

# REPORT OF THE CHAIRMAN OF THE SUPERVISORY BOARD ON THE GOVERNANCE OF THE COMPANY AND INTERNAL CONTROL

FINANCIAL YEAR FROM JAN 1<sup>ST</sup>, 2015 TO DEC 31<sup>ST</sup>, 2015

*(English version for information only\*)*

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Pursuant to Article L. 225-68 of the French Commercial Code (*Code de Commerce*), the report of the Chairman of the Supervisory Board comprises for the financial year 2015 the information concerning the composition of the Board and the application of the principle of balanced representation of women and men, the conditions governing the preparation and organization of the work of the Supervisory Board as well as the internal control and risk management procedures implemented by the Company, particularly those relating to the preparation and processing of financial and accounting information. This report also specifies that the Company voluntarily refers to a code of corporate governance, indicates the special conditions relating to shareholder participation in the general meeting and presents the principles and rules adopted by the Supervisory Board to determine any compensation and benefits granted to corporate officers. It also mentions the publication of the information provided for in Article L. 225-100-3 of the French Commercial Code.

This report was prepared by the Chairman of the Supervisory Board, on the basis of the internal control and risk management work carried out by GENFIT in 2014. This report was reviewed by the Audit Committee, which met on April 21st, 2015 in the presence of representatives of GENFIT's auditors, and was approved by the Supervisory Board, which met on April 21st, 2015, in the presence of representatives of GENFIT's auditors.

This report is presented within the framework of the Combined General Shareholders' Meeting of GENFIT to be held on June 21st, 2016.

## 1. CORPORATE GOVERNANCE

GENFIT SA is a limited company with an Executive Board and a Supervisory Board (*Société Anonyme à Directoire et Conseil de Surveillance*). In this regard, it is subject to the provisions of articles L.225-57 to L.225-93 of the French Commercial Code and the associated regulatory provisions.

Following the admission to trading of its securities on the Euronext regulated market on April 17th, 2014, the Supervisory Board of the Company decided to adopt the Middlednext Code of corporate governance of December 2009 (the “Middlednext Code”) as reference code for corporate governance, after examining the checkpoints of this code at its meeting of March 11th, 2014. This code is available on the Middlednext website ([www.middlednext.com](http://www.middlednext.com)).

The Company considers that it complies with the majority of the recommendations of the Middlednext Code. Reference will be made to section [1.2- Application of the code of corporate governance of Middlednext listed companies](#) of this report for more details on the remaining points of divergence with the code and the reasons for these divergences.

### 1.1. SUPERVISORY AND MANAGEMENT BODIES

#### 1.1.1. Executive Board

##### 1.1.1.1. [Composition of the Executive Board](#)

The Executive Board is comprised of 3 members :

Nom	Mandat
Jean-François Mouney	Chairman of the Executive Board
Nathalie Huitorel	Member of the Executive Board
Dean Hum	Member of the Executive Board

<b>Jean-François MOUNEY, 60 years old, French</b>	<b>Chairman of the Executive board</b>	
Professional address	885, Avenue Eugène Avinée - 59120 LOOS	
Number of Genfit's shares held	8,339 shares held directly and 17.1% of Biotech Avenir	
Professional Experience / Expertise	Jean-François MOUNEY co-founded Genfit in 1999 after having been actively involved in the incubation of the Company from 1997. Prior to this, he had created, managed and developed several companies specializing in high-performance materials, particularly in the aeronautical industry, since 1979. In 1992, he founded M&M, a consultancy firm specializing in health economics. He was responsible for carrying out a feasibility study for an economic development agency within the field of health and biology in the Nord-Pas-de-Calais region of France and was appointed Chief Executive Officer of this agency since its launch in 1995. Over a hundred companies have been created as part of this venture, making Eurasanté one of the top European bioincubators and clusters. As Chairman of the Executive Board of Genfit, he received, in 2003, the Entrepreneur of the Year award, which is organized internationally by Ernst & Young, in the New Technology category. He also received this award in 2004. Jean-François Mouney is also Deputy Chairman of the "Nutrition, Health and Longevity" research hub and is Advisor to the Banque de France since 2008. Jean-François Mouney is a graduate of the ESCP-Europe Business School, and holds a Master Degree in Economics from the University of Lille.	
Term of office	<u>1st appointment</u> : Supervisory Board of September 15th, 1999 <u>Last renewal</u> : Supervisory Board of July 3, 2013 <u>End of the current office</u> : July 3, 2018	
	<b>Company</b>	<b>Office</b>
Operational functions and other corporate offices in the Group	GENFIT CORP GENFIT PHARMACEUTICALS SAS	Chairman of the Executive Board Chairman
Other corporate offices outside the Group	BIOTECH AVENIR SAS	Chairman
Other offices and positions held in the last five years and that have now expired	NATURALPHA SAS	Chairman

<b>Nathalie Huitorel</b> <b>54 years old, French</b>	<b>Member of the Executive Board</b>	
Professional address	885, Avenue Eugène Avinée - 59120 LOOS	
Number of Genfit's shares held	2,591 shares held directly and 0.0 % of Biotech Avenir	
Professional Experience / Expertise	Nathalie Huitorel is a graduate of the SKEMA Business School (School of Management in Lille, France). For 10 years she was Chief Financial and Administrative Officer for MS COMPOSITES, a company specializing in high-performance composite materials. She took part in listing a subsidiary of the French company FINUCHEM on the Stock Exchange and has led numerous mergers and acquisitions. She was appointed Chief Financial and Administrative Officer at Genfit in October 2007, and oversees the financial, management and human resources departments.	
Term of office	<u>1<sup>st</sup> appointment</u> : Supervisory Board of July 3, 2008 <u>Last Renewal</u> : Supervisory Board of July 3, 2013 <u>End of the current office</u> : July 3, 2018	
	<b>Company</b>	<b>Office</b>
Operational functions and other corporate offices in the Group	GENFIT SA GENFIT CORP GENFIT PHARMACEUTICALS SAS	Chief Financial and Administrative Officer Member of the Executive Board Member of the Executive Board
Other corporate offices outside the Group	None	None
Other offices and positions held in the last five years and that have now expired	None	None

<b>Dean Hum</b> <b>53 years old, Canadian</b>	<b>Member of the Executive Board</b>	
Professional address	885, Avenue Eugène Avinée - 59120 LOOS	
Number of Genfit's shares held	10 shares held directly et 6.2% of Biotech Avenir	
Professional Experience / Expertise	Dean HUM earned a Ph.D. in Biochemistry from McGill University in Montreal in 1990. An expert in the modulation of transcription factors and nuclear receptors associated with endocrine and cardiometabolic diseases, he held a research position at the University of California in San Francisco before becoming a Professor at Laval University in Quebec. He joined Genfit in 2000 as Chief Scientific Officer. Dean Hum is today a key person in the organization of Genfit. In particular, he is responsible for defining, implementing, employing and coordinating short-, medium- and long-term strategies relating to R&D programs and portfolio. He coordinates all R&D activities with the CEO and in close collaboration with scientific officers and project managers.	
Term of office	<u>1st appointment</u> : Supervisory Board of May 13, 2014 <u>End of the current office</u> : May 13, 2019	
	Société	Mandat
Operational functions and other corporate offices in the Group	GENFIT SA	Director Research and Development Director of operations
Other corporate offices outside the Group	None	None
Other offices and positions held in the last five years and that have now expired	None	None

#### 1.1.1.2. Operation of the Executive Board

##### **Missions of the Executive Board**

The Executive Board :

- is in charge of the management of the Company, which it represents;
- defines the development strategy of the Company and implements its research, commercial and financial choices in relation to operational stakeholders ;
- is vested with the widest powers to act in all circumstances in the name of the Company; it exercises them within the limit of the Company purpose and subject to those powers expressly attributed by Law to the Supervisory Board and to the General Meetings;
- presents its work to the Supervisory Board each quarter.

Following the appointment of Dean Hum as new member of the Executive Board on May 13th, 2014, the Executive Board redefined the duties of Nathalie Huitorel and defined those of Dean Hum in respect of the corporate offices which they specifically exercise within the Executive Board, alongside the technical duties that they perform as employees under their employment contract since joining the Company.

Nathalie Huitorel thus assists the Executive Board and its Chairman in the following specific fields of competence:

- Financial visibility (cash position, etc.) ;
- Balanced budgets and available resources ;
- Company atmosphere and wage policy ;
- Security of tangible and intangible assets.

Dean Hum assists the Executive Board and its Chairman in the following specific fields of competence:

- Industrial and scientific visibility and reputation ;
- Innovation and intellectual property policy ;
- International corporate development.

### 1.1.1.3. Work of the Executive Board in 2015

The Executive Board meets as often as necessary in order to fulfill its missions. In respect of the year ended December 31st, 2015, the Executive Board held 13 meetings with an attendance rate of 100%.

## 1.1.2. Supervisory Board

### 1.1.2.1. Composition of the Supervisory Board

The Supervisory Board is comprised of 5 members :

Nom	Mandat
Xavier Guille des Buttes	Chairman of the Supervisory Board
Charles Woler	Vice- Chairman of the Supervisory Board
BIOTECH AVENIR SAS	Member of the Supervisory Board , represented by Florence Séjourné
Philippe Moons	Member of the Supervisory Board
Frédéric Desdouits	Member of the Supervisory Board



No censor has been appointed.

The corporate offices of the Chairman, the Vice-chairman of the Supervisory Board, and BIOTECH AVENIR will expire in 2016. The corporate office of Mister Philippe Moons, co-opted by the Supervisory Board in 2015 in replacement of FINORPA SCR till the end of its corporate office (2018) will have to be confirmed by the General Meeting in 2016. The corporate office of Mister Frédéric Desdouits will expire in 2018.

Xavier Guille des Buttes 74 years old, French	Chairman of the Supervisory Board , of which he is an independent member Member of the Appointment and Compensation Committee and member of the Audit Committee	
Professional address	-	
Number of Genfit's shares held	771 shares	
Professional Experience / Expertise	Graduated from the ESSCA (l'Ecole Supérieure des Sciences Commerciales d'Angers), from the Institute of Foreign Commerce and from the Management Control Institute, Xavier GUILLE DES BUTTES has spent his entire career in the pharmaceutical industry. He has held a large number of executive positions for more than 30 years, particularly in the French subsidiary of the German Group Schering AG, where he has successively held the positions of Marketing Director, General Manager of the pharmaceutical Division and Chairman of the Board of Directors until June 2006. Member of Genfit's Supervisory Board since October 18, 2006, he currently chairs the Supervisory Board since April 5, 2008. In addition to his responsibilities at Genfit, he also serves as a corporate director of several companies. He holds offices within Delpharm Holding (pharmaceutical manufacturing), Diagast, a subsidiary of the French national blood service and Hemarina, a start-up located in Morlaix. Xavier GUILLE DES BUTTES also chairs the Foundation of the Catholic University of Lille and is a knight of the Legion of Honor	
Term of office	<u>1st appointment</u> : October 18, 2006 <u>Last renewal</u> : June 28, 2011 <u>End of the current office</u> : Shareholders' General Meeting called to approve the financial statements for the year ending December 31, 2015.	
	Company	Office
Operational functions and other corporate offices in the Group	None	None
Other corporate offices outside the Group	DELPHARM HOLDING DIAGAST HEMARINA	Member of the Board of partners Member of the Supervisory Board Member of the Supervisory Board
Other offices and positions held in the last five years and that have now expired	QUEST ANGELS DEVELOPPEMENT	Member of the Supervisory Board

BIOTECH AVENIR SAS	Represented at the Supervisory Board by Florence Séjourné (44 years old, French) Member of the Audit Committee	
Professional address	885, Avenue Eugène Avinée 59120 LOOS	
Number of Genfit's shares held	1,770,574 shares	
Number of Genfit's shares held by Florence Séjourné	64 shares 9.9% of Biotech Avenir	
Professional Experience / Expertise	Graduated from the Ecole des Mines of Paris (Biotechnology option) and holding a master degree in Pharmacy from the University of Illinois (Chicago, United States), she was in charge of the biopharmaceutical sector for Eurasanté. She co-founded Genfit and served as the Company's Chief Operating Officer, Business Development Director, industrial alliances coordinator and member of the Executive Board from 1999 to 2008. Since then, she is Chairman of the Company Da Volterra	
Term of office	<u>1st appointment</u> : <u>Last renewal</u> : <u>End of the current office</u> :	
	Company	Office
Operational functions and other corporate offices in the Group	None	None
Other corporate offices outside the Group	DA VOLTERRA	President
Other offices and positions held in the last five years and that have now expired	None	None

Charles Woler 66 years old, French	Vice-Chairman of the Supervisory Board of Genfit SA, of which he is an independent member – Chairman of the Appointment and Compensation Committee	
Professional address	26, Avenue Tony Garnier - 69007 LYON	
Number of Genfit's shares held	64 shares	
Professional Experience / Expertise	A medical graduate, has a Master degree in Clinical Pharmacology and Pharmacokinetics, and an MBA. He has acquired more than 30 years' experience in the healthcare industry, holding positions of responsibility in SMEs and major French and European pharmaceutical groups. He notably served as Chairman and Chief Executive Officer of Roche France and President of Smithkline Beecham Europe. He has also held various senior managerial positions in the biotechnology industry in France and the United States, for Cadus Pharmaceutical, a biotechnology company listed on Nasdaq, Neuro3d and Endotis Pharma.	
Term of office	1 <sup>st</sup> appointment : October 18, 2006 Last renewal: June 28, 2011 End of the current office: Shareholders' General Meeting called to approve the financial statements for the year ending December 31, 2015	
	Company	Office
Operational functions and other corporate offices in the Group	None	None
Other corporate offices outside the Group	ATLANTIC HEALTHCARE (United Kingdom) BIODS INFLAM ALPS (Switzerland) SYNEXUS (United Kingdom)	Director (non executive) Chairman Chairman of the Supervisory Board Chairman of the Board
Other offices and positions held in the last five years and that have now expired	BIOMNIS ENDOTIS PHARMA Seed funding ITI GASTROTECH	Executive General Manager Chief Executive Officer Chairman Member of the Supervisory Board

Philippe Moons 64 years old, French	Independent member of the Supervisory Board, of which he is as independent member Chairman of the Audit Committee	
Professional address	-	
Number of Genfit's shares held	85 shares held directly	
Professional Experience / Expertise	<p>Graduated from the "Institut Catholique des Arts et Métiers de Lille" (ICAM Lille) and from the Ecole des Hautes Etudes Commerciales du Nord (EDHEC), Philippe Moons began his career as a business engineer in a French industrial Group. In 1995, he joined Finorpa, a venture capital and growth capital company, operating under the aegis of the Group "Charbonnage de France" and of the Nord-Pas-de-Calais region. Since 2006, he is in charge of supporting and financing several companies in their early-stage activities or development phases; in particular in the fields of biology and health.</p> <p>In addition to his current responsibilities at Finorpa and Genfit, where he serves as a corporate director, Philippe Moons is a member of the Supervisory Board of Finovam, a regional venture capital company, established in 2014 to strengthen the emergence and provide seed capital to innovative businesses, primarily technological projects in the Nord-Pas-de-Calais region.</p>	
Term of office	<p><u>1<sup>st</sup> appointment</u> : October 6, 2000  <u>Last renewal</u>: June 26, 2013  <u>End of the current office</u> :          Shareholders' General Meeting called to approve the financial statements for the year ending December 31, 2017</p>	
	Company	Office/ Function
Operational functions and other corporate offices in the Group	None	None
Other corporate offices outside the Group	None	None
Other offices and positions held in the last five years and that have now expired	<p>ALZPROTECT</p> <p>FONDS D'AMORCAGE FINOVAM</p> <p>PURIFONCTION</p> <p>TERRA NOVA</p>	<p>Member of the Supervisory Board , as permanent representative of FINORPA</p> <p>Member of the Supervisory Board , as permanent representative of FINORPA</p> <p>Member of the Supervisory Board , as permanent representative of FINORPA</p> <p>Member of the Supervisory Board , as permanent representative of FINORPA</p>

