

# BOARD OF DIRECTORS' BYLAWS\*

(Drawn up by the Board of Directors at its meeting of May 27, 2015 and amended in the meetings of August 30, 2005, December 12, 2007, January 20, 2009, October 11, 2010, June 1, 2012, February 26, 2013 and March 2, 2015)

\* This document is not a component of Ipsen SA's Articles of Association, it is not opposable against third parties. It cannot be invoked by third parties or shareholders against Ipsen SA or its corporate officers.



**IPSEN**

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## BOARD OF DIRECTORS' BYLAWS

These bylaws, adopted by the Board of Directors (hereafter “the Board”), specify its role and its operating procedures, in accordance with the law and the Articles of Association of IPSEN (hereafter “the Company”) and corporate governance rules applicable to companies whose securities are traded on a regulated market.

These bylaws do not overrule in any way the Company’s Articles of Association or the applicable legal and regulatory provisions, they are not opposable to third parties and their single purpose, within the Company’s internal order, is to set up mechanisms and procedures that will result in a satisfactory *modus operandi* for the Board of Directors.

### **Article 1 – Role of the Board**

In charge of running the Company, under its legal and statutory obligations, the Board:

- regularly reviews the strategic guidelines of the Company and of the Group, which is made up of the Company and the business units it consolidates in its financial statements (hereafter “the Group”), its investment, disinvestment or internal restructuring projects, the Group’s overall policy with regard to human resources, in particular its policy in the fields of the Company’s compensation, profit-sharing and performance-based incentives with respect to its personnel, it assesses the performances of the company’s management team every year and is consulted when management team members are recruited;
- approves, on a proposal of the Strategic Committee and before any decision is made, acquisitions or divestments of equity interests or assets, partnership, alliance or cooperation agreements relating to research, development, industry and business as well as, generally speaking, any transaction or any commitment that might significantly affect the Group’s financial or operating situation or its strategic guidelines;
- is regularly informed, via the Audit Committee, about the financial situation, the Company’s cash position and all the significant events affecting the Company; it is kept informed by its Chairman and by its Committees of all the significant events related to the conduct of business for the Company and the Group;
- strives to ensure that shareholders and the public are well informed, in particular via the control it exercises on the information given by the Company; and in this respect it defines the Company’s communication policy, in particular regarding the frequency with which financial information relating to the Group is released;
- checks that the Company has reliable procedures in place to identify, assess and monitor its commitments and risks, including off-balance sheet ones, as well as appropriate internal control.

## **Article 2 – Board members**

### **2.1 Assiduousness**

Every Director shall dedicate the time and attention required to discharge the duties of his/her mandate and attend the meetings of the Board and of the Committee(s) they are a member of. The Annual Report will list the mandates held by members of the Board of Directors and record how assiduously they attend meetings of the Board and of Committees.

### **2.2 Competencies**

2.2.1 The Board must be made up of Directors chosen because of their competence and their experience with respect to the Company's and the Group's operations.

2.2.2 A Director is deemed independent if he or she meets the following criteria as of the date on which his/her status is assessed:

- he or she is neither an employee nor an executive officer nor a member of the Board, and is not closely related to an executive officer or to a member of the Board of a Group entity or of an entity controlling the Company within the meaning of Article L.233-3 of the French Commercial Code and was not during the previous five years;
- is not an executive director, and is not closely related to an executive director of a company in which a Group entity holds an executive office, either directly or indirectly through an employee appointed as such or in which a corporate officer of the Company (currently in office or having held such office within the past five years at least) holds, directly or indirectly, a corporate office;
- is not a customer, or a supplier or an investment banker or a commercial banker, or a significant service provider of the Company or of the Group, or a member of a customer company, or a supplier, or investment bank or a commercial bank, or a material service provider of the Company or of the Group for which either Ipsen or the Group accounts for a material share of business;

The assessment as to whether the relationship with the Company of the Group is material or not is debated at a meeting of the Appointments and Governance Committee once a year and the criteria having led to this assessment are explained in the registration document.

- do not have close family ties with a corporate officer;
- does not (i) represent a shareholder that owns, (ii) is not a member of an entity holding, directly or indirectly, or (iii) does not, directly or indirectly, own more than five percent of the Company's share capital or voting rights.
- has not been a statutory auditor of the Company in the previous five years.

The meaning of "executive officer" and "close relationship with an executive officer" is defined by Article L.621-18-2 of the French Monetary and Financial Code.

