

# Report by the chairwoman of the supervisory board on corporate governance and on the internal control and risk management systems

## CORPORATE GOVERNANCE

*Article L225-68 of the French commercial code (Code de commerce)*

This report was submitted to the audit committee and its recommendations were taken into account and unanimously adopted by the supervisory board at its meeting on March 13, 2015. The content of this report is based on an analysis of the Group's position and organisation primarily carried out through a series of meetings with Virbac's executive board.

The report refers to the recommendations of the corporate governance code for listed companies drawn up and consolidated by Afep-Medef (the Afep-Medef Code), which was adopted by the supervisory board as its code of reference. The Afep-Medef Code can be consulted online at the following address: [www.medef.com](http://www.medef.com). In accordance with recommendations from the AMF (French financial markets authority), a summary table on pages 126 and 127 lists the provisions from the Afep-Medef Code that the company has decided not to implement and gives the reasons behind this decision.

### Preparation and organisation of the work of the supervisory board and executive board

#### Responsibilities and membership of the supervisory board

The mode of governance chosen by the company, i.e. an executive board and a supervisory board, allows a clear distinction to be made between the management of the company and the supervision of the company. The supervisory board is responsible for supervising the management activities of the executive board. It exercises its supervisory powers by meeting every quarter to examine in particular the company's and Group's performance indicators and the annual and interim financial statements presented to it by the executive board. Where necessary, it carries out its responsibilities by getting information from the statutory auditors. It also reviews in more detail any proposed acquisitions based on analyses drawn up by the executive board.

The supervisory board has six members, three of whom are independent, i.e. Philippe Capron, Olivier Bohuon and Grita Loeb sack. The criterion used to define independence is the same as that indicated in the recommendations of the Afep-Medef Code, i.e. a member of the supervisory board "is independent when he/she has no relationship of any sort with the company, its group or its management that could compromise his/her exercise of independent judgement".

In its meeting held on March 13, 2015, the supervisory board examined the independence criteria in relation to its members and confirmed the independence of the aforementioned three members. In particular, the supervisory board discussed whether significant links existed between the independent members and the company or one of the Group's companies. It noted that none of these members had a direct or indirect business relationship with the company or the Group and notably that none of the aforementioned members was a "client, supplier, corporate banker or investment banker" of the company or Group.

At its meeting of March 18, 2014, the supervisory board decided to stagger the terms of office of its members in order to comply with the recommendations of the Afep-Medef Code. Therefore, the members of the supervisory board endorsed the principle that some members should resign in 2014 and 2015 to allow the shareholders' meeting to re-elect them and rapidly ensure that the terms of office are spread out regularly. Therefore, Jeanine Dick resigned from her position as a member of the supervisory board in 2014 and was reappointed for a period of three years at the shareholders' meeting held on June 17, 2014.

The shareholders' meeting of June 17, 2014, also renewed Olivier Bohuon's term as a supervisory board member for three years, as his current term of office had expired. It also ratified the provisional decisions taken by the supervisory board during its December 20, 2013 meeting: the appointment of Grita Loeb sack as a new member of the supervisory board to replace the XYC company, and the appointment of the XYC company, represented by Xavier Yon, as a non-voting advisor for a one-year term.

To continue the policy of spreading the terms of office out regularly, Grita Loeb sack and the Asergi company, represented by Pierre Madelpuech, resigned as members of the supervisory board during the supervisory board meeting held on March 13, 2015, with effect from the next shareholders' meeting. A proposal to reappoint both members who resigned will be made at this shareholders' meeting.



The supervisory board is gender-balanced and made up of three women, including the chairwoman and vice-chairwoman, and three men. The members of the supervisory board have a variety of skills related to their professional experience. Its members are aged between 44 and 78. Five members of the supervisory board are French and one is German.

As regards the diversity of its composition, the supervisory board's policy aims to maintain the current level of diversity, and particularly the diversity of its members' skills.

Lastly, it should be noted that no members of the supervisory board combine their terms of office with an employment contract with the Virbac group.

The offices held by supervisory board members are listed on pages 102 and 103 of the annual report.

### **Meetings of the supervisory board**

The statutory auditors are invited to all supervisory board meetings. The documents, technical material and information necessary for the performance of the duties of board members relating to items on the agenda are sent out, by courier, as early as possible prior to the meeting. Supervisory board meetings are generally held at the head office.

Discussions are chaired by the chairwoman of the supervisory board. If the chairwoman is unable to attend, the vice-chairwoman exercises the role of chairwoman, as determined by law. Minutes of supervisory board meetings are drawn up at the end of each meeting and submitted for the approval of supervisory board members at the subsequent meeting. In accordance with the articles of association, the supervisory board meets at least once a quarter. During the past year, the supervisory board met five times. Pierre Madelpuech and Marie-Hélène Dick attended all meetings, Philippe Capron, Grita Loeb sack and Olivier Bohuon attended four of the five meetings, and Jeanine Dick attended three of the five meetings. Supervisory board members also met informally several times during the year for work and discussion sessions. During the 2014 financial year meetings, the supervisory board notably reviewed the annual and interim financial statements, quarterly turnover, the budget, the reports by the executive board on the Group's business activities, results, performance and outlook as well as developments in each of the Group's major operational areas and its strategic outlook and plans and proposed acquisitions. Depending on the content of the meetings, all or some of the members of the executive board were present, as well as the Group's area directors or functional directors on an *ad hoc* basis.

### **The supervisory board's internal bylaws and operating procedures**

At its March 13, 2009 meeting, the supervisory board approved its internal bylaws covering its membership, operation, responsibilities, the board's reporting procedures as well as the membership, operation and responsibilities of the special committees.

The supervisory board's internal bylaws do not stipulate any cases of specific prior authorisation by the supervisory board in relation to decisions taken by the executive board. Indeed, the company considers that it is preferable to limit itself to prior authorisations that are expressly stipulated by law, given that the role of the supervisory board is to supervise the management of the executive board without taking part in it.

Nevertheless, the company does submit all operations involving significant acquisitions and disposals as well as, more generally, any significant strategic operations, to the supervisory board for approval.

The supervisory board carries out a self-assessment of its preparation and operations, as well as the actual contribution of each member to the work of the board on an annual basis. This assessment is formalized every three years. The members of the supervisory board will complete an assessment questionnaire in June 2015, with the results to be discussed during the September 2015 supervisory board meeting. Improvements will be implemented throughout 2015 and 2016.

