Report of the Chairman on corporate governance and internal control procedures

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

The report sets out the nature of operations requiring the prior agreement of the Board.

It mentions the code of corporate governance used as a reference and presents the principles and rules established by the Board of Directors to determine the compensation and benefits of any nature paid to Company Officers.

It also sets out the procedures governing participation of the shareholders in general meetings and mentions the publication of information required by article L225-100-3 of the French Commercial Code.

The above information is included in the report of the Chairman of the Board of Directors, which was approved by the Board at its meeting on 3 March 2009.

A. Corporate governance

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

In compliance with Law no. 2008-649 of 3 July 2008 concerning various provisions for adapting French company law to Community law in application of EC directive 2006/46/EC of 14 June 2006, the Board of Directors of VINCI decided at its meeting on 13 November 2008 that the company would, as of 1 January 2008, use the Afep-Medef code as amended by the recommendations of 6 October 2008 as a reference for drafting 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).

Any provisions of this code that have been set aside are mentioned in this report.

2. General Management

In accordance with Article 15 bis of VINCI's Articles of Association, the Board of Directors decided, on 9 January 2006, to separate the functions of Chairman and Chief Executive Officer. This principle of organisation was confirmed on 1 June 2006 on the appointment of Mr Yves-Thibault de Silguy as Chairman of the Board of Directors.

Mr De Silguy was appointed with a view to improving corporate governance and, in particular, the functioning of the Board of Directors and its committees. His implementation of this responsibility has led to the progressive renewal of the members of the Board of Directors.

Chairmanship

The Chairman of the Board of Directors, Mr Yves-Thibault de Silguy, organises and directs the work of the Board and reports on this work to the Shareholders' General Meeting. He ensures the proper functioning of the different corporate bodies and committees and, in particular, ensures that the directors are able to fulfil their responsibilities. He works to promote VINCI's image to political and economic decision-makers in France and abroad. He also spends a major part of his time meeting the managers of the Group's numerous subsidiaries and providing them, as needed, with his assistance in their relations with their major clients. Lastly, he attaches particular importance to the shareholder base and changes therein.

In 2008, Mr de Silguy's priorities were to ensure strong corporate governance and a stable shareholding structure, in particular by developing individual and employee shareholding.

Mr de Silguy chairs the Strategy and Investments Committee and the Appointments Committee.

General Management

As Chief Executive Officer, Mr Xavier Huillard 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 General Meetings of Shareholders and the Board of Directors. He represents the Company in its dealings with third parties and is responsible for overall operational management of the Company.

The Chief Executive Officer is also in charge of providing the Board and its Committees with the information they need, reporting on the highlights of the Company's operations over the period and implementing 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 Chief Executive Officer regularly presents the Company's performance and prospects to the financial community, in particular through roadshows.

Mr Huillard chairs the Executive Committee and the Management and Co-ordination Committee. The Executive Committee has nine members. It met 47 times in 2008, with an average of four meetings per month. The Management and Co-ordination 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 development and on policies that affect several group entities. This committee has 31 members and met four times in 2008.

Mr Huillard also chairs the Risks Committee mentioned in paragraph 4.3, part B.

3. The Board of Directors

3.1 Composition of the Board of Directors – Independence of members

At the date of registration of this document, the Board of Directors had 13 members, including one member representing employee shareholders.

In 2008, one director tendered his resignation and a new director was co-opted. Quentin Davies resigned from his appointment on 6 October 2008. The Board of Directors co-opted a new director, Jean-Pierre Lamoure, to replace Mr Davies for the remainder of his term of office, which will expire at the close of the general meeting called to rule on the accounts for the year 2011. This co-optation will be submitted for ratification to the Shareholders General Meeting on 14 May 2009.

The Board of Directors meeting on 3 March 2009, on the proposal of the Appointments Committee, decided to propose appointment of a new director, Michael Pragnell, to the Shareholders' General Meeting on 14 May 2009.

The appointments of François David, Patrick Faure and Bernard Huvelin expire in 2009. Bernard Huvelin, aged 72, did not wish to renew his appointment. The Board took formal note of this and unanimously paid tribute to him for the importance of his contribution to its work for many years. The Board will propose re-appointing François David and Patrick Faure at the Shareholders' General Meeting on 14 May 2009.

The term of office of Directors is four years for those appointed or re-appointed since 1 January 2005, which applies to 12 Directors, and six years for those already serving on 1 January 2005, which applies to only one Director, Mr David. The terms of office of the Directors expire at different times, which means 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 reappointed as a Director if they have reached 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 the Shareholders' Meeting is asked to vote on the financial statements may be over 70.

At its meeting of 27 February 2008, the Board also made an assessment of the current Directors' independence, in accordance with the recommendations of the Afep-Medef code.

After receiving the Appointments Committee's report, the Board concluded that the following seven Directors cannot be considered to be independent:
– Yves-Thibault de Silguy, who is the full-time Chairman of the Board and has various responsibilities in the Company;
– Xavier Huillard, who is responsible for the Company's general management and has been an employee of VINCI;
– Dominique Bazy, who has management responsibilities (Vice-Chairman) with UBS Investment Bank, a financial institution that could be involved in transactions entered into by the Company or its subsidiaries; the Board considered the links that could exist between the UBS Group and the VINCI group to be material;
– Bernard Huvelin, who has held management responsibilities in the Company and in VINCI subsidiaries of which he has been an employee, has, moreover, been a Director of the Company for more than twelve years and who now holds various other directorships within the Group;
– Dominique Ferrero, who holds management responsibilities (Chief Executive Officer) in Natixis, a bank providing financial services to the Company; the Board considered the links existing between Natixis and the VINCI group to be material;
– Jean-Pierre Lamoure, who has management responsibilities as a Company Officer and is a former employee of a VINCI subsidiary, and is currently Chairman of Solétanche Bachy Entreprise, a 100%-owned VINCI subsidiary;
– Denis Vernoux, who is an employee of a Group company and who represents employee shareholders through the corporate unit funds.

