Report of the Chairman of the Board on corporate governance and internal control procedures

In accordance with Article L.225-37 of the French Commercial Code, the objective of this report of the Chairman of the Board of VINCI is to give an account of the composition of the Board of Directors, the application of the principle of equal representation of men and women on the Board, how the Board's work is prepared and organised, and the internal control and risk management procedures the VINCI Group has put in place.

This report was prepared by the Chairman in liaison with the Company's Finance Department (the Audit Department being included therein) and Legal 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 5 February 2013.

A. Corporate governance

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

At its meeting of 13 November 2008, the Board of Directors of VINCI decided that the Company would, as from financial year 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.com). The following criteria or recommendations of this code have been set aside:

Criterion/recommendation set aside	Reason
A Director is not considered independent if he/she has held his/her position for more than 12 years.	The Group's significant assets relate to multi-year contracts that are in effect over a long period of time, sometimes several decades (concessions and public-private partnerships). Board members must have sufficient perspective on these activities. The individuals affected by this criterion are fully independent in their judgement.
A Director is not considered independent if he/she is a company officer of a subsidiary.	Provided the Board member in question is otherwise considered independent, the Board believes that the fact that he/she holds the position of (non-executive) Director of a subsidiary is a strength, and that this situation does not make him/her less independent in his/her judgement.
An executive may only receive a termination benefit if the departure from the company is imposed and due to a change in control or strategy.	In May 2010, the Company made a commitment to its Chairman and Chief Executive Officer to pay a benefit in the event the Board terminated his appointment, regardless of the reason. However, the Board has made payment of this benefit subject to performance criteria.
The Board's assessment must measure the contribution of each member of the Board.	There is no formalised system for measuring the individual contribution of each Board member. All of the members of the Board approved of the collegial manner in which the Board functions. This can only result from positive individual contributions.

2. Executive Management structure

On 6 May 2010, shareholders renewed Mr Huillard's appointment as a member of the Board. The Board then decided to combine the functions of Chairman of the Board and Chief Executive Officer. The Board believed – and continues to believe – that this decision, announced in November 2009, represents the most appropriate choice for the Group because i) its operational structure demands it, with Executive Management of a listed holding company supported by structured businesses, Concessions and Contracting, ii) it wanted to unify the Group's top-level representation vis-à-vis third parties so as to clarify it and make the Group more responsive. The Board believes that the Group's solid performance over the last two years, in a tough economic environment, has confirmed the soundness of its decision.

Chairman and Chief Executive Officer

Xavier Huillard, Chairman and Chief Executive Officer:
- organises and directs the work of the Board and reports thereon to shareholders at 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;
- 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, subject to the powers that the law attributes expressly to shareholders and to the Board of Directors, and in accordance with the Board's internal rules. 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 Board's internal rules require the Company's material transactions, referred to in paragraph 3.3 below, to be subject to prior approval by the Board. In addition, 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 22 times in 2012, 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 as well as on cross-cutting policies within the VINCI Group. This committee has 35 members and met four times in 2012.

Mr Huillard also chairs the Risk Committee mentioned in paragraph 4.3 of part B with powers to delegate this function.

Vice-Chairman and Senior Director of the Board

Yves-Thibault de Silguy was named Vice-Chairman and Senior Director of the VINCI Board on 6 May 2010. Mr de Silguy was previously Chairman of the Board (from 2006 to 2010), and he proposed that the Board change its system of corporate governance by creating a new Senior Director function with real prerogatives, set out in the Board's internal rules. The Board approved his proposal unanimously. The Senior Director has an outstanding level of information about the Group and how it operates and also enjoys specific powers that are specified in the Board's internal rules and restated in the Report of the Vice-Chairman and Senior Director on page 194 of this report. These factors ensure the system's efficiency. Mr de Silguy cannot be considered an "independent Director" as defined by the Afep-Medef code because he held the position of Chairman of the Board between 2006 and 2010. Nevertheless, the Board considers that his exceptional knowledge of the Group by virtue of his previous position, the information from which he will continue to benefit, as specified in the internal rules, and his availability constitute sufficient reason to assign the position to him. Mr de Silguy reports on his activity to the Remuneration Committee in the form of a detailed written report.

Mr de Silguy:
- devotes part of his time to remaining up to the minute on the Group's news and events through regular meetings with the Group's principal operational and functional executives;
- assists the Chairman and Chief Executive Officer, as part of the company's corporate governance arrangements, in organising the work of the Board and its committees;
- provides the Board with his insights on transactions it will have to consider, supplementing the activity of the Board committees, and ensures the proper functioning of governance bodies on behalf of the Board;
- calls a meeting of the Directors once a year, without the Chairman and Chief Executive Officer being present.

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 the Chairman and Chief Executive Officer and the executives of the Group's numerous subsidiaries, at their request, in high-level representation vis-à-vis governmental authorities and major customers and business partners in France and abroad. This support is governed by a services agreement approved by shareholders at the Shareholders' General Meeting of 6 May 2010. The Board of Directors is careful to ensure that this contract does not give rise to a conflict of interest or weaken the role of Senior Director that has been separately assigned to Mr de Silguy. To this end, his remuneration is a fixed, non-adjustable sum and the agreement's execution is reviewed every year by the Audit Committee, on the basis of a detailed written report. Acting on the advice of the Audit Committee, which conducts an annual review of Mr de Silguy's activity report, the Board considers that the continuing performance of this agreement is useful for the Group and that the remuneration paid is consistent with the services provided.

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 has 13 members, including one member representing employee shareholders.

