Chairman of the Supervisory Board's Report

on the composition of the Board, the conditions in which its work is prepared and organised, and on internal control and risk management procedures

As required by Article L. 225-68 of the French Commercial Code (*Code de commerce*), this report presents the composition of the Board, the conditions in which its work is prepared and organised, and describes the internal control and risk management procedures implemented by the Company.

This report has been prepared based on interviews and meetings with members of Paris Orléans' Executive Board and with the different parties involved in the Group's internal control. Section two of this report deals with internal control and risk management procedures and forms part of the Group's system of internal control on a consolidated basis, which has been in place since 2008.

Section 1 – Composition of the Supervisory Board and conditions in which its work is prepared and organised, corporate governance, terms and conditions of attendance at General Meetings and information required pursuant to Article L. 225-100-3 of the French Commercial Code

1.1. Composition of the Supervisory Board and conditions in which its work is prepared and organised

In 2004, Paris Orléans opted for the administration and management structure governed by an Executive Board and a Supervisory Board, as provided for in Articles L. 225-57 to L. 225-93 of the French Commercial Code (*Code de commerce*).

1. Presentation of the Supervisory Board

Composition

At the date of this report, Paris Orléans' Supervisory Board was composed of twelve members and a *censeur* (non-voting member): Eric de Rothschild (Chairman), André Lévy-Lang (Vice-Chairman), Martin Bouygues, François Henrot, Jacques Richier, Claude Chouraqui, Russell Edey, Christian de Labriffe, Philippe de Nicolay, Robert de Rothschild, Philippe Sereys, Rothschild & Cie Banque, represented by Marc-Olivier Laurent, and Michel Cicurel (*censeur*).

The Supervisory Board members are appointed by the General Meeting of Shareholders. Under the Company's Articles of Association, the term of office of Supervisory Board members is three years. Each Board member must own at least ten shares in the Company.

The General Meeting of Shareholders may appoint one or more non-voting members (*censeurs*) from among the shareholders or externally. The Supervisory Board may also appoint non-voting members subject to ratification by the next General Meeting of Shareholders. Non-voting members are appointed for a three-year term. They are responsible for ensuring strict application of the Company's Articles of Association. They attend Board meetings and take part in deliberations in a consultative capacity.

Of the twelve board members, André Lévy-Lang, Martin Bouygues, Jacques Richier and Philippe Sereys qualify as independent members.

Powers of the Supervisory Board

The Supervisory Board exercises permanent control over the Company's management by the Executive Board. In accordance with the law and the Company's Articles of Association, it is responsible for granting the Executive Board the necessary authorisation to carry out transactions and enter into agreements that must be submitted to it beforehand.

The Supervisory Board carries out all the checks and controls it deems appropriate and may request any documents it considers necessary for completing its duties. It may give specific assignments to one or more of its members in one or more specific areas.

The Executive Board reports to the Supervisory Board's Chairman on a monthly basis on the Company's equity interests, net cash position, level of debt and on private equity transactions (investments, disposals, supplementary investments) carried out by Paris Orléans' subsidiaries and sub-subsidiaries.

As required by the Articles of Association and by law, at least once a quarter the Executive Board reports to the Supervisory Board on the Company's activities. This report covers the activity and results of the Group's two main businesses: the banking activities carried out by the two main sub-groups Rothschilds Continuation Holdings AG ("RCH") and Rothschild & Cie Banque ("RCB") and the private equity activities carried out by Paris Orléans' consolidated sub-subsidiaries.

The Supervisory Board performs the checks and controls it considers necessary on the company and consolidated financial statements approved by the Executive Board, reviews the Executive Board's management report, issues an opinion on the proposed resolutions submitted to it for approval and on press releases. The Supervisory Board also determines the content of the observations it will present to the Annual General Meeting of Shareholders on presenting the financial statements for approval.

Organisation and operation

The Supervisory Board's organisation and operating procedures are established by law, by the Company's Articles of Association and the Board's internal rules. These internal rules set forth the guiding principles for its operation.

