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Demanding performance
in the service of the nation

Better corporate governance

Caisse des Dépôts systematically advances principles of good corporate governance, for itself, for its subsidiaries and strategic long-term equity investments, and as an institutional investor. Its approach is modeled on its own governance structure, a fundamental aspect of which is its Supervisory Board, which in turn is overseen by the French Parliament.

— Strategic and financial governance

Caisse des Dépôts' strategic and financial governance is intended to support the group's strategy and is based on:

— A management unit responsible for the strategic and financial governance of the group

■ The Finance and Strategy Department (DFS) was reorganized in 2004 to improve its management capabilities and make it more responsive. DFS has three primary responsibilities: overseeing the reliability and accuracy of the accounts and results of Caisse des Dépôts; managing the group's asset portfolio and performing asset-liability management; and coordinating and providing strategic guidance on the group's major development initiatives.

■ It is responsible notably for strategic planning for each Caisse des Dépôts subsidiary and business line, preparing written objectives that are discussed with and approved by the Chairman and Chief Executive Officer.

■ DFS monitors the progress made achieving both these objectives and the group's financial forecasts.

— Collective decision-making bodies and improved governance

■ The **Accounts Committee**, which is chaired by the Chairman and Chief Executive Officer of Caisse des Dépôts, monitors both the company's and the group's results and forecasts against their respective budgets.

■ The **Commitments Committee**, which is also chaired by the Chairman and Chief Executive Officer of Caisse des Dépôts, evaluates and approves major development and divestment proposals.

■ Lastly, in order to ally its interests as shareholder with irreproachable corporate governance and transparency, in 2004 Caisse des Dépôts created an independent **Advisory Committee**.

This Advisory Committee on corporate governance, set in place by Caisse des Dépôts and chaired by René Barbier de la Serre, concluded its assignments for 2004 with the drafting of three documents:

- a set of general corporate governance guidelines;
- a charter establishing the responsibilities of Caisse des Dépôts as member of a Board of Directors;
- a voting guide for shareholders' meetings.

These directives and guidelines, the principal terms of which took effect in 2004, are designed to ensure that representatives of Caisse des Dépôts act in a consistent and pertinent manner when they participate in the management bodies of companies of which Caisse des Dépôts is shareholder.

— Operational governance

— Risk management

The changes that took place at Caisse des Dépôts in 2004 provided an opportunity to reaffirm its internal control principles, with reference to industry prudential standards such as those of the CRBF (the French banking and financial regulations committee) and the Basel II reforms. The network of risk correspondents in the business lines and subsidiaries strives to evaluate, monitor and manage the financial and operational security of all operations related to the group's public-interest missions and private market businesses. The effectiveness of internal controls over risks is founded on first-level controls performed by the operational organization and independent second-level controls. A central department oversees the methods employed by the network and reporting to management bodies.

Generally speaking, 2004 was marked by:

- the absence of any payment defaults in the securities portfolios of Caisse des Dépôts, 95% of which consists of issuers rated A or better;
- the development of static and dynamic analyses of balance sheet risks;
- the performance of the first tests of the business continuity plan;
- insurance coverage henceforth being renewed on the basis of the risk mapping of the business lines.

In the business lines, the most notable changes were the following:

- The banking business continued to work on securing regulated accounts against fraud. Internal controls on checks are now performed by the French general treasury agencies, acting as agents of Caisse des Dépôts.
- The management of savings funds and financing of low-income housing is carried out using improved counterparty financial analysis applications, and operational risk management reporting systems have been tested, all as required by Basel II reform guidelines.

IAS/IFRS IMPLEMENTATION PROJECT

Regulation (EC) No. 1606/2002 concerning the application of international accounting standards was adopted on July 19, 2002 by the European Union.

