

3.5 REPORT BY THE CHAIRMAN OF THE SUPERVISORY BOARD

ON THE COMPOSITION⁽¹⁾, CONDITIONS OF PREPARATION AND ORGANIZATION OF THE BOARD'S WORK, AND THE INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES IMPLEMENTED BY EURAZEO

Pursuant to the provisions of Article L. 225-68 of the French Commercial Code, the purpose of this document is to report on the composition of the Board and the application of the principle of balanced representation of women and men within it, the conditions of preparation and organization of the Supervisory Board's work, and the internal control and risk management procedures implemented by Eurazeo. The information required by Article L. 225-100-3 of the French Commercial Code is contained in Eurazeo's 2012 Registration Document (Section 7.7, Factors affecting a potential takeover bid, p. 291). The specific procedures regarding the participation of shareholders at Shareholders' Meeting are set out in Article 23 of Eurazeo's Bylaws (Section 7.2 of Eurazeo's 2012 Registration Document, p. 268).

The work underlying the drafting of this report was managed and coordinated by the Internal Audit Department of Eurazeo. It is based on the contribution of all divisions and services, which constitute Eurazeo's internal control stakeholders (the roles of these players are presented in Section 2 of this report).

The organization and drafting of this report were based on generally accepted frameworks for corporate governance and internal control. Section 1 of this report on the work of the Supervisory Board was drafted based on the Corporate Governance Code for Listed Companies (*Code de gouvernement d'entreprise des sociétés cotées*) published in April 2010 by MEDEF and AFEP (hereafter referred to as the "AFEP-MEDEF Code"), available on the dedicated website at the following address <http://www.code-afep-medef.com/>. Section 2, which is devoted to the internal control and risk management system, was drafted based on the internal control reference framework issued by the French Financial Markets Authority⁽²⁾ (AMF Framework), and its application guidance relating to risk management and the internal control of accounting and financial reporting. Lastly, procedures performed generally took account of the reports and recommendations issued by the AMF on corporate governance, the Audit Committee, risk management and internal control.

The members of the Audit Committee reviewed a draft version of this report at their meeting of February 13, 2013. The final report was approved by the Supervisory Board at its meeting of March 19, 2013.

Section 1 Preparation and organization of the Supervisory Board's work

A. Composition and activities of the Supervisory Board

The Supervisory Board permanently oversees the management of the Company by its Executive Board. Its members are prominent business leaders from various sectors of the economy. The Supervisory Board's Internal Rules set forth its operating rules, specifically addressing matters such as participation at Board meetings, independence criteria, the holding of meetings, communications with Board members, prior authorizations of certain transactions by the Board, the setting up of committees within the Board, the compensation of

its members and ethics issues. The Supervisory Board's Internal Rules are set out in Section 3.1.5 of the Registration Document (p. 72).

Throughout the year, the Supervisory Board performs the checks and controls it deems appropriate, and may request any document it considers necessary to carry out its duties.

The Supervisory Board meets as often as Eurazeo's interests require, and at least once per quarter. The Supervisory Board met six times in 2012 (six times also in 2011). The average attendance rate was 93% (89% in 2011).

The Executive Board submits a monthly report to the Chairman of the Supervisory Board on Eurazeo's investments, cash position, transactions and debt, if any.

(1) Including the application of the principle of equal representation of men and women.

(2) Risk management and internal control systems: Reference Framework, July 22, 2010.

In accordance with the Company's Bylaws, the Executive Board submits a report to the Supervisory Board at least once every quarter on the Company's main managerial acts and decisions, including all information that the Board may require in order to be kept up to date on the Company's business, along with quarterly Company financial statements, and interim and annual Company and consolidated financial statements.

Within the prescribed regulatory time limit following the end of each fiscal year, the Executive Board submits the annual Company financial statements, consolidated financial statements and its report to the Shareholders' Meeting to the Supervisory Board for check and control. The Supervisory Board reports its observations on the Executive Board's report and the annual company and consolidated financial statements to the Shareholders' Meeting.

The composition of the Supervisory Board is presented in the table in Section 3.1.3, Supervisory Board, of the Registration Document (p. 55), which is an integral part of this report.

As December 31, 2012, the Supervisory Board of Eurazeo was composed of 12 members, including two women. Terms expiring in 2013 will provide Eurazeo an opportunity to further increase the number of women on the Board, thereby ensuring that women account for at least 20% of Board members following the next Shareholders' Meeting, in accordance with law No. 2011-103 of January 27, 2011 on the balanced representation of women and men within Boards of Directors and Supervisory Boards, subject to approval by the said Shareholders' Meeting of Resolution No. 8 on the appointment of Stéphane Pallez as a member of the Supervisory Board.

B. Board committees

The Supervisory Board has set up three committees: the Finance Committee, the Audit Committee and the Compensation and Appointment Committee. All three are permanent committees. Although the length of Committee membership coincides with the member's term of office on the Supervisory Board, the Board may change the composition of its committees at any time, thereby removing a member from a Committee. The duties and operating rules of the committees are set out in their respective charters, which are an integral part of the Supervisory Board's Internal Rules.

Registration Document Sections 3.1.4, Board committees (p. 71), and 3.2.1, Principles governing the compensation of Corporate Officers (p. 77), present in detail the activities, composition and number of meetings of these committees in 2012, as well as the principles for determining the compensation of corporate officers. These sections are considered an integral part of this report.

The Audit Committee charter was updated in 2009 to clarify the duties of Committee members, and particularly those attributed to Board committees by the Order of December 8, 2008. In July 2010, the AMF published a report on the Audit Committee ⁽¹⁾. In particular, this report provides for an analysis of the duties attributed by the Order of December 8, 2008 and recommendations on its implementation. Pursuant to the implementation of the said Order, Eurazeo applies the principles defined by the AMF working group, particularly with respect to the analysis, scope and implementation of duties and the composition of the Audit Committee. The charter of the Finance Committee was updated in 2012 to clarify its mode of operation.