Frédéric Desdouits 48 years, French	Member of the Supervisory Board, of which he is an independent member Member of the Appointment and Compensation Committee	
Professional address	-	
Number of Genfit's shares held	100 shares	
Professional Experience / Expertise	<p>Mister Frédéric Desdouits is head of Pierre Fabre Group Business Development, Acquisition and Market Intelligence since 2011. He is also member of the Pharmaceuticals Executive Board and of the Development Products Board. Prior to joining Pierre Fabre, Frederic was Managing Partner at Bionest Partners (2004-2011), a consulting and transaction firm based in Paris and New York specialized in healthcare and biotechnology; and the founding Managing Partner of Bionest Partners Finance (2007-2011), a boutique specialized in value strategy and fund raising for emerging bio-companies. Between 1997 and 2004, Frederic was a partner in charge of Pharmaceutical and Biotechnology sectors at Exane BNP-Paribas, an investment company. Before heading for finance, Frederic worked in research (1996-1997) at GlaxoWellcome in France (now GSK), as a consultant for Hoechst in the USA (1995-1997) and as a PhD student (1992-1995) with a grant from Rhône-Poulenc in France (now Sanofi).</p> <p>Between 2010 and 2011, Frédéric Desdouits was a member of the Pre-Phase III DPU Blood &amp; Vessels Specific Board at Sanofi Aventis (now Sanofi) R&amp;D (Chilly-Mazarin, France).</p> <p>Between 2008 and 2011, Frederic was Board member at Exonhit Therapeutics (now Diaxonhit Therapeutics) and member of the M&amp;A subcommittee.</p> <p>Frédéric Desdouits is graduated from Ecole Polytechnique (Palaiseau, France), obtained a MS in pharmacology and a PhD in Neurosciences at University Paris VI and Collège de France, did a post-doc (1994-1996) at the Rockefeller University in New York and is a CEFA (Certified European Financial Analyst).</p>	
Term of office	<u>1st appointment</u> : June 20, 2014 <u>End of the current office</u> : Shareholders' General Meeting called to approve the financial statements for the year ending December 31, 2017	
	Company	Office/ Function
Operational functions and other corporate offices in the Group	None	None
Other corporate offices outside the Group	LABORATOIRES PIERRE FABRE	Vice-Chairman – Head of Pierre Fabre Group Business Development, Acquisition and Market Intelligence Department
Other offices and positions held in the last five years and that have now expired	BIONEST PARTNERS BIONEST PARTNERS FINANCE EXONHIT THERAPEUTICS * GIDEAL	Chairman Chairman and Managing Partner Member of the Supervisory Board Manager

\*listed company

### **Independence Criteria**

On December 31st, 2015 and on the date of this report, four out of five of the members of the Supervisory Board were independent as per the Middlednext Code. Within the meaning of that code, a member of the Supervisory Board is an independent member if he:

- was not an employee or executive officer of the company or of a Company of its group and was not an employee or officer of the Company or of a company of its group during the three previous years ;
- is not a significant banker, supplier or customer of the Company or of its group or for which the Company or its group represents a significant share of activity ;
- is not a reference shareholder of the Company ;
- does not have a close family relationship with a corporate officer or a reference shareholder ;
- was not an auditor of the Company during the three previous years.

Applying these criteria, the only non-independent member of the Supervisory Board is the Company BIOTECH AVENIR represented by Ms Florence Séjourné (reference shareholder of the Company).

### **Balanced representation of women and men**

With Ms Florence Séjourné, one out of five members of the Board is a woman, such that on the date of this Report, the Board complies with Article 5-II of the law no. 2011-103 of January 27th, 2011 which provides that members of each sex should make up at least 20% of the Supervisory Board. As the number of its Board members changes, the Company intends to conform to the legal requirement by January 1st, 2017.

### **1.1.2.2. Operation of the Supervisory Board**

#### **Missions of the Supervisory Board**

- Discussion of strategic orientations ;
- Appointment of members of the Executive Board and members of the Specialist Governance Committees (see hereafter) ;
- Examination of the half-year and annual management reports and accounts and of the quarterly reports of the Executive Board ;
- Examination of the annual budget and of its realization ;
- Examination of the reports of the Specialized Committees of Governance ;

- Approval of the annual report of the Chairman of the Supervisory Board on the Composition of the Supervisory Board and the application of the principle of balanced representation of women and men, the conditions governing the preparation and organization of the work of the Supervisory Board as well as on the internal control procedures implemented by the Company.

### **Rules of procedure of the Supervisory Board**

The rules of procedure are regularly updated in accordance with regulatory changes.

Presentation of the main provisions :

The rules of procedure of the Supervisory Board describe the conditions governing the organization, mode of operation, powers and responsibilities of the Supervisory Board as well as the rules of ethical conduct which apply to its members. The rules of procedure are purely for internal purposes and do not apply to the Company, shareholders or third parties. The rules instituted by the rules of procedure are instituted without prejudice to those contained in the Articles of Association of the Company or imposed by the laws and regulations in force, which prevail.

Each member of the Board has received and examined the provisions of the rules of procedure of the aforesaid Board concerning insider trading and conflicts of interest.

The Article 11 of the rules of procedure of the Board provides that all members of the Board must endeavor *“to avoid all conflicts which may exist between their moral and material interests and those of the Company. They inform the Supervisory Board of any conflict of interest concerning them, notably because of membership in the management bodies of companies of the same branch of industry. Where they cannot avoid a conflict of interest, they abstain from taking part in proceedings and in any decision on the matters concerned. The Supervisory Board reserves the right to ask each member of the Supervisory Board for regular information on the evolution of his activities in order to evaluate in a preventive manner, with the member concerned, the existence of possible conflicts of interest.”*

The Article 12 of the rules of procedure specifies that members of the Board *“shall not take any initiative which might harm the interests of the Company, and shall act in good faith at all times. Members undertake personally to maintain absolute confidentiality in relation to the information they receive, the proceedings in which they take part and the decisions taken. They shall not use any inside information to which they have access for their own or anyone else's benefit. In particular, if they possess in respect of the Company where they exercise their mandate as member of the Supervisory Board information that has not been made public, they shall refrain from using such information to carry out transactions involving the Company's securities or causing a third party to carry out such transactions.”*

The internal rules are set out hereinafter in Appendix 1.

### **Evaluation of the Supervisory Board**

Frequency and methods:

The Supervisory Board carries out a self-assessment of its work once a year. It carried out this assessment in respect of its work for 2015 when it met on February 1<sup>st</sup>, 2016.

Results :

The Supervisory Board unanimously found that all questions coming under its area of responsibility were prepared and discussed in a satisfactory and regular manner on the basis of clear and precise preliminary information or responses to its questions, whether provided by the Executive Board or the specialized committees of the Supervisory Board.

#### **1.1.2.3. Activity of the Supervisory Board in 2015**

Number of meetings	6
Average attendance rate	90%

In the 2015 financial year, the main topics addressed by the Supervisory Board were:

- Examination of the management reports and Company and consolidated financial statements for the year ended December 31, 2015 and examination of the 2015 half-year reports and accounts ;
- Examination of the quarterly activity reports of the Executive Board ;
- Updating of the rules of procedure of the Supervisory Board, Audit Committee and the Committee of the Appointments and Remuneration following the admission to list the Company's shares on the regulated market of Euronext and the subsequent adoption of Middlednext code as reference code in the field of corporate governance ;
- Examination of the Agenda and draft resolutions proposed for the Shareholders' General Meetings convened in 2015 ;
- Adoption of the reports of the Supervisory Board at the Shareholders' General Meeting ;
- Evaluation of the operation and the preparation of the work of the Supervisory Board during the fiscal year 2014 ;
- Review of the report of the Chairman of the Supervisory Board on the governance of the company and internal control for 2014 ;
- Information on the use made by the Executive Board of a delegation of authority granted by the Shareholders' General Meeting ;
- Determining the remuneration policy of executive corporate officers for the financial year 2015 ;
- Cooptation of a new member of the Supervisory Board ;
- Appointment of a new member of the Audit Committee ;
- Determination of the conditions governing the distribution of attendance fees between its members.



### 1.1.3. Committees of the Supervisory Board: Audit Committee

#### 1.1.3.1. Composition of the Audit Committee

In accordance with its operating rules adopted by the Supervisory Board and reproduced in the rules of procedure of that committee, the Audit Committee is composed of at least three members appointed by the Supervisory Board, of which at least two thirds are independent members. Mr. Philippe Moons has strong accounting and financial expertise.

The members of this committee on the date of this report are:

Name	Office
Philippe Moons	Independent member of the Supervisory Board Chairman of the Audit Committee
BIOTECH AVENIR SAS	Member of the Supervisory Board, represented by Florence Séjourné
Xavier Guille de Buttes	Chairman and Independent member of the Supervisory Board

#### 1.1.3.2. Operation of the Audit Committee

The Committee meets at least three times a year, further to a notice issued by its Chairman. At least twice a year, the members of the Audit Committee must meet with the Company's Chief Financial Officer and external auditors.

#### Missions of the Audit Committee

Its missions are as follows:

- to verify the integrity of the financial information issued by the Company and notably examine the consistency and relevance of the accounting standards and methods applied by the Company. This verification involves the evaluation of the accuracy, exhaustiveness and consistency of financial information as well as the continuity of accounting methods. To that end, the Committee examines the financial statements presented by the Executive Board. Following that examination, the Committee provides its observations to the Supervisory Board and sends a copy of them to the Executive Board.
- to assess whether the accounting methods should be changed. In particular, the Committee carefully examines the accounting methods used for the evaluation of significant or unusual transactions;

- to monitor the effectiveness of the Company's internal control and risk management procedures and declare whether any irregularities or anomalies were found in the Company's financial statements or control procedures;
- to ensure the Company's auditors are independent and objective. To that end, the Committee examines the relations between the auditors and the Company in their entirety.

### **Rules of procedure of the Audit Committee**

The internal rules are set out hereinafter in Appendix 2.

#### **1.1.3.3. Work of the Audit Committee in 2015**

Number of meetings	3
Average attendance rate	100%

In financial year 2015, the main topics addressed by the Audit Committee were :

- Examination and adoption of the rules of procedure of the Audit Committee following the admission to list the Company's shares on the regulated market of Euronext and the subsequent adoption of Middenext code as reference code in the field of corporate governance ;
- Examination of and issuance of an opinion on the accounts of the Company Genfit SA for the year ended December 31, 2014 and the procedures and standards used to prepare them ;
- Examination of and issuance of an opinion on the consolidated financial statements of the Genfit Group for the year ended December 31, 2014 and the procedures and standards used to prepare them ;
- Examination and opinion on the report of the Chairman of the Supervisory Board on the governance of the Company and internal control for the financial year 2014 ;
- Examination of and issuance of an opinion on the consolidated financial statements of the Genfit Group at June 30, 2015 and the procedures and standards used to prepare them.

#### 1.1.4. Committees of the Supervisory Board: Appointment and Compensation Committee

##### 1.1.4.1. Composition of the Appointment and Compensation Committee

In accordance with its operating rules adopted by the Supervisory Board and reproduced in the rules of procedure of that Committee, the Appointment and Compensation Committee is composed of at least three members appointed by the Supervisory Board. It is composed of independent members.

The members of this committee on the date of this report are :

Name	Office
Charles Woler	Chairman of the Appointment and Compensation Committee and independent member of the Supervisory Board
Xavier Guille des Buttes	Chairman and Independent member of the Supervisory Board
Frédéric Desdouts	Independent member of the Supervisory Board

##### 1.1.4.2. Operation of the Appointment and Compensation Committee

The Committee meets at least three times a year, further to a notice issued by its Chairman.

##### Missions of the Appointment and Compensation Committee

The missions of the Appointment and Compensation Committee are :

- to ensure the professionalism and objectivity of the procedures for the appointment of executives and corporate officers. In particular, it makes appropriate proposals concerning the size and desirable balance of the composition of the Supervisory Board and of the Executive Board in relation to the structure and development of the ownership of the Company, as well as taking into consideration requirements for good corporate governance, notably concerning the proportion of independent members on the Supervisory Board. It looks for and evaluates possible candidates and assesses whether mandates should be renewed ;

- to examine the situation of all members of the Executive Board and the Supervisory Board with regard to their relationships with the Company that might impair their freedom of judgment or entail a potential conflict of interest with the Company. The Appointment and Compensation Committee must also organize a procedure for the selection of future independent members of the Supervisory Board ;
- to make suggestions to the Supervisory Board concerning the compensation and benefits paid to executives and corporate officers, including attendance fees and wages, any benefits or compensation that such persons may receive under an employment or service contract with the Company, the compensation and benefits due upon or subsequent to the termination of their function, the allocation of equity warrants or stock options or the free allotment of shares or any other form of long-term profit-sharing in the Company. In this respect, the Appointment and Compensation Committee assesses the compensation scale offered by the Company in relation to the compensation of the market and makes recommendations concerning levels of compensation and the breakdown between the various compensation components, as well as remuneration modifications that may be offered by the Company to its executives and officers.

#### **Rules of procedure of the Appointment and Compensation Committee**

The internal rules are set out hereinafter in Appendix 3.

#### **1.1.4.3. Activities of the Appointment and Compensation Committee in 2015**

Number of meetings	3
Average attendance rate	89%

In financial year 2015, the main topics addressed by the Audit Committee were:

- Examination and opinion relative to the draft resolutions of the Shareholders' General Meeting concerning the allocation of equity warrants (BSA) and Redeemable Share Subscription Warrants (BSAAR) to executive and non-executive officers and to employees of the Company ;
- Examination and adoption of the rules of procedure of the Appointment and Compensation Committee, updated following the admission to list the Company's shares on the regulated market of Euronext and the subsequent adoption of Middlednext code as reference code in the field of corporate governance ;
- Examination and opinion relative to the report of the Chairman of the Supervisory Board on the governance of the Company and internal control for the financial year 2014 ;
- Examination and opinion on the situation of each of the members of the Executive Board and the members of the Supervisory Board based on the relations it maintains with the Company which, by nature, may compromise its free judgment or lead to potential conflicts of interest with the Company ;

- Examination and opinion relative to the remuneration policy applicable to executive corporate officers of the Company for financial year 2015 ;
- Examination and opinion relative to the annual budget for attendance fees and their distribution between non-executive officers of the Company for financial year 2015 ;
- Examination of the candidacy and opinion relative to the co-optation of a new member of the Supervisory Board ;
- Examination and opinion relative to the Issue of equity warrants (BSA) for the benefit of a non-executive officer of the Company and certain of its scientific advisors ;
- Examination and opinion relative to the candidacy of a member of the Supervisory Board for the function of member of the Audit Committee of the Company.