In 2012, shareholders renewed the term of Jean-Pierre Lamoure as Director. Dominique Bazy decided not to seek re-election to his position upon expiration of his term at the end of the Shareholders' General Meeting of 12 April 2012.

At the Shareholders' General Meeting of 16 April 2013, shareholders will be asked to vote on the renewal of the term of Michael Pragnell as Director and the appointment of two new Directors. In addition, the terms of office of François David and Patrick Faure will expire at the end of this Annual Shareholders' General Meeting.

Since the Shareholders' General Meeting of 12 April 2012, the percentage of women on the Board has been 15.4%. The Board aims to comply, within the specified time frame, with 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. At the Shareholders' General Meeting of 16 April 2013, shareholders will be asked to appoint Ms Yannick Assouad and Ms Graziella Gavezotti to the Board of Directors. Approval of the corresponding resolution will lift the percentage of women on the Board to 30.8%, thereby putting the Board in early compliance with the law and the Afep-Medef code. Furthermore, subject to approval of the resolutions on the renewal and appointment of Directors by the Shareholders' General Meeting, three of 13 Board members will not have French citizenship.

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 5 February 2013, 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.

For the purpose of evaluating the independence of VINCI's Directors, the Board decided to exclude the code's 12-year seniority criterion for the reasons explained in paragraph A.1 above.

Although certain VINCI Board members may be customers or suppliers of companies having business relationships with the Group, the Board has determined that, given the business of the Group and because business relationships between the companies in the Group and their industrial partners are highly dispersed, there is no significant flow of business requiring special surveillance and that might give rise to conflicts of interest. Concerning relationships with its partner banks, the Board examined the individual situation of the Director who has had responsibilities in the banking sector, and concluded that no conflict of interest has been identified over the last five years and that he has full independence of judgement.

After receiving the report of the Appointments and Corporate Governance Committee, the Board examined the situation of each Board member and reached 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. This evaluation is based on the fact that Mr de Silguy was Chairman of the Board of Directors from 2006 to 2010 and that he holds a services contract with the company. The Board has noted, however, that the execution and payment terms of this contract and the fact that Mr de Silguy is currently drawing a pension ensure that he has considerable independence of judgement;
- Elisabeth Boyer, Director representing employee shareholders. This evaluation was based on the fact that Ms Boyer is an employee of Cofiroute, a subsidiary of VINCI. The Board nevertheless noted that Ms Boyer is a member of an employee representative body, giving her protection that could enable her to be considered an independent Director under the European Commission Recommendation 2005/162/EC of 5 February 2005;
- Jean-Pierre Lamoure. This evaluation was based on the fact that Mr Lamoure was an employee of Soletanche Freyssinet, a wholly owned subsidiary of VINCI. The Board of Directors has noted, however, that Mr Lamoure no longer performs any operational functions within the VINCI Group.

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 independent, ensuring that they can carry out their remit in a fully independent manner.

- Robert Castaigne. The Board has taken into account the fact that until May 2008 Mr Castaigne was Chief Financial Officer and member of the Executive Committee of the Total Group, with which the VINCI Group has normal business relationships involving fuel purchase contracts or construction projects, for example. The Board believes that these factors do not alter Mr Castaigne's independence of judgement.
- François David. Mr David is Chairman of Coface. The Board believes, however, that the normal commercial relationships that might exist between the Coface Group and the VINCI Group (e.g. insurance policies for contracts entered into by VINCI subsidiaries abroad) do not alter Mr David's independence of judgement.
- Patrick Faure. The Board noted that Mr Faure has been a Director of VINCI since 1993, i.e. more than 12 years, and that he sits on the Board of Cofiroute, a company controlled by VINCI. The Board believes, however, that Mr Faure's directorship at Cofiroute does not alter his independence of judgement. On the contrary, the Board believes this constitutes an advantage inasmuch as Mr Faure has useful experience in motorway concessions from which the other members of the Board can benefit.
- Dominique Ferrero. The Board considers that Mr Ferrero no longer has an operational role within 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 2012.
- Jean-Bernard Lévy. The Board considers that the normal business relationships that exist between the Thales Group, of which Mr Lévy became the Chairman and CEO on 20 December 2012, and certain VINCI Group companies do not alter Mr Lévy's independence of judgement.
- Michael Pragnell held management responsibilities within Syngenta AG until 2007. This company has no business relationship with the VINCI Group.
- Henri Saint Olive. Mr Saint Olive is Chairman of Banque Saint Olive, which might enter into transactions with the Company or its subsidiaries or into private transactions with executives thereof. The Board believes, however, that such transactions do not alter Mr Saint Olive's independence of judgement.
- Pascale Sourisse. Ms Sourisse has management responsibilities within the Thales Group. The Board believes, however, that the normal business relationships that may exist between the Thales Group and certain companies in the VINCI Group do not alter Ms Sourisse's independence of judgement;
- Qatari Diar Real Estate Investment Company. The Board noted that the Qatari Diar Group held less than 6% of the share capital and voting rights of VINCI, acquired when the Cegelec Group was sold to VINCI. In addition, the Board noted that VINCI Construction Grands Projets, a wholly owned subsidiary of VINCI, and Qatari Diar are partners in the Qatari-law company Qatari Diar VINCI Construction (QDVC). This company, 51%-owned by Qatari Diar, is involved in developing construction activities in Qatar and elsewhere in the Middle East. Abdul Hamid Janahi has been the permanent representative of Qatari Diar on the Board of VINCI since 29 November 2012. The Board believes, however, that the information presented above does not affect Mr Hamid Janahi's independence of judgement as a member of the Board of VINCI.

As a result of this evaluation, the Board of Directors considers that nine of its 13 members, i.e. more than half, qualify as independent.

