Supervisory Board May 2006

RESOLUTION

The Supervisory Board of the FRR (*Fonds de Réserve pour les Retraites*):

Having reviewed the Executive Board proposals that were submitted to the Supervisory Board at meetings held on February 28 and May 16, 2006:

Reiterates that on April 2, 2003 it formally defined the Fund's strategic allocation. At that time, the Executive Board deemed it necessary to be able to re-examine this allocation after implementation and discuss the various factors that might warrant subsequent adaptations thereto.

Considering (i) that the fundamental principles underlying this allocation, which were confirmed by the Supervisory Board, remain relevant (i.e., that the objective of the Fund's investment policy should be to optimize the return on its investments, made under the best possible conditions of security and subject to the risk constraints defined below); (ii) that the Fund will provide funding to economic actors in general and businesses in particular, which in turn will help to consolidate the their prospects for long-term growth and promote lasting wealth creation and job growth; and (iii) that the FRR acts in the general interest of society, its investment policy, including the voting of proxies in the interest of the Fund, is an integral part of and should be consistent with certain shared values that promote balanced economic, social and environmental development.

Considering that the strategic allocation set forth in 2003 allowed the Fund to build the foundations of its investment policy, that its implementation beginning in the summer of 2004 provided the FRR with satisfactory results due to the decision to invest most of its assets in equities and that, at the same time the Fund also worked to gradually build up a reputation as a responsible investor and implement the initiatives that this position requires, as attested to by the Fund's participation in a group of international institutional investors that recently signed the Principles of Responsible Investment under the auspices of the UN.

Considering that the analyses provided by the Executive Board underscore the need to re-examine the assumptions that led to the choices made in 2003, in five primary areas: the FRR's payout horizon, its risk thresholds, the underlying macro-financial scenario, the addition of new asset classes, the geographic structure of its equity and bond investments.

Considering that public policymakers will be responsible for defining the exact timetable and objectives of the FRR's financial contribution to eligible pension plans as of 2020; that such definition is necessary because it is a decisive factor in achieving optimal management of reserves; that for the time being the Supervisory Board is operating on the assumption that the Fund will be used to top up pensions after 2020, a scenario that is consistent with the most recent work of the *Conseil d'Orientation des Retraites* (Retirement Steering Board); that the

Board’s own research reveals a growing need for additional pension funding, in particular between 2030 and 2040; that the scenario initially adopted in 2003 (straight-line payout of the Fund between 2020 and 2030) should consequently be extended to 2040; and that, as a result of this extension, the FRR’s investment horizon is also extended accordingly.

Considering that in 2003 the risk threshold adopted by the Supervisory Board was expressed as the minimization of the probability of nominal capital loss at Fund maturity; that it would appear to be necessary to add an additional indicator to this criterion which expresses the probability of generating a performance over the full period at least equal to the average cost of the resources allocated by public policymakers and that, having done so the FRR should be in a position over the long term to not only meet its objective of virtually zero risk of capital loss when the 2020 horizon is reached, but also to maximize the probability of providing eligible pension plans with the sums that have been entrusted to the Fund as of the aforementioned date and over a period of 20 years, plus an additional amount equal to at least their cost to the public.

Considering that the Supervisory Board has reviewed the Executive Board’s proposals on the various economic and financial hypotheses required for technical optimization work, in particular concerning the returns and volatilities of various asset classes and the existing degree of correlation between them; that these assumptions should not be impacted by various micro-economic or situational factors, but instead by long-term macro-economic perspectives; that the adjustments made by the Supervisory Board with respect to its 2003 scenario are limited in scope and will continue to be conservative by nature.

Considering that the additional extension of the Fund’s investment horizon reinforces its status as a long-term investor, consequently allowing the Fund to invest in asset classes that are more volatile over the short term but that increase the possibility of higher returns over the long term, provided that the abovementioned risk constraints are respected; that this strategy may be expressed through a combination of higher weighting to equity investments and the insertion of new asset classes not currently in the portfolio, factors that will enhance portfolio diversity and thereby reduce its global risk; that these new assets should be selected on the basis of their economic and financial properties, and in particular on the basis of the degree of assurance they can secure in the event of economic trends that adversely impact the equity markets, the FRR’s principal asset class; that to this end, in addition to what was already decided with respect to real estate assets and private equity investments, the Board has selected two new asset classes—commodities and infrastructures.

Considering that this concern for reducing global risk exposure should also lead to further diversification of the geographic structure of investments in both equities and bonds; that the geographic mix may be improved by reducing the relative weight of the Euro Area, which is currently overweighted in the Fund’s asset portfolio, and by enlarging the investment universe to include new economies in transition; that this search for greater diversification could also be carried out in tandem with an increase in the duration of investments in French companies that participate in the financing of pay-as-you-go retirement systems;

Considering that the Executive Board will be responsible for gradually take into account changes in the FRR’s strategic allocation in the investment choices made by the Fund; that, to this end, the Executive Board will maintain tactical latitude to change the Fund’s level of exposure to the principal asset classes that are eligible for investment under its target allocation; that the scope of this tactical latitude should be readjusted for each asset class on the recommendation of the Executive Board to take into account any changes in strategic allocation decided on during these proceedings;

Hereby decide on the following general orientations for the FRR's investment policy:

1 / The list of assets in which the Fund may invest, as appended to these proceedings, is approved. This list may be amended by the Supervisory Board on the written recommendation of the Executive Board. [1]

2 / The FRR's strategic allocation is henceforth adapted as follows:

Equities	60%
o/w Euro Area issuers	33%
o/w International issuers	27%
Bonds	30%
o/w Euro Area issuers	21%
o/w International issuers	9%
Diversification assets [2]	10%

3 / To ensure that the Fund's tactical management is efficient, the Executive Board shall maintain some degree of latitude around the target strategic allocation determined by the Supervisory Board. The Supervisory Board shall set the terms in the near future.

4 / These proceedings shall be made public.

[1] For international, sovereign bonds issued by governments that are not members of the OECD, as well as quasi-sovereign bonds issued by entities that belong to non-OECD governments, the Executive Board will submit a detailed list to the Supervisory Board in the near future.
[2] Private equity, real estate, commodities and infrastructures.

APPENDIX

LIST OF ADMISSIBLE ASSETS

1/ Money market instruments;

2/ Listed equities, Euro Area and international;

3/ Sovereign and quasi-sovereign bonds, Euro Area and international;

4/ Non-sovereign Euro Area and international bonds whose issuers have received long-term credit ratings in the investment grade category (rating at least equal to BBB- for Standard and Poor's and Fitch or Baa3 for Moody's);

5/ Financial instruments that represent the price of commodities;

6/ Units in mutual or other pooled vehicles that invest directly or indirectly in one of the assets listed in points 1/ to 5/ as well as in private equity, real estate or infrastructure projects.