The Board of Directors considered that the six other members of the Board, listed below, do not have relations with the Company, its Group or its management that might compromise their independence of judgment and are therefore independent:
– Robert Castaigne, who was Chief Financial Officer of Total and member of its Executive Committee; the Board considered however that any links that may exist between the Total Group and the VINCI group (contracts for works or provision of goods between the subsidiaries of the two groups) are not sufficiently material to adversely affect Mr Castaigne's independence of judgment;
– François David, who is Chairman of Coface, which provides credit insurance on contracts entered into by VINCI subsidiaries; the Board considered however that any links that may exist between the Coface Group and the VINCI group are not sufficiently material to adversely affect Mr David's independence of judgment;
– Patrick Faure, who has held management duties or Director's appointments in automobile manufacturing companies (Renault) that could at some time enter into contracts (for construction work or services) with VINCI subsidiaries, or provide goods or services to Group companies; the Board considered however that any links that might have existed, and which have since disappeared, were not sufficiently material to unfavourably affect Mr Faure's independence of judgment. Furthermore, Mr Faure has been a director since 1993, i.e. for over twelve years, but the Board considered that this circumstance was not an obstacle to Mr Faure being considered as an independent director.
– Jean-Bernard Lévy, who has management responsibilities (Chairman of the Management Board) in Vivendi. Until 2002, this company was a large shareholder in VINCI and commercial relations remain between VINCI and some Vivendi Group subsidiaries; the Board considered however that these transactions are not sufficiently material to adversely affect Mr Lévy's independence of judgement;
– Henri Saint Olive, who has management responsibilities (Chairman of the Board of Directors) of Banque Saint Olive, a bank that could be involved in transactions entered into by the Company, its subsidiaries or personally by its executives; the Board considered however that these transactions are not sufficiently material to adversely affect Mr Saint Olive's independence of judgment.
– Pascale Sourisse, who has management responsibilities in the Thales Group; the Board considered however that any links that may exist between the Thales Group and the VINCI group are not sufficiently material to adversely affect Mrs Sourisse's independence of judgment.

Consequently, following the resignation of Mr Davies and the co-optation of Mr Lamoure occurring at the end of 2008, the proportion of independent directors has fallen to less than half the members of the Board of Directors, which is not compliant with the Afep-Medef code. Moreover, the Board of Directors' meeting on 3 March 2009 decided, on the proposal of the Appointments Committee, to recommend the appointment of a new director, Michael Pragnell, to the Shareholders' General Meeting on 14 May 2009. The Appointment Committee examined the situation of Mr Pragnell and the Board of Directors decided that he could be considered as an independent director. Mr Pragnell, who has held management responsibilities in Syngenta AG, meets all the criteria of independence set out in the Afep-Medef code.

In consequence, assuming the election of Mr Pragnell and the renewal of the appointments of Mr. Faure and Mr. David, seven directors out of thirteen, i.e. more than half, would be independent.

3.2 Personal situation of Company Officers

As of the date of registration of this document, to the Chairman's knowledge:
– there are no family links between any of VINCI's Officers;
– none of VINCI's Officers has been found guilty of fraud in the last five years;
– none 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 publicly 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 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 has declared a conflict of interest in respect of any decisions taken by the Board of Directors in 2008.

3.3 The Board of Directors' internal rules

In May 2003, the Board of Directors adopted a set of internal rules, which is periodically amended and which sets out the rules applicable to the functioning of the Board and its committees, and the behaviour expected of each of its members. These rules may be consulted in full on the Company's website (www.vinci.com)

The Board of Directors' internal rules require that the Board examines and gives prior approval to any significant transactions undertaken by the Company and in particular the determination of its strategic choices, material acquisitions and disposals of financial holdings and assets that are likely to alter the structure of the Company's balance sheet and, in any case, all acquisitions and disposals of shareholdings and assets of €200 million or more, as well as any transactions that fall outside the Company's announced strategy.

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 2008, the Board of Directors discussed all major matters relating to the Group's activities. The Board met eight times during the year and the average attendance rate at its meetings was 85.4%. The Chief Operating Officer and Chief Financial Officer assists the work of the Board. Secretarial duties for the Board are the responsibility of the Chief Legal Officer.

In particular the Board:
– determined the strategy of the Company as proposed by the Chief Executive Officer;
– closed the annual consolidated and parent company accounts at 31 December 2007 together with the interim consolidated and parent company accounts to 30 June 2008;
– prepared and convened the Combined General Shareholders' Meeting of 15 May 2008, and defined the terms of its different reports to the meeting, the agenda and the resolutions submitted for the approval of the shareholders;
– decided to submit to the Combined General Shareholders' Meeting of 15 May 2008 an option for payment of the final dividend in respect of 2007 in new shares and decided payment of an interim dividend in respect of 2008.

At each of its meetings, it:
– examined the Group's financial situation and indebtedness;
– approved the share buy-back policy and allocation of treasury shares;
– was informed of share capital evolution and employee shareholding through unit trusts in the Castor France, Castor International, ASF and Entrepose Contracting company savings funds.

As regards corporate governance, it:
– set the performance criteria for the Chairman of the Board's supplementary pension
– decided to adopt the Afep-Medef corporate governance code
– examined the situation of the Chairman of the Board of Directors and the Director-Chief Executive Officer with respect to the recommendations of the Afep and Medef report of 6 October 2008.

In addition, the Board, in particular:
– examined the budgets and budget updates;
– examined the Group's quarterly activity;
– decided to modify the allocation of Directors' fees and set the remuneration of the Chairman of the Board of Directors and the Director-Chief Executive Officer.

– decided to implement three operations for France and one international operation in the framework of the company savings fund and set the subscription price of the shares to be issued for each of these operations;
– co-opted a new director;
– examined various projects for acquisition of companies;
– authorised the reclassification of the ASF shares held by VINCI in ASF Holding;
– examined and approved the project to regroup airport activities;
– authorised the issue of guarantees, renewed delegations of powers in respect of suretyships, guarantees and endorsements, and reconstituted the global envelope available to the Chief Executive Officer for issue of suretyships, guarantees and endorsements;
– examined the impact of the financial crisis on the Group, and, in particular, on its liquidity position.

One of the Board of Directors' meetings was held in Marseilles. During this meeting, the activities of VINCI and, in particular, of VINCI Construction France, were presented to the Directors. A visit to the CMA-CMG tower construction site was also organised on this occasion.

