

FRR

Fonds de réserve pour les retraites

Annual Report 2003 Financial Statements

2003 financial statements	page 02
Additional sums paid into the Fund	page 03
Income statement and balance sheet	page 04
Resolution: financial statements	page 05
Statutory auditors' report	page 06
Itemized statement of FRR assets	page 07
Accounting principles and methods	page 08

2003 Financial statements

1 - The FRR's chart of accounts

Pursuant to the laws and regulations governing the FRR, the Fund is required to adopt the chart of accounts for social security organizations (PCUOSS). In light of the FRR's status as a publicly owned agency, and given its obligation to ensure the highest public disclosure standards with respect to the transactions, accounting and valuations involving the Fund's assets, a number of changes were made to the PCUOSS.

These changes, which were disclosed in Opinion No. 2003-07 issued by the *Conseil National de la Comptabilité (CNC)* on June 24, 2003, concern the following points:

- All of the FRR's assets related to financial management are recorded as marketable securities and marked to market on a weekly basis. Any unrealized gains or losses resulting from this valuation are recorded in the balance sheet.
- As the FRR's accounts are stated exclusively in euros, assets denominated in other currencies are valued in the same way as marketable securities.
- The FRR's resources (Article L135-7, paragraphs 1 to 9 of the French Social Security Code) are recorded as endowments or allowances, while the results (earnings or losses) of each fiscal year are appropriated to a reserve account.

2 - Net position

The FRR's net position was 16.445 billion euros at December 31, 2003, reflecting endowments of 15.733 billion euros, 299.7 million euros of reserves from asset management income earned before June 30, 2002, and earnings for the fiscal year totaling 412 million euros.

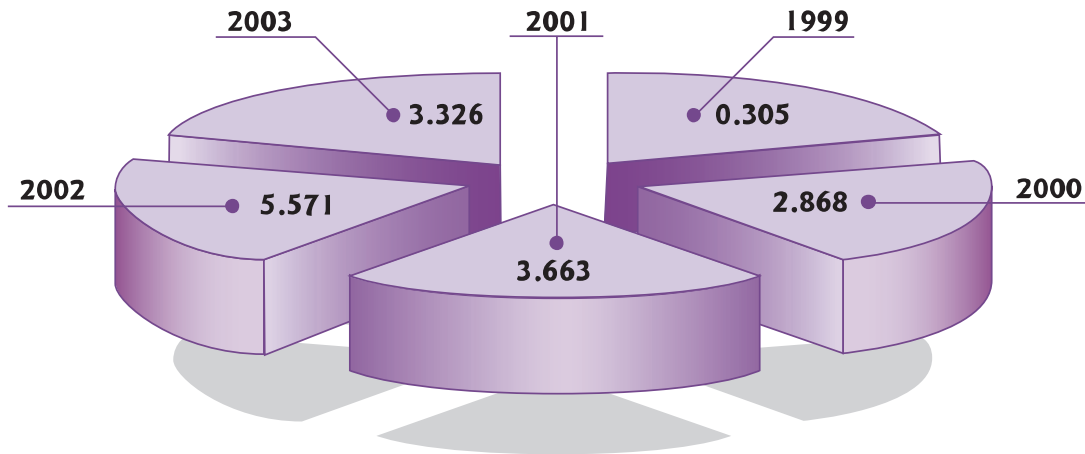
The largest endowments allocated to the FRR since it was established are indicated below:

- 4.13 billion euros from the 2% social security tax levied income from assets and investments
- 4.428 billion euros from the surplus of the National Old Age Fund
- 2.586 billion euros from the sale of shares in *Caisses d'Epargne*
- 1.857 billion euros from the sale of UMTS licenses
- 1.6 billion euros from privatizations

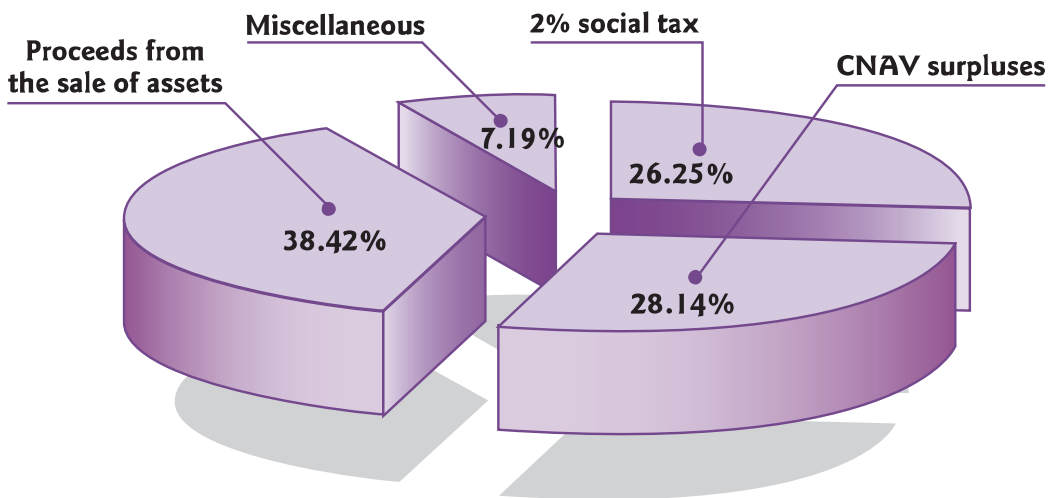
Reserves of 299.7 million euros were set aside from results earned prior to the establishment of the publicly owned agency. Earnings for the fiscal year totaling 412 million euros represent investment income of 425.7 million euros minus operating expenses of 13.7 million euros.

