

Charter governing procedures for agreements between FDJ SA and related parties

ADOPTION

**Translated from the French version approved by the
Board of Directors on 12 March 2020**

This charter (the “**Charter**”) is established within the framework of (i) the rules applicable to ordinary-course agreements and related-party agreements, as in force following the French PACTE Law of 11 April 2019, and (ii) AMF Recommendation No. 2012-05 of 2 July 2012, as amended on 5 October 2018.

This Charter considers the February 2014 study by the “Compagnie Nationale des Commissaires aux Comptes” concerning related-party agreements.

The French PACTE Law amended Article L.225-39 of the French Commercial Code, which now provides that, in companies whose shares are admitted to trading on a regulated market, the Board of Directors shall establish a procedure for regularly assessing whether agreements relating to ordinary transactions entered into on arm’s-length terms continue to meet those conditions, and specifies that persons directly or indirectly interested in any such agreement shall not take part in its assessment. In addition, pursuant to Article L.225-37-4, 10°, a description of the procedure established by the company and its implementation must be included in the corporate governance report.

By resolution dated 12 March 2020, the Board of Directors of La Française des Jeux (the “Company” or “FDJ”) approved this Charter, the purpose of which is to define more clearly related-party agreements and agreements that may be regarded as ordinary-course agreements, to set out the procedure for prior authorisation and approval of related-party agreements by the Board and the General Meeting, and finally to establish a procedure for assessing ordinary-course agreements entered into on arm’s-length terms.

I. Qualification and identification of related-party agreements

Qualification of related-party agreements

In accordance with Article L.225-38 of the French Commercial Code, FDJ classifies the following as related-party agreements:

- Any agreement entered into, directly or through an intermediary, between FDJ and its Chair and Chief Executive Officer, its Deputy Chief Executive Officer, any of its directors, any shareholder holding more than 10% of the voting rights or, where the shareholder is a company, the company controlling it within the meaning of Article L.233-3, must be submitted for the prior authorisation of the Board of Directors.
- The same applies to agreements in which any of the persons referred to in the preceding paragraph has an indirect interest.
- Agreements entered into between FDJ and an undertaking are also subject to prior authorisation where the Chair and Chief Executive Officer, the Deputy Chief Executive Officer or any director of FDJ is the owner, an unlimited-liability partner, manager, director, member of the supervisory board or, more generally, an executive officer of that undertaking.

Identification of related-party agreements

As an internal rule, the Company’s Legal Department must be informed immediately and before any transaction that may constitute a related-party agreement by:

- the person directly or indirectly interested who is aware of a proposed agreement meeting the criteria described in the paragraph above and which, as such, may constitute a related-party agreement; and
- more generally, any person within the FDJ group who is aware of a proposed agreement that may constitute a related-party agreement.

This information is required even where the agreement may constitute an ordinary-course agreement not subject to the related-party agreement procedure. It is for FDJ’s Legal Department, with the assistance in particular of the Finance Department and, where applicable, for the Board of Directors, following the opinion of the Audit Committee, to determine how the agreement should be classified.

FDJ’s Legal Department shall review the proposed agreement, with the support of the Finance Department where appropriate, in order to assess whether it falls within the related-party agreement procedure or meets the criteria for ordinary-course agreements described in Section III of this Charter.

Subject to the analysis to be carried out by the Legal and Finance Departments, an agreement shall be presumed to be a related-party agreement where it does not meet the criteria for ordinary-course agreements described in Section III of this Charter.

If, following its assessment, the Legal Department considers that the agreement is a related-party agreement, the relevant procedure shall be followed under the supervision of the Legal Department.

II. Procedure for approval of related-party agreements

Pursuant to Article L.225-38 of the French Commercial Code, where the Board of Directors is called upon to authorise the execution of an agreement subject to that Article, such authorisation, which must be given before signature, must state the reasons for the decision and justify the benefit of the agreement to FDJ, in particular by specifying the financial terms attached to it.

For this purpose, the following information must, at a minimum, be provided to the Board of Directors:

- the name of the agreement;
- the names of the parties;
- the purpose of the agreement;
- the name or corporate name of the person directly or indirectly interested within the meaning of Article L.225-38 (see Section I above);
- the nature of the relationship between the interested person and FDJ;
- the financial terms of the agreement;
- any information necessary to assess the benefit of the agreement to FDJ and to shareholders, including minority shareholders, who are not directly or indirectly interested in it. Such information shall include the ratio of its price for FDJ to FDJ's most recent annual profit.

These items shall form the basis of the Board of Directors decision and of the publication to be made on FDJ's website no later than the time the agreement is entered into, in accordance with Articles L.225-40-2 and R.225-30-1 of the French Commercial Code.

In accordance with Article R.225-30 of the French Commercial Code, the Chair and Chief Executive Officer shall notify the statutory auditors of agreements and commitments authorised and entered into pursuant to Article L.225-38 of the French Commercial Code within one month of the date on which such agreements and commitments are entered into. For each authorised and executed agreement and commitment, she shall also provide them with the reasons justifying its benefit to FDJ.

Every related-party agreement must receive the prior authorisation of the Board of Directors and subsequent approval by the General Meeting.

Agreements entered into without the prior authorisation of the Board of Directors may be annulled where they have had adverse consequences for the company, it being specified that such nullity may be cured by a vote of the General Meeting acting on the statutory auditors' special report setting out the circumstances in which the authorisation procedure was not followed. In the exceptional cases where the Board's prior authorisation was not obtained, the AMF recommends that, before approval by the General Meeting, the Board ratify agreements that were not previously authorised, except in specific cases where all directors have a conflict of interest.¹

Agreements, whether or not approved by the General Meeting, remain effective vis-à-vis third parties, except in cases of fraud. Any adverse consequences for the Company arising from agreements that have not been approved may be charged to the interested person and, where applicable, to the other members of the Board.