### **Special committees**

#### **■ Compensation committee**

The membership and responsibilities of the compensation committee are set out on page 11 of the annual report. The compensation committee is chaired by the chairwoman of the supervisory board. The company considered it preferable for the compensation committee to be chaired by a member of the supervisory board who represents the family majority shareholder. It should be noted that because of the division between the executive board and the supervisory board, the compensation committee acts independently of the executive board members whose compensation it discusses.

The compensation committee met once during 2014.

All the members of the compensation committee attended the meeting.

This meeting mainly dealt with the compensation of the executive board (fixed and variable components) and the possible granting of bonus shares to executive board members and to certain managerial personnel within the Group.

#### **■ Audit committee**

The membership and responsibilities of the audit committee are set out on page 11 of the annual report. The audit committee, chaired by Philippe Capron, an independent member of the supervisory board, met three times during 2014 with the chairman of the executive board, the chief financial officer and the statutory auditors in attendance.

All the members of the audit committee attended all meetings, with the exception of Olivier Bohuon who was at two of the three meetings.

At the end of the statutory auditors' mandate, the audit committee chose the statutory auditors, in coordination with the Financial Affairs department.

To avoid lengthening the period of time between the closure of the accounts by the executive board and the control by the supervisory board, and due to the location of the company's head office near Nice, the audit committee's meeting to review the accounts is held the day before the supervisory board's meeting to close the annual accounts and on the same day for the interim financial accounts. However, documents relating to the accounts, including a summary document prepared by the statutory auditors and any comments they may have, are always given to the members of the audit committee and to the other members of the supervisory board several days before the audit committee meeting is held.

The audit committee receives a regular presentation from the Risk Management director on exposure to risks. Where relevant, significant off-balance sheet commitments are brought to the committee's attention. The audit committee may also turn to external experts.

During 2014, the audit committee examined the 2013 financial statements and the 2014 interim financial statements. It checked the financial information and decided upon the accounting treatment for the year's major transactions, submitted either by the statutory auditors or by the members of the executive board, and particularly the recent acquisition operations. It also noted the efforts made by the executive board to ensure the establishment and effectiveness of internal control procedures, to identify risks and implement the measures considered necessary to manage them.

#### ■ Absence of selection or appointments committee

The supervisory board does not believe it necessary to set up a selection or appointments committee. This decision is based on the following considerations:

- the size of the company and the stability of its management bodies;
- the small size of the supervisory board;
- members of the supervisory board wish to be directly involved in the definition of the composition of the managing bodies.

## Preparation and organisation of the executive board's work

### Executive board membership

The executive board has five members.

At its December 17, 2014 meeting, the supervisory board reappointed all executive board members for three years:

- Éric Marée has been the chairman of the executive board since December 1999. He directly supervises human resources, communications, information systems, health and safety and environmental issues, purchasing and production activities;
- Christian Karst holds the position of qualified person of Virbac and supervises research and development, strategic marketing and monitoring, licensing, quality assurance and acquisitions;
- Michel Garaudet supervises financial and legal activities;
- Sébastien Huron supervises global commercial and marketing operations;
- Jean-Pierre Dick is responsible for special projects and is president of the Fondation d'Entreprise Virbac, a corporate foundation.

### Executive board meetings

Executive board members meet, as required by the law, in order to report quarterly to the supervisory board and whenever business so requires. In 2014, the executive board held nine formal meetings.

## Compensation and benefits of all kinds granted to executive board members

The policies and rules approved by the supervisory board for determining compensation and benefits of all kinds granted to executive board members are set out on pages 107 to 108 of the annual report.

## Special procedures regarding shareholder participation at shareholders' meetings

Shareholders' meetings are called and deliberate in the legally required manner. Meetings are either held at the head office or at any other place specified in the meeting notice. Meetings are chaired by the chairwoman of the supervisory board. The roles of scrutineers are filled by the two members of the shareholders' meeting with the highest numbers of votes and who accept this position. The meeting's board appoints the secretary, who can be chosen outside the shareholders. The main powers of the ordinary shareholders' meeting consist of the right to approve or reject the parent company financial statements and the consolidated financial statements, to allocate profits, pay out dividend, appoint or dismiss supervisory board members and appoint the statutory auditors. The



general shareholders' meeting also has an advisory vote on the compensation of the chairman and members of the executive board, in accordance with the Afep-Medef Code recommendations. Decisions by the ordinary general shareholders' meeting are taken by a majority of the votes of shareholders present or represented.

The extraordinary general shareholders' meeting may take decisions such as amending the articles of association, authorising financial transactions that may change the share capital, approving or rejecting mergers or spin-offs and granting or refusing stock subscription or purchase options or stock grants. Decisions by the extraordinary general shareholders' meeting are taken by a majority of two thirds of the votes of the shareholders present or represented.

Irrespective of the number of shares he or she owns, any shareholder is entitled to attend the shareholders' meeting or to be represented there by another shareholder, a spouse, the partner with whom he or she has entered into a civil solidarity pact under French law as well as by any other individual person or legal entity of his or her choice, or alternatively to vote by post. Legal entity shareholders attend general shareholders' meetings through their legal representatives or any person they appoint for the purposes thereof. In line with the law, the entitlement of shareholders to attend in person, by proxy or by post at shareholders' meetings is subject to the registration of the shares in the name of the shareholder or in the name of the intermediary acting on its behalf, on the second business day prior to the meeting, at midnight Paris time, either in the registered share accounts administered for the company by its agent or in the bearer share accounts held by the authorised banking or financial intermediary, acting as security custodian.

The registration of shares in the bearer share accounts held by the authorised intermediary must be confirmed by a certificate issued by the latter, attached to the postal voting or proxy form or admission card request filled out in the name of the shareholder or on behalf of the shareholder represented by the registered intermediary. To be valid, postal voting or proxy forms must have been effectively received at the company's registered office or the location specified in the meeting notice at the latest three days prior to the date set for the shareholders' meeting, except where a shorter period is specified in the meeting notice.

Each shareholder is entitled to exercise as many votes as the shares they hold or represent without limitation. Nevertheless, a double voting right is granted to all fully paid up shares that have been registered in the name of the same shareholder for at least two years.