Additional sums paid into the Fund

Additional funds paid to the FRR since 1999 (in billion euros)



Sources of additional sums paid to the FRR



Income statement (2003)

Operating expenses	in euros	Operating income	in euros
Procurement of services	63 438.51	Investment income	425 786 846.98
Outsourced services - CDC	12 601 991.65		
Other outsourced services	552 196.40		
Taxes	40 192.55		
Payroll expense	412 655.66		
Interest expense	33 197.58		
Total operating expenses	13 703 672.35	Total operating income	425 786 846.98
Earnings for the fiscal year	412 083 174.63		
Total	425 786 846.98	Total	425 786 846.98

Balance sheet (2003)

Assets			Liabilities		
	at 12/31/2003	at 12/31/2002		at 12/31/2003	at 12/31/2002
Receivables	1 797 529 569.17		Transfers	15 733 958 324.91	
Endowments receivable	1 741 001 232.93		Reserves	299 779 698.26	
Income receivable	56 528 336.24		Earnings for the fiscal year	412 083 174.63	
			Balance brought forward		8 422 633 954.37
			Net position	16 445 821 197.80	8 422 633 954.37
Cash	14 661 303 631.35	10 802 476 311.66	Debt	13 012 002.72	2 379 875 554.87
Time-deposit account	13 142 161 953.18		Suppliers	910 515.13	
Current account	1 519 141 678.17	10 802 476 311.66	Soc. Sec. contrib. and taxes	40 990.01	
Accrued income and prepaid expenses		33 197.58	Sundry creditors	12 060 497.58	
			Miscellaneous income		2 379 875 554.87
Total Assets	16 458 833 200.52	10 802 509 509.24	Total liabilities	16 458 833 200.52	10 802 509 509.24

Resolution: financial statements for the year ended December 31, 2003 and appropriation of earnings

Paris, May 26, 2004

The Supervisory Board hereby resolves

- pursuant to Article R 135-20, line 4, of the French Social Security Code

- having heard the report of the Accounting Officer, and having duly noted that the financial statements submitted to its approval for the fiscal year ended December 31, 2003 include, in addition to all transactions effected in 2003, transactions that were concluded between July 1, 2002 and December 31, 2002 but not definitively appropriated in 2002 due to budgetary shortfalls in respect of this period, which in turn were related to the fact that the Fund's Executive Board members had not yet been appointed;
- having read the report submitted by the Statutory Auditors appointed on March 16, 2003, in which an itemized statement of the Fund's assets at the December 31, 2003 reporting date is provided;
- and having heard the report of the Chairman of the Accounts Committee;

to formally sign off on the Fund's financial account for the year ended December 31, 2003.

Consequently, the Supervisory Board authorizes its Chairman to co-sign, along with the Chairman of the Executive Board and the Accounting Officer, the financial account for fiscal year 2003, as presented.

- pursuant to Article L 135-6 of the French Social Security Code, to appropriate the earnings for fiscal year 2003, as indicated in the aforementioned financial account, i.e., a total of 412 083 174.63 euros, to the "FRR Reserves" account.

Statutory auditors' report

CONSTANTIN ASSOCIES

26, rue de Marignan
75008-PARIS

KPMG Audit

1, cours Valmy
92923-PARIS LA DEFENSE CEDEX

**Statutory Auditors' report prepared in accordance
with Article L.135-12 of the Social Security Code**

Detailed statement of assets as of 31 December 2003

Retirement Fund

84, rue de Lille
75007-PARIS

Dear Sirs,

In our capacity as statutory auditors and in accordance with article L.135-12 of the Social Security Code, we have examined the accompanying detailed statement of assets of the Retirement Fund as of 31 December 2003. The detailed statement of assets was prepared by the Executive Board. Our role is to report on the accuracy of the detailed statement of assets based on our procedures.

We conducted our work in accordance with professional standards applicable in France. Our work consisted of performing procedures to verify the existence, ownership and valuation of the components of the detailed statement of assets.

We have no matters to report with respect to the accuracy of the components of the detailed statement of assets

Executed in Paris and La Défense on 10 May 2004

The Statutory Auditors

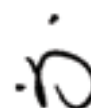
CONSTANTIN ASSOCIES

Françoise CONSTANT



KPMG Audit

Isabelle BOUSQUIE



Free translation of a French language original.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Itemized statement of FRR assets

At December 31, 2003 (in euros):

Contributions receivable: **1 741 001 232.93**

CNAV Surplus: 1 659 010 891.59

Mayotte CPS: 81 782 949.18

Wage Savings: 156 700.64

CDC Deposit: 50 691.52

Accrued income: **56 528 336.24**

Interest on cash account: 2 024 741.49

Interest on time deposit: 54 503 594.75

Caisse des Dépôts: **13 142 161 953.18**

Time deposit: 13 142 161 953.18

ACCT: **1 519 141 678.17**

Cash account: 1 519 141 678.17

Total FRR Assets: **16 458 833 200.52**

Net closing position:

Sixteen billion, four hundred and fifty-eight million, eight hundred and thirty-three thousand, two hundred euros and fifty-two cents.



Fonds de Réserve pour les Retraites
Francis MAYER
Chairman of the Executive Board

Accounting principles and methods

1- Accounting principles

In accordance with section L.114.1.1 of the French Social Security Code, the FRR is subject to the Social Security chart of accounts (PCUOSS) approved by inter-ministerial order.

In light of the FRR's status as a publicly owned agency, and given its obligation to ensure the highest public disclosure standards with respect to the transactions, accounting and valuations involving the Fund's assets, a number of changes were made to the PCUOSS.

These changes, which were disclosed in Opinion No. 2003-07 issued by the Conseil National de la Comptabilité (CNC) on June 24, 2003, concern the following points:

- All of the FRR's financial assets are recorded as marketable securities (class 5) and are marked to market on a weekly basis. Any unrealized gains or losses resulting from this valuation are recorded in the balance sheet (price differential account – class 5 - counterpart capital – class 1).
- As the FRR's accounts are stated exclusively in euros, assets denominated in other currencies are valued in the same way as marketable securities.

