

# 1 Functioning of administrative bodies

## 1.1 Constitution of the Board of Directors

The Board of Directors has a Constitution, which is regularly made consistent with the requirements of law. It takes into consideration recommendations on corporate governance from the Viennot and Bouton reports, the Financial Security Act and the AMF, and serves to formalise the Board's roles in its methods of operation.

### 1.1.1 The main characteristics are as follows

#### Role and functioning of the Board

The Board of Directors supervises management of the Company, and all members participate in the Board's activities. It determines strategic direction and ensures that the Company functions properly.

The Board meets at least four times a year, as called by the Chairman, and as often as Company interests require.

To enable Board members to exercise their mandate under optimal conditions, the Company sends them the necessary information regarding items on each Board meeting agenda on a timely basis. It also sends any additional information of interest, principally major press articles and financial analyst reports relative to the Company. Each year, as stipulated in its Constitution, the Board devotes an item on its agenda to a review of its performance followed by a discussion.

During the 6 December 2004 meeting, the Board of Directors decided to postpone this evaluation until early 2006 so as to render it more complete and objective. On 5 December 2005, the Board decided that the review could take place in the first quarter of 2006. Egon Zehnder International, an external consultancy already used for the first review in 2004, was retained for this assignment.

Moreover, throughout 2005 the Board endeavoured to implement the recommendations already adopted after the preceding review. The Board examined presentations of the current situation and outlook for the future of the tied agents network, comparisons between AGF and the market, research prepared by various financial analysts and key budget figures. During its March 2005 meeting, the Board also studied Board members' individual situations and on their independence. It believes the Company has adhered to the rule whereby a third of the Board members should have no ties to the Company and that the list of directors successfully reconciles the goals of representing shareholders and adhering to the principles of corporate governance.

#### Rights and responsibilities of Directors

Under the director's charter, each member has specific rights: the right to receive relevant information on a regular or occasional basis, the right to meet with corporate managers even in the absence of corporate officers.

There are also certain countervailing obligations. Each director must devote the time and attention needed for the exercise of his or her mandate. They also have an obligation of loyalty, which requires them to disclose any conflict of interest, as well as an obligation of confidentiality in respect of privileged information. They are limited in their ability to trade AGF and Euler Hermes stock. To enforce these provisions, directors are required to declare sales and purchases of these shares by themselves and by individuals and organisations linked to them to the AGF Group Ethics Officer within five trading days following the transaction. Pending publication of a specific decree defining the notion of "linked to them", the extensive definition included in the European Directive of 29 April 2004 has been applied in order to follow the recommendations of the AMF.

In addition to the 10 shares that each director must hold, pursuant to the by-laws of the Company, the Constitution of the Board of Directors stipulates that directors with no function in the AGF Group must hold at least 500 shares.

### Frequency of Board meetings

The Board of Directors meets at least four times per year. To facilitate their scheduling, a yearly calendar is sent to them. These meetings are held in March for the annual financial statements, in May on the occasion of the Annual General Meeting of Shareholders and quarterly financial reporting, in September for the half-year financial statements, in November/December for the budget and third-quarter financial reporting. Moreover, the Board of Directors may be called to an extraordinary meeting to examine specific subjects. For example, at its 9 September 2005 meeting, the Board was asked to approve Jean-Philippe Thierry's appointment to the Management Board (Vorstand) of Allianz AG from 1 January 2006, while allowing him to continue in his position as Chairman and CEO of AGF. Similarly, at its 11 October 2005 meeting, the Board was asked to approve the AGF Group's new organisation and the appointment of two Managing Director Delegates, with effect from 1 January 2006.

Pursuant to its Constitution, the Board has studied and given its agreement to the Company's strategic orientation and has examined the major parameters of annual budgets, the Company's financial and cash positions and its reinsurance and asset allocation policies.

During fiscal year 2005, the main non-recurring items reviewed were as follows:

- several equity investments were sold (Casa, Gecina, Astrée) or reclassified internally in the companies Sequana Capital and Euler Hermes;
- shares in the subsidiary AGF Brasil Seguros were acquired from certain minority shareholders;
- two supplementary pension plans were implemented for sales and administrative employees of AGF's ESU: Article 83 and AGF Perco;
- the Board examined the situation regarding the contract with CGOS, the entity that manages French hospital workers employee benefits.