The Board has also examined the situations of Ms Yannick Assouad and Ms Graziella Gavezotti, whose appointments to the Board will be proposed to shareholders at their General Meeting on 16 April 2013, and considers that they meet all the criteria qualifying them as independent.

In view of the expiry of the terms of Mr David and Mr Faure, and if the two aforementioned candidates are appointed as Directors by the Shareholders' General Meeting, nine Directors out of 13 can be considered at that point as 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 are 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 has been involved as a company officer in a bankruptcy, sequestration of assets or liquidation during the last five years and none has been incriminated or officially punished by a statutory or regulatory authority. None has been disqualified by a Court from serving as a member of a Board of Directors or company management or supervisory body of a securities issuer, nor from being involved in the management or conduct of the affairs of a securities issuer 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 2012.

3.3 The Board of Directors' internal rules

In May 2003, the Board of Directors adopted a set of internal rules. The most recent version came into effect on 6 May 2010 when the Board decided to combine the functions of Chairman and Chief Executive Officer. This document specifies the rules applicable to the Board and its committees, and it includes rules of ethics detailing the standard of conduct expected of each Director. The internal rules may be consulted in full on the Company's website (www.vinci.com).

The internal rules of the Board of Directors specifically require the Board to examine and approve, prior to implementation:
- strategic transactions carried out by the Company and, more generally, by the Group;
- strategic investment projects and any transaction, in particular acquisitions and divestments, in excess of €200 million;
- transactions falling outside of the Company's announced strategy and any transaction brought to its attention by its Strategy and Investments Committee.

The internal rules of the Board of Directors also require that Board members be kept informed at all times of the Company's financial condition, cash position and commitments, and of all significant events and transactions related to the Company. They may request information about specific subjects and they may meet with the Company's principal executives, if necessary, whether or not the company officers are present, so long as the Chairman is notified in advance.

Lastly, the internal rules specifically define the powers and prerogatives of the Vice-Chairman and Senior Director. These include the right to call a meeting of the Board at any time and without a particular agenda, to add any item to the agenda, to call a meeting of the members of the Board or to meet with the members of the Executive Committee without the Chairman and Chief Executive Officer being present.

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 2012

The Board of Directors met nine times in 2012 and the average attendance rate at its meetings was 90%. The Board of Directors discussed all matters of importance relating to the Group's activities. The Executive Vice-President and Chief Financial Officer attends Board meetings. The General Counsel acts as Board Secretary.

In respect of the financial statements and day-to-day management of the Company, the Board:
- examined and approved the annual consolidated and parent company accounts for financial year 2011 together with the half-yearly 2012 consolidated and parent company accounts;
- examined the budget for 2013;
- approved the terms of the various reports to shareholders, prepared and called the Shareholders' General Meeting of 12 April 2012, approved the agenda and the resolutions submitted for shareholder approval and approved the Report of the Chairman on corporate governance and internal control procedures;
- took note of the work of the Audit Committee and the Strategy and Investments Committee;
- regularly examined the Group's business activities, on-going developments, financial situation, plans and indebtedness;
- decided to pay an interim dividend on 2012 earnings;
- examined the evolution of the share capital and the share buy-back programme;
- increased the limit of the Euro Medium Term Notes programme;
- approved the renewal of the Chairman and Chief Executive Officer's powers regarding guarantees and collateral;
- renewed a delegation of power to the Chairman and Chief Executive Officer to issue bonds.

Regarding corporate governance and remuneration, the Board:
- altered the composition of the Remuneration Committee following the non-renewal of Dominique Bazy's term as Director;
- took note of the work of the Remuneration Committee and the Appointments and Corporate Governance Committee;
- evaluated the independence of its members with regard to the criteria of the Afep-Medef code, proposed the renewal of the term of a Director and the appointment of a new Director;

- set the amount to be recognised in the financial statements for the second year during which Mr Huillard's long-term incentive plan is in effect;
- set Mr Huillard's variable remuneration for financial year 2011;
- approved the tentative work programme of the Board of Directors for 2013;
- proposed the introduction of a share subscription option plan and performance share plan for Group executives and employees;
- voted on the definitive number of performance shares and share subscription options under the 2010 plan, in light of the performance actually achieved;
- examined the calculation of the performance conditions for the long-term incentive plans (share option subscription and performance share plans and long-term incentive plan of the Chairman and Chief Executive Officer) in view of the intended acquisition of the ANA Group in Portugal.

Regarding employee savings plans, the Board:
- set the subscription price of shares to be issued under the French employee savings plan for the periods from 2 May to 31 August 2012, from 3 September to 31 December 2012 and from 2 January to 30 April 2013;
- examined a proposed international employee share purchase plan and delegated powers for a capital increase;
- examined the proposal for the introduction of a fund invested in bonds under the French employee savings plan.

In addition, the Board:
- took note of the work of the Strategy and Investments Committee;
- examined the plan to acquire the airport operator ANA in Portugal and various other acquisition projects, examined and finalised its responses to shareholders' written questions;
- approved guarantees;
- examined the Group's policy in respect of security;
- approved VINCI's sale of Cegelec Entreprise securities to VINCI Energies and examined VINCI Energies' capital increase;
- examined the Group's business activities in Ukraine.

One of the Board meetings was held in Kiev, Ukraine in October 2012, and visits were organised to some of the Group's projects in the country on that occasion (in particular the confinement shelter at the Chernobyl nuclear power plant).

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 circulated 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 provided.

