

## Corporate governance

The Company is subject to the Code. The Company agrees with the aims of the Code and seeks to achieve general compliance with it. The Company is not subject to any other corporate governance code.

Following changes and the implementations of policies to comply with the Code in the financial years to September 30, 2005 and 2006 this has been a year of further consolidation in which such policies and procedures have been operational. The Audit Committee has met regularly while the Remuneration and Selection sub-committees of the Supervisory Board have performed their allocated functions when required and in accordance with the applicable rules. Corporate policies relating to business, financial conduct and whistle-blowing can be found on the Company's corporate website along with further information about the Management and Supervisory Boards and the rules of those Boards. Oliver Fryer, a member of the Management Board, acts as the Corporate Secretary for the purposes of the Code.

The Company is in general compliance with the Code. However, we wish to explain certain deviations from the Code or to provide further detail in relation to the following:

- For best practice provisions II.2.1 and II.2.2 of principle II.2 (Remuneration – Management Board), the Company partly deviates from the Code, as the current option and restricted stock schemes for the members of the Management Board (as well as for employees as a whole) do not include any formal conditional criteria following a grant of options or restricted stock. Additionally, options may be vested and exercised over a period of four years (while the restricted stock vests in two equal tranches, two and four years after grant). There is no formal requirement to retain stock following vesting or exercise. In this financial year, a new LTIP for senior management in general (including the Management Board) was implemented following its approval by the Supervisory Board in the previous year. The Remuneration Policy including the new LTIP was approved by shareholders at the 2007 Annual General Meeting. As well as the potential award of share options and restricted stock in the Company's shares, the LTIP allowed for the grants of share options in The Walt Disney Company pursuant to the rules of the Disney Stock Incentive Plan. The rules of the Jetix option and restricted stock schemes reflect the equivalent Disney schemes (each being non-compliant in the ways set out above), and it has been considered desirable by the Supervisory Board to have generally consistent incentive arrangements for senior management throughout both companies.
- Although the Company complies with principle III.2 (independence Supervisory Board) by virtue of III.2.2 (f) the Board notes that three of the five members of the Supervisory Board are employees of Disney.
- In relation to provision V.3.1., although other members of the Company's management covered the internal auditor position, the role itself was vacant during a portion of the second half of fiscal 2007. A new appointment will start in January 2008.