The Chairman may convene Board members by any means whatsoever. To enable as many members as possible to attend meetings (including by conference call and videoconference), the dates of meetings are set several months in advance and the schedule of future meetings always appears on the agenda of each Board meeting.

The Supervisory Board may create committees within its organisation and determine their composition and duties.

2. Review of the Supervisory Board's activity in 2010/2011

The Supervisory Board met four times in 2010/2011 with an average attendance rate of 78%. Before each Board meeting, every member systematically receives a file containing all the documentation, notes and reports relating to each item on the agenda.

At these meetings, the subjects dealt with by the Board included in particular:
- renewal of the Executive Board's mandate and composition;
- forecast management accounts;
- the Executive Board's quarterly reports;
- draft financial releases;
- the consolidated and Company financial statements for the periods ended 31st March 2010 and 30th September 2010 (interim financial statements) and the Statutory Auditors' reports;
- the Executive Board's Management Report (including the report on the Group's activity) and the resolutions proposed by the Executive Board to the General Meeting of 29th September 2010;
- disposals of significant equity interests during the year: Domaines Baron de Rothschild (Lafite) and part of the shareholding in NewStone Courtage (SIACI);
- the Chairman of the Supervisory Board's report, prepared in accordance with Article L. 225-68 of the French Commercial Code, for the 2009/2010 financial year;
- annotated budget proposals;
- regulated agreements within the meaning of Articles L. 225-86 and L. 225-87 of the French Commercial Code;
- outcome of the option to choose between payment of the 2009/2010 dividend in cash or in shares;
- prior authorisation of the usual asset and liability guarantees requested in the normal course of business by the purchaser of a holding in the portfolio with a view to its sale;
- breakdown of attendance fees;
- governance (appointment of a new Executive Board member and Managing Director);
- annual self-assessment as recommended by the AFEP-MEDEF Code of Corporate Governance for listed corporations.

In addition, with regard to the responsibilities of the financial company Rothschild Concordia SAS (the holding company for the Group), exercised through Paris Orléans since 2008 and during the past financial year, the Board's attention was drawn to the impact on Group equity of the principles and regulations issued by the Basel Committee.

In particular, the Board was kept informed of the discussions with the regulatory authorities and the action taken by the Group, which resulted in the authorisation granted by the Autorité de Contrôle Prudentiel (ACP) for the Group's supervision on a consolidated basis to be performed directly at the level of Paris Orléans.

Lastly, the Board took note of the internal control reports submitted to the ACP in respect of 2010 pursuant to Articles 42 (internal control) and 43 (risk measurement and monitoring) of CRBF Regulation 97-02 of 21st February 1997.

3. Assessment of the Board's organisation and working methods

On 28th June 2011, the Supervisory Board performed its annual self-assessment of its organisation and working methods. As in previous years, the method used was a self-assessment based on:
- reviewing the Board's operating methods;
- checking that important issues are properly prepared and discussed;

- measuring each member's contribution to the Board's work in the light of his competencies and involvement.

The Supervisory Board members did not identify any specific problems and considered that:
- the information provided to them before each meeting was complete and accurate;
- the frequency of meetings was appropriate to the level of activity;
- the high attendance rate at each meeting demonstrated the members' interest and involvement in the proper functioning of the Company.

4. Specialised Committees – Audit Committee

The Board has not created any specialised committee other than the Audit Committee, as the Board members perform their functions on a collegial basis. Well before the Order of 8th December 2008 introducing the requirement for companies traded on a regulated market to create an audit committee, the Board had decided to implement the AFEP-MEDEF recommendations issued on 23rd October 2003 by creating an audit committee in 2004.

Composition

The Supervisory Board determines the composition of the Audit Committee, which may only be composed of Supervisory Board members taking into account their skills and financial expertise.

At its meeting on 27th September 2010, the Supervisory Board renewed the mandates of the three Audit Committee members:
- Christian de Labriffe (Chairman);
- André Lévy-Lang (independent member);
- Philippe Sereys (independent member).

Audit Committee – Responsibilities, resources and scope

The Audit Committee is responsible for monitoring all issues relating to the preparation and control of financial and accounting data.