3.4.2 The Board Committees

The terms of reference and the manner of functioning of the Committees are governed by the internal rules of the Board of Directors, amended by the Board during its meeting of 3 March 2009 to ensure compliance with the provisions of Article L823-19 of the French Commercial Code created by Order no. 2008-1278 of 8 December 2008. Each Committee has a role to play in analysing and preparing certain of the Board's 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 examination. It has consultative powers and acts under the authority of the Board of which it is a committee and to which it is answerable. Minutes of each Committee's meetings 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 consolidated and parent company 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, consolidated and parent company financial statements before they are presented to the Board, to satisfy themselves that the accounting policies and methods are appropriate and consistently applied and to prevent 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 as: (a) concerns internal control, to assess the Group's internal control systems with the managers of the internal audit function and to examine with them the internal audit work programme and actions, their conclusions and recommendations arising therefrom and the actions taken as a result; (b) concerns risks, to review regularly the Group's main exposures to financial risk and in particular off-balance sheet commitments;
– legal control of the parent company and consolidated financial statements by the Statutory Auditors and the independence of the Statutory Auditors: to examine with the Statutory Auditors their work programmes, conclusions and recommendations, as well as actions taken as a result; verify compliance with the obligation of independence of the Statutory Auditors, assess proposals on the appointment of the Company's Statutory Auditors and their remuneration and issue recommendations on this point;
– the Group's policy in respect of insurance.

Composition
The Audit Committee comprises at least three directors designated by the Board. The Chief Financial Officer and the Statutory Auditors attend the Audit Committee's meetings. Until 31 November 2008, its members were Henri Saint Olive (chairman), Robert Castaigne and Quentin Davies (until resignation of his office as Director on 6 October 2008). Since 13 November 2008, the Committee has been chaired by Henri Saint Olive and its members are Robert Castaigne and Mrs. Pascale Sourisse. All three are considered independent directors.

Activities in 2008
The Audit Committee met five times in 2008, with a participation rate of 100%.

In particular, in addition to the accounts prepared during the period, it examined:
– as concerns internal control and audit: the organisation of internal control within VINCI Construction Filiales Internationales for Overseas France, Solétanche Bachy and Freyssinet; the chairman's report relating to internal control, the results of the IT security audit in the Group concerning management applications (with the intervention of an outside consultant); the self-assessment on internal control; and organisation of the audit department;
– as concerns financial and accounting matters: the various budget updates, the Company's net debt position, the change in accounting methods concerning accounting treatment of concession contracts, the financial rating of the Company (with a presentation by Standard & Poor's);
– follow-up of risk management (with, in particular, an update of disputes in progress and the Group's insurance policy and programme);
– regulatory changes, in particular concerning governance (with the intervention of an outside lawyer) and transposition of the eighth European directive.

In order to carry out these duties, the Audit Committee has in particular interviewed the Chief Financial Officer, the Head of the Budget, Consolidation and Accounting Department, the Internal Auditor, the Statutory Auditors, the Insurance Manager, the Chief Legal Officer, and the financial officers of several business lines to which particular attention was paid in connection with the assessment of internal control procedures. Secretarial duties for the Committee are the responsibility of the Head of the Budget, Consolidation and Accounting Department.

The Strategy and Investments Committee

Terms of reference
This Committee helps the Board develop the Group's strategy. It examines proposed contracts, investments and divestments that could have a material impact on the Company's scope, activities, results or stock market performance before they are presented to the Board.

In particular its duties are to:
– prepare the Board's discussions on the Group's strategy;
– formulate an opinion, for the benefit of Senior Management, on proposed acquisitions or disposals of shareholdings of a value of more than €50 million that do not come under the Board's direct terms of reference.

The Committee is also informed by the Senior Management of the state of progress of multi-year projects that imply, as regards the VINCI group's share, a total investment, in equity or debt, of more than €100 million.

Composition
The Strategy and Investments Committee comprises at least three Directors designated by the Board. The Chairman of the Committee is Yves-Thibault de Silguy and its members are Pascale Sourisse, François David, Patrick Faure, Bernard Huvelin and Denis Vernoux. The Chief Executive Officer, the Chief Financial Officer and the Business Development Manager of VINCI attend the meetings of the Strategy and Investments Committee. Secretarial duties for the Committee are the responsibility of the Board Secretary.

Activities in 2008
The Strategy and Investments Committee met four times in 2008, with a participation rate of 87.5%.

During the year it considered in particular:
– an acquisition project in the field of car parks: a possible alliance between VINCI Park and Interparking, subsidiary of the Fortis Group;
– an acquisition project in the field of rail works: Vossloh Infrastructure Services, a subsidiary of the Vossloh Group, acquired by Eurovia (renamed: ETF-Eurovia Travaux Ferroviaires);
– an acquisition in the construction sector in the United Kingdom: acquisition of Taylor Woodrow Construction, a subsidiary of the Taylor Wimpey Group;
– various multi-year concession and public-private partnership contracts.
The Committee expressed the wish to meet every two months to examine the status of public-private partnership operations (concession and operations that imply a total investment of over €100 million).

The Remuneration Committee

Terms of reference
The Remuneration Committee proposes the terms and conditions of remuneration of the Company Officers to the Board.

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 free shares or share subscription or share purchase options granted to the Chairman, the Chief Executive Officer, the Senior Executive Vice-Presidents and, if applicable, any salaried employees who are members of the Board;
– propose to the Board the determination of an overall package of performance shares and/or share subscription or purchase options relating to the Company's shares and the general and specific conditions applicable to these allocations;
– express an opinion on Senior Management's proposals regarding the number of beneficiaries;
– propose to the Board an aggregate amount of directors' fees and the manner of their allocation.

Composition
The Remuneration Committee comprises at least three directors designated by the Board. Its Chairman was Quentin Davies until his resignation on 6 October 2008 and its members were Dominique Bazy and Robert Castaigne. Since 13 November 2008, its Chairman is Jean-Bernard Lévy and its members are Dominique Bazy and Robert Castaigne. Two of the Committee's three members are independent. The Chief Executive Officer attends meetings of the Committee when it is examining the proposals of Senior Management relating to the company savings fund and long-term incentive systems. Secretarial duties for the Committee are the responsibility of the Board Secretary.

Activities in 2008
The Remuneration Committee met four times in 2008, with a participation rate of 100%.

The Committee examined and made proposals to the Board regarding:
– the variable component of the Chairman's and Chief Executive Officer's remuneration for 2008, and, more generally, the remuneration of Directors and Company Officers;
– determination of performance-related conditions in respect of the supplementary pension of Mr de Silguy;
- the amount of directors' fees;
– the situation of the Chairman of the Board of Directors and the Director-Chief Executive Officer with regard to the Afep and Medef recommendations of 6 October 2008;
– the situation of Mr Lamoure prior to his co-optation, jointly with the Appointments Committee;
– the final allocation of performance shares (2007 plan);
– future performance share plans and/or stock option plans.