C. Corporate governance principles adopted by Eurazeo

The Eurazeo corporate governance approach was implemented several years ago, with the aim of complying with market recommendations that promote transparency in respect of stakeholders and help improve the operation of the Company's control and management bodies.

An analysis of Eurazeo's corporate governance practices with respect to the principles and recommendations of the AFEP-MEDEF Code shows that Eurazeo complies with its principles, except for the criterion of length of service when determining whether a Board member is independent (*i.e.* "has not been a Director of the Company for more than 12 years").

Generally speaking, it is believed that the performance of the duties of a member of the Supervisory Board beyond a certain timeframe gives the member greater authority, facilitates the decision-making process and thereby enhances the independence of the Supervisory Board as the body tasked with overseeing the Executive Board's management of the Company. Given Eurazeo's long-term investment activity, and the need for members of the Supervisory Board to have knowledge of the various investments and an understanding of the economic environment of each of them, the experience of members of the Supervisory Board and their knowledge of the Group are vital strategic assets for the Company and its shareholders. In addition, a term longer than 12 years involves successive reappointments reflecting the recognition by all shareholders of the ability of the Supervisory Board member in question. Accordingly, the Compensation and Appointment Committee believes that the term of office should not constitute a criterion that, in itself, undermines the independence of a member of the Supervisory Board, and prefers to make its assessments on a case-by-case basis.

That said, half of the members of Eurazeo's Supervisory Board qualify for independent status with regard to all criteria set in the AFEP-MEDEF Code. In this, Eurazeo is in full compliance with the recommendations of the Code.

As part of the continued application of Eurazeo's corporate governance principles in accordance with the AFEP-MEDEF Code, the following provisions have been implemented:

- ✦ a formal appraisal of the composition, organization and activities of the Supervisory Board was performed at the end of 2012, with the assistance of an independent external consultant. This appraisal was discussed in the Compensation and Appointment Committee meeting of February 28, 2013 and the Supervisory Board meeting of March 19, 2013. A formal appraisal of the Supervisory Board will again be conducted at the end of 2015, in accordance with the AFEP-MEDEF Code. In addition, an item is included on the Board agenda annually, allowing for a discussion on the activities of the Board (in 2013, this item will be on the agenda of the Board meeting scheduled for June 18, 2013);
- ✦ the Compensation and Appointment Committee meeting of February 28, 2013 discussed the independent status of each Board member; this status (as presented in the table in Section 3.1.3, Supervisory Board, of the Registration Document, p. 55) was reviewed by the Board at its meeting of March 19, 2013;

(1) Report on the Audit Committee - Working group chaired by Olivier Poupart-Lafarge, member of the AMF College, July 22, 2010.

✦ the Code states that the term of office of a Director “must not exceed four years” and that “terms of office should be staggered so as to avoid their mass renewal and favor the harmonious renewal of Directors.” The Shareholders’ Meeting of May 7, 2010 amended the duration of the terms of office of members of the Supervisory Board, which is now four years. In addition, at its

meeting of June 17, 2010, the Supervisory Board added a clause providing for the staggered renewal of its members to its Internal Rules. At its meeting of August 30, 2010, the Board members drew lots to determine whose terms of office would be renewed first. Consequently, the Board was/will be renewed successively by thirds in 2012, 2013 and 2014.

Section 2 Internal control and risk management systems

Eurazeo’s core business consists in the acquisition of investments, mostly in unlisted companies. For the conduct of its business and to ensure its long-term success, Eurazeo defines and pursues a certain number of strategic and operating objectives. To prevent or limit the negative impact of certain internal or external risks to the achievement of these objectives, the Company, under the responsibility of the Executive Board, develops and adapts its internal control and risk management systems:

- ✦ as part of a continuous improvement approach; and
- ✦ in keeping with the Company’s specific business process and business model.

The risk management and internal control systems contribute in a complementary manner to controlling the activities of the Company:

- ✦ the risk management system seeks to identify and analyze the main risks to which the Company is exposed. Risks exceeding the acceptable limits set by the Company are mitigated and, where appropriate, an action plan is prepared. These action plans provide for the implementation of controls, the transfer of the financial consequences (insurance mechanisms or equivalent) or a change to the organizational structure. The controls to be implemented are included in the internal control system, allowing it to contribute to mitigating the risks to which the Company’s activities are exposed;
- ✦ the internal control system relies on the risk management system to identify the main risks to be controlled;
- ✦ in addition, the risk management system must also include controls, which are part of the internal control system, in order to ensure its proper operation.

The interaction and balance of these two systems depends on the control environment, which forms their common foundation: the risk and control culture and the ethical values of the Company.

A. Definitions, objectives, limitations and scope

DEFINITION AND OBJECTIVES

Internal control is a system of the Company, designed under the responsibility of the Executive Board and implemented by staff under the direction of the Executive Board.

In the same way as the general principles of the AMF framework, Eurazeo’s internal control system seeks to ensure:

- ✦ compliance with legislation and regulations;
- ✦ application of the instructions and strategic cap set by the Executive Board;
- ✦ the smooth running of the Company’s internal processes, particularly those contributing to the security of its assets;
- ✦ the reliability of financial information.

As a general rule, the internal control system contributes to the control of activities by preventing and mitigating significant risks to the achievement of the Company’s objectives, whether operational, financial or compliance-related. It also contributes to the efficiency of operations and the efficient use of resources.

SCOPE

The internal control system implemented by Eurazeo covers all transactions carried out within a scope that comprises Eurazeo acting as an investment company, as well as all directly controlled holding companies (*i.e.* investment vehicles).

