

## BOARD OF DIRECTORS' INTERNAL GUIDELINES

As modified by the Board of Directors  
24 March 2010

The Board of Directors of France Telecom has decided to establish in these Internal Guidelines the central principles for conducting its business.

### **Article 1. . The Chairman of the Board**

The Chairman of the Board represents the Board of Directors and, except under outstanding circumstances, is solely authorised to act and speak on behalf of the Board of Directors. He organises and oversees the work of the Board of Directors and ensures of the efficient functioning of the social bodies in line with the principles of corporate governance. He liaises between the Board of Directors and the shareholders of the company in coordination with the Chief Executive Officer; he ensures of the quality of the financial information disclosed by the company. He may represent the company in its relationships at the highest level with both national and international public authorities or major partners or customers of the Group in close coordination with senior management. The Chief Executive Officer keeps the Chairman of the Board regularly informed on the significant events and situation related to the Group life and he may be required by the Chairman of the Board to provide him with any proper information to enlighten the Board of Directors and its committees. The Chairman of the Board may audition the statutory auditors in order to prepare the work of the Board of Directors and of the Audit Committee. He may attend the meetings of the Board Committees.

### **Article 2. Strategic orientations**

The Board of Directors gives its opinion on all decisions relating to the company's general strategic, economic, social, financial and technological orientations and supervises the implementation of these orientations by senior management.

The medium-term business orientations for the Group are defined in a strategic plan updated from time to time, submitted by the Chief Executive Officer and approved by the Board of Directors. This proposal includes inter alia a forecast of changes in the group's principal operational, social and financial indicators.

The Chief Executive Officer presents a proposed annual budget in coherence with the strategic plan. The orientations of the proposed budget are first submitted by the Chief Executive Officer to the Board of Directors' Strategy Committee for study and advice.

The Chief Executive Officer is responsible for implementing the orientations contained in the strategic plan. The Chief Executive Officer must obtain the authorization of the Board of Directors before committing the company to investments or divestitures involving amounts in excess of 200 million euros per transaction, when such transactions are acquisitions or disposals. Any investments involving amounts in excess of 20 million euros that are not included in the company's strategic orientations, must first be approved by the Board of Directors.

The Chief Executive Officer informs the Board of Directors of any problems and, more generally, any events that could affect the implementation of an orientation set out in the strategic plan.

### **Article 3. Information for Directors**

In addition to the agenda for each Board meeting, each director is provided with documents that allow him or her to adopt an informed position based on full knowledge of the facts regarding the items on the agenda.

At each Board meeting, the Chief Executive Officer reports to the Directors the principal facts and significant events concerning the Group which have occurred since the date of the previous Board meeting. Directors may visit a France Telecom facility or place of business in order to obtain the information required to perform their duties. In order to do so, directors must submit a written request explaining the purpose of such a visit to the Chairman of the Board via the secretary of the Board of Directors.

The General Secretariat of France Telecom defines the terms of access and organizes the conditions of such visits to ensure that they do not disturb the regular operation of the facility or place of business.

### **Article 4. Control by the Board of Directors**

The Chairman of the Board or the Chairman of the Audit Committee may request any control or verification from the Board of Directors. In any case, the Board of Directors deliberates such issues within the shortest possible timeframe.

When the Board of Directors decides that it should do so, it specifically defines the purpose and methods of such a control in a resolution, and either conducts the control itself or entrusts it to one of its committees, one of its members, or a third party.

When the Board of Directors decides that the control or verification will be performed by one of its members or by a third party, the mission is defined under the conditions stipulated by Article 5. The Chairman of the Board defines the conditions for the performance of the control or verification in coordination with the Chief Executive Officer. In particular, measures are taken to ensure that the performance of such an operation causes the least possible disruption to the group's business. Interviews with group employees may be organized when necessary.

The Chief Executive Officer ensures that useful information for the control or verification is provided to the person carrying it out.

Any person performing such a control or verification is not authorized to interfere with the management of the business.

Upon completion of the control or verification, the findings are reported to the Board of Directors. The Board determines the follow-up action to be taken.

### **Article 5. Possibility of Giving an Assignment to a Director**

When the Board of Directors decides that it should entrust one or more of its members, or a third party or parties, with an assignment, it defines the principal characteristics of such an assignment. When the persons responsible for performing the assignment are members of the Board of Directors, they do not participate in the vote.