This regulation requires publicly traded companies to apply international accounting and financial reporting standards (IAS/IFRS) in the preparation of their consolidated financial statements for each financial year starting on or after January 1, 2005. In February 2003, the Management Committee of Caisse des Dépôts decided to apply the international standards voluntarily in the preparation of its 2007 consolidated financial statements.

To that end, the Finance and Strategy Department initiated a project in July 2003 covering all related guidelines, preliminary impact studies and detailed analyses, as well as implementation.

Adopting international standards will require Caisse des Dépôts to choose among several accounting options and application methods, in collaboration with the group's independent auditors. Implementation – including accounting-type changes, modification of operating applications and reports, etc. – is expected to continue through 2007.



■ Local and regional development missions are carried out in accordance with an investment policy applied through central and decentralized (regional) Commitment Committees. Shareholder vigilance remains a priority of Caisse des Dépôts, as the group manages some 600 long-term investments. All actions planned following the first version of the operational risk mapping have been undertaken.

■ Administration of public-sector retirement savings and funds is carried out under the enhanced risk management policy of the Retirement Administration Division. Specific initiatives were undertaken on the French retirement reserve fund (FRR) and the takeover or start-up of mandates for the French miners' retirement fund and the civil servants' supplemental retirement plan (RAFP).

BASEL II

Caisse des Dépôts, which is not legally subject to the regulations set forth by the Basel Committee, has nevertheless elected to implement all decrees concerning the new solvency ratio by establishing internal prudential guidelines. Implemented by the group's Risk Department in conjunction with the business lines and subsidiaries, the project will allow the Public Institution to refine its risk management and capital allocation system.



In the larger subsidiaries and strategic long-term equity investments, as shareholder, Caisse des Dépôts has attempted to improve risk management, notably as regards the following:

- attention paid to the new CNCE-Caisse des Dépôts interfaces;
- process modeling for CNP Assurances;
- implementation of second-level controls at CDC Entreprises;
- attention paid to the monitoring of specific risks associated with the services provided by Compagnie des Alpes, Transdev, Egis, VVF and Icade subsidiaries;
- general mapping of SNI's risk as lessor.

— Institutional and personal ethics

The codes of ethics of Caisse des Dépôts, a Public Institution, were enhanced and improvements are being made to procedures and systems for monitoring them, such as verification of securities transactions executed by employees in sensitive positions, monitoring of directorships performed by group employees, payment of directors' fees, etc.

Caisse des Dépôts has invested heavily in the fight against money laundering and the financing of terrorism, by training its employees and agents and by implementing "know your customer" programs, thus cementing its partnership with the legal profession.

— Institutional governance

Since 1816, as "general depository on behalf of the French State", Caisse des Dépôts has been overseen by the type of body that is now recommended by all reports on corporate governance.

Caisse des Dépôts has a 12-member Supervisory Board that includes four members of the French legislature. The Supervisory Board met 19 times in 2004. As a State-owned group, Caisse des Dépôts is, of course, subject to review by the French general accounting office (*Cours des comptes*).

From an operational standpoint, a Commitments Committee is responsible for evaluating all investment and divestment decisions that fall outside the scope of ordinary activities.

BACK-OFFICE

In the Back-Office Department, 2004 was marked by the modernization of IT systems and the expansion of the department's scope of activities, especially as concerns the inclusion of the French retirement reserve fund (FRR). This required that the organization be adapted to take into account the FRR's specific needs and the incorporation of its first administrative mandates.

— Financial management of the Public Institution



The project to optimize the performance of Caisse des Dépôts initiated in late-2003 was expanded in 2004. This initiative represents a major challenge for Caisse des Dépôts, whose future development, especially as concerns its public-interest missions, will depend on its capacity to satisfy its customers and major principals as to its cost-effectiveness and the quality of its service. Caisse des Dépôts has undertaken an ambitious action plan to attain this objective.

— Cost control

The 2004 budget was marked by a clear slowdown in the year-on-year increase in gross expenses, which was limited to 1% over 2003 (compared with a 3.3% increase between 2002 and 2003).