Each consolidated operational investment independently designs and implements its own internal control system to suit its specific situation and activity. Observations made following internal audits, monitoring of risk mapping and Statutory Auditor procedures are reviewed at the Audit Committee meetings of each investment, at which Eurazeo is systematically represented.

LIMITATIONS

While being as well implemented and designed as possible, the internal control and risk management systems cannot provide an absolute guarantee that the Company’s objectives will be achieved. The limitations of the system lie in various factors inherent to all internal control systems, such as:

- ✦ the systems rely on people and the exercise of their judgment;
- ✦ the design of the internal control system and the decision to mitigate a risk take into account a cost/benefit analysis, used to determine the right balance between the cost of controls and mitigation measures implemented, and an acceptable level of residual risk;
- ✦ a number of external events that may pose a risk to the achievement of the organization’s objectives have a low level of predictability.

B. Linkage of the systems

The internal control system is not limited to a set of procedures, and does not cover only the Company's accounting and financial processes. It comprises an organized set of resources, exchanges, principles, procedures and behaviors adapted to the specific characteristics of the organization.

In reference to the AMF Framework, Eurazeo's internal control system is structured around five closely linked components that are described below (Sub-Sections A. to E.).

A. AN APPROPRIATE ENVIRONMENT AND ORGANIZATIONAL STRUCTURE

The internal control system is based on an environment that promotes honest and ethical behavior and an organizational framework dedicated to the achievement of these objectives. The organizational structure is based on an appropriate distribution of functions and responsibilities among the various players, adequate management of resources and expertise and the implementation of proper information systems and operating procedures.

Rules of conduct and integrity

Internal rules

The Company's internal rules require employees to adhere to certain rules bearing on commercial practices (including the amount of gifts received from third parties), management of conflicts of interest and confidentiality.

Code of ethics

Eurazeo has a securities trading code of conduct that governs trading in Eurazeo shares by Executive Board members, Supervisory Board members and non-voting members. It was supplemented in 2012 by a code of stock-market ethics applicable to Executive Board members and all employees of the Company, notably to remind them of the legal provisions relating to the possession of inside information. This charter covers Eurazeo securities, as well as those of Eurazeo subsidiaries and affiliates whose securities are traded on a regulated market.

Fight against money laundering and terrorist financing

In the course of its acquisition and divestment activities, Eurazeo uses KYC (Know Your Client) procedures under the supervision of the Legal Department. These procedures are based on market practices. The Group's Luxembourg subsidiaries (including co-investment vehicles) have established a system of formalized and detailed procedures for the prevention of money laundering and terrorist financing, which are stringently applied. In accordance with Luxembourg law, the Statutory Auditors review each year the compliance of these procedures with the requirements set by the stock-market regulator, the Commission de Surveillance du Secteur Financier (CSSF).

Prevention of fraud and corruption

In 2012, Eurazeo developed a guide to best anti-fraud and anti-corruption practice for its employees and its investments (see Section 2.B.E (p. 112)).

Players and functional responsibilities

All corporate officers and employees have responsibilities and powers that contribute, at their level, to the proper operation of the system and the achievement of objectives. The current organizational structure is based primarily on the association of responsibilities, tasks and delegations of authority of certain highly involved bodies and functions.

Supervisory Board

The Supervisory Board permanently oversees the management of the Company by its Executive Board. It also refers to the work and opinions of the Board committees to which it has assigned tasks. As part of its duties, the Audit Committee plays a role in the oversight of the internal control and risk management system.

Under the Bylaws and/or the law, a certain number of transactions, including some that pertain to the investment business, require prior authorization by the Supervisory Board, in particular:

- ✦ the partial or full disposal of investments;
- ✦ the appointment of one or more Eurazeo representatives to the Boards of any French or foreign companies in which the Company holds an investment with a value equal to or greater than €175,000,000;
- ✦ the acquisition of a new or additional investment in any entity or company; any acquisition, exchange or disposal of shares, property, receivables or securities involving an investment by the Company of more than €175,000,000;
- ✦ agreements regarding debt, financing or alliances, whenever the total amount of the transaction or agreement, performed in one or more stages, exceeds €175,000,000.

In addition, the Supervisory Board's Internal Rules provide that the Chairman of the Supervisory Board may, in the event of urgency between Supervisory Board meetings, if so authorized by the Supervisory Board, and subject to approval by the Finance Committee, authorize the Executive Board to carry out the transactions described above, on the condition that their amount ranges from €175,000,000 to €350,000,000, for transactions involving the acquisition of investments or debt.

As required by law, the Bylaws provide that the pledge of sureties and the grant of deposits, endorsements and guarantees must be authorized by the Supervisory Board. At its meeting of December 14, 2011, the Supervisory Board authorized the Executive Board, for a period of one year, to grant deposits, endorsements and guarantees of up to €175,000,000 and to pledge sureties of up to €175,000,000, subject to a maximum of €100,000,000 per transaction. These authorizations were renewed for one year at the Supervisory Board meeting of December 11, 2012. The Legal Department monitors the use of these authorizations.

Lastly, pursuant to Eurazeo's Bylaws, certain decisions, not specifically related to the investment business but which concern the Company's organization, must receive the prior approval of the Supervisory Board:

- ✦ any proposal to the Shareholders' Meeting to amend the Bylaws;
- ✦ any transaction that could result, immediately or in the future, in a capital increase or decrease through the issue or cancellation of shares;
- ✦ the setting up of stock-option plans and the granting of Eurazeo share subscription or purchase options;
- ✦ any proposal to the Shareholders' Meeting regarding share buyback programs;
- ✦ any proposal to the Shareholders' Meeting regarding the appropriation of earnings and the distribution of dividends or interim dividends.

