

# Report of the Supervisory Board Chairman on the preparation and organization of the Board's activities and internal control procedures

## 1.1. Legal framework

Under the provisions of article L. 225-68 of the French Commercial Code, amended by the Law of July 3, 2008, "in publicly traded companies, the Chairman of the Supervisory Board shall submit a report on [...] the composition of the Board, the preparation and organization of the activities of the Board, and internal control and risk management procedures established by the company, describing in particular those procedures relating to the preparation and treatment of accounting and financial information used to prepare the corporate financial statements and, if applicable, the consolidated financial statements."

Article L. 225-68 of the French Commercial Code further provides as follows:

- "When a company defers voluntarily to a code of corporate governance drawn up by recognized business federations, the [abovementioned] report shall also indicate which provisions were set aside and for what reason. The report shall also specify the place where the code of governance may be reviewed."
- "The [abovementioned] report shall be approved by the Supervisory Board and made public."

At the request of the Chairman of the Supervisory Board, this report was submitted to the Audit Committee for an opinion and to the Supervisory Board for approval on February 25, 2009, in accordance with the abovementioned provisions.

## 1.2. The AFEP-MEDEF Code of Corporate Governance: the standard for the AREVA group <sup>(1)</sup>

The AREVA group has adopted the AFEP-MEDEF recommendations of October 6, 2008 on executive officer compensation in companies whose shares are traded on a regulated market. More generally, the AREVA group defers to the AFEP-MEDEF Code of Corporate Governance for publicly traded companies, with certain adjustments.

The adjustments to the AFEP-MEDEF Code of Corporate Governance are warranted by the distribution of the company's share capital. The current number of independent Supervisory Board members (4 out of 15) is sufficient to represent the diversity of interests, considering the very strong concentration of the company's share capital, with shareholders represented by 7 members of the Supervisory Board. For this same reason, the Supervisory Board has not yet performed a self-assessment. Likewise, the provision pertaining to members of the Supervisory Board holding "a significant number of shares" is irrelevant in this case.

Regarding the length of service of the directors, the five-year terms for directors elected by the General Meeting of Shareholders and by the company's employees ensure greater stability of directors, as is fitting for long-cycle activities such as nuclear power. This term is consistent with the maximum term of six years under the law.

## 2. Reviews performed to prepare this report

This report was prepared based solely on information provided by the Executive Board and the functional departments it coordinates to the Chairman of the Supervisory Board in connection with the annual review of internal control procedures and various meetings of the Supervisory Board and its committees. The organization and functioning of the governance bodies of the AREVA group are based on the rules and principles of the government order no. 2008-1278 of December 8, 2008 transposing the European directive 2006/43/EC of May 17, 2006. The order of December 8, 2008 will be implemented on September 1, 2009 at the earliest.

The work and reviews related to the preparation of this report were submitted to the council of Statutory Auditors.

## 3. Preparation and organization of the Supervisory Board's activities

(1) The Code is available on the Medef website ([www.medef.fr](http://www.medef.fr)).

## 3.1. Functioning of the Supervisory Board

The Supervisory Board, whose functioning is set forth in rules of procedure <sup>(1)</sup>, exercises ongoing control of AREVA's management by the Executive Board. The Executive Board regularly informs the Supervisory Board of the business and operations of AREVA and the AREVA group through quarterly reports. The Supervisory Board performs such verifications and procedures as it deems necessary.

The Supervisory Board appoints the members and the Chairman of the Executive Board. The Supervisory Board may recommend the dismissal of Executive Board members to the General Meeting of Shareholders. The Supervisory Board may call meetings of the General Meeting of Shareholders.

The Supervisory Board meets at least once quarterly at the corporate office or any other place indicated in the notice of meeting issued by the Chairman, or by the Vice Chairman in the absence of the former, to review the Executive Board's report.

For decisions of the Supervisory Board to be valid, at least half of the members must be present. Decisions are made on a majority vote of the members present or represented. In the event of a tie vote, the Chairman of the meeting casts the deciding vote.

The Supervisory Board submits its remarks on the report of the Executive Board and on the financial statements to the Annual General Meeting of Shareholders.

The Supervisory Board is not limited to a supervisory function; it also delegates authority to the Executive Board to conduct transactions that the Executive Board cannot accomplish without such authorization. It reviews the overall strategy for AREVA and for the group. Annual budgets and multi-year plans for AREVA, its direct subsidiaries and the group are subject to Supervisory Board approval, as well as any transaction at the subsidiary level contemplated by article 23-2 of the by-laws.

Pursuant to article 23-2 of the by-laws, the following Executive Board decisions are subject to prior approval by the Supervisory Board when they involve an amount exceeding 80 million euros:

- (i) issuing securities, regardless of type, that may have an impact on share capital;
- (ii) significant decisions on opening establishments in France and abroad, either directly, through creation of a branch, or by establishing a direct or indirect subsidiary, or by acquiring an equity stake; similar approval is required for decisions to close such establishments;
- (iii) significant operations that may affect the group strategy and modify its financial structure or scope of business;
- (iv) acquisitions, increases or sales of equity interests in any company, existing or to be established;
- (v) exchanges of goods, securities or assets, with or without cash payment, excluding cash management operations;
- (vi) acquisitions of real estate;
- (vii) settlements, agreements or transactions relating to disputes;
- (viii) decisions pertaining to loans, borrowings, credit and advances; and
- (ix) acquisitions and disposals of any receivables by any means.

In addition, proposals for allocations of earnings for the year presented by the Executive Board are subject to the prior approval of the Supervisory Board.

On July 3, 2001, the Supervisory Board authorized the Executive Board to carry out certain transactions, up to the following amounts:

- disposals of real property up to 30 million euros;
- provision of collateral to secure corporate commitments, up to 80 million euros per year in the aggregate, provided that no single commitment exceeds 30 million euros.

The Supervisory Board regularly updates its rules of procedure, which stipulate in particular:

- the establishment and functioning of the four committees described below;
- rules for preparing Supervisory Board deliberations;
- conditions for establishing the schedule of Supervisory Board meetings;
- resources at the disposal of Supervisory Board members elected by the employees.

*(1) The rules of procedure of the Supervisory Board may be reviewed at the company's corporate office at 33, rue La Fayette 75009 Paris, France.*

## 3.2. Composition of the Supervisory Board

The members of the Supervisory Board are appointed by the shareholders and by holders of voting right certificates, except for employee-elected members of the Board and representatives of the French State.

The Supervisory Board consists of at least 10 and no more than 18 members, including 3 members elected by company personnel, as described below, and representatives of the French State designated pursuant to article 51 of Law no. 96-314 of April 12, 1996. The 3 members representing company personnel are elected by an electoral college consisting of engineers and managers (1 member) and by an electoral college consisting of the other employees (2 members).

The members of the Supervisory Board serve for a term of five years. The duties of a member of the Supervisory Board not elected by company personnel expire at the end of the Annual General Meeting of Shareholders held during the year of expiration of his or her term, convened to approve the financial statements of the previous year.

The General Meeting of Shareholders may dismiss members of the Supervisory Board, other than members representing the French State and members elected by company personnel. The duties of a member elected by company personnel expire upon announcement of the results of elections, which AREVA must organize according to the by-laws, or upon the end of said member's employment contract or his or her dismissal, as provided by laws or regulations in effect at the time of the dismissal.

Only natural persons may be elected by company employees to serve as members of the Supervisory Board. Members of the Supervisory Board not elected by company employees may be natural persons or corporate entities.

Except as provided by law, each member of the Supervisory Board must own at least one share of the company.