### Committees of the Board of Directors

The Board of Directors has three permanent committees: the Audit Committee, the Transactions Committee and the Compensation Committee. The roles and responsibilities of the Audit and Transactions Committees were significantly strengthened at the 19 September and 5 December 2005 meetings. Each committee is chaired by an independent individual (director or non-voting member), assisted as need be, by a Vice-Chairman. Both are designated by the Board upon the recommendation of the Chairman.

The Constitutions of the Audit and Transactions Committees were amended during these meetings to expand and strengthen their oversight role with regard to internal control and bring them into compliance with US (Sarbanes-Oxley Act) and French (Financial Security Act) legislation, as well as with Allianz's standards in terms of prevention, detection and handling of internal fraud. At its 5 December meeting, the Board of Directors approved a new version of the Transactions Committee's Constitution, so as to strengthen the Committee's role and guard against the risk of conflicts of interest. The Board put more resources at the Committee's disposal to improve its effectiveness: quarterly meetings, an increase in the number of Committee members, a deciding vote, etc.

- AGF's Audit Committee is composed of the following members: Dominique Ferrero, Chairman, Robert Hudry, Vice-Chairman, Detlev Bremkamp (until 31 December 2005)\*, Jean-Michel Mangeot, Secretary (until 31 December 2005)\*\*.

The responsibilities of the Audit Committee are as follows:

- analyse financial statements before they are presented to the Board of Directors and validate accounting methods,
- approve the General Group Audit programme,
- be consulted on the appointment or renewal of the terms of Statutory Auditors and review their audits of financial statements,
- examine any point that may have a significant financial impact on the Company, in particular in case of suspected or proven fraud or other rule-breaking by management (19 September 2005 Board of Directors meeting),
- carry out special missions assigned by the Board of Directors.

- The Transactions Committee is composed of the following members:

Yves Cannac, Chairman,  
Hans-Dieter Kalscheuer,  
Diethart Breipohl,  
Béatrice Majnoni d'Intignano (from 5 December 2005, according to a decision of the AGF Board of Directors taken on that day),  
Jean-Michel Mangeot, Secretary (until 31 December 2005)\*.

\* Diethart Breipohl was appointed to the Audit Committee effective 13 March 2006 according to a decision of the Board of Directors taken on that day.

\*\* Jean-François Bruno, AGF Group Director of Legal Affairs is also the Group's General Secretary and has succeeded Mr Mangeot as Board secretary (13 March 2006 Board meeting) and secretary of the Audit and Transactions Committees.

The responsibilities of the Transactions Committee, following revision of its Constitution, as adopted by the Board at its 5 December 2005 meeting, now include, without limitation, the following items:

### Relations between the AGF Group and the Allianz Group

- Any transaction in excess of €5 million between an AGF Group company and an Allianz Group company;
- Any acquisition or sale of an equity investment from the AGF Group to the Allianz Group or *vice-versa*;
- Any transaction involving, if implemented, a financial flow between an AGF Group company and an Allianz Group company, including dividend distribution policies proposed to shareholders;
- Any procedure emanating from the Allianz Group whose purpose or effect might be to impose a strategy on the Company (or on an AGF Group company) that would have a significant impact on its financial statements or on the share price of the Company (or of the company in question).

The role of the Transactions Committee is to ensure that planned transactions are carried out on an arm's length basis and that they protect both the interests of the Company or its subsidiaries and the interests of the Company's minority shareholders.

## 1.2 Other

Any investment, creation, acquisition, divestment or disposal in excess of €30 million that might enter into the scope of the preamble to this article.

It is also responsible for carrying out any special missions assigned by the Board of Directors.

- The Compensation Committee is composed of the following members:

André Lévy-Lang, Chairman,  
Béatrice Majnoni d'Intignano,  
Michael Diekmann,  
François Thomazeau, Secretary.

The responsibilities of the Compensation Committee are as follows:

- make recommendations to the Board concerning the remuneration and retirement of the Chairman, as well as other corporate officers as need be;
- remuneration and retirement of non-corporate officer members of the Executive Committee;
- review recommendations of General Management for implementing stock subscription or purchase plans authorised by the shareholders at their Extraordinary General Meeting;
- carry out special missions assigned by the Board of Directors.