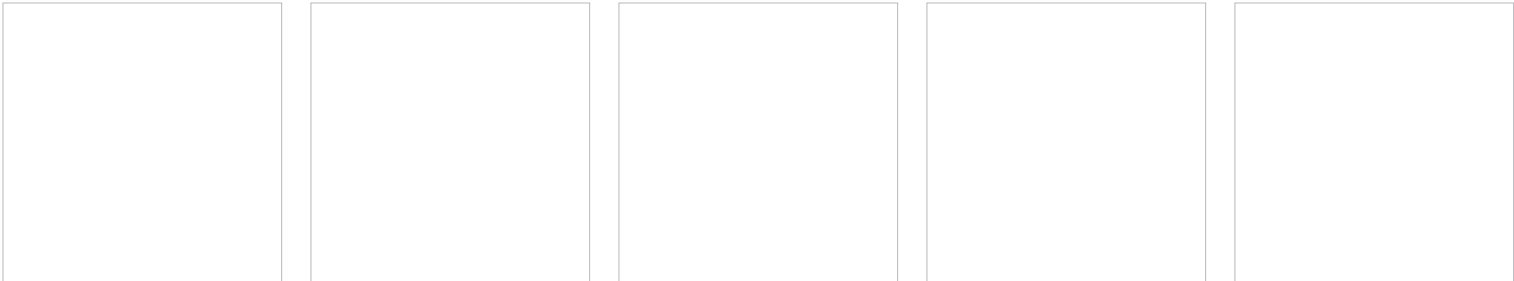
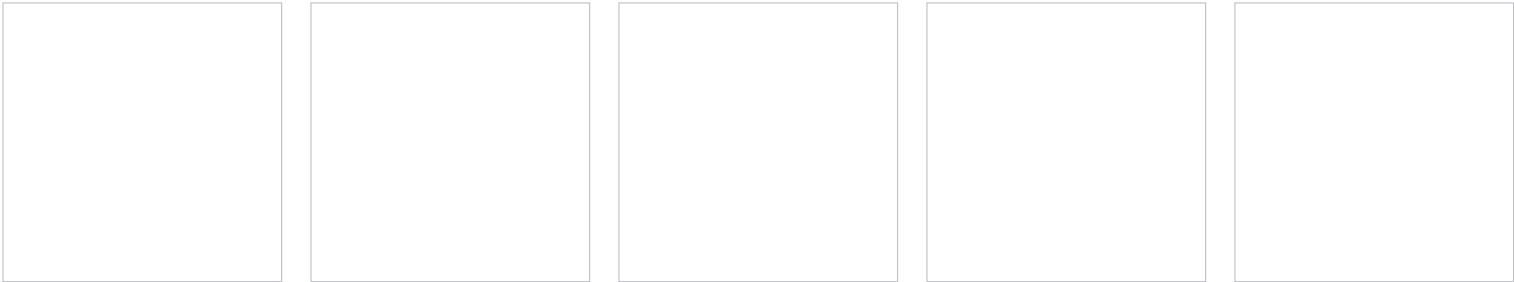


Rigorous performance in the service of France



Caisse des Dépôts, as a public financial institution, implements strict governance standards in order to administer with complete security the funds that are entrusted to it. It also has a duty to improve its economic performance on an ongoing basis and to control its costs in order to maintain its financial strength and ensure a high level of efficiency and quality when carrying out its public-interest missions.

More stringent requirements

Caisse des Dépôts advances the principles and practices of good governance for itself, in its dealings with its subsidiaries and strategic participating interest, and as an institutional investor. For this, it draws inspiration from its own constitutional governance, of which its Supervisory Board, linked to the French Parliament, is one of the cornerstones.

Strategic and financial management

Serving Caisse des Dépôts' strategic policies, the group's strategic and financial management is based upon:

► A Department responsible for the group's strategic and financial management

The Finance and Strategy Department, which was reorganised in 2004 in order to strengthen its management capabilities and its responsiveness, performs four main tasks: it ensures the security of Caisse des Dépôts' accounts and results; it manages its asset portfolio and is responsible for asset liability management; it exercises strategic and financial supervision of the subsidiaries; and it fulfils a role of coordinating and strategically driving forward the group's main development projects. It manages, for example, the strategic planning process for each group subsidiary and for each of Caisse des Dépôts' business areas, which results in letters of objectives discussed and signed by the chairman and chief executive officer.

