Report of the Chairman on corporate governance and internal control procedures

Article L.225-37 of the French Commercial Code requires the Chairman of VINCI's Board of Directors to report on the composition of the Board of Directors, how the Board's work is prepared and organised, and the internal control and risk management procedures put in place by the VINCI Group.

This report was prepared by the Chairman in coordination with the Vice-Chairman and Senior Director and in liaison with the Company's legal and finance departments (audit being included in the finance department).

The "Corporate governance" section of this report was submitted to the Appointments and Corporate Governance Committee.

The "Internal control and risk management procedures" section was prepared with the input of the VINCI Group's business lines and divisions. The required information was gathered from key personnel responsible for internal audit and risk management procedures. This section of the report was submitted for approval to the Audit Committee.

This report was approved by the Board of Directors at its meeting of 1 March 2011.

A. Corporate governance

1. Adherence to the Afep-Medef code of corporate governance

At its meeting of 13 November 2008, VINCI's Board of Directors decided that the Company would, as from 1 January 2008, use the Afep-Medef code as a frame of reference for preparing the report required by Article L.225-37 of the French Commercial Code. This corporate governance code may be consulted in full on the Medef website (www.medef.fr). Provisions of this code that have been set aside, if any, are mentioned in this report.

2. Executive Management structure

Decision
On 6 May 2010, the Board of Directors decided to recombine the positions of Chairman of the Board and Chief Executive Officer and named Xavier Huillard as Chairman and Chief Executive Officer.

Since 2006 these two functions had been dissociated. Between 1 June 2006 and 6 May 2010, Yves-Thibault de Silguy was Chairman and Xavier Huillard was Chief Executive Officer of the Company.

Reasons for the decision
The Board took this decision after analysing the situation in the second half of 2009. The VINCI Group is characterised by strong managerial input within a highly decentralised organisation. In addition, today's difficult economic conditions worldwide demand clear and appropriate leadership. Given these circumstances, after evaluating all possibilities, the Board concluded unanimously that recombining the two functions was the best solution for the Group.

Nevertheless, the Board paid particular attention to ensuring that this concentration of power would not weaken the Board's ability to control operations. To this end, the Board adopted a new set of internal rules containing mechanisms to ensure that a balance is maintained. The Board thus created a new assignment and granted new powers to Yves-Thibault de Silguy. Mr de Silguy is the Board member who has the most in-depth knowledge of the Group. In addition, his availability enables him to be fully informed about Group news, organisational structure and operations. The new internal rules, which detail how the Group is organised, came into effect on 6 May 2010.

VINCI announced the creation of the position of Vice-Chairman and Senior Director on 19 November 2009, with the intention that it should take effect immediately following the 2010 Shareholders' General Meeting. This is a completely new concept and meets the Board's desire to have a member who is particularly well informed by virtue of his physical presence for work on numerous projects and frequent contact with the Company's management. In addition, the Vice-Chairman and Senior Director has the power to call a Board meeting whenever he sees the need for one.

During the period since this new structure was introduced, the Vice-Chairman and Senior Director devoted himself fully to his new assignment and new role. An account thereof is included in the attached report.

At the end of 2010, the Board conducted a self-evaluation with the help of an external consultant. The evaluation confirmed that Board members were satisfied with the effectiveness of this structure. A report on the self-evaluation is included in paragraph 3.5 below.

VINCI reports that the Autorité des Marchés Financiers (AMF) considered this structure worthy of further study in its corporate governance reports of 8 December 2009 and 12 July 2010.

Chairman and Chief Executive Officer

Xavier Huillard, Chairman and Chief Executive Officer since 6 May 2010:

- organises and directs the work of the Board and reports thereon to the Shareholders' General Meeting. He ensures the proper functioning of the various corporate bodies and committees and, in particular, ensures that the directors are able to fulfil their responsibilities.
- he has the broadest powers to act in all circumstances in the Company's name. He exercises these powers within the limits of the corporate purpose and subject to the powers that the law attributes expressly to shareholders and to the Board of Directors. He represents the Company in its dealings with third parties and is responsible for overall operational management of the Group.

He provides the Board and its committees with the information they need, reports on the highlights of the Group's operations over the period and implements the Board's decisions.

The Company's material transactions, referred to in paragraph 3.3 below, are subject to prior approval by the Board. Furthermore, the Chairman and Chief Executive Officer regularly presents the Group's performance, prospects and strategy to the financial community, in particular through road shows.

Mr Huillard chairs the Executive Committee and the Management and Coordination Committee. The Executive Committee had 13 members as of the date of this report. It met 25 times in 2010, with an average of two meetings per month. The Management and Coordination Committee is composed of the members of the Executive Committee and the Group's main operational and functional executives. Its purpose is to ensure broad consultation on VINCI's strategy and position and on policies that affect multiple Group entities. This committee has 37 members and met four times in 2010.

Mr Huillard also chairs the Risk Committee mentioned in paragraph 4.3 of part B.

Vice-Chairman and Senior Director

Yves-Thibault de Silguy was Chairman of the Board until 6 May 2010 when he was named Vice-Chairman and Senior Director.

Since then, he has had a dual remit:

- assisting the Chairman and Chief Executive Officer, as part of corporate governance, in organising the work of the Board and its committees;
- providing the Board with his insight on transactions it will have to consider, supplementing the activity of the Board committees, and ensuring the proper functioning of governance bodies on behalf of the Board. In particular, the Vice-Chairman and Senior Director has the authority to call a Board meeting and include any item of his choosing on the agenda.

Mr de Silguy also chairs the Appointments and Corporate Governance Committee and the Strategy and Investments Committee. He takes part in numerous meetings with individual shareholders.

Lastly, Mr de Silguy assists and advises the Chairman and Chief Executive Officer on specific assignments, such as high-level representation of the Company to governmental authorities and to the Group's major business partners in France and abroad. He spends a significant part of his time meeting the managers of the Group's subsidiaries and providing them, as needed, with his assistance in their relations with their major clients. These support and advisory services are governed by a services agreement approved by the Shareholders' General Meeting of 6 May 2010.

3. The Board of Directors

3.1 Composition of the Board of Directors - Independence of members

At the date of this document, the Board of Directors had 14 members, including one member representing employee shareholders.

Women represent 7% of the Board members, and the Board plans to comply, within the specified time frame, with French law no. 2011-103 of 27 January 2011 concerning the balance between men and women on Boards of Directors and Supervisory Boards and concerning equal status for men and women.

In 2010, shareholders renewed the Board appointments of Yves-Thibault de Silguy, Xavier Huillard, Dominique Ferrero and Henri Saint Olive. They also appointed Qatari Diar Real Estate Investment Company as a new director, following this company's acquisition of an equity interest in VINCI in connection with VINCI's acquisition of Cegelec.

The Shareholders' General Meeting of 2 May 2011 will be asked to renew the terms of Pascale Sourisse, Robert Castaigne and Jean-Bernard Lévy as directors and to appoint a director representing employee shareholders to replace Denis Vernoux, who has resigned with effect from the next Shareholders' General Meeting.

The term of office of directors is four years. The directors' terms of office expire at different times, such that approximately one-quarter of the Board is renewed every year.

The Company's Articles of Association provide that no one may be appointed or re-appointed as a director after reaching the age of 75 and that no more than one-third of the directors in office at the close of the financial year for which shareholders are asked to approve the financial statements may be over 70.

At its meeting of 1 March 2011, the Board also made an assessment of the current directors' independence, as required by the Afep-Medef code and in accordance with the criteria of that code.

The Board has decided, as in the past, to exclude the code's criterion stipulating that directors should not serve for longer than 12 years. This is because the Board believes that, in VINCI's case, a director who has been on the Board for more than 12 years can still act independently. The Group's businesses have a long-term component (Concessions) and as such, it is important that the Board have directors with sufficient perspective over its multi-year activities.

After receiving the report of the Appointments and Corporate Governance Committee, the Board examined the situation of each member and arrived at the following conclusions.