The Appointments Committee

Terms of reference
The Committee:
– prepares the Board's discussions on the assessment of the Company's Senior Management;
– examines, on a consultative basis, the Senior Management's proposals relating to the appointment and dismissal of the Group's top executives;
– is informed of the policy drawn up by Senior Management on the management of the Group's top executives;
– 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;
– prepares at the appropriate time recommendations and opinions on the appointment or succession to the posts of Executive Company Officers.

Composition
The Appointments Committee comprises at least three Directors designated by the Board. Its Chairman is Yves-Thibault de Silguy and its members are Dominique Bazy and Henri Saint Olive. This composition does not comply with the recommendations of the Afep-Medef code insofar as the proportion of independent directors is less than two thirds, and as an Executive Company Officer is a member of the Committee. The Board considered however that this composition was not likely to adversely affect the judgment of members of the Appointments Committee in carrying out their functions.

The Chief Executive Officer attends the Committee's meetings when it examines Senior Management's proposals relating to the appointment and dismissal of the Group's main executives and when it is informed of the policy drawn up by Senior Management on the management of the Group's executives. Secretarial duties for the Committee are the responsibility of the Board Secretary.

Activities in 2008
The Committee met three times in 2008 with an average attendance rate of 100%.

The Committee examined in particular:
– the report on the assessment of the Board of Directors
– the re-appointment of Directors whose term of office expired at the time of the 2008 Shareholders' General Meeting;
– the independence of Directors;
– the candidacies of individuals representing employee shareholders for the position of Director;
– the candidacy of Mr Lamoure for the position of Director;
– the review of the composition of the Audit Committee and the Remuneration Committee following the departure of Mr Davies.

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

In application of the Board of Directors' internal rules, the Board made an assessment, at its meeting on 27 February 2008, based on a study commissioned from an outside consultant, of the composition and functioning of the Board with the aim of improving its effectiveness. The assessment shows that the Directors are satisfied with both the composition of the Board and its functioning. However, after completing this assessment, they proposed a number of improvements to the functioning of the Board.

The Directors also met informally on 23 October 2008 without the presence of Messrs de Silguy and Huillard, to examine the functioning of the Board and the specialised Committees, relations between the Chairman and the Chief Executive Officer and any monitoring actions to be conducted. This examination shows that the Directors continue to take a positive view of the organisation set up in 2006, the functioning of the Board of Directors and the Committees and the separation of functions between the Chairman and the Chief Executive Officer. The Board of Directors took formal note thereof in its meeting on 13 November 2008.

4. Principles and rules for determining Company Officers' remuneration and interests of whatever nature

4.1 Company officers' remuneration and interests

Directors' fees are set by the Board of Directors as proposed by the Remuneration Committee. They consist of a fixed fee and a variable fee.

The fixed fee is determined on appointment of Company Officers and is reviewed every year by the Board of Directors on the proposal of the Remuneration Committee.

The variable fee corresponds to the product of the variable fee allocated in respect of the previous year, on the one hand, and, on the other, to a performance index calculated by means of a formula combining the following indicators: (a) net earnings per share; (b) cash flow per share; (c) return on capital employed; (d) variation 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; and (g) evolution of the dividend.

For the Chief Executive Officer, the variable fee also includes a fee paid at the discretion of the Board.

The Board of Directors is keen to associate a significant number of managers and executives with creation of value by the Group so as to align their interests with those of shareholders over the long term through share subscription and performance share plans. In its meeting on 3 March 2009, the Board of Directors decided, on the proposal of the Remuneration Committee, to submit to the Shareholders' General Meeting of 14 May 2009 a delegation in respect of share subscription options in view of the fact that the preceding delegation expired on 13 July 2006. Such delegation would be implemented in strict compliance with the recommandations contained in the Corporate Governance Code adopted by the Company.

The Chief Executive Officer and the previous Chief Executive Officer benefit, in the same way as other Senior Group Executives, from supplementary pension arrangements guaranteeing them an additional annual pension capped at €85,595 per year.

The Chairman benefits from a special pension arrangement amounting to €380,000 per year, subject to performance conditions, to replace equivalent arrangements that lapsed when the Chairman resigned from the Suez Group. Given that this arrangement is to the benefit of a single person, it is not in compliance with the Afep-Medef code.

4.2 Directors' fees

The Shareholders' General Meeting of 4 May 2004 set the aggregate amount of Directors' fees at €800,000 as from the financial year starting on 1 January 2004.

At its meeting of 27 February 2008, the Board of Directors upon proposal of the Remuneration Committee allocated the Directors' fees for the year commencing 1 January 2008 as follows:
– €70,000 for the Chairman of the Board, including €20,000 as a variable fee;
– €40,000 for each Director, including €20,000 as a variable fee;
– an additional amount of €25,000 for the Chairman of each Committee and an additional amount of €15,000 for the members of the Audit Committee and of €10,000 for the members of the other Committees.

Payment of the variable fee depends on the Member's presence at Board Meetings, an amount of €2,500 being deducted from the maximum for each absence from Board Meetings after the first.

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

The formalities for participation of shareholders in the Shareholders' General Meeting are described in Article 17 of the Articles of Association reproduced below:
"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
– for bearer shares, registration of the shares with an authorised intermediary, who provides an attendance certificate, if necessary by electronic means.
These formalities must be completed no later than midnight (Paris time), on the third working 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 working day before the meeting will be given an attendance certificate. However, the Board of Directors may shorten or remove this deadline provided that any such decision applies to all shareholders.
Individual shareholders may also attend the Shareholders' Meeting by videoconference or by other means involving telecommunications, subject to the conditions and restrictions set out by legislative and regulatory provision in force, if the Board of Directors so authorises at the time the meeting is convened. Shareholders attending in this manner are considered present and are included in the calculation of the quorum and the majority.
Postal votes are treated under the terms and conditions set out in legislative and regulatory provisions. Shareholders may send proxy forms and postal votes for every Shareholders' Meeting by mail, under the conditions set out in legislative and regulatory provisions, or by electronic means, if the Board of Directors so authorises in the notice of the meeting.
Shareholders' 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 of Directors to that effect. Failing that, the Shareholders' Meeting elects its own Chairman. The Minutes of the Shareholders' Meetings are drawn up and the copies thereof are certified and delivered in compliance with legislative and regulatory provisions in force."

6. Publication of the 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 which might have an impact in the event of a public offering are published in the management report.

B. Internal control and risk management procedures

1. Introduction

1.1 Definition–Reference framework

In January 2007, 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 "The Internal Control System – Reference Framework."

According to this document, which constitutes the reference framework applied by the Group, internal control is a process of the VINCI group, defined and implemented under its responsibility.