On the basis of such a resolution, a draft assignment letter is drawn up at the Chairman's initiative, which:

- defines the precise purpose of the assignment;
- defines the form that the assignment report is required to take;
- arranges the duration of the assignment;
- determines, where appropriate, the wages due to the person performing the assignment and the terms of payment;
- if required, sets a ceiling for reimbursement of travel and accommodation expenses and for any other expenses that may be incurred by the person performing the assignment.

If appropriate, the Chairman of the Board submits the draft assignment letter for opinion to the Governance and Corporate Social Responsibility Committee and to the other interested Board Committees and delivers the signed assignment letter to the Chairmen of these committees.

The report is delivered by the Chairman of the Board to the Directors of the company.

#### **Article 6. Committees of the Board of Directors**

The Board of Directors shall set up committees to assist in preparing its decisions.

The Board of Directors defines the scope of the responsibilities of each committee in these Internal Guidelines. Within its scope of responsibilities, each committee formulates proposals, recommendations or opinions as applicable.

For this purpose, it may decide to conduct any study that might assist the Board in making informed decisions. The Board of Directors appoints the Chairman and the members of each committee. Committee members personally attend their meetings, using audio communication or video communication systems where required.

Once it has been informed of the schedule of business of the Board of Directors, each committee approves a provisional annual schedule for its own meetings. Committee meetings are held at the company's registered offices or any other location selected by its Chairman.

The Chairman of each committee draws up an agenda for committee meetings and informs the Chairman of the Board of this agenda. The Chairman of each committee may decide to invite all or some of the members of the Board of Directors and, as needed, any person of his choice to committee meetings. He informs the Chairman of the Board of Directors and to the Chief Executive officer which executives he expects to attend a meeting. Each committee is assigned responsibilities on the following basis:

- it considers any matter that falls within its area of expertise as defined in these Internal Guidelines, and defines its annual work schedule;
- the Chairman of the Board of Directors may refer any matter included, or to be included, on the agenda of the Board of Directors to a committee;
- the Board of Directors and its Chairman may refer other matters within the scope of its expertise to any committee at any time.

The Secretary to the Board of Directors acts as secretary to each committee. The Chairman of the Board of Directors ensures that all the information required for the committees to conduct their work is available to them. He shall also ensure that each committee is kept regularly informed of any changes in the legislation and regulations relevant to its area of expertise.

The proposals, recommendations and opinions given by the committees are set out in reports, submitted to the Board of Directors.

## **Article 7. Strategy Committee**

The Strategy Committee is chaired by the Chairman of the Board. The Chief Executive Officer regularly refers the proposal for updating the strategic plan provided for in Article 2 of these Internal Guidelines to the Strategy Committee.

Other than in emergencies, the Strategy Committee considers the facts and issues referred to in Article 2 of these Internal Guidelines.

The Strategy Committee is consulted on projects related to the group's international development, technical, competitive and regulatory issues, changes in industrial partnerships and proposed strategic alliances.

The Committee inter alia reviews proposed strategic agreements, alliances, technological and industrial cooperation, significant acquisitions or disposals of assets.

It then reports and makes recommendations for each project to the Board of Directors.

Matters submitted to the Committee for its review are notably accompanied by relevant information allowing it to assess the risks involved in the aforementioned transactions. In view of the potential impact of these risks on the company's financial position, the Chairman of the Audit Committee attends the Strategy Committee meetings.

## **Article 8. Audit Committee**

On behalf of the Board of Directors, the Audit Committee:

- ensures existence and follow-up of the efficiency of the internal control system and of the management of financial risks;
- ensures compliance with accounting standards adopted for the preparation of corporate and consolidated financial statements;
- verifies that internal information gathering and control procedures are properly applied;
- ensures the quality and relevance of information provided to the shareholders.

On behalf of the Board of Directors, the Audit Committee:

- reviews the preliminary corporate and consolidated, half-year and annual, financial statements submitted to it by the Chief Executive Officer or the Chief Financial Officer before they are submitted to the Board of Directors. The committee may meet with the Statutory Auditors without management representatives;
- reviews drafts of interim management reports, activity and income statements, and all financial statements prepared for the purposes of specific transactions (spin-offs, mergers, payment of interim dividends, etc.) before they are publicly disclosed;
- examines any changes to the accounting standards applied in preparing financial statements and any possible violation of those standards;
- ensures that the procedures comply adequately with the relevant financial and stock exchange regulations;
- examines proposed significant acquisitions or disposals of assets.