The Department monitors the implementation of the objectives and the forecasts of the group's financial results.

► Development strategies

■ To strengthen Caisse des Dépôts' position as the top equity investor in Paris financial marketplace. The Finance and Strategy Department implements this strategy as a prudent and well-informed investor, that is to say demanding as far as financial performance is concerned, loyal over the long-term to the companies in which it invests, and involved in promoting rules of modern corporate governance.

■ To promote the group's profitable growth and development of the group's subsidiaries. Through the Finance and Strategy Department, Caisse des Dépôts fully performs its role as shareholder,

whether this is by giving the subsidiaries the financial means for their development, including by external growth (mergers, acquisitions, etc.), or by seeking further capital partners.

■ To seek opportunities for developing the group. The development of infrastructures, which is essential to economic expansion, is a strategic priority for Caisse des Dépôts, which aims to create a dedicated European investment fund. Likewise, the Finance and Strategy Department sustains and supports the major investment projects of the Public Institution's divisions, in particular in the business areas concerned with digital security (Fast and Personal Medical Record).

■ To maintain the highest standards of the financial marketplace at Caisse des Dépôts, particularly in accounting terms.

► Bodies for collective decision-making and strengthened governance

An Accounts Committee, chaired by Caisse des Dépôts' chairman and chief executive officer, deals with the forward monitoring of the company's results and of the group's consolidated results. Major development or divestment plans are considered and decided at a meeting of the **Commitments Committee**, chaired by Caisse des Dépôts' chairman and chief executive officer.

Lastly, with the aim of asserting its interests as a shareholder within a framework of impeccable governance and transparency, in 2004, Caisse des Dépôts set up an **Advisory Committee** that was open to independent figures. This Advisory Committee on governance, chaired by René Barbier de la Serre, has drafted three documents:

- The general Principles of Corporate Governance;
- The Charter for the director representing Caisse des Dépôts;
- A Guide to Voting at General Meetings.



97%

■ proportion of government securities in its portfolio rated A or above

These directives and guidelines are designed to ensure that the contributions of Caisse des Dépôts' representatives on the governing bodies of the companies of which it is a shareholder are both consistent and relevant.

Operational governance

► Risk management

Caisse des Dépôts has defined its internal control organisation by reference to the principles of the financial marketplace and to the recommendation of the Basel Committee incorporated in the European Directive on the capital adequacy of financial institutions.

The system set up in 2005 by Caisse des Dépôts meets the new requirement of distinguishing between periodical audits and continuous audits. Periodical audits, performed by the central audit department, are independent of the continuous audits performed by the network of the group's risk controllers who report functionally to the Risks and Internal Control Department.

In 2005, credit risks were maintained at a high level of security. Portfolios of debt securities remained concentrated in the highest ratings: nearly half the portfolio comprises euro zone government securities and more than 97% are rated A or higher. Fine-tuned methods for fixing exposure limits for each country and class of issuers allow for greater diversification of the portfolios. The implementation in the near future of a new computerised system for controlling exposures and the development of internal credit analysis methods are underway.

In its continuous audit system, Caisse des Dépôts has taken account of compliance risk. This risk will be managed by coordinating existing tools in the business areas, the transversal divisions, and subsidiaries (professional ethics, fight against

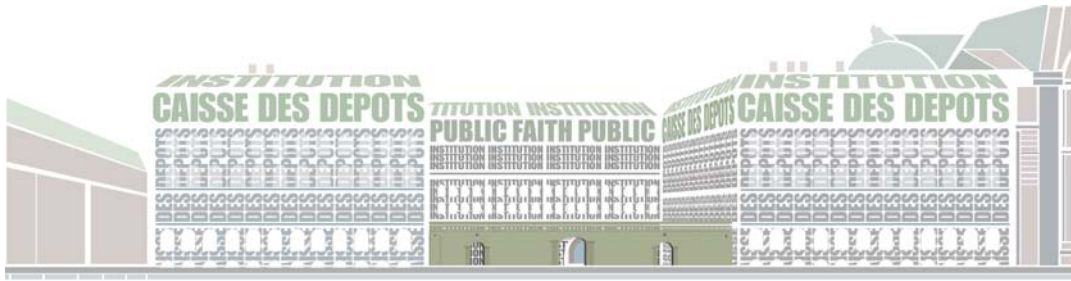
laundrying, risk mapping, incidents databases, etc.). Such coordination will be secured by deploying internal control plans enabling the continuous audit to define and to ensure the traceability of the compliance monitoring.

