

With regard to this principle and the reading of the recommendations and guidelines relating thereto, we think it is important to state that in particular Recommendation 9.3. is not always followed:

Recommendation 9.3.

The audit committee should be composed exclusively of non executive directors.

It should contain a sufficient number of independent directors.

The chairman of the board should not chair the audit committee.

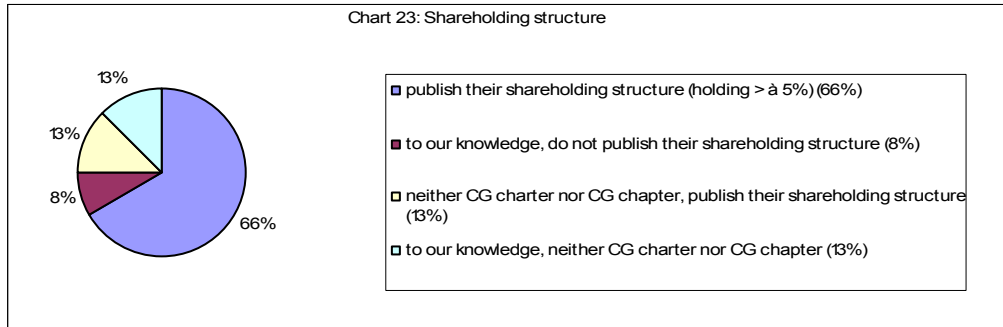
Some companies do not state the name of the chairman of the board and/or some companies do not mention the status of their board members – independent, non executive or executive members.

It is difficult to check application of the above recommendations.

PRINCIPLE 10: Shareholders

The company will respect the rights of its shareholders and ensure they receive equitable treatment.

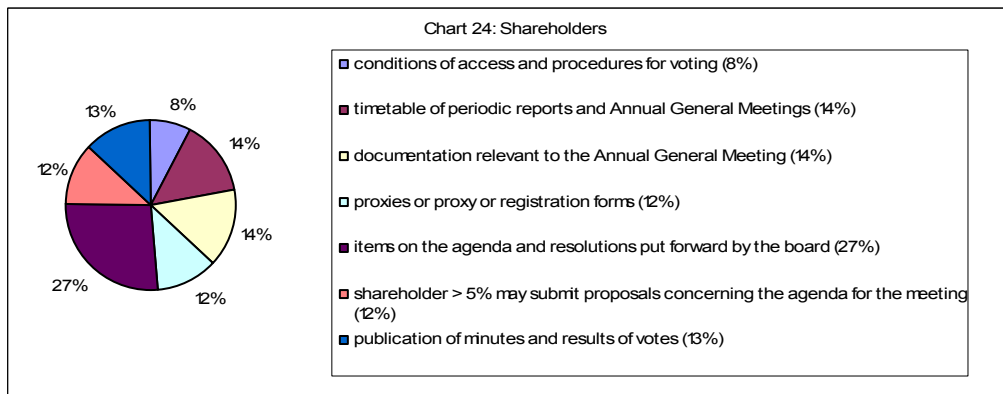
The company will establish a policy of active communication with the shareholders.



Of the 24 companies:

- 19 companies publish their shareholding structure 79%
- To our knowledge, 5 companies do not publish it 21%
 - 2 companies – CG charter and/or CG charter 8%
 - 3 companies – neither CG charter nor CG chapter 13%

a) Objective: to determine publication of information to shareholders



Half the companies experience difficulties in publishing information for the attention of shareholders.

The following indications have been gathered using all the material placed at our disposal and no guarantee is given as their exhaustiveness.

- 1) conditions of access and procedures for voting
6 companies publish this 8%
 - *devote a specific section of the website to the disclosure of a description of the conditions of access to and procedures for voting for shareholders at Annual General Meetings*
- 2) timetable of periodic reports and Annual General Meetings
11 companies publish this 14%
 - *devote a specific section of the website to the disclosure of a timetable of periodic reports and Annual General Meetings*
- 3) documentation relevant to the Annual General Meeting
11 companies publish this 14%
 - *devote a specific section of the website to the disclosure of all documentation relevant to the Annual General Meeting of shareholders*
- 4) proxies or proxy or registration forms
9 companies publish these 12%
 - *offer the possibility to give proxies or to download proxy forms electronically*

1 company indicates that there are only registered shares. The convocation and proxy form are sent by mail to shareholders, so the proxy form is not published on the website.
- 5) items on the agenda and resolutions put forward by the board
20 companies publish these 27%
 - *When calling Annual General Meetings, the company should communicate the agenda and resolutions put forward by the board to all shareholders in a timely fashion and with due regard for the geographic dispersal of the shareholders*
- 6) shareholder >5% may submit proposals concerning the agenda for the meeting
9 companies publish this 12%
 - *Any shareholder holding at least 5% of the company's share capital may submit proposals to the board concerning the agenda of the Annual General Meeting*
- 7) publication of minutes and the results of votes
10 companies publish these 13%
 - *The company should post the results of votes and the minutes of the Annual General Meeting on the website as soon as possible after the Annual General Meeting.*

COMPLY OR EXPLAIN

A number of companies give explanations as to non-compliance with the Principles applying the “comply or explain” principle.