Executive Board and Executive Committee

The Executive Board consists of five members (six members until December 11, 2012). It generally meets once a month, or as often as the Company's interest may require. Its decisions, especially investment decisions, are taken collectively.

The Executive Committee is made up of members of the Executive Board, three Investment Directors and a Legal Director. It generally meets three times a month. It coordinates the implementation of the Company's strategy and ensures the relevance of the organizational structure in light of changes in the corporate environment. This includes, in particular, the definition of responsibilities and the resulting delegation process.

In January 2013, Eurazeo implemented a new organization built around four investment themes and four dedicated teams: Eurazeo Capital, Eurazeo Croissance, Eurazeo PME and Eurazeo Patrimoine. The new organization resulted in (i) the dissolution of the Executive Committee, to be replaced by a Executive Committee tasked with monitoring investments made or planned, and (ii) the revision of certain business processes. These developments will be discussed in the Chairman's 2013 report.

Chief Financial Officer

The Chief Financial Officer, who is a member of the Executive Board, is responsible in particular for preparing the financial information produced for use within the Company or outside the Company. He coordinates the activities of several departments that are at the heart of the accounting and financial internal control system: the Accounting and Tax Department, the Consolidation Department, the Treasury Department, and the Financial Communications and Investor Relations Departments. As a member of the Executive Board, he provides a link between the people who prepare and control the financial information and the Executive Committee. The accounting and financial reporting internal control system is presented in Section 2.C (p. 112).

The investment team

Under the responsibility of the Executive Board members in charge of monitoring investments, the members of the investment team perform the diligences required by investment procedures with respect of the appraisal of investment opportunities, the optimization of acquisition and financing strategies, the monitoring of investments and the preparation of disposals.

The Legal Department

The Legal Department assists the investment team with analyzing investment transactions and monitoring the companies in which Eurazeo invests from a legal perspective. It keeps records of agreements and other documents pertaining to investments and their legal aspects.

Generally, it oversees compliance with legislation and regulations in countries where Eurazeo and its holding companies are established (France, Italy and Luxembourg), monitors the corporate affairs of Eurazeo and the companies within the consolidation scope of its holding companies, and coordinates the monitoring of legal developments. Each investment has its own Legal Department.

Internal audit

The duties of the Internal Audit Manager consist in assessing Eurazeo's risk management, internal control and corporate governance processes, and making proposals to improve their efficiency. He reports hierarchically to the Chairman of the Executive Board, and functionally to the CFO.

His annual audit plan is approved by the Executive Board and reviewed by the Audit Committee, to which he reports on the results of his procedures. He maintains a functional link with the Internal Audit Departments and the Finance Departments of consolidated investments, particularly with regard to their application of the internal control self-assessment process, the drafting of their internal audit and assignment-monitoring plans, the preparation of their risk mapping and the monitoring of action plans.

Consolidated investments

Managers and staff of each investment implement their own internal control system independently, in keeping with their specific situation and constraints.

Committee-based cross-functional structure

In addition to functional control activities, the creation of a certain number of committees that bring together various functions of the organization promotes the interaction required for the internal control system to work properly.

Investment Committee

The Investment Committee is made up of members of the Executive Board, the investment team and certain corporate function managers. It meets once a week.

Collectively, it examines investment opportunities presented by members of the investment team and discusses developments pertaining to pending investments. Once a month, it meets to monitor the performance of existing investments.

Executive Committee

The Executive Committee, chaired by the Chief Financial Officer and attended by the Chief Executive Officer, brings together all managers in charge of corporate functions at Eurazeo. It meets twice a month to discuss current issues and ongoing projects that cut across the Company. For example, it acts as a Steering Committee to prepare closing of accounts and the Registration Document, and as a regulatory monitoring Committee.

Treasury Committee

The Treasury Committee comprises the head of the Treasury Department, the Chairman of the Executive Board, the Chief Executive Officer and the Chief Financial Officer. It meets once a month. Its role consists in defining the treasury policy to be implemented, and adapting it in line with market conditions and the operating needs of Eurazeo.

Information systems

The organization of the Group, whether within Eurazeo or its operational investments, is based on information systems tailored to existing objectives and designed to be compatible with future objectives. The systems in place seek to satisfy various internal control objectives, namely:

- + *compliance* - Eurazeo's Legal Department has an IT tool that enables it to monitor contractual commitments and legal events concerning Eurazeo and its holdings. For example, it ensures compliance with legal rules that limit the number of offices held by corporate officers;
- + *reliability of financial information* - A single consolidation tool that can be accessed by the various Group consolidators facilitates the harmonization and processing of accounting and financial data produced by information systems specific to the different investments. A tool has also been developed to control the correct carry-forward of accounting data used in calculating the Company's Net Asset Value (NAV);
- + *control of risks inherent to the activities of the Group's investments and the efficient use of resources* - The various portfolio investments have developed business information systems tailored to their business models and business processes, especially for the input of revenue, performance monitoring and the validation of investments and expenditure.

Within Eurazeo, the physical and data security of IT systems is based on a back-up and archive system, and formal operating procedures.

Formal standards and procedures

Formal operating procedures are specified in the Eurazeo procedures manual, which covers the preparation of accounting information, the review of portfolio values, expenditure commitments, IT security and financial reporting.

In the Group investments, the various functions have developed formal procedures and guidance, which may cover accounting and operational fields or the self-assessment of internal control and compliance systems.

B. THE RISK MANAGEMENT SYSTEM

Definition and objectives

Early detection and appropriate management of identifiable risks are essential to the success of Eurazeo's business. Risk management comprises all risk categories (strategic, operational, financial, regulatory), irrespective of whether they can be quantified.

Eurazeo defines risk as a future and uncertain event that could have a negative impact on the creation of value by the Company (including lost opportunities).