Concept of an indirectly interested person

The Board of Directors has decided to apply the definition of "indirectly interested person" adopted by the French Financial Markets Authority (AMF):²

- A person who is not a party to an agreement shall be regarded as being indirectly interested in it where, by reason of the links that person maintains with the parties and the powers that person has to influence their conduct, that person derives or is likely to derive a benefit from the agreement.
- Accordingly:
 - a shareholder company controlled by the shareholder that is the ultimate beneficiary of the agreement must not influence the vote on the agreement;
 - a shareholder controlling the company benefiting from the agreement must not influence the vote on the agreement;
 - shareholders acting in concert, where the concert arrangement provides for a common voting policy, must not influence the vote on an agreement entered with one of the parties to the concert.
- Such persons must not take part in the deliberations either.

Appointment of an independent expert

In accordance with the AMF recommendations,³ the Board of Directors may decide to appoint an independent expert where the conclusion of a related-party agreement is likely to have a very significant impact on the balance sheet or results of FDJ and/or the group.

¹ Proposal No. 4.7 of AMF Recommendation No. 2012-05

² Proposal No. 4.2 of AMF Recommendation No. 2012-05

³ Proposal No. 4.6 of AMF Recommendation No. 2012-05

III. Identification and qualification of ordinary-course agreements

a) Reminder of the French Commercial Code

Pursuant to Article L.225-39 of the French Commercial Code, the provisions of Article L.225-38 of the French Commercial Code concerning related-party agreements do not apply:

- to agreements relating to ordinary transactions entered on arm's-length terms; or
- to agreements entered between two companies where one directly or indirectly holds all the share capital of the other. ⁴

Ordinary transactions are transactions customarily carried out by the company concerned in the ordinary course of its business. Recurrence gives rise to a presumption that a transaction is ordinary. However, customary practice is not in itself decisive; consideration must also be given to the circumstances surrounding the conclusion of the agreement, as well as its nature, its legal significance or its economic consequences, and even its duration.

Arm's-length terms refer to transactions entered into on market terms, i.e. terms (purpose, price, payment periods and guarantees) customarily applied by the company in its dealings with third parties in the relevant business sector or for the same type of transaction.

b) Qualification

When preparing this Charter and in order to provide guidelines, the Board of Directors considered, in light of the definition above, that the following may be classified as ordinary-course agreements entered into on arm's-length terms:

- (i) agreements involving limited financial exposure, provided that the agreement does not represent a significant matter for the counterparties / interested parties;
- (ii) agreements entered between the Company and a direct or indirect subsidiary whose share capital is 100% owned;
- (iii) intra-group agreements other than those entered with a direct or indirect wholly owned subsidiary and relating to the following transactions:
 - cash-pooling arrangements, if they are entered into on market financial terms;
 - loans / current accounts / borrowings;
 - acquisition and/or assignment of receivables;
 - tax consolidation;
 - provision of services in the following areas: human resources, IT, management, communications, finance, legal, accounting and procurement;
 - transfer or loan of Company shares to a corporate officer in connection with the performance of his or her duties;
- (iv) agreements entered in response to a tender subject to public procurement procedures.

As indicated below, these criteria shall be reviewed annually as part of the assessment, provided for in Article L.225-40-1 of the French Commercial Code, of ordinary-course agreements entered into on arm's-length terms, taking into account in particular any changes in FDJ's business and organization.

⁴ After deducting the minimum number of shares required to satisfy the requirements of Article 1832 of the French Civil Code or Articles L.225-1 and L.226-1 of the French Commercial Code.

IV. Procedure for assessing ordinary-course agreements

In accordance with Article L.225-39 of the French Commercial Code, the procedure for regularly assessing whether agreements relating to ordinary transactions entered into on arm's-length terms continue to meet those conditions is described below:

- (i) a report on the various categories of agreements regarded as ordinary-course agreements entered into on arm's-length terms and in force during the financial year just ended, prepared by the Legal Department in cooperation with the Finance Department, must be submitted to the Audit Committee no later than five days before the Audit Committee meeting called to review the accounts for the financial year just ended. The Committee shall report on its review to the Board of Directors when the Board reviews those accounts.

By way of exception, for the financial year ended 31 December 2019, this report shall be submitted no later than five days before the Audit Committee meeting held prior to the Board of Directors meeting called to review the half-year financial statements.

- (ii) this report shall specify:
 - a. the criteria used to classify each category of agreement concerned as an ordinary-course agreement entered on arm's-length terms;
 - b. the criteria used to determine that the financial terms constitute arm's-length terms, including market comparisons where applicable;
 - c. the categories of interested persons where this may affect the assessment of the ordinary nature of the agreement or its arm's-length terms;
- (iii) where applicable, this report shall contain recommendations aimed at amending one or more of the criteria referred to in point (ii) above.

The report shall then be submitted, together with the Audit Committee's recommendations, to the Board of Directors.

If a person is directly or indirectly interested in any of the categories of agreements, that person shall not take part in the assessment, either within the Audit Committee or the Board of Directors.

The Board of Directors shall be asked to confirm that the various categories of ordinary-course agreements entered into on arm's-length terms submitted to it did, on the date on which they were entered into, have the characteristics of ordinary-course agreements entered into on arm's-length terms. It may also decide to amend the classification criteria and, where appropriate, re-examine agreements which, at the time of such review, no longer meet the newly adopted criteria.