The Supervisory Board elects a Chairman and a Vice Chairman from among its members who are charged with convening the Board and conducting meetings, with the Vice Chairman fulfilling these functions in the event of the Chairman's absence or inability to do so. The Chairman and Vice Chairman are natural persons.

As of December 31, 2008, following the appointment of Mr. François David by the shareholders in April 2008, the Supervisory Board consists of 15 members, 4 of whom – Mr. Frédéric Lemoine, Mrs. Guylaine Saucier, Mr. François David and Mr. Oscar Fanjul – are considered independent by the Supervisory Board.

### Members appointed by the shareholders

#### Frédéric Lemoine (age 43)

Mr. Frédéric Lemoine was appointed to the Supervisory Board in its meeting of March 8, 2005 to replace Mr. Philippe Pontet, who had resigned. The Annual General Meeting of Shareholders confirmed his appointment on May 12, 2005. The Supervisory Board elected him Chairman of the Supervisory Board on March 8, 2005. His term expired after the Annual General Meeting of Shareholders convened to approve the financial statements for the year ended December 31, 2005 and was renewed by the Annual General Meeting of Shareholders on May 2, 2006. The Supervisory Board convened on that same day re-elected him **Chairman of the Supervisory Board**. Mr. Lemoine's term will expire at the Annual General Meeting of Shareholders convened in 2011 to approve the financial statements for the year ending December 31, 2010.

Frédéric Lemoine is *Inspecteur des finances* and a graduate of École des hautes études commerciales and of the Institut d'études politiques de Paris. He is an alumnus of the École nationale d'administration.

During his professional career, Mr. Lemoine was also Deputy Secretary General to the President of the French Republic from 2002 to 2004 and Executive Vice President in charge of Finance at the Capgemini group until 2002.

#### > OTHER OFFICES HELD

- Administrator of LCE Sarl;
- Director and Chairman of the Audit and Accounting Committee of Groupama SA;
- Director and Chairman of the Audit Committee of Flamel Technologies;
- Member of the Supervisory Board of Générale de Santé until June 27, 2007, and subsequently Censor; and
- Member of the Supervisory Board of Wendel.

> OTHER OFFICES HELD DURING THE PAST FIVE YEARS

None.

**Alain Bugat (age 60)**

Mr. Bugat became a member of the Supervisory Board on January 23, 2003. The Annual General Meeting of Shareholders confirmed his appointment on May 12, 2003. The Supervisory Board elected him Vice Chairman of the Supervisory Board on June 12, 2003. His term expired after the Annual General Meeting of Shareholders convened to approve the financial statements for the year ended December 31, 2005 and was renewed by the Annual General Meeting of Shareholders on May 2, 2006. The Supervisory Board meeting on that same date re-elected him **Vice Chairman of the Supervisory Board**. His term, which in principle was to have expired at the Annual General Meeting of Shareholders convened in 2011 to approve the financial statements for the year ending December 31, 2010, ended following his resignation, effective January 8, 2009. Mr. Bugat will be replaced in his duties as member and Vice Chairman of the Supervisory Board by Mr. Bigot, whose appointment shall be ratified by the Annual General Meeting of Shareholders to be convened April 30, 2009.

Mr. Bugat is a graduate of École Polytechnique and École nationale des techniques avancées. He holds the rank of *Ingénieur général de l'Armement*.

> OTHER OFFICES HELD

- Chairman of the Board of Directors of the CEA (until January 8, 2009);
- Representative of the French State to the Board of Directors of AREVA NC;
- Vice Chairman of the Board of *Agence nationale de la recherche technologique* (ANRT) Association; and
- Member of the General Armament Board (*Conseil général de l'armement*) in the capacity of military engineer.

> OTHER OFFICES HELD DURING THE PAST FIVE YEARS

- Chairman of the Supervisory Board of MVI Technologies until 2003;
- Director of EDF until 2004;
- Director of DCN SA until 2007;
- Member of the Supervisory Board of CDC Entreprises until 2007;
- Director of Cybernetix until October 2008.

**François David (age 67)**

Mr. François David was appointed to the Supervisory Board by the Annual General Meeting of Shareholders on April 17, 2008. His term will expire at the end of the Annual General Meeting of Shareholders convened in 2013 to approve the financial statements for the year ending December 31, 2012.

Mr. François David is a graduate of Institut d'études politiques of Paris and École nationale d'administration. His duties as Chairman of Coface were renewed in 2007.

> OTHER OFFICES HELD

- Member of the Supervisory Board of Lagardère SCA;
- Director of Vinci and Rexel.

> OTHER OFFICES HELD DURING THE PAST FIVE YEARS

- Director of EADS until April 2007.

**Thierry Desmarest (age 63)**

Mr. Desmarest was appointed member of the Supervisory Board by the Annual General Meeting of Shareholders on June 18, 2001. His term expired at the Annual General Meeting of Shareholders convened to approve the financial statements for the year ended December 31, 2005 and was renewed by the Annual General Meeting of Shareholders on May 2, 2006. Mr. Desmarest's term will expire at the Annual General Meeting of Shareholders convened in 2011 to approve the financial statements for the year ending December 31, 2010.

Thierry Desmarest is a graduate of École Polytechnique and holds the rank of *Ingénieur en chef* in the *Corps des Mines*. He became Chairman of the Board of Total SA on February 14, 2007, after serving as CEO of that company for 10 years.

> OTHER OFFICES HELD

- Director of Renault SA and Renault SAS (since April 2008), of Air Liquide, and of Sanofi-Aventis.

> OTHER OFFICES HELD DURING THE PAST FIVE YEARS

- President of Total SA until February 2007; and
- CEO of Elf Aquitaine until May 2007.

### **Oscar Fanjul (age 59)**

Mr. Fanjul was appointed member of the Supervisory Board by the Annual General Meeting of Shareholders on May 2, 2006. His term will expire at the Annual General Meeting of Shareholders convened in 2011 to approve the financial statements for the year ending December 31, 2010.

Oscar Fanjul holds a PhD in economics. He is Vice Chairman and President of Omega Capital.

> OTHER OFFICES HELD

- Member of the Boards of Directors of the London Stock Exchange, Marsh & McLennan Companies, Lafarge, Acerinox and Cibeles. Trustee of the International Accounting Standards Committee Foundation (IASC). International Adviser of Goldman Sachs.

> OTHER OFFICES HELD DURING THE PAST FIVE YEARS

- Director of Inmobiliaria Colonial until December 2007;
- Director of Unilever Plc until May 2006; and
- Director of Tecnicas Reunidas until June 2005.

### **Philippe Pradel (age 52)**

Mr. Pradel was appointed member of the Supervisory Board by the Annual General Meeting of Shareholders on May 2, 2006. Mr. Pradel's term will expire at the Annual General Meeting of Shareholders convened in 2011 to approve the financial statements for the year ending December 31, 2010.

Mr. Pradel is a graduate of École Polytechnique and École nationale supérieure des techniques avancées (ENSTA). He is Director of Nuclear Energy at the CEA.

> OTHER OFFICES HELD

- Permanent representative of the CEA to the Board of Directors of AREVA TA;
- Representative of France to the Joint Research Center;
- Director of ANDRA;
- Representative of the CEA to GENCI (*Grand Équipement national de calcul intensif*);
- Chairman of the technology platform for sustainable nuclear energy.