Risk management is a system that contributes to:

- + the creation and preservation of the Company's value, assets and reputation;
- + increasing the security of the Company's decision-making and procedures to promote achievement of objectives;
- + actions consistent with the Company's values;
- + mobilizing Company employees to adopt a shared vision of the principal risks.

Organization

Major risks to which Eurazeo is exposed are subject to management procedures, tailored to changes in the risk level. The identification, analysis and mitigation of the main risks liable to adversely impact Eurazeo's objectives, are placed under the responsibility of the Executive Board.

The strategic risks of Eurazeo and its portfolio are monitored at Executive Board meetings. The Executive Board makes a detailed presentation of the summary of the main risks of Eurazeo and its investments to the Supervisory Board.

The risk-mapping methodology is based on a range of risk factors specific to Eurazeo's business model, providing the various contributors with a starting point for the identification of risks. To ensure a consistent review of these risks, analysis matrices of probabilities of occurrence and potential consequences have been developed. The probability of each risk arising is analyzed for a timeframe defined based on the initial cause of the risk. The potential impacts of risks are considered from a financial point of view, but also with regard to the consequences they could have on the Company's reputation, human resources or environment. As part of the analysis, risks are mapped by type (risk category, priority, etc.), and action plans are implemented if necessary.

Further information is presented in Section 3.4, Risk Factors and Insurance, of the Registration Document (p. 92). In particular, this section presents the risk categories liable to have a material impact on the business, financial position or outlook of the Company. In connection with Eurazeo's business model, this section successively addresses risk factors specific to Eurazeo's business sector (private equity), its portfolio, its operating model and its majority-owned investments.

Oversight of the risk management systems of majority-owned investments

Since 2009, all majority-owned investments have implemented a formal risk identification, analysis and mitigation process. These processes are, and must remain, specific to each investment; however, in order to improve them, work has been undertaken to harmonize the identification and to lay down formal documentation approaches. This work was coordinated by the Eurazeo Internal Audit Department as part of its review of the risk management systems of investments.

During their Audit Committee meetings, the Finance Departments present an updated mapping of "major" risks and the methods adopted to reduce these risks to an acceptable level. This process forms part of Eurazeo's governance system, and in practice provides Eurazeo Audit Committee members with the information necessary for the performance of their duties, and particularly information on the efficiency of risk management and internal control systems.

C. COMMUNICATION WITHIN THE COMPANY OF RELEVANT AND RELIABLE INFORMATION

Company management and staff have access to resources that enable them to obtain relevant and reliable information necessary to the performance of their duties in a timely manner. These resources primarily include:

- ✦ internal information systems, such as IT tools and computer data sharing areas;
- ✦ preparatory documentation for the various cross-functional committees, the holding of meetings and the follow-up of decisions;
- ✦ in-house communication of management accounting data: the communication of internal reporting deliverables relating to the portfolio value, treasury and management accounting;
- ✦ monthly reporting of investments to members of the Investment team and the Executive Board.

D. CONTROL ACTIVITIES PROPORTIONATE TO THE SPECIFIC CHALLENGES OF EACH PROCESS

Control activities have been designed to meet, in a suitable manner, the specific challenges of each process of the organization. The various measures in place within processes, whether detective, preventive, manual or IT-based, seek to mitigate the risks that are liable to adversely impact Eurazeo's objectives.

Eurazeo's business processes: investment/development/divestment

Each new investment opportunity is investigated by one or more members of the investment team in accordance with specific procedures and under the authority of one or more members of the Executive Board. At the first stage of the review, their analyses and conclusions are presented to the Investment Committee, which is a forum for the exchange of views on whether or not to continue examining the investment opportunity. The risks associated with each investment opportunity are reviewed and reassessed each week by the Investment Committee, documented using a scorecard. At a later stage, they are discussed by the Executive Committee and the Executive Board.

Developments concerning pending investments (period between the investment decision by the Executive Board and the actual closing of the transaction) and completed investments are also monitored weekly by the Investment Committee.

All business matters, such as new investments, the monitoring of existing investments or disposals, are assigned to one or more Executive Board members, who ensure that decisions made or instructions given by the Executive Committee and the Executive Board are carried out by the teams. Investment and divestment decisions are taken collectively by members of the Executive Board (within the limits of delegations).

During the development phase, the management of each investment submits a report (performance, outlook, risks, etc.) to the team in charge of monitoring the investment, which is presented during a monthly meeting. The Executive Board members concerned report to the Executive Board on developments regarding the investments they monitor.

Treasury/cash management

The Director of the Treasury Department is in charge of the daily control of cash transactions. Controls are conducted in accordance with the policy and prudential rules defined by the Treasury Committee. They cover, in particular, the strict application of delegation of authority procedures, performance monitoring of investments, monitoring of counterparty risk, market performance indicators, the analysis of change in the cash position, the preparation of cash forecasts and the issue of alerts and recommendations to the Treasury Committee.

Internal control procedures relating to the preparation and processing of financial and accounting information (see 2.G, p. 112)

Control activities specific to the activities of investments

Control activities have been developed in the Group investments and implemented by their managers. They are tailored to the specific characteristics of the businesses and business model of each company. These characteristics may concern, for instance, revenue capture as well as the management of service quality, the management of business information systems and the monitoring of investments and expenditure.

E. MONITORING OF THE SYSTEM

The internal control system is monitored to ensure that it is relevant and adapted to the Company's objectives. Monitoring includes permanent procedures and periodic tasks.

Permanent monitoring

The various individuals involved in internal control all contribute at their level to permanent monitoring. They take account of analyses of the main incidents observed when defining corrective actions. The follow-up of the implementation of corrective actions is included on the agenda of meetings of the Executive Committee and the Executive Board. This permanent monitoring of the system also takes account of observations and recommendations made by the Statutory Auditors.