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) concerning internal control procedures, assess subsidiaries' internal control systems with the managers of the internal control function and more particularly the internal audit plan, the conclusions of internal audits, the recommendations issued and the resulting follow-up action; (b) concerning risk management, regularly review the Group's financial situation and main financial risks and in particular its 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 follow-up action taken; 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 a recommendation on this matter;
- the Group's policy in respect of insurance;
- the setting up of procedures regarding business ethics and competition and ensure that there is a system for verifying that they are enforced.

To carry out its remit, the Board's internal rules specify that the Audit Committee may seek external advice, the cost of which is borne by the Company.

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.

The Board considers all four members to be independent Directors. By virtue of their professional experience and/or qualifications, the members of the Audit Committee have the financial and accounting expertise necessary to serve thereon. Their experience and qualifications are described in the curriculum vitae set out in the Report of the Board of Directors on page 127 of the 2012 annual report.

The Executive Vice-President and Chief Financial Officer acts as secretary to the committee.

Activities in 2012

The Audit Committee met four times in 2012, with a participation rate of 100%. The Audit Committee meets at least two days before the Board meeting called to approve the annual and half-yearly financial statements.

Audit Committee meetings dealt with the following subjects:
- the process of compiling accounting and financial information: review of the Group's financial statements, budget updates, cash positions and financial debt, the Group's financial strategy and on-going financial transactions; the Fast Close project to shorten the lead time for producing and publishing consolidated financial statements;
- the effectiveness of the Group's internal control and risk management systems: post-mortem review of difficult contracts in Contracting's three business lines, the results of the annual self-assessment LSF 2012, presentation of VINCI Finance International, the "risk factors" chapter of the Report of the Board of Directors; review of on-going disputes and litigation; review of ethics procedures in place;
- statutory auditing of annual and consolidated financial statements: discussions with the Statutory Auditors and review of their conclusions; adherence to legal and regulatory obligations concerning accounting and financial information; the Group's tax situation; changes to IFRSs;
- independence of the Statutory Auditors: review of the Statutory Auditors' statement of independence; fees paid to the Statutory Auditors' network; information on the services rendered that were directly connected to the assignment;
- proposal to renew for six years the term of office of the Statutory Auditors whose term expires in 2013.

In addition, the committee examined the services provided under the services agreement with YTSeuropaconsultants, of which Mr de Silguy is the sole shareholder.

For the purposes of this work, the following executives were interviewed: the Executive Vice-President and Chief Financial Officer, the Senior Vice President, Corporate Controlling and Accounting, the Director of Treasury and Financing, the Chief Audit Officer, the General Counsel and the Statutory Auditors. During their presentation, the Statutory Auditors emphasised the important points and the accounting options chosen.

The Strategy and Investments Committee

Terms of reference

This committee helps the Board review the Group's overall strategy. It examines proposed strategic investments and all transactions, including investments and divestments, that could have a material impact on the Group's scope of consolidation, business activities, risk profile, earnings or balance sheet or on the Company's share price. It carries out its reviews before these transactions are presented to the Board.

In particular its duties are to:
- examine the Group's three-year plan;
- prepare the Board's discussions on the Group's 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 by the VINCI Group in equity and debt of more than €100 million.

Composition

The Strategy and Investments Committee comprises at least three Directors designated by the Board. From 2 May 2011 to 29 November 2012, the permanent members of the committee were Yves-Thibault de Silguy (Chairman), Elisabeth Boyer, Jean-Pierre Lamoure and Yousuf Ahmad Al Hammadi (the permanent representative of Qatari Diar Real Estate Investment Company). Since 29 November 2012, the committee has been composed of Yves-Thibault de Silguy (Chairman), Elisabeth Boyer, Jean-Pierre Lamoure and Abdul Hamid Janahi (the new permanent representative of Qatari Diar Real Estate Investment Company). The committee is open to all Board members wishing to participate. A dossier is systematically sent to them before each meeting.

The Chairman and Chief Executive Officer, the Executive Vice-President and Chief Financial Officer, and the Vice-President, Business Development of VINCI attend the meetings of the Strategy and Investments Committee. The Board Secretary acts as secretary to the committee.

Activities in 2012

The Strategy and Investments Committee met five times in 2012, with an average participation rate of 80%. Voluntary participation in the committee's work on the part of directors who were not committee members was 49% in 2012 (vs. 42% in 2011).

During the year the committee examined:
- investment or acquisition projects in companies based abroad, in particular in Europe, North America, the Middle East and Asia. Specific projects included the acquisitions of ANA, the Portuguese airport operator, EVT in Germany and Carmacks in Canada;
- public-private partnerships or infrastructure concessions, in particular in the rail, motorway, airport and sports sectors in France and abroad.

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 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. Until 12 April 2012, it was composed of Jean-Bernard Lévy (Chairman), Dominique Bazy and François David. Since 12 April 2012, the Remuneration Committee has been composed of Jean-Bernard Lévy (Chairman), Robert Castaigne and François David. The Board recognises all members of the committee as independent.

The Vice-President responsible for Human Resources and Corporate Social Responsibility attends the meetings of the Committee. The Chairman and Chief Executive Officer also attends the Committee's meetings except when the Committee examines questions relating personally to him. The Board Secretary acts as secretary to the Committee.

Activities in 2012
The Remuneration Committee met four times in 2012, with a participation rate of 85%.

The Committee examined and made proposals to the Board regarding:
• determination of the variable portion of Mr Huillard's remuneration for 2011;
• calculation of the annual amount to be set aside for Mr Huillard's long-term incentive programme;
• performance share and share subscription option plans for 2012 and 2013;
• the results of the international employee share purchase plan;
• the performance conditions for the long-term incentive plans, proposing to exclude the ANA Group from the scope of calculation of ROCE should this transaction be finalised;
• the renewal of the resolutions enabling capital increases reserved for employees;
• the business reports of Yves-Thibault de Silguy (one for his role as Vice-Chairman and Senior Director, the other for the services provided under the services agreement with YTSeuropaconsultants).