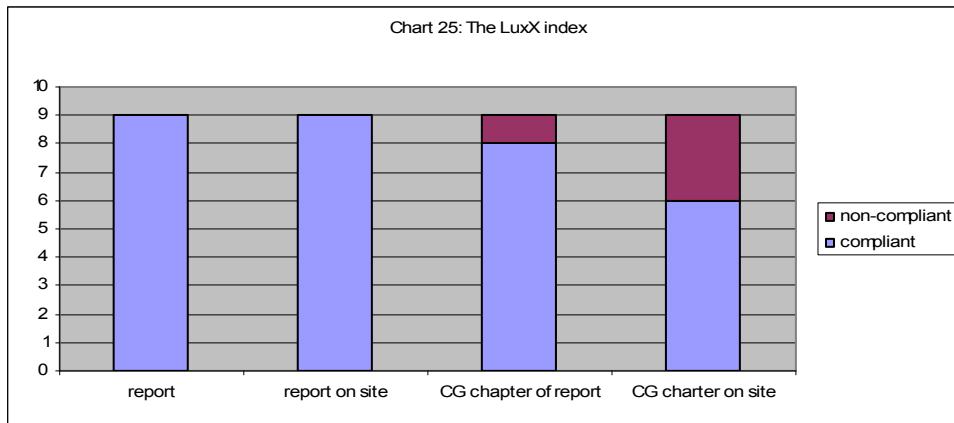
The system is extremely successful because it permits a number of companies to give the reasons for their non-compliance, which are extremely diverse and varied.

3) The LuxX index

The LuxX index is composed of 11 companies, of which 9 are Luxembourg companies (as at 1 January 2009).

The Principles are addressed only to Luxembourg companies the shares of which are listed on the regulated market of the Luxembourg Stock Exchange, and the present analysis is limited to the 9 companies included in the LuxX.

It is to be noted that the composition of the LuxX index changed on 30 June 2009, when one stock disappeared.



Analysis of the 9 companies permits the following observations:

- The Luxembourg Stock Exchange has received all the annual reports of the 9 companies examined.
- All the reports are available on the respective websites.

- 8 companies publish a CG chapter in the annual report.
- 6 companies publish a CG charter on the website.
- It is necessary to observe that one company publishes neither a CG chapter in its annual report nor a CG charter on its website.

- Of the 8 companies analysed,
 - 6 apply the Principles;
 - 1 company « continually monitors U.S., European Union and Luxembourg legal requirements » ;
 - 1 company also complies with the French rules of corporate governance.

- All the companies publish their shareholding structure.

- 6 companies publish information in relation to independence criteria.

- 7 companies publish provisions as to the policy for dealing with conflicts of interest.

- 7 companies publish information in relation to insider dealing and 8 companies publish information in relation to the rules of behaviour obligations.
- Publication of the composition of the board, the name of the chairman and the details of non executive and/or executive members, the number of meetings and the duties of the board is well respected; likewise publication of the details of independent members, the rate of attendance of members at meetings and the terms of evaluation of performance. Companies experience difficulties in providing information on the training of directors.
- All the companies have established special committees:
 - 4 companies combine the nomination committee and the remuneration committee in one committee and have an audit committee.
 - 2 companies have a nomination committee and a remuneration committee, as well as an audit committee.
 - 3 companies only have an audit committee.
- The provisions relating to publication of the composition of committees, independent, non executive and/or executive members and the number of meetings are well respected. Companies experience difficulties in publishing the name of the chairman of the committees, the rate of attendance of directors at meetings and the terms of their evaluation of the performance of this committee.
- All the companies publish the composition of their executive management.
- All the companies publish information concerning remuneration.
- The information to shareholders such as the timetable for periodic reports and Annual General Meetings, the items on the agenda and the resolutions put forward by the board have been published by almost all the companies.

4) Conclusion

On the basis of an analysis of the public documents, namely the annual reports, CG chapters, CG charters and websites of the companies, it clearly appears that the listed Luxembourg companies have made efforts to improve observance of the Ten Principles compared to 2007.

It should be observed that there has been a strong development of compliance with the Ten Principles since their publication. The essential sections are observed by the majority of companies.

It is a matter in particular of those relating to the obligations regarding publication, such as the CG chapter in the annual report, the general information in the annual report and/or on the website, as well as the publication of the shareholding structure.

It is to be noted that the obligation of publication of a CG charter on the website is only fulfilled in 50% of cases. 4 companies promise the publication of a CG charter in coming months, and this will improve the result for the 2009 financial year.

Companies also post encouraging results regarding publication of the composition of the board and the composition of the executive management structure.

Overall, it should be observed that application of the Ten Principles analysed in the present study shows progress compared to 2007.

Despite everything, it emerges from the study that serious efforts must be made on the following Principles:

- the level of the evaluation of the performance of the board shows progress, but remains very unsatisfactory with only 50% of companies providing information in this regard;
- information on training is certainly better than in 2007, but still broadly insufficient in view of the requirements of Principle 3 on the composition of the board;
- companies hardly provide the necessary and/or useful information to their shareholders in view of the requirements of Principle 10.

It is to be noted that over recent months the drafting group has been working on a revision of the Ten Principles on the basis of the initial conclusions on application of the Principles and with reference to legislative developments.

The date of entry into force of the revised Ten Principles of Corporate Governance is 1 October 2009.

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