Directors who cannot be considered independent

- Xavier Huillard, Chairman and Chief Executive Officer;
- Yves-Thibault de Silguy, Vice-Chairman and Senior Director, in light of the positions he previously occupied in the Group and the fact that there is a services agreement linking him to the Group;
- Jean-Pierre Lamoure, who has been a Group employee and is currently Chairman of Soletanche Freyssinet, a wholly owned subsidiary of VINCI;
- Denis Vernoux, director representing employee shareholders, in light of the fact that he is an employee of a subsidiary of VINCI (VINCI Construction Grands Projets). The Board noted that Mr Vernoux is an elected member of an employee representative body, which gives him protection that could enable him to be considered an independent director under the European Commission Recommendation No. 2005/162/CE of 5 February 2005. The Board also noted that the person replacing Mr Vernoux as director representing employee shareholders could not be considered an independent director for the same reasons.

Directors who can be considered independent

The Board of Directors believes that the following members of the Board are independent. It believes that even if some of them do not meet certain criteria set out by the Afep-Medef code, the judgement of these individuals is completely autonomous, ensuring that they can carry out their remit in a fully independent manner.

- Dominique Bazy, since the Board has found that there is no business relationship between VINCI and Barber Hauler Capital Advisers, of which Mr Bazy is managing partner. During its examination, the Board noted that Mr Bazy held a position in an investment bank (UBS) less than five years ago and that he has been a director of VINCI since 1996, i.e. more than 12 years. However, the Board believes that these circumstances do not alter his independence of judgement;
- Robert Castaigne, who was Chief Financial Officer of Total and a member of its Executive Committee until May 2008. The Board believes, however, that any links that may exist between the Total Group and the VINCI Group (e.g. through construction or supply contracts that could exist between the subsidiaries of the two groups) are not significant enough to alter Mr Castaigne's independence of judgement;
- François David, who is Chairman of Coface. The Board believes, however, that any links that may exist between the Coface Group and the VINCI Group (e.g. insurance policies for contracts entered into by VINCI subsidiaries outside France) are not significant enough to alter Mr David's independence of judgement;
- Dominique Ferrero, because he no longer has an operational role in the Natixis Group. The Board took into consideration Mr Ferrero's statements, according to which his functions did not give rise to any conflict of interest in 2010;
- Patrick Faure, who has been a VINCI director since 1993, i.e. for over 12 years. He also sits on the Board of Directors of Cofiroute, a company controlled by VINCI. However, the Board believes that these circumstances do not alter his independence of judgement;
- Jean-Bernard Lévy, who is Chairman of the Management Board of Vivendi. The Board believes that any links that may exist between VINCI and certain subsidiaries of the Vivendi Group are not significant enough to alter Mr Lévy's independence of judgement;
- Henri Saint Olive, who is Chairman of Banque Saint Olive, which might enter into transactions with the Company or its subsidiaries or into private transactions with certain executives thereof. The Board believes, however, that such transactions are not significant enough to alter Mr Saint Olive's independence of judgement;
- Michael Pragnell, who held management responsibilities within Syngenta AG until 2007. This company has no business relationship with the VINCI Group;
- Pascale Sourisse, who has management responsibilities within the Thales Group. The Board believes, however, that any links that may exist between the Thales Group and the VINCI Group are not significant enough to alter Ms Sourisse's independence of judgement;
- Qatari Diar Real Estate Investment Company. The Board has noted that the Qatari Diar Group holds less than 6% of the shares and voting rights of VINCI and that the VINCI and Qatari Diar Groups are partners in a joint venture called Qatari Diar VINCI Construction (QDVC), the business of which consists in developing construction activities in Qatar and elsewhere in the Middle East. Alain Maillot, a lawyer and Qatari Diar's permanent representative until 1 March 2011, does not personally exercise a professional activity for the Group, giving him independence of judgement. Furthermore, the Board believes that the relationship between the law firm Darrois Villey Maillot Brochier, of which Mr Maillot is a partner, and the VINCI Group are not significant enough to alter Mr Maillot's independence of judgement. As of 1 March 2011, Mr Maillot was replaced by Yousuf Ahmad Al Hammadi as permanent representative of Qatari Diar Real Estate Investment Company.

As a result of this evaluation, the Board of Directors considered that 10 of its 14 members, i.e. more than half, are independent.

3.2 Personal situation of company officers

As of the date this document was prepared and to the best of the Chairman's knowledge:

- there were no family links between any of VINCI's company officers;
- none of VINCI's company officers had been found guilty of fraud in the last five years;
- none of these individuals had been involved as a company officer in a bankruptcy, sequestration of assets or liquidation during the last five years and none had been incriminated or officially punished by a statutory or regulatory authority. None had been disqualified by a Court from serving as a member of a Board of Directors or corporate management or supervisory body of an issuer of securities, nor from being involved in the management or conduct of the affairs of an issuer of securities in the last five years;
- no company officer of VINCI had declared a conflict of interest in respect of any decisions taken by the Board of Directors in 2010.

3.3 The Board of Directors internal rules

In May 2003, the Board of Directors adopted a set of internal rules that is periodically updated. The most recent version came into effect on 6 May 2010 when the governance structure was changed. This document specifies the rules applicable to the Board and its committees, and it includes a code of ethics detailing the type of behaviour expected of each director. The internal rules may be consulted in their entirety on the Company's website (www.vinci.com).

The internal rules of the Board of Directors require, among other things, that the Board examines and gives prior approval to any significant transactions undertaken by the Company. These include strategic choices, material acquisitions and disposals of financial holdings and assets likely to alter the structure of the Company's balance sheet, any acquisitions and disposals of shareholdings and assets of €200 million or more, regardless of nature, as well as any transactions that fall outside the Company's announced strategy or that might be referred to it for its review by the Strategy and Investments Committee.

3.4 Conditions of preparation and organisation of the work of the Board

3.4.1 Functioning and work of the Board of Directors in 2010

The Board of Directors met eight times in 2010 and the average attendance rate at its meetings was 96%. The Board of Directors discussed all matters of importance relating to the Group's activities. The Board is assisted by the Executive Vice-President and Chief Financial Officer. The General Counsel acts as the Board Secretary.

During its **3 March 2010 meeting,** the Board of Directors in particular:

- examined and approved the 2009 parent company and consolidated financial statements;
- recognised the work of the Audit Committee, the Strategy and Investments Committee, the Remuneration Committee and the Appointments Committee;
- set the variable remuneration of company officers for the 2009 financial year;
- set the rules for the remuneration and other benefits of the future Chairman and Chief Executive Officer;
- set the rules for Mr de Silguy's remuneration for his responsibilities from May 2010 onwards, in particular under a contract between VINCI and YTSeuropaconsultants, and followed up on the supplementary pension granted by the Company to Mr de Silguy (in particular the performance criteria examined by the Remuneration Committee);
- approved the terms of the various reports to shareholders, evaluated the independence of its members with respect to the criteria specified in the Afep-Medef code, proposed the reappointment of four Board members and the appointment of a new member, prepared and called the Shareholders' General Meeting of 6 May 2010, and approved the terms, agenda and resolutions submitted for shareholder approval;
- decided to submit an option to the Shareholders' General Meeting of 6 May 2010 for the payment of the final dividend in respect of 2009 in new shares;
- set the subscription price of shares to be issued in the context of the Group Savings Scheme France for the period from 3 May to 31 August 2010;
- approved the renewal of the Chief Executive Officer's powers regarding guarantees, suretyships and endorsements, and approved a guarantee and a sponsorship related to the Belvédère in the Domain of Marie Antoinette of the Château de Versailles.

During its **14 April 2010 extraordinary meeting,** the Board of Directors in particular:

- approved the terms of the transfer to VINCI by the Qatari Diar Group of its holding in the Cegelec Group in exchange for a holding in VINCI, approved the contribution in kind to VINCI of shares in Cegelec Entreprise, approved an exchange of Cegelec Group shares in return for VINCI shares held in treasury and recognised the completion of the capital increase following the contribution;
- approved the acquisition of Faceo.