2- Accounting methods

- Contributions receivable: all contributions payable to the FRR for the year in accordance with to legislation in force, regardless of the actual settlement date.
- Accrued income: accrued interest for the year (prorata temporis).

Social Security Code

Chapter V bis: *Fonds de Réserve pour les Retraites* (the Fund)

Article L135-6

(Act No. 93-936 of July 22, 1993, Art. 1, Official Gazette of July 23, 1993, in force on January 1, 1994)
(Act No. 98-1194 of December 23, 1998, Art. 2(IV)(4°), Official Gazette of December 27, 1998)
(Act No. 98-1194 of December 23, 1998, Art. 2(IV)(6°), Official Gazette of December 27, 1998)
(Act No. 99-1140 of December 29, 1999, Art. 16(II), Official Gazette of December 30, 1999)
(Act No. 2000-1257 of December 23, 2000, Art. 32, Official Gazette of December 24, 2000)
(Act No. 2001-152 of February 19, 2001, Art. 15, Art. 16(III), Official Gazette of February 20, 2001)
(Act No. 2001-624 of July 17, 2001, Art. 6(I), Official Gazette of July 18, 2001, in force on January 1, 2002)

A publicly owned, State-funded agency is established, named the *Fonds de Réserve pour les Retraites* (referred to hereinafter as the Fund) and placed under the supervision of the State.

The Fund is being established for the purpose of managing the sums that are allocated to it in order to build up reserves intended to contribute to the long-term sustainability of PAYGO pension plans.

The reserve is constituted for the benefit of the mandatory old-age insurance plans described in Article L222-1 and items 1 and 2 of Article L621-3.

The sums allocated to the Fund shall be held in trust until 2020.

Note: Act No. 2001-624 of July 17, 2001, Art. 6(III): the Fund described in Article L135-6 of the Social Security Code shall be exempt from the business tax mentioned in Paragraph 5 of Article 206 of the General Tax Code.

Article L135-7

(Act No. 2001-624 of July 17, 2001, Art. 6(I), Official Gazette of July 18, 2001, in force on January 1, 2002)
(Act No. 2001-1246 of December 21, 2001, Art. 67(II), Official Gazette of December 26, 2001)

The Fund's resources are constituted as follows:

1. A fraction, determined by order of the Ministers of Social Security and the Budget, of the balance of the proceeds of the Social Solidarity Contribution (*Contribution sociale de solidarité*) payable by the companies described in Paragraph 2 of Article L651-2-1;
2. All or a part of the surplus of the Old Age Solidarity Fund (*Fonds de solidarité vieillesse*) mentioned in Article L135-1, as provided for in a government order issued by the Ministers of Social Security and the Budget;
3. As the case may be, during the fiscal year, an amount representing a fraction of the projected surplus for the

fiscal year of the Old-Age Solidarity Fund referred to in Article L135-1 as presented by the Social Security Audit Commission during its meeting in the second half of the same fiscal year; a joint order of the Ministers of Social Security and the Budget shall determine the amounts to be paid and the payment dates;

4. The proceeds from the application of Article L251-6-1;
5. A fraction equal to 65% of the proceeds of the levies described in Articles L245-14 to L245-16;
6. Payments from the allocation account created by II of Article 36 of the 2001 Finance Act (No. 2000-1352 of December 30, 2000);
7. The sums resulting from the application of Title IV of Book IV of the Labor Code and received on deposit by the *Caisse des Dépôts et Consignations* at the end of the period set forth in Article 2262 of the Civil Code;
8. The proceeds of the contribution created by Article L137-5;
9. Any other resources allocated to the Fund;
10. Income from investments made in the name of the Fund.

Note: Act No. 2001-1246 of December 21, 2001, Art. 67(III): The provisions of this article are applicable to the payments to be received by the bodies described in II of Article L245-16 of the Social Security Code, effective as of January 1, 2002. They apply to all proceeds notified as of that date.

Article L135-8

(Inserted by Act No. 2001-624 of July 17, 2001, Art. 6(I), Official Gazette of July 18, 2001 in force on January 1, 2002)

The Fund shall have a Supervisory Board and an Executive Board.

A decree of the Council of State shall fix the composition of the Supervisory Board, constituted by members of Parliament, representatives of the insured appointed by representative trade unions with nationwide scope, representatives of employers and the self-employed appointed by representative trade unions for employers and the self-employed, government representatives and duly qualified individuals.

On the Executive Board's recommendation, the Supervisory Board shall set the general investment policy orientations for assets held by the Fund in line with (i) the investment objectives and horizon of the Fund's resources and (ii) the prudent man and risk diversification principles. It shall supervise Fund performance, approve the Fund's annual financial statements and make an annual report to the public on fund management.

If the Executive Board's recommendation is not approved, it shall submit a new recommendation to the Supervisory Board. If this recommendation is not approved, the Executive Board shall implement the measures necessary for the management of the Fund.

The Fund shall have an Executive Board composed of three members, including the Chief Executive Officer of the *Caisse des Dépôts et Consignations*, who shall act as Chairman. The members of the Executive Board other than the Chairman shall be appointed by decree for a period of six years, after consultation with the Supervisory Board. The Executive Board shall direct the Fund and is responsible for its management. It shall apply the investment policy orientations. It shall ensure compliance with said orientations. It shall regularly report to the Supervisory Board on this matter and, in particular, shall indicate for this purpose the manner in which the Fund's general investment policy orientations take into account social, environmental and ethical considerations.

Article L135-9

(Inserted by Act No. 2001-624 of July 17, 2001 Art. 6 I Official Gazette of July 18, 2001 in force on January 1, 2002)

The Fund may employ persons who are not civil servants or are non-tenured civil servants. It enters into fixed-term or open-ended contracts with them.

The Fund shall bear all of its management costs.