In particular, it is responsible for monitoring:
- the preparation of financial information;
- the effectiveness of the internal control and risk management systems;
- the statutory audit of the company and consolidated accounts by the Statutory Auditors; and
- the independence and objectiveness of the Statutory Auditors.

The Audit Committee examines the annual and interim company and consolidated financial statements before these are presented to the Supervisory Board. Any event that could give rise to a significant risk for Paris Orléans is referred to the Audit Committee by the Executive Board and the Statutory Auditors. It is also responsible for:
- issuing recommendations on the proposals submitted to the General Meeting of Shareholders regarding the appointment or renewal of the Statutory Auditors;
- reporting to the Board regularly on its work and informing it immediately of any difficulties encountered.

In accordance with the Supervisory Board's internal rules, the Audit Committee can draw on the help of Company employees as necessary. It is empowered to obtain any information it considers necessary to fulfil its task from Executive Board members, their staff and the Company's, or its subsidiaries' Statutory Auditors.

Activity

At the Paris Orléans level, the Audit Committee met twice in 2010/2011: on 26th November 2010 to review the interim financial statements and on 24th June 2011 to examine the Company and consolidated financial statements for the financial year ended 31st March 2011.

In addition, as part of the system of internal control and risk management at consolidated level implemented within the Group, all the Audit Committee members attended joint meetings with the Rothschilds Continuation Holdings sub-group's Audit Committee.

1.2. Corporate governance

Companies can refer to the AFEP-MEDEF Corporate Governance Code for Listed Corporations published in December 2008, which comprises all the recommendations issued by AFEP and MEDEF and was updated in April 2010.

Paris Orléans adheres to this corporate governance code and most of the recommendations contained in the said code have been implemented.

Nonetheless, it should be noted that Paris Orléans has not created any specialised committees other than the Audit Committee for the reasons already given above.
It should also be noted that the Company has not put in place any golden parachute or supplementary retirement scheme in favour of its corporate officers, nor given any commitment that falls within the application scope of Article L. 225-90-1 of the French Commercial Code and which corresponds to an element of remuneration, indemnification or benefits due or likely to become due on termination of office or change in function of any Executive Board member or subsequently to such event.

The information relating to the appointment and remuneration of corporate and executive officers is provided in the Executive Board's management report in the section relating to this subject (page 70 and onwards).

At its meeting on 28th June 2011, the Board took note of the provisions set forth in the law of 27th January 2011 relating to gender balance within Supervisory and Management Boards and to equality in the workplace.

1.3. Terms and conditions of shareholders' attendance of General Meetings

Under Articles 23 and 24 of the Company's Articles of Association, all shareholders are entitled to attend General Meetings and vote at all General or Special Meetings of Shareholders, either in person or by proxy, regardless of the number of shares they hold, on condition they provide proof of identity and of ownership of their shares as required by law.

For registered shareholders, the financial institution in charge of servicing the Company's shares is responsible for producing evidence of ownership of the shares; accordingly the shareholders concerned do not need to carry out any specific formalities. On the other hand, holders of bearer shares must contact the financial institution that holds their securities account to obtain a share certificate: this document, which evidences ownership of the shares prior to the General Meeting, must include an undertaking from the financial institution to notify the company or the centralising agent of any transaction carried out up to midnight, Paris time, of the third business day before the General Meeting.

Subject to the reserves and conditions established by the regulations and under the terms and conditions predefined by the Executive Board, the shareholders may attend and vote at all General or Special Meetings of Shareholders by videoconference or any other telecommunication means that enables their identity to be verified. Such shareholders are deemed to be present at the meeting for the purposes of quorum and majority.

Shareholders may, as provided for by the regulations, send a proxy or a mail voting form in paper format for General and Special Meetings or, if so decided by the Executive Board and indicated in the notice convening the General Meeting, in electronic format.

To be valid, all proxies or mail voting forms must be received at the Company's registered offices, or any other place indicated in the notice convening the meeting, at least two days before the date of the General Meeting.

Electronically transmitted instructions granting proxy or power of attorney may be accepted by the Company on the conditions and within the deadlines established in the applicable regulations.