During its **6 May 2010 meeting,** the Board of Directors in particular:

- decided to recombine the positions of Chairman of the Board and Chief Executive Officer;
- appointed Xavier Huillard as Chairman and Chief Executive Officer and Yves-Thibault de Silguy as Vice-Chairman and Senior Director;
- recognised that the qualifying conditions for Mr de Silguy's supplementary pension had been met;
- modified the composition of the Board committees;
- examined the Group's business activities, financial condition and indebtedness for the first quarter of the year;
- examined the updated budget for 2010;
- gave authority to the Chairman and Chief Executive Officer to take appropriate action regarding the option to pay dividends in the form of shares;
- examined changes in the share capital and share buy-back programme;
- delegated its powers to the Chairman and Chief Executive Officer to issue guarantees, suretyships and endorsements, and for the purpose of recognising the capital increases in the form of new shares resulting from the exercise of rights and in the context of stock option exercises and the Group Savings Scheme;
- appointed a Secretary.

During its **9 July 2010 meeting,** the Board of Directors in particular:
- examined the Group's human resources policies;
- examined the Group's business activities and current developments;
- examined the first 2010 budget update and the Group's financial condition and indebtedness;
- recognised the work of the Audit Committee, the Strategy and Investments Committee, the Appointments and Corporate Governance Committee and the Remuneration Committee;
- decided to implement a performance share plan and a share subscription option plan;
- examined changes in the share capital and the share buy-back programme;
- set the subscription price of shares to be issued in the context of the Group Savings Scheme France for the period from 1 September to 31 December 2010;
- approved the creation of a structure to house "The City Factory" and approved the issuance of a guarantee.

During its **31 August 2010 meeting,** the Board of Directors in particular:
- examined the organisation and activities of VINCI Autoroutes;
- examined the Group's business activities and current developments;
- examined and approved the half-yearly 2010 parent company and consolidated financial statements;
- examined the second 2010 budget update and the Group's financial condition and indebtedness;
- decided to pay an interim dividend in respect of 2010 ;
- examined changes in the share capital and the share buy-back programme;
- approved the issuance of a guarantee.

During its **21 September 2010 extraordinary meeting,** the Board of Directors in particular:
- was informed of and examined the Group's situation and that of its employees in Niger.

During its **19 October 2010 meeting,** the Board of Directors in particular:
- examined the Group's business activities, current developments, sales data, and its financial condition and indebtedness;
- examined changes in the share capital and the share buy-back programme;
- examined the Group's business activities in Qatar;
- set the subscription price of shares to be issued in the context of the Group Savings Scheme France for the period from 3 January 2011 to 29 April 2011.

During its **14 December 2010 meeting,** the Board of Directors in particular:
- examined the Group's strategy, business activities and current developments;
- examined the third 2010 budget update, the 2011 budget, and the Group's financial condition and indebtedness;
- recognised the work of the Audit Committee and the Remuneration Committee;
- delegated the power to issue bonds to the Chairman and Chief Executive Officer;
- set the tentative schedule for the work of the Board of Directors in 2011;
- examined changes in the share capital and the share buy-back programme;
- approved the issuance of a guarantee.

One of the Board of Directors meetings was held in Doha, Qatar. On this occasion, the Board visited the Group's in-country construction sites.

3.4.2 The Board committees

The responsibilities and modus operandi of the committees are governed by the internal rules of the Board of Directors. Each committee has a role to play in analysing and preparing the Board discussions falling within its field of competence and in studying topics and/or projects that the Board or its Chairman may submit to it for review. It has consultative powers and acts under the authority of the Board, of which it is an extension and to which it is accountable. Minutes of each committee meeting are drawn up and distributed to the members of the Board of Directors.

The Audit Committee

Terms of reference

The Audit Committee helps the Board monitor the accuracy and fair presentation of VINCI's parent company and consolidated financial statements and the quality of the information given.

In particular, its duties are to monitor:
- the process of compiling financial information: examine the Group's annual and half-yearly parent company and consolidated financial statements before they are presented to the Board, satisfy themselves that the accounting policies and methods are appropriate and consistently applied, warn against any non-compliance with these rules and monitor the quality of the information given to the shareholders;
- the effectiveness of the Group's internal control and risk management systems: (a) as concerns internal control, assess affiliates' internal control systems with the managers of the internal control function and examine with them the internal audit work, the conclusions drawn therefrom, the recommendations issued and the resulting follow-up; (b) as concerns risk management, review regularly the Group's financial condition and main financial risks and in particular off-balance-sheet commitments;
- the auditing of the parent company and consolidated financial statements by the Statutory Auditors and the independence of the Statutory Auditors: examine the Statutory Auditors' work programmes, conclusions and recommendations with them, as well as action taken as a result; verify compliance with the Statutory Auditors' obligation to be independent, assess proposals on the appointment of the Company's Statutory Auditors, on the renewal of their terms of office as well as their remuneration, and issue recommendations on this point;
- the Group's policy in respect of insurance;

• the setting up of procedures regarding ethics and competition and to ensure that there is a system for verifying that they are enforced.

Composition
The Audit Committee comprises at least three directors designated by the Board. The Executive Vice-President and Chief Financial Officer and the Statutory Auditors attend Audit Committee meetings. Since 14 May 2009, this committee has been composed of Henri Saint Olive (chairman), Robert Castaigne, Michael Pragnell and Pascale Sourisse.

All four are considered independent directors. By virtue of their professional experience and qualifications, the members of the Audit Committee have the expertise necessary to serve thereon. Their experience and qualifications are described in the curriculum vitae set forth in the Report of the Board of Directors on pages 115-118.

Activities in 2010
The Remuneration Committee met five times in 2010, with a participation rate of 100%.

In addition to the accounts prepared during the period, it examined:
• concerning internal control: the organisation of internal control at VINCI Concessions, the Report of the Chairman on internal control procedures, the annual self-assessment and the auditors' assignment;
• as concerns financial and accounting matters: the various budget updates, the Company's cash position and financial indebtedness, the Group's financing strategy and financial transactions under way, a project to shorten lead-times for production and publication of consolidated financial statements, off-balance-sheet commitments, the Group's tax position, and changes to IFRSs;
• risk management and in particular on-going disputes and the Group's insurance programme;
• the code of ethics and conduct;
• the services provided under the agreement with YTSeuropaconsultants.

The Strategy and Investments Committee
Terms of reference
This committee helps the Board develop the Group's strategy. It examines proposed strategic investments and all transactions, including investments and divestments, that could have a material impact on the Group's scope, business activities, risk profile, earnings or balance sheet structure or on the Company's share price before they are presented to the Board.

In particular its duties are to:
• examine the Group's three-year plan;
• prepare the Board's discussions on Group strategy;
• formulate an opinion, for the benefit of the Executive Management, on proposed acquisitions or disposals of shareholdings of a value exceeding €50 million that do not come under the Board's direct terms of reference;
• give its opinion to the Executive Management on plans for significant change to the Group's legal or operational structure.

In addition, the Executive Management informs the committee on progress in multi-year projects that entail a total investment on the part of the VINCI Group of more than €100 million in equity or debt.

Composition
The Strategy and Investments Committee comprises at least three directors designated by the Board. As of 1 January 2010, the committee was composed of Yves-Thibault de Silguy (chairman), Pascale Sourisse, François David, Patrick Faure, Dominique Ferrero, Jean-Pierre Lamoure and Denis Vernoux. Since 6 May 2010, the permanent members of the committee have been Yves-Thibault de Silguy (chairman), Jean-Pierre Lamoure, the permanent representative of Qatari Diar Real Estate Investment Company and Denis Vernoux. The committee is open to all Board members wishing to participate. VINCI's Chairman and Chief Executive Officer, Chief Financial Officer and the Vice-President, Business Development attend the meetings of the Strategy and Investments Committee. Secretarial duties for the committee are the responsibility of the Board Secretary.

Activities in 2010
The Strategy and Investments Committee met six times in 2010, with an average participation rate of 94%.

During the year it considered in particular:
• a plan to acquire a shareholding in a motorway concession company outside France;
• a plan to acquire a shareholding in the facilities management sector;
• numerous infrastructure concession projects;
• the Group's airport sector strategy.

The Remuneration Committee
Terms of reference
The Remuneration Committee proposes the terms and conditions of company officers' remuneration to the Board of Directors.