Periodic monitoring by Internal Audit

Eurazeo's internal audit function is in charge of the periodic monitoring of the system. This is done through its annual audit plan, specific assignments carried out at the Executive Board's request and its review of the activities of the Internal Audit Departments of investments.

Eurazeo contributes to the monitoring of the internal control systems of its investments through its representation on their Audit Committees. This monitoring may notably be completed by the work of the internal audit function, where one exists, as is the case in large groups such as Europcar, Elis, APCOA and Foncia.

Europcar

An Internal Audit team operates throughout the Europcar group in accordance with an annual plan covering operational as well as financial areas. It also steers the internal control self-assessment project implemented since 2008. Certain of the internal audit plan assignments focus on the review of self-assessments performed by subsidiaries. In terms of the frequency of periodic assignments, the corporate audit program aims to cover the key accounting and financial processes across all corporate countries every two years, and the stations' audit plan aims to cover the entire network of stations (Corporate, Agents, Franchisees) every four years.

Elis

An Internal Audit team verifies the application of key operating procedures defined by Elis at its centers. Its work is structured around a multi-year audit plan that covers all centers, using a riskbased approach. In terms of frequency of audits for France (which accounts for over 80% of revenue), all production facilities are audited at least once every 18 months, and all service centers every 12 months.

APCOA

An Internal Audit function has been in place since 2010. The head of APCOA's Internal Audit Department drafted an internal audit plan adopting a risk-based approach. This plan was approved by the Audit Committee; the assignments detailed therein are performed in conjunction with an external firm. All key financial and accounting processes are audited in all countries over a period of 24 months.

Foncia

An internal audit team operates across the entire Foncia network, in France and internationally. Auditors' strategic approach to the audit of key business and accounting processes was reviewed in 2011 in order to maximize the number of issues deal with and to increase the frequency of audits of individual firms. As such, in 2012, the entire network of French firms (over 150) was audited on the basis of a targeted audit program (also known as flash audits). The audit plan and the frequency of audits as of 2013 are set out on the basis of the results of the flash audits in 2012 and risk mapping performed for each of the Group's businesses.

Generally speaking, the internal audit plans of investments are drafted in view of the risks identified in the risk mapping, the coverage over time of the main processes and the geographic scope of each organization, the incidents and failures identified by operating staff or the Internal Audit Department, and specific management requests. Where appropriate, assignments are performed in conjunction with resources provided by an external firm. The approach to drafting the internal audit plans and the comments resulting from the assignments are reviewed by the Eurazeo Internal Audit Department.

The Internal Audit Departments of the investments are responsible for the subsequent follow-up of the implementation of risk mitigation plans and the resolution of points identified by internal audit assignments.

Oversight of internal control and risk management systems within investments ⁽¹⁾

Since 2009, Eurazeo has strengthened its oversight of internal control and risk management within its investments, in order to consolidate its governance role as an investment company and responsible shareholder.

Audit Committees of investments

In recent years, the creation of an Audit Committee within each of our investments (excluding those of Eurazeo PME and Eurazeo Croissance) has been key to the organization of this governance. On average, these committees meet once quarterly. The Eurazeo Chief Financial Officer, a member of the investment team, the head of Consolidation and the head of Eurazeo Internal Audit are systematically present or represented. They play an important role in supervising the efficiency of operating control and risk management systems.

Self-assessment of internal control tools

In order to best satisfy the information needs of these committees on internal control levels within the investments, Eurazeo is progressively developing an internal control assessment system. Since 2009, the emphasis has been placed on the performance of internal control self-assessments by our investments. The Company has developed a tool enabling our investments to rate themselves against a common benchmark of principles and best practices. This benchmark is based on general internal control principles developed in market frameworks, and primarily the AMF and COSO Reference Framework. This approach encourages the sharing of best practice between investments, rewards efforts and progress made and contributes to the production of uniform information that is comparable between investments. It is designed to evolve over time and continually adapt to meet Eurazeo's needs and those of its investments. This approach also takes account of comments made by the Statutory Auditors as part of their procedures on the Company's internal control environment. They offer, furthermore, a means of reporting information on the quality of internal control over the operating and accounting processes of investments, particularly for those investments that do not have an Internal Audit Department. At the same time, Eurazeo seeks to strengthen the efficiency of the internal audit activities of its majority-owned investments, both with respect to the relevance of their internal audit plans and resources allocated to assignments.

In 2011, Eurazeo strengthened this system by developing a self-assessment tool for the internal control of accounting and financial information. It was developed based on the control objectives defined in the Implementation Guide of the AMF Framework. To date, it has been deployed in the following majority-owned investments: Europcar, ANF, APCOA and Elis. Assessment results are presented to the Audit Committees of the various investments, with appropriate improvement opportunities identified.

(1) As of the end of 2012, this scope did not include the companies held in the portfolios of Eurazeo Coirssance and Eurazeo PME

Monitoring of progress and improvement initiatives aimed at internal control and risk management procedures

The results of internal audits and assessments of internal control based on standards (e.g. self-assessments) can highlight opportunities for improvement, which are systematically used to form corrective action plans. These action plans are subject to systematic monitoring by the Internal Audit Departments of the investments. At the same time, on the basis of scales appropriate to each investment, the results of audits and assessments are used to produce qualitative assessments, which are in turn used to monitor the progress of the quality of internal control over time (countries, entities, sites, etc.) and to produce benchmarks, where appropriate.

These progress initiatives are subject to monitoring by the Audit Committee of the investments, at least twice every year. During such monitoring, the main recommendations of the Internal Audit and Statutory Auditors are presented to the Audit Committee.