It includes a set of resources, conduct, procedures and actions adapted to the specific characteristics of the VINCI group, which:
– contributes to better control of its activities, the effectiveness of its operations and the efficient use of its resources and
– must allow it to take into account, as appropriate, significant risks, whether operational, financial or in respect of compliance.

The system aims more particularly to ensure:
- compliance with laws and regulations;
- implementation of the instructions and guidelines set by Senior Management;
- the satisfactory functioning of the Company's internal processes, notably those contributing to preservation of its assets;
- the reliability of financial reporting.

Nevertheless, like any control system, internal control, however well designed and implemented, cannot provide an absolute guarantee that such risks have been completely eliminated.

1.2 Scope of application of internal control

The scope applies to the holding company and subsidiaries included within the scope of consolidation. 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 internal control to the Board of Directors of companies listed a the stock exchange.

Within this scope, internal control contributes to prevention and control of risks arising from the activities of Group companies and the risks of error and fraud, in particular in the areas of accounting and finance.

2. Organisation and environment of internal control

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 provide them promptly with solutions suited to their needs. In order to enable the manager of each profit centre – some 2,500 in total in the Group – to take the required operational decisions rapidly, a decentralised organisation has been implemented in each of the four 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.

This delegation of authority to operational and functional management staff is carried out complying with the general guidelines (see paragraph 4.2) and the principles of conduct and behaviour to which VINCI is strongly committed:
– rigorous compliance with the rules common to the whole Group, in particular in respect of entering into commitments, risk-taking (see paragraph 4.3), acceptance of business (see paragraphs 4.4 and 4.5) and submission of financial, accounting and management information (see paragraph 4.2). These common rules, which are deliberately restricted in number, given the range 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 and the holding company. In particular, all managers must inform their superiors of any difficulties encountered in the performance of their duties (e.g. with respect to carrying out works on sites, relations with customers, government departments, suppliers, financiel partners, internal relationships, personnel management, safety, etc). Although an integral part of operational managers' duties is to take decisions alone, within the framework of the general guidelines received, on matters falling within their area of competence, any difficulties encountered must be handled with the assistance, if necessary, of their line management superiors or divisional or holding company functional departments;
– compliance with the laws and regulations in force in the countries where the Group operates, and, in particular, rigorous compliance with the rules on competition and ethical behaviour;
– responsibility of operational executive managers to communicate the Group's principles governing conduct and behaviour to their staff by appropriate means and to set an example. This responsibility cannot be delegated to functional managers;
– safety of persons (employees, external service providers, sub-contractors, etc.);
– a culture of financial performance.

2.2 The Board of Directors and the Audit Committee

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 satisfactory functioning of the Company. It considers all major matters concerning the Group's business.

The Board of Directors, which adopted a set of internal rules in 2003 and set up ad hoc committees for audit, strategy and investments, remuneration and appointments, has delegated certain specific tasks to the Audit Committee regarding accounting rules and procedures, and the monitoring and analysis of accounts and forecasts, internal control and risk management, such as for example the monitoring of provisions, off-balance sheet commitments, the level of debt and the Group's policy in respect of insurance.

2.3 The Executive Committee

The Executive committee currently has nine members:
– the Director and Chief Executive Officer;
– the Chairman of Eurovia;
– the Executive Vice-President and Chief Financial Officer;
– the Chairman of VINCI Construction;
– the Chairman of VINCI Construction France;
– the Chairman of VINCI Energies;
– the Co-Chief Executive Officer of VINCI Concessions;
– the Chairman of VINCI Autoroutes France, who is also Co-Chief Executive Officer of VINCI Concessions;
– the Director of Business Development

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

2.4 The holding company and the divisions

The holding company's staff is comparatively small (153 people at end December 2008), suited to the Group's strong decentralised structure. In particular, the holding company's functional departments have to ensure that the Group's rules and procedures and Senior Management's decisions are applied. Furthermore, and depending on needs expressed, these departments advise divisions on technical matters but do not interfere in the taking of operational decisions, which are the sole responsibility of the divisions.

The divisions carry out their activities according to the principles of action and behaviour described in paragraph 2.1.

2.5 Internal audit

The Internal Audit Department's role is to draw up and disseminate the general procedures laid down by the holding company and to supervise the situation in each division as regards procedures, ensuring in particular that they are adapted to the Group's situation and organisation, while complying with the requirements of the law dated 3 July 2008 containing various provisions to adapt French Company Law to the European Community Law ("DDAC Act").

In this connection, the Internal Audit Department's role is to co-ordinate the risk management process. In particular, it organises the meetings of the VINCI Risk Committee in charge of monitoring and authorising the acceptance of new business that exceeds certain thresholds set by General Management, then records and follows up the Risk Committee's decisions.

Lastly, it undertakes specific assignments requested either by the Group's Senior or Financial Management or the various divisions' Senior Management.

The Internal Audit Department is mainly supported by the divisions' internal audit staff, with whom it undertakes joint assignments, and by personnel seconded for this purpose from the operational department concerned and personnel from certain of the holding company's functional departments.

3. Identification of risks and risk management system

Risks are defined as obstacles that might prevent the Company from achieving its objectives. These objectives may be divided into strategic (commitments), operational (common or specific to a business line) and financial risks and risks in respect of compliance with laws and regulations.

An action plan initiated in 2003 led, initially, in 2004, to identification of the main risks and the associated controls in the business divisions, and subsequently to actions to strengthen internal control. These actions are described in chapter 5 entitled "Actions undertaken to strengthen internal control."

In October 2008, the Executive Committee reaffirmed its objective of implementing a risk management system at Group level to satisfy new legal requirements, on the one hand, and, on the other, to ensure more uniform, systematic and formalised monitoring of the risks incurred.

This action plan should closely involve operational managers without introducing further complexities in operating methods. Risk monitoring is therefore included in the framework of the meetings provided for by existing procedures in respect of commitments and monitoring of operations.
In 2009, we will be establishing a mapping process that includes the following phases:
– development by the holding company of a methodological guide providing a general procedure for risk identification and analysis;
– implementation of this procedure by business line in the divisions and sub-divisions;
– summary of actions by the holding company.
The next phase will be deployment of risk management procedures (implementing indicators and a uniform monitoring process by the divisions and sub-divisions).

4. Principal internal control procedures

The main procedures described below are common to all companies in the Group. There are specific procedures within each division, 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:
– conducting legislative tracking intelligence in order to remain informed of the different rules applicable to the Group;
– informing the employees concerned about the rules pertaining to them (in particular, for the holding company, the "General rules concerning privileged information, insider trading and securities operations", which are available on the intranet);
– follow-up of major disputes that could have an impact on the Group.