#### 1.1.5. Other committees

As specified in the article 20 of GENFIT's Articles of Association, and as reminded in the rules of procedure of the Supervisory Board, the Board may decide to create committees to study questions that it or its Chairman would like to submit to their examination for an opinion. There exists no committee of this type other than the Appointment and Compensation Committee and the Audit Committee on the date of this report.

The Company also has a Scientific Advisory Board composed, on the date of this report, of six (6) members. The Scientific Advisory Board is not a committee of the Supervisory Board within the meaning of Article R.225-29 of the French Commercial Code. Its members are chosen by the Executive Board. This kind of advisory committee is very common in companies of biotechnology sector.

### Composition of the Scientific Advisory Board

<p>Professor Bart Staels</p>	<p>Chairman of the Scientific Advisory Board</p> <p>Bart Staels has a PhD in Pharmacology from the University of Leuven in Belgium, and is a Professor at the University of Lille II in France and a Professor (“full Professor”) at the Faculty of Pharmacy, also at the University of Lille II. In January 2007, he became Director of the Inserm Unit UMR-S 545 and in January 2010, Director of the Inserm Unit UMR 1011 (A<sup>+</sup> assessment from AERES, the French agency evaluating research and higher education institutions, and No. 1 at the CSS4 Inserm), located in Lille.</p> <p>Throughout his career, his research has primarily focused on the molecular pharmacology of cardiovascular and metabolic diseases. In particular, he has studied the role of nuclear receptors in controlling inflammation, metabolism, lipids and glucose homeostasis as well as the transcription mechanisms involved.</p> <p>Bart Staels is a member of several learned societies such as the European Atherosclerosis Society (EAS), the International Atherosclerosis Society (IAS) as a distinguished member, the New French Atherosclerosis Society (NSFA), the French Diabetes Society (SFD), the American Heart Association (AHA) (Premium Professional Silver Heart Member), the American Diabetes Association (ADA) and the European Association for the Study of Diabetes (EASD). He was awarded the Young Investigator prize by the EAS, the bronze medal by the CNRS (National Scientific Research Center), the Lifetime Achievement Award by the British Atherosclerosis Society, the Barré pharmaceutical prize in 1997 by the Faculty of Pharmacy of Montreal, as well as the JP Binet prize by the French Foundation of Medical Research, Paris, in 2011. He was also awarded the 2012 prize for “Distinguished Leader in Insulin Resistance” by the International Committee for Insulin Resistance (ICIR), presented during the 10<sup>th</sup> Annual World Congress of “Insulin Resistance, Diabetes &amp; CVD” (WCIRD) in Los Angeles, CA, in November 2012.</p> <p>To date, Bart Staels has published over 355 original articles. He has also written over 180 review articles.</p>
<p>Professor Vlad Ratziu</p>	<p>Professor of Medicine at the Pierre and Marie Curie University in Paris, he performs his hospital work at the La Pitié Salpêtrière Hospital. His activity as a hepatologist, in particular in the field of NASH, made him one of the European leaders in this field.</p>
<p>Professor Michael Trauner</p>	<p>Professor of Medicine and consultant at the University academic hospital of Graz (Austria). He is a specialist in gastroenterology and hepatology. He is internationally recognized for his work in the field of hepatobiliary diseases (PBC, PSC).</p>
<p>Professor Scott Friedman</p>	<p>Professor of medicine and pharmacology, he is the Chief of the Division of Liver Diseases and Director of the Liver Research Laboratory at the Mount Sinai School of Medicine in New York. His work in the field of fibrosis associated with chronic liver diseases is internationally recognized. He is the assistant editor-in-chief of the <i>Hepatology</i> review and is on the editorial board of the <i>Journal of Gastroenterology and Hepatology</i>.</p>

Professor Arun Sanyal	Doctor Arun Sanyal is a Professor of Medicine and Director of the Division of Gastroenterology at the Medical Center of the Virginia Commonwealth University in Richmond, USA. Former President of the AASLD (American Association for the Study of Liver Diseases), Professor Arun Sanyal is considered as one of the greatest specialists in the diagnosis and treatment of NASH.
Professor Jean-Frédéric Colombel	Professor Jean-Frédéric Colombel is a gastroenterologist and currently the head of the Center of Inflammatory Diseases of the Intestine at the Department of Gastroenterology of Icahn School of Medicine at Mount Sinai in New York. Member of the learned society IOIBD (International Organization of Inflammatory Bowel Disease) since 2009, and scientific adviser to the AGA (American Gastroenterological Association) since 2006, he has also been chairman of several international organizations, including the ECCO (European Crohn's and Colitis Organization).

### **Missions of the Scientific Advisory Board**

The Scientific Advisory Board's role is to assist the Company in its strategic choices in the scientific and technical fields. The Scientific Advisory Board's main missions are:

- to evaluate the relevance of choices made by the Company in terms of product development and to propose, if necessary, changes to strategic or technical approaches ;
- to advise the general management and scientific board of the Company in identifying strategies and selecting drug candidates, based, in particular, on the scientific results obtained by the Company (new targets, new compounds) ;
- to promote and advise the Company in its alliance strategies, such as external growth supporting synergies (acquisition of new competences, purchase of operating rights, drug candidates and innovative technologies, etc.).

#### **1.1.6. Declarations concerning the Executive Board and the Supervisory Board**

So far as the Company is aware, there are no family ties between the above persons.

So far as the Company is aware, the declarations below apply to the above persons over the last five years :

- they were not sentenced by a court for fraud ;
- they were not involved (as an executive or a director) in bankruptcy, administration or liquidation proceedings ;

- they have not been prohibited from managing a company ;
- they have not been held criminally liable or had official public sanctions imposed against them by a statutory or regulatory authority, including by designated professional bodies.

#### 1.1.7. Conflicts of interest

Certain members of the Executive Board and of the Supervisory Board are direct or indirect shareholders of the Company (see details in the sheet concerning each person).

The Appointment and Compensation Committee examined, as it does every year, in accordance with its rules of procedure, the situation of all members of the Executive Board and of the Supervisory Board with regard to their relationships with the Company that might impair their freedom of judgment or entail a potential conflict of interest with the Company. Following this examination and so far as the Group is aware, no current or potential conflict of interest exists between the private interests of members of the Company's Executive Board and Supervisory Board and the Company's interests.

#### 1.1.8. Service contracts between members of the Executive Board and of the Supervisory Board and Genfit

None.



## 1.2. APPLICATION OF THE CODE OF CORPORATE GOVERNANCE OF MIDDLENEXT LISTED COMPANIES

Recommendation of the Middlednext Code	Genfit Practice
<p>R1: Combined holding of employment contract and corporate office            The Supervisory Board assesses whether the combined holding of an employment contract and a corporate mandate as Chairman of the Executive Board should be authorized.</p>	<p>Upon the creation of the Company, the first Supervisory Board authorized the Chairman of the Executive Board to combine his mandate with an employment contract.</p>
<p>R3: Severance pay            Where compensation has been provided for, it is recommended that its upper limit, after taking into account any payment under the employment contract, should not exceed two years of fixed and variable remuneration</p>	<p>The Chairman of the Executive Board benefits from severance pay which is higher than this upper limit.</p>
<p>R5: Stock options and free allotment of shares            It is recommended that the exercise of some or all of these instruments should be subject to performance conditions that reflect the medium/long-term interests of the company</p>	<p>There is no individual performance condition associated with the benefit of BSA and BSAAR allotted to executive and non-executive officers because of the small number of allotted instruments and the main objective of the implementation of these tools: recruitment and building loyalty.</p>

## 1.3. REMUNERATION OF EXECUTIVES

### 1.3.1. Remuneration of executive officers

#### 1.3.1.1. Remuneration of members of the Executive Board

The remuneration of executive officers (members of the Company's Executive Board) is composed of fixed remuneration and a benefit in kind in respect of their duties as employees and their corporate mandates within the Company, which may be supplemented by:

- an annual variable compensation decided by the Supervisory Board in respect of the fulfillment of their corporate mandate ;

- an exceptional remuneration in respect of their duties as employees within the framework of an incentive plan instituted, following a favorable opinion of the Company's Appointment and Compensation Committee and Supervisory Board, by a decision of the Executive Board of January 25th, 2013, extended after favorable opinions of the Appointment and Compensation Committee and the Supervisory Board, by a decision of the Executive Board of April 16<sup>th</sup>, 2014, to effectively help implement various strategic channels of development envisaged by the Company. This plan applies in particular if a minimum amount of funds is raised over a given period and provides, in that case, for a fixed part and an additional variable performance-based amount of no more than 1% of the funds raised to be distributed, with 40% reserved for the Chairman of the Executive Board and 60% for senior executives of the Company.

Since 2014, they can also benefit from equity warrants (BSA) and/or redeemable share subscription warrants (BSAAR).

Summary table of remuneration (1) of each Executive corporate officer				
	Financial year ended December 31, 2015		Financial year ended December 31, 2014	
	Amount due	Amount paid	Amount due	Amount paid
<b>Jean-François MOUNEY - Chairman of the Executive Board</b>				
Fixed annual remuneration	487 272 €	472 272 €	372 978 €	360 431 €
Variable remuneration	0	0	27 178 €	27 178 €
Exceptionnal remuneration	167 927 €	140 761 €	785 696 €	617 901 €
Attendance fees	0	0	0 €	0 €
Benefits in kind	20 806 €	20 806 €	21 364 €	21 364 €
<b>TOTAL</b>	<b>676 005 €</b>	<b>633 838 €</b>	<b>1 207 216 €</b>	<b>1 026 874 €</b>
<b>Nathalie HUITOREL - member of the Board</b>				
Fixed annual remuneration	148 335 €	143 720 €	99 272 €	100 825 €
Variable remuneration	0	0	7 183 €	7 183 €
Exceptionnal remuneration	77 237 €	63 598 €	187 270 €	133 796 €
Attendance fees	0	0	0 €	0 €
Benefits in kind	3 368 €	3 368 €	3 368 €	3 368 €
<b>TOTAL</b>	<b>228 940 €</b>	<b>210 686 €</b>	<b>297 093 €</b>	<b>245 172 €</b>
<b>Dean HUM - member of the Board (2)</b>				
Fixed annual remuneration	251 419 €	242 573 €	101 689 €	90 145 €
Variable remuneration	0	0	0 €	125 €
Exceptionnal remuneration	220 029 €	149 542 €	386 123 €	245 295 €
Attendance fees	0	0	0 €	0 €
Benefits in kind	3 497 €	3 497 €	2 232 €	2 232 €
<b>TOTAL</b>	<b>474 944 €</b>	<b>395 611 €</b>	<b>490 044 €</b>	<b>337 797 €</b>

(1) The amounts indicated are gross amounts

(2) The office of Dean Hum began on May 13, 2014

The remuneration indicated correspond to the period of exercise of its office

Executive officers	Employment contract		Supplementary pension benefit plan		Compensations or benefits due or likely to be due in respect of the termination or change of position		Compensation related to a non-competition clause	
	YES	NO	YES	NO	YES	NO	YES	NO
<b>Jean-François MOUNEY</b>								
Chairman of the Executive Board								
First appointment : 9/15/1999	X			X	X			X
Term of office: 7/3/2018								
<b>Nathalie HUITOREL</b>								
Member of the Executive Board								
First appointment : 7/3/2008	X			X		X		X
Term of office : 7/3/2018								
<b>Dean HUM</b>								
Member of the Executive Board								
First appointment : 5/13/2014	X			X		X		X
Term of office : 5/13/2019								

**Equity warrants (BSA) and/or redeemable share subscription warrants (BSAAR)**

(In Euros)	BSAAR 2014-A	BSAAR 2014-B	BSAAR 2014-C
<b>Date of the Shareholder's meeting</b>	04/02/2014	04/02/2014	04/02/2014
<b>Date of the Executive board meeting</b>	9/15/2014	9/15/2014	9/15/2014
<b>Beneficiaries corporate officers</b>			
Jean-François Mouney, Chairman of the Executive Board	3,118	6,237	6,237
Nathalie Huitorel, Member of the Executive Board	1,000	6,237	6,237
Dean Hum, Member of the Executive Board	1,783	6,237	6,237

**1.3.1.2. Remuneration of members of the Supervisory Board**

The remuneration of non-executive officers, who are independent natural persons of the Supervisory Board, is composed of attendance fees.

Since 2014, they can also benefit from equity warrants (BSA).

**Attendance fees**

The sums allocated by way of attendance fees to the independent members of the Supervisory Board, natural persons not representing a legal person, were fixed as follows for 2015:

- €1,000 for each participation by conference call in a meeting of the Supervisory Board, of the Appointment and Compensation Committee or of the Audit Committee;
- €1,500 for each physical participation in a meeting of the Supervisory Board, of the Appointment and Compensation Committee or of the Audit Committee;
- an additional fixed remuneration of €10,000 for 2015 payable in two equal tranches at the end of each six-month period was granted to the Chairman of the Supervisory Board;
- the 2015 annual budget for attendance fees was fixed at €100,000.

Table summarizing the attendance fees of the members of the Supervisory Board

## Attendance fees and other forms of remuneration payable to each of the non executive officer

Non executive officers	Amounts due* during the fiscal year 2015	Amounts paid* during the fiscal year 2015	Amounts due* during the fiscal year 2014	Amounts paid* during the fiscal year 2014
<b>Xavier GUILLE DES BUTTES</b>				
Attendance fees	20 935 €	20 935 €	21 330 €	21 725 €
Other remuneration				
<b>TOTAL</b>	<b>20 935 €</b>	<b>20 935 €</b>	<b>21 330 €</b>	<b>21 725 €</b>
<b>Charles WOLER</b>				
Attendance fees	6 715 €	6 715 €	8 690 €	8 690 €
Other remuneration				
<b>TOTAL</b>	<b>6 715 €</b>	<b>6 715 €</b>	<b>8 690 €</b>	<b>8 690 €</b>
<b>Frédéric DESDOUITS</b>				
Attendance fees	9 085 €	9 085 €	3 160 €	3 160 €
Other remuneration				
<b>TOTAL</b>	<b>9 085 €</b>	<b>9 085 €</b>	<b>3 160 €</b>	<b>3 160 €</b>
<b>BIOTECH AVENIR</b> represented by Florence Séjourné				
Attendance fees	- €	- €	- €	- €
Other remuneration				
<b>TOTAL</b>	<b>- €</b>	<b>- €</b>	<b>- €</b>	<b>- €</b>
<b>FINORPA</b> represented by Philippe Moons				
Attendance fees	- €	- €	- €	- €
Other remuneration				
<b>TOTAL</b>	<b>- €</b>	<b>- €</b>	<b>- €</b>	<b>- €</b>
<b>Philippe MOONS</b>				
Attendance fees	4 740 €	4 740 €	- €	- €
Other remuneration				
<b>TOTAL</b>	<b>4 740 €</b>	<b>4 740 €</b>	<b>- €</b>	<b>- €</b>
<b>TOTAL</b>	<b>41 475 €</b>	<b>41 475 €</b>	<b>33 180 €</b>	<b>33 575 €</b>

\* after deduction of the 21% flat rate levy

### Equity warrants (BSA)

	BSA 2014-A	BSA 2014-B	BSA 2015-A	BSA 2015-B
Date of the Shareholder's meeting	04/02/2014	04/02/2014	04/02/2014	04/02/2014
Date of the Executive board meeting	7/24/2014	7/24/2015	01/09/2015	01/09/2015
<b>Beneficiaries corporate officers</b>				
Xavier Guille des Buttes, independent member of the Supervisory Board	14,030	14,030		
Charles Woler, independent member of the Supervisory Board	9,355	9,355		
Frédéric Desdouits, independent member of the Supervisory Board			7,015	7,015

### 1.3.2. Pensions and other benefits

#### 1.3.2.1. Components of remuneration, compensation or benefits due or likely to be due in connection with the assumption, termination or change of functions as a corporate officer

Name	Components of remuneration, compensation or benefits
Beneficiary	Jean-François Mouney who benefits from an employment contract as Chief Executive Officer.
Amount and calculation method	Under this contract, he benefits from 6 months' notice in the event of dismissal (except in the case of serious misconduct or gross negligence) or resignation, as well as from contractual severance pay in the event he is dismissed (other than for serious misconduct or gross negligence) of six months' salary, calculated on the basis of the last 12 months, plus an indemnity of 1 additional month's salary per year of service within the Company. At the end of 2015, this commitment (gross + employer charges) amounted to € 1,197k.