Its duties are to:
• make recommendations to the Board concerning the remuneration, pension and welfare benefit plans, benefits in kind and miscellaneous pecuniary rights, including any performance shares or share subscription or share purchase options granted to the company officers and to salaried members of the Board, if any;
• propose to the Board an overall package of performance shares and/or share subscription or purchase options on the Company's shares and the general and specific conditions applicable to these allocations;

- express an opinion on the Executive Management's proposals regarding the number of beneficiaries;
- propose to the Board an aggregate amount of directors' fees and the manner of their allocation.

In addition, the Remuneration Committee is informed of the remuneration policy applicable to the principal executives.

Composition
The Remuneration Committee comprises at least three directors designated by the Board. As of 1 January 2010, the committee was composed of Jean-Bernard Lévy (chairman), Dominique Bazy and Robert Castaigne. Since 6 May 2010, it has been composed of Jean-Bernard Lévy (chairman), Dominique Bazy and François David. The Board recognises all members of the committee as independent.

The Chairman and Chief Executive Officer attends meetings of the committee when it examines the proposals of the Executive Management relating to the Group Savings Scheme and long-term incentive systems. Secretarial duties for the committee are the responsibility of the Board Secretary.

Activities in 2010
The Remuneration Committee met three times in 2010, with a participation rate of 89%.

The committee examined and made proposals to the Board regarding:
- determination of the variable portion of company officers' remuneration for 2009;
- the situation of Mr Huillard as Chairman and Chief Executive Officer from May 2010;
- the supplementary pension scheme for senior executives;
- remuneration of Mr de Silguy from May 2010 in his position as Vice-Chairman and Senior Director;
- follow-up on the pension plan commitment for Mr de Silguy;
- the Group Savings Scheme;
- the total amount of directors' fees;
- implementation of a performance share plan and a share subscription option plan.

The Appointments and Corporate Governance Committee
Terms of reference
The Committee:
- ensures adherence to corporate governance rules;
- prepares the Board's discussions on the assessment of the Company's Executive Management;
- examines, on a consultative basis, Executive Management's proposals relating to the appointment and dismissal of the Group's principal executives;
- is informed of Executive Management's policy for managing the Group's senior executive positions and in this regard, the committee examines the procedures for succession;
- makes proposals on the selection of directors;
- examines all candidacies for appointments to the Board and expresses an opinion or recommendation to the Board on those candidacies;
- discusses, every year, the qualification of independent Board members;
- prepares, in a timely manner, recommendations and opinions on the appointment or succession to the posts of executive company officers.

Composition
The Appointments and Corporate Governance Committee comprises at least three directors designated by the Board. As of 1 January 2010, it was composed of Yves-Thibault Silguy (chairman), Dominique Bazy, Dominique Ferrero and Henri Saint Olive. Since 6 May 2010 it has been composed of Mr Yves-Thibault de Silguy (chairman), Patrick Faure and Dominique Ferrero.

The Chairman and Chief Executive Officer attends the committee's meetings when it examines Executive Management's proposals relating to the appointment and dismissal of the Group's senior executives and when it is informed of Executive Management's policy for managing the Group's senior executive positions. Secretarial duties for the committee are the responsibility of the Board Secretary.

Activities in 2010
The committee met four times in 2010 with an attendance rate of 100%.

The committee in particular:
- examined and proposed the renewal of expiring director appointments;
- proposed the appointment of a new director;
- decided whether and how to organise a formal assessment of the Board's work;
- assessed each Board member with regard to the independence criteria of Afep-Medef code and made proposals to the Board;
- examined the proposed agreement between the Company and YTSeuropaconsultants;
- proposed to the Board the new composition of the committees after the Shareholders' General Meeting of 6 May 2010;
- examined a change in the Group's operating structure;
- interviewed the Vice-President, Human Resources as part of the implementation of a Group human resources management system;
- interviewed the Chairman and Chief Executive Officer as part of a Group Executive Committee presentation;
- examined the consequences of the departure of an executive of the Group.

3.5 Assessment of the composition and functioning of the Board of Directors

In application of the Board of Directors internal rules, each year, the agenda for one Board meeting includes a discussion on the functioning of the Board with the aim of improving its effectiveness. In addition, a formal assessment is performed every three years under the supervision of a director or with the assistance of an outside consultant.

At its meeting of 3 March 2010, the Board decided to complete a formal assessment of the Board and its committees with the help of an outside consultant once the new governance structure was in place and fully effective.

According to the assessment, carried out in October and November 2010, the members of the Board felt that VINCI's corporate governance had become stronger since the previous assessment in 2008, on the following points:

- the Board has improved its working methods. In total, 93% of the directors believed that the Board's working methods and decision-making abilities were fully satisfactory. The Board has demonstrated its maturity and independence. Because of its confidence, it has an objective, balanced relationship with the Executive Management;
- the Board has full confidence in the Chairman and Chief Executive Officer and believes that his positioning vis-à-vis the Board is appropriate;
- the balance of power was strengthened by the most recent change in the governance structure. This change took place in 2010 and made VINCI a precursor in France regarding the position of Senior Director. In the view of the Board members, the change successfully:
  – conferred the position of Chairman to the Chief Executive Officer, thus strengthening the executive function;
  – maintained a balance of power vis-à-vis the Board of Directors by creating the function of Vice-Chairman and Senior Director. The holder of this innovative position quickly found his place on the Board and among his colleagues;

The Board members were pleased to see that the two individuals managed the change harmoniously and exercised their respective functions in a climate of mutual respect. They recognise that the function of Vice-Chairman has a real purpose and has been useful to them;

- the new positioning of the Strategy and Investments Committee has strengthened the Board's role in debate on strategy. Now that this committee is open to all directors, it is an effective forum for analysing and reviewing major projects;
- directors particularly appreciate the Board's annual visit to one of VINCI's major construction sites, because it is a very effective way for them to:
  - get to know the activities of the Group better;
  - meet VINCI's operational staff;
  - strengthen the Board's cohesion;
- the directors believe that the Board handles all the topics that are within its remit and has access to the information it needs to carry out its duties.

The directors also made recommendations to the Executive Management to improve processes even further.

The above assessment complied with the corresponding recommendations of the Afep-Medef code except for the following item: it did not measure the performance of each director in the work of the Board as a whole. The directors' individual attendance rates at Board meetings in 2010 was 100%, except for Messrs Bazy (87.5%), David (87.5%) and Lévy (75%).

4. Principles and rules for determining company officers' remuneration and benefits of whatever nature

4.1 Executive company officers' remuneration and benefits

The remuneration of executive company officers is set by the Board of Directors based on a proposal from the Remuneration Committee.

Situation before 6 May 2010

Until 6 May 2010, the remuneration package for the Chairman and Chief Executive Officer comprised i) a fixed portion, set at the time the executive company officer was appointed and reviewed annually by the Board of Directors based on a proposal from the Remuneration Committee, and ii) a variable portion corresponding to the amount of the variable portion allocated for the previous year times a performance index combining the following indicators: (a) net earnings per share, (b) cash flow from operations before tax and cost of financing per share, (c) return on capital employed, (d) change in the VINCI share price, (e) the relative performance of the VINCI share compared to the CAC 40 index, (f) the relative performance of the VINCI share compared to a basket of European companies in the same sector, (g) dividend trend.

For the Chief Executive Officer, the variable portion also included an amount left to the discretion of the Board.

For the period from 1 January to 6 May 2010, the Board decided (i) to maintain the fixed remuneration for Mr de Silguy in his capacity as Chairman for the period from 1 January to 30 April 2010 at €62,500 (gross) per month (i.e. €750,000 annually); and (ii) to set Mr de Silguy's variable remuneration in 2011 for the period from 1 January 2010 until the expiry of his term of office on 6 May 2010 on a pro rata basis using the performance index described above.

Mr de Silguy also benefitted from a special pension arrangement amounting to €380,000 per year, subject to performance conditions, intended to replace equivalent arrangements that lapsed when he resigned from the Suez Group to join VINCI. Given that this arrangement benefits a single person, it was not in compliance with the Afep-Medef code.