Article L135-10

(Inserted by Act No. 2001-624 of July 17, 2001 Art. 6 I Official Gazette of July 18, 2001 in force on January 1, 2002)

The *Caisse des Dépôts et Consignations* shall ensure the administrative management of the Fund, under the authority of the Executive Board and in accordance with the terms and conditions set forth in the decree issued by the Council of State. This activity is independent of all other activities of the *Caisse des Dépôts et Consignations* and its subsidiaries.

Through periodically renewed mandates and in accordance with the procedures set forth in the French Government Procurement Code, financial management of the Fund is entrusted to investment firms whose principal activity is the service described in Paragraph 4 of Article L321-1 of the Monetary and Financial Code.

The financial instruments that the Fund is authorized to hold or use are those listed in Paragraph I of Article L211-1 of the Monetary and Financial Code.

Article L135-11

(Inserted by Act No. 2001-624 of July 17, 2001, Art. 6(I), Official Gazette of July 18, 2001 in force on January 1, 2002)

The prudential rules that apply to the Fund shall be determined by decree of the Council of State.

Article L135-12

(Inserted by Act No. 2001-624 of July 17, 2001, Art. 6(I), Official Gazette of July 18, 2001 in force on January 1, 2002)

The Supervisory Board shall appoint two statutory auditors to a six-year term.

They shall certify the accuracy of the inventory of assets established twice yearly by the Executive Board, as presented to the Supervisory Board and as published.

The provisions of Articles L225-218 to L225-227, L225-230, L225-233, L225-236 to L225-238, the last two paragraphs of Article L225-240, and Articles L225-241 and L225-242 of the Company Code shall be applicable to the statutory auditors appointed to the Fund.

The members of the Supervisory Board shall exercise the rights granted to shareholders and general meetings of shareholders by Articles L225-230 and L225-233 of the Company Code.

Article L135-13

(Inserted by Act No. 2001-624 of July 17, 2001, Art. 6(I), Official Gazette of July 18, 2001 in force on January 1, 2002)

All members of the Executive Board must inform the Chairman of the Supervisory Board of any interests they hold or any functions they exercise or have recently exercised in an economic or financial sector as well as any offices they hold or have recently held within a legal entity. This information shall be held at the disposal of members of the Executive Board.

In carrying out financial management, no member of the Executive Board may consider a matter in which he or she or, if applicable, a legal entity in which he or she exercises functions or holds an office, has an interest. Nor may he or she participate in a deliberation relating to a matter in which he or she or, as the case may be, a legal entity in which he or she exercises functions or holds an office, has represented one of the parties concerned during the eighteen months preceding the deliberation.

The Chairman of the Supervisory Board shall take appropriate measures to ensure compliance with the obligations and prohibitions resulting from the preceding paragraphs.

The members of the Executive Board, as well as the employees and agents of the Fund, are bound by professional secrecy under the conditions and subject to the penalties stipulated in Articles 226-13 and 226-14 of the Criminal Code. Experts and other persons consulted are bound by professional secrecy under the same conditions and subject to the same penalties.

Article L135-14

(Inserted by Act No. 2001-624 of July 17, 2001, Art. 6(I), Official Gazette of July 18, 2001 in force on January 1, 2002)

The Fund shall be subject to the control of the Audit Office (*Cour des Comptes*), the General Inspectorate of Social Affairs and the General Finance Inspectorate.

Reports of inspection and control bodies and special reports of the Audit Office relating to the Fund shall be transmitted to the Supervisory Board.

The Supervisory Board may also hear any member of an inspection or control body who has carried out a mission relating to the management of the Fund.

Article L135-15

(Inserted by Act No. 2001-624 of July 17, 2001, Art. 6(I), Official Gazette of July 18, 2001 in force on January 1, 2002)

A decree of the Council of State shall determine the terms for the application of this Chapter. In particular, it shall specify:

- the powers and operating terms of the Supervisory Board and the Executive Board;
- the terms of supervision and, in particular, the cases and conditions in which the resolutions of the Supervisory Board and the Executive Board are subject to approval;
- The terms for the preparation and approval of the budget of the Fund.

Decree No 2001-1214 of December 19, 2001 (amended)

Section 1: Provisions relating to Fund organization and management

Article R135-18

(Decree No. 93-1354 of December 30, 1993, Art. 1, Official Gazette of December 31, 1993, in force on January 1, 1994)

(Decree No. 96-532 of June 14, 1996, Art. 4(2°), Official Gazette of June 16, 1996)

(Decree No. 99-898 of October 22, 1999, Art. 1(V), Official Gazette of October 24, 1999)

(Decree No. 2001-1214 of 19 December 2001, Art. 2(3°), Official Gazette of December 21, 2001 in force on January 1, 2002)

(Decree No. 2001-1214 of 19 December 2001, Art. 1, Official Gazette of December 21, 2001 in force on January 1, 2002)

The Fund is placed under the general supervision of the Ministers of Social Security, the Economy and the Budget.

Article R135-19

(Decree No. 99-898 of October 22, 1999, Art. 1(V), Official Gazette of October 24, 1999)

(Decree No. 2001-1214 of December 19, 2001, Art. 2(3°), Official Gazette of December 21, 2001 in force on January 1, 2002)

(Decree No. 2001-1214 of December 19, 2001, Art. 1, Official Gazette of December 21, 2001 in force on January 1, 2002)

(Decree No. 2002-394 of March 22, 2002, Art. 1, Official Gazette of March 24, 2002)

(Decree n°2003-1202 of December 18, 2003, Art. 1, Official Gazette of December 19, 2003)

I. – The Supervisory Board is composed of the following:

1° Two members of the National Assembly and two members of the Senate, or their alternates;

2° Five representatives of social security beneficiaries, or their alternates, designated by general labor and trade unions representing salaried workers, with nationwide scope, as follows:

- one by the *Confédération Générale du Travail*;
- one by the *Confédération Générale du Travail-Force Ouvrière*;
- one by the *Confédération Française Démocratique du Travail*;
- one by the *Confédération Française des Travailleurs Chrétiens*;
- one by the *Confédération Française de l'Encadrement-CGC*;

3° Five representatives of employers and self-employed workers, or their alternates, designated by representative trade unions for employers and self-employed workers, as follows:

- three by the *Mouvement des Entreprises de France*;
- one by the *Confédération Générale des Petites et Moyennes Entreprises*;
- one by the *Union Professionnelle Artisanale*;

4° Two representatives of the Minister of Social Security, or their alternates, appointed by order of the Minister of Social Security;

- 5° One representative of the Minister of the Economy or an alternate, appointed by order of the Minister of the Economy;
- 6° One representative of the Minister of the Budget or an alternate, appointed by order of the Minister of the Budget;
- 7° Two individuals with recognized credentials in fields relevant to the stated missions of the Fund:
 - one individual appointed by the Minister of Social Security;
 - one individual appointed by the Minister of the Economy and the Minister of the Budget.

The Chairman of the Supervisory Board of the Fund is appointed by decree from among the board members. The Supervisory Board elects two vice-chairmen from among its members.

The Supervisory Board members referred to in items 2°, 3° and 7° are appointed for a term of six years, with half of the seats up for re-election each time elections are held. In the event of the removal, incapacity or death of any member or alternate, another member or alternate is designated to serve as his replacement for the remainder of the term.

As a transitional measure, as an exception to the first sentence of the preceding paragraph and for the initial appointment, half of the Supervisory Board members referred to in items 2°, 3° and 7° are appointed for a renewable term of three years. The list of these members will be established by drawing lots.

II. – Supervisory Board members other than the chairman perform the duties of their office in a voluntary capacity. A special allowance, determined by order of the Minister of Social Security, the Minister of the Economy and the Minister of the Budget, is granted to the Chairman of the Supervisory Board.

Supervisory Board members are entitled to a travel allowance and expenses, under the terms and conditions set forth in Decree No. 86-416 of March 12, 1986 and Decree No. 90-437 of May 28, 1990.

Article R135-20

(Decree No. 99-898 of October 22, 1999, Art. 1(V), Official Gazette of October 24, 1999)

(Decree No. 2001-1214 of December 19, 2001, Art. 2(3°), Official Gazette of December 21, 2001 in force on January 1, 2002)

(Decree No. 2001-1214 of December 19, 2001, Art. 1, Official Gazette of December 21, 2001 in force on January 1, 2002)

I. - The role of the Supervisory Board is:

- 1° To define, on the Executive Board's recommendation, general investment policy orientations for the Fund's assets, as described in Paragraph 3 of Article L135-8;
- 2° To appoint the independent auditors referred to in Article L135-12;
- 3° To audit fund performance;
- 4° To approve the Fund's financial statements after having heard the report of the accounting officer;
- 5° To prepare an annual report on Fund management for public disclosure.

II. - The resolutions of the Supervisory Board referred to in items 1° and 2° of Paragraph I of this article are enforceable as a matter of right.

The decisions of the Supervisory Board referred to in items 3° and 4° are enforceable under the terms and conditions set forth in Article R135-26.

III. – To assist the Supervisory Board in the preparation of its general investment policy orientations for the Fund's assets, the Executive Board provides an analysis of financial market developments over the preceding twelve months and their impact on long-term trends and, given the Fund's investment time horizon and estimated revenues, recommends allocations for each financial instrument category that takes into account portfolio assets, return and risk criteria, and the prudent man rule.

In the case described in Paragraph 4 of Article L135-8, the Executive Board may deviate from the latest guidelines set forth by the Supervisory Board, if circumstances so warrant and if doing so is intended to reduce the exposure of Fund investments. The Executive Board informs the Supervisory Board of any measures taken with this intent.

Article R135-21

(Decree No. 99-898 of October 22, 1999, Art. 1(V), Official Gazette of October 24, 1999)

(Decree No. 2001-1214 of December 19, 2001, Art. 2(3°), Official Gazette of December 21, 2001, in force on January 1, 2002)

(Decree No. 2001-1214 of December 19, 2001, Art. 1, Official Gazette of December 21, 2001, in force on January 1, 2002)

Meetings of the Supervisory Board are called by its chairman at least twice a year. This call is of right when requested by one of the Fund's supervisory ministers.

The chairman sets the agenda. The chairman or the Supervisory Board may ask the Executive Board to recommend the general investment policy orientations for the Fund's assets.

The Supervisory Board may not validly deliberate unless at least half of its members are present at the meeting.

If the quorum requirement is not met, the Supervisory Board shall meet again with the same agenda within twenty days and then validly deliberate, regardless of the number of members in attendance. Supervisory Board resolutions are ratified by a simple majority of its members when at least half of the members are present at the meeting, and by a simple majority of the members in attendance otherwise.

The chairman casts the deciding vote in the event of a tie.

The Supervisory Board adopts the bylaws pertaining to its operating procedures. These bylaws are enforceable only after the Fund's supervisory authority has approved them.

The Executive Board members, the accounting officer and the financial controller of the Fund attend Supervisory Board meetings in a consultative capacity and do not vote. The Supervisory Board may invite any other individual of its choosing to address the Board.

Minutes for each session are recorded and signed by the chairman. Minutes are communicated to the supervisory authorities within fifteen days of the related Supervisory Board meeting.