Prevention of fraud and corruption

The application of best practice in terms of ethics is a commitment under Eurazeo's responsible shareholder policy. It is part of a process aimed at the development of a robust and exemplary governance model, as defined in its Corporate Social Responsibility charter. In this process of continuous improvement, Eurazeo encourages its investments to implement best practices in the detection and prevention of fraud and corruption, adapted to the specific characteristics of each company.

This recurrent and virtuous process consists on one hand of a top-down approach (initiated by Eurazeo) and, on the other hand, of bottom-up initiatives undertaken by each investment. In 2012, Eurazeo prepared an anti-fraud and anti-corruption good practice guide. This guide provides a reference framework and aims to help investments build a culture of integrity in training staff on the ethical conduct expected of them, and as a methodological tool in the implementation of anti-fraud mechanisms.

Since 2010, an update on actions taken in preventing fraud has been included on the agenda of the meetings of Audit Committee of investments. The investments have developed tools to guard against the types of fraud to which they are exposed. Some have developed risk maps focused on fraud, or reporting procedures for cases of fraud that are identified and dealt with. The subject of fraud is a priority in the internal audit plans of the various investments.

Advances in the prevention of fraud and corruption are presented and discussed in the meetings of the Audit Committees of the investments. This offers Eurazeo an opportunity to follow the roadmap of each investment and monitor progress over time.

C. Internal control of accounting and financial information

A. OVERVIEW OF THE ORGANIZATIONAL STRUCTURE AND MANAGEMENT OF ACCOUNTING AND FINANCIAL INFORMATION

The financial statements of the Eurazeo group are prepared in accordance with IAS/IFRS standards as adopted in the European Union at the balance sheet date.

As a parent company, Eurazeo SA defines and oversees the preparation of reported accounting and financial information. This process, which is under the responsibility of the Chief Financial Officer, is organized by the Consolidation Officer. The Chief Financial Officers of subsidiaries are responsible for preparing the Company financial statements of subsidiaries and financial statements restated for consolidation purposes. These financial statements are controlled by their corporate officers.

The Executive Board approves Eurazeo's company and consolidated financial statements (interim and annual). Accordingly, it ensures that the processes for preparing accounting and financial information produce reliable information and give, in a timely manner, a fair view of the Company's income and financial position. It obtains and reviews all information that it deems useful, for example, information on closing options, critical accounting positions and judgments, changes in accounting method, results of audits performed by the Statutory Auditors and explanations of the calculation of profit or loss, the presentation of the balance sheet, the financial position and the Notes to the financial statements.

Members of the Audit Committee examine the annual and interim financial statements, and monitor the process for preparing accounting and financial information. Their conclusions are based mainly on information produced by the Chief Financial Officer and his team, exchanges with the team during Audit Committee meetings (held at least once every quarter), the observations of the Internal Audit Department and the results of internal control appraisals performed by investments. The Chairman of the Audit Committee reports on the Committee's work to the Supervisory Board.

In addition, once a year, the Eurazeo Audit Committee examines future developments in IFRS, to give a prospective view of the potential consequences for the financial statements.

B. PROCESSES FOR THE PREPARATION AND PROCESSING OF ACCOUNTING AND FINANCIAL INFORMATION FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Organization of the process

Processes for the preparation and processing of the consolidated financial statements are organized and coordinated by the Consolidation Department. It draws up the accounts, the Notes thereto and the consolidated cash flow statement under the responsibility of the Chief Financial Officer.

For the collection and processing of data, the consolidated financial statements are produced using a consolidation software application that can be accessed by the various Group users by logging on to a secure Internet portal. It has a single chart of accounts that is adapted to all fully consolidated entities. Data restated in the tool are reported to group level using a reporting package.

Detailed consolidation instructions are essential to the preparation of the consolidated financial statements within the given deadlines. They are determined by the Consolidation Department at each interim and annual closing, for the attention of the Finance Departments of the various consolidated operating sub-groups. These instructions, which are sent several weeks before the closing date, inform the various recipients of the tasks expected of them in their capacity as contributors of consolidated information. They cover the following topics:

- ✦ the submission schedule for the various statements to be prepared (comprising the consolidation report);
- ✦ the standard procedures to be performed for the production of the various statements;
- ✦ the specific procedures to be performed for high-risk areas with a potentially material impact on the consolidated information: critical accounting estimates and judgments, hedge accounting, taxes, financial instruments, etc.;
- ✦ the level of detail of qualitative information required to explain the financial statements;
- ✦ applicable accounting policies and methods, in particular new policies and methods that require special attention and vigilance.

As part of a plan to shorten closing deadlines carried out in 2011, the closing process applied at Eurazeo and in the majority-owned investments was the subject of an extensive review and adjustment process aimed at improving the reliability of the production of financial statements in a short timeframe. The treatment of any weaknesses identified is monitored over time by the Consolidation Department and the Audit Committee of the investments.

The key process control points can be summarized as follows:

Anticipation of constraints relating to the closing of the accounts within a limited time period

The closing schedule for accounts and the related instructions are prepared sufficiently in advance to enable the financial teams to organize their procedures and anticipate closing constraints. If Eurazeo identifies a risk of problems for a company, it takes the measures necessary to help the Company meet the defined schedule.

The schedule dates also take into account the audit periods of the Statutory Auditors, to ensure that the reporting packages submitted by subsidiaries have been audited before input into the consolidation software.

Documentation and update of the consolidation scope

Before the balance sheet date, consolidated sub-groups must send a documented analysis of their scope to the Consolidation Department, which centralizes the information and reconciles it with the data in the investment management software monitored by Eurazeo's Legal Department.

Instructions: a conceptual and practical reference framework

The instructions represent a reference framework for financial teams and especially those of recently consolidated companies. This framework formalizes the identification of high-risk areas requiring special vigilance, and provides practical answers to technical difficulties through illustrations.