> OTHER OFFICES HELD DURING THE PAST FIVE YEARS

- Director of AREVA NC Inc. until February 2005;
- Director of Comurhex until February 2005;
- Director of MELOX SA until 2003, then permanent representative of AREVA NC to the Board of Directors of MELOX SA until February 2005;
- Permanent representative of AREVA NC to the Board of Directors of Socodei until February 2005;
- Director of EMA until February 2005;
- Director of AREVA NC Deutschland until February 2005;
- Director of SGN until February 2005;
- Permanent representative of AREVA NC to the Board of Directors of TN International until February 2005;
- Chairman of the Management Board and Director of Commax GIE until February 2005.

### **Guyllaine Saucier (age 62)**

Mrs. Saucier was appointed member of the Supervisory Board by the Annual General Meeting of Shareholders on May 2, 2006. Mrs.

Saucier's term will expire at the Annual General Meeting of Shareholders convened in 2011 to approve the financial statements for the year ending December 31, 2010.

Mrs. Saucier is a Chartered Accountant and a graduate of HEC Montreal.

> OTHER OFFICES HELD

- Director of the Danone group (since December 2008), of Axa Canada, of Petro-Canada and of the Bank of Montreal.

> OTHER OFFICES HELD DURING THE PAST FIVE YEARS

- Director of Nortel Networks until 2005;
- Director of Tembec Inc. until 2005;
- Director of Altran Technologies until February 2007;
- Director of CHC Helicopter Corp.

**Commissariat à l'Énergie Atomique (CEA), represented by Olivier Pagezy**

The CEA became a member of the Supervisory Board on September 3, 2001. The CEA's term expired at the end of the Annual General Meeting of Shareholders convened to approve the financial statements for the year ended December 31, 2005 and was renewed by the Annual General Meeting of Shareholders held on May 2, 2006. The CEA's term will expire at the Annual General Meeting of Shareholders convened in 2011 to approve the financial statements for the year ending December 31, 2010.

The CEA is represented by Olivier Pagezy (age 40). Mr. Pagezy is a graduate of Institut d'études politiques of Paris and of École nationale d'administration. He is CFO of the CEA and *Inspecteur des finances*.

> OTHER OFFICES HELD

- Director of CEA Valorisation SA and of Co-Courtage Nucléaire SA;
- Permanent representative of the CEA to FT1CI (beginning March 2008) and to GIP-DFT.

> OTHER OFFICES HELD BY THE CEA

- Director of CEA Valorisation SA, AREVA TA, Route des Lasers (SEML) and Minatoc (SEML).

> OTHER OFFICES HELD DURING THE PAST FIVE YEARS

- Director of Sofratome until 2003.

**Members representing the French State, appointed by ministerial order**

**Luc Rousseau (age 51)**

Mr. Rousseau was appointed representative of the French State to the Supervisory Board by ministerial order of March 11, 2005 published in the *Journal officiel* on March 25, 2005. He replaces Mr. Jean-Pierre Falque-Pierrotin. His term expired after the Annual General Meeting of Shareholders convened to approve the financial statements for the year ended December 31, 2005 and was renewed by ministerial order of April 26, 2006 published in the *Journal officiel* on May 11, 2006. His term will expire at the end of the Annual General Meeting of Shareholders convened to approve the financial statements for the year ending December 31, 2010.

Mr. Rousseau is a graduate of *École Polytechnique* and holds the rank of *Ingénieur* in the *Corps des Mines*.

He is Director General of Competitiveness, Industry and Services at the Ministry of the Economy, Industry and Employment.

> OTHER OFFICES HELD

- Member of the French Atomic Energy Board;
- Government Commissioner to La Poste and Oseo Innovation;
- Director of the French National Research Agency (*Agence nationale de la recherche*, ANR), of the Strategic Investment Fund, of the City of Science and Industry, and of the Invest in France Agency (AFII).

> OTHER OFFICES HELD DURING THE PAST FIVE YEARS

- Government Commissioner to the Supervisory Board of the Industrial Innovation Agency (AII) until December 2007.

### **Pierre-Franck Chevet (age 47)**

Mr. Chevet was appointed representative of the French State to the Supervisory Board by ministerial order of March 1, 2007 published in the *Journal officiel* on March 3, 2007. He replaces Dominique Maillard. His term will expire at the end of the Annual General Meeting of Shareholders convened to approve the financial statements for the year ending December 31, 2010.

Pierre-Franck Chevet is a graduate of *École Polytechnique* and of the Paris Graduate School of Economics, Statistics and Finance (ENSAE), and holds the rank of *Ingénieur général* in the *Corps des Mines*. He is Director General of Energy and the Climate at the Ministry of the Environment, Energy, Sustainable Development and Regional Development.

#### > OTHER OFFICES HELD

- Director representing the French State to the Boards of Directors of GDF-SUEZ (since 2008), La Poste, and the Institut Français du Pétrole;
- Government Commissioner to the Energy Regulation Commission;
- Government Commissioner to AREVA NC;
- Government Commissioner to ANDRA;
- Director of the French Environment and Energy Management Agency (ADEME);
- Member of the Steering Committee of the International Energy Agency (IEA) and the French Atomic Energy Board.

#### > OTHER OFFICES HELD DURING THE PAST FIVE YEARS

None.

### **Gérard Errera (age 65)**

Mr. Errera was appointed representative of the French State to the Supervisory Board by ministerial order of December 18, 2007 published in the *Journal officiel* on December 20, 2007. He replaces Mr. Philippe Faure. His term will expire at the end of the Annual General Meeting of Shareholders convened to approve the financial statements for the year ending December 31, 2010.

Gérard Errera is a graduate of *Institut d'études politiques* of Paris and an alumnus of *École nationale d'administration*. He held various positions at the French Ministry of Foreign Affairs, including Director General of political affairs and foreign affairs security, Plenipotentiary Minister, and Ambassador of France in London. He is the Secretary General of the French Ministry of Foreign and European Affairs.

#### > OTHER OFFICES HELD

- Director of EDF, *École nationale d'administration* (ENA), the Commission of Verification of Registered Works of Art, Cultures France, National Agency of Secure Shares (*Agence nationale des titres sécurisés*), Institution of Planning and Response to Health Emergencies (*Établissement de préparation et de réponse aux urgences sanitaires*), Audiovisual Outside France;
- Member of the French Atomic Energy Board;
- Member of the Board of the Arab World Institute (IMA).

#### > OTHER OFFICES HELD DURING THE PAST FIVE YEARS

None.

### **Bruno Bézard (age 45)**

Mr. Bézard was appointed representative of the French State to the Supervisory Board by ministerial order of July 22, 2002 published in the *Journal officiel* on July 26, 2002. He replaced Nicolas Jachiet. His term expired after the Annual General Meeting of Shareholders convened to approve the financial statements for the year ended December 31, 2005 and was renewed by ministerial order of April 26, 2006 published in the *Journal officiel* on May 11, 2006. His term will expire at the end of the Annual General Meeting of Shareholders convened to approve the financial statements for the year ending December 31, 2010.

Bruno Bézard is *Inspecteur général des finances*, a graduate of *École Polytechnique* and an alumnus of *École nationale d'administration*. On February 26, 2007, he was appointed Director General of the agency in charge of the French government's equity interests at the department of the Treasury and Economic Policy, Ministry of the Economy, Industry and Employment, by ministerial order published in the *Journal officiel* on February 27, 2007.

#### > OTHER OFFICES HELD

- Director of EDF, France Télécom, La Poste, Air France-KLM, Thalès, the Marseilles Seaport, Dexia and the Strategic Investment

Fund.

> OTHER OFFICES HELD DURING THE PAST FIVE YEARS

- Director of Renault until 2003;
- Director of SNCF until April 2007;
- Director of France Télévisions until April 2007.