Article R135-22

(Inserted by Decree No. 2001-1214 of December 19, 2001, Art. 1, Official Gazette of December 21, 2001, in force on January 1, 2002)

The Executive Board directs the agency and ensures its smooth operation. It carries out all functions that are not attributed to another authority. In particular:

- 1° It recommends the general investment policy orientations for the fund's assets to the Supervisory Board, in compliance with the rules set forth in Article R135-29;
- 2° It applies the general investment policy orientations, ensures compliance with said orientations by its asset managers and reports to the Supervisory Board at least every six months;
- 3° It drafts specifications for the RFPs referred to in Article L135-10;
- 4° It appoints duly qualified individuals to serve on the committee charged with selecting asset managers described in Paragraph I of Article R135-27;
- 5° It selects the third-party portfolio management firms referred to in Article L135-10;
- 6° It enters into all agreements on behalf of the Fund and monitors their performance;
- 7° It prepares the Fund's administrative and technical management budget;

- 8° It implements the Fund's budget;
- 9° It submits the Fund's financial statements to the Supervisory Board;
- 10° It recruits and supervises Fund personnel;
- 11° It draws up the Fund's internal policies and procedures, except for those that pertain to the Supervisory Board;
- 12° It provides secretarial services to the Supervisory Board.

The agreements referred to in item 6° hereinabove are communicated to the supervisory authorities within fifteen days of the date on which they are entered into.

The resolutions described in items 3°, 4°, 7° and 11° are enforceable as provided for in Article R135-26.

Article R135-23

(Inserted by Decree No. 2001-1214 of December 19, 2001, Art. 1, Official Gazette of December 21, 2001, in force on January 1, 2002)

The Chairman of the Executive Board represents the Fund before the court and in all civil matters. The chairman is authorized by the Executive Board to act in legal proceedings on its behalf. He signs all contracts and agreements. The Chairman of the Executive Board is the authorizing officer for the Fund's expenditures and revenues. He or she approves the financial statements. The chairman may delegate signing authority, as provided for in the bylaws (internal policies and procedures) referred to in Article R135-22.

In the event of that the position of chairman of the Executive Board becomes vacant temporarily, or in the event that the chairman is incapacitated, his duties shall be performed by one of the two other members appointed by decree.

The duties of the Executive Board members, other than those of the chairman, are performed to the exclusion of any other activity and give rise to compensation.

Article R135-24

(Inserted by Decree No. 2001-1214 of December 19, 2001, Art. 1, Official Gazette of December 21, 2001, in force on January 1, 2002)

The administrative management duties described in Article L135-10 and carried out under the authority of the Executive Board include:

- Secretarial services for the Fund's committees and boards; legal, accounting and budget assistance;
- Preparation of RFPs launched to select the third-party portfolio management firms referred to in Article L135-10;
- General management of the Fund's cash flow that cannot be performed by the firms referred to in the preceding line;
- Preparation of Executive Board recommendations to the Supervisory Board on the Fund's general investment policy orientations;
- The custodial services described in item 1° of Article L321-2 of the Monetary and Financial Code;
- Oversight of the performance of the mandates described in Article L135-10.

An agreement between the Fund and the *Caisse des Dépôts* provides for the Fund's administrative management. In particular, it describes the resources allocated by the *Caisse* to perform this task. Once the agreement becomes enforceable as provided for in Article R135-26, it shall be communicated to Supervisory Board members.

Article R135-25

(Inserted by Decree No. 2001-1214 of December 19, 2001, Art. 1, Official Gazette of December 21, 2001, in force on January 1, 2002)

The terms under which the resources listed in Article L135-7 are paid over to the Fund are determined by agreements by and between, respectively:

- the Fund and the French State;
- the Fund and the *Agence Centrale des Organismes de Sécurité Sociale*;
- the Fund and the *Caisse des Dépôts et Consignations*.

In particular, these agreements stipulate the supporting documents that must be communicated to the Fund and payment terms and schedules.

Article R135-26

(Inserted by Decree No. 2001-1214 of December 19, 2001, Art. 1, Official Gazette of December 21, 2001, in force on January 1, 2002)

I. – The resolutions of the Supervisory Board referred to in items 3° and 4° of Article R135-20, the resolutions of the Executive Board referred to in items 3°, 4°, 7° and 11° of Article R135-22 and the agreement referred to in the last paragraph of Article R135-24 are enforceable, barring express approval previously notified, upon expiration of a one-month period starting from the date of receipt by the Minister of Social Security and the Minister of Economy and Finance of the resolutions and relevant documents, unless one of the aforementioned Ministers signals opposition.

If one of the aforementioned Ministers files a written request for additional information or documents, the one-month period is suspended until such time as the requested information or documents are provided.

II. – The measures taken by the Executive Board by virtue of Paragraph 4 of Article L135-8 are subject to the provisions of Paragraph I of this article, with the following modifications:

- 1° Oversight is confined to the issue of legality;
- 2° The one-month period referred to in Paragraph I of this article is reduced to one week.

Article R135-27

(Inserted by Decree No. 2001-1214 of December 19, 2001, Art. 1, Official Gazette of December 21, 2001, in force on January 1, 2002)

(Decree No. 2003-1202 of December 18, 2003, Art. 2, Official Gazette of December 19, 2003)

I. – A manager selection committee is formed to review and analyze the proposals referred to in Article L135-10. The Executive Board consults the committee when drafting specifications for the RFPs described in Article L135-10. Reports are provided to the committee on the performance of the mandates described in said Article. In addition to its chairman, this committee includes four duly qualified individuals appointed by the Executive Board. The chairman of the manager selection committee is a member of the Executive Board other than the Chairman of the Executive Board.

II. – The Executive Board (or one of its members appointed for this purpose) may receive assistance in the inspection of the procedures and operations carried out for the Fund by the third-party portfolio management firms described in Article L135-10.

- III. – As an exception to the relevant provisions of Section I (5) of Article 72 of the French Government Procurement Code, the management contracts awarded by the Fund in the form of standing offer agreements (*marché à bons de commande*) pursuant to Article L135-10 of this Code are valid for no more than four consecutive years, unless the circumstances warrant making an exception (such as the purpose of the contract or the conditions under which it is to be performed).