In the business areas, the key changes were as follows:

- the Banking Division continued its work on making regulated accounts more secure and preventing cases of fraud, particularly in the area of payment media;
- the Local and Regional Development Division improved the security of its property investments with the setting-up of a dedicated information system;
- the Pensions Division continued to integrate new activities (Retraite des Mines, RAFF, etc.) in its organisation of internal control;
- the Savings Funds Division completed the roll-out of incidents databases and the creation of operational risks committees.

In the subsidiaries or strategic participating interests, risk management advanced in the following areas:

- completion of a risk map by CDC Entreprises and Compagnie des Alpes, having regard to the specific features of their activities;
- evaluation, by CNP Assurances' internal control department, of processes that have a material impact on the accounts; production of a monthly scorecard of financial risks and its half-yearly summary for the Management Board;
- strengthening of risk management and control at the CNCE.



► **Institutional and personal ethics**

Ethics is an ongoing concern at Caisse des Dépôts. Documentation on ethics is provided to each staff member, subject to control procedures, tailored to the sensitivity of the duties performed. The management of the system for combating money laundering was strengthened for the whole of the group. The Public Institution invests in the training of its staff, and of the Trésor Public's employees in the regions.

Institutional governance

Placed by the French Law of 28 April 1816 under the supervision and guarantee of the legislative authority, Caisse des Dépôts has been endowed with a unique governance model tailored to the specific features of its status.

Its chairman and chief executive officer is appointed for a period of five years by Decree of the President of France adopted in the French Council of Ministers. Responsible for administering Caisse des Dépôts' funds and assets, the chairman and chief executive officer is assisted by five senior executive vice-presidents and presides over the Public Institution's Management Committee and the group Management Committee.

The Supervisory Commission comprises French members of parliament, members of the French Administrative Court and Court of State Auditors, the Governor of the Banque de France, the Director of the French Treasury and the chairman of the Paris Chamber of Commerce and Industry. The chairman of the supervisory board of CNCE attends the meetings. The Commission supervises in particular strategic policies, the administration of the savings funds and the audit of the financial statements (certified by the statutory auditors). Each year, its chairman submits to the French Parliament a report on Caisse des Dépôts' financial position.

Caisse des Dépôts is supervised by the French Court of State Auditors.

■ **Implementing Basel II standards**

Caisse des Dépôts, which is not legally subject to these regulations, has decided to implement the methods and rules initiated by the Basel Committee as an internal methodological and prudential framework. Run by the Risks and Internal Control Department, in liaison with the business areas and subsidiaries, the project will enable the Public Institution to enhance its system for controlling risks and capital allocation.

Taking into account the specific nature of the Public Institution's risks and counterparties, the choice was made to comply with the standardised method by the end of 2006 and to embark at the same time upon the adaptations necessary to progress towards the use of internal models in those business areas where their contribution would be the greatest, before considering their widespread application.

1%

■ controlled annual increase in the Public Institution's gross expenses



■ The Back Offices Division: an exceptional year

The Back Offices Division, placed under the authority of the Cashier-General and serving all the Public Institution's divisions and customers, considerably increased its transactions handling capacity (+20% for securities and cash), in particular owing to the establishment of the Pensions Reserve Fund and of the ERAFP as well as proprietary business and the savings funds activity. Operational risks were optimally managed and the teams benefited from a significant investment in professional training.

Economic management

In 2005, Caisse des Dépôts continued and intensified its efforts to optimise its performance and its costs, and thus secure the conditions for its future development, while improving its quality of service.