At its meeting on 3 March 2010, the Board of Directors decided to set the fixed remuneration for Mr Huillard at an annualised €700,000 for the 2010 financial year, and to set a new basis for the variable component of his remuneration in his capacity as Chairman and Chief Executive Officer that will replace the aforementioned formula for the whole of 2010.

As an employee of the Group, Mr Huillard benefitted, in common with certain other senior executives of the Group, from supplementary pension arrangements guaranteeing an additional annual pension capped until 2009 at €86,712 per year.

Remuneration policy from 6 May 2010

The Board set the following terms for the remuneration of the Chairman and Chief Executive Officer and the Vice-Chairman and Senior Director from 6 May 2010.

Xavier Huillard

On 6 May 2010, the Board confirmed the decisions taken on 3 March 2010 concerning Mr Huillard's remuneration and benefits from the time of his appointment as Chairman and Chief Executive Officer until the end of his term. His remuneration and benefits are as follows:

- a fixed remuneration component of €700,000 on an annual basis for 2010;
- a fixed remuneration component of €900,000 on an annual basis from 1 January 2011;
- a variable remuneration component applicable from the 2010 financial year, which may vary between zero and €1,440,000 according to his performance, comprising a two-part bonus, with one part calculated according to three financial criteria (earnings per share, operating profit and free cash flow) and a second part calculated based on managerial factors;
- a long-term incentive scheme allowing for an unguaranteed amount to be awarded gradually, variably and based on specific performance objectives. Except in specific cases, incentive scheme awards will vest only once the beneficiary has completed his term of office. Under this incentive scheme, for each of the four years of his term of office, Mr Huillard will be granted an amount equivalent to (a) 16,600 times the value of the VINCI share provided that ROCE exceeds 6%, and (b) 41,500 times the increase in the VINCI share price over a one-year period provided that the VINCI share outperforms a peer group comprising at least 10 European construction and infrastructure concession companies by at least 5%. In the event of lesser performance, the amount of the annual allocation under (a) will be reduced and will be equal to zero if ROCE is less than 5%, and the allocation under (b) will be reduced to zero if the VINCI share underperforms the peer group by more than 5%;
- Mr Huillard will be deemed to have the status of a senior executive, thereby entitling him to benefit from the supplementary pension scheme established for senior executives of VINCI S.A. and mentioned in paragraph D.3.2 d) of the Report of the Board of Directors, page 122, as well as from the Group's welfare benefit plans;
- Mr Huillard is eligible for severance pay in the event that the Company terminates his appointment before the end of his term as a director (Shareholders' General Meeting called to approve the financial statements for the year ending 31 December 2013). This is limited to 24 months of his remuneration and subject to performance criteria similar to those used in calculating the financial component of his variable remuneration. Severance pay shall be equal to 24 months if average performance is at least equal to 130% of the objective and nil if average performance is less than or equal to 70% of the objective.

These last two commitments were approved by the Shareholders' General Meeting of 6 May 2010.

The employment contract Mr Huillard had with the Company from 1996 terminated on 6 May 2010 via resignation, without compensation, in compliance with the recommendations of the Afep-Medef code.

Mr Huillard did not benefit from the mixed incentive scheme under which share subscription options and performance shares are granted, as decided by the Board of Directors in its meeting of 9 July 2010.

Yves-Thibault de Silguy

Since 6 May 2010, Mr de Silguy, who has activated his pension rights as of 30 April 2010, has been entitled to directors' fees in his capacity as Vice-Chairman and Senior Director. These are calculated as described in paragraph 4.2.

In addition, on 3 March 2010, the Company signed a services agreement with YTSeuropaconsultants, of which Mr de Silguy is the sole partner. This agreement was authorised by the Board of Directors and approved by the Shareholders' General Meeting of 6 May 2010. The agreement calls for the provision of services as described in paragraph A.2 above, with oversight by the Audit Committee, in return for an annual fee of €330,000 (ex. VAT) and has a duration of one year, renewable automatically.

4.2 Directors' fees

The Shareholders' General Meeting of 6 May 2010 set the aggregate annual amount of directors' fees at €920,000 as from the financial year starting on 1 January 2010.

At its meetings of 27 February 2008 and 3 March 2010, the Board of Directors allocated directors' fees as follows:
- since 6 May 2010, the Chairman and Chief Executive Officer receives no directors' fees from the Company;
- since 6 May 2010, the Vice-Chairman of the Board receives an annualised fee of €140,000, of which €30,000 is variable;
- each Board member receives €40,000, of which €20,000 is variable;
- the chairman of each committee receives €25,000, the members of the Audit Committee receive €15,000 and the members of the other committees receive €10,000 in addition to the fees mentioned above.

Payment of the variable fee is dependent on the member's attendance at Board meetings. The variable fee will be reduced by €2,500 per meeting for any Board member who misses two or more meetings.

5. Formalities for participation of shareholders in the Shareholders' Meeting

The formalities for shareholders to participate in the Shareholders' Meeting are described in Article 17 of the Articles of Association and reproduced below.

Article 17 – Shareholders' Meetings
Shareholders' Meetings are called and take place in accordance with the legislation and regulations in force.

The meetings are held either at the registered office or at another location specified in the notice of the meeting.

All shareholders may, regardless of the number of shares they own, participate in meetings personally or by proxy, on producing evidence of their identity and shareholding in the form of either:
- a personal registration of the shares in their own name; or,
- a record of the shares in a bearer securities account with an authorised intermediary, who provides an attendance certificate, which can be communicated by electronic means if necessary.

These formalities must be completed no later than midnight (Paris time) on the third business day before the meeting. Shareholders wishing to attend the meeting but who have not received their admission card by midnight (Paris time) of the third business day before the meeting will be given an attendance certificate. However, the Board of Directors may shorten or remove this time period provided that any such decision applies to all shareholders.

If the Board of Directors so decides when the Shareholders' Meeting is called, any shareholder may take part in the meeting by videoconference or vote by any telecommunication or electronic means, including via the Internet, in accordance with the applicable regulations in force at the time such means are used. Any such decision is communicated in the Notice of the meeting.

Postal votes may be cast subject to the terms and conditions defined by the law and regulations. Shareholders may transmit proxy forms and postal votes for every Shareholders' Meeting, under the conditions set by the law and regulations, either in paper form or, if the Board of Directors so authorises, by electronic means, including via the Internet. Those shareholders who use the electronic voting form made available on the website set up by the centralising bank within the required time period are considered as being present in the same way as shareholders physically present or represented. Shareholders may complete and sign the electronic voting form directly on the centralising bank's website by any process decided by the Board of Directors that meets the conditions set forth in the first sentence of the second paragraph of Article 1316-4 of the French Civil Code and Articles R.225-77, subsection 2, and R.225-79 of the French Commercial Code and, more generally, the provisions of law and regulations in force. This process may include the use of a personal identifier and password.

Proxy forms received and votes cast prior to the Shareholders' Meeting by electronic means, together with the acknowledgement of receipt provided, shall be considered as irrevocable acts enforceable with regard to all parties involved, it being specified that in the event of shares being sold before the third business day preceding the Shareholders' Meeting at zero hour (Paris time), the Company shall invalidate or amend, as necessary, any proxy form or vote cast prior to such date and time.

Shareholders' Meetings are chaired by the Chairman of the Board of Directors or, in his or her absence, by the Vice-Chairman and Senior Director of the Board of Directors, if a Vice-Chairman has been designated, or by a member of the Board of Directors specifically appointed by the Board of Directors to that effect. Failing that, the Shareholders' Meeting elects its own Chairman.

The minutes of the Shareholders' Meetings are drawn up and copies thereof are certified and delivered in compliance with the regulations in force.

6. Publication of information required by Article L.225-100-3 of the French Commercial Code

Information mentioned in Article L.225-100-3 of the French Commercial Code concerning elements likely to have an impact in the event of a takeover offer is published in the Report of the Board of Directors on page 155.

B. Internal control and risk management procedures

1. Introduction

1.1 Definitions and reference framework

In July 2010, the French stock market regulator, the Autorité des Marchés Financiers (AMF), published the findings of the working group formed under its aegis. This document is entitled "Risk management and internal control systems: reference framework".