The Chairman and Chief Executive Officer attended and participated in several Committee meetings (except for items concerning him personally).

The Appointments and Corporate Governance Committee

Terms of reference
This 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, the Executive Management's proposals relating to the appointment and dismissal of the Group's principal executives;
• is informed of the Executive Management's policy for managing the Group's senior executives and in this regard, the Committee examines the procedures for succession plans;
• makes proposals on the selection of Directors;
• examines all candidacies for Board membership and expresses an opinion or recommendation to the Board on those candidacies;
• discusses, every year, the issue of independence of 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. Since 6 May 2010, it has been composed of Yves-Thibault de Silguy (Chairman), Patrick Faure and Dominique Ferrero. The Board recognises two of the three members of the Committee as independent.

The Chairman and Chief Executive Officer attends the Committee's meetings except when it evaluates the Executive Management. The Board Secretary acts as secretary to the Committee.

Activities in 2012
The Committee met four times in 2012, with an attendance rate of 100%.

The Committee:
• considered Directors' terms of office expiring in 2012 and 2013;
• hired an external consultant to find new Directors;
• examined the percentage of women on the Board and implementation of Law no. 2011-103 of 27 January 2011 concerning the balance of men and women on Boards of Directors;
• performed an assessment of the Executive Management;
• assessed each Board member with regard to the independence criteria of the Afep-Medef code and made proposals to the Board;
• examined the report of the Chairman of the Board on corporate governance;
• examined the assessment of the Group's Senior Executives;
• examined the results of the Executive Review conducted in 2012.

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 of one 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. This exercise may be supervised by a Director, with the assistance of an external consultant.

During its meeting of 7 February 2012, following the proposal of the Appointments and Corporate Governance Committee, the Board of Directors considered that it was not yet necessary to carry out another assessment because (i) the most recent formal assessment of the Board had been performed at the end of 2010 with the help of an external consultant, and (ii) the Board had considered this assessment in March and July 2011 and again in October 2011, following the meeting of committee chairmen on 20 September 2011, during which it was agreed that all the identified avenues for improvement had been acted upon. During its meeting of 5 February 2013, the Board decided that an external assessment would be carried out in the second half of 2013.

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

4.1 Remuneration and benefits of the executive company officer

The remuneration of the executive company officer is set by the Board of Directors, acting on a proposal from the Remuneration Committee.

Xavier Huillard

On 6 May 2010, the Board of Directors 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. During the meetings of 12 April 2012 and 5 February 2013, the Board set the following terms for his remuneration:

- fixed annual remuneration of €900,000, valid for the duration of Xavier Huillard's term of office, it being specified that this remuneration only came into effect on 1 January 2011, at Mr Huillard's request;
- a two-part variable remuneration plan, ranging from 0 to €1,440,000, or 0-160% of the fixed portion, depending on performance achieved. The first part is based on three economic ratios (net earnings per share, operating income per share and free cash flow). The second part is managerial and based on performance against qualitative criteria as defined by the Board. For the first part, the quantitative target level expected to be achieved is linked to the specific method of the calculation formula, such that any increase in remuneration is dependent on an improvement in the performance ratios from one year to the next;
- a long-term incentive plan, allowing for a capital allowance to be built up gradually, variably, and based on specific performance objectives. Except in certain specific cases, incentive plan awards will vest only if the beneficiary completes his term of office. Under this incentive plan, an amount equivalent to (a) 16,600 times the value of the VINCI share, provided that ROCE exceeds 6% (9% starting from the 2012 financial year), 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%, is to be granted to Mr Huillard for each of the four years of his term of office. 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% (8% starting from the 2012 financial year), and the allocation under (b) will be reduced to zero if the VINCI share underperforms the peer group by more than 5%. Starting from the 2013 financial year, the scope of calculation for ROCE will be restated to exclude the ANA Group;
- Mr Huillard is deemed to have the status of a senior executive, thereby entitling him to benefit from the additional supplementary pension plan established for senior executives of VINCI SA and mentioned in paragraph D.3.2 of the Report of the Board of Directors, page 133, as well as from the Group's welfare benefits plans. The commitment with regard to the supplementary pension plan was approved by shareholders at the 6 May 2010 Shareholders' General Meeting and the benefit of this supplementary pension plan was taken into account in determining Mr Huillard's overall remuneration;
- Mr Huillard is eligible for severance pay in the event that the Company terminates his appointment as Director prior to its normal expiry (at the end of the Shareholders' General Meeting called to approve the financial statements for the year ending 31 December 2013). This commitment is limited to 24 months of his remuneration and subject to performance conditions based on the same criteria as those used in the calculation of the quantitative part 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. This commitment was approved by shareholders at the 6 May 2010 Shareholders' General Meeting.

Mr Huillard has not benefited from the share subscription options and performance shares incentive plan approved by the Board of Directors at its meeting of 12 April 2012.

4.2 Remuneration and benefits of the Vice-Chairman and Senior Director

The remuneration of the Vice-Chairman and Senior Director is set by the Board of Directors, acting on a proposal by the Remuneration Committee.

Yves-Thibault de Silguy

Mr de Silguy receives Directors' fees in his capacity as Vice-Chairman and Senior Director, calculated as described in paragraph 4.3.