## Members elected by and representing the employees

### **Jean-Claude Bertrand (age 57)**

Mr. Bertrand was elected by the employee electoral college on May 28, 2002 in elections validated by the Work Council (*comité d'entreprise*) on July 12, 2002. He took office at the Supervisory Board meeting held on July 25, 2002. His term was renewed following elections held on May 24, 2007 and will expire following elections to be held in 2012.

Mr. Bertrand is a program manager with the management team of the Tricastin site.

> OTHER OFFICES HELD

- Director of Alexis Junior High School in Montélimar.

> OTHER OFFICES HELD DURING THE PAST FIVE YEARS

None.

### **Gérard Melet (age 51)**

Mr. Melet was elected by the employee electoral college on May 28, 2002 in elections validated by the Work Council (*comité d'entreprise*) on July 12, 2002. He took office at the Supervisory Board meeting held on July 25, 2002. His term was renewed following elections held on May 24, 2007 and will expire following elections to be held in 2012.

Mr. Melet is Chief Buyer at the Procurement department of AREVA NC/La Hague.

> OTHER OFFICES HELD

None.

> OTHER OFFICES HELD DURING THE PAST FIVE YEARS

None.

### **Alain Vivier-Merle (age 60)**

Mr. Vivier-Merle was elected by the electoral college consisting of engineers and managers on June 20, 2002 in elections validated by the Work Council (*comité d'entreprise*) on July 12, 2002. He took office at the Supervisory Board Meeting held on July 25, 2002. His term was renewed following elections held on June 19, 2007 and will expire following elections to be held in 2012.

Mr. Vivier-Merle is a manager of strategy and marketing programs for AREVA NP in Lyon.

> OTHER OFFICES HELD

- Chairman of the Supervisory Board of the Framépargne employee savings plan;
- Member of the Supervisory Board of the Framépargne balanced mutual fund.

> OTHER OFFICES HELD DURING THE PAST FIVE YEARS

- Chairman of the Supervisory Board of Sogepan A until 2004;
- Member of the Supervisory Board of the AREVA employee savings plan's money market fund until 2004.

In addition, Mr. Marcel Otterbein replaced Mr. Patrick Germain as representative of the AREVA Work Council on February 21, 2007. He participated in the meetings of the Supervisory Board in an advisory capacity in 2008.

## **Comptroller General**

**Mrs. Anne-Dominique Fauvet**, who was appointed head of the general economic and financial control mission of the CEA by order of

the Ministry of the Economy, Finance and Industry on February 15, 2006 with responsibility for general control of AREVA, ceased exercising those duties on July 3, 2008.

**Mr. Bruno Rossi** was appointed acting manager of the Atomic Energy control mission of the general economic and financial control department by the June 24, 2008 decision of the Ministry of the Economy, Industry and Employment. Mr. Rossi is represented by **Mr. Toni Cavatorta**, who reports to him on his control of AREVA SA and attends meetings of the Supervisory Board and of its specialized committees.

## Censors

AREVA's by-laws authorize the Supervisory Board to appoint one or several censors, whose mission is to assist the Supervisory Board in its oversight functions. They attend the meetings without the right to vote.

No censor had been designated as of the filing of this reference document.

## Secretary of the Board

**Mr. Bernard de Gouttes**, Senior Vice President of Compliance of the AREVA group, is the Secretary of the Supervisory Board.

The members of AREVA's Supervisory Board may be contacted at the company's corporate office at 33, rue La Fayette, 75009 Paris, France.

## 3.3. Activities of the Supervisory Board

In 2008, the Supervisory Board met eight times (attendance rate: 82%). During these meetings, the Supervisory Board voted on the matters described below:

- **February 26, 2008:** As contemplated in article 23-2 of the by-laws, the Supervisory Board approved the Executive Board's recommendations concerning in particular the profit allocation and the distribution of a dividend of 6.77 euros per share and per investment certificate. On the recommendation of the Compensation and Nominating Committee, the Supervisory Board decided to propose that the next General Meeting of Shareholders set the total amount of directors' fees to be paid to the Supervisory Board in 2008. The Supervisory Board also examined the report of the Chairman of the Supervisory Board and the Executive Board's management report for 2007, and made comments on the latter. During this session of the Supervisory Board, a modification to the Board's rules of procedure related to the Audit Committee's missions was also ratified.
- **April 17, 2008:** On the recommendation of the Strategy Committee, meeting on April 2 on the participation of minority shareholders in the share capital of Georges Besse II, the Supervisory Board authorized the Executive Board (i) to create SET Holding, a wholly-owned subsidiary of AREVA NC, and (ii) to conclude negotiations with identified partners to allow them to become shareholders in SET Holding via a capital increase. In addition, the Supervisory Board received all explanations necessary on the quarterly report of the Executive Board and the group's R&D. The Supervisory Board was also informed that the General Meeting of Shareholders of the same day had voted in favor of the appointment of Mr. François David as a new independent member of the Supervisory Board. In addition, it made a decision concerning the achievement of objectives for 2007 by the members of the Executive Board.
- **May 26, 2008:** As provided in article 23-2 of the by-laws, the Supervisory Board authorized the Executive Board to sell all of the shares held in REpower to Suzlon.
- **June 26, 2008:** The Supervisory Board reviewed revision 1 of the budget, the matter of the future of AREVA's share capital, the Executive Board's quarterly report, the Bridge the Gap program (see Appendix 1, section 4.4.2. "Setting objectives"), the status of discussions with minority shareholders approached about acquiring a stake in Georges Besse II, the Audit Committee report on, in particular, the OL3 project in Finland, and the Strategy Committee report on, in particular, the renewal of the shareholders' agreement with Eramet. The Supervisory Board, on a recommendation of the End-of-life-cycle Obligations Monitoring Committee, approved the internal controls report appended to the update to the annual report prepared in accordance with article 20 of the Law of June 28, 2006.
- **August 29, 2008:** The Supervisory Board received all explanations required on the Inspector General's 2007 annual report on the status of nuclear safety and radiation protection, as well as a detailed briefing on the events occurring last summer, particularly the Socatri event. This session of the Supervisory Board was also called to present the consolidated financial statements for the half year ended June 30, 2008 and review AREVA's forecast documents as well as the situation of the OL3 project. The Supervisory Board discussed the matter of the evolution of AREVA's share capital and received explanations on the offer submitted by AREVA in South Africa.
- **October 3, 2008:** AREVA's Supervisory Board authorized the sale of 49% of the share capital of UraMin Inc. held by two subsidiaries of AREVA NC to an acquisition vehicle controlled by CGNPC. The Supervisory Board also authorized AREVA SA to guarantee the commitments made by the subsidiaries of AREVA NC in the share purchase agreement to be concluded with CGNPC.

- **October 16, 2008:** The Supervisory Board approved:
  - the new four-year strategic plan for the subsidiary AREVA T&D;
  - implementation of the project submitted by the subsidiary AREVA NP for, in particular, the creation of a joint venture with Northrop Grumman Shipbuilding under AREVA NP's control to build a new heavy component manufacturing plant in the United States.

The Supervisory Board also authorized the Executive Board to:

- establish a commercial paper program;
- negotiate and conclude a line of credit with the EIB to finance its enrichment plant project at the Tricastin site;
- launch a share buy-back program to ensure the liquidity of shares held by the Framépargne employee savings plan, and to submit a resolution for this purpose to the General Meeting of Shareholders of December 18, 2008.