The Group uses this document as its reference framework.

Risk management and internal control systems complement each other in order to keep control over the Group's business.
The risk is that an event might take place with consequences that would adversely affect the objectives of the Group and in particular its financial condition and reputation.

Risk management aims to identify and analyse the principal risks Group entities encounter. Internal control encompasses all the controls to best handle these risks.

Risk management is a set of resources, behaviours, procedures and initiatives that correspond to the VINCI Group's characteristics and enable its executives to maintain risk at an acceptable level.

VINCI's risk management system is a management tool used by each company in the Group to help:
- create and preserve value, assets and the company's reputation;
- secure the company's decision-making procedures and other processes so as to increase the likelihood of achieving objectives;
- ensure that initiatives are in line with the Company's values;
- foster a shared view of the principal risks among employees of the Company.

The internal control system aims more particularly to ensure:
- that the instructions and guidelines set by the Executive Management are implemented;
- that the activities of the Group are in compliance with laws and regulations;
- that the Company's internal processes function correctly, notably those contributing to the safeguarding of its assets;
- that financial reporting is reliable.

The internal control system is a set of resources, behaviours, procedures and initiatives that correspond to the VINCI Group's characteristics, which:
- helps businesses run smoothly and contributes to effective operations and efficient use of resources;
- must take significant risks into account in an appropriate manner, whether they are operational, financial or legal risks.

Nevertheless, like any set of controls, the internal control system – however well designed and implemented – cannot provide an absolute guarantee that the Group will achieve its objectives.

1.2 Scope of risk management and internal control

In addition to managing a system specific to VINCI Holding, the Group also ensures that there are risk management and internal control systems in place at each of the subsidiaries in its scope of consolidation. A list of these principal consolidated entities can be found in Chapter K of the notes to the consolidated financial statements, pages 263-269.

For the specific case of the Belgian company CFE – in which VINCI has a 46.84% capital stake – and its subsidiaries, these provisions are adapted to the specific features of Belgian law, which attributes responsibility for risk management and internal control to the Board of Directors of companies listed on the stock exchange.

Entrepose Contracting, which is listed on the Paris stock exchange and is a consolidated subsidiary of VINCI, issues its own Chairman's report on risk management and internal control.

2. Environment and organisation

2.1 Principles of action and conduct

The businesses in which VINCI operates require the personnel involved to be geographically close to customers in order to ensure the prompt delivery of solutions that are suited to their needs. To enable the manager of each business unit – some 3,000 in total in the Group – to take the required operational decisions rapidly, a decentralised organisation has been implemented in each of the four major business lines (Concessions, Energy, Roads and Construction) and in VINCI Immobilier.

This organisation entails delegation of authority and responsibility to operational and functional staff at all levels. The delegation of authority to operational and functional management staff is carried out in compliance with the general guidelines (see paragraph 4.2) and the principles of action and conduct to which VINCI is strongly committed:

- strict compliance with the rules common to the whole Group, in particular in respect of commitments, risk-taking (see paragraph 4.3), acceptance of contracts (see paragraphs 4.3 and 4.5) and reporting of financial, accounting and management information (see paragraph 4.5). These common rules, which are deliberately restricted in number given the spectrum of the Group's activities, must be strictly applied by the staff concerned and their teams;
- transparency and loyalty of managers towards their line management superiors and towards functional departments of the business lines and the holding company. In particular, managers are required to inform their superiors of any difficulties encountered in the performance of their duties (e.g. with respect to carrying out work on sites, relations with customers, government departments and suppliers, financial partnerships, internal relationships, personnel management, safety, etc.). An integral part of operational managers' duties is to take decisions alone on matters falling within their area of competence, within the framework of the overall guidelines they have received and accepted. Nevertheless, any difficulties encountered must be handled with the assistance, as necessary, of their line management superiors or the functional departments of the business lines and the VINCI holding company;
- compliance with the laws and regulations in force in the countries where the Group operates;
- adherence to the Code of Ethics and Conduct;
- responsibility of operational executive managers to communicate the Group's principles governing action and conduct to their staff by appropriate means and to set a good example. This responsibility cannot be delegated;
- health and safety of individuals (employees, external service providers, subcontractors, etc.);
- a culture of financial performance.

2.2 Participants in the risk management and internal control processes

Everyone in the organisation plays a role in risk management and internal control, from the governing bodies to the employees of each Group subsidiary.

VINCI's **Board of Directors** represents all the shareholders collectively and is responsible for monitoring management performance, defining the Company's strategic choices and ensuring that the Company functions properly. It considers all major matters concerning the Group's business. In its report, the Board reports on the principal risks and uncertainties the Group faces, delivering information in particular on the Group's use of financial instruments.

In 2003, the Board adopted a set of internal rules and created specialised committees for audit, strategy and investment, remuneration, and appointments and corporate governance. Accordingly, it assigned to the **Audit Committee** specific responsibilities related to accounting rules and procedures, and to the monitoring and analysis of the financial statements and forecasts. The Audit Committee reviews the internal control and risk management systems in place in the various entities of the Group. In so doing, it acquires a good understanding of the procedures related to the preparation and treatment of accounting and financial information.

The **Executive Committee** has 13 members as of the date of this report:

- the Chairman and Chief Executive Officer;
- the Executive Vice-President and Chief Financial Officer of the Group;
- the Executive Vice-President, Contracting;
- the Chairman and Chief Executive Officer of Eurovia;
- the Chairman of VINCI Construction;
- the Chief Operating Officer of VINCI Construction;
- the Chairman of the Energy business line;
- the Chief Executive Officer of VINCI Concessions;
- the Chairman of VINCI Autoroutes;
- the Vice-President, Business Development;
- the Vice-President, Human Resources and Corporate Social Responsibility;
- the Director of Corporate Communications;
- the General Counsel.

The Executive Committee is in charge of implementing the Group's strategy, defining its management policies (risk management, finance, human resources, safety, insurance, etc.) and monitoring their enforcement.

The **holding company** functions with a streamlined staff (171 people at end-December 2010), suited to the Group's highly decentralised structure. In particular, the holding company's functional departments ensure that the Group's rules and procedures, as well as the Executive Management's decisions, are correctly enforced. Furthermore, and depending on the needs that are expressed, these departments advise business lines on technical matters but do not interfere with operational decisions, which are the sole responsibility of the business lines.

The **Audit Department** has a three-part role:
- concerning risk management: based on guidelines from the Executive Management, it plays a leading role in deploying and implementing a structured, permanent and adaptable system, making it possible to identify, analyse and handle the principal risks. The audit department coordinates the risk management system by giving methodological support to the Group's operating and functional departments. It organises the meetings of the VINCI Risk Committee, which reviews and authorises new contracts exceeding certain thresholds set by the Executive Management;
- concerning internal control, the Audit Department's role is to draft and disseminate the general internal control procedures set by the holding company, ensuring in particular that they are appropriate for the way the Group is organised and in accordance with the law. To this end, the Audit Department organises the annual self-assessment survey on the internal control of the various components of the Group;
- concerning auditing, the Audit Department takes its cue from the work carried out by the business lines and by the members of the holding company's functional departments, depending on their areas of expertise.

The **business lines** carry out their activities based on the principles of action and conduct described in paragraph 2.1. In this regard, they implement risk management and internal control systems suited to their business.

3. Risk management system

Risks are defined as obstacles that might prevent the Company from achieving its objectives. These objectives include strategic (commitments), operational (common or specific to a business line), financial objectives, and compliance with laws and regulations.

The Group applies the policies set by the Executive Committee. These policies aim, by strengthening the risk management process at the Group level, to comply with the new legal requirements and to ensure that risks are monitored in a more formalised, systematic and homogeneous manner. This plan involves operational managers, but without further complicating operating methods. Risk monitoring is therefore an integral part of the existing procedures related to commitments and monitoring of operations.

A risk mapping process encompassing all the Group's activities was initiated in 2008 and completed in 2009. It was updated in 2010 as follows, in accordance with the AMF's recommendations (2010 reference framework):
- an anticipation of identifiable risks, either internal or external, that represent obstacles to the achievement of the Company's objectives;
- a qualitative assessment of risk severity, taking into account the impact, likelihood and degree of control of each element of risk.