On 3 March 2010, the Company signed a services agreement with YTSeuropaconsultants, of which Mr de Silguy is the sole shareholder. This agreement was authorised by the Board of Directors and approved by shareholders at the 6 May 2010 Shareholders' General Meeting. The agreement covers the provision of services as described in paragraph A.2 on page 180, with oversight by the Audit Committee, in return for an annual flat fee of €330,000 (ex. VAT) and has a duration of one year, renewable automatically. This agreement was renewed automatically in 2011 and 2012 for a new term of one year.

At its meeting of 5 February 2013, the Board of Directors decided to seek approval for the automatic renewal of this agreement from the Shareholders' General Meeting.

In addition, it should be noted that Mr de Silguy is the beneficiary of a supplementary pension plan and that he activated his pension rights as of 30 April 2010. VINCI's commitment under this pension totalled €8,000,169 at 31 December 2012.

4.3 Directors' fees

At the Shareholders' General Meeting of 6 May 2010, shareholders set the aggregate amount of Directors' fees at €920,000 for each financial year, starting on 1 January 2010.

In its meetings of 27 February 2008 and 3 March 2010, the Board of Directors agreed on the following allocation of Directors' fees (amounts expressed on an annualised basis):
- the Chairman and Chief Executive Officer receives no Directors' fees from the Company;
- the Vice-Chairman and Senior Director receives €140,000, of which €30,000 is variable and depends on his presence at Board meetings;
- other Directors receive €40,000 each, of which €20,000 is variable and depends on their presence at Board meetings;
- 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 Directors' fees mentioned above.

Payment of the variable fee is dependent on the member's attendance at Board meetings. The variable fee is 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' General Meeting

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

Article 17 - Shareholders' General Meetings
Shareholders' General 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. The intermediary must provide 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 General Meeting is called, individual shareholders may take part in the General 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 must be communicated in the notice of meeting and the invitation to the meeting.

Postal votes may be cast, subject to the terms and conditions defined by law and regulations. Shareholders may transmit proxy forms and postal votes for every Shareholders' General Meeting, under the conditions set out by law and regulations, either in paper form or, if the Board of Directors so authorises, by electronic means, including over the Internet. Those shareholders who, within the required time period, use the electronic voting form on the website made available by the meeting centraliser, are counted as attending or represented shareholders. Shareholders may complete and sign the electronic voting form directly on the centralising bank's website by any process determined 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' General 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 a sale of shares that takes place before the third business day prior to the 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' General Meetings are chaired by the Chairman of the Board of Directors or, in his or her absence, by the Vice-Chairman 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 to that effect. Failing that, shareholders elect their own Chairman.

The minutes of the Shareholders' General Meetings are drawn up and copies thereof are certified and delivered in compliance with 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 174 of the 2012 annual report.

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 VINCI Group uses this document as its reference framework.

The risk management and internal control systems participate in a complementary manner in keeping control over the Group's business. "Risk" is the possibility that an event might take place with consequences that would adversely affect the objectives of the Group and in particular those related to its financial condition and reputation.

The risk management system aims to identify and analyse the principal risks that the Group's subsidiaries encounter. "Internal control" encompasses all the controls to best handle these risks.
Risk management is therefore a set of resources, conduct, procedures and initiatives that correspond to the characteristics of the VINCI Group's businesses and maintain risk at an acceptable level.
VINCI's risk management system is a management tool to be 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 laws and regulations are complied with;
- that the 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, procedures, conduct and initiatives that correspond to the characteristics of the VINCI Group's businesses and which:
- helps the businesses run smoothly and contributes to effective operations and efficient use of resources;
- must enable significant risks to be taken into account in an appropriate manner, whether they are operational, financial or legal.

Nevertheless, like any set of controls, however well designed and implemented the internal control system may be, it 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 its component businesses. These systems apply to fully consolidated entities, a list of which can be found in Chapter J of the notes to the consolidated financial statements (page 268).

For the specific case of the listed Belgian company CFE (in which VINCI has a 46.84% capital stake) and its subsidiaries, the provisions in force 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.

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 – around 3,500 in total in the Group – to take the required operational decisions rapidly, a decentralised organisation has been implemented in each business (Concessions and Contracting), business line and division, as well as in VINCI Immobilier.
Consequently, the Group has implemented appropriate delegation of authority and responsibility to operational and functional staff at all levels. The delegation of authority to these 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 respect of commitments, risk-taking (see paragraph 4.3), acceptance of contracts (see paragraphs 4.4 and 4.5), and reporting of financial, accounting and management information (see paragraph 4.2). These common rules, which are deliberately restricted in number given the broad 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 the functional departments of the business lines and the holding company. In particular, managers are required to inform their superiors of any significant difficulties encountered in the performance of their duties (e.g. with respect to carrying out work on sites; relations with customers, government departments, suppliers and financial partners; internal relations, 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 general guidelines they have received and accepted.

Nevertheless, any significant 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 the Executive Management performance, defining the Group's strategic choices and ensuring that it functions properly. It considers all major matters concerning the Group's business. In its report, the Board gives an account of the principal risks and uncertainties the Group faces.

In 2003, the Board adopted a set of internal rules and created several specialised committees: audit, strategy and investment, remuneration, and appointments and corporate governance. It delegated to the **Audit Committee** responsibility for the monitoring of assignments defined by the 8 December 2008 Order transposing the European directive on statutory auditing into French law. The principal activities carried out in 2012 in this regard can be found in part A of the Report of the Chairman of the Board (page 179). They are in line with the recommendations of the AMF working group on audit committees (dated July 2010).

The **Executive Committee**, composed of 13 members at the time of writing of this report (see page 14), is in charge of implementing the Group's strategy, defining the monitoring of the enforcement of its management policies (risk management, finance, human resources, safety, insurance, etc).