The Board shall examine, at least once a year, which Directors meet these independence criteria, and shall report the conclusions of this review to shareholders (i) every year during the Shareholders' Meeting convened to approve the financial statements for the previous

financial year and (ii) during Shareholders' Meetings convened to elect new Directors or ratify Directors co-opted by the Board.

2.2.3 Board members may attend training sessions on specific areas of the Company, its business line(s) and industrial sector, arranged on the Company's own initiative or at the request of the Board.

## **2.3 Compensation**

Board members receive the compensation set out by the Articles of Association, in accordance with the allocation decided by the Board, by taking into account (i) Board membership, (ii) the actual attendance of each Director at Board meetings as well as Committee meetings and (iii) assignments that Directors may have been entrusted with.

Costs incurred by Directors whilst on Company business, including their travel and accommodation expenses, are reimbursed against presentation of supporting documents.

## **2.4 Obligations of shareholding Directors**

Every Director is held to report to the *Autorité des Marchés Financiers* (the stock market regulator in France), within five days of negotiating related acquisitions, disposals, subscriptions or swaps of financial instruments issued by the Company as well as transactions carried out on these financial instruments via forward financial instruments, with an information copy being sent to the Company.

The Company shall make information about these transactions publicly available under the conditions set by the applicable regulations.

## **2.5 Other obligations of Directors**

### **2.5.1 *Knowledge of rights and obligations / Responsibilities***

Before accepting office, Directors should familiarize themselves with any general or specific obligations or duties related to their position. In particular, they ought to acquaint themselves thoroughly with legal provisions governing the Company, its Articles of Association and provisions of the Board's bylaws which apply to them.

### **2.5.2 *Conflicts of interest***

Directors are elected by all the Company's shareholders and must act in all circumstances in the company's interest.

Directors must inform the Board about any situation of a conflict of interest, even if it is potential, between themselves and the Company or the Group and shall abstain from taking part in any discussions and vote by the Board on the relevant deliberations.

### **2.5.3 *Vigilance***

Directors are required to contribute to the determination of the Company's and Group's strategic objectives, and to supervise their implementation. They should exercise careful and effective oversight of the Company's and Group's management.

#### **2.5.4 Confidentiality**

Directors have a general duty of discretion and confidentiality as regards the deliberations of the Board and its committees. The same applies to all non-public information and documents provided to them at meetings or otherwise in connection with their functions as Board or committees members, or their participation in their deliberations. This duty of discretion and confidentiality shall subsist even beyond the end of terms of office.

#### **2.5.5 Obligation to hold Company shares**

Without prejudice to the applicable statutory provisions, every Director must be a Company shareholder in a personal capacity and own, directly or indirectly, a relatively significant number of shares.

Any Director, whether a physical person or a permanent representative of a legal entity, to whom directors' fees have been paid, must own 500 Company shares.

Within two years of the entry into force of this rule, or with regard to future appointments, within the two years following their initial appointment, it is recommended that Directors should hold, directly or indirectly, a number of shares amounting at least to the equivalent of the latest net annual amount of the directors' fees received.

These shares must be held in registered form.

#### **2.5.6 Transactions on securities**

Directors undertake to comply with all stock market regulations designed to prevent any market abuse prejudicial to the interests or image of the Company or the Group.

Directors shall not engage in transactions on any shares of companies in respect of which they hold insider information, owing to their position, which is likely to influence the price of such shares.

Transactions on securities are also banned during the 30-day period prior to the release of (annual and interim) financial statements and the Company's quarterly information through to that day.

Aforesaid periods do not rule out other closed periods resulting from knowledge of specific information that concerns directly or indirectly the Company, which, if it were disclosed, would likely have a material impact on the market price of the Company share.

The Company regularly informs Directors about the timetable of closed periods as well as new obligations they have to comply with.

#### **2.5.7 Obligation of diligence**

Directors must devote the necessary time and attention to their duties.

Executive officers of the Company shall not hold more than two other directorships in non-Group listed companies, including foreign ones. Furthermore, they must seek the prior opinion of the Board before accepting any additional corporate office in a listed company.

A Director shall not hold more than four other mandates in non-Group listed companies, including foreign ones. Directors must keep the Board informed about the mandates and positions held in other companies.

### **Article 3 – Modus operandi**

#### **3.1 Meetings**

The Board meets at least once per quarter at the Company's head office or in any other place indicated in the notice of meeting.

Directors may take part in meetings by any means allowed by law, the Articles of Association and the Board of Directors' bylaws.