Deployment of this procedure across all business lines at the level of the holding company, business lines and divisions (total of 15 entities) has enabled the Group to identify, assess and select the major risks for the various components of the Group: holding company, Concessions, Contracting and property. These risks are described in the chapter entitled "Risk factors", on page 108 of the Report of the Board of Directors.

In 2010, using a mapping system specific to each business (Concessions, Contracting), risk scorecards were developed, making it possible to present the most significant events during Risk Committee meetings and evaluate them in a uniform manner.

The risk map is updated annually.

4. Internal control system

The main procedures described below are common to all companies in the Group. There are specific procedures within each business line, in particular for the monitoring of projects and forecasting of results, especially for contracts spanning several years.

4.1 Compliance with laws and regulations

The standards of behaviour included in the Group's compliance objectives are set by the laws and regulations in force.
The legal department of the holding company is responsible for:
- maintaining a legislative watch in order to remain informed of the various rules applicable to the Group;
- informing employees about rules pertaining to them;
- monitoring major acquisition projects and disputes that could affect the Group.

These provisions are supplemented by a system adapted to the business lines and subsidiaries, particularly those located outside France.
A variety of training and awareness sessions have been held in this regard.

As discussed in the "Sustainable development" chapter, particular emphasis is placed on:
- safety of employees on worksites through active implementation of the Group's risk prevention policy;
- purchasing and subcontracting.

4.2 Application of the guidelines and instructions of Executive Management

The chairmen of the Energy, Eurovia, VINCI Construction and VINCI Autoroutes business lines, the Chief Executive Officer of VINCI Concessions and the Chairman of VINCI Immobilier exercise the powers given to them by law.

Under the Group's internal organisation, they are also required to comply with the general guidelines issued for them by VINCI's Chairman and Chief Executive Officer.

These apply in particular to the following areas:

- entering into commitments, and in particular new contracts that are complex, are of a significant size or involve significant potential risks; acquisitions and disposals; property transactions, and material off-balance sheet commitments;
- reporting to the holding company of accounting and financial information or information relating to events that are material for the Group, in particular in respect of safety, litigation, disputes and insurance policies and claims.

These general guidelines require compliance with the holding company's procedures regarding the acceptance of new contracts or investments. These procedures define thresholds above which specific authorisation must be obtained from the appropriate committees, namely the Risk Committee (see paragraph 4.3) or the Strategy and Investment Committee, or where prior notifications must be issued to the Chairman and Chief Executive Officer and/or to certain VINCI functional departments.

These directives are cascaded through the organisation by the heads of the business lines:

- via delegations to operational and functional staff for the provisions concerning them;
- to managers serving as company officers in a company in their business sector.

Operational and functional line managers regularly carry out field inspections and spot checks in order to ensure that the principles of action and conduct described in paragraph 2.1 are applied continuously and effectively.

4.3 Procedures related to new commitments – the VINCI Risk Committee

Strict control procedures are in force that must be complied with before a new commitment is accepted.

The role of the Risk Committee is to assess:

- acquisitions and disposals of businesses;
- the terms and conditions of tenders for construction works which, by virtue of their scale, specific financing characteristics, location or technical characteristics, entail specific risks of a technical, legal, financial or other nature. The thresholds for automatic, prior review and vetting by the Risk Committee are defined in the general guidelines. They apply to the entire project, taking all works together, irrespective of the Group's share therein or the manner in which contracts are awarded (call for tenders, direct contracts, etc.);
- all transactions relating to property development, concession operations, public-private partnerships (PPPs) or long-term commitments, including all associated financing, whether in France or abroad.

For construction contracts, other thresholds, below those necessitating a review by the Risk Committee, require that an information sheet be sent to VINCI's Executive Management.

Submission to the Risk Committee formalises the commitment made by the manager of the subsidiary to his or her superiors as to the quality and expected results.

The Risk Committee usually comprises the following members:

- the Chairman and Chief Executive Officer and /or the Executive Vice-President, Contracting;
- the Chairman (or Chief Executive Officer) of the business line involved;
- the Group's Executive Vice-President and Chief Financial Officer;
- the Chief Audit Officer;
- the operational representatives of the bidding company or companies (Chief Executive Officer, project manager, design manager, etc.);
- the functional representatives of the company or business line involved (legal, insurance, finance, etc.).

The composition of the Risk Committee may be adjusted in relation to its agenda (e.g. review of property transactions, acquisitions of companies, concession contracts, PPPs).

The Group Risk Committee, in its various configurations, met 235 times in 2010 and reviewed 317 projects.

4.4 Procedures related to monitoring of operations

Business lines have their own operational control systems tailored to their business. Specific budget control measures have been implemented by the Energy, Eurovia and VINCI Construction business lines and by each of the concession activities (motorways, car parks, etc.). They make it possible to monitor progress regularly on construction sites and contracts. These systems are compatible with those used to prepare and process financial and accounting information as described below.

Monthly dashboard reports related to business, new orders, order book and the Group's consolidated net borrowing position are prepared by the finance department on the basis of detailed information provided by the business lines.

Each entity's executive management team prepares a monthly report on key events.

The budget procedure is common to all Group business lines and their subsidiaries. It is built around five key dates in the year: the budget for the next year at the end of the current year, followed by four updates in March, May, September and November. For each of these stages, management committees meet to consider each business line's situation and financial data, in the presence of the Group's Chairman and Chief Executive Officer and the Executive Vice-President and Chief Financial Officer.

In addition, the business lines participate in regular monitoring of VINCI's social and environmental responsibility commitments as described in the "Sustainable development" chapter, with a particular emphasis on safety.

4.5 Procedures related to the preparation and processing of financial and accounting information

The budgets and consolidation department, reporting to the finance department, is responsible for the production and analysis of VINCI's financial information (parent company and consolidated financial statements) that is disseminated inside and outside the Group. It must ensure such data is reliable. In particular the budgets and consolidation department is in charge of:

- preparing, approving and analysing VINCI's half-year and annual parent company and consolidated financial statements and forecasts (consolidation of budgets, budget updates and three-year forecasts);
- defining and monitoring the Group's accounting procedures and implementing IFRS standards;
- coordinating "Vision", the Group's financial information system, which includes the consolidation process and unifies the various VINCI reporting systems (accounting and financial information, commercial data, debts, human resources).

The budgets and consolidation department establishes the timetable and closure instructions for the preparation of the half-yearly and annual accounts. These instructions are sent to the business lines' finance departments and are presented in detail to the staff in charge of consolidation in the related entities.

The Group's accounting rules and methods, including the definition of reporting documents and consolidation packages, are set out in widely distributed procedural notes and published on VINCI's corporate intranet. At each accounts closure, business lines transmit a package to the budgets and consolidation department containing an analysis of the consolidated data submitted and comments thereon. Complex transactions are subject to specific analyses, which are validated by the Statutory Auditors.

The Statutory Auditors present their observations, if any, on the half-year and annual accounts to the Audit Committee before they are presented to the Board of Directors.

Before signing their reports, the Statutory Auditors request representation letters from Group management and management of the business lines. In these representations, Group management and management of the business lines confirm that to the best of their knowledge, all items at their disposal have been submitted to the Statutory Auditors so as to enable them to perform their duties and that any anomalies noted by the Statutory Auditors and still unresolved at the date of these representations do not have a material impact, either individually or in aggregate, on the financial statements taken as a whole.

5. Actions undertaken to strengthen internal control and risk management

5.1 Tasks carried out prior to 2010

In 2003, VINCI initiated an action plan intended to enhance the quality of the Group's internal control and risk management systems without calling into question the principles and features of its management organisation. This organisation combines an entrepreneurial culture, autonomy for operational managers, transparency and loyalty, and a network-based operating model, all in a decentralised environment. These actions included, in particular:

Evaluation of internal control

Annual self-assessment surveys to measure the quality of internal control, in accordance with the requirements of the French Financial Security Act, covered an ever-increasing number of Group entities, rising from 193 in 2005 to 257 in 2009.