## TABLE SUMMARISING EXCEPTIONS TO RECOMMANDATIONS GIVEN IN THE AFEP-MEDEF CODE

Recommendations given in the Afep-Medef Code "The Code"	Company practices and justifications	Reference
<p><b>Internal bylaws of the supervisory board</b> (Article 4 of the Code)</p> <p>The bylaws of the board of directors should specify the cases in which prior approval by the board of directors is required</p>	<p>The company considered it preferable to limit itself to prior approvals that are expressly stipulated by law, given that the role of the supervisory board is to supervise the management of the executive board without taking part in it. Nevertheless, the company does submit all operations involving significant acquisitions and disposals as well as, more generally, any significant strategic operations, to the supervisory board for approval.</p>	page 123
<p><b>Time frame for review of financial statements by the audit committee</b> (Article 16.2.1 of the Code)</p> <p>The time available for reviewing the accounts should be sufficient (no less than two days before review by the board)</p>	<p>To avoid lengthening the period of time between the closure of the accounts by the executive board and the control by the supervisory board, and due to the location of the company's head office near Nice, the audit committee's meeting to review the accounts is held the day before the supervisory board's meeting. However, documents relating to the accounts, including any comments made by the statutory auditors, are always given to the members of the committee and to the other members of the supervisory board, several days before the audit committee meeting is held.</p>	page 124
<p><b>Creation of a selection or appointments committee</b> (Article 17 of the Code)</p>	<p>The company has not followed this recommendation, firstly because of the size of the company and the stability of its management bodies, and secondly because supervisory board members wish to be directly involved in the definition of the composition of the managing bodies.</p>	page 124
<p><b>Compensation committee chaired by an independent member</b> (Article 18.1 of the Code)</p>	<p>The company considered it preferable for the compensation committee to be chaired by a member of the supervisory board who represents the family majority shareholder. It should be noted that because of the division between the executive board and the supervisory board, the committee acts independently of executive corporate officers whose compensation it discusses.</p>	page 123
<p><b>Supervisory board directors' fees</b> (Article 21.1 of the Code)</p> <p>Rules on the allocation of directors' fees: the compensation must include a significant variable portion</p>	<p>The company did not follow this recommendation. In fact, the company does not consider linking payment of directors' fees to attendance at supervisory board meetings in a weighted fashion to be desirable, since the involvement of supervisory board members in the company's supervisory activities is not limited to their participation in formal periodic supervisory board debates. The length of supervisory board meetings, which last an entire day, and the high attendance rates of its members amply confirm that the regular attendance of supervisory board members is ensured without having recourse to a complex mechanism for the allocation of directors' fees. For information purposes, it should be noted that the supervisory board decided to allocate a higher level of compensation to Philippe Capron in respect of his role as chairman of the audit committee.</p>	page 103
<p><b>Stock grants</b> (Article 23.2.4 of the Code)</p> <p>The stock grants assigned to executive corporate officers are conditional upon the acquisition of a defined quantity of shares upon the availability of the awarded shares</p>	<p>The stock grants assigned to the members of the executive board are not linked to the purchase of a defined quantity of shares when the shares assigned become available, but 35% of the shares acquired by the chairman of the executive board and 25% by the other executive corporate officers cannot be surrendered as long as they perform an activity in the Group. It should also be noted that the total amount of stock grants assigned to members of the executive board during the five previous years represents less than 0.25% of the company's share capital. In addition, the supervisory board felt it was more appropriate to link the performance criteria to be satisfied for the assignment of stock grants to the final year prior to the grant and not, as recommended by Afep-Medef, to a performance assessed over a number of consecutive years. Moreover, the performances looked at are not linked to the performance of other companies or a benchmark sector because there are very few reliable comparisons, most companies with operations similar to those of Virbac being either unlisted or divisions of major listed pharmaceutical groups.</p>	page 109



<p><b>Termination benefits</b> (Article 23.2.5 of the Code)</p> <p>1. Authorisation to indemnify an executive director only when his or her departure is imposed and linked to a change in control or strategy</p> <p>2. Reference period for assessment of performance criteria</p>	<p>1. The commitments made by the company in the event of termination of office of its directors were adopted by the general shareholders' meeting of June 18, 2012. They correspond to the conditions set out by the Supervisory Board at its meeting of December 22, 2008, i.e. termination benefits can only be paid if the departure is imposed by the company. They will not be paid in the event of resignation, retirement or gross misconduct of the corporate officers concerned.</p> <p>2. The fulfillment of the termination benefits performance criteria is assessed against the two half-year periods that precede the director's departure, and not a minimum of two years, as stipulated in the Code. However, the amount of benefits is substantially lower than the limit of two years of compensation provided under the Code and the performance criteria are demanding (current operating income to turnover ratio higher than or equal to 7%).</p>	page 108
<p><b>Supplementary pension schemes</b> (Article 23.2.6 of the Code)</p> <p>The group of potential beneficiaries must be materially broader than the sole corporate officers</p>	<p>The company did not follow this recommendation. Virbac's policy is to only grant supplementary pensions to executive board members for three reasons: firstly, the supplementary pensions granted this way are of a controlled size and subject to the potential beneficiaries meeting several conditions, and secondly, it is preferable to avoid extending the category of beneficiaries due to the growing tax burden of this scheme, and lastly Virbac has established a well-balanced social policy for all employees in terms of welfare, voluntary profit sharing and savings (company savings plan, collective retirement savings plan, employer's contribution, etc.). In addition, the company goes beyond the Afep-Medef Code recommendations as regards the increase in potential rights since they only represent a limited percentage of the beneficiary's compensation including the variable portion.</p>	page 108

## INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS

In accordance with article L225-68 of the French commercial code, the chairwoman of the supervisory board has drawn up her report on the internal control and risk management procedures defined and implemented by the Virbac group.

This report has been drawn up based on contributions from several departments, in particular the Financial Affairs, Legal and Human Resources departments as well as the Group Risk Management department, and has been reviewed by the executive board which has confirmed the validity of its content. The entire report was subsequently communicated to the statutory auditors for discussion by them and to the audit committee for review before final approval by the supervisory board.

This report was approved by the supervisory board at its meeting on March 13, 2015.

### Definition and aims of internal control and risk management

#### Framework

The Group has drawn on the reference framework and its application guide, first published in January 2007 and updated on July 22, 2010 by the AMF (French financial markets authority), in order to define its internal control and risk management framework so as to structure its approach. In accordance with a recommendation from AMF report 2010-15 dated December 7, 2010, the Virbac group decided to present the different information requested pursuant to the plan specified in the reference framework.