In accordance with the new provisions of Article L. 225-106 of the French Commercial Code arising from Article 3 of Order 2010-1511 of 9th December 2010, shareholders may now grant power of attorney to any person or legal entity. It will be proposed to the General Meeting to modify the Articles of Association in keeping with the new regulation. Similarly, electronically transmitted notification of the appointment or revocation of a proxy is now admitted under the terms and conditions provided for in the notice convening the meeting.

If a proxy form is returned to the Company without indicating the name of the proxy, the Chairman of the General Meeting will vote in the shareholder's name in favour of draft resolutions proposed or approved by the Executive Board and against all other proposed resolutions.

1.4. Information provided for in Article L. 225-100-3 of the French Commercial Code

The information required pursuant to Article L. 225-103-3 of the French Commercial Code is provided on pages 60 to 62 of the Report of the Executive Board and forms an integral part of this report.

Section 2 – Internal control and risk management procedures

2.1. Definition and objectives of internal control

The internal control system refers to Paris Orléans' own internal control system and the Group system based on the independent systems already in place at the RCB and RCH sub-groups and overseen by Paris Orléans.

The internal control system follows the AMF internal control guidelines and is designed to ensure:
- the effectiveness and efficiency of the Company's operations;
- the prevention and detection of fraud;
- compliance with laws and regulations. internal standards and rules;
- the reliability of accounting and financial information;
- protection of the Group's assets.

It must also fulfil the internal control objectives specific to financial companies.

However, internal control cannot guarantee that the objectives set will be achieved or that the risks will be totally eliminated.

2.2. Scope of internal control and Chairman's work

1. Scope of internal control

The internal control system described in this report covers all the operations carried out within the Group and the activity of the Committees set up by the Group.

However, given the specific characteristics and organisation of the Group, internal control at local level continues to be the responsibility of each entity's management under the supervision of their respective regulatory authorities (mainly the Financial Services Authority, Swiss Financial Market Supervisory Authority, Autorité de Contrôle Prudentiel and AMF).

2. Work providing the basis for this report

This report was prepared based on work carried out and documentation produced throughout the 2010/2011 financial year by the Group Committees, the Executive Board, the Investment Committee, the Audit Committee, and on the reports issued in respect of the 2010/2011 financial year pursuant to Articles 42 and 43 of CRBF Regulation 97-02.

The preparation of this report required regular contact with all the various parties involved in internal control and risk management so as to obtain a comprehensive view of the system. The report was submitted to the Audit Committee on 24th June 2011 for the matters falling within its scope, and approved by the Supervisory Board at its meeting on 28th June 2011.

2.3. Principles of organisation of the internal control system

1. At the Paris Orléans level

The principles governing the internal control and risk management system at the consolidated level have been defined by the Supervisory Board in its internal rules, which also include the Audit Committee Charter.

The Supervisory Board exercises permanent control of the Executive Board's management of the Group. It supervises the management of the main risks incurred by the Group and ensures the quality of internal control, in particular the reliability of the accounting and financial information published.

The Supervisory Board is assisted by the Audit Committee, whose constitution, activities and responsibilities are described in the first part of this report. The Audit Committee also assesses the quality of the internal control system, based if necessary on significant observations relating to internal control formulated by the Statutory Auditors.

In the case of the private equity activities specific to Paris Orléans, the internal control system relies on:
- the Executive Board, responsible for permanent monitoring and oversight of the risks relating to Paris Orléans' activities and whose approval must be sought before any investment is made;

- the Audit Committee, which may be required to assess the potential impact on accounting or financial information of a risk identified beforehand or which is brought to its attention;
- The Investment Committee to which investment proposals are submitted and which monitors all the assets held in the portfolio.

2. At the level of the banking activities

a) At consolidated level

Internal control is based on the systems already in place at RCH and RCB. Since 31st March 2011, internal control is supervised on a consolidated basis by Paris Orléans.

Specific Group committees are responsible for permanent and periodic controls within the meaning of banking regulations. These committees are involved in and oversee the implementation of and compliance with the rules for which the Group is responsible on a consolidated basis.