The change resulted from several fundamental measures aimed at optimizing the costs of the Public Institution and promoting in-depth changes to its management procedures:

- a project was initiated to optimize overheads, in order to bring the relative weight of the support functions back into balance, including rationalizing the group's use of buildings, redeploying skills toward the operating business lines, optimizing procurement, etc.;

- a true career management program was put in place to more effectively match the pool of available skills to the needs expressed by the business lines;
- better controls were set in place over operating expenses and IT expenditure.

— **In-depth revamping of financial and budgetary management**

The budget reform carried out in 2004 sought to provide Caisse des Dépôts with a more effective management tool. It marked the transition from an approach based on administrative resource management to a financial strategy based on management by objectives and results. It also established an initial financial benchmark, to ensure that the net costs of Caisse des Dépôts do not outpace its creation of wealth.

The 2005 budget was prepared in accordance with these new measures, and provided an opportunity to genuinely reflect upon the allocation of the Public Institution's resources to its various business lines.

Taken as a whole, the 2005 budget confirmed the commitment of Caisse des Dépôts to pursuing cost control (the increase in gross costs was limited to 2% over the latest forecast for 2004, at same scope) while ensuring the conditions were in place for the Public Institution to develop its activities in the years to come. ■

**INFORMATIQUE CDC,
IT PARTNER IN THE
DEVELOPMENT OF ITS
SHAREHOLDERS:
CAISSE DES DEPOTS,
CNP ASSURANCES AND CNCE**

Caisse des Dépôts entrusts the development and administration of its IT systems to the Informatique CDC economic interest grouping. This grouping comprises some 1,330 computer engineers and technicians, and provides IT services to CNP, CNCE and several subsidiaries of Caisse d'Épargne Group (notably Ixis CIB and Ixis IS).

These diversified activities allow resources and expertise to be shared, and generate useful synergies for the companies participating in the grouping, namely Caisse des Dépôts (40%), CNP Assurances (30%) and CNCE (30%). In 2004, Informatique CDC carried out many projects, including notably:

- for Caisse des Dépôts: creating the IT system for the French civil servants' supplemental retirement plan (RAFP) and developing the IT system for the French retirement reserve fund (FRR);
- as part of the partnership restructuring project: coordinated implementation of the banking IT systems of Caisse des Dépôts, CNCE, Ixis CIB and Ixis IS;
- for CNP: first part of the extraordinarily far-reaching migration of applications from a Bull environment to an IBM environment.

Sustainable development

For Caisse des Dépôts, as for all major companies and institutions, contributing to sustainable development means striving to achieve three types of returns, namely financial, social and environmental. As a major financial player in the service of France, Caisse des Dépôts is widely recognized for its significant financial role and for its public-interest missions alongside national and local authorities. Moreover, Caisse des Dépôts strives to take all sustainable development issues into account when conducting its business.

— Impact of Caisse des Dépôts business lines on society

— Financial responsibility

The primary responsibility of Caisse des Dépôts consists of financial intermediation while achieving the best returns possible. This overall productivity effort is the subject of an important performance improvement program.

Caisse des Dépôts also subjects the quality and pertinence of its operations to careful scrutiny. New measures to increase the beneficial financial impact of its initiatives, such as corporate governance and exercise of voting rights; stable, long-term investment in major equity investments and a broad portfolio of securities; lending to small businesses; informed investment alongside local players; and support for the legal professions, continue to be implemented.



RECENT INITIATIVES

- Support for the UN Socially Responsible Investment (SRI) program;
- Signature of an anti-greenhouse gas protocol with Véolia and Dexia;
- Support for the Carbon Disclosure Project;
- Creation of the European Carbon Fund;
- Administration of the French greenhouse gas register.