On behalf of the Board of Directors, the Audit Committee:

- organizes the procedure for selecting the company's Statutory Auditors. This appointment is subject to open market competition at the end of each term. The Audit Committee makes a recommendation to the Board of Directors regarding the choice of Statutory Auditors and their conditions of payment;

- studies, on a yearly basis, with the Statutory Auditors and the Director of Audit and Risk Control, their respective working plans, their conclusions, recommendations and the resulting action to be taken; in particular, the Committee reviews the internal audit report for the previous year and the schedule of internal audit assignments for the current year;
- examines on a yearly basis the management report on the group's risk exposure, particularly financial and litigation risks, and material off-balance sheet commitments;
- assesses the methods and results of internal audits and verifies that the procedures used ensure that the corporate and consolidated financial statements fairly and consistently represent the actual situation of the company and the Group and comply with the accounting rules;
- ensures that the systems and procedures used to prepare the financial statements are reliable and that the methods of posting material transactions are valid;
- be notified of any accounting or audit irregularities;
- ensures that procedures are in place to detect and handle notifications of infractions or fraud and which protect employees;
- analyzes the company's financial communication policy and approve the main elements disclosed before publication.
- discusses any disagreements between Management and the Statutory Auditors on any aspect of their mission and issue settlement proposals for presentation to the Board of Directors.

The Chief Executive Officer or the Statutory Auditors refer any event that may expose the Group to a significant risk to the Audit Committee.

The Audit Committee may interview, outside the presence of general management, the Chief Financial Officer, the Director of Accounting and Controlling, the Group Treasurer or the Director of Internal Audit and Risk Control.

The Audit Committee may request that an internal or external audit be conducted on any matter that it believes falls within the scope of its responsibilities. The Chairman of the committee informs the Chairman of the Board and the Chief Executive Officer of any such action.

The company finances the missions of the Audit Committee, particularly the studies and audits performed. The members of the Audit Committee must have the requisite financial and/or accounting skills and expertise.

The Chief Executive Officer may not serve as a member of the Audit Committee.

#### **Article 9. Governance and Corporate Social Responsibility Committee**

The Governance and Corporate Social Responsibility Committee submits recommendations to the Board of Directors relating to the appointment of:

- members of the Board of Directors;
- the Chairman of the Board of Directors;
- the Chief Executive Officer and the Deputy Chief Executive Officer(s);
- members of the committees of the Board of Directors.

The Chief Executive Officer informs the Governance and Corporate Social Responsibility Committee of all nominations to the Group Executive Committee.

The Committee submits proposals to the Board of Directors relating to compensation levels for corporate officers (*mandataires sociaux*).

At the request of the Chief Executive Officer, the Committee may issue an opinion on the methods used to determine compensation of executive officers (fixed portion, variable portion, method of calculation, indexing, stock options).

The Committee also gives an opinion in response to a request for interpretation or amendment regarding the share option plans in force within the France Telecom Group.

The Committee ensures that a succession plan exists for the members of the management team. It prepares, in close collaboration with the Chairman of the Board, the Board's decisions on the appointment of corporate officers. The Committee makes proposals for improving the work of the Board of Directors and the regular update of its Internal Guidelines. For this purpose, it organizes the procedure for evaluating the work of the Board and its Committees.

The Governance and Corporate Social Responsibility Committee examines:

- main risks and opportunities related to environmental policies;
- social policies undertaken by the Group;
- all the information published by the Group relating to social and environmental matters;
- main orientations of the Corporate Social Responsibility policy as a result of the dialogue between all the Group stakeholders.

In addition, the Committee ensures that the Code of Ethics is correctly applied and made available within each entity.

#### **Article 10. Risk management**

At least once a year, a Board of Directors meeting is focused on the examination of the existence and follow-up of the efficiency of internal control systems and of financial and non financial risk management.

This meeting is prepared through a joint meeting of the Audit Committee and of the Governance and Corporate Social Responsibility Committee.

#### **Article 11. Meetings of the Board of Directors**

Each year, upon Chairman's recommendation, the Board of Directors sets a calendar of board meetings for the following year. This calendar sets the dates of regular Board meetings (first and third quarter revenues; half-year results; annual results, etc.) and on a provisional basis that may be revised, the dates to be reserved by Directors for possible additional Board meetings. The Chairman sets the agenda for each Board meeting and communicates the agenda to the Board members in a timely manner using all appropriate means.

The documents that allow the directors to make a fully informed decision on the items on the agenda set by the Chairman are transmitted by the Chairman to the directors at least 48 hours before the Board meeting, except in emergency situations or where there is a need to preserve absolute confidentiality.

In any case, the Board of Directors may, at any meeting, in emergencies and on the Chairman's recommendation, deliberate on items that are not included on the agenda transmitted to the Board.