As an exception to the relevant provisions of Articles 86 to 98 and 115 of the French Government Procurement Code, contracts relating to the financial management of Fund assets do not give rise to the payment of advances or deposits, unless an explicit decision to the contrary is made.

As an exception to the relevant provisions of Article 119 of the French Government Procurement Code, the Fund may decide to submit contemplated RFPs, drawn up pursuant to Article L135-10 of this Code, to specialized tender commissions for an expert opinion.

Article R135-28

((Inserted by Decree No. 2001-1214 of December 19, 2001, Art. 1, Official Gazette of December 21, 2001, in force on January 1, 2002)

- I. – The Fund's accounting officer is appointed by joint order from the Ministers of Social Security and the Budget.
- II. – The annual budget of the Fund is determined by November 30th of the preceding year. Estimates are made and duly recorded for costs relating to the custody of securities and financial management.
- III. – The independent auditors certify the itemized statement of the Fund's assets and their valuation.
- IV. – The Fund is subject to the financial oversight of the State under the terms and conditions set forth in the Decree of October 25, 1935 establishing the financial oversight of public boards and independent authorities. The procedures governing the performance of this oversight role are set forth in a government order issued by the Minister of Economy and Finance. The Fund is not required to contribute to the cost related to this oversight.
- V. – The *Caisse des Dépôts et Consignations* receives a service fee equal to the expenses it incurs in performing the services described in Article R135-24. This fee is paid by the Fund.

Article R135-29

(Inserted by Decree No. 2001-1214 of December 19, 2001, Art. 1, Official Gazette of December 21, 2001, in force on January 1, 2002)

(Decree No. 2003-1202 of December 18, 2003, Art. 3, Official Gazette of December 19, 2003)

- I. – The Fund may not invest:
- 1° More than 5% of its assets in securities from the same issuer, with the exception of:
- a) Financial instruments issued or secured by a Member State of the European Community or party to the European Economic Area agreement or by the *Caisse d'Amortissement de la Dette Sociale*;
- b) Units or shares in investment companies whose portfolio is exclusively made up of the financial instruments referred to in item a;
- 2° More than 25% of its assets in stock or other securities with a claim to the share capital of companies headquartered outside of the European Economic Area or not traded on a regulated market of a party to the European Economic Area agreement or on a regularly operating market of a third country that is a member of the Organization for Economic Cooperation and Development; the regulators of this third

country must have defined the conditions of operation, access and admission to trading and demand compliance with the disclosure and transparency requirements;

3° More than 3% in shares or equity interest from the same issuer.

- II. – The Fund may conclude futures contracts under the same terms and conditions that apply to futures contracts entered into by mutual funds, as set forth in Decree No. 89-623 and Decree No. 89-624 of September 6, 1989. However, the counterparty risk with the same co-contractor is limited to 5% of the fund's assets.
- III. – Exposure to exchange risk may not exceed 20% of total assets.
- IV. – The Fund's managers exercise voting rights for the sole purpose of safeguarding the Fund's interests.

Government Order dated June 28, 2002, pertaining to the organization of the financial oversight of the *Fonds de Réserve pour les Retraites*

The Minister of the Economy, Finance and Industry and the Vice-Minister for the Budget and Budgetary Reform, on the basis of:

The French Social Security Code, and in particular Chapter V bis of Title III of Book I (Legislative and Regulatory sections);

The decree dated October 25, 1935, establishing the financial oversight of public boards and independent authorities;

The government order dated March 11, 1998, pertaining to the establishment of an economic and financial oversight unit for organizations responsible for the management of old-age insurance funds;

Hereby order:

Article 1 – The oversight unit for organizations responsible for the management of old-age insurance funds shall perform this duty with respect to the Fund introduced by Article L 135-1 of the Social Security Code, in accordance with the terms and conditions described in this government order.

Article 2 – Financial oversight of the Fund shall encompass all transactions or operations that have a direct or indirect financial impact.
Financial oversight of the financial transactions or operations described in Paragraph 2 of Article L 135-10 of the Social Security Code shall be performed in accordance with the terms and conditions set forth in Articles 3 and 12 of this government order.
Financial oversight of transactions or operations other than those referred to in Line 2 of this article shall be performed in accordance with the terms and conditions set forth in Articles 3 to 11 of this order.

Article 3 – Consultation of the financial controller shall be mandatory for all draft decrees, orders or ministerial decisions, as well as for any agreement that may directly or indirectly affect the finances of this institution and all budgetary proposals.

Article 4 – In the furtherance of its oversight duty, the financial controller may conduct investigations, make requests, issue communications or consult onsite all documents, including documents of title, in the possession of the departments under the supervision of the authorizing officer or the accounting officer.

Article 5 – The following items must be submitted to the prior authorization of the financial controller, with all relevant supporting documents and explanatory memoranda:
- Instruments pertaining to the recruitment, appointment or promotion of staff members, as well as

- those that concern compensation, bonuses or allowances of any kind;
- Travel orders related to assignments outside of mainland France, with the exception of Brussels and Luxembourg;
- Contracts, agreements or amendments to said contracts or agreements involving amounts in excess of the limit set by the financial controller with the approval of the authorizing officer;
- The administrative management agreement described in Article R 135-24 of the Social Security Code and all expenses incurred in connection with this agreement;
- Proposed write-offs of uncollectible accounts.

Article 6 – Within fifteen working days of receipt by his office of a decision submitted for his approval, the financial controller must either grant approval or provide the authorizing officer with the reasons such decision has been deferred or refused.

In the event that the financial controller withholds approval, this refusal may only be overruled by express decision of the Budget Minister.

Prior to initiating any expenditure for which prior approval is required, the accounting officer is personally and financially responsible for obtaining the official and explicit approval of the financial controller.