The Deputy Chairman of the Board, when one has been appointed, assists the Chairman in his mission of organizing and supervising the Board's work. He takes part in the preparation of Board meetings in coordination with the Chairman and, in that capacity, is consulted by the Chairman with regard to setting a meeting's agenda. With the Chairman, he reviews the documents and information put at the Directors' disposal before the notice of meeting is sent out.

#### **3.2 Assessment**

Once a year, the Board discusses its *modus operandi*, composition and organization in an executive session outside the presence of the Chairman of the Board, the Chief Executive Officer and management team members.

This "executive session" is prepared by the Appointments and Governance Committee, in cooperation with the Deputy Chairman of the Board or a Director specially appointed for such purpose.

The Board also conducts a formalized assessment at least every three years.

The Board may call in an outside consultant to conduct an appraisal.

Moreover, the non-executive directors also perform once a year, evaluation of the performance of the Chairman of the Board, the Chief Executive Officer and/or the Deputy Chief Executive Officer, outside their presence.

### **Article 4 – Means of the Board**

#### **4.1 Expertise provided by Committees**

The Board of Directors may establish temporary or permanent specialized committees which are made up of at least three members and no more than six Directors and appoints the Chairmen of said committees.

These Committees submit their opinions and proposals to the Board and report back to the Board on their work.

## **4.2 Information given to Directors**

The Board is regularly informed and, in particular, during its meetings, about the Company's financial situation, cash position and significant commitments.

In order to ensure efficient and prudent control of the Company's and the Group's management, the Board may audition the Group's main senior managers, whether executive officers or not. It may request all the reports, documents and studies drafted by the Group and ask for, provided this does not breach any confidentiality rules, any external technical studies at the Company's expense. For this purpose, and without prejudice to the individual directors' information right provided for by legal provisions and the Articles of Association, the Deputy Chairman of the Board, acting on behalf of all the Directors, may ask the Chairman of the Board, when the latter is also the Company's Chief Executive Officer, for any information document which would need to be made available in order to enable Directors to fulfill their mission in compliance with the law and Articles of Association.

Directors may, collectively or individually, consult the Group's senior executives for advice on any matters, after advising the Chairman of the Board, and may meet senior executives without the presence of the Chairman.

Directors, likewise, collectively or individually, during meetings or outside meetings, ask the Chairman for information they deem useful, if disclosing said information is not prohibited by prudence rules with respect to confidentiality.

Directors are provided with relevant information and, in particular, monthly reports, press reviews and financial analysts' reports.

They also regularly receive information covering any change in corporate governance regulations.

## **4.3 Transparency**

The Annual Report includes every year an account on the work and *modus operandi* of the Board and its Committees during the previous year.

## **Article 5 – Permanent committees**

By adopting these bylaws, the Board establishes five permanent Committees:

- a Strategic Committee,
- an Audit Committee,
- an Appointments and Governance Committee,
- a Compensation Committee,
- an Ethics Committee.

### **5.1 Common rules in force for all permanent Committees**

5.1.1 Committee members, chosen from among the Directors, are appointed in a personal capacity, for the duration of their term of office as a Director. They cannot get

somebody to represent them. They can be replaced or dismissed at any time by the Board. Their mandates are renewable. A single Director can be a member of several Committees.

5.1.2 The Chairman of every Committee is appointed from among its members by the Board.

5.1.3 Subject to the specific rules applicable to them, every Committee defines how frequently it will hold meetings. Said meetings are held in the head office or any other location decided by its Chairman when he convenes it and sets the meeting's agenda.

A Committee can meet only if at least half of its members attend the meeting, in one of the ways allowed by the law or the Articles of Association with respect to Directors attending Board meetings.

The Chairman of a Committee may invite all Board members to one or several of its meetings, as well as anyone else. Only members of the Committee shall take part in its deliberations.

5.1.4 The minutes of every Committee meeting are drawn up by the Secretary of the Board, under the authority of the Chairman of the Committee. They are subsequently sent to all members of the Committee. The Chairmen of Committees report to the Board on the work carried out by their Committees under the conditions set by the Board.

5.1.5 In its field of competence, each Committee issues proposals, recommendations or opinions.

To this end, it may undertake or arrange for, at the Company's expense, all external studies likely to shed light on the Board's deliberations.

It reports to the Board on its work at each one of its meetings.

A summary of the 'activity of every Committee is included in the Annual Report.

5.1.6 The compensation of the members and of the Chairman of each Committee is set by the Board and paid from the total annual amount of its remuneration.