The **holding company** functions with a streamlined staff (213 people at 31 December 2012), suited to the Group's highly decentralised structure. 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 **Ethics Officer** ensures, in liaison with the operational and functional departments, that the Code of Ethics and Conduct is properly understood throughout the Group. Any employee encountering difficulties or who has questions about the scope or application of the rules may contact the Ethics Officer directly and in total confidentiality.

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 subsidiaries' operational and functional departments. It organises the meetings of the VINCI Risk Committee, which reviews and authorises new contracts exceeding certain thresholds set by Executive Management or presenting particular technical or financial risks.
- Concerning internal control: in addition to drafting and disseminating the general internal control procedures set by the holding company, the Audit Department organises the annual self-assessment survey on the internal control of the Group's subsidiaries.
- Concerning auditing: it carries out its own assignments, in support of the work performed 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 and supervise 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 may be strategic (commitments), operational, financial, or in relation to compliance with laws and regulations.

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

A risk-mapping process encompassing all the Group's activities was created in 2009 and is updated periodically as follows, in accordance with the AMF's recommendations:
- anticipation of the main identifiable risks, either internal or external, that represent obstacles to the achievement of the Company's objectives;
- a qualitative assessment of risk criticality, taking into account the impact, likelihood and degree of control of each element of risk.

This procedure has been applied to identify, assess and select the major risks threatening the various components of the Group: holding company, Concessions, Contracting, and Property. These risks are described in the chapter entitled "Risk factors", on page 120 of the Report of the Board of Directors.

Risk mapping makes it possible to apply a specific procedure to each type of risk, which can be assessed using the coordination indicators. Risk scorecards are created from the mapping system specific to each business (Concessions, Contracting). The scorecards are used during Risk Committee meetings to present and assess, in a uniform manner, the most significant events that might affect the project under review.

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 Group's compliance objectives encompass the standards of conduct set by the laws and regulations in force.

The Legal Department of the holding company is responsible for:
- maintaining a legislative watch related to the various applicable rules;
- informing employees about rules pertaining to them;
- monitoring major acquisition projects and disputes.

Documentation has been distributed and a variety of training and awareness sessions held in this regard, so as to prevent any infraction or fraud.

As indicated in the first part of the Sustainable Development section on pages 18–29 of this report, particular emphasis is placed on:
- safety of employees on construction sites through active implementation of the Group's accident prevention policy;
- purchasing and subcontracting.

4.2 Application of the guidelines and instructions of the Executive Management

The Chairmen of the companies heading business lines in the Contracting business (VINCI Energies, Eurovia and VINCI Construction), the Chairman of VINCI Autoroutes, 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 to the following areas:
- adherence to the *Code of Ethics and Conduct*;
- entering into commitments, and in particular bidding for new contracts that are complex, 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 respect of safety, litigation, disputes, and insurance policies and claims.

These general guidelines require compliance with the holding company's procedures regarding bidding 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 Board of Directors' 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 guidelines are cascaded through the organisation by the heads of the business lines:
- via delegations to their operational and functional staff for the provisions concerning them;
- to managers serving as company officers in a company in their business sector.

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 VINCI 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 packages together, irrespective of the Group's share in the project or the manner in which contracts are awarded (call for tenders, direct contracts, etc.);
- all transactions relating to property development, public-private partnerships (PPPs), concession operations or long-term commitments, including all associated financing, whether in France or elsewhere.

Thresholds below those necessitating a review by the Risk Committee require that an information sheet be sent to VINCI's Executive Management. A Risk Committee meeting may be convened, as needed.

Risk Committee meetings are usually attended by the following members:
- the Chairman and Chief Executive Officer of VINCI and/or the Executive Vice-President, Contracting;
- the Chairman (or Chief Executive Officer) of the business line involved;
- the Executive Vice-President and Chief Financial Officer of the Group;
- the Chief Audit Officer;
- the operational representatives of the entity presenting the project (Chief Executive Officer, project manager, etc.);
- the functional representatives of the entity involved (legal, insurance, finance, etc.).

The composition of the Risk Committee may be adjusted as a function of its agenda (e.g. review of property transactions, acquisitions of companies, construction contracts, concession contracts and PPPs).

The VINCI Risk Committee, in its various configurations, met 251 times in 2012 and reviewed 308 projects.

4.4 Procedures related to monitoring of operations

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

Monthly dashboard reports on business, new orders, the 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 main entity's Executive Management 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 initial budget for the next year at the end of the current year, followed by four updates in March, May, September and November. Management committees meet twice a year to examine each business line's performance and financial data. The Chairman and Chief Executive Officer, and the Executive Vice-President and Chief Financial Officer of VINCI attend these meetings.

Lastly, the business lines participate in regular monitoring of VINCI's social and environmental responsibility commitments as indicated in the first part of the Sustainable Development section on pages 18–29 of this report, 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 integrity and reliability of VINCI's financial information (parent company and consolidated financial statements), which is disseminated inside and outside the Group. To ensure the statements are produced, the department is specifically in charge of:
- preparing, approving and analysing VINCI's half-year and annual parent company and consolidated financial statements and forecasts;
- establishing, disseminating and monitoring the Group's accounting procedures and checking their compliance with the accounting standards in force, as well as ensuring that significant transactions are recognised correctly from an accounting standpoint;
- coordinating "Vision", the Group's financial information system, which includes the consolidation process and unifies VINCI's various reporting systems.

The Budgets and Consolidation Department establishes the timetable and closure instructions for the preparation of the half-year and annual accounts and disseminates these in the business lines.