Information systems

Surveys to assess how well information systems function were carried out in 2006, 2008 (13 entities in France, a representative sample) and 2009 (33 foreign subsidiaries).

5.2 Tasks carried out in 2010

The annual self-assessment survey of **internal control** quality in the VINCI Group was carried out on 310 entities in 2010 (including 66 outside France), representing 77% of the Group's consolidated business. The questionnaire included 50 questions for operational entities (301 entities surveyed) and 26 questions for holding companies (nine entities surveyed). The report prepared by the holding company's Audit Department was presented to the Audit Committee in November.

As in 2009, a specific questionnaire was sent to the Chairman and Chief Executive Officer covering matters related to his function.

Risk management was a key area of focus throughout the entire Group in 2010:
- risk maps developed in 2009 were updated and the results of meetings between the Audit Department and the executives of the principal Group entities were integrated;
- risk scorecards enabling risks to be assessed and presented in a uniform way were used during Risk Committee meetings and will be available to the finance committees and during budget updates.

The **Code of Ethics and Conduct** was disseminated initially via the corporate hierarchy. It was made available to all employees on VINCI's intranet on 1 February 2011.

In addition to these shared approaches, **specific actions** were carried out in the various Group entities.

At **VINCI Construction,** the cost control and internal audit functions are performed at the level of the divisions, due to the business line's size and the range of its activities. The holding company of the Construction business line has a streamlined staff structure, and its role is to define common rules, based on the Group's rules but adapted to the specific features of its businesses. Its role consists of monitoring the internal control programmes drawn up by the divisions (including the deployment of new IT tools or procedures), verifying their consistency and progress, and triggering audits.

As of end-2010, the divisions of VINCI Construction were VINCI Construction France, overseas France subsidiaries, Sogea-Satom (subsidiaries in Africa), CFE (Belgium), VINCI Construction Grands Projets, Central European subsidiaries, VINCI Construction Terrassement, Dodin Campenon Bernard, Entrepose Contracting, Soletanche Freyssinet and VINCI Construction UK.

At **VINCI Construction France**, the software used for accounting, cash management, payroll, legal affairs and key performance indicators was harmonised. At the same time, audits were carried out in the entities of two delegations (South-West and Rhône-Alpes South), as were two audits of the management control of significant construction sites (the Violay tunnel and the extension of Paris metro Line 12).

At **Sogea-Satom** (subsidiaries in Africa), six audits were carried out, principally in the areas of taxation, accounting and cost control. Concurrently, a programme to harmonise practices in the various countries was initiated for accounting processes, construction site monitoring and plant and equipment management.

Soletanche Freyssinet is composed of two groups that used to have their own systems, and the harmonisation process begun in 2009 was continued in 2010. Specifically, the delegation procedure and associated authorisation matrix were implemented across the whole scope of consolidation, the cash forecasting tool was fully rolled out, currency hedging was gradually introduced, and network configuration and server backup procedures were implemented in France. In addition, an IT system audit was carried out in Dubai.

VINCI Construction UK put the "VINCI plc Directors' and Senior Executives' Policies and Procedures Manual" on its intranet. Based on the risk map, specific initiatives were undertaken to reduce the most significant risks. As part of the Finance Leadership Team, VINCI plc continued to deploy its COINS management system, which was started in 2009 and now covers a majority of activities.

VINCI Construction Grands Projets developed a new corporate manual and put it on its intranet. Risk management constitutes an important part of the manual. The "Major Projects Team" training programme, which takes into account these factors, continued in 2010 when the emphasis was on systematic analysis and reporting of risks and opportunities. Other training and awareness sessions were held on topics such as quality, safety, environment and ethics. Lastly, nine project reviews were carried out during the year.

In 2010, **VINCI Construction Terrassement** continued to apply the internal control rules of VINCI Construction France. In addition to implementing Magellan, an integrated accounting tool common to all units, certain specific initiatives were pursued: detailed quarterly review of the accounts of the profit centres, controls carried out by the human resources and finance departments, and quality, health and safety, and environment visits.

Dodin Campenon Bernard moved forward on two important IT projects in 2010. It implemented Magellan, the integrated accounting tool, and replaced the supplier payment system so as to improve transaction security. In addition, specific initiatives were pursued. These involved essentially updating purchasing procedures and invoice circulation and validation procedures.

After deploying the management rules and new pricing software (Lauréat), the **Central European subsidiaries** monitored the enforcement of the procedures. Eleven audits were carried out, principally in Poland and the Czech Republic.

Entrepose Contracting distributed an internal control manual setting fundamental rules. Each subsidiary is responsible for building on this common base, depending on its specific characteristics. At the same time, audits were carried out at the head office (cash management department) and in a Romanian subsidiary (ISIS). In addition, an IT audit was organised over the entire scope of consolidation.

The **Energy business line** continued the work begun in previous periods. A self-assessment campaign focusing on human resources processes (56 questions) was carried out over 705 active business units, thereby supplementing the general VINCI campaign. Moreover, a complete self-assessment questionnaire (223 questions) was completed by the business units recently acquired by VINCI Energies or business units with a new executive (119 in all). During the year, 198 internal control and accounting audit tasks were carried out.

In 2010, in line with its programme, **Eurovia** deployed its management system in its international entities in the United States, Germany and Spain. As part of the integration of Tarmac, working groups were created to standardise procedures for managing quarries, in particular for taking inventory, valuing stocks and evaluating reserves. Work was also done regarding IT systems, namely for managing security policies, reviewing IT operation procedures and strengthening the security of the Kheops infrastructure and network access controls.
The business line's internal audit department carried out 24 audits in France and abroad in 2010.

VINCI Concessions launched its programme aimed at improving practices for programme management and ownership, known by its French acronym "APMO". This re-evaluation covers people, procedures, organisation and behaviour. Fifty documents were drafted in 2010; eight of them concern internal processes related to three high-priority objectives: understanding through a common vocabulary, common risk management tools, a manual for concession companies.

In 2010, **VINCI Park** carried out approximately 100 reviews aimed at ensuring adherence to operating procedures. In France, the emphasis was on monitoring on-street parking contracts. Analysis of business continuity plans shows VINCI Park to be resilient, given the wide dispersion of sites.

Cofiroute pursued its efforts to reduce the risk of fraud, assist in receivables collection, implement a business recovery plan, heighten IT security and improve employee safety on the network. Fifteen process audits were carried out with reference to the QHSE (Quality, Health and Safety, Environment) management system.

ASF beefed up its ability to combat toll fraud by appointing a manager with centralised responsibility. In human resources, a framework agreement on the prevention of psychosocial risks was signed by management and all unions represented in the company. This agreement grew out of ASF's long-standing policy of safeguarding health in the workplace. As part of its common accident prevention policy, VINCI Autoroutes continued to raise awareness among employees about road risks.

Escota's risk management programme, begun in late 2007, entered a new operational phase in early 2010 when the company began using dedicated risk management software. In addition, two audits were carried out on compliance with France's freedom of information act and on procedures related to implementing tunnel safety.

VINCI Immobilier pursued its risk management initiatives. In this context, after updating the risk map, a procedure to analyse risk at the start of the construction phase was implemented. As an extension of this initiative, a study of the "programme quality" audit procedure is under way. Furthermore, to guarantee that all management tools are secure and available, the infrastructure of the IT system was recalibrated so as to reduce the risk of breakdown or failure. Budget update procedures were also reorganised and increased in number from three to four per year.

5.3 Work to be done in 2011 and beyond

VINCI aims to continue improving the organisation of internal control within the Group, while maintaining a streamlined chain of command, both at the holding company level and at the level of the business lines.

The priority areas for improvement identified for all business lines include:
- continued deployment of management tools that are common to the various business lines, especially in non-French subsidiaries;
- integration of entities acquired in 2010 (Cegelec, Faceo, Tarmac) by deploying the procedures and resources common to the Group and those of the business line, so as to ensure rapid dissemination and implementation of the Group's internal control culture, tools and practices;
- continued reflection on ways to bring forward the dates of production and publication of financial and accounting information.