On a recommendation of the Compensation and Nominating Committee of December 9, the Supervisory Board also decided to bring commitments made by AREVA on executive severance pay into compliance with the TEPA Law (on work, employment and purchasing power). The Supervisory Board also examined the Audit Committee report dated October 15, 2008 on the OL3 matter in particular and the Executive Board's quarterly report.

- **December 18, 2008:** The Supervisory Board, on a recommendation of the Compensation and Nominating Committee of December 9, (i) decided to submit to the Annual General Meeting of Shareholders of April 30, 2009 a resolution regarding the directors' fees for 2008, and (ii) decided to implement the October 2008 recommendations of AFEF/MEDEF on the compensation of executive officers of publicly traded companies. At that same meeting, the Supervisory Board authorized the Executive Board to provide surety, endorsements and guarantees through December 31, 2009 and to launch one or more bond issues.

The Supervisory Board received the Executive Board's quarterly report and the reports of the End-of-life-cycle Obligations Monitoring Committee and the Audit Committee of December 11 and 12, 2008, which examine matters pertaining to the end-of-life-cycle liability coverage ratio for the former and the projected financial performance for 2008 and the draft budget for 2009 for the latter. The discussion in 2008 focused in particular on developments in the OL3 project and the initiation of arbitration proceedings for delays caused by the customer. It was decided that an additional Board meeting would be convened in the beginning of 2009 to reexamine the budget in view of the current economic situation. The meeting was scheduled for February 5, 2009.

### 3.4. Activities of the four committees of the Supervisory Board

The Supervisory Board may establish committees comprised of Board members, which functions under its responsibility. The Board establishes the composition and duties of each committee and the compensation, if any, of the members.

Prior to each meeting of the Supervisory Board, as necessary, the specialized committees carry out detailed analysis and regularly report on their work to the members of the Supervisory Board.

#### Strategy Committee

As of December 31, 2008, the Strategy Committee had five members, chosen from among the members of the Supervisory Board. They are Frédéric Lemoine, Chairman <sup>(1)</sup>, Bruno Bézard, Alain Bugat, Oscar Fanjul <sup>(1)</sup> and Luc Rousseau. Bernard de Gouttes serves as Committee Secretary.

The Committee meets at least once per six-month period and as often as necessary to fulfill its duties. It is convened by its Chairman or at least two of its members. It is responsible for advising the Supervisory Board on the strategic objectives of AREVA and of its main subsidiaries and for assessing the risks and merits of major strategic decisions proposed by the Executive Board to the Supervisory Board. It ensures application of AREVA's strategic policy and its implementation at the subsidiary level. It orders studies to be carried out as it deems useful and recommends policies as it deems necessary.

The Strategy Committee met three times in 2008, with an attendance rate of 93%:

- **April 2, 2008:** The Committee issued a favorable recommendation on the report on opening Georges Besse II share capital to minority shareholders. The Committee proposed that this transaction and the planned creation of the holding company connected with it be authorized by the Supervisory Board due to the strategic importance of the matter, although such authorization is not formally required.
- **May 26, 2008:** The purpose of the Committee meeting was (i) the Eramet shareholders' agreement and recent amendments concerning in particular the duration of the agreement; (ii) the policy concerning the development of the reactor line, and (iii) the development policy for renewable energies, particularly biomass. The Committee was also consulted on the matter of the disposal of

<sup>(1)</sup> Independent members of the Supervisory Board.

AREVA's shares in REpower.

- **September 29, 2008:** The Committee issued a favorable recommendation on the new T&D strategic plan and on the joint project with Northrop Grumman Shipbuilding.

## Audit Committee

As of December 31, 2008, the Audit Committee had four members, chosen from among the members of the Supervisory Board. They are Guylaine Saucier <sup>(1)</sup>, Chairman, Bruno Bézard, Jean-Claude Bertrand and Olivier Pagezy. Jean-Pierre Kaminski, manager of accounting standards and procedures in AREVA's Finance department, serves as Committee Secretary. The Chairman of the Supervisory Board is invited to attend Committee meetings, as are the Statutory Auditors, if required by the Audit Committee.

The Committee meets at least once quarterly and as often as necessary to fulfill its duties. It is convened by its Chairman or at least two of its members. The Committee clarified and described its role during its meeting of December 17, 2007. Once its positions have been validated by the Supervisory Board, the role of the Committee, which has no formal authority, is to assist the Supervisory Board in exercising its authority and attributions in the following fields: the integrity of the financial data published by the company, internal controls, the execution of the internal audit function, the independence and performance of the Statutory Auditors, risk management, financial planning, monitoring of major projects, and business ethics standards.

The Supervisory Board may also expand the scope of work of the Audit Committee by entrusting other fields to it as necessary. To discharge its duties, the Audit Committee may review specific points on its own initiative as it deems relevant to its mission.

In particular, the Audit Committee reviews the draft financial statements, draft budgets, internal and external audit plans, risk maps, internal control policies, the Values Charter and other relevant reports. It interviews the members of the Executive Board and its CEO, the Statutory Auditors, the head of internal audit, and the business ethics advisor. The Committee makes recommendations to the Supervisory Board based on its findings and may suggest modifications or additional investigations that it deems necessary.

The Audit Committee organizes a call for bids upon expiration of the term of the Statutory Auditors and recommends that the Supervisory Board renew the term of current auditors or appoint a new firm.

The Audit Committee prepares a work schedule each year to plan its mission.

Ten Audit Committee meetings were held in 2008, with an attendance rate of 95%:

- **January 30, 2008:** The Committee reviewed the draft press release on 2007 revenue for the AREVA group.
- **February 21, 2008:** The Committee examined the financial statements for 2007 and the accounting options used. The Statutory Auditors presented their summary report on the 2007 financial statements. The status of the OL3 project and the reporting methods for major projects received special attention. The Committee also reviewed the Chairman's report on internal controls and the draft management report.
- **April 16, 2008:** The Committee meeting was largely devoted to the Statutory Auditors' presentation on internal controls and the group's initiative to strengthen internal accounting and financial controls. The Committee also received a document with an evaluation of mining reserves and resources.
- **April 24, 2008:** The Committee reviewed the draft press release on first quarter 2008 financial data.
- **June 20, 2008:** The Audit Committee received a consolidated report on major projects, a benchmark briefing on quarterly data and a document on developments in accounting standards. The Committee commented on developments in the OL3 project and discussed revision 1 of the 2008 budget.
- **July 15, 2008:** The Committee received information on developments in the OL3 matter and the status of negotiations with EDF concerning the back end sector. The Committee asked to be briefed on financial communications scheduled for July 23. Information was provided concerning the accounting treatment for dilution gains.
- **August 27, 2008:** The Committee examined the financial statements for the half-year and discussed the terms of the draft press release. An update was presented on the OL3 project and on the execution of the internal audit plan for 2008, including a status report.
- **October 15, 2008:** The Committee was briefed on developments in the OL3 project. The Committee also reviewed (i) the document retracing risk mapping activities, (ii) the report on business ethics in the AREVA group and (iii) the report on major projects.
- **October 22, 2008:** The Committee reviewed the draft press release on third quarter 2008 financial data.
- **December 12, 2008:** The Committee reviewed the progress of the OL3 matter and the consequences of the financial crisis for AREVA, and examined the 2009 budget.

## Compensation and Nominating Committee

As of December 31, 2008, the Compensation and Nominating Committee had three members, chosen from among the members of the Supervisory Board; they are Frédéric Lemoine <sup>(1)</sup>, Chairman, Bruno Bézard and Oscar Fanjul <sup>(1)</sup>. Bernard de Gouttes serves as Committee Secretary. The Committee meets at least once per six-month period and as often as necessary to fulfill its duties. It is convened by its Chairman or at least two of its members.