#### Scope

The scope of the internal control and risk management systems includes the parent company and the companies included in the Group's consolidated financial statements.

The list of subsidiaries is given on page 188 and 189 of this report.

#### Aims and principles of internal control

The internal control system implemented at Virbac is aimed at ensuring that:

- economic and financial objectives are achieved in compliance with applicable laws and regulations;
- the orientations determined by the executive board are implemented;
- the company's capital is developed and its assets are protected;
- the integration of acquired companies is carried out in accordance with Group rules;
- and that the Group's financial and accounting information depicts a true and fair view.

The internal control and overall risk management system must promote and secure the Group's industrial and economic development by helping to prevent and control the risks to which it is exposed, all within an environment of control which is suited to its business areas and their respective issues.

In line with the fixed objectives, the internal control and risk management system of the Virbac group is based on the following structuring elements:

- appropriate and sustainable organisation;
- internal distribution of reliable and targeted information;
- implementation of this system;
- suitable control activities that help to prepare and process accounting and financial information;
- continuous management and formalisation of the areas of improvement.

#### Limits

An internal control system can provide only a reasonable assurance, but never an absolute one as regards overall risk control and limitation of obstacles in achieving the Group's objectives. The probability of actually achieving these objectives is subject to the inherent limits of any internal control system, whether potential failings in the decision-making process are concerned, or the need for reviewing the cost/profit ratio before implementing controls, or the malfunctions that may occur on account of a failure or human error.

### An appropriate and sustainable organisation

#### System components

The control environment which is essential for the internal control system, for good risk management and for the application of procedures, is based on a specific organisation as well as on behavioural and human aspects.

#### Organisation

The internal control organisation is based first of all on key factors that are deeply anchored within the company's culture and which have formed the basis of its success, such as taking the initiative, placing trust in the Group's workers and providing them with a sense of responsibility. The operational organisation of internal control is



structured around three levels: group, areas and subsidiaries. Each level is directly involved and is given responsibility for designing and implementing the control in accordance with the level of centralisation desired by the executive board. At each of these three levels the internal control is broken down into specific organisational procedures, delegation of responsibilities, raising awareness and training of staff which are consistent with the Group's general framework. It requires heavy involvement on the part of each operational or functional manager by expecting them to adopt the policies and procedures defined at Group level, play a role in implementing and complying with them and finalise them via measures that are adapted to the special nature of the business activities or the areas under their responsibility.

The control system implemented within the Group is also based on a strong governance structure which guarantees that decisions are transparent and traceable, whilst still preserving the principles of subsidiarity and decentralisation that are viewed as essential and necessary for optimum management of industrial and commercial activities in the Group.

#### **Delegations of powers**

The subsidiaries are almost all directly or indirectly wholly owned by Virbac. Special attention is paid to the composition of the boards of directors at the Virbac subsidiaries. Each appointment or change of a director must be validated by the members of the Virbac executive board.

For companies which are not wholly owned, the rules of governance are defined and governed by shareholders' agreements (SBC Virbac in Taiwan and Centrovét in Chile).

In addition, a Group procedure describes the rules on limitations of power and the authority to sign for the company that apply to general managers of the subsidiaries. This procedure is addressed to all subsidiaries which have to verify and, where necessary, to adapt their procedures in accordance with these instructions. Each subsidiary's internal delegations of power are established, managed and updated with the assistance of the Group Legal department.

#### **Values**

The values and principles of behaviour in the Group have been formalised and published to all employees via the Group code of ethics. This code states the Group's values and reveals its principles for action and behaviour in relation to employees, shareholders, customers, suppliers and competitors. It states the principles for individual behaviour that all employees must respect, as well as the demeanour that must be observed in the countries where the Group has a presence. Adopted in 2004 as an initiative of the executive board and distributed to all employees, this code is a framework guiding people in their work, in line with the Group's values and principles. In 2015, the code of ethics will be replaced by a Group code of conduct, which will be more complete and better suited to the Group's requirements.

#### **Codes**

The Virbac Group has provided employees with other codes that allow the internal control environment to be structured and promoted. All codes are available on the Intranet.

##### **■ Group code of ethics**

The Group code of ethics is described in the previous section.

##### **■ Purchasing code of ethics**

A code of ethics specific to purchasing was also drawn up for professional and occasional buyers. It sets out the guidelines for the position within the Group, defines the roles and responsibilities of each party in their job and thereby represents a guide to the performance of each person's duties.

##### **■ Stock market code of ethics**

A stock market code of ethics was drawn up and distributed to all Group employees. This code sets out the applicable rules within Virbac and all its subsidiaries regarding trading in listed shares in the company and, as the case may be, its subsidiaries. It is designed both to serve as a reminder of the key principles of stock market regulations regarding trading in listed shares and to lay down some internal rules of conduct designed to ensure the correctness and transparency of transactions carried out by Group employees.

##### **■ Information systems user code**

An information systems user code sets out the usage methods of the different tools made available to Group employees.

#### **Procedures and standards governing activities**

Group policies have been defined by the functional departments for all processes supplying the financial statements, in particular sales, purchases and stock and property management. These departments lay down Group policies which define the organisation, responsibilities and particular operating and reporting principles in the respective area of expertise under their responsibility. These policies are then broken down into specific procedures for monitoring, rule validation, authorisation and accounting.



As an example, the Group has implemented the following policies:

- a purchasing policy which determines the rules, the aims and the best practices related to purchasing and ethics;
- a policy for securing payment methods which defines the methods that must be implemented in order to limit the risks of fraud;
- a policy for protecting individuals aimed at providing the same level of protection to all Group employees, whether they are expatriates, local or on special assignments;
- a safety and environmental policy which lays down the rules of conduct for a permanent reduction in the risks inherent in any industrial activity;
- an investment policy, which is validated by the executive board when the strategic plans and then the budgets are drawn up. Any major investment foreseen in these budgets is still subject to a further validation by the Group Industrial Operations department or by the executive board. Any change that may occur during the year relating to projects that have been budgeted is subject to special prior authorisation.

In parallel with this body of procedures in general internal bylaws, the Group complies with the different frames of reference that apply within the pharmaceutical industry. These texts outline the management operations for each stage, whether at the research and development method level or at the level of drug and vaccine manufacturing standards, packaging, distribution, sales and marketing or promotion.