#### 1.3.2.2. Other benefits

Loans, advances or guarantees granted by the company to its corporate officers: none.

#### 1.3.2.3. Supplementary retirement scheme

None.

## 2. INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES

### 2.1. INTERNAL CONTROL REFERENCE FRAMEWORK ADOPTED BY THE GROUP

The description of internal control and risk management procedures is based on the reference framework published by the French financial markets regulator (AMF for *Autorité des Marchés Financiers*) on July 22nd, 2010 concerning risk management and internal control systems for small and mid caps.

This model constitutes the control reference framework of the Group.

### 2.2. SCOPE OF THE INTERNAL CONTROL OF THE GROUP

The Company's internal control system covers the parent and all subsidiaries of the Group.

### 2.3. DEFINITION AND OBJECTIVE OF INTERNAL CONTROL

In accordance with the AMF definition, internal control is a mechanism of the Group, defined and implemented under its responsibility, aimed at ensuring conformity with laws and regulations, the application of the instructions and directives defined by the Executive Board, the proper functioning of the internal processes of the Group, in particular those that help to secure its assets, the reliability of financial information, and generally, contributes to the management of its activities, the effectiveness of its operations and the efficient use of its resources.

Internal control is a process implemented under the responsibility of the Supervisory Board, Executive Board, management and employees of GENFIT, designed to provide reasonable assurance that the following objectives are achieved:

- deliver reliable financial and accounting information;
- optimize and protect operations in accordance with applicable laws and regulations;
- ensure the safety of employees and assets;
- deploy the strategy and directives of the Executive Board.

The Executive Board has designed and developed the internal control system. The system is the subject of adequate, regular communication with a view to its implementation by the employees of the company. It is based on the rules of integrity and conduct established by the governance bodies and communicated to everyone.

It is based on the following principles :

- an organizational structure in which responsibilities are clearly defined, adequate resources and competencies are provided, and appropriate information systems, operating procedures or methods, tools and practices are implemented ;
- a risk management system designed to identify, analyze and manage the main risks threatening the attainment of the Group's objectives ;
- control activities proportionate to the implications of each process and designed to reduce the risks that could affect the Group's ability to achieve its objectives ;
- in-house dissemination of relevant and reliable information allowing all members of personnel to discharge their responsibilities ;
- on-going monitoring of the internal control system together with a regular review of its operation.

One of the objectives of internal control is to prevent and manage the risks of errors or fraud, particularly in the accounting and financial domains. The Company has put in place and developed a set of internal control procedures in order to ensure, to the best extent possible, rigorous financial management and management of risks such as described in the listing prospectus. However, like any control system, there can be no absolute guarantee that such risks have been completely eliminated or managed.

## 2.4. DESCRIPTION OF THE MAIN COMPONENTS OF THE INTERNAL CONTROL SYSTEM

### 2.4.1. Control environment

#### 2.4.1.1. Responsibilities in relation to internal control

##### **The Supervisory Board**

The Executive Board reports to the Supervisory Board on the main characteristics of the internal control system.

The Audit Committee and the Appointment and Compensation Committee are the principal tools used by the Supervisory Board to carry out its internal control mission.



The Supervisory Board may use its general powers as needed to have any audits or verifications that it deems timely carried out or to take any other action that it deems appropriate in this regard. Neither the Board nor the committees formulated any such request in financial year 2015.

### **The Executive Board**

It is responsible for designing, implementing and monitoring the system that is best suited to the situation and the developing business of the company. Within this framework:

- it keeps itself regularly informed of its operating problems, insufficiencies, difficulties of application, and even of its excesses ;
- it ensures the necessary corrective actions are taken ;
- it informs the Supervisory Board in relation to important points.

### **The Management Control Department**

It is responsible for evaluating the functioning of the internal control system and making recommendations to improve it in the area covered by its missions.

### **The Quality Department**

It is responsible for identifying risks and assessing the quality assurance system and making recommendations in the area covered by its missions.

### **The Safety Department**

It is responsible for identifying risks and evaluating the adequacy of the safety measures as activities and the environment change, and making recommendations in the area covered by its missions.

#### **2.4.1.2. Delegations of authority and rules of commitment**

On the financial and contractual level, only the Chairman of the Executive Board has the power to make commitments on behalf of the Company.

In these domains, the Chief Financial and Administrative Officer benefits from a delegation of authority of the Chairman of the Executive Board within the limit of a maximum sum per commitment.

Commitments are generally made only if the Company has at least two proposals evaluated by the Administration and Finance Department.

#### **2.4.1.3. Rules of ethics and professional conduct**

Genfit is a biopharmaceutical company specializing in the research and development of therapeutic and diagnostic solutions for metabolic and inflammatory diseases, particularly the area of hepato-gastroenterology. The long-term objective of its research programs is to be able to propose new therapeutic strategies for pathologies the management of which is a major public health issue.

Animal testing, for in vivo validation of the results obtained in vitro and in silico, is an essential stage in the scientific approach, and an imperative phase prior to testing on humans.

In this respect, Genfit adheres in all its research programs to the recommendations of the National Charter concerning the ethics of animal testing aimed, in particular, at optimizing the living conditions and care of animals and promotes the same ethical commitments to its service providers, research partners and customers.

With regard to research involving humans, Genfit, as a research sponsor, ensures compliance with the legislative and regulatory measures associated with each of its research programs (Good Clinical Practice, Good Manufacturing Practice and Good Laboratory Practice) and also gives assurances in relation to the quality and integrity of all data collected in connection with these tests.

Within this framework, Genfit closely monitors the various subcontractors involved in these activities.

Genfit ensures the observance, in particular, of the right to privacy of the participants in clinical trials carried out within the framework of its research programs and makes sure that the personal information used by the company and its subcontractors is used in accordance with the conditions defined by the amended Data Protection Law no. 78-17 of January 6th, 1978 and its implementing regulations and, if necessary, the decision of the National Data Protection Commission (*Commission Nationale de l'Informatique et des Libertés*) of January 5th, 2006 approving a reference methodology for the treatment of personal data in connection with biomedical research. Genfit also ensures that participants in clinical trials grant their informed consent.

#### **2.4.1.4. Protection of confidential information**

The value of the Company is primarily founded on the information that results from its research work. When it was founded GENFIT realized the need to put in place a quality system guaranteeing the integrity and traceability of this (paper and electronic) information as well as its confidentiality until intellectual property rights protect it and guarantee that only the Company may use it.

An organization and internal control procedures were thus put in place, under the supervision of the Intellectual Property Department, Legal Department, and the Information Systems Department to avoid any inopportune disclosure of information resulting from research work which is not covered by confidentiality agreements or contractual secrecy provisions, especially within the framework of Genfit's joint research projects with other biopharmaceutical companies or academic research laboratories, and in its relations with scientific and medical experts.

#### **2.4.1.5. Quality Assurance System**

Within the framework of its activity, GENFIT must satisfy:

- the regulatory requirements to be met by:
  - ⇒ its Partners or Customers in connection with their pharmaceutical activities ;
  - ⇒ the company in connection with the development of its drug candidates ;
  - ⇒ the company as a service provider.
- health and safety legislation and regulations by:
  - ⇒ ensuring its laboratories are compliant (GMO, in vivo experiments, radiation protection) ;
  - ⇒ implementing preventive, information and training actions.

In this context, GENFIT's quality assurance system is optimized to meet the following three objectives:

- to optimize (PRODUCTIVITY);
- to increase reliability (CONFIDENCE);
- to ensure continuity (TRACEABILITY).

It is managed and updated by the Quality Department, which performs certain missions based on the following main themes:

- implementation of procedures ;
- optimization of processes, as part of the continuous improvement of the internal functioning of the company (work methods, training, communication, audits, etc.) and of the service provided by industrial partners (documented and validated protocols, verified equipment, verified laboratory report forms, etc.) ;
- regulatory watch ;
- implementation and analysis of audits, monitoring of corrective actions.

#### 2.4.2. Risk management system

A description of the main risks with which the Group may be confronted appears in the Management Report. Implemented by operational staff, overseen by the Chairman of the Executive Board, and monitored by the Audit Committee, the risk management system is a key element of the Group's internal control system.

A first analysis of the Group risk portfolio was initiated in 2010. At the request of the Audit Committee it was followed by more detailed tasks and action plans involving the main operational managers.

In financial year 2014, a specialized company was hired to map and evaluate all risks relating to data protection and security. Following that exercise, the Company revised the architecture of its information system and deployed new protocols for data processing and classification.

The risk mapping will be subject to a periodic updating and a regular monitoring by the Audit Committee in order to ensure, in particular, follow-up of control actions initiated by the Executive Board and the effective management of the risks of the Group.

#### 2.4.3. Control activities

The objectives of the control activities implemented by the Group are to:

- ensure that the activity of the parent and its subsidiaries come within the framework defined by the applicable laws and regulations, the directives issued by the Executive Board, and the commitments and internal rules of the Company ;
- prevent and manage the risks incurred by the Group, not only in the accounting and financial fields, but also in operational fields, to protect and preserve its activities, and more generally, the assets of the Group ;
- produce in a timely manner accounting, financial and management information that is reliable and complies with the applicable standards and regulations.

In order to meet these objectives, the Company has implemented numerous organizational and technical mechanisms intended to protect the persons and tangible and intangible property of the company. The main measures implemented are described below.

#### **2.4.3.1. Protection of persons and premises**

The laboratories are equipped with a fire detection system. The solvent room, the computer room and the room containing the freezers at - 80° are equipped with an automatic detection and extinguishing system.

A badge is required to access the site. A security company is responsible for surveillance of the site on nights and weekends. A video-surveillance system makes it possible to record persons entering and leaving the building.

#### **2.4.3.2. Computer security**

##### **Antivirus**

The system is protected by two antivirus applications: an active antivirus at the level of the Internet gateway (email, Web) and on each work station and server. These antivirus applications are updated regularly.

##### **Access to data**

Staff members are under orders not to store data on work stations (except in special cases for certain scientific equipment). Users are allocated personalized rights when they are assigned to a project and/or a department. A regular review of rights is carried out with the various departments of the Company.

For sensitive activities, a documentation classification system has been put in place. Specific protection measures have been deployed for the storage and exchange of critical documents.

##### **Back-up**

Internal and external back-up resources are adapted to the Company's activity and regularly tested.

Back-up processes are recorded in a specific procedure.

##### **Continuous improvement of security**

The company has launched the implementation of an information security management system (ISMS).

The management of "quality documents" is defined in a specific procedure. The Quality Department oversees the document validation circuit, checks that documents are in conformity with models, records them and ensures that the latest applicable versions are available to users (via Lotus Notes databases). The original copies of quality manuals and procedures are kept by the Quality Department.

#### **2.4.3.3. Intellectual property security**

The activity of the Company is to produce, acquire or sell intangible assets. The registration and exploitation of intellectual property rights are the main ways of protecting and increasing the value of these intangible assets. For this reason, GENFIT created an Intellectual Property Department.

The objective of the Intellectual Property Department is to protect and increase the value of GENFIT's intangible assets such as inventions, know-how, trade names, etc.

##### **Activities**

The Intellectual Property Department:

- creates and manages GENFIT's portfolio of intellectual property rights by registering, acquiring or transferring rights ;
- keeps track of the practices of national and international intellectual or industrial property offices ;
- monitors case-law in the area of intellectual property ;
- monitors competitors (patents, publications) ;
- takes part in the drafting of research and confidentiality agreements ;
- defends GENFIT before national and international organizations and the courts in relation to intellectual property questions (in consultation with external advisers) ;
- advises the Executive Board on strategic questions relating to intellectual property (protection policy, planning of research programs, monitoring of competitors, etc), playing an advisory role in relation to questions raised by the department, and issuing warnings in relation to strategic information of which the intellectual property department has knowledge ;
- supports the Scientific Board and researchers in relation to intellectual property matters (researching scientific information, state-of-the-art analyses, patentability studies, freedom of exploitation studies, etc) ;
- trains staff in relation to requirements in the area of intellectual property ;
- supervises the ethical (bioethics) aspect of the Company's activities.

##### **Quality Documentation**

An exhaustive filing system has been put in place within the Intellectual Property Department.

#### 2.4.3.4. Research and development

The purpose of the Company is to discover and/or develop innovative therapeutic solutions (drug candidates) and diagnostics (companion tests and biomarker candidates) in the area of metabolic and inflammatory diseases, particularly in the hepato-gastroenterology field.

It carries on this activity primarily within the framework of “proprietary” research and development programs, for which it holds all of the intellectual property rights or in collaboration with pharmaceutical-industry partners within the framework of “collaborative research alliances” where most of the Intellectual property rights generated during the collaboration are held by the partners. To a much lesser extent the Company, since its creation, has also offered services to industrial or other biotech companies, which rely on the technological platforms and tools developed in the course of its research and development work.

During the year ended December 31st, 2015, the Company pursued and concentrated its efforts on what has become its core business, namely its proprietary research and development programs in the area of inflammatory and metabolic disease.

The work carried out and the follow-up tasks to be completed are evaluated by steering committees. The Scientific Committee and the Chairman of the Executive Board regularly check that research and development work is in line with the strategic objectives of the Company.

#### 2.4.3.5. Purchases

##### **Rules governing the commitment of expenditure**

- Existence of a workflow in order to ensure that operations have been correctly approved, by strict identification of:
  - ⇒ persons that can commit the company ;
  - ⇒ purchasing applicants and their needs;
  - ⇒ the various levels of approval necessary depending on the type of commitment and the amounts concerned.

The company has put in place input thresholds, and conditions governing the management of the supplier relationship (amounts outstanding, blocking measures, etc.).

## **Competition**

Commitments are generally entered into only after 2 quotes have been obtained from at least 2 different companies.

### 2.4.4. Information and communication

All quality actions are provided for in the “quality assurance plan”.

#### 2.4.4.1. Management of problems

Problems may be identified during internal and external controls, pursuant to inspections or may be reported by staff members.