5.1.7 Each Committee decides, if need be, on its other operating procedures. It periodically makes sure that its rules and operating procedures enable it to help the Board deliberate in a fruitful manner on the issues of its competence and can propose to the Board a change in its bylaws.

## 5.2 **Strategic Committee**

5.2.1 The role of the Strategic Committee is to:

- study all the strategic issues of interest for the Company and the Group, in the field of research and development, in the industrial field, in business and financial matters and with regard to alliances and partnerships of all kinds;
- study all significant investment, disinvestment, restructuring, alliance or partnership projects;
- study and approve the Group's strategic plan, subsequently submitted to the Board for validation, and changes to be made to the plan, if need be;



- ensure the annual monitoring of progress achieved by the strategic initiatives under way;
  - submit to the Board all the reports, issue all opinions and make all recommendations, relating to issues covered by its mission.
- 5.2.2 The Committee may, on its own initiative, present to the Board a program of strategic initiatives or a review of the strategic issues that are important for the Group, which it would like the Board to study.
- 5.2.3 The Strategic Committee comprises the Chairman of the Board and no fewer than three Directors and no more than six Directors at the most.
- 5.2.4 The Strategic Committee meets at least four times a year, when convened by its Chairman, or by a majority of its members.
- 5.2.5 To carry out its work, the Strategic Committee may audition the Group's senior executives, whether corporate officers or not. It can obtain access to all reports, documents and studies conducted in-house by the Group and moreover, provided this does not breach any confidentiality rules, request that technical studies be carried out and external experts be used at the Company's expense.
- 5.2.6 The Strategic Committee appoints a Secretary. Minutes are held of the Strategic Committee's meetings. The Secretary, in particular, takes care of:
- the agenda of meetings and communicating it;
  - sending to members of the Strategic Committee all the documents required for its meetings;
  - drawing up the Strategic Committee's minutes, opinions and reports that will be sent to its members.
- 5.2.7 The Strategic Committee reports back on its work to the Board.

### **5.3 Audit Committee**

- 5.3.1 The role of the Audit Committee is to:
- ensure the relevance and permanence of the accounting policies used to prepare both the statutory and consolidated financial statements, review and assess the consolidation scope as well as evaluate and confirm the relevance of the accounting methods applied to the Group;;
  - examine draft annual and interim financial statements, draft forecasts and annual budgets as well as any accounting and financial information relating to any significant project; to that end, the Audit Committee should be able to cooperate (by exchanging information and working jointly) with the Strategic Committee and the Company's General Management before a summary of their work is presented to the Board;
  - examine, before they are presented to the Board, press releases on financial results and guidance, as well as related presentations;

- study draft resolutions related to the financial statements in order to voice any observation or suggestion, before they are presented to the Board;
- the draft interim and annual consolidated financial statements, together with budgets and forecasts prior to their presentation to the Board
- control the quality of and compliance with procedures and evaluate the information received from management, internal committees and internal and external auditors;
- monitor the effectiveness of internal control and risk management systems;
- examine the risk exposure and off-balance sheet commitments of the Company;
- supervise the selection and reappointment of the Statutory Auditors, verify their independence, give an opinion on the amount of the fees they request, and submit the results of its work to the Board;
- examine the pertinence of the fees paid by the Company and the Group to the Statutory Auditors and make sure that said fees and corresponding services are unlikely to affect the auditors' independence;
- conduct an annual review of the status of major disputes.

5.3.2 The Audit Committee comprises no fewer than three directors and no more than six directors at the most, including a majority of independent directors who meet the criteria set out in point 2.2.2 hereabove, none of whom may be the Chairman of the Board. One of the two independent Directors chosen as a member of the Committee must boast specific financial or accounting expertise. The Board appoints the Chairman of the Committee from among its members. The Chairman of the Committee also holds independent status with respect to the Company's independence criteria.

5.3.3 The Audit Committee meets at least four times a year, when convened by its Chairman.

5.3.4 In the performance of its tasks, the Audit Committee:

- submits to the Board its proposals regarding the appointment, compensation or replacement of the Company's Statutory Auditors;
- reviews with the management team and the Company's Statutory Auditors the interim and annual financial statements, the accounting principles and methods implemented, the Group's audit and internal control principles and methods, risk management procedures and the analyses and reports relating to financial reporting, accounting policy and communications between management and the Company's Statutory Auditors;
- examines and checks the rules and procedures applicable to conflicts of interest, expenses incurred by members of the management team and the identification and quantification of the main financial risks, as well as their application and submits its assessment every year to the Board;

- examines, checks and assesses on an annual basis the independence as well as the control procedures of the Company's Statutory Auditors, and the problems they have encountered as well as the measures adopted to solve said problems, and monitors in the same manner the way in which internal audit operates;
- more generally speaking, examines, checks and assesses everything likely to affect the regularity and fairness of the financial statements.