#### **Human resources management policy**

Human resources management plays a part in the Virbac internal control system by allowing the Group to ensure that its employees have a suitable skills level in relation to the roles and responsibilities entrusted to them, and that they are aware of their responsibilities and their limits, in addition to being aware of and complying with Group rules.

#### **■ Recruitment and development policy**

The Group recruits in all countries and for all jobs in order to support its growth. The Human Resources department defines standards and verifies practices in order to ensure the consistency and relevance of the recruitment process. In parallel, an employee performance and development management process known as Perf (covering performance, evaluation, compensation and training) has been deployed; it is made up of several different parts, which include setting individual objectives and annual achievements assessed by line managers with the situation examined on an individual basis.

Within the 'annual performance' committee the executive board shares the assessments, remuneration and professional development possibilities of the 60 key individuals in the Group as well as the potential top performers identified through the Perf process.

#### **■ Compensation policy**

Compensation is reviewed annually. The review covers the base salary as individual and collective bonuses. The salary review is carried out in accordance with an overall policy aimed at strengthening the competitiveness, consistency and development of compensation within the Group. The aim is also to remunerate individual performance pursuant to objective criteria and criteria shared across all jobs. The bonus practices applicable in the Group are otherwise consistent and are based mainly on comparable criteria in terms of value and type.

The compensation committee also reviews the overall remuneration policy for members of the executive board, taking the Afep-Medef Code recommendations into consideration.

To comply with the latest recommendations of this Code, details of the individual remuneration of members of the executive board are given in the management report on pages 105 to 107, in the form of summary tables and remuneration tables based on the presentation indicated in the Code.

Moreover, in accordance with the new measures specified in the Afep-Medef Code, shareholders are consulted each year on aspects of Executive Board remuneration due or assigned on the past closed financial year.

## **Main players**

#### **Supervisory board and its special committees**

The supervisory board operates a constant control over the Group management which is led by the executive board. Within this framework, it is informed in particular by the executive board about the internal control systems set up in the Group.

The board has set up two special committees to help in its task: the compensation committee and the audit committee. The members of these committees are shown on page 11 of the annual report.

The role of the compensation committee is to determine the compensation of the members of the executive board.

The audit committee is responsible for:

- ensuring the relevance, consistency and reliability of accounting methods;
- ensuring the existence and effectiveness of the internal control and risk management systems;
- examining the statutory inspection of the annual financial statements and the consolidated financial statements by the statutory auditors;
- making a statement on the accounting process for significant transactions;
- and ensuring the independence of the statutory auditors.



### **Executive board**

The executive board has operational and functional responsibility in all Group activities for implementing the strategy that has been previously discussed in the strategic committee and approved by the supervisory board. In particular, it is responsible for the effective implementation of internal control and risk management systems within the Group. The members of the executive board are shown on page 11 of the annual report. Responsibilities are distributed among its members as described below.

The chairman of the executive board is responsible for supervising and coordinating the activities of all executive board members. He performs all the legal functions of a company head and takes responsibility accordingly. He represents the company and acts on its behalf in all circumstances and particularly before the courts. Within the company's internal structure, he is also specifically responsible for the following central departments: the Group Human Resources department; the Group Information Systems department; the Group Communications department (including financial communication) in conjunction with the Financial Affairs director; the Group Industrial Assurance department; the French Industrial Operations Department; the corporate sourcing department; the Group Regulatory and Public Affairs department and the Group Health, Safety and Environment department.

The general manager holds the position of qualified person for Virbac in line with articles L5142-1 *et seq.* of the French public health code. For the purposes of the company's internal organisation, he is also executive, vice-president corporate development and supervises the following departments: the Group Product Innovation department, responsible for laying out the Group's R&D strategy, carrying out projects and coordinating the research centres spread across the various geographic regions, as well as for strategic marketing and competitive intelligence, the Business Development department, which is responsible for licensing (an activity that mainly consists of acquiring or disposing of rights to active ingredients of finished products or products in development in line with Group strategy), the Group Quality Assurance department, the Aquaculture division and acquisitions.

The director of Global Business Operations supervises and coordinates the commercial activities of all of the Group's subsidiaries. With his teams, he defines the commercial strategy and develops existing and future business. He also supervises the Global Marketing department, which is responsible for defining and implementing the global marketing strategy for the Group's key products and ranges.

The director of Financial Affairs is responsible for Group financial policy and supervises: the Group Treasury and financing department, the Group Financial Control department, which are responsible for drawing up the consolidated financial and accounting information, the budgetary and financial planning processes and management control; the Legal department, which is responsible for corporate law, insurance policy, negotiations, drawing up and managing contracts and disputes, and the Risk Management department as shown on page 132 of the annual report.

The head of special projects ensures the communication and development of Virbac's corporate reputation through relevant sponsoring initiatives and media relations. Through public relations initiatives organised around the sports programme in which he plays a key role as skipper on the Virbac-Paprec boat, he continues to reinforce Virbac's image amongst veterinarian customers.

He is also chairman of the Fondation d'Entreprise Virbac whose mission is twofold: firstly, to raise awareness, educate and inform the public about respect for and responsibility towards animals; and secondly, to support programmes that place animal health at the centre of a healthy ecosystem by protecting and promoting healthcare for pets or wild animals in their natural habitat, implementing educational or awareness-raising campaigns amongst local communities and rolling out animal health initiatives that protect the environment and human health. The foundation fulfils its objectives by developing initiatives and partnerships with health professionals, veterinary practices, regional and local authorities and French and international institutions.

### **Strategic committee**

The strategic committee is chaired by the chairman of the executive board and comprises the following departments, represented as follows:

- executive board members;
- area directors: Europe, North America, Latin America, Apisa, and the director of the Aquaculture division;
- Group Human Resources department;
- Industrial and Corporate Quality Assurance department;
- Group Product Innovation department;
- Group Legal department;
- Corporate Sourcing department;
- Group Business Development department;
- Group Information Systems department;
- Group Communications department.

The strategic committee helps draw up and implement the Group's major strategic decisions that are presented and approved by the supervisory board: strategy by business, job and major project.

### **Executive committee France**

The executive committee France is chaired by the chairman of the executive board and comprises the following departments, represented as follows:

- executive board members;
- Group Human Resources department;
- French Industrial Operations department;
- Industrial and Corporate Quality Assurance department;
- Group Product Innovation department;
- Group Communications department;
- Group Information Systems department;
- Europe department;
- France department;
- R&D Europe department;
- Corporate Sourcing department;
- Group Legal department.