— Social responsibility

The impact that Caisse des Dépôts has on French society is directly quantifiable, notably with regard to the public policies it is called on to support and the mandates it is accorded:

- administration of retirement funds;
- financing low-income housing programs;
- job creation, notably through loans to small businesses and in support of socially-oriented economic development;
- projects in support of urban development policies;
- efforts to bridge the digital divide.

— Environmental responsibility

The issues faced by Caisse des Dépôts concern above all its capacity to innovate and to manage the environmental impacts of the projects it finances.

■ **Environmentally-friendly financial innovation.** Caisse des Dépôts took or expanded upon several initiatives in 2004, notably the fight against climate change (e.g. administration of the national greenhouse gas emissions quota register, creation of the European Carbon Fund, and identification of new development opportunities); identification of investment budgets to meet regional and local environmental needs, such as waste management and renewable energy; and innovations in the larger subsidiaries, such as Transdev and Icade.

■ **Challenge of managing the environmental impact of financial operations.** In the specific context of the financial sector, which is required to take into account the indirect impact of its lending or investment activities on the environment or society in general, Caisse des Dépôts performs analyses and simulations to take any socio-environmental impact studies into account when making portfolio decisions and defining environmental criteria, prior to investing in any local projects.

— Responsibility of Caisse des Dépôts in the normal performance of its business

Caisse des Dépôts also strives to improve its own, direct corporate social responsibility.

Caisse des Dépôts looks to reap “environmental profits”, especially by taking measures aimed at driving financial performance, such as reducing energy costs and related impacts by creating a CO₂ impact study; inclusion of social and environmental criteria in the procurement process; and incorporation of environmental issues in the management of real estate assets and logistics.

Based on the indicators in current use, Caisse des Dépôts scores well for corporate social responsibility. Two initiatives have been set in place to further improve its performance, namely development of a career management and training system to promote professional mobility and advancement of the Caisse des Dépôts’ diversity policy (e.g. agreement on gender equality in the workplace, integration of disabled workers, and signature of the Diversity Charter).