Permanent control

Permanent control is organised around two committees: the Group Compliance Committee and the Group Risk Committee. Each committee is composed of the senior internal control and compliance officers at the banking group's operating entities and constitutes the executive body of the risk and compliance functions.

The Group Compliance Committee and the Group Risk Committee meet on a quarterly basis (or more frequently when necessary).

The Group Risk Committee's policy is based on the Group Risk Framework, which sets forth the general risk management guidelines and policies applicable within the Rothschild group. These guidelines, approved by the Group Risk Committee and updated when necessary, are available on the Group intranet.

Periodic control

As stated above, given the nature of the Group, periodic control is overseen by the Audit Committees of RCH and RCB and by their internal audit departments. At the consolidated level, since 2009, the Paris Orléans and RCH Audit Committees have held joint meetings to review internal and external auditors' reports, the information provided by their respective managements relating to the financial statements, and the reports prepared by the Group Risk Committee and the Group Compliance Committee. Attendance of these meetings by the Company's Audit Committee members gives them the opportunity to assess, when appropriate, the potential impact on consolidated accounting or financial information of a risk identified beforehand or which comes to their attention in connection with the banking activities.

This system will be reinforced and fully integrated during the present financial year, resulting in the putting in place of an audit committee wholly and exclusively dedicated to periodic control within the meaning of banking regulations.

b) At entities level

RCH and RCB each retains the responsibility for all operating, business and risk management decisions within their respective scope and for audits of the financial statements and consolidation package transmitted to Paris Orléans. At each entity, the internal control function is organised around specific internal audit units and risk management and compliance departments that are independent from operating activities.

At RCH, internal control is organised around three bodies:
- RCH's Board of Directors, which is responsible for implementing and overseeing the RCH group's corporate governance and risk management in accordance with the legal and regulatory requirements applying to the Group's activities;
- the Audit Committee;
- the Group Management Committee which in its capacity as RCH's main management body oversees the proper operation of governance structures at RCH and its subsidiaries and the correct implementation of policies and procedures.

The internal control system at RCB is organised around two main bodies based on separation of the different types of control within distinct structures:
- The Audit Committee validates the recommendations arising from periodic controls;
- The Compliance and Risk Committee coordinates the supervision and measurement of risk. Four special committees have been created to enhance communication and information exchange with operating managers: the Internal Control Committee, the Corrective Actions Committee, the Operational Risks Committee and the Internal Approval Committee for Capital Requirement;
- The Managing Partners Committee validates and approves the allocation of capital, the financial statements, the budget for the year, the business situation and the reports on internal control and risk measurement and supervision submitted yearly to the French bank supervisory authority (Autorité de Contrôle Prudentiel) pursuant to Articles 42 and 43 of CRBF Regulation 97-02.

2.4. Summary description of the internal control systems

1. Organisation of the risk management function

Since 2009 the Group Risk Committee is the collegiate body that supervises all risks at group level. Its main purpose is to draw up and institute policies and procedures to identify, measure, monitor and manage risk in keeping with the Group's desired risk profile.

The policies and procedures implemented and approved by the Group Risk Committee meet the objectives established in the Group Risk Framework.

The Group Risk Committee's duties include:

- Assessing the suitability and effectiveness of risk identification, control and measurement procedures, with particular reference to risks relating to:
  - Rothschild's reputation,
  - capital adequacy,
  - liquidity management,
  - regulatory compliance,
  - risk profile;

- Reviewing the findings of periodic reports issued by the various committees and sub-committees;
- Seeking periodic assurance that risks are being managed in accordance with Group policies and procedures;
- Recommending for approval Group risk policies including the Group Risk Framework; and
- Preparing the half-yearly and annual written reports presented to the Board of Directors of Rothschild Concordia SAS, the Executive Board of Paris Orléans SA, RCH's Group Management Committee and RCB's Managing Partners Committee.

The Group has adopted a group-wide risk governance model which requires all the Group's businesses and functions to establish processes for identifying, evaluating and managing the key risks faced by the Group.