► Controlling the rise in expenditure

Caisse des Dépôts was able to meet the objective that it had set for itself regarding cost containment. In 2005, the Public Institution's gross expenses confirmed its ability to contain, with an annual rise held at 1% for the past three financial years.

This reflects:

- the introduction of more rigorous and more effective budgetary control;
- the action initiated as regards optimising information systems;
- control of the staff headcount, which seeks to support development while stabilising staff numbers on a like-for-like basis.

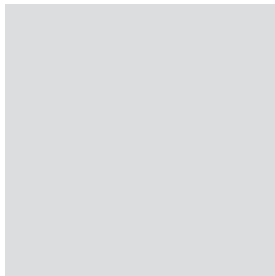
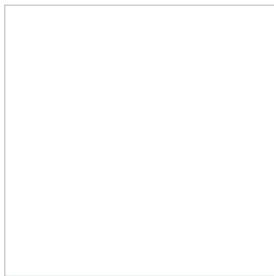
The increase in net expenses also complies with the permitted economic standard (i.e. it does not exceed the rate of increase in GDP), and enables Caisse des Dépôts to optimise its profits and strengthen its financial structure.

► Reduction in structural expenses

A reduction in the burden of the Public Institution's support functions is an essential condition for the balanced development of its missions under controlled cost conditions. The action plan launched in 2004 was therefore resolutely continued, enabling it to achieve as from 2005, its objective of readjusting the burden of the support functions. The priority strategies pursued in this context were as follows:

- continuance of and support for the redeployment of staff to developing operational activities (occupational career paths, training, etc.);





- optimisation of property management (control of property investments, defining a multi-annual property strategy in the light of the business outlook and increased control of property expenses);
- introduction of a more effective procurement policy, seeking to improve the economic conditions for procurement by promoting mutualisation and entry into transversal contracts.

Caisse des Dépôts will continue these efforts in 2006, in order to maintain and consolidate the excellent results already delivered over the long-term.



■ Informatique CDC: information technologies at the service of development

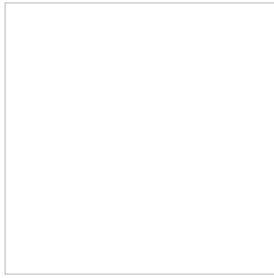
Caisse de Dépôts entrusts the development and operation of its information systems (IS) to the Economic Interest Grouping (EIG) Informatique CDC. This EIG, which brings together around 1,300 engineers and technicians, also provides computer services for CNP Assurances, CNCE and a number of subsidiaries of the Caisse d'Epargne group.

These diversified activities enable resources and know-how to be shared and worthwhile synergies for its main members to be generated.

In 2005, Informatique CDC improved its competitiveness and completed numerous projects, for example:

- for Caisse des Dépôts: adapting the Pensions Division's information system to the new regulations on the right to information and to Internet interchanges, introduction of International Financial Reporting Standards (IFRS) and modernisation of the IS for escrow deposits;
- for the Caisse d'Epargne group, support for the credit and financing activity;
- for CNP Assurances: migration of its applications to an industrial and evolving technical platform.

For more information:
www.icdc.caissedesdepots.fr



Sustainable Development

The impact of our activities on society

As a public financial institution, Caisse des Dépôts is, by the very nature of its activities, at the heart of concerns relating to sustainable development. In its public-interest missions (administration of pensions schemes, support for local and regional authorities and support for the creation of businesses and jobs) as well as through its property and services subsidiaries, it adopts initiatives to protect social and environment factors over the long-term. As a major long-term institutional investor, it is also intent upon advancing corporate governance both within the group and in the companies of which it is a shareholder – as well as socially responsible investment.

Significant challenges for Caisse des Dépôts

Although Caisse des Dépôts' primary responsibility is to perform its role of financial

transformation while maximising security and optimising performance, its various financial engagements in the service of France as an investor, administrator or lender create real challenges in the field of social responsibility.