The Group's accounting rules and methods are available 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. The Group and the CFOs of the business lines review the principal options and accounting estimates in liaison with 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 risk management and internal control

5.1 Tasks carried out prior to 2012

In 2003, VINCI initiated an action plan intended to enhance the quality of the Group's risk management and internal control systems without calling into question the principles and features of its decentralised management organisation. These actions included, in particular:

Assessment 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 370 in 2011.

Information systems

Surveys to assess the operation of information systems were carried out in 2006, 2008 (13 entities in metropolitan France, building a representative sample) and 2009 (33 subsidiaries based outside metropolitan France).

In 2011, a working group, assisted by an external consultancy, prepared a report on the adequacy of the information systems used by VINCI's different business lines with respect to the Group's objectives. The report is based on the results of a survey of VINCI's component entities.

The *Code of Ethics and Conduct*, previously disseminated via the corporate hierarchy, was made available to all employees on the Group intranet on 1 February 2011.

In 2011, in line with its objectives, VINCI implemented its Fast Close procedure, aimed at closing and publishing its financial statements at the beginning of February, representing a one-month gain on its previous publication schedule.

5.2 Tasks carried out in 2012

The annual self-assessment survey of internal control quality in the VINCI Group was carried out on 472 legal entities in 2012 (including 110 outside France), representing 84% of the Group's consolidated business. The questionnaire contained 58 questions. Apart from the recurrent topics related to the internal control system and to financial and accounting information, the annual topic in 2012 related to purchasing and subcontracting. The survey was conducted using specialised software that also enables entities to manage their action plans. The report prepared by the holding company's Audit Department was presented to VINCI's Executive Committee and then to the Audit Committee in December. As in 2011, a specific questionnaire was sent to the Chairman and Chief Executive Officer covering matters related to his functions.

With regard to information systems, VINCI's Executive Committee considered that a more effective flow of communication within the Group was essential to achieving current and future objectives and therefore initiated developments that were carried out in 2012 in the following areas:

- interoperability of Group networks;
- redesign of VINCI's intranet and launch of version 2.0 based on a collaborative approach.

The Fast Close procedure was applied to the half-year financial statements published at the end of July.

Each Group component prepared a report summarising the specific actions carried out in 2012. The reports, which in particular give an account of the audits and reviews carried out, did not reveal any significant problems.

In addition, VINCI's Audit Department carried out audits in each of the following business lines: VINCI Concessions, Eurovia, VINCI Energies and VINCI Construction.

These audits did not reveal any problems that might have a significant impact on the business or financial statements of the Group.

5.3 Work to be done in 2013 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 and business line levels.

In addition to the annual internal control self-assessment survey, a self-assessment campaign on information systems was started in early 2013.

The interoperability programme for messaging networks, launched in 2012, is also under way.

Other areas for improvement include:

- continued deployment of common management tools;
- continued integration of acquired entities.

Report of the Statutory Auditors in application of Article L.225-235 of the French Commercial Code

on the Report of the Chairman of the Board of Directors

Year ended 31 December 2012

To the shareholders

As Statutory Auditors of VINCI SA, and in application of the provisions of Article L.225-235 of the French Commercial Code, we present our report on the report prepared by the Chairman of your Company in accordance with the provisions of Article L.225-37 of the French Commercial Code, for the year ended 31 December 2012.

The Chairman is required to prepare and submit for the approval of the Board of Directors a report on the internal control and risk management procedures implemented within the Company and to provide the other information required by Article L.225-37 of the French Commercial Code relating in particular to corporate governance.

Our role is:
- to communicate to you any comments required by the information contained in the Chairman's report on internal control and risk management procedures relating to the preparation and treatment of accounting and financial information; and
- to attest that the report includes the other information required by Article L.225-37 of the French Commercial Code, it being clearly stated that we are not required to verify the fair presentation of this other information.

We conducted our review in accordance with the professional standards applicable in France.

Information on the internal control and risk management procedures relating to the preparation and treatment of accounting and financial information

The applicable professional standards require us to plan and perform our work so as to be able to assess the fair presentation of the information in the Chairman's report on the internal control and risk management procedures relating to the preparation and treatment of accounting and financial information. Those standards require in particular that we:
- inform ourselves of the internal control and risk management procedures relating to the preparation and treatment of the accounting and financial information supporting the information presented in the Chairman's report, and of the existing documentation;
- inform ourselves of the work done to prepare this information and the existing documentation;
- ascertain if appropriate disclosures have been made in the Chairman's report in respect of any major deficiencies of internal control relating to the preparation and treatment of accounting and financial information that we may have noted in performing our work.

On the basis of this work, we have no comments to make on the disclosures regarding the Company's internal control and risk management procedures relating to the preparation and treatment of accounting and financial information, contained in the report of the Chairman of the Board of Directors, prepared in application of Article L.225-37 of the French Commercial Code.

Other information

We declare that the Report of the Chairman of the Board of Directors includes the other information required by Article L.225-37 of the French Commercial Code.

Paris-La Défense and Neuilly sur Seine, 7 February 2013
The Statutory Auditors

KPMG Audit *Department of KPMG SA*	Deloitte & Associés	
Patrick-Hubert Petit	Alain Pons	Mansour Belhiba

This is a free translation into English of the Statutory Auditors' report issued in French prepared in accordance with Article L. 225-235 of French company law on the report prepared by the Chairman of the company on the internal control and risk management procedures relating to the preparation and processing of accounting and financial information issued in French and is provided solely for the convenience of English speaking users.
This report should be read in conjunction with, and construed in accordance with, French law and the relevant professional standards applicable in France.