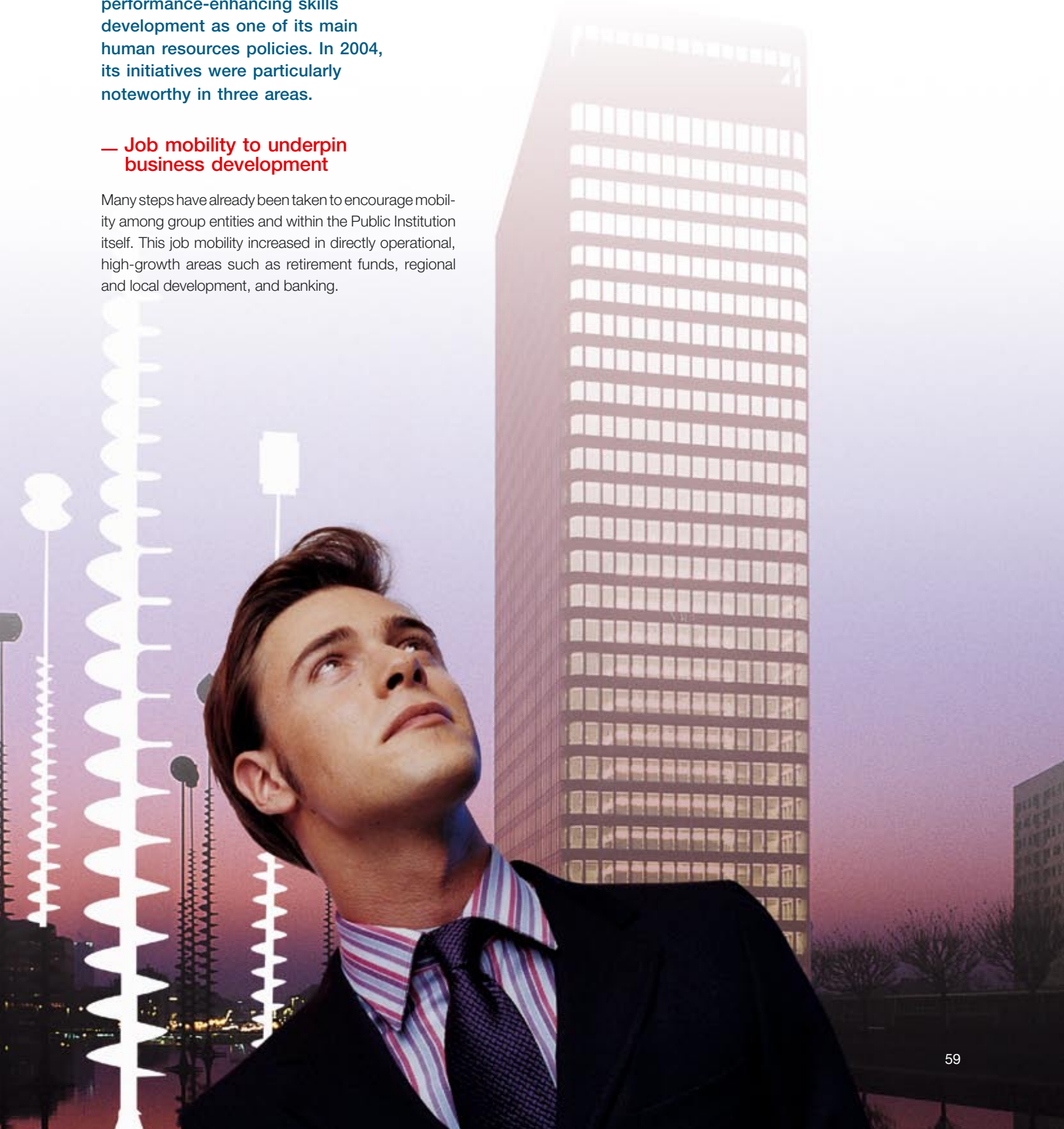
The environmental and social responsibility indicators for the period are presented in the financial report of Caisse des Dépôts.

Human resources promoting the group's strategic development

Caisse des Dépôts has established performance-enhancing skills development as one of its main human resources policies. In 2004, its initiatives were particularly noteworthy in three areas.

— Job mobility to underpin business development

Many steps have already been taken to encourage mobility among group entities and within the Public Institution itself. This job mobility increased in directly operational, high-growth areas such as retirement funds, regional and local development, and banking.



The initiative required a significant amount of training to facilitate the movement of employees between business lines, demonstrating that bridges can already be found within the group's employment pool.

The forward-looking management of job opportunities and skills that has existed for several years and the new job reference system set in place in 2004 increasingly enable Caisse des Dépôts to anticipate the business lines' staffing needs in terms of planned departures and the creation of new positions.

Total active staff as of December 31, 2004

	2004	Of which outside France
• Financial group	13,650	1,080
of which:		
– Public Institution	4,625	
– CNP Assurances	3,960	1,080
– SNI	1,170	
– Other subsidiaries (Informatique CDC, CDC Entreprises, Société Forestière, etc.)	3,895	
• Subsidiaries of C3D	24,000	7,000
Total	37,650	8,080

— Development of performance-enhancing skills

In 2004, nearly 80% of all Caisse des Dépôts employees participated in slightly more than 20,000 total training days.

The Public Institution allocates approximately 4.5% of its total payroll to training, reflecting the investment that Caisse des Dépôts wishes to make in adding to the value of its human capital and in skill-building through a training program that improves staff performance and professionalism.

Performance has thus been placed squarely at the heart of the group's career management system, aided by:

- evaluation-ratings, the vital component of which is management by objective;
- bonuses and the compensation system, which are tied closely to employees' quality and performance evaluations.