The executive committee France is primarily responsible for decision-making, coordination and reporting on all issues affecting the group of French companies and represents a platform for the dissemination of the information addressed to various departments.

### **Operational departments**

In accordance with the operational decentralisation principles within the Group, the managers of each business activity have the necessary powers for organising, directing, managing and delegating the operations for which they are responsible.

Each activity favours the organisation which best suits its markets, taking into account its particular sales, industrial and geographic features. The managers are responsible for adopting internal control systems consistent with their organisations as well as with Group principles and rules.

### **Functional departments**

The central functional departments (Finance, Legal, Human Resources, Product Innovation, Communications, Information Systems, Sourcing, and Health, Safety and Environment) have a dual task: organisation and control of Group operations falling within their respective skills area and technical assistance with operational activities in these areas where required.

The presence of the central functions and their organisation play a significant role in Group internal control systems. The managers of these functions exercise, in particular, functional authority over all managers who carry out tasks falling within their skills area in the operational activities.

### **Risk Management department**

Since its creation at the end of 2009, this department has become a full participant in the Group risk management and internal control system. Reporting directly to the chief financial officer (member of the executive board) with a dotted line (functional reporting) to the executive board, the Risk Management director is responsible for defining and implementing risk management systems. He coordinates risk analysis, makes a contribution across the organisation and contributes in sharing best practices between Group entities and departments, thereby helping to develop a risk management culture across the Group. His roles and responsibilities are presented in detail on pages 133 and 134 of the annual report.





## Internal distribution of reliable and targeted information

Information and communication are connected with the information flows which support the internal control procedures, from the orientations expressed by management through to action plans. They contribute to the control environment being implemented, as well as to the distribution of an internal culture and the promotion of relevant control activities that play a part in risk control.

There are different aims:

- informing all Group employees and making them aware of the implementation of best practices;
- sharing experiences so as to promote the use of these best practices, including internal control and risk management systems.

Special communication tools deployed by the Group encourage the achievement of these aims. The in-house publication *Action* presents Virbac's general direction, its organisation, activities and projects. Other tools such as the intranet allow Group policies and procedures to be distributed. Virbac also strives to provide each of its newly recruited managers with a view over the entire Group and its organisation, main business areas and strategy. Induction sessions for new recruits, either organised at head office or locally, are part of this effort. Finally, in addition to the training sessions organised by the operational divisions, Group seminars allow employees to improve certain professional skills (finance, marketing, human resources, project management, etc.) and encourage an exchange of best practices.

The information and the communication channels also rely on the information systems. The Group Information Systems department is responsible for all Group information systems. It is made up of departments which are under the direct responsibility of the Group Information Systems department and of decentralised departments within the operational divisions. The role of Group departments is to define information system policies, to coordinate the processes for managing the information systems function and to manage global IT infrastructure and services in line with Group priorities. The decentralised departments develop and manage the specific applications within their divisions, as well as the dedicated IT infrastructure and services.

Upward and downward information channels have been defined so as to allow the timely transmission of relevant and reliable information.

In terms of information feedback, accounting and financial information is processed in accordance with processes and with collaborative reporting and control tools (collaborative reporting and consolidation software shared throughout the Group under the authority of the Financial Affairs department).

For downward information flows, resolutions from the decision-making bodies are relayed via the relevant departments. Any change in the regulatory framework relating to any matter whatsoever is communicated to the relevant entities and departments in an appropriate manner.

Finally, communication aimed at stakeholders is governed by the appropriate systems for the sake of guaranteeing the quality of the information.

In addition, the Group distributed a crisis management procedure whose objective is, as far as possible, to anticipate the potential occurrence of any crises through deployment of management and alert principles covering all Group areas and activities.

## Implementation of the risk management system

### Aims

The Group Risk Management department was set up at the end of 2009 in order to strengthen the Group's ability to forecast, analyse and prioritise risks of any kind and to ensure the suitability of the Group's development in relation to these risks.

This department has structured its methodology framework in line with market standards and best practices, notably the AMF reference framework on risk management and internal control.

The aims of the Risk Management department are based on the following areas:

- know and anticipate: ensure that there is constant monitoring of Group risks in order to guarantee that none are forgotten or underestimated and to forecast any development in their nature or intensity;
- organise: ensure that the main risks identified are actually taken into account by the organisation, at the most appropriate level within the Group. Numerous operational risks are managed by the subsidiaries; head office takes charge of other risks which require special skills or that have an essentially cross-organisational or strategic component;
- control: ensure that the organisations and methods in place are effective in reducing the risks identified;
- train: gradually develop a risk management culture amongst all relevant managers and do so through appropriate training in France and internationally;
- inform: notify the executive board of any changes in the situation.

### Regular structured analysis of the main Group risks

The risk management system is based on the internal control environment and is part of a continuous process for identifying, assessing and managing risk factors that are likely to have an impact on the aims being achieved and the opportunities that could improve performance. The responsibilities for identification, assessment and risk management should be spread out through all appropriate levels of the organisation.

A formal and more accurate report on the main risks for the Group and the methods for managing and controlling these risks is presented in the chapter on "Risk Factors" beginning on page 94 of the annual report.

Thanks to a structured process aimed at understanding and analysing the main risks for the Group, Virbac is able to assess the adequacy of the existing internal control systems, implement relevant action plans for their improvement and, more generally, to provide increased protection for the Group's enterprise value as regards compliance with applicable laws and regulations.

### Risk management system

The risk management system is based on a clearly defined risk management process and organisation:

- the organisation is the responsibility of the Risk Management department, which is supported by three committees (the executive board, the strategic committee and the executive committee France) which validate the risk management policies and the processes used to identify, assess and address risks. The organisation also includes "risk owners", whose role is to define and oversee the action plans for the Group's major risks;
- the risk management process in place since 2010 is based on:
  - identifying risks: by regularly updating the map of the Group's major risks, the Group's main exposures can be assessed;
  - assessing risks: senior managers play an active role in assessing and prioritising the risks identified. These managers have extensive experience in the animal health sector and the company itself, which represents an asset with regard to ascertaining the impact, the occurrence and the management of each risk;
  - addressing risks: each risk classified as a major risk has been analysed and prioritised. A risk owner has been appointed for each major risk. The risk owners are mainly the senior managers who are members of the three committees referred to above. Their role is to design and implement action plans in coordination with the different operational and functional organisations, in order to limit the company's exposure to the risks for which they are responsible;
  - monitoring action plans: the Risk Management department coordinates the whole process in partnership with the risk owners. Lastly, it drafts a report for the executive board to provide it with regular updates on progress.