The Board of Directors regularly conducts an overall evaluation of its work and the work of its committees, particularly the Audit Committee. It reviews the recommendations made in this area by the Governance and Corporate Social Responsibility Committee.

## **Article 12. Attendance at meetings of the Board of Directors via videoconferencing and via telecommunication facilities**

The Chairman of the Board ensures that videoconference or telecommunication facilities providing continuous retransmission of Board meetings are made available to directors living outside Paris or abroad, or for those that are temporarily outside Paris or abroad for legitimate reasons, so as to enable them to participate in Board meetings.

Where members are called to a Board meeting elsewhere than at the company's registered office, the Chairman takes the necessary measures to allow directors who are not able to attend the meeting in person to participate via the above described facilities.

Directors attending a Board meeting via videoconference or telecommunication facilities are deemed present for the calculation of the quorum and voting majority.

The videoconference or telecommunication facilities used must meet technical standards that guarantee effective participation by all in Board meetings. The deliberations must be transmitted on a continuous basis. All necessary measures shall be taken to ensure the identification of each participant and the verification of the quorum. Failing this, the meeting shall be adjourned.

The attendance registry for meetings of the Board of Directors must stipulate video or telecommunication attendance by directors, if applicable. The minutes of the Board of Directors meeting must specify the names of those directors attending to the meeting via videoconference or telecommunication facilities. The minutes must also mention any videoconference or telecommunication facilities technical incident that disrupted the meeting.

The above provisions do not apply for the adoption of the resolutions referred to in Articles L. 232-1 and L. 233-16 of the French Commercial Code, pertaining to the preparation of the annual financial statements and management report and to the establishment of the Group consolidated financial statements and management report.

## **Article 13. Directors' duty of confidentiality**

The members of the Board of Directors are bound by an absolute duty of confidentiality with respect to the discussions and resolutions of the Board of Directors and its committees and any information presented at the meetings.

As a general matter, the members of the Board of Directors are required not to disclose any information to anyone outside the Board, particularly the press media.

The Chairman of the Board informs the Directors of the information to be disclosed to the markets as well as the text of statements or releases issued for this purpose in the name of the Group.

In the event of the demonstrated breach by a director to honour his or her confidentiality duty, the Chairman of the Board, after having consulted with Committees chairmen, will report to the Board on any actions, including legal, that he intends to take as a result of this breach of confidentiality.

#### **Article 14. Directors' duty to maintain independence**

In the performance of their duties, each director must make decisions without consideration of any interest other than the corporate interest of the company.

Each director is required to inform the Chairman of the Board of any situation that could create a conflict of interest with the company or one of the companies of the Group; if necessary, the Chairman consults the Governance and Corporate Social Responsibility Committee on any such question. At the end of this procedure, the concerned director will act accordingly in accordance with applicable legislation.

The members of the Board of Directors shall have the Company's shares they hold when being appointed in a registered form, as well as any shares acquired during their tenure as Board members. The members of the Board of Directors inform the Chairman of the Board and the AMF of the transactions they make on any Company's securities.

The members of the Board of Directors undertake not to:

- perform any transaction on the securities of any Group listed company as long as they have privileged information; and
- directly or indirectly proceed with short sales on such securities.

The first ban applies notably during the period in which the group's half-year earnings and quarterly information are being prepared and presented. It also applies during special periods in which projects or transactions that justify such a prohibition are being prepared. The Chairman of the Board sets or confirms the start and end dates of blackout periods and notifies the directors of such blackout periods in due time.

The Code of Ethics, which specifies in particular the rules governing privileged information, applies to the members of the Board and its Committees.

The Chief Executive Officer reports to the Board of Directors on the measures adopted to ensure that the employees of the Group who, by reason of their position, have such information and/or participate in such transactions, comply with these rules.

#### **Article 15. Directors' duty of diligence**

In accepting a board position, each director undertakes to fully take on the duties of the position, in particular:

- to devote the time necessary to analyze the issues brought before the Board and, as applicable, the Committee on which he serves;
- to request any additional information he or she deems useful;
- to ensure that these Internal Guidelines are applied;
- to form an opinion freely before any decision, considering only the corporate interest of the company;
- to actively participate in all meetings except when unable to do so; and
- to formulate any proposals intended to improve the working conditions of the Board and its Committees.

The Board of Directors continually works to improve the information provided to the shareholders. Each director, particularly through his or her contribution to the work of the Board Committees, must work to achieve this objective.

Each director undertakes to resign his position on the Board when he believes in good faith that he is no longer able to fully assume the duties and obligations of the position.