With respect to compensation, the Committee is responsible for recommending to the Supervisory Board executive compensation levels, retirement and insurance programs, and in-kind benefits for executive officers of AREVA based on comparable factors in the market and on individual performance assessments. With respect to nominations, the Committee reviews the files of individuals selected to serve as members of the Executive Board and conveys its opinion to the Supervisory Board. The Committee also gives the Supervisory Board its opinion on executive appointments for first-tier companies of the AREVA group.

The Compensation and Nominating Committee met four times in 2008 with an attendance rate of 100%:

- **January 30, 2008:** The Committee set the compensation of and objectives for the Executive Board for 2008 with a view to submitting them to the Supervisory Board for final decision. It also reexamined the total amount of directors' fees and individual amounts of directors' fees paid to certain members of the Supervisory Board, and discussed the search for new independent directors.
- **March 11, 2008:** The Committee examined the matter of setting the variable component of the compensation of members of the Executive Board for 2007 and gave its recommendations to the Supervisory Board.
- **September 4, 2008:** The Committee conferred on bringing severance pay for AREVA executives into compliance with the TEPA Law.
- **December 9, 2008:** During the meeting, and also the meeting of February 3, 2009, the Committee gave a favorable recommendation on the AREVA group's adherence to the AFEP-MEDEF recommendations of October 2008. The Committee also discussed the Executive Board's potential compensation for 2009, potential objectives for 2009 and directors' fees. The Committee was informed of Mr. Bugat's resignation and gave a favorable opinion on the appointment of Mr. Bigot as a member of the Supervisory Board and of the Strategy Committee and his election as Vice Chairman.

## End-of-Life-Cycle Obligations Monitoring Committee

The General Meeting of Shareholders having appointed Mr. François David as a member of the Supervisory Board on April 17, 2008, and the Supervisory Board having designated him Chairman of the End-of-life-cycle Obligations Monitoring Committee on that same date, as of December 31, 2008, the Committee is comprised of four members designated from among the members of the Supervisory Board: François David <sup>(1)</sup>, Chairman, Pierre-Franck Chevet, Gérard Melet and Philippe Pradel. Patrick Herbin-Leduc, Chief Financial Officer of AREVA NC, serves as Committee Secretary. The Chairman of the Supervisory Board is invited to attend the Committee meetings.

The Committee meets at least once per six-month period and as often as necessary to fulfill its duties. It is convened by its Chairman or at least two of its members. The Committee is charged with contributing to the monitoring of the asset portfolio set up by AREVA subsidiaries to cover their future clean-up and dismantling expenses. In this capacity, and based on pertinent documentation submitted by AREVA, including a management charter, the Committee reviews the multi-year schedule of future clean-up and dismantling expenses for affected companies of the AREVA group; the criteria for establishing, managing and controlling the funds earmarked to cover expenses by these companies; and the investment management strategy for the related assets. The Committee provides the Supervisory Board with opinions and recommendations on these topics.

The Committee may give audience to financial consulting firms chosen by the fund management companies.

The End-of-Life-Cycle Obligations Monitoring Committee met three times in 2008, with an attendance rate of 58%:

- **May 29, 2008:** The Committee examined the draft annual report update in connection with article 20 of the Law of June 28, 2006, the report on internal controls appended to that report update, and the status of dismantling liabilities and assets earmarked to cover those liabilities. The Committee reviewed the solvency ratio, which confirmed the need to allocate financial resources based on the group's requirements and the need to establish management rules for any deviation from a 100% coverage ratio, which is the legal requirement. The Committee also reviewed the selection criteria used by asset managers for each asset category. The Committee issued a favorable recommendation on the annual report update and the annual report on internal controls. It did not comment on the management of earmarked financial assets and noted that existing assets are more than sufficient to cover the group's end-of-life-cycle liabilities as of year-end 2007.
- **October 9, 2008:** The Committee met to review the ratio of dismantling assets to liabilities in view of the financial crisis. The purpose of the meeting was to discuss a potential adjustment to internal rules so as not to burden AREVA with an obligation to allocate

*(1) Independent members of the Supervisory Board.*

significant funding to this program, since the fundamentals of end-of-life-cycle obligations have not changed and 100% coverage is not required by law until 2011.

- **December 11, 2008:** The Committee reviewed obligations related to the 100% coverage ratio, which shall apply as of June 2011. It was agreed that the Committee would meet quarterly to monitor the coverage ratio.

## 4. System of internal controls

### 4.1. Introduction

This section is organized according to the frame of reference for internal controls published by the *Autorité des marchés financiers* (AMF), the French stock market authority, in January 2007.

The scope of internal control described below applies to AREVA as the parent company as well as to all of the companies it controls, regardless of their legal form of business.

#### 4.1.1. AREVA group commitments

The AREVA group defined and implements a number of fundamental commitments regarding the conduct and development of its operations. The environment for internal controls is based on these commitments, among other things.

The **Values Charter** is the reflection of the group's business culture and the expression of its sustainable development commitments. The AREVA group's values are integrity, an acute sense of professionalism, responsibility, sincerity, partnership, profitability and customer satisfaction. The Values Charter sets forth values, action principles and rules of conduct that apply to all of the group's executives and employees as well as to the members of the Supervisory Board.

**Sustainable Development** is central to the AREVA group strategy, which rests on profitable growth, social responsibility, and respect for the environment. This translates into 10 commitments: Governance, Continuous improvement, Environmental protection, Financial performance, Risk management and prevention, Innovation, Commitment to employees, Community involvement, Dialogue and consensus building, and Customer satisfaction.

To implement these 10 commitments, the group adopted the AREVA Way initiative as an essential component of its budgetary and strategic processes. Under this initiative and in connection with sustainable development, all entities and functional departments assess their practices, organize processes for setting objectives, and carry out continuous improvement activities.

#### 4.1.2. Internal control standards

The AREVA group refers to the AMF's **definition of internal control**. According to the AMF's "frame of reference for internal control", the internal control system is characterized by:

- an organization with a clear definition of responsibilities, sufficient resources and expertise, and appropriate information systems, procedures, tools and practices;
- the internal dissemination of relevant and reliable information enabling each person to discharge his or her responsibilities;
- a system to identify, analyze and manage risk;
- control activities designed to reduce this risk; and
- continuous monitoring of the internal control system.

The group ensured that the approach taken is consistent with the standards of the AMF. In particular, it verified the consistency between:

- the "implementing guidelines for the internal control of accounting and financial data reported by issuers" included in the AMF frame of reference, and
- the system for self-assessment of internal controls within the group (Self Audit), which was carried out to ensure that all the standards are met (see Appendix 1, section 4.6., "Continuous oversight of the internal control system").

### 4.1.3. Internal control objectives

Internal controls contribute to operational control, in terms of effectiveness, the protection of assets, compliance with legislation and regulations, the reliability and quality of information produced and reported, and implementation of instructions and guidance set by the Executive Board.

They provide reasonable assurance that the group's objectives will be met. However, no matter how well designed and implemented, internal control mechanisms are not sufficient to guarantee with certainty that these objectives will be met.

AREVA's internal control system is fully consistent with the group's commitments regarding the conduct and development of its operations.

## 4.2. Organization, resources, information system and operating procedures

Internal controls are implemented throughout the group by all employees under the overall responsibility of the Executive Board and management.

### 4.2.1. Organization of the AREVA group

In matters of corporate governance, AREVA has opted for an organization that ensures the separation and balance of authority. Executive and management authority is vested in the Executive Board, while approval and control authority is vested in the Supervisory Board and the General Meeting of Shareholders.