The Group risk management system is based on a decentralised organisation of risk functions at each entity according to their business scope. It thus supplements the risk measurement, management and monitoring systems that are adapted to each entity's business and are organised around the Group's principal business lines:
- the Private Equity (excluding Merchant Banking) division's Risk Department, under the supervision of the Paris Orléans Executive Board, is responsible for global risk monitoring and management. It helps draft and implement the investment and risk management policies, in particular through the Investment Committee;
- the Banking division's Risk function, which is performed by each local Risk Department.

In accordance with the organisation principles described above, managing risks involves implementing a system at local level, which at most of the Group entities comprises:
- global limits, mainly in the form of risk policies, risk spreading rules and commitment limits per risk factor;
- operational limits, established as part of strict procedures, in particular decision procedures based on documented analysis, delegation levels, including the conditions governing the role of specialised committees.

2. Risk measurement and monitoring

The Group's activities expose it to three main categories of risk:
- Credit risk – which is the risk of loss due to a counterparty's inability to meet its financial obligations – arises mainly on the banking activities.
- Financial risks – which include global liquidity, settlement, interest rate and exchange rate risks – arise mainly on the banking activities, equity interests and cash management transactions carried out within the Group. In addition to the financial risk policies defined at the level of each local entity, financial risk is measured using a number of indicators:

  - the ratios required by banking regulators, such as the solvency and liquidity ratios required for entities governed by French banking regulations.
  - the monitoring of portfolio positions and outstandings, and
  - a system of limits, designed to control risk exposure.

- Operational risk (which also includes non-compliance and legal risk) is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.

In keeping with Basel 2 regulations, the Group's banking subsidiaries have implemented operational risk management systems. Operational risk is measured and supervised based on a series of guidelines and methodologies for calculating capital requirements in respect of these risks. All the employees were involved in implementing local risk policies.

3. Preparation of Paris Orléans' accounting and financial information

The Finance Department of Paris Orléans has the necessary human resources to produce the financial, accounting and regulatory information of Paris Orléans. Under the authority of the Chief Financial Officer, also a member of the Executive Board, the Finance Department consists of three divisions: Company accounting, consolidated accounting and regulatory reporting.

a) Preparation of the consolidated financial statements

Paris Orléans' consolidation unit manages the schedule of accounts and the associated databases, centralises Group consolidation tasks, controls the consistency and sufficiency of data and draws up the consolidated accounts and related notes. In this framework, the consolidation unit closes the accounts on a quarterly basis.

Thanks to the new consolidation tool rolled out throughout the Group in 2009, all subsidiaries currently report their individual accounting information using a schedule of accounts and a format common to the whole Group.

Once the consolidation data has been input, "blocking" controls defined by the Group are applied in order to check the consistency of the accounting data, the correctness of the flows and the completeness of breakdowns. As a complement to these controls, the procedure for drawing up the consolidated accounts includes an initial examination of the consolidated accounting data at each sub-level, covering six main areas:
- correct conversion to IFRS of each entity's accounts;
- checks on reconciliation of inter-company transactions and the breakdown of shareholdings in the Group's companies;
- checks on the application of consolidation restatements and justification of deferred taxation;
- review at consolidated level of risk assessment and provisioning policy;
- analysis and justification of shareholders' equity by entity and transition from company to consolidated level;
- checks on consistency by analysing changes in consolidated balances between two financial years.

b) Accounting control

The accounting control process is based on the juxtaposition of the control systems implemented at each level of the Group's organisation.

Accounting control framework for the Paris Orléans private equity business line

To the extent that these activities are carried out directly by Paris Orléans, the Finance Department is responsible for validating the accounts and performing the following controls:
- a first level auto-control carried out as part of the accounting process. These controls are performed daily by Paris Orléans' accounting department for all subsidiaries based in France and by external accounting firms for the foreign subsidiaries based in Luxemburg and in the United States;
- a second level control performed by the accounting department which consists of checking securities accounts to verify securities positions and carrying out consistency checks to ensure the reliability and completeness of accounting and financial information;
- a third level control, performed by the Statutory Auditors as part of their audit of the accounts, carried out on an annual and half-yearly basis;
- a final level of control is ensured by the Audit Committee, which is responsible for examining the sub-consolidated accounts and the consolidated accounts of Paris Orléans.