Strengthening effective governance in the service of France

Governance	Promoting unique governance standards based on the defence of the institution's long-term proprietary interests, placed under the supervision of the French Parliament and tasked with administering private funds requiring special protection
Efficiency and performance	Developing the objectives of the performance plan by optimising the Public Institution's human and financial resources, in order to protect its financial strength and its ability to invest each year one-third of its consolidated net earnings in public-interest activities
Risks	Maintaining a tight control of risks and applying new international accounting and governance standards. Consideration of environmental risks

Being a responsible long-term financial investor

International initiatives	Promoting international responsible investment initiatives by signing up to the commitments of the United Nations Environment Programme finance initiative (UNEP-2002) and to the UN's Principles for Responsible Investment (2005-2006)
Asset management	Progressively incorporating so-called ESG (environmental, social and governance) principles in analysing all of the assets (equities, debt securities, property, private equity)
Shareholder role	Fully performing the role of long-term shareholder in accordance with a reference framework of good governance (Guide to Voting at General Meetings, Caisse des Dépôts' Director's Charter)

Supporting the company's developments in the field of public mandates

Banking businesses	Supporting the legal professions and public-interest institutional customers through an innovative package of on-line products and services. Fighting money laundering and the funding of terrorism
Carbon finance	Involvement in developing economic and financial instruments in the fight to reduce greenhouse gases: quotas register, European Carbon Fund and marketplace. Supporting central and local government policies
Pensions businesses	Ensuring the very long-term effectiveness and security of pension schemes and systems administered by Caisse des Dépôts. Promoting the right to information of beneficiaries of administered schemes



■ For more information:
Caisse des Dépôts' Corporate Responsibility Report is available on the website www.caissedesdepots.fr



Caisse des Dépôts' sustainable development commitments

- UN's Principles for Responsible Investment (2006);
- Carbon Disclosure Project (2005);
- Institut Montaigne's *Charte de la Diversité* (Charter for Diversity) (2004);
- UN's Environment Programme Finance Initiative (2002);
- UN's Global Compact (2000).

Incorporating sustainable development requirements in projects in housing and the French regions

Housing and urban renewal	As a historical player in social housing, promoting new criteria and tools favouring sustainable housing and town planning
Transport infrastructures	Financing the needs for infrastructure and sustainable mobility in light to social needs, environmental impacts, and local and regional balance
Digital infrastructures	Bridging the digital gap by financing high-speed infrastructures and offering targeted services
Environment and tourism	Supporting, alongside local authorities, long-term local and regional projects in the field of renewable energy, waste, biodiversity, and public, cultural, tourism and leisure facilities. Seeking a "knock-on" effect among investors and private operators
Social economy and innovation	Supporting initiatives in the social and solidarity economy, innovations that promote social bonding and generate jobs in very small businesses. Contributing to make banking and financial resources accessible to all via an innovative implementation of the Social Cohesion Fund
Patronage of the arts	Supporting local and regional cultural and solidarity projects, particularly in disadvantaged urban areas

Measuring and reducing the Public Institution's direct impacts

Environmental impacts	Reducing the environmental impact of sites and facilities, in particular greenhouse gas emissions
Human resources	Promoting training and human diversity (sexual equality, disability, minorities and senior citizens)
Procurement	Developing a responsible procurement policy, based on rigorous social and environmental criteria

A more detailed analysis is set out in Caisse des Dépôts' Corporate Responsibility Report



Business areas : initiatives in 2005

In an attempt to give increasing importance to sustainable development issues, in 2005, a number of work avenues for development were singled out.

► Responsible investing

In 2005, the financial teams were called on for the purposes of determining the right approaches to socially responsible investment (SRI) for each business area (investor, monitoring of holdings, management, and delegated management) and each class of assets (debt securities, equities, property, development capital and forests). As a result, SRI criteria is now considered in asset management, and specific clauses have been adopted in venture capital funds. These efforts have also led to launch the Demeter eco-industries fund and to the promotion of sustainable forestry management. The Pension Funds Reserve Fund (*Fonds de Réserves pour les Retraites*) and the Additional Civil Service Pension Fund (*Régime Additionnel de la Fonction Publique*) have also initiated SRI approaches. Lastly, in 2005, the subsidiary Novethic, a resource and expertise centre, continued to produce numerous SRI studies (www.novethic.fr).