AREVA's Executive Board and Executive Committee (ExCom), both comprised of executive officers of first-tier subsidiaries in particular, design and oversee the internal control systems.

Operational management is based on delegations of authority and signature ensuring that the decision-making process complies with the principles of corporate governance.

A Nuclear Executive Committee, whose members consist primarily of key managers in the nuclear sector in France, Germany and the United States, is consulted on all matters involving a significant financial commitment or of substantial strategic or marketing importance.

The group's operations are organized into four business divisions: Front End, Reactors and Services, Back End, and Transmission & Distribution. There are 20 business units within these divisions, each belonging to the group's various legal subsidiaries.

### 4.2.2. Definition of responsibilities and authority

Organizational procedures and function definitions describe the roles and responsibilities of the various management levels and key managers of the organization.

Authority to conduct business is delegated at every level of the group as appropriate and in a manner consistent with applicable laws and regulations.

In addition, the various functional departments – Purchasing, Finance, International & Marketing, Strategy, etc. – have established their own delegations of authority and signature regarding spending commitments (procurement and Capex), financial transactions, and proposals and contracts.

The organization and delegations of authority are defined to comply with the principle of the separation of duties. In particular, governance and internal control principles applicable to delegations of authority set financial limits by type of transaction, for which information must be provided to or authorization received from the competent authority.

The Industrial department, created in 2008 to monitor the functioning of the AREVA group's industrial sites and supervise the Sustainable Development and Continuous Improvement department, strengthens the internal control monitoring system.

### 4.2.3. Human resources management policy

The Executive Committee (ExCom) approves the group's human resources management policy, which is implemented by the Human Resources department in agreement with the other departments involved. The policy has four major thrusts:

- strengthen the group's culture by sharing core values and common practices;
- facilitate recruitment, mobility and talent development – in particular through training – to increase the group's market leadership;
- develop an innovative and responsible labor policy; and
- develop tools for human resources management performance.

### 4.2.4. Information Systems

The mission of the Information Systems department is to ensure the availability of high-performance, cost-effective and secure information systems and to oversee the overall consistency of the group's information systems. To accomplish this, the department is organized to meet two major goals:

- orient the information system towards services to the businesses in alignment with the organization of the group's business processes, and
- standardize, streamline and consolidate the technical and functional infrastructure to ensure its performance and reliability, taking into account both economic and geographic considerations.

The department follows a client-oriented approach to supporting the businesses and the group's economic objectives by offering technology solutions that meet the needs of the group and its customers.

### 4.2.5. Operating procedures

#### 4.2.5.1. General internal control procedures

Since its establishment, AREVA has worked continuously to strengthen its organization and its internal control procedures.

Its internal control procedures consist of rules, directives and operating procedures defined by the Executive Board, the functional departments and the Compliance department, which is responsible for business ethics, the internal audit, internal controls and AREVA group archives.

The preparation, distribution and implementation of these internal control procedures are a component of the group's action principles.

In addition, policies define general operating procedures upstream from specific business procedures. In particular, the group has set up the following policies:

- the procurement policy and the guide to ethics in procurement, which set rules, objectives and best practices in procurement and business ethics;
- the payment security policy, which defines the group's policy for the security of payments and the means to be used to limit the risk of fraud;
- the personnel protection policy, which aims to give all group employees an equal level of protection, whether they live in France or abroad or are on a business trip;
- the security policy, which establishes rules of conduct to reduce risks continually.

Consistent with the principle of subsidiarity and to ensure the assimilation of these principles, the heads of the group's main subsidiaries adapt the procedures to their specific circumstances prior to implementation within their entities.

#### 4.2.5.2. Accounting and financial reporting procedures

In addition to the role of the Audit Committee and the group's other governance bodies, internal control procedures comply with the principles hereunder.

##### > GENERAL ORGANIZATION

Information is collected and processed at two operational levels: the operating entity (level 1 of information production) and the business unit (base unit for management and performance analysis throughout the group).

Instructions for consolidation are issued by the group's Financial Control department for all half-year and annual financial statements.

These instructions set forth:

- the schedule for preparing accounting and financial information for reporting purposes;
- the process for validating this information;
- items requiring particular attention, such as complex issues, changes in legal environment and new internal procedures; and
- the coordinators for consolidation at the corporate level, who are responsible for validating consolidation operations for a portfolio of entities and for preparing cross-cutting analyses for the entire group (corresponding to the notes to the consolidated financial statements).

The group's Finance department launched an initiative to model the group's main financial processes and establish a complete, up-to-date database shared by all stakeholders involved in these processes (corporate departments and subsidiaries). This system:

- documents the processes while acting as an interface to applicable group procedures;
- ensures appropriate control of the processes, including identification of the persons involved, the risks and related control systems; and
- identifies areas for performance improvement and process optimization.

The processes modeled may be found on a dedicated intranet page.

Financial communications revolve around the four divisions – Front End, Reactors and Services, Back End, and Transmission & Distribution – and are based on corporate financial data, thus ensuring broad consistency.

#### > IMPLEMENTATION AND CONTROL OF ACCOUNTING PRINCIPLES

The reporting entities' financial statements are prepared in accordance with the group's accounting and financial principles, which cover the main headings of the group's financial statements. These rules apply to all entities included in the group's consolidation scope. These principles include:

- a glossary that defines the main headings of the financial statements and the group's performance indicators;
- an annotated chart of accounts; and
- accounting procedures issued by the Financial Controls department.

These principles are supplemented by procedures and instructions issued and reviewed on a regular basis by the other units of the Finance department (Financial Operations and Cash Management department, Financial Communications department, Tax department) and by the subsidiaries, and include procedures and instructions dealing specifically with internal controls and fraud.

The standards and procedures function of the Financial Controls department defines and distributes information relating to implementation of the financial and accounting standards, procedures, principles and rules. It also monitors changes in regulations to ensure that the financial statements are prepared in accordance with IFRS rules adopted by the European Union.

#### 4.2.6. Software

In addition to office equipment used by employees, the group has specific software customized for the management of its operations.

A wide variety of tools are used, including facility control systems, integrated management systems, methods and scorecards, and contribute to the operational control of each business.

In particular, the group has established a single, secure reporting and consolidation tool shared throughout the group under the authority of the Finance department.

In addition, organizational memoranda and standards and procedures applicable to the entire group are distributed using a dedicated software application.

AREVA launched the AREVA Segregation of Tasks & Roles Optimization project (ASTRO) to strengthen internal controls and streamline access to information systems. The main objective of this project is to make the access management process secure by ensuring that user roles are defined according to best practices for separation of duties and by automating their management with the SAP Governance, Risk and Compliance suite (SAP GRC). A pilot program was completed in July 2008. ASTRO is now being deployed in all of the group's SAP core systems. Its deployment is being rolled out as new SAP applications are deployed throughout the group (through 2010).

#### 4.2.7. Practices

Internal control relies on all of these elements as well as on practices implemented by all employees, which are themselves based on the group's commitments (sustainable development, Values Charter, etc.). "Best practices" are identified to facilitate their dissemination and sharing so as to ensure effective continuous improvement in matters of internal controls.

AREVA University is an important vehicle for interaction in this regard. Through its activities, it aims to develop AREVA's values and business culture, to facilitate the exchange of best practices, and to involve all employees in implementing the group's strategy.

With the creation of an "accounting and finance internal control" function, the group now has an organization charged with disseminating a culture of internal controls in accounting and finance, ensuring the in-house sharing of best practices, and monitoring external developments in regulations and best practices.