Accounting control framework for the banking business line

For the banking activities sub-consolidated at the level of RCH, the Finance Department relies on a decentralised system in which the control functions are assigned to the persons responsible locally for producing the financial statements.

The accounts are sub-consolidated at the RCH level using the Group consolidation software application. Reporting of local entities' accounting information is automatic. Once the data has been input, "blocking" controls are applied.

For the consolidation requirements at the Paris Orléans level, every year the main banking subsidiaries produce a standardised end-of-year representation letter. This document, which sets out the qualitative conditions for producing the accounts, enables the Chairman of the Paris Orléans' Executive Board and the Chief Financial Officer to sign the representation letter to Paris Orléans' statutory auditors.

Accounting control at consolidated level

As well as the control procedures described above, the consolidation process includes checking the integrity of consolidated accounting data. These checks are carried out by:

- the consolidation unit, Under the supervision of the Finance Department this unit checks the consistency of valuations used for assets and prepares documentation supporting the related balances for the Statutory Auditors and the Audit Committee;
- Paris Orléans' Audit Committee which since 2009 attends joint meetings with RCH's Audit Committee for the banking activities;
- the Statutory Auditors, as part of their audit of the accounts. Their work is performed in accordance with professional standards.

Control of regulatory reports

The Group Regulatory Reporting department draws up the relevant procedures and ensures the quality and reliability of calculations of the solvency ratio, credit risk, market risk, operational risk and regulatory capital.

At Group level, regulatory reporting relates to:

- the solvency ratio (COREP);
- regulatory reporting under IFRS (FINREP);
- large risks (SURFI);
- unrealised gains and losses (SURFI);
- lists of subsidiaries (SURFI);
- commitments outside France (SURFI);
- the bank deposits guarantee system (SURFI).

Financial communications

The Executive Board is responsible for preparing financial communications. It applies the general principles and good financial communications practices set out in the "Financial Communication: Framework and Practices" guide published by the *Observatoire de la Communication Financière*, and updated in June 2009, under the guidance of the French financial markets authority (AMF), and the AMF's annual recommendations relating to financial disclosure.

The Executive Board defines the financial communication strategy. All press releases are approved by the Executive Board prior to release. In addition, releases relating to the interim and annual results are submitted to the Supervisory Board. The Supervisory Board may also be consulted on specific subjects before information is published.

4. Other internal control mechanisms implemented by the Group

Information systems security and Business Continuity Plans ("BCP")

Information systems security rules are applied locally by each Group entity, including Paris Orléans, in areas such as data management (backup and archiving) and employee access authorisations, the physical security of hardware and software. IT operating systems and the development and management of applications.

At the same time, business continuity procedures – including definition of the BCP – have been implemented by each subsidiary to deal with the crisis scenarios applicable at local level.

These procedures are reinforced by the IT audit work performed by a team of IT experts from RCH's Internal Audit Department. The audit scope covers all the subsidiaries' information systems.

Prevention and control of non-compliance risks

The system for the prevention and control of non-compliance risks is supervised by the Group Compliance Committee. Its main purpose is to review the efficiency of the Group's compliance policies and monitoring procedures and issue recommendations for approval by the Group Risk Committee. It has specific responsibility for:

- viewing Group compliance policies on client acceptance and conflicts of interest;
- reviewing the implementation of other Group compliance policies, as appropriate;
- providing the Group Risk Committee with input and comments on reports prepared pursuant to Articles 42 and 43 of Regulation 97-02;
- monitoring legal and regulatory developments that could affect the Group's policies and procedures;
- producing the written interim and annual reports.

At the local level, each entity is responsible for controlling and preventing non-compliance risk with the support of:

- RCH's Group Head of Legal and Compliance who is responsible for overseeing, supervising and coordinating Group compliance in collaboration with local compliance officers, who constitute the first level of control at each operational entity; and
- local compliance officers, who monitor and regularly review – with complete independence – the security and compliance of operations by business line, within their scope of action and responsibility.