Control of the quality of the consolidation reports of investments

When the annual and interim financial statements are prepared, each subsidiary's consolidation report is reviewed by the Consolidation Department in order to ensure, in particular, that accounting policies and methods are correctly and uniformly applied. In addition, the software is configured to automate a certain number of consistency checks on the data in the reporting packages. The Statutory Auditors review the consolidation packages of sub-groups at each period end. Their comments and requests for correction can reveal areas for improvement in internal control; these are shared with Eurazeo, which decides on their implementation where appropriate.

Review of consolidation entries

All restatements and adjustment entries are examined by the Consolidation Department. Manual restatements are rationalized and explained.

A set of key reconciliation checks

The process for preparing consolidated accounting data is based on a certain number of fundamental reconciliation checks:

- ✦ reconciliation of the Company financial statements of subsidiaries with the financial statements restated for consolidation;
- ✦ reconciliation of the management data of investments with the financial statements restated for consolidation;
- ✦ rationalization of changes derived from the cash flow statement;
- ✦ rationalization of changes in net equity.

Impairment tests are performed within a specific framework

The assumptions made and the results obtained during impairment tests by consolidated investments must successively be validated by members of the investment team (in charge of monitoring the investment), reviewed by the Consolidation Department, and then presented to the Executive Board, before being used to justify the value of corresponding assets in the restated financial statements.

Assessment of control procedures on the preparation of the investment reporting packages

Opportunities for improvement identified by the Consolidation Department as part of its review of the reporting packages are tracked with the investments.

In addition, the tool developed by Eurazeo as part of the campaign of self-assessment of internal control of accounting and financial information addresses key controls expected of majority-owned investments for the closure of accounts and the preparation of the consolidation package.

C. PROCESSES FOR THE PREPARATION AND PROCESSING OF THE COMPANY FINANCIAL STATEMENTS**General principles used in preparing the Company financial statements**

The overall consistency of the process is maintained through compliance with certain general principles, including:

- ✦ the segregation of incompatible duties: the system is organized in such a way that the tasks and functions that fall under the Company's commitment authority (usually, bank signatory powers and expenditure commitment authorizations) are separated from book-keeping activities. For example, in Eurazeo's Accounting Department, duties relating to Accounts Payable and those relating to Investment/Cash Accounting are assigned to separate employees;

- ✦ control of approval levels: the names of the persons authorized to commit the Company and the various levels of approval required according to the type of commitment (validation of expenses and payment authorization) are defined and made available to the persons in charge of book-keeping so as to ensure the transactions have been properly approved;
- ✦ the comprehensive recording of transactions by the Accounting Departments;
- ✦ the regular review of assets (property, plant and equipment, inventory, receivables, cash and cash equivalents);
- ✦ compliance with applicable accounting policies and selected accounting methods.

Main measures implemented to ensure the quality of the Company financial statements of Eurazeo and its holding companies**Cash and investment transactions**

Both upstream and downstream of economic events, the comprehensive and adequate recording in the accounts of investment and cash transactions is based on the interaction between three complementary functions: the Legal Department, the Treasury Department and the Accounting Department. The comprehensive recording of transactions relies on the reconciliation of transactions identified by the Accounting Department, with information collected by the Legal Department and the cash flows recognized by the Treasury Department.

Investments are valued in the Company financial statements in line with the results of impairment tests conducted for the preparation of the consolidated financial statements.

Cash

The components of the cash balance are monitored in a dedicated software application that is interfaced with the cash-management and accounting software. The Accounting Department manually checks the correct reconciliation of the interfaced data.

Forecast accounting data

Accounting data in the forecast cash flow statement and the forecast income statement are reconciled with the cash flow forecasts prepared by the head of the Treasury Department and with the budget analysis data relating to operating costs.

Off-balance sheet commitments inventory and monitoring procedure

Eurazeo contracts are reviewed by the Legal Department, which records the corresponding commitments. Using the data obtained, the Legal Department and the Accounting Department work together to conduct a cross-analysis of the data held and to prepare a list of off-balance sheet commitments.

D. FINANCIAL COMMUNICATIONS

All financial communications are prepared by the Financial Communications and Investor Relations Departments, using as a guideline the general principles and best practices set out in the “Financial Communications Framework and Practices” manual issued by the Observatoire de la Communication Financière under the aegis of the AMF.

The Executive Board defines the financial communications strategy. All press releases are validated prior to issue by the members of the Executive Board. Press releases announcing interim and annual results are successively submitted to the Audit Committee and the Supervisory Board. The Supervisory Board can also be consulted in an advisory capacity on specific subjects, before the information is released. Press releases concerning periodic information are subject to a formal validation process, which has been presented to members of the Audit Committee. This process requires the communication of draft press releases concerning periodic information (in as near final versions as possible) to members of the Audit Committee for comment.

Eurazeo does not communicate with analysts, investors or journalists during the four weeks prior to the release of the interim and annual results, or the two weeks before the release of financial information for the first and third quarters.

Prior to the disclosure to the market of “non-accounting” indicators (Net Asset Value and analytical earnings aggregates), detailed presentations of the components of the calculation and valuation are given at the meetings of Eurazeo’s Audit Committee.

D. 2013 outlook

Over the last three years, a focus has been placed on monitoring the internal control of the investments through risk mapping, internal control self-assessment campaigns and a strategic approach to the coverage of the periodic work of the internal audit functions. Plans to address identified weaknesses and deficiencies have been implemented, and are being monitored. This progress approach will continue in 2013, with aim of gradually integrating recently acquired companies, including smaller investments (such as those of the Eurazeo Croissance and Eurazeo PME portfolios).

These efforts form part of an approach seeking to provide members of the Eurazeo Audit Committee with the level of information necessary to the performance of their duties, taking particular account of market recommendations.