### Analysis of the risks related to the Group's external growth policy

Virbac has defined a rigorous process for mergers and acquisitions to cover the analysis of potential targets and the integration of acquired companies by:

- applying strict investment profitability criteria;
- creating competent multidisciplinary teams, strengthened as appropriate by external advice, which are responsible for performing due diligence, enabling the strengths and weaknesses of the companies' acquired and associated risks to be evaluated.

For Virbac, risk management forms part of a continuous improvement cycle of the internal control system by becoming engrained in company processes and consistently taking the fundamental issues into account that can be found in the organisation, whether operational, legal, regulatory or related to governance.

## Suitable control activities that aid in the process of preparing and processing accounting and financial information

This system not only covers the processes for preparing financial information, but also all the upstream operational processes that help to produce this information. Internal control in all its forms, but especially that related to finance and operations, is essential for Virbac. The Group's ongoing aim is to maintain the balance between the decentralisation required for its activities, better operational and financial control and the dissemination of skills and best practices.

### Dedicated financial organisation

The control system and the procedures for producing accounting and financial information are consistent within the Group. This system is made up of a Group cross-functional accounting organisation, uniform accounting standards, one single consolidated reporting system and quality control of the financial and accounting information produced.

Accounting and financial operations are managed by the Group Financial Affairs department. Its central organisation includes:

- the Group Financial Control department which supervises all functions related to the preparation and analysis of financial information. These functions comprise:
  - the Accounting and Consolidation department, which is responsible for preparing and presenting the financial accounts of the Virbac entity and the Group consolidated accounts. It is also responsible for monitoring tax affairs within the Group;



- the Management Control department, which is responsible for preparing and consolidating budget data and for monthly management reporting, which includes an analysis of Group results both compared with budgetary objectives and with the previous year;
- the Group Treasury and Financing department which is responsible mainly for coordinating and monitoring the reporting related to the Group's borrowings and net finance expenses. With regard to exposure to exchange rate risks in particular, the guidelines of the Financial Affairs department forbid speculation and only allow for the hedging of positions that, whether current or future, are certain.

The financial directors of each subsidiary exercise a key role on account of the decentralised organisation of the accounting and finance functions. They are mainly responsible for ensuring that all internal accounting and finance control procedures are applied correctly on the ground. Each subsidiary financial director reports functionally to an area management controller who operates at the area level. The controller reports functionally to the Group chief financial officer.

### **Suitable tools: procedures and reference frameworks**

The accounting and finance rules set out in the special instructions drafted by the Group Financial Affairs department apply to all operational and legal entities in the Group. In compliance with the IFRS (International Financial Reporting Standards) adopted in the European Union, these rules include the following factors:

- a reminder of the general accounting principles and instructions that must be followed;
- a detailed chart of accounts;
- a confirmation of the Group accounting methods applicable for the most significant items and/or transactions;
- control procedures for the largest account categories, and in particular the main reconciliations to be carried out for controlling the information produced;
- rules defining the framework of the management information known as Group financial reporting guidelines;
- rules to be followed in order to manage cash flow requirements and financing thereof, investments of cash surpluses, hedging of exchange rate risks.

These documents are updated on a regular basis, upon each change or application of new accounting standards, under the responsibility of the Group Financial Control department. Virbac has set up a reporting system, which has been deployed in all entities within the Group, in order to ensure the quality and reliability of its financial information. It is supplied via the local accounting data, either by an interface, by drawing the required data from the ERP (Enterprise Resource Planning) financial modules available to these entities, or by manual entry.

Special procedures have been defined for off-balance sheet commitments. These latter items stem essentially from guarantees provided by the company. The provision of securities, deposits and guarantees is subject to the following controls:

- for the parent company: special authorisations from the supervisory board whenever such guarantees exceed the annual authorisation given to the executive board;
- for the subsidiaries: material off-balance sheet commitments must be reviewed in advance by the parent company.

### **Formal processes**

The financial processes implemented contribute to the quality and reliability of the accounting and financial information.

#### **Accounting and consolidation process**

Information is generated via the half-yearly consolidation process supervised by a dedicated unit within the Financial Affairs department and underpinned by accounting principles applicable to all subsidiaries, thereby ensuring consistency of methodology.

#### **Budgetary and management reporting process**

Management Control coordinates the monthly budgetary consolidation and reporting process within the Group, using information provided by the different operational departments and the branches. Concordance between the management information from reporting and the accounting data constitutes the key principle of control for ensuring the reliability of accounting and financial information. The management reporting system is used to monitor the monthly results and the main management indicators and to compare them with the budget and with the results from the previous year. The management indicators are explained and analysed by Management Control in collaboration with the local financial directors.

Each month, the executive board examines the summaries from the management reporting, analyses the significant variations and decides on any corrective actions to be implemented where necessary.

#### **Treasury process**

A process for establishing an annual treasury plan was also implemented across the Group, making it possible to control and consolidate the forecasting of cash movements of subsidiaries, a sign of the accuracy of sales and expenditure forecasts and of working capital requirement management: customer collection, stock management and supplier payment terms.

A policy of pooling excess cash and financing requirements daily in the euro zone means that the Group's net positions can be reduced and the management of its deposits or financings optimised. Outside Europe, a policy of cash pooling was also implemented in order to limit counterparty risks and to optimise the use of lines of credit.

## Items likely to have an impact in the event of a public offer

Pursuant to article L225-100-3 of the French commercial code, the items likely to have an impact in the event of a public offer, i.e. the existence of a double voting right granted to all shares registered in the name of the same shareholder for at least two years, are set out in the annual report on page 114.

Virbac's main shareholder, the Dick family group, holds 49.7% of shares and 65.7% of voting rights.

## Management of systems and areas for improvement

### Actions to monitor and improve systems

The Virbac group is implementing continuous improvement actions for its internal control systems under the supervision of the executive board and the executive committee France, as well as under the supervision of the audit committee and the supervisory board.

### Supervisory board

The role of the supervisory board and its special committees is described on page 130 of the annual report.

### Executive board

The executive board is responsible for defining and managing the approach to internal control and risk management, relying on the operational departments to implement these measures (see pages 130 and 131 of the annual report). The functional departments carry out investigations into operations in their respective areas through their network of experts or via regular audits (see pages 131 and 132 of the annual report).