— Respect for diversity

■ Caisse des Dépôts is a signatory to the Diversity Charter;

■ On June 24, 2004, Caisse des Dépôts and the labor unions signed an agreement on gender equality in the workplace, in order to coordinate the initiatives undertaken by the various group entities in terms of gender-neutral employment, compensation, recruitment, promotions and training;

■ The Public Institution has committed to a three-year plan to recruit disabled employees.

These measures were all implemented as part of an organization that has now been redefined, and includes the impacts of both the partnership restructuring project with Caisse d'Épargne Group and the entry of new entities – SNI and CDC Entreprises – into the financial group.

Thanks to its restructuring, the group is now able to offer its employees new career opportunities, and notably as concerns high-potential managers, within a new employment pool. ■

Patronage of the arts

In 2004, Caisse des Dépôts arts patronage policy confirmed its commitments to music, social solidarity and contemporary arts. Its actions in these areas are developed consistently with its public-interest missions.

— Music

As owner of the Théâtre des Champs-Élysées in Paris, Caisse des Dépôts supports all of the theater's programming and facilitates access by a young public and group employees. Outside the capital, Caisse des Dépôts contributes to classical music appreciation by providing financial support to nearly 120 festivals in France. Since 1992, the group has also been conducting a program to increase musical appreciation in elementary and secondary schools; this year, some 20,000 young people in the Paris region were able to attend Benjamin Britten's *The Little Sweep* at the Paris Opera.

— Solidarity

Caisse des Dépôts is convinced of the importance of culture in the fight against exclusion of young people, and in 2004 the group evaluated the actions taken in this area over the past fifteen years. It also contributed to nearly 350 initiatives aimed at assisting young people to obtain French citizenship and to enhance equality of opportunity through the acquisition of basic skills. Innovative measures were also taken to enhance the role of senior citizens, such as *My Mother's 80th Birthday*, an



The Théâtre des Champs-Élysées.

event in a rural region that enabled artists to mingle with the senior population.

— Contemporary arts

Caisse des Dépôts sponsors the production and diffusion of works by young choreographers.

The group has established close relationships with French museums to create events that encourage dialogue between classical and contemporary art. This program was initiated in 2003 with the Orsay Museum, and has been extended through 2004 and 2005 at the Louvre with the *Counterpoint* exhibition.

Communications

In 2004, Caisse des Dépôts overhauled its corporate communications policy, in order to facilitate the clarification of its strategy and explain the purpose of the reforms it has undertaken.

Caisse des Dépôts began overhauling its corporate identity in 2004 and finished in early 2005. The “reworked” logo is more modern and reflects the loyalty of Caisse des Dépôts to its motto (“public trust”) and its values (trust and reliability). A policy of harmonious trademarks and tag lines has been specially created for the business lines and subsidiaries. The Internet

and intranet websites have been completely updated. Caisse des Dépôts has enhanced local communications with elected officials to strengthen its partnerships with local governments, notably through the organization of topical meetings (“Pomereu dinners”), and the creation of a quarterly newsletter for local and national elected representatives. Lastly, internal communications have been used on a daily basis to explain the changes and reforms the group is going through, *via* internal information materials (e.g. management letters, the monthly magazine and the intranet), meetings and employee discussions.

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(May 2005)

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This annual report and the 2004 financial statements
are available at:

www.caissedesdepots.fr

They are also available upon request
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Note to the reader:

Each year, the Chairman of the Supervisory Board of Caisse des Dépôts presents a report on the entity's activities to the French legislature. This annual report does not take the place of that statutory report.

The financial statements for the year 2004 pertain to the audited, consolidated financial statements of the Caisse des Dépôts group, the audited financial statements of the Central Sector of Caisse des Dépôts and the audited financial statements of the Savings Funds centralized by Caisse des Dépôts.

The detailed financial statements of the subsidiaries and other organizations and entities managed by Caisse des Dépôts are not appended to this report, but are included in the specific reports prepared by those entities.