5.3.5 The Audit Committee ensures it is provided all the necessary or useful information to be able to carry out the above task and auditions everybody whose testimony is deemed necessary or useful with regard to said task. It may in particular have recourse to outside experts.

#### **5.4 The Appointments and Governance Committee**

5.4.1 The role of the Appointments and Governance Committee is to:

- make proposals to the Board of Directors concerning the re-election, replacement or appointment of new Directors, in close cooperation with the Chairman of the Board;
- give its opinion, with the support of the Chairman of the Board, on the recruitment or the replacement of the Chief Executive Officer and/or Deputy Executive Officers where required as well as some key positions in the Executive Committee;
- prepare, in close cooperation with the Deputy Chairman of the Board or a Director especially appointed for this purpose, the annual "executive session" of the Board of Directors dedicated to the assessment of its *modus operandi*, outside the presence of the Chairman of the Board, the Chief Executive Officer and management team members ;
- give its opinion, with the support of the Chairman of the Board, on the list of independent members of the Board of Directors.

5.4.2 The Appointments and Governance Committee comprises no fewer than three directors and no more than six directors at the most, including at least one independent Director as defined by the criteria set forth in point 2.2.2 hereabove, none of whom may be the Chairman of the Board of Directors.

The Board appoints the Chairman of the Committee from among its members.

5.4.3 The Appointments and Governance Committee meets at least twice a year, when convened by its Chairman or at a request of the Chairman of the Board.

#### **5.5 The Compensation Committee**

5.5.1 The role of the Compensation Committee is to:

- make proposals to the Board of Directors on all components of the compensation paid to the Group's corporate officers, senior management and senior executives;

- be informed on all matters pertaining to the recruitment of the Group's main senior managers, other than the Chief Executive Officer, as well as on decisions related to all components of their compensation;
- give an opinion on the amount and allocation of Directors' fees among Board members;
- make recommendations to the Board of Directors on Group compensation policies and employee savings plans, employee share ownership schemes, stock options and bonus shares or any other similar forms of compensation.

5.5.2 The Compensation Committee comprises no fewer than three directors and no more than six directors at the most, including a majority of independent Directors as defined by the criteria set forth in point 2.2.2 hereabove, chosen among members of the Board of Directors although none of whom may be the Chairman of the Board. The Board appoints the Chairman of the Committee from among its members.

5.5.3 If it deems this is useful, the Compensation Committee may ask the Chairman of the Board to help it in its deliberations and work, except when it is discussing the Chairman's compensation.

5.5.4 The Compensation Committee meets at least twice a year, when convened by its Chairman or at a request of the Chairman of the Board

## 5.6 **Ethics Committee**

5.6.1 The role of the Ethics Committee is to:

- review the definition of the Group's fundamental values as well as of its ethics and compliance policy;
- submit recommendations on ethics and compliance to the Board of Directors; discuss all issues related to ethics and compliance referred to it by the Board;
- ensure the dissemination throughout the Group of the Code of Ethics and general ethics policies defined by the Group and their updates;
- monitor the implementation and efficiency of procedures used to disseminate the Code of Ethics and overall policies and make sure they are bought into by employees and complied with throughout the Company;
- study the Group's risk mapping from an ethics and compliance standpoint;
- review the ethics and compliance activity report within the Group;
- study the organization of the ethics and compliance function and make recommendations, when relevant;
- receive any information concerning possible breaches of the ethics and compliance policy and review action plans implemented after such breaches are detected;

5.6.2 The Ethics Committee comprises at least no fewer than three directors and no more than six directors at the most, including an independent Director as defined by the

criteria set forth in 2.2.2 hereabove. The Board appoints the Chairman of the Committee from among its independent members.

5.6.3 The Ethics Committee, when it deems this necessary, may audition the General Management team or members of this team, Internal Audit, the Ethics and Compliance Department or any other member of the Management team. Said auditions can be held, when necessary, outside the presence of members of the General Management team.

5.6.4 The Ethics Committee meets at least once a year, when convened by the Chairman of the Committee.

Done in Boulogne-Billancourt, on May 27, 2015,

As many copies of this proposal as necessary are to be made.