The management of problems is described in a specific procedure. They are analyzed, and corrective actions are taken with the relevant persons in charge. The Quality Manager follows up on these actions.

The Chairman of the Executive Board receives a monthly report on actions carried out and to be carried out.

#### 2.4.4.2. Training

Two specific procedures ensure that the main internal control rules and procedures are brought to the attention of all employees:

- One describes the training to be given to persons that recently joined the company (“training for new arrivals”).
- The other describes the training on the work station and the vocational training to be provided (“organization of training/personnel enablement”).

#### 2.4.4.3. Communication in relation to quality

The objectives to be met and the results obtained in relation to quality are regularly communicated to GENFIT's staff.



Internal communication on quality actions occurs :

- during training and refresher courses ;
- by the sending of information by e-mail ;
- via the Intranet ;
- by posting notices in the laboratories.

#### **2.4.4.4. Dissemination of information on the Company's strategy**

The Chairman of the Executive Board ensures the dissemination of financial and accounting information making it possible to understand the strategy of the Group. Financial and accounting information is disseminated in strict compliance with the rules governing the operation of markets and the principle of equal treatment of shareholders.

In addition, all financial communications and press releases are reviewed and validated by the Chairman of the Executive Board.

#### **2.4.5. Steering of internal control**

Steering of internal control systems is carried out by the Executive Board of the Company and monitored by the Audit Committee. The Executive Board relies, on the one hand, on the management control function of the company, and on the other hand, on the quality and security function, which may lead to the adaptation of the internal control system. Given the size of the Company, it was not deemed necessary to create a dedicated internal control function.

However, in addition to controls which are carried out regularly by supervisors and which make it possible to check that key controls are functioning properly and to take any corrective action necessary, the Company carries out a range of quality controls and audits of subcontractors throughout the year.

- Quality controls are carried out by the Quality Department based on the reference framework applicable to the audited activities. A report and an action plan are drawn up in this respect. These controls are either scheduled annually (e.g. laboratory report forms) during the Management review or carried out at the express request of Management.
- Audits of subcontractors are carried out by independent service providers and make it possible to check the level of service of pharmaceutical development subcontractors. The annual audit plan covers all subcontractors, and specifies the type of audit which will be carried out. These audits are carried out on the basis of the contracts and reference frameworks applicable to the activities audited. They are the subject of a report and an action plan that is monitored by the Quality Department.

Internal quality and the quality of subcontractors are evaluated within the framework of management reviews, on the basis of audits in particular. This evaluation can lead to new follow-up audits, increased control of the activities audited by the Quality Department, and modifications of the audit plan of the following year.

## 2.5. INTERNAL CONTROL PROCEDURES RELATIVE TO THE PREPARATION AND TREATMENT OF FINANCIAL AND ACCOUNTING INFORMATION

### 2.5.1. Key processes affecting the reliability of the Group's financial information

Financial and accounting processes correspond to all activities making it possible to transform the economic operations undertaken by the Company into financial and accounting information.

These processes break down as follows:

Process	Operations concerned
Steering of accounting and financial organization	Definition of the financial information produced and published.
	Identification of the players involved in the development of the financial information published.
	Identification of the persons responsible for validating financial information for publication.
Production of financial and accounting information and preparation of financial statements	Planning of accounting operations.
	Access to the regulatory accounting information needed to produce financial information.
	Organization and security of management information systems.
	Production of accounting information and preparation of financial statements in respect of the following domains: <ul style="list-style-type: none"> <li>• Income / Trade receivables ;</li> <li>• Purchases / Trade payables ;</li> <li>• Tangible and intangible assets, and goodwill ;</li> <li>• Inventories and work in progress ;</li> <li>• Cash/financing and financial instruments ;</li> <li>• Employee benefits ;</li> <li>• Taxes ;</li> <li>• Provisions and obligations ;</li> <li>• Consolidation ;</li> <li>• Conversion of company accounts to IFRS.</li> </ul>

## 2.5.2. Key points of the internal control system in relation to the production and communication of Group financial and accounting information

The accounting and financial organization of GENFIT is concerned with:

- the production of information that is reliable and conforms to legal and regulatory requirements ;
- the reliability of the accounts for publication and that of the other information communicated to the market ;
- the application of the instructions and directives issued by the Executive Board concerning this information ;
- the protection of company assets ;
- the prevention and detection of fraud and accounting and financial irregularities ;
- the reliability of the information disseminated and used internally for the purposes of steering or control insofar as it contributes to the preparation of financial and accounting information for publication ;
- an optimal and effective accounting organization.

### 2.5.2.1. Definition of financial information for publication

The GENFIT Group presents its financial and accounting information in accordance with the following methods, and for the periods described below:

Financial and accounting information	Accounting framework	reference	Period covered
Annual accounts	French standards		From January 1st to December 31st
Half-year consolidated financial statements	IFRS		From January 1st to June 30th
Annual consolidated financial statements	IFRS		From January 1st to June 30th
Quarterly communication on revenue and cash position			From January 1st to March 31st From January 1st to June 30th From January 1st to September 30th From January 1st to December 31st

Within the framework of the production of the consolidated financial statements, the scope of internal financial and accounting control includes the parent company and the companies integrated into the consolidated financial statements ("the Group").

At December 31st, 2015, the Group consists of the following companies :

- GENFIT SA, based in Loos, France;
- GENFIT CORP, based in Cambridge, Massachusetts, USA.
- GENFIT PHARMACEUTICALS SAS, based in Loos, France (no operational activity).

The Company and consolidated annual financial statements are commented on and accompanied by an annual financial report, and the half-year accounts by a half-year activity report.

#### **2.5.2.2. Identification of the players participating in the development of financial information for publication**

##### **Production of financial and accounting information relative to GENFIT SA**

The missions of GENFIT's Accounting Department include :

- day-to-day accounting management ;
- the production of monthly close-of-period reports for the CEO and the Administration and Finance Department of the Company ;
- the production of annual accounts in compliance with French standards ;
- the production of half-year and annual consolidated financial statements in accordance with IFRS.

The Management Control Department is responsible for :

- the financial control of clinical studies ;
- preparing budgets.

The Administration and Finance Department :

- validates the operations involved in the production of financial statements ;
- coordinates the work of the teams and parties involved ;
- prepares financing plans, validates cash and other budgets.

##### **Production of financial and accounting information relative to GENFIT CORP**

The accounts of the entity GENFIT CORP, based in the United States, are prepared by a local certified public accounting firm. This covers :

- the day-to-day accounting management of the entity ;
- the production and transfer of accounting information in the form of standardized half-yearly reporting, according to a timetable defined by the Administration and Finance Department of GENFIT SA.

### **Production of financial and accounting information relative to GENFIT PHARMACEUTICALS SAS**

GENFIT PHARMACEUTICALS SAS has no operational activity.

The accounts of the entity GENFIT PHARMACEUTICALS SAS are prepared by the Administration and Finance Department of GENFIT.

### **Production of consolidated financial and accounting information in accordance with IFRS**

The consolidation and production of financial and accounting information in accordance with IFRS is carried out by the Accounting Department of GENFIT, the most appropriate place within the Group for this task.

With a view to effectiveness and optimization of reporting timelines, the Company utilizes specialized entities to handle specific adjustments for which it considers that no added-value would be created if they were performed internally. The calculation of pension commitments within the framework of the half-yearly reporting has thus been entrusted to KPMG.

In addition, the Company utilizes the services of experts to validate the reliability of the information produced :

- The firm KPMG validates every half year the consolidation operations and IFRS adjustments carried out. It also assists, if necessary, on a case-by-case basis with “complex” accounting transactions ;
- The Company uses specialized firms in matters of valuation.

### **2.5.2.3. Identification of the parties in charge of validating financial information for publication**

#### **Control of financial and accounting information**

The financial and accounting information of the GENFIT group is prepared by the Administration & Finance Department of GENFIT S.A. under the control of the Executive Board, and is reviewed by the Audit Committee, and then by the Supervisory Board which provide their comments to the Shareholders' General Meeting.

Thus, the Executive Board is responsible for :

- organizing and implementing internal financial and accounting control ;
- preparing accounts for closing ;
- closing of the accounts.

The Supervisory Board subjects the accounts to whatever checks and controls it deems necessary.

This work can be prepared by the Audit Committee.

In addition, in the course of their certification work, the auditors take cognizance of and monitor the development of the internal control system within the framework of an annually-determined interim mission.

#### **2.5.2.4. Planning of accounting operations**

The Company communicates its financial calendar, indicating the dates on which its financial and accounting information is made available. This calendar is available on the Company's website ([www.genfit.com](http://www.genfit.com)).

The Accounting Department has developed a tool for managing its operations, in order to achieve its objectives in relation to :

- the imperative meeting of (monthly/half-yearly) reporting deadlines ;
- the exhaustiveness of the review of the financial statements ;
- the traceability of transactions and evidence ;
- the organization of service continuity.

This tool constitutes a reference framework for the operations to be carried out, with follow-up of the type of operation, its expiration, its state of advancement and the person responsible for execution and makes it possible to benefit from the following functionalities :

- planning and monitoring of operations in the form of a diary ;
- monitoring of progress of revision work (operation in progress/terminated) ;
- document and traceability management for operations (documentation of each operation with the evidentiary items requested by the auditors during their review of the accounts).

During 2015, work has been taken to update this tool in order to reduce the closure deadline.

#### **2.5.2.5. Access to the regulatory accounting information needed to produce financial information**

The tool described above also constitutes a reference framework for information documents of the type "procedures", "model documents", "checkpoints", and "watch".

The following is available and centralized (it is possible to provide differentiated access) :

- documentation describing the accounting principles and the way they are applied within the company ;
- analyses of complex accounting treatments specific to certain transactions ;
- procedures relating to the use of computer tools ;
- articles on topical events in the accounting domain in order to anticipate changes in accounting and tax doctrine.

Acutely aware of the problem of fraud, the Accounting Department regularly adds documents to this database that list the most usual methods of fraud, as well as current developments in this area.

The Accounting Department's regulatory watch relies on various sources, including :

- subscriptions to leading publications in the field, with permanent electronic access to up-to-date information and a news system based on e-mail alerts ;
- use of experts.

#### **2.5.2.6. Organization and security of management information systems**

The accounting information system comprises :

- the accounting enterprise resource planning (ERP) software Sage X3, which allows for structured and interconnected management of the various accounting processes ;
- specific software solutions (software for the management of fixed assets, tax returns, scanning invoices, etc.) ;
- tools developed on Excel.

The Company has developed a data centralization tool in order to simplify and increase the reliability of the production of the consolidated financial statements in accordance with IFRS. This tool makes it possible to :

- increase data homogeneity (single source) ;
- benefit from traceability with regard to the consequences of consolidation and IFRS adjustments ;
- automatically carry out verifications and consistency checks ;
- decrease the time needed to process and produce information ;
- obtain an exhaustive view of the financial and accounting data produced ;
- benefit from an analysis of the difference between the net consolidated closing position and net consolidated opening position.

The following objectives underlie this software architecture :

#### **Objective 1: fulfill the regulatory requirements with regard to accounting production**

The Sage X3 ERP software complies with Instruction 13L-1-06 no. 12 of January 24th, 2006; it comprises functionalities making it possible to fulfill the requirements defined above. For example it features :

- automatic continuous numbering of documents ;
- the existence of key controls making it possible to prevent double recording of invoices ;
- voluntary and irreversible computer validation treatment of accounting entries ;
- intangibility of commercial documents ;
- workflows that secure information circuits and processes ;
- options to save data in various formats (Excel, PDF).

The use of Sage X3 also makes it possible to meet the specific requirements of the tax authorities. Thus, GENFIT can fulfill the requirements with regard to fiscal control of computerized accounting, and in particular, can provide the file of accounting entries which constitutes the corollary thereof.

**Objective 2: meet the requirements with regard to data security**

Along with the above requirements in relation to the reliability and relevance of financial and accounting information, there are also constraints relating to data security and availability.

Special attention is paid to the security of computer data and processing. The IT Department establishes controls which must:

- guarantee data security and recovery if necessary ;
- protect the department against unauthorized access ;
- ensure the separation of operational network responsibilities from responsibilities in relation to the use of information ;
- ensure the availability of connected systems and services.

Sage X3 features secure system access functionalities.

The audit carried out during financial year 2014 (mapping and evaluation of data risks) naturally focused on financial and accounting information systems, for aspects relating to data security, protection and recovery (time, workload).

**Objective 3: enhance company performance**

One of the main aims of the Accounting Department is to improve the performance of the company.

To achieve this objective of efficiency, GENFIT has always implemented a proactive approach in relation to acquisition and the updating of its IT tools, with a view to the integration and automation of financial and accounting tools.

The stated objective is to replace, insofar as possible, traditional time-consuming procedures with automated processes which make it possible to :

- render relations with all company players more fluid by computerizing the exchange of data ;
- rationalize processing times and increase the reliability of processes by automatic treatment of recurring operations.

Some functionalities which illustrate this approach include:

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- the electronic purchasing process (order validation workflow) ;
- the electronic process for vacation applications (leave validation workflow) ;
- the commercial document scan system (scanning of invoices with bar code, search by number or third party, etc.).
- the integrated file relating to the production of consolidated financial statements in accordance with IFRS.

#### 2.5.2.7. Production of accounting information and preparation of financial statements

The checkpoints are, more specifically, the following:

Process	Checkpoints
Income / Trade receivables	<ul style="list-style-type: none"> <li>• Use of an electronic accounting process (documentary chain allowing for electronic reconciliation of documents of the type “order”, “receipt”, and “invoice”).</li> <li>• Regular checking of encashments.</li> <li>• Automatic monthly accounting of FAE/PCA entries.</li> </ul>
Purchases / Trade payables	<ul style="list-style-type: none"> <li>• Use of an electronic accounting process (documentary chain allowing for electronic reconciliation of the documents of the type “order”, “receipt”, and “invoice”.</li> <li>• Regular analysis of accounts.</li> <li>• Automatic monthly accounting of FAR/ARR/CCA entries.</li> </ul>
Tangible and intangible assets, and goodwill	<ul style="list-style-type: none"> <li>• Monthly electronic recording of movements in a specialized application (Sage Immo 1000), allowing the life of the fixed asset to be monitored (entries, exits), its gross value, and the depreciation applied and to be applied.</li> <li>• Storage of evidentiary documents (scanned and annotated invoices) in electronic format.</li> <li>• Exits: exits from fixed assets carried out under the authorization of the CEO, by 2 identified persons, with a documentation system making it possible to justify the operations.</li> <li>• Occasional inventory campaigns.</li> </ul>
Inventories and work in progress	<ul style="list-style-type: none"> <li>• Stock in and stock out: daily recording.</li> <li>• Use of ERP: real-time view of the inventory position.</li> <li>• Use of ERP: effective planning of restocking making it possible to minimize stocks, but also to generally mitigate the risks of stock shortage.</li> <li>• Performance of a half-yearly physical inventory (in connection with the preparation of the half-year financial statements audited by the auditors).</li> </ul>
Cash/financing and financial instruments	<ul style="list-style-type: none"> <li>• Daily accounting of cash transactions.</li> <li>• Daily updating of the cash plan, for optimized monitoring of the Company's available resources.</li> <li>• Monthly reconciliation of bank accounts.</li> </ul>
Employee benefits	<ul style="list-style-type: none"> <li>• Internalization of the resource management and payroll function.</li> <li>• Calculation of pension commitments by an expert (KPMG).</li> </ul>

Taxes	<ul style="list-style-type: none"> <li>• Planning of tax declaration deadlines in the accounting management tool, so that tax documents can be filed and taxes paid on time.</li> <li>• Electronic filing of declarations made, and the associated supporting documents.</li> <li>• Analysis of transactions from the tax angle and revision by the auditors of the review of the accounts.</li> <li>• Monitoring of deferred tax position and reconciliation between the total tax expenses recorded in the consolidated income statement in accordance with IFRS and the theoretical tax expense (tax proof).</li> </ul>
Provisions and obligations	<ul style="list-style-type: none"> <li>• Identification and monitoring of all commitments of the company by the Administration and Finance Department.</li> </ul>
Consolidation Conversion of company accounts to IFRS	<ul style="list-style-type: none"> <li>• Centralization of data and transactions on a website and in a dedicated tool, with traceability and history of adjustments performed.</li> <li>• Validation of the process and of the information produced by KPMG.</li> </ul>

## **APPENDIX 1**

### **RULES OF PROCEDURE**

**AND**

### **CODE OF ETHICS OF THE SUPERVISORY BOARD**

The Supervisory Board, in order to perform the tasks entrusted to it under the principles of "corporate governance", wanted to establish a body of organizational and operational rules that will apply to it in accordance with laws, regulations and the Articles of Association.

