



Corporate Governance within the Euler Hermes group

The Euler Hermes group (“Group”) has implemented the following principles of corporate governance within its nine largest subsidiaries:¹

Governance structures

- **Board of Directors or Supervisory Board of the Subsidiary:** It includes the representatives of the shareholder (the Group) and directors from outside the Group. The Board meets four times a year in the presence of the CEO. Its task is to define the strategy and business activities of the subsidiary. It reviews the subsidiary’s financial statements, main projects, legal risks and development.
- **Shareholders’ Audit Committee:** It consists of two or three directors and meets with the subsidiary’s management. It reviews the subsidiary’s financial statements, internal controls and the activity of internal and external auditors. The Committee reports to the Group Board of Directors.
- **Remuneration Committee** consisting of the CEO, the representative of the shareholder and a non-executive chairman. The Committee decides on the remuneration of the members of the subsidiary’s Management Committee/Board on the basis of the CEO’s proposals. The Group Remuneration Committee is informed of its decisions.
- **Finance and Investment Committee of the Subsidiary** consisting of the Chairman of the Group Management Board, the Group CFO and representatives of the subsidiary. The Committee ensures the consistency of financial investment policies between the subsidiaries and the compliance of these policies with the instructions set forth by the Group. These relate to the breakdown of portfolios by categories of assets, the determination of benchmark indices, and the choice of portfolio managers and institutions in charge of the custody of securities.
- **Risk Committee** at group level: It is comprised of the members of the Group Management Board and the Group Risk Officer as chairperson. Its function is to approve and monitor all risk related activities and processes within the Group. Meetings are held monthly. The Committee is responsible for introducing and maintaining the Group risk organization, controls and processes in order to pro-actively identify, assess and manage all local risks. Furthermore, it constantly assesses the capitalization and risk profile of the Group to maintain a reasonable ratio between capitalization and risk profile. In addition, the Committee promotes the building of a strong risk culture across the Group by

¹ Euler Hermes SFAC, Euler Hermes SIAC, Euler Hermes United Kingdom, Euler Hermes ACI, Euler Hermes Credit Insurance Belgium, Euler Hermes Kredietverzekering, Euler Hermes Kreditversicherung, Euler Hermes Nordic, Euler Hermes Poland

supporting the creation of local risk management organization and methodology. This includes implementation of early warning signals for the detection of risk, allowing quick and appropriate action.

Management structures

- **Management Committee or Management Board**, chaired by the CEO. It consists of the members of senior management and meets at least once a month. The Committee/Board manages the subsidiary's business operationally on the basis of reports drawn up by the relevant controlling department and specific indicators. The Chairman reports to the Group Board of Directors.
- **Management Audit Committee**: This committee consists of members of the Management Committee/Board and its Chairman. It meets between four and ten times a year. It reviews internal audit reports and monitors the implementation of recommendations and the completion of the internal audit programme.

In the smaller subsidiaries of the Group, a Shareholders' Audit Committee and a Management Audit Committee are set up to play the same role as in the larger subsidiaries.

Group business rules and principles

To ensure a common approach to corporate governance within the Group, the Group's mandatory rules and general principles are implemented in the larger subsidiaries. They cover the main business areas, in particular, risk, claims, collections, sales and marketing, finance, accounting, reinsurance, information technology, audit, communication and human resources. These procedures include the thresholds of individual responsibility and the organisation of specific risk, commercial and marketing committees. The following models have been introduced in the main subsidiaries:

- A risk business model and quality standards in relation to the management of debtor risk,
- A collection business model and quality standards in relation to collection of receivables.

Accounting and financial control procedures

Euler Hermes is a publicly audited company and has been presenting its consolidated financial statements in IFRS format since ^ft January 2005. The financial statements of the ultimate parent, Allianz, have been presented under IAS and IFRS since 1998. The consolidation department is in charge of the preparation of the consolidated financial statements and their delivery to the principal shareholders.

The group's consolidated financial statements are drawn up on a quarterly basis. They are published four times a year on the basis of quarterly, semestral and detailed annual reports in accordance with AMF regulations. Semestral and annual statements are reviewed by independent auditors whilst quarterly statements are not audited.

Centralised compliance function

The function of a Group Compliance Officer was created in January 2003, and strengthened in March 2006 by the appointment of a Group Compliance Manager and the setting up of a network of compliance correspondents in the larger subsidiaries. Codes of conduct have been introduced group-wide. Common measures have been implemented inside the Group to prevent money laundering, fraud, insider trading and the violation of anti-trust laws. Furthermore, regular checks of terrorist lists are carried out. Quarterly compliance reports are sent from local entities to the Euler Hermes Group compliance function, covering all relevant compliance issues.