### 4.3. Dissemination of information

Bottom-up and top-down information channels have been established to communicate relevant and reliable information in a timely manner. Examples are provided below.

- Bottom-up information:
  - accounting and financial information is processed and reported in accordance with specific procedures using shared tools to record and control the data (*i.e.* a single, secure reporting and consolidation software program shared by the entire group and supervised by the Finance department);
  - AREVA Way assessments and sustainable development indicators, particularly for environmental, social and societal aspects, are established using a common tool and rolled up to the relevant corporate departments;
  - a common software program is used to measure the progress of action plans, indicative of the achievement of strategic objectives, and serves as an additional channel for bottom-up reporting.
- Top-down information:
  - the relevant departments and the group's entities are informed of resolutions by the corporate decision-making bodies;
  - the group monitors laws and regulations regarding safety, security, health, the environment, accounting and tax. This information is disseminated throughout the group in an appropriate manner. Organizational memoranda, rules, standards and procedures are disseminated in accordance with established organizational standards and procedures.

Communications to stakeholders are subject to appropriate processes to ensure the quality of the information provided.

### 4.4. Managing risk and setting objectives

#### 4.4.1. Risk identification, analysis and management

The group drew up a risk map when it was established to take into account the potential impact of events on the achievement of the group's operational objectives. Working with the entities, AREVA's Risk Management and Insurance department updates the risk map on an annual basis. The risk map is submitted to the Supervisory Board's Audit Committee, with the Audit Director attending. In particular:

- The management teams of the business units have approved the assessment of risk in their operations. For example, the group's entities have collected, analyzed and measured the risk factors of their respective operations. They have also prepared remediation plans and management procedures to minimize the risk and have designated the people in charge and the schedule for completion;
- The main risk factors and the procedures for managing risk are identified and described in the reference document in the section regarding risk management and insurance (see section 4, "Risk factors"). In particular, matters pertaining to nuclear and industrial safety, which are an absolute priority in the group, are discussed in that section.

In addition, the Industrial department is tasked with supervising industrial risk management and, on a practical level, working with the relevant business units to ensure the implementation and effectiveness of action plans used to control and ultimately reduce risk.

Moreover, the risk associated with each heading of the balance sheet, income statement and off-balance sheet information is at least identified by one of the group's tools, *i.e.* the self-assessment questionnaire (see section 4.6., "Continuous monitoring of the internal control system"). This identification, along with the group's tools and procedures, is used to manage the risk by implementing the corresponding action plans. The Finance department matches the group's tools to the risk associated with each balance sheet item.

The Finance department regularly reports to the Audit Committee on the group's major investment and commercial projects. This report is used to monitor projected profitability and changes in the risks associated with these projects.

#### 4.4.2. Setting objectives

Risk management is a facet of the process to set the group's objectives, which supplements the AREVA Way initiative supporting continuous improvement (see section 4, "Risk factors" and AREVA Way; see section 4.1.1., "AREVA group commitments").

Medium and long term objectives are set, broken down, estimated and tracked every year in multi-year action plans at each level of the organization (division, business unit and region). The resulting Strategic Action Plan (SAP) is approved by the Supervisory Board.

The group has established the Bridge the Gap program (BTG), whose objectives are (i) to secure the resources the group needs to meet the needs of its existing customers and to participate in new market opportunities, and (ii) to adapt production resources and operating processes by anticipating the group's needs, widely instituting a project-based mode of operation, and strengthening cooperation across the group.

Short term objectives are defined in the framework of the budget process, which is consistent with the Strategic Action Plan. The Executive Committee reviews and approves the budgets of the business units and functional departments.

### 4.5. Control activities

The functional departments are responsible to the Executive Committee for the correct implementation of policies. In particular, the departments in charge of financial control define and ensure the application of management control rules document accounting and financial management processes, and ensure compliance with rules on delegations of authority pertaining to financial commitments.

Each functional and operational level establishes appropriate controls to ensure that the objectives are met. Reporting and budget revisions are used to monitor budget progress and performance in terms of achieving the objectives.

By definition, each organization is responsible for its own internal controls. These controls rely on the mobilization of human, physical and financial resources, the organization of these resources, the deployment of specific objectives within the organization, and the implementation of controls for prevention or detection.

Preventive controls are performed according to specific procedures, whether manual or computerized, involving validations at appropriate levels of the organization, among other things. Detection controls consist of after-the-fact verifications connected with specific supervision of the work performed and analysis of variances or anomalies. Information systems, performance indicators, etc. are used to facilitate this supervision.

In addition, auditing and expert bodies are charged with controlling the most significant issues in relation to the group's specific goals.

In particular, as regards accounting and financial reporting:

- each entity has set up a system of controls before transactions are recorded;
- controls are performed at the different stages of the consolidation process:
  - either automatically by the consolidation software (control of debit/credit balances, data traceability, data integrity, access control),  
or
  - manually by the consolidation department, financial controllers and business analysts; and
- the group's Tax department performs tax reviews of the group's main companies.

### 4.6. Continuous oversight of the internal control system

The AREVA group optimizes its internal control systems on a continuous basis under the supervision of the Executive Board and the Executive Committee and with the oversight of the Supervisory Board's Audit Committee.

The Compliance department was created in 2008 and is responsible, among other things, for ensuring the following internal control processes:

- An annual compliance letter process that applies to all senior executives of the subsidiaries, business unit directors and corporate directors of the group, confirming compliance with the principles of the group's Values Charter and protecting the identity of

whistleblowers to prevent any subsequent retribution or discrimination in their regard;

- The Internal Audit department, which, in performing its duties, verifies compliance with internal controls and the effectiveness of established internal control procedures within the group. Audit missions are implemented in accordance with an annual audit plan approved by the Executive Board and reviewed by the Audit Committee. The plan is based on an independent assessment of risk performed by the Audit department. In particular, this assessment takes into account the risks identified using the full range of the group's tools (risk map of the Risk and Insurance department, but also the risk identification carried out by the Environment department, the Safety, Health and Security department, and others).

The Audit department may intervene in any area related to internal controls. Its activities are carried out in accordance with an audit charter according to the standards of the profession defined by the Institute of Internal Auditors (*Institut français de l'audit et du contrôle interne*, IIA-IFACI) and a code of business ethics.

The resulting recommendations give rise to performance improvement plans, which are monitored in liaison with the managers involved.

- In addition to audits scheduled in the audit plan, the group's entities have performed a self-audit of their internal controls each year since 2007 following a standard questionnaire that complies with the "Implementing guidelines for internal controls of accounting and financial data" of the frame of reference published by the AMF. The questionnaire, reviewed by the council of Statutory Auditors, was deployed in all 300 of the consolidated group's entities in 50 countries. It covers eight macro-processes – Development/New Markets, Management/Organization, Operations, Sales Administration, Finance/Management, Human Resources, Asset Security, and Information Systems – and helps ensure that internal controls are part of the continuous improvement process. The self-audit findings provided by the group's entities are reviewed by the Audit department and contribute to oversight of the overall system.

The "Internal accounting and financial controls" function and the deployment of new tools and processes in group projects are important drivers for strengthening internal accounting and financial controls.

No serious internal control dysfunctions or inadequacies have been discovered in this system that might have a major impact on the group's operations or financial statements.

This year's report does not contain an analytical section. This is consistent with practices in France and the recommendations of the Autorité des Marchés Financiers, as described in its November 27, 2008 report on corporate governance and internal controls.

The Chairman of the Supervisory Board

Frédéric Lemoine