Concurrently, to implement the principles of "corporate governance", the Supervisory Board decided to set up rules of conduct that would apply to each of its members.

Therefore, these rules describe, first, the organizational and operating arrangements, powers and duties of the Supervisory Board and, second, the code of ethical conduct to which its members are held.

They are strictly for internal use and are not enforceable on the company, its shareholders, or third parties.

The rules established by these rules of procedures apply without prejudice to those set forth in the Company Articles of Association or those imposed by laws and regulations in effect (the "Law"), which shall prevail. Its existence will be disclosed to the Company's shareholders.

## I - OPERATION AND POWERS OF THE SUPERVISORY BOARD

### **Article 1 - Appointment of Members of the Supervisory Board**

**1.1** In accordance with the provisions of Article 17 of the Company Articles of Association, the Board consists of at least three members and no more than eighteen members, subject to the exception provided for by law in the event of a merger.

Members of the Supervisory Board are appointed from among shareholders (individuals or legal entities) at the Ordinary General Meeting of Shareholders, who may remove them from office at any time. However, in the event of a merger or split, members of the Supervisory Board may be appointed by shareholders at an Extraordinary General Meeting.

No member of the Supervisory Board is permitted to be a member of the Executive Board.

No more than one-third of members of the Supervisory Board may be seventy (70) years of age. If this age limit applicable to members of the Supervisory Board is exceeded, the eldest member of the Supervisory Board will be deemed to have automatically resigned.

**1.2** The term of office of members of the Supervisory Board is five (5) years. Their office expires at the close of the General Meeting at which shareholders decide on the financial statements for the previous year, held in the year in which their office expires.

Members of the Board are eligible for reelection.

They may be removed at any time by shareholders at an Ordinary General Meeting.

**1.3** Members of the Supervisory Board may be individuals or legal entities; Any legal entity member must, at the time of its appointment, name a permanent representative who will be bound by the same terms, conditions and obligations and who will incur the same liability by law as if he/she were a member of the Board in his/her own name, without prejudice to the joint and several liability of the legal entity he/she represents.

If the legal entity removes its representative, it must simultaneously replace him/her. The foregoing also applies in the event the permanent representative dies, resigns or is subject to an extended impediment.

An individual who accepts and exercises the duties of member of the Supervisory Board must agree to swear under oath, at any time, that he/she complies with the limitation imposed by Law as regards the combined holding of a seat as member of the Supervisory Board and a position as director of a corporation.

**1.4** If a Board member's seat becomes vacant between two General Shareholders' Meetings as a result of death or resignation, the Board may make temporary appointments.

Appointments made by the Supervisory Board are subject to ratification by shareholders at their next Ordinary General Meeting. If an appointment is not ratified, the decisions and actions taken previously by the Board will nonetheless be valid

If the number of Board members falls below the minimum required by law, the Executive Board must immediately convene an Ordinary General Meeting of Shareholders to make up the required number of Board members.

Any member of the Supervisory Board appointed to replace another will remain in office only for the remaining term of his/her predecessor's office.

**1.5** Each member of the Supervisory Board must own at least sixty-four (64) shares in the Company.

If, on the day of his/her appointment, a member of the Supervisory Board does not own the required number of shares or if he/she ceases to own them during his/her term, he/she is considered to have automatically resigned if the situation is not put in order within three months.

## **Article 2 - Chairmanship and Vice-Chairmanship of the Supervisory Board**

The Supervisory Board must appoint a Chairman and a Vice Chairman from among its individual members, who will be responsible for convening Board meetings and overseeing business transacted at such meetings.

The Chairman and the Vice-Chairman perform their duties for the term of their office as members of the Supervisory Board. They are eligible for reelection.

The Board may also appoint a secretary, who may but need not be a Board member, and must set the secretary's term of office.

## **Article 3 - Powers of the Supervisory Board**

**3.1** The Supervisory Board exercises permanent control over the management duties performed by the Executive Board.

**3.2** At any time of the year, the Supervisory Board may carry out the verifications and controls it considers appropriate and obtain any documents it considers necessary to perform its duties.

At least once per quarter, it receives a report from the Executive Board.

Within three months of the end of each fiscal year, the Executive Board presents the Supervisory Board with the annual financial statements and a written management report for verification and control purposes.

The Supervisory Board informs shareholders at their Annual Ordinary General Meeting of its observations on the Executive Board's report and on the annual financial statements.

**3.3** The Supervisory Board may decide, by virtue of a unanimous decision less two votes of its members who are present or represented or, where permitted by law, who attend the meeting by video-conference or by any other method of telecommunication, and at least by a majority of votes cast by said persons, to set up committees responsible for considering matters submitted to them by the Board or its Chairman for review. In accordance with the same condition as to a qualified majority vote, the Board must also set the composition of these committees and determine their duties.

The following committees already exist:

- Appointment and Compensation Committee;
- Audit Committee.

The role of these committees is strictly advisory. The Supervisory Board determines at its own discretion how to follow up on the opinions, studies, investigations or reports issued or formulated by the Committees.

**3.4** The Supervisory Board also performs the duties expressly allocated to it by law.

**3.5** The Supervisory Board may grant one or more of its members special authorization for one or more specific purposes.

#### **Article 4 - Meetings and Proceedings of the Supervisory Board**

##### **4.1 Meetings of the Supervisory Board**

The Supervisory Board meets as often as required in the interests of the Company and at least once per quarter to hear the report of the Executive Board, further to a notice of meeting issued by its Chairman or Vice-Chairman, at the corporate headquarters or at such other location as may be specified in the notice of meeting. At least one-third of the members of the Supervisory Board may submit a substantiated request to call a Board meeting to the Chairman of the Supervisory Board by certified mail. The Chairman must call a Board meeting on a date that falls no more than 15 days after the date of receipt of the request. If a Board meeting is not called within this time limit, the persons who submitted the request may call a meeting themselves, in which case they must indicate the agenda for the meeting.

Meetings may be called by any means, including verbally.

##### **4.2 Deliberations of the Supervisory Board**

The Supervisory Board may only validly transact business if at least half of its members are present.

Any member of the Supervisory Board may be represented at the deliberations of the Supervisory Board by another member of the Supervisory Board. Each member of the Supervisory Board may receive only one proxy.

Except in the cases provided for in Articles 15 (II) and 16 (I) of the Articles of Association concerning the appointment of members of the Executive Board and the appointment and removal of its Chairman or Chief Executive Officers, and in Article 20 (II) of the Articles of Association concerning the creation of Supervisory Board committees, as well as the determination of the composition and duties of said committees, decisions of the Supervisory Board must be taken by a majority of its members present or represented or, where permitted by law, who take part by video-conference or by any other method of telecommunication.

In the event of a tie, the Chairman has a casting vote.

##### **4.3 Use of videoconferencing and other Means of Telecommunication**

Members of the Supervisory Board may take part in Board meetings and vote by video-conference or by any other method of telecommunication that complies with applicable laws and regulations. They are not, however, permitted to vote by video-conference in connection with decisions concerning the verification and control of financial statements.

The Chairman shall ensure that videoconferencing or telecommunication methods that meet the criteria below are made available to members of the Supervisory Board who live outside Paris or abroad, as well as to those who find themselves in such locations for a legitimate reason, to enable them to participate in the meetings of the Supervisory Board.

When the meeting place of the Supervisory Board is not the Company's corporate headquarters, the Chairman takes measures so that Board members can participate using the means described above.

For the purposes of calculating the quorum and the majority, shall be deemed present those Board members participating in the meeting by means of video-conference or by any other means of telecommunication that meets the following criteria.

- The selected transmission system must be easy to operate, ensuring that each person who has chosen to use it can participate effectively in the meetings in question ;
- The videoconferencing or telecommunication means used must allow authentication of each member participating in the Board meeting in this way. This authentication may result, for example, in the need for the member in question to use a code that is conveyed to him/her in advance to enable him/her to communicate with other members. If there is doubt about the identity of one of the participants, the Chairman must ensure the true identity of the participant by any means he chooses ;
- The transmission system must enable a continuous sound feed of the meeting proceedings. It must also ensure that each of the persons using these methods is in constant communication with the other members of the Board for the entire duration of the meeting ;
- The videoconferencing or telecommunication means used must possess technical features that guarantee effective and simultaneous participation by all members at the Board meeting. In particular, the transmission system should permit each person attending the meeting to talk with all the other persons present, whether they are participating physically or through such a transmission system.

It is the responsibility of the Chairman to ensure that the above criteria are effectively met.

Furthermore, at the end of each meeting or any discussion on an important subject, the presiding officer shall check that none of the participants using videoconferencing or telecommunications has any additional comments or questions.

Finally, whenever a vote is taken, the presiding officer must specifically ask each person participating in the meeting by videoconferencing or telecommunication if he/she is voting in favor of or against the decision submitted to a vote, or if he/she is abstaining from voting; he/she must ensure that each person has had the material ability to give a response.

The minutes of the Board meeting must give the names of members who participated in the meeting by video-conference or by any other means of telecommunications and, in the latter case, specify the means of telecommunication used. They must also state any technical incident that may have affected the technical solution used if this incident interfered with the proceedings.

Decisions regarding approval of the annual financial statements and the annual report, as well as those regarding approval of the consolidated financial statements and the Group management report may not, under any circumstances, be made via videoconferencing or any other means of telecommunication.

## **Article 5 - Observers**

In accordance with Article 23 of the Articles of Association, at their General Meeting, shareholders may, at their discretion, appoint one or several observers (individuals or legal entities), who may or may not be shareholders.

Observers are appointed for two years. Their duties expire at the close of the Ordinary General Meeting at which shareholders decide on the financial statements for the previous year, held in the year in which the observer's term expires.

Observers are indefinitely eligible for reelection. They may be removed at any time by shareholder decision at a General Meeting.

Observers may receive compensation that is set by shareholders at the General Meeting.

Observers are invited to and participate in all meetings of the Supervisory Board, in an advisory role, under conditions identical to those set forth for the members of the Supervisory Board, but their absence does not affect the validity of business conducted by the Board. They receive the same information and notifications as Board members and are bound by the same obligations of confidentiality and discretion.

The agreements they sign with the company are subject to the same rules as those applicable to agreements with members of the Supervisory Board.

The observers may not be granted any management, monitoring or control duties, as these fall under the exclusive authority of the legal bodies of corporations, for which they may not be a substitute.

## **Article 6 – Compensation of Members of the Supervisory Board**

**6.1** Shareholders may, at their General Meeting, allocate to the members of the Supervisory Board a fixed annual sum in the form of attendance fees as compensation for their work. The Supervisory Board shall distribute such compensation among its members as it sees fit.

**6.2** In addition, the Supervisory Board may allocate special compensation for tasks or missions entrusted to its members; in this case, this compensation is subject to the procedure for regulated agreements set forth in Article 22 of the Articles of Association and reiterated in Article 7 below.

## **Article 7 - Regulated Agreements**

**7.1** Any agreement made between the Company and a member of the Supervisory Board or an observer must be submitted for prior authorization from the Supervisory Board.

The same is true for agreements in which a member of the Supervisory Board has an indirect interest or for which he deals with the company indirectly or through an intermediary.

Agreements made between the Company and a firm are also subject to prior authorization if one of the members of the Supervisory Board or an observer, is an owner, indefinitely responsible partner, manager, director, member of the Supervisory Board or Executive Board or, broadly, a senior manager of this firm.

The foregoing provisions shall not apply to agreements pertaining to current operations negotiated under normal conditions. However, these agreements – except when their object or financial implications make them non-significant for either of the parties – are communicated without delay by the affected Board member to the Chairman of the Supervisory Board. The list and objects of the agreements are then sent by the Chairman to the members of the Supervisory Board and to the Statutory Auditors.

The affected Supervisory Board member is required to notify the Supervisory Board whenever he/she is aware of an agreement subject to authorization. He/she cannot participate in the vote to grant the authorization.

The Chairman of the Supervisory Board notifies the Statutory Auditors of all authorized agreements and submits them for approval to the General Shareholders' Meeting.



**7.2** The Statutory Auditors prepare a special report on these agreements to the shareholders at the General Meeting, who then rule on these agreements.

The affected Supervisory Board member cannot participate in the vote and the shares he/she owns are not taken into account to calculate the quorum or the majority.

### **Article 8 - Inside Information - Share Transactions**

Because the company is publicly traded, all members of the Supervisory Board agree to comply with the insider trading rules defined in the French Monetary and Financial Code (*Code Monétaire et Financier*) notably the provisions of Articles L. 465-1 and subsequent, and by the French financial markets regulator ("AMF" for *Autorité des marchés financiers*), notably the provisions of Articles 621-1 to 622-2 of the AMF General Regulations.

Under Article 621-1 of the AMF General Regulations, the following information is considered to be insider information within the Company:

Any specific knowledge:

- That has not been made public at the time that it is used and that relates directly or indirectly to the Company or the Group to which it belongs, to the Company's shares or to any other financial instrument of the Company;
- That, if it were made public, would be likely to have a significant effect on the price of the Company's shares or financial instruments.

Information is considered to be public when it is mentioned in a press release, on the company's website ([www.genfit.fr](http://www.genfit.fr)) or when it is published in a document filed with the AMF.

During blackout periods defined as such, no member of the Supervisory Board is authorized to execute transactions involving the Company's securities, regardless of whether he/she has inside information.

Pursuant to Article L. 621-18-2 of the Monetary and Financial Code, Articles 223-22 to 223-26 of the AMF General Regulations and Directive no. 2006-05 of February 3, 2006, on transactions involving the Company's securities conducted by directors or persons listed in Article L. 621-18-2 of the Monetary and Financial Code, directors, persons considered equivalent to directors and people who are closely tied to them (excluding portfolio managers acting on behalf of third parties, legal entities that are company representatives within the group that owns the Company, legal entities that are company representatives acting on behalf of third parties) are required to report any acquisition, disposal, subscription or exchange of securities when the total amount of these transactions during the calendar year exceeds 5,000 Euros.

