

Corporate governance

Caisse des Dépôts Group is “a public group, serving general interest and the economic development of the country”. Created in 1816 to restore confidence following the financial crisis after the Napoleonic wars, its first task is to “receive, conserve and return the values entrusted to it”. As a creator of sustainable solutions, it is constantly inventing new ways of supporting national and local public policies. Its long-term investor position allows it to anticipate, innovate and adapt to tomorrow's challenges...

The Group comprises the Public Institution (Caisse des Dépôts) and its subsidiaries. Caisse des Dépôts encompasses all functional activities (corporate secretarial services, communications, etc.) and four major operating divisions (Banking Services, Pensions, Regional and Local Development and Network, and Savings Funds). Its subsidiaries are engaged in specialist market activities and comply with all applicable rules and regulations. They also work towards the Group's long-term purpose, both directly through their activities (business development, real estate, services to local authorities), and indirectly by contributing to Caisse des Dépôts' profits, which are used to finance its public interest projects.

Caisse des Dépôts' governance rules were set by Law when it was founded in 1816 and are based on two fundamental principles: independence of the Supervisory Committee and autonomy of the Chief Executive Officer. Caisse des Dépôts enjoys the protection and guarantee of the French Parliament, to whom it reports on a yearly basis. The institution guarantees that the activities of the Group as a whole are coherent and complimentary in order to meet the challenges of French society in an optimum manner. Sustainable development concerns are also at the heart of its strategy and represent a key focus across all Group businesses. Caisse des Dépôts works to ensure that both the Group's strategy and executive compensation policies take ESG risks into account more effectively.

Supervisory Committee

Modus operandi

There are 13 members of the Supervisory Committee: three MPs, two senators, three eminent personalities, including two appointed by the President of the National Assembly and one appointed by the President of the Senate, a representative from the *Conseil d'Etat* (France's highest administrative court), two representatives from the *Cour des Comptes* (Court of State auditors), the governor of the Banque de France, and the Director of the French Treasury.

The Supervisory Committee is tasked with overseeing major decisions, strategies and investment policies and with administering the Savings Funds and auditing Caisse des Dépôts' accounts.

To guarantee good governance, in 2003 the Supervisory Committee along with the Chief Executive Officer adopted internal rules and regulations defining its role and responsibilities. The Law on Modernisation of the Economy of 4 August 2008 states that “the internal rules and regulations of the Supervisory Committee shall set out the rules governing its functioning”. The same Law defines its rights and responsibilities and structures its relations with the executive management of Caisse des Dépôts. The internal rules were updated by the Supervisory Committee on 19 November 2008. To carry out its duties of control and oversight, the Committee met 22 times in 2010, in accordance with its annual work programme.

The average attendance rate for the Supervisory Committee members (number of attendances divided by the number of meetings) was over 81%.

A number of specialised committees assist the Supervisory Committee in carrying out its duties. These are the Audit and Risks Committee, which met eight times in 2010, the Savings Funds Committee (six times), the Appointments Committee (three times) and the Investment Committee.

In accordance with the Law on Modernisation of the Economy, the Supervisory Committee's Investment Committee met eight times in the year to examine strategic operations or transactions involving amounts of over €150 million.

The Investment Committee set up by the Law on Modernisation of the Economy provides the Supervisory Committee with the means to monitor its subsidiaries' strategic development more effectively. It also provides the Chief Executive Officer with the Supervisory Committee's considered opinion of how potential strategies fit with the Group's overall business model.

For more information:

- The role of the Supervisory Committee is detailed in the report to Parliament available on www.caissedesdepots.fr.

Management Committees

The Chief Executive Officer of Caisse des Dépôts is appointed for a period of five years by decree of the President of the French Republic adopted in the Council of Ministers. Upon assuming office, the CEO takes an oath before the Supervisory Committee to employ all his powers "*to maintain Caisse des Dépôts' inviolability*".

In 2003, the Chief Executive Officer set up a Management Committee which he himself chairs. Depending on the agenda, the Management Committee meets every week, and is attended either by division heads when it meets as the Public Institution's Management Committee, or by both division heads and managers of the main subsidiaries when it meets as the Group Management Committee.

For more information:

- The composition and profiles of Management Committee members may be consulted in the "Governance" section of caissedesdepots.fr.

Integration of ESG performance criteria in executive compensation policies

Since 2007, sustainable development has been among Caisse des Dépôts' strategic priorities and has underpinned its Elan 2020 strategic plan. This priority is gradually becoming an integral feature in the Group's management and governance systems, with yearly or multi-year sustainable development targets set for each Group entity. Division heads and managers of Caisse des Dépôts' subsidiaries are assessed each year based on sustainable development and other targets, and the result can determine part of their compensation.

Some Group subsidiaries such as CNP Assurances have gone further down this path, incorporating ESG performance criteria into calculations of variable executive pay in 2010.

Risk management, internal control and external audit

Risk management and internal control

Caisse des Dépôts has drafted an Internal Control Organisation Charter (“POCI”) which specifies how the Group’s risk management and ongoing control systems are organised. Operational risk management is based on a highly decentralised model, with risk teams operating in each of the Group’s business lines and in its main subsidiaries, coordinated by a central Risk unit. Risk management is also structured by risk types. These include risks related to IT security, accounting risks, administrative risks, risks relating to the safety of people and goods, legal risks, and HR risks. The Group’s governance plays a key role in risk management: the Management Committee defines the risk management policy through a central Risk Committee, while detailed half-yearly reports are sent to the Supervisory Committee and discussed at a special meeting of the Audit and Risks Committee, and then at meetings of the Supervisory Committee.

Internal audit

Internal audit in Caisse des Dépôts Group meets the international definition of internal audit, approved in 2000 by the French Institute of Internal Audit (IFACI). Internal audit is a downstream process and therefore different from risk management and other forms of ongoing controls implemented by the Risk and Internal Control division network.

An Internal Audit Charter was validated by the Group’s Management Committee in January 2009. The Charter reiterates the principles, organisation, and audit methods applied by all internal audit units within the Group, as well as the rights and responsibilities of auditees:

- the internal audit scope covers all business lines and subsidiaries of Caisse des Dépôts Group;
- departments comprising the Group’s internal audit networks are independent from auditee departments and report directly to the executive management body of the entities falling within the scope of their audit;
- assignments are carried out by the Internal Audit department based on a right-to-reply procedure, allowing audited units the possibility to respond to observations in writing.

Several units comprise Caisse des Dépôts Group’s internal audit network:

- the central Audit division reports directly to the Chief Executive Officer and covers the entire Group. It is responsible for managing and coordinating the internal audit network;
- Audit departments within subsidiaries (CNP Assurances, Transdev, Icade, SNI, Belambra, Compagnie des Alpes, Egis) have a functional reporting line to the Central Audit division and carry out audit assignments in entities falling within their remit.

External audit and control

Several external bodies are responsible for auditing Caisse des Dépôts’ accounts:

- the Supervisory Committee and its special committees, which are provided with the annual audit programme, the business review for the network and the follow-up of recommendations within the Group;
- the Group’s Statutory Auditors as appointed by the Supervisory Committee;
- the *Cour des comptes* (Court of State auditors).

For more information, see the report on governance and internal control appended to the annual report to Parliament at www.caissedesdepots.fr.