### Statutory auditors

All the accounting and financial elements prepared by the consolidated subsidiaries are subject to at least a limited audit during half-yearly closing for the most significant entities, and to an audit carried out by external auditors when the year closes. The audit tasks in the different countries are given to the members of the Group's network of statutory auditors. They certify the regularity, sincerity and fair view presented by the consolidated statements and the individual company statements. They are informed of the key factors in the year ahead in the process of preparing the financial statements and they present a summary of their work to the Group accounting and financial managers and to the audit committee at the half-yearly stage and when the year closes.

### Financial communication

The importance and increasing role of communication and the need to deliver comprehensive quality financial information have led the Virbac group to acquire the functions and skills required to present this information and to control risks to the corporate image.

### Annual report and periodic financial information

The Financial Affairs department is responsible for preparing the annual report and periodic financial information, working closely with the Group Communications department, which involves in particular:

- defining and validating information in the annual document, half-year report and periodic financial announcements;
- supervising the work carried out by the annual report steering committee;
- distributing financial information;
- applying the stock market regulations regarding financial communication and managing relations with the AMF.

### Press releases

The Group Communications department is responsible for media activities which could have an impact on the image, reputation and integrity of the Virbac brand name. To achieve this, it works very closely with the Financial Affairs department, in particular in activities and by distributing information which could have an impact on Virbac's share price.

### Improvement plan for the internal control and risk management system

The Virbac group has embarked on a process improvement project for its internal control and risk management system in line with the general directions and priorities fixed by the chairman of the executive board. The actions implemented are the responsibility of the functional and operational departments. They are presented to the audit committee.

### Main achievements in 2014

The members of the executive board approved the following comments on 2014 which was marked by:

- continuing with action plans for major risks identified as priorities when the risk map was updated in 2013. A special effort has been made by risk owners in the regulatory, industrial and commercial areas who are increasingly important;
- implementation of the risk management system continued internationally. In 2014, this system was rolled out in the Group's Uruguayan and Brazilian subsidiaries;
- continuing to roll out corporate training to strengthen Virbac's risk management culture. In 2014, about thirty managers were trained at the company's head office in Carros;
- methodology frameworks were defined and implemented in partnership with some company departments with a view to enable these departments to autonomously manage the risks inherent in their activities. In 2014,



a project was launched with the Group Quality Assurance department; it will be completed at the end of the first half of 2015;

- selection and roll out of an IT tool specifically for risk management. In 2014, this tool was rolled out to risk owners in the head office and to one international subsidiary;
- a project was launched for the Group's major products. This project was sponsored by two members of the executive board and managed by the Risk Management department. The project's objective was to safeguard major products against the main threats that might affect them, other than competitive threats. This first phase of this project was rolled out in the first half of 2014. It involved around sixty managers and identified, assessed and prioritised risks associated with the major products. The second phase began in the second half of the year. Risk owners were appointed to each of the priority risks and they have since presented an action plan for the risks that fall within their area of responsibility. After a validation phase, initial actions were launched in 2014 and will continue into 2015 and subsequent years. These actions were presented to the Group's supervisory board meeting in September 2014.

In 2014, the integration of Centrovet continued by providing support in the implementation of management tools and Group best practices.

#### **Outlook for 2015**

The outlook for the coming year includes the following:

- continue to safeguard the Group's main products: implementing action plans for priority risks;
- continue to roll out the risk management system on an international basis, giving priority to the main subsidiaries with the highest stakes;
- develop the risk management culture by continuing the training on risk management for head office operating activities;
- provide operational departments with support by helping them implement a methodology framework to manage risks in their activities;
- continue supporting risk owners and reinforce the role they play in the implementation and monitoring of action plans.



# Statutory auditors' report prepared in accordance with article L225-235 of the French commercial code (*Code de commerce*), on the report prepared by the chairwoman of the supervisory board

Year ended December 31, 2014

This is a free translation into English of the statutory auditors' report issued in French prepared in accordance with article L225-235 of the French commercial code on the report prepared by the chairwoman of the supervisory board on the internal control procedures relating to the preparation and processing of accounting and financial information issued in French and is provided solely for the convenience of English speaking users. This report should be read in conjunction with, and construed in accordance with, French law and the relevant professional standards applicable in France.

To the Shareholders,

In our capacity as statutory auditors of Virbac and in accordance with article L225-235 of the French commercial code, we hereby report to you on the report prepared by the chairwoman of your company in accordance with article L225-68 of the French commercial code for the year ended December 31, 2014.

It is the chairwoman's responsibility to prepare, and submit to the supervisory board for approval, a report on the internal control and risk management procedures implemented by the company and containing the other disclosures required by article L225-68 of the French commercial code, particularly in terms of corporate governance.

It is our responsibility:

- to report to you on the information contained in the chairwoman's report in respect of the internal control and risk management procedures relating to the preparation and processing of accounting and financial information, and
- to attest that this report contains the other disclosures required by article L225-68 of the French commercial code, it being specified that we are not responsible for verifying the fairness of these disclosures.

We conducted our work in accordance with professional standards applicable in France.

## INFORMATION ON THE INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES RELATING TO THE PREPARATION AND PROCESSING OF ACCOUNTING AND FINANCIAL INFORMATION

Professional standards require that we perform the necessary procedures to assess the fairness of the information provided in the chairwoman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information. These procedures mainly consisted in:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information on which the information presented in the chairwoman's report is based and the existing documentation;
- obtaining an understanding of the work involved in the preparation of this information and the existing documentation;
- determining if any significant weaknesses in the internal control procedures relating to the preparation and processing of the accounting and financial information that we may have noted in the course of our engagement are properly disclosed in the chairwoman's report.

On the basis of our work, we have nothing to report on the information in respect of the company's internal control and risk management procedures relating to the preparation and processing of the accounting and financial information contained in the report prepared by the chairwoman of the supervisory board in accordance with article L225-68 of the French commercial code.



## OTHER DISCLOSURES

We hereby attest that the chairwoman's report includes the other disclosures required by article L225-68 of the French commercial code.

Nice and Marseille, March 31, 2015  
The Statutory Auditors

Novances-David & Associés  
French original signed by  
Jean-Pierre Giraud

Deloitte & Associés  
French original signed by  
Hugues Desgranges