These provisions are supplemented by a system adapted to the divisions and subsidiaries, particularly those located outside France.

With a view to ensuring compliance with the laws and regulations described in paragraph 2.1 above, training and awareness actions are organised by the divisions for operational managers.

Further to these general aspects, particular emphasis is laid in training on:
– safety of employees on worksites through active continuation of the Group's risk prevention policy;
– purchasing and sub-contracting.

4.2 Application of the guidelines and instructions of General Management

The Chairmen of the companies heading divisions (VINCI Energies, Eurovia and VINCI Construction), the Co-Chief Executive Officers 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 by VINCI's Director and Chief Executive Officer, which they have formally accepted.

These apply in particular to the following areas:
– the entering into commitments, and in particular the acceptance of new business of a significant size or involving significant potential risks; corporate acquisitions and disposals; property development, investments and divestments; and material off-balance sheet commitments.
– the reporting of information in connection with the Group's requirements for accounting and financial data or relating to events that are material for the Group, in particular in respect of litigation, disputes and insurance policies and claims.
In particular, these general guidelines require compliance with the holding company's procedures regarding the acceptance of new business or investments. These procedures define thresholds above which specific authorisation has to be obtained from the appropriate committees – the Risk Committee (see paragraph 4.3), the Strategy and Investment Committee – or prior information has to be submitted to the Director and Chief Executive Officer or certain VINCI functional departments or both.

These directives are passed on by the heads of the divisions:
– in the framework of delegations to operational and functional staff for the clauses concerning them;
– to managers acting as company officers in a company in their business sector; acceptance by these managers of the provisions of the same nature as the general directives is a prior condition of their appointment.

Operational and functional line managers regularly carry out field visits and unannounced spot inspections in order, in particular, to satisfy themselves that the principles described in 2.1 are applied permanently and effectively.

4.3 Procedures in respect of new commitments/the VINCI Risk Committee

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

The VINCI Risk Committee has to assess:
– acquisitions and disposals of businesses;

– the terms and conditions of offers for work worth more than the thresholds set, and in particular the associated technical, legal and financial commitments; these thresholds relate to the entire operation, taking all works together, whatever the share obtained by Group entities in the operation, and however the enterprise is contacted (directly, through an invitation to tender, 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 consideration by the Risk Committee, trigger submission of prior information to VINCI Senior Management on an alert form. If the Chief Audit Officer considers that the alert form renders it necessary, in particular in view of the offer's specific technical, geographical or financial features and the associated risks, he may propose that a specific Risk Committee meeting be held.

Lastly, under the system of delegation and sub-delegation in place, other thresholds trigger a requirement for a formal agreement from the division's Senior Management, under the procedure specific to and defined by each division.

The Risk Committee's objective is to review projects that, particularly because of their size, financing, location or specific nature, bears a special risk, whether technical, legal, financial or other.

Submission to the Risk Committee constitutes formalisation of the commitment made by the manager of the subsidiary in question to his or her superiors as to the quality of the analysis made and therefore of the offer envisaged, and consequently, the expected level of profit on the project presented.

The Risk Committee is usually composed of the following members:
– the Director and Chief Executive Officer;
– the Executive Vice-President and Chief Financial Officer;
– the Chief Audit Officer;
– the Chairman (or Chief Executive Officer) of the concerned division;
– representatives from the operational staff of the bidding company or division (the general manager, project manager, design manager, etc.);
– representatives of the functional departments (legal, insurance, finance, etc.) of this company or division.

Moreover, the composition of the Risk Committee may be altered depending on the purpose of its meeting (e.g. examination of property transactions, acquisitions of companies, concessions contracts and public-private partnerships).
The holding company's Risk Committee, in its various configurations, met 190 times in 2008 and examined approximately 250 projects.

4.4 Procedures in respect of monitoring of operations

Divisions have their own management accounting systems tailored to their business. Specific budgetary control tools linked to the accounting system have been installed in the Energy, Roads and Construction divisions and each of the concession activities (motorways, car parks, etc.) and allow regular monitoring of the progress of works and contracts. These systems are generally interconnected with the systems in place to draft and process financial and accounting information as described below.

A monthly report on business, new orders taken, the Group's order book and consolidated net borrowing position is prepared by the Finance Department on the basis of detailed information provided by the divisions. It is distributed to the Chairman, the Senior Management and the members of the Executive Committee.

The Management of each division prepares a specific report on the month's key events. These are centralised at the holding company and then distributed to the Chairman, the Senior Management and the members of the Executive Committee.

This information is also transmitted to the internal Audit Department.

The budget procedure is common to all divisions 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 examine each division's position and financial data, usually in the presence of the Group's Chief Executive Officer and/or its Executive Vice-President – Chief Financial Officer.

In addition, the divisions participate in regular monitoring of VINCI's societal and environmental commitments as described in the sustainable development chapter, with a particular emphasis on safety.

4.5 Procedures governing the preparation and processing of financial and accounting information

The Budgets and Consolidation Department, part of the Finance Department, is responsible for the production and analysis of the financial, company and consolidated information distributed inside and outside the Group, which it must ensure is reliable. In particular the Department is in charge of:
– preparing, agreeing 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);
– the definition and monitoring of the Group's accounting procedures and the application of the IFRS standards;
– co-ordination of the "Vision" Group financial information system, which incorporates the consolidation process and which is used to unify the various VINCI reporting systems (accounting and financial information, human resources information, commercial data, borrowing).

The Budgets and Consolidation department lays down a timetable and closure instructions for the preparation of the half-yearly and annual accounts. These instructions, sent to the division's Finance Departments, are presented in detail to the staff in charge of consolidation in the entities in question.

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 are available on the Intranet. Specific detailed monitoring is carried out for some areas – such as provisions for liabilities, deferred tax and off-balance-sheet commitments. At each accounts closure, divisions send the Budgets and Consolidation Department a dossier with an analysis of and comments on the consolidated data submitted. The Group Finance Department presents the accounting treatment it intends using for any complex transactions to the Statutory Auditors, in order to receive their prior opinion, and to the Audit Committee.

The Statutory Auditors present their observations on the half-year and annual accounts to the Audit Committee before they are presented to the Board of Directors. Prior to this, they present their observations to the Management of the divisions in question and of the VINCI holding company.