► Climate change

Caisse des Dépôts has developed the Seringas software that enables quota allotments and trading to be recorded. It has joined forces with Powernext, one of the main European electricity exchanges, in Powernext Carbon now a leading exchange for CO₂ quotas (see <https://www.seringas.caissedesdepots.fr> and <http://www.powernext.fr>). Lastly, Caisse des Dépôts has launched the European Carbon Fund in conjunction with Fortis.

► Sustainable property

A working group bringing together the Public Institution (No. 1 social housing lender in France) and the property subsidiaries concerned (Icade, SNI, etc.) defined priorities for sustainable housing, resulting in a series of initiatives: a progressive adaptation of Caisse des Dépôts' package of services (new subsidised loan for social housing subject THPE (very high energy performance) energy labelling contemplated for 2006); promotion of sustainable development in urban renewal policy; support for innovations (labels and certification, review of new financial tools and contributions to nationwide work on the issue).

► Regional environmental projects

As part of its efforts as joint-investor alongside local players, Caisse des Dépôts seeks to promote renewable energy projects and emerging environmental sectors (recycling and reuse of industrial, agricultural and electronic waste, etc). 2005 saw for example the co-financing of a project for recovering farming effluent and food processing waste (Brittany) and the completion of a wind farm project (Lorraine). A partnership was entered into with the *Fédération des Parcs Naturels Régionaux* (French Federation of Regional Nature Reserves) to boost the timber sector. Various events were also supported in the regions such as *Assises de l'Energie* (Nord-Pas-de-Calais), *Festival du Vent* (Corsica), *Equitexpo* (greater Paris area), among others.

▶ **Support for the social economy, job creation and micro-credit**

Caisse des Dépôts supports many initiatives in the area of the social economy. In 2005 for example, more than 20,000 jobs were created as a result of the funds for “loans on trust” distributed by 270 local associations that it co-finances. It likewise manages the new Social Cohesion Fund, designed to allow the development of micro-credit.

Functioning: measuring and reducing our impact

In 2005, the functioning of the Public Institution (main sites and regional offices) was the subject of environmental impact measures, and specific action plans were drawn up.

▶ **A plan for reducing the Public Institution's emissions**

A Carbon Balance Sheet, drawn up for the Public Institution and 2 subsidiaries (computer and catering services), showed an annual emissions level of around 30,000 tonnes equivalent of CO₂ (for just over 5,500 staff). An action plan, to spearhead the emissions reductions drive was set in motion. The plan involves all the sites and targets an annual average reduction of 3% by 2050 in order to meet France's “Factor 4” objectives. Caisse des Dépôts wishes, at the same time, to be in a “carbon neutral” position from 2006.

▶ **Environmental management**

Despite the moderate environmental impact of its sites – all of which are involved only in the services sector – , Caisse des Dépôts produces a dedicated report and has completed a mapping of environment as part of its comprehensive risk management approach. Ongoing corrective actions are scheduled in order, for example, to

■ **Caisse des Dépôts' Climate Taskforce**

The Climate Taskforce runs and coordinates Caisse des Dépôts' research and development work in the area of action against climate change. In 2005, arising from the meeting of national working groups that it organised, the report “*Elargir les instruments d'action contre le changement climatique grâce aux projets domestiques*” (“Extending the tools for action against climate change thanks to domestic projects”) commissioned by the French authorities, put forward proposals as to how France might establish financial mechanisms capable of reducing the greenhouse gas emissions of sectors not covered by the European emissions quotas trading system (transport, agriculture and the building industry for example).

reduce energy consumption, to factor in environmental criteria in maintenance and the worksites, and to anticipate the principal risks. The Bordeaux establishment has obtained ISO 14001 certification.

▶ **Human resources: Diversity and sexual equality**

From a social viewpoint, the general objective of developing skills in aid of Caisse des Dépôts' missions is supplemented by the desire to promote diversity and sexual equality in the workplace. The groupwide agreement on sexual equality will be implemented in 2006 within the Public Institution. With 47.5% of women among high-flying managers, much has already been achieved. Jobs and training opportunities for young people, senior citizens and the disabled are the subject of several initiatives and a disability taskforce has been set up in order to implement the provisions of the French Law of 11 February 2005.