These persons are on a list that is regularly updated and submitted to the AMF and stakeholders. They shall refrain from all transactions whenever they have knowledge of inside information.

Each of these persons is required to submit their statement, accompanied by a transaction notice, to the AMF within five trading days of the execution of the transaction using the template described in Directive no. 2006-05 referenced above and to submit a copy of this statement to the Company.

The AMF publishes these statements on its website. These statements are also summarized in the annual report at the Annual General Shareholders' Meeting.

### **Article 9 - Control and Evaluation of Supervisory Board Operations**

The members of the Board should pay close attention to how the respective powers and responsibilities of the Company's bodies are distributed and exercised.

Members of the Board must ensure that no one in the company can exercise a discretionary power without control. They must ensure the effective operation of committees established by the Supervisory Board.

On a regular basis, the Board includes an item on its agenda to evaluate itself and discuss its operation and to evaluate and discuss the operation of the Committees it has created which shall, where applicable, have conducted this same exercise.

To this end, based notably on the recommendations of the Appointment and Compensation Committee, the Board:

- Reviews its operating procedures ;
- Evaluates the quality and effectiveness of discussions within the Board ;
- Ascertains whether major issues are adequately prepared and discussed and whether directors are informed and meetings are properly prepared ;
- Assess the actual role of the Board in performing its duties ;
- Examine the reasons underlying any malfunctions identified by the Chairman of the Board, Board members or shareholders.

The Chairman of the Supervisory Board shall inform shareholders of the results of this self-assessment in his/her report on corporate governance and internal control.

## **II- CODE OF ETHICS FOR MEMBERS OF THE SUPERVISORY BOARD**

### **Article 10 - Administration and Corporate Interest**

Members of the Supervisory Board must act in the corporate interest of the firm when they participate in deliberations and votes of the Supervisory Board. They should, regardless of how they were appointed, consider themselves as representing all shareholders.

### **Article 11 - Compliance with Laws and Articles of Association**

Members of the Supervisory Board must take the full measure of their rights and obligations. In particular, they must be familiar with and abide by legal and regulatory measures that govern their office, as well as the Company rules deriving from the Articles of Association and the Rules of Procedure of the Board.

### **Article 12 - Independence and Duty of Expression**

Supervisory Board members shall remain independent in their judgments, decisions and actions under all circumstances. They reject influence from any outside element that runs counter to the corporate interest they are tasked with promoting.

They alert the Supervisory Board of any elements that come to their attention which they believe may affect the firm's interests.

They have a duty to clearly express their questions and opinions. They try to convince the Supervisory Board of the relevance of their positions. If there is disagreement, they ensure that these positions are explicitly recorded in the minutes of the proceedings

### **Article 13 - Independence and Conflict of Interest**

Supervisory Board members shall try to avoid any conflict that might arise between their moral and material interests and those of the Company. They notify the Supervisory Board of any conflict of interest in which they may be involved, including holding a position in the management bodies of firms in the same business sector. In cases where conflicts of interest cannot be avoided, they refrain from participating in all discussions and decisions about the matters in question.

The Corporate Governance Code for Small and Midcaps issued by Middlednext in December 2009 and adopted by the company when its accepted for listing on the Euronext regulated market defines the criteria to be considered by the Supervisory Board to qualify a Board member as independent and to avert the risks of conflict of interest between the Board members and the Company. These criteria are as follows:

Is not an employee or officer of the Company or an affiliate of its group and has not been in the last three years;

- Is not a significant customer, supplier or banker of the Company or its group or for whom the Company or its group accounts for a significant share of business ;
- Is not a major shareholder of the company ;
- Does not have close family ties to an officer or major shareholder ;
- Has not served as an auditor of the firm in the last three years.

The Supervisory Board may, however, determine that a member who meets the above criteria cannot be deemed independent because of circumstances specific to this member or to the Company, because of his/her shareholding structure or for any other reason. Similarly, the Board may deem independent a member who does not meet all of the above criteria.

Independent members must account for at least one-third of the members of the Supervisory Board. There must be at least two of them.

All Board members must regularly notify the Company of changes in their personal situation, including any changes to or the emergence of one of the following circumstances:

- Existence and nature of family ties between Board members and the Executive Board or other members of Senior Management ;
- Names of all the companies for which a Board member is or was a member of a governing, management or supervisory body or general partner at any time during the last five years ;
- Conviction for fraud handed down during the past five years at least ;
- Any bankruptcy, receivership or liquidation during the past five years at least ;
- Any official public indictment and/or sanction issued by a statutory or regulatory authority ;
- Ban by a court from (a) acting as a member of an administrative, management, or supervisory body, or (b) from being involved in the management or running of an issuer's business during the last five years at least.

As a reminder, the Company is required to submit a statement about the information mentioned above when preparing its annual financial report and background document and, where applicable, when conducting a financial transaction requiring an AMF stamp on its prospectus. This also applies to preparing the Chairman of the Supervisory Board's report on corporate governance and internal control. Therefore, it is the responsibility of the Supervisory Board members to notify the Company of any information that may be relevant for the purposes of said statements.

In addition, the Supervisory Board reserves the right to ask each Supervisory Board member for periodic information about changes in their activities so as to assess with them, for preventive purposes, the existence of any conflicts of interest.

#### **Article 14 - Fair Dealing, Good Faith and Duty of Confidentiality**

Supervisory Board members do not take any initiatives that could harm the Company's interests and act in good faith under all circumstances.

They are personally committed to maintaining the full confidentiality of the information they receive, the discussions in which they take part and the decisions made.

They refrain from using for personal gain or for the benefit of any other person the inside information to which they have access. In particular, when they possess non-public information about the Company for which they serve as a Supervisory Board member, they refrain from using it to conduct or to instruct a third party to conduct any transactions involving that Company's securities.

#### **Article 15 - Professionalism**

Supervisory Board members agree to devote the necessary time and attention to their duties.

They participate in meetings of the Supervisory Board with diligence and care.

They attend the General Shareholders' Meetings.

They make an effort to stay up to date on information that is useful to them and try to obtain within reasonable time frames the facts they feel are crucial to informing themselves so they can deliberate within the Supervisory Board with full background knowledge.

Supervisory Board members contribute to the collegiality and effectiveness of the work of the Supervisory Board. They make any recommendation they feel will improve the operating procedures of the Supervisory Board, especially on the occasion of its periodic self-assessments. They accept the assessment of their own actions within the Supervisory Board.

Along with the other members of the Supervisory Board, they ensure that control duties are carried out effectively and unencumbered. In particular, they ensure that the firm has procedures that make it possible to control compliance with the Law, in letter and in spirit.

They ensure that the positions adopted by the Supervisory Board are, without exception, formal decisions which are properly substantiated and transcribed in the minutes of its meetings.

### **III - ADOPTION OF RULES OF PROCEDURE AND THE CODE OF ETHICS**

These rules of procedure were approved by the Supervisory Board at its meeting of September 25, 2007.

They were then updated by decision of the Supervisory Board on April 21, 2015, following the Company's adoption of the Corporate Governance Code for Small and Midcaps issued by Middenext in December 2009, which followed the listing of the Company's securities on the Euronext regulated market.

They were distributed to each of its members, who affirmed they had read and adhere to them. Each new member is required to adhere to the principles laid down in these rules.

They may be modified at any time by simple resolution of the Supervisory Board.

## APPENDIX 2

### RULES OF PROCEDURE AND CODE OF ETHICS

#### OF THE AUDIT COMMITTEE

The Audit Committee, pursuant to the right granted to it by the Supervisory Board on June 27, 2006, defining its operating rules and duties, sought to create a set of organizational and operating rules that will apply to it in accordance with laws, regulations and the Articles of Association.

Concurrently, to implement the principles of "corporate governance", the Audit Committee decided to set up rules of conduct that would apply to each of its members.

Therefore, these rules describe, first, the operating arrangements, powers and duties of the Audit Committee and, second, the code of ethical conduct to which Committee members are held.

They are strictly for internal use and are not enforceable on third parties. Their existence shall be made known to the Company's shareholders.

#### **I. COMPOSITION, OPERATIONS AND RESPONSIBILITIES OF THE AUDIT COMMITTEE**

##### **Article 1 - Appointment of Members of the Audit Committee**

The Committee is composed of at least three members appointed from among members of the Supervisory Board.

The Committee members must be competent in financial or accounting matters.

At least two-thirds of the Committee members must be independent members of the Supervisory Board, as defined in the Middledent Corporate Governance Code for Small and Midcaps. Board members shall be considered as meeting this condition of independence if they have no significant financial, contractual or familial relationship that is likely to impair their independent judgment.

The following criteria are used to substantiate independence :

- Is not an employee or officer of the company or an affiliate of its group and has not been in the last three years ;
- Is not a significant customer, supplier or banker of the company or its group or for whom the company or its group accounts for a significant share of business ;
- Is not a major shareholder of the company ;
- Does not have close family ties to an officer or major shareholder ;
- Has not served as an auditor of the firm in the last three years.

- This independence requirement must be satisfied by each independent member of the Committee for the entire duration of their term of service within it.

### **Article 2 – Term of Office of Members of the Audit Committee**

The term of office of each Committee member coincides with his/her term as a Supervisory Board member. It may be renewed at the same time as the latter.

Committee members can be removed at any time by the Supervisory Board, which does not have to justify its decision.

A Committee member may resign his/her duties without having to justify his/her decision.

### **Article 3 - Attendance Fees and Reimbursement of Expenses**

The Supervisory Board shall proceed freely, based on proposals from the Appointment and Compensation Committee, to distribute the annual amount of attendance fees allocated by the Ordinary Annual Shareholders' Meeting. In this sense, members of the Audit Committee can receive attendance fees.

In addition, Committee members are entitled to reimbursement of expenses incurred to attend Committee meetings, as well as to reimbursement of all other expenses approved in advance by the Chairman of the Supervisory Board.

### **Article 4 - Chairman of the Audit Committee**

The Committee shall elect its Chairman by a majority vote of its members.

The Chairman of the Committee performs the duties described in Articles 5, 7 and 8 of these rules.

### **Article 5 – Meetings of the Audit Committee**

The Committee meets at least three times a year, convened by its Chairman. It may meet at the request of the Chairman of the Supervisory Board or of a Committee member on the basis of a defined agenda. Meetings are called by any means.

At least twice a year, the members of the Audit Committee must meet with the Company's financial officer and external auditors.

Meetings are held at any place specified in the notice of meeting. However, the physical presence of the Audit Committee members is not mandatory and their participation in the meeting and in voting may occur through any suitable means of telecommunication, under the conditions specified in Article 8 below.

The Chairman of the Audit Committee presides over and leads its meetings. If the Chairman is absent, the Committee designates a person to chair the meeting. Unless explicitly stated otherwise in the notice of Committee meeting, the Chairman of the Executive Board attends the Audit Committee meetings and may bring the firm's financial officer to these meetings.

#### **Article 6 - Audit Committee Information**

The Company gives the Committee all the resources necessary to fulfill its responsibilities.

#### **Article 7 - Deliberations of the Audit Committee**

The Committee may only validly transact business if more than half of its members are present or participate in the meeting via the means of communication stipulated below in Article 8.

Committee decisions are made by a simple majority of its members who are present, participating under the aforementioned conditions or represented.

In the event of a tie, the Chairman does not have a casting vote.

A Committee member may give a proxy to another Committee member to represent him/her.

A Committee member may not hold more than one proxy.

The Audit Committee's decisions are recorded in minutes signed by the Chairman of the session and a member who participated in the vote. The minutes are recorded in a special register, on numbered pages initialed by the Chairman and kept at the corporate headquarters.

At its initiative or at the request of the Chairman of the Supervisory Board, the Audit Committee reports on its work and recommendations to the Supervisory Board and, where applicable, to the Executive Board at the request of its Chairman, provided that these bodies convey them to the General Meeting when its opinions pertain to issues that are the domain of the shareholders.

#### **Article 8 - Meeting Participation by Audit Committee Members via Videoconferencing or Any Other Means of Telecommunication**

Shall be deemed present those Committee members participating in the meeting by means of video-conference or by any other means of telecommunication that meets the following criteria.

- The selected transmission system must be easy to operate, ensuring that each person who has chosen to use it can participate effectively in the meetings in question ;



- The videoconferencing or telecommunication means used must allow authentication of each member participating in the session in this way. This authentication may result, for example, in the need for the member in question to use a code that is conveyed to him/her in advance to enable him/her to communicate with other members; If there is doubt about the identity of one of the participants, the Chairman must ensure the true identity of the participant by any means he chooses ;
- The transmission system must enable a continuous sound feed of the meeting proceedings. It must also ensure that each of the persons using these methods is in constant communication with the other members of the Committee for the entire duration of the meeting ;
- The videoconferencing or telecommunication means used must possess technical features that guarantee effective participation by all members at the meeting. In particular, the transmission system should permit each person attending the meeting to talk with all the other persons present, whether they are participating physically or through such a transmission system.

It is the responsibility of the Chairman of the session to ensure that the above criteria are effectively met.

Furthermore, at the end of each meeting or any discussion on an important subject, the presiding officer shall check that none of the participants using videoconferencing or telecommunications has any additional comments or questions.

Finally, whenever a vote is taken, the presiding officer must specifically ask each person participating in the meeting by videoconferencing or telecommunication if he/she is voting in favor of or against the decision submitted to a vote, or if he/she is abstaining from voting; he/she must ensure that each person has had the material ability to give a response.

The minutes of the meeting must give the names of members who participated in the meeting by video-conference or by any other means of telecommunications and, in the latter case, specify the means of telecommunication used. They must also state any technical incident that may have affected the technical solution used if this incident interfered with the proceedings.

#### **Article 9 - Responsibilities of the Audit Committee**

The responsibilities of the Audit Committee are to :

- Control the integrity of the financial information provided by the Company, and notably to assess the consistency and relevance of the accounting methods and standards used by the company. This control entails assessing the accuracy, completeness and consistency of the financial information and the continuity of accounting methods. To this end, the Committee conducts a review of the statements submitted by the Executive Board. Following this review, the Committee submits its observations to the Supervisory Board and sends a copy to the Executive Board. In addition, the Committee conducts an accounting and administrative review twice a year ;

- To examine the appropriateness of any changes in accounting methods. The Committee takes particular care in examining the accounting methods used to value unusual transactions or particularly significant transactions ;

- To evaluate, at least twice a year, the quality of the Company's internal control and risk management procedures and, where applicable, to issue a warning if any irregularity or anomaly is detected in the Company's financial statements or control procedures. The Committee assists the Chairman of the Supervisory Board with writing the internal control report ;

- To ensure the independence and objectivity of the Company's statutory auditors. To this end, the Committee examines all the relationships between the statutory auditors and the Company. It makes recommendations on the selection, appointment and re-appointment of the statutory auditors.

The responsibilities of the Audit Committee set forth above shall be extended to any subsidiary of the Company.

## **II. CODE OF ETHICS FOR MEMBERS OF THE AUDIT COMMITTEE**

### **Article 10 - Compliance with Laws and Regulations**

Committee members must take the full measure of their rights and obligations. In particular, they must be familiar with and abide by statutory measures and those contained in the Committee's Rules of Procedure.