Before signing their reports, the Statutory Auditors request letters of representation from Group Management and divisional management. In these representations, group management and divisional management confirm, in particular, that they consider that all items at their disposal have been submitted to the Statutory Auditors to enable them to perform their duties and that the effects of any anomalies still unresolved at the date of those representations and noted by the Statutory Auditors 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 Summary of work carried out before 2008

In 2003, VINCI initiated an action plan intended to enhance the quality of the internal control system, without bringing into question the principles and features of its management organisation, which combines, in a decentralised environment, an entrepreneurial culture, the autonomy of operational managers, transparency and sincerity, and network-based operations.

The project comprised several stages, of which the first, completed in 2003, was to identify the main risks and the associated controls for the main Group entities and major business line processes.

The second stage related to determining and describing the current organisation of internal control, the aim being to describe the internal control arrangements existing in the various divisions. Self-assessment questionnaires on the internal control environment, drafted by the Internal Audit Department and approved by the Executive Committee, were sent in 2003 and 2004 to managers of a sample of entities, selected from the largest and most representative entities.

The third step, in 2003 and 2004, involved extending the listing of risks and associated controls to all Group entities. The objective here was to use the self-assessment questionnaires and the interviews conducted with VINCI's Senior Management, the managers of the main business lines and VINCI's functional departments to list the main risks and corresponding controls existing within the Group and the business lines. This allowed the identification of the critical processes that the various entities should assess from an internal control viewpoint. In this connection, the bidding process appeared to be a priority.

2004 actions were launched in the respect of the improvement of the internal control environment, organisation and procedures:
– distribution of the Chief Executive's general guidelines (see paragraph 4.2) to all the operational and functional managers of divisions in France and abroad;
– harmonisation and fine-tuning of the formalisation of certain procedures (through the creation of working groups and specific dedicated resources), including in particular cash management and accounting at holding company level and a complete revision of operational procedures in the Roads division; holding company procedures have also been made available on the Group's intranet;
– implementation in certain foreign subsidiaries of management methods and procedures complying with Group policy;
– creation of internal audit functions in those divisions where none existed and an increase in divisions' head-office cost control staff;
– implementation of a charter in the largest operational entity of the Construction business line (Sogea Construction, now VINCI Construction France), covering its 10 internal operating rules on risk taking, financial engineering, external functions or appointments, acquisition or disposal of securities, reorganisation, property and other tangible assets, human resources, budgetary management, banking relations and financial commitments, administrative management, communication and the use of brands and logos.

Assessment of internal control
The survey made in 2005 to assess the quality of internal control under the Financial Security Act covered 193 Group entities (including 38 foreign entities), which replied to 120 questions grouped into three self-assessment questionnaires (control of operations and monitoring business, control of financial information; the control environment and risk assessment). They were analysed using various criteria: division, business line, geographical area, and revenue.

In 2006, 208 entities (including 45 outside France) were questioned and replied to these same questionnaires. Furthermore, more detailed replies to the questions were requested, with five possible answers instead of three. Given the general improvement in internal control within the Group, this allowed the subjects requiring particular attention to be identified more precisely. Lastly, improvements to the software used for these surveys enabled each division and sub-division to make better use of the information generated by this survey at its own level.

In 2007, the questionnaires were reviewed by a committee of experts from the divisions and the holding company in the light of the results of the 2006 survey and the recommendations published in January 2007 by the AMF. The annual survey related to 218 entities (including 37 outside France) representing almost 60% of the Group's consolidated business. The questionnaire included 130 questions for operational entities (211 entities surveyed) and 73 questions for the holding companies (7 entities surveyed).

Furthermore, to ensure full compliance with the AMF's recommendations, the Chairman of the Board of Directors completed a specific questionnaire covering matters relating solely to his function.

Information systems
A project to assess the operation of information systems was launched in 2007 with 13 entities located in mainland France, forming a representative sample. They replied to a self-assessment questionnaire comprising four sections: the information system environment, software and hardware, operation and information systems security.

5.2 Work carried out in 2008

Assessment of internal control
In 2008, before the survey on the assessment of internal control within the Group was made, the questionnaires were reviewed by a committee of experts from the divisions and the holding company in the light of the results of the 2007 survey. The annual survey related to 261 entities (including 37 outside France) representing almost 60% of the Group's consolidated business. The questionnaire comprised 130 questions for operational entities (211 entities surveyed) and 73 questions for the holding companies (7 entities surveyed). The replies were analysed by the Internal Audit Department using the criteria of geographical area, business line, entity size and process. A summary was presented to the Audit Committee.

Furthermore, to ensure full compliance with the AMF's recommendations, a specific questionnaire was sent to the Chairman of the Board covering matters solely related to his function.

Information systems
A project to assess information systems relating to production of financial and accounting information was launched at the end of 2007 covering 17 Group divisions or sub-divisions in France, with the assistance of external specialists, continuing on from the work done in 2006. This project, co-ordinated by the holding company's internal Audit Department and information Systems Department, gave rise to a series of audit reports delivered to the entities in question in July 2008. A summary of the assessment and recommendations were presented to the Audit committee and actions plans based on these recommendations were drawn up by the entities in question during the summer of 2008.

An information systems assessment campaign for subsidiaries based outside mainland France was launched at the end of 2008, with a questionnaire adapted from that already used in 2006.

Work carried out by the divisions
At **VINCI Construction**, the cost control and internal audit functions are mainly performed at the level of the various sub-divisions, given the division's size and the scope of its activities. The construction division's holding company has a small number of staff, and its role is to define common rules, based on the Group's rules but adapted to the specific features of its business, to monitor internal control work programmes drawn up by the sub-divisions (including the deployment of new computerised tools or new procedures), to verify their consistency and progress, and lastly to initiate audits at its own initiative or at the Group holding company's suggestion.

The sub-divisions in the construction division are VINCI Construction France, VINCI Construction Grands Projets, VINCI Construction Filiales Internationales, Freyssinet, Solétanche Bachy, Entrepose Contracting, VINCI plc (UK) and CFE (Belgium).

At **VINCI Construction France**, work on the replacement of financial management and accounting systems, launched in 2006, continued in 2008, the aim being to implement a single tool that will strengthen internal control. At the same time, four internal audit assignments were conducted in 2008, in the following delegations: Bateg, Provence-Languedoc-Roussillon, Travaux nautiques-Environnement and Normandy-Centre.

In 2008, **Freyssinet** continued to draft its internal control manual, although the approach and content of this document will have to be redefined in the context of the Solétanche-Freyssinet merger. Moreover, 12 audits were carried out, mostly outside France (eight financial audits and four legal audits).

For **Solétanche Bachy**, which joined the Group in 2007, the main areas of action concern the continuing adoption of Group rules (accounts, reporting) and implementation of the rules and procedures for reviewing complex or sensitive offers in the French and foreign subsidiaries, with the appointment of local correspondents reporting to the head office. In 2008, five system and procedures audit assignments were carried out.

VINCI PLC (UK) updated the manual of policies and procedures aimed at senior executives (VINCI PLC Directors' and Senior Executives' Policies and Procedures Manual). Newly acquired companies (Taylor Woodrow Construction, Gordon Durham and Stradform) are working to harmonise their systems with those of VINCI PLC. The project launched in 2007 to overhaul its management and internal control system, run by a multidisciplinary team (Finance Leadership Team), continued in 2008, with particular emphasis on reporting and purchasing, thereby contributing to an improvement of the internal control culture in all the enterprise's functions and enhancing the effectiveness of internal control.

VINCI Construction Grands Projets carried out 41 audit assignments on its sites, focusing in particular on projects in start-up phase and projects with the biggest construction risks. The aspects reviewed in each of these assignments were accounting, budget, cash flow and uncertainties. Supplementing these internal assignments, three audits were carried out jointly with the Statutory Auditors.

VINCI Construction Filiales Internationales has created an internal audit service which conducted implementation of a structuring management system (Probox) in the Europe division. This system is built on three components: a manual of basic rules that must be applied in all subsidiaries (the Rules), a shared construction management solution (Pégase) and standard budget control reporting forms for each construction site. In 2008, 64 audit assignments were carried out in the Africa, Overseas France and Europe divisions. Furthermore, four information system audit assignments were carried out in Eastern Europe with the assistance of specialised consultants.

Entrepose Contracting, as a listed company, drafts its own internal control report. At the end of 2008, it initiated procedures to recruit an internal audit manager.

VINCI Energies has continued the work commenced in previous periods; a self-assessment campaign focusing on sub-contracting and cash management processes was carried out in all active profit centres, i.e. 748 units. Moreover, a complete self-assessment questionnaire (350 questions) was completed by new business units or business units with a new manager (79 altogether). In addition, a review of internal control was carried out in 97 profit centres in 2008.

In 2008, **Eurovia** carried out an overhaul of its Group management system bringing together all its entities in France and abroad, with the system available online at the beginning of 2009. Methods and management tools (Kheops, Ermes) were adopted in Canada, Slovakia, Poland, Lithuania and Romania and the systems are now used in all the French, and most of the foreign, businesses, enabling greater uniformity in the processing of accounting, financial and management data, together with greater transparency, thus further facilitating their analysis and enabling simpler and more systematic control.
Mapping of risks now covers all services in the Finance department, which has raised employee awareness of internal control. The division's internal audit department conducted 30 assignments in 2008, broken down as follows:
– 15 audits of agencies or operational subsidiaries in France;
– 11 audits of agencies or operational subsidiaries outside France;
– 1 audit of a functional department (shared services centre in France);
– 3 acquisition audits.

VINCI Concessions, which experienced an exceptional growth in the number of companies managed in 2008, focused on implementing internal control organisation (power of attorney and adapting the general directives of the Director and Chief Executive Officer) and procedures in these new subsidiaries, with particular emphasis on reporting.
An improved cost control system was put in place for development activities.
Implementation of internal control is still the responsibility of the companies making up the division. Thus, ASF, Escota and VINCI Park have their own dedicated internal control structures.
In 2008, VINCI Park conducted some 100 assignments aimed at ensuring compliance with operating procedures in its car parks.

Cofiroute strengthened security for payment by bank card. Two audits were conducted, one dealing with sub-concessionaires (one-third of the brands) and one concerning follow-up of ISO 9001/2001 certification.

ASF recruited an information system security manager responsible for analysing IT risks, and in particular, mapping and implementing a security action plan. A quality action plan inspired by Itil (Information Technology Infrastructure Library) is applied to all functional and operational processes in the Engineering of Information Systems department. Quality audit assignments focusing on the purchasing process were also conducted.

Escota initiated a risk control action plan at the end of 2007, which led to the mapping of major risks in 2008. At the end of 2008, the working groups responsible for the different themes proposed action plans to manage these risks. In addition, a new business manager position was created in the Finance and Legal department with responsibility for monitoring the compliance of internal procedures with the regulations in force in respect of contracts and purchasing in general.

The assignments carried out in the various companies in 2008 revealed no anomalies that would raise doubts as to the level of internal control in the entities audited.

In 2008, **VINCI Immobilier** continued with its efforts to strengthen internal control in two areas: procedures and new IT systems.

The "business line" software covering the whole chain of production and financial management of operations deployed in 2007 was extended to include monitoring of all property development operations under way, systematically implementing the associated procedures and giving full scope to the structuring effects of the software in terms of processes, both for accounting staff and for operational staff. In addition, the procedures specific to the accounting and management control departments were finalised, in line with the objectives set on the reorganisation of accounting and financial departments initiated in 2007.

The internal new business committees specific to VINCI Immobilier were strengthened. In particular, the meetings of these internal committees now systematically require presentation of more in-depth analyses and commercial and legal studies considering the volatility of the markets. The internal committees were also more selective as concerns authorisations given, taking into account the deterioration in the markets.

5.3 Work to be done in 2009 and beyond

VINCI's various divisions are aware of the stakes of internal control and are deploying the necessary resources in consequence.

In 2009, the priority areas for improvement identified for all divisions include:
– mapping of major risks according to the methodological guide drafted by the holding company;
– implementation of action plans responding to the recommendations of audits or information system reviews in 2008;
– continued formalisation of the internal control rules in divisions or their main entities, in order to have comprehensive standards adapted to the various businesses;
– continued deployment of management tools that are common to the various divisions, especially in the foreign subsidiaries;
– integration of entities acquired in 2008 by deploying the procedures and resources common to the Group and those specific to their division, to ensure rapid dissemination and implementation of the Group's internal control culture, tools and practices;
– assessment of internal control, in particular by sampling during specific internal audit assignments carried out by cost controllers or internal auditors dedicated to these duties.

VINCI will strive to continue to improve the organisation of internal control within the Group, while maintaining light command structures, at both holding company and divisional level. The following objectives will be pursued:
– ensure the correct application of the Group's rules and procedures;
– monitor changes in regulatory requirements;
– maintain effective management of the major risks;
– guarantee reliable financial information.