They carry out their tasks under the authority of the Supervisory Board, to which they report.

When exercising their powers within the Committee, they take no actions that might infringe on the powers conferred by the law or by the Articles of Association to the Supervisory Board and the Executive Board.

### **Article 11 - Regard for Corporate Interest**

Committee members must, under all circumstances, act in the corporate interest of the firm.

### **Article 12 - Independence and Duty of Expression**

Committee members shall remain independent in their judgments, decisions and actions under all circumstances. They reject influence from any outside element that runs counter to the corporate interest.

They have a duty to clearly express their questions and opinions. They try to convince the Committee of the relevance of their positions. If there is disagreement, they ensure that these positions are explicitly recorded in the minutes of the proceedings.

### **Article 13 - Independence and Conflict of Interest**

Committee members shall try to avoid any conflict that might arise between their moral and material interests and those of the Company. They notify the Committee and the Supervisory Board of any conflict of interest in which they may be involved. In cases where conflicts of interest cannot be avoided, they refrain from participating in all discussions and decisions about the matters in question.

For those Committee members qualified as independent members, they ensure that they meet, for the entire duration of their duties, the independence criteria that justified their appointment to the Committee and which are described in Article 1 of these Rules of Procedure. They agree to promptly give notice of any circumstances that might deprive them in the future of their status as independent member of the Supervisory Board so that the Board is able to make the appropriate arrangements.

### **Article 14 - Fair Dealing and Good Faith**

Committee members do not take any initiatives that could harm the Company's interests and act in good faith under all circumstances.

They refrain from using for personal gain or for the benefit of any other person the inside information to which they have access. In particular, when they possess non-public information about the Company, they refrain from using it to conduct or to instruct a third party to conduct any transactions involving that Company's securities.

### **Article 15 – Confidentiality**

Audit Committee members are bound by an obligation of confidentiality and discretion, for the entire duration of their term and after it ends.

Committee members personally agree to maintain the full confidentiality of discussions in which they participate and of recommendations and opinions submitted to the Supervisory Board or Management Board, depending on the situation.

They refrain from disclosing to anyone, in any way whatsoever, the information given to them by the Company for the purposes of their duties, regardless of the format of the information (written or oral) and regardless of the means by which it is transmitted.

They refrain from disclosing to anyone, in any way whatsoever, any opinion, analysis, compilation or other document prepared on the basis of some or all of this confidential information.

This obligation of confidentiality shall not end upon expiration of the Committee member's term of office, but shall persist for as long as the information in his/her possession retains a confidential nature.

## **Article 16 – Professionalism**

Committee members agree to devote the necessary time and attention to their duties.

They participate in Committee meetings with diligence and care.

They make an effort to stay up to date on information that is useful to them and try to obtain within reasonable time frames the facts they feel are crucial to informing themselves so they can deliberate within the Committee with full background knowledge.

Along with the other members of the Committee, they ensure that the responsibilities entrusted to it are carried out effectively and unencumbered.

They ensure that the positions adopted by the Committee are properly substantiated and transcribed in the minutes of its meetings.

### **III . ADOPTION OF RULES OF PROCEDURE AND THE CODE OF ETHICS**

These Rules of Procedure were approved by the Audit Committee at its meeting on April 5, 2007.

They were then updated by decision of the Audit Committee on April 21, 2015, following the Company's adoption of the Corporate Governance Code for Small and Midcaps issued by Middlednext in December 2009, which followed the listing of the Company's securities on the Euronext regulated market.

They were distributed to each of its members, who affirmed they had read and adhere to them. Each new Committee member is required to adhere to the principles laid down in these rules.

They may be modified at any time with a simple decision by the Audit Committee.

## **APPENDIX 3**

### **RULES OF PROCEDURE AND CODE OF ETHICS**

#### **FOR THE APPOINTMENT AND COMPENSATION COMMITTEE**

The Appointment and Compensation Committee, pursuant to the right granted to it by the Supervisory Board on June 27, 2006, defining its operating rules and duties, sought to create a set of organizational and operating rules that will apply to it in accordance with laws, regulations and the Articles of Association.

Concurrently, to implement the principles of "corporate governance", the Committee decided to set up rules of conduct that would apply to each of its members.

Therefore, these rules describe, first, the operating arrangements, powers and duties of the Appointment and Compensation Committee and, second, the code of ethical conduct to which Committee members are held.

They are strictly for internal use and are not enforceable on third parties. Their existence shall be made known to the Company's shareholders.

## **I. COMPOSITION, OPERATIONS AND RESPONSIBILITIES OF THE APPOINTMENT AND COMPENSATION COMMITTEE**

### **Article 1 - Appointment of Members**

The Committee is composed of at least three members appointed from among members of the Supervisory Board.

The majority of Committee members are independent Supervisory Board members, as defined in the Corporate Governance Code for Small and Midcaps adopted by Middlednext in December 2009. Board members shall be considered as meeting this condition of independence if they have no significant financial, contractual or familial relationship that is likely to impair their independent judgment.

The following criteria are used to substantiate independence:

- Is not an employee or officer of the Company or an affiliate of its group and has not been in the last three years;
- Is not a significant customer, supplier or banker of the company or its group or for whom the company or its group accounts for a significant share of business;
- Is not a major shareholder of the company;
- Does not have close family ties to an officer or major shareholder;
- Has not served as an auditor of the firm in the last three years.

This independence requirement must be satisfied by each independent member of the Committee for the entire duration of their term of service within it.

### **Article 2 – Term of Office of Members**

The term of office of each Committee member coincides with his/her term as a Supervisory Board member. It may be renewed at the same time as the latter.

Committee members can be removed at any time by the Supervisory Board, which does not have to justify its decision.

A Committee member may resign his/her duties without having to justify his/her decision.

### **Article 3 - Attendance Fees and Reimbursement of Expenses**

The Supervisory Board shall proceed freely, based on proposals from the Appointment and Compensation Committee, to distribute the annual amount of attendance fees allocated by the Ordinary Annual Shareholders' Meeting. In this sense, members of the Appointment and Committee can receive attendance fees.

In addition, Committee members are entitled to reimbursement of expenses incurred to attend Committee meetings, as well as to reimbursement of all other expenses approved in advance by the Chairman of the Supervisory Board.

### **Article 4 - Chairman of the Committee**

The Committee shall elect its Chairman by a majority vote of its members.  
The Chairman of the Committee performs the duties described in Articles 5, 7 and 8 of these rules.

### **Article 5 – Committee Meetings**

The Committee meets at least three times a year, convened by its Chairman. It may meet at the request of the Chairman of the Supervisory Board or of a Committee member on the basis of a defined agenda. Meetings are called by any means.

Meetings are held at any place specified in the notice of meeting. However, the physical presence of the Committee members is not mandatory and their participation in the meeting and in voting may occur through any suitable means of telecommunication, under the conditions specified in Article 8 below.

The Chairman presides over and leads Committee meetings. If the Chairman is absent, the Committee designates a person to chair the meeting. Unless explicitly stated otherwise in the notice of Committee meeting, the Chairman of the Executive Board attends the Committee meetings and may bring the firm's human resources manager to these meetings.

### **Article 6 - Committee Information**

The Company gives the Committee all the resources necessary to fulfill its responsibilities.

### **Article 7 - Deliberations of the Committee**

The Committee may only validly transact business if more than half of its members are present or participate in the meeting via the means of communication stipulated below in Article 8.

Committee decisions are made by a simple majority of its members who are present, participating under the aforementioned conditions or represented.

In the event of a tie, the Chairman does not have a casting vote.

A Committee member may give a proxy to another Committee member to represent him/her.  
A Committee member may not hold more than one proxy.

The Committee's decisions are recorded in minutes signed by the Chairman of the session and a member who participated in the vote.

At its initiative or at the request of the Chairman of the Supervisory Board, the Committee reports on its work and recommendations to the Supervisory Board and, where applicable, to the Executive Board at the request of its Chairman, provided that these bodies convey them to the General Meeting when its opinions pertain to issues that are the domain of the shareholders.

#### **Article 8 - Meeting Participation by Committee Members via Videoconferencing or any other means of telecommunication**

Shall be deemed present those Committee members participating in the meeting by means of video-conference or by any other means of telecommunication that meets the following criteria.

- The selected transmission system must be easy to operate, ensuring that each person who has chosen to use it can participate effectively in the meetings in question;
- The videoconferencing or telecommunication means used must allow authentication of each member participating in the session in this way. This authentication may result, for example, in the need for the member in question to use a code that is conveyed to him/her in advance to enable him/her to communicate with other members; If there is doubt about the identity of one of the participants, the Chairman must ensure the true identity of the participant by any means he chooses;
- The transmission system must enable a continuous sound feed of the meeting proceedings. It must also ensure that each of the persons using these methods is in constant communication with the other members of the Committee for the entire duration of the meeting;
- The videoconferencing or telecommunication means used must possess technical features that guarantee effective participation by all members at the meeting. In particular, the transmission system should permit each person attending the meeting to talk with all the other persons present, whether they are participating physically or through such a transmission system.

It is the responsibility of the Chairman of the session to ensure that the above criteria are effectively met.

Furthermore, at the end of each meeting or any discussion on an important subject, the presiding officer shall check that none of the participants using videoconferencing or telecommunications has any additional comments or questions.



Finally, whenever a vote is taken, the presiding officer must specifically ask each person participating in the meeting by videoconferencing or telecommunication if he/she is voting in favor of or against the decision submitted to a vote, or if he/she is abstaining from voting; he/she must ensure that each person has had the material ability to give a response. The minutes of the meeting must give the names of members who participated in the meeting by video-conference or by any other means of telecommunications and, in the latter case, specify the means of telecommunication used. They must also state any technical incident that may have affected the technical solution used if this incident interfered with the proceedings.

### **Article 9 - Responsibilities of the Committee**

The responsibilities of the Appointment and Compensation Committee are to:

- Ensure the professionalism and objectivity of the processes by which directors and officers are appointed. More specifically, it is in charge of making any proposals concerning the size and desirable composition of the Supervisory Board and the Executive Board in light of the structure and evolution of the Company's shareholders, and in light of the requirements of good corporate governance, particularly with respect to the proportion of independent members on the Supervisory Board. It is tasked with seeking out and assessing potential candidates and the possibility of renewing terms;
- Examine the profile of each member of the Executive Board and Supervisory Board with regard to any of their relations with the Company that may compromise their impartial judgment or lead to potential conflicts of interest with the Company; The Committee should also establish a process for choosing future independent members of the Supervisory Board;
- Make proposals to the Supervisory Board concerning the compensation elements or benefits for directors and company representatives, including attendance fees and salaries, allowances or payments of any kind that they may receive under an employment contract or service contract with the Company, allowances and benefits payable upon termination of their duties or subsequent to it, the assignment of share purchase warrants or stock options or share subscription warrants or the allocation of free shares or any other form of long-term participation in the Company's equity. In this regard, the Committee assesses the scale of compensation offered by the Company compared to practices on the market and makes recommendations on the levels of compensation and the breakdown among its components, as well as changes in compensation that may be offered by the Company to its directors and company representatives;

The responsibilities of the Appointment and Compensation Committee set forth above extend to any topic of a similar nature affecting a subsidiary of the Company and that comes to the Company's attention.

## **II. CODE OF ETHICS FOR MEMBERS OF THE APPOINTMENT AND COMPENSATION COMMITTEE**

### **Article 10 - Compliance with Laws and Regulations**

Committee members must take the full measure of their rights and obligations. In particular, they must be familiar with and abide by statutory measures and those contained in the Committee's Rules of Procedure.

They carry out their tasks under the authority of the Supervisory Board, to which they report.

When exercising their powers within the Committee, they take no actions that might infringe on the powers conferred by the law or by the Articles of Association to the Supervisory Board and the Executive Board.

### **Article 11 - Regard for Corporate Interest**

Committee members must, under all circumstances, act in the corporate interest of the firm.

### **Article 12 - Independence and Duty of Expression**

Committee members shall remain independent in their judgments, decisions and actions under all circumstances. They reject influence from any outside element that runs counter to the corporate interest.

They have a duty to clearly express their questions and opinions. They try to convince the Committee of the relevance of their positions. If there is disagreement, they ensure that these positions are explicitly recorded in the minutes of the proceedings.

### **Article 13 - Independence and Conflict of Interest**

Committee members shall try to avoid any conflict that might arise between their moral and material interests and those of the Company. They notify the Committee and the Supervisory Board of any conflict of interest in which they may be involved. In cases where conflicts of interest cannot be avoided, they refrain from participating in all discussions and decisions about the matters in question.

For those Committee members qualified as independent members, they ensure that they meet, for the entire duration of their duties, the independence criteria that justified their appointment to the Committee and which are described in Article 1 of these Rules of Procedure. They agree to promptly give notice of any circumstances that might deprive them in the future of their status as independent member of the Supervisory Board so that the Board is able to make the appropriate arrangements.

#### **Article 14 - Fair Dealing and Good Faith**

Committee members do not take any initiatives that could harm the Company's interests and act in good faith under all circumstances.

They refrain from using for personal gain or for the benefit of any other person the inside information to which they have access. In particular, when they possess non-public information about the Company, they refrain from using it to conduct or to instruct a third party to conduct any transactions involving that Company's securities.

#### **Article 15 - Confidentiality**

Committee members are bound by an obligation of confidentiality and discretion, for the entire duration of their term and after it ends.

Committee members personally agree to maintain the full confidentiality of discussions in which they participate and of recommendations and opinions submitted to the Supervisory Board or Management Board, depending on the situation.

They refrain from disclosing to anyone, in any way whatsoever, the information given to them by the Company for the purposes of their duties, regardless of the format of the information (written or oral) and regardless of the means by which it is transmitted.

They refrain from disclosing to anyone, in any way whatsoever, any opinion, analysis, compilation or other document prepared on the basis of some or all of this confidential information.

This obligation of confidentiality shall not end upon expiration of the Committee member's term of office, but shall persist for as long as the information in his/her possession retains a confidential nature.

#### **Article 16 - Professionalism**

Committee members agree to devote the necessary time and attention to their duties.

They participate in Committee meetings with diligence and care.

They make an effort to stay up to date on information that is useful to them and try to obtain within reasonable time frames the facts they feel are crucial to informing themselves so they can deliberate within the Committee with full background knowledge.

Along with the other members of the Committee, they ensure that the responsibilities entrusted to it are carried out effectively and unencumbered.

They ensure that the positions adopted by the Committee are properly substantiated and transcribed in the minutes of its meetings.

### **III. ADOPTION OF RULES OF PROCEDURE AND THE CODE OF ETHICS**

These Rules of Procedure were approved by the Appointment and Compensation Committee at its meeting on April 05, 2007.

They were then updated by decision of the Appointment and Compensation Committee on April 21, 2015, following the Company's adoption of the Corporate Governance Code for Small and Midcaps issued by Middlednext in December 2009, which followed the listing of the Company's securities on the Euronext regulated market..

They were distributed to each of its members, who affirmed they had read and adhere to them. Each new Committee member is required to adhere to the principles laid down in these rules.

They may be modified at any time with a simple decision by the Appointment and Compensation Committee.