Article 7 – The financial controller reviews all expenditure initiations submitted for his approval, verifying the accuracy of estimates, the apportionment of expenditures, and compliance with applicable financial laws, regulations and budget implementation. He also verifies that the required appropriations are available in light of other expenditures initiated, and takes into consideration the possible impact of proposed measures on the institution's financial position and condition.

Article 8 – The financial controller receives, at intervals that have been defined jointly with the authorizing officer:

- The status of budget implementation for the administrative management described in Paragraph 1 of Article L 135-10 of the Social Security Code;
- A statement of the institution's own revenues as listed in Article L 135-7 of the Social Security Code.

Article 9 – For expenditures related to acts or decisions that are not subject to prior authorization by the financial controller, payment is made on the basis of the projected expenditure initiations that are subject to approval.

The financial controller defines the terms governing the establishment and frequency of these initiations, after discussion with the institution's management board.

Article 10 – The authorizing officer implements a commitment accounting system that identifies:

- The amount of original appropriations and subsequent modifications thereto;
- The amount of successive expenditure initiations and releases of payment;
- The amount of reimbursements and repayments that may later offset initiated expenditures;
- The total amount of mandates issued.

In particular, at the start of the year, this accounting system records:

- The estimated amount of expenditures for the full year relating to compensation payable to permanent staff actually on duty on January 1st, including wage-based social security and family allowance contributions and taxes;
- Expenditures resulting from earlier decisions or of an ongoing nature.

Other expenditures are recorded throughout the year as they are authorized.

Article 11 – Payment orders must include a reference to the initiations to which they pertain.

Article 12 – Financial oversight of the financial transactions or operations referred to in Paragraph 2 of Article L 135-10 of the Social Security Code is performed post-facto, in accordance with the following terms and conditions:

- The financial controller reviews and approves the portfolio management mandates attributed to the investment firms referred to in Paragraph 2 of the aforementioned Article L 135-10;
- The financial controller is involved in the oversight of the procedures and financial transactions or operations described in this article;
- The financial controller may request any document that he deems useful in assessing the volume of the aforementioned transactions or operations and the financial risk they contain.

Article 13 – This government order shall be published in the Official Gazette of the French Republic.

Executed in Paris, June 28, 2002.

The Minister of Economy,
Finance and Industry,
Francis Mer

The Minister Delegate to the Budget
and Budgetary Reform,
Alain Lambert

FRR: Code of Professional Conduct and Ethics

Chairman of the Executive Board

General provisions

On the basis of:

The bylaws of the FRR in general and Article D 6.4 in particular;

The Executive Board Resolution of May 16, 2003 adopting these provisions, which apply to its members and all individuals participating in the management of the FRR under its supervision, referred to hereinafter as "Associates."

The Chairman of the Supervisory Board has been consulted.

I- General principles

Associates are expected to comply with all applicable legal and professional obligations.

They are expected to stay abreast of, and comply with, all of the rules that govern their area of business, including codes of professional conduct that may be specific to this area and rules pertaining to the use of IT tools.

Associates are expected to demonstrate integrity and loyalty in the performance of their professional duties.

They are expected to promptly notify their immediate manager of any suspicious transaction.

Associates are expected to comply with all control and supervision obligations.

They are expected to respect all relevant rules of control and supervision related to the activities in which they engage, and in particular to ensure:

- That these activities are compliant with laws and regulations in force;
- That decisions are made in conformity with FRR policies and procedures.

Associates are expected to cooperate with internal and external controllers and auditors, and to promptly remedy any deficiencies or malfunctions that are brought to their attention.

Associates shall report to their immediate manager on all matters relating to the application of this Code and, in the event of a problem, may consult with the Chairman of the Supervisory Board.

The Executive Board shall take whatever measures are necessary to ensure enforcement of the FRR's Code of Professional Conduct and Ethics. In particular, the Board is expected to communicate the contents of this Code to service providers working within the FRR.

II- Rules of professional conduct relating to the activities of all associates

Safeguarding image and property

Article 1 - Associates are held to an obligation of discretion and probity. In all circumstances, they shall refrain from making statements or engaging in actions that could possibly impair the image of the FRR. Associates are reminded that they are not permitted to speak about, comment, publish an article or otherwise communicate on the FRR, either at their own initiative or in response to a request, without obtaining the Executive Board's prior consent.

Article 2 - Associates must refrain from using their affiliation with the FRR for personal gain or ends. They are expected to use the resources, services or information provided to them in the performance of their duties for professional purposes only.
Exclusive service requirement

Article 3 - Associates agree to refrain from accepting any outside consulting or other work (with the exception of purely private activities that involve affiliation with philanthropic or other organizations, including trade unions, or elected office) without obtaining the prior written consent of management. This consent must be given in accordance with the regulations governing the conditions of employment of the Associate in question.

Members of the Executive Board are required to disclose any positions, mandates or interests to the Chairman of the Supervisory Board, as provided for in Article L135-13 of the Social Security Code and the bylaws of the FRR.

Associates may not accept any direct or indirect personal compensation of any kind whatsoever from a service provider, intermediary or supplier.

From existing or potential service providers, counterparties, consultants, suppliers, subcontractors or any other outside party with respect to the FRR, Associates may not solicit, offer, or accept, whether for themselves or for a member of their family, any favors, gifts, invitations or other donations, however small, that exceed the proportions or frequency determined by standard business practice.

Article 4 - With the exception of the rights granted to personnel representatives, the premises and equipment of the FRR are exclusively reserved for professional activities. They may not be used for personal ends. Associates whose professional relationship with the FRR ends are expected to return all materials and documents provided by the FRR.
Non-disclosure requirement

Article 5 - Associates must at all times maintain the degree of confidentiality that is required to protect the interests of the FRR as well as its related establishments and partners, service providers, suppliers and personnel.
Associates are held to an obligation of professional secrecy, under the conditions and subject to the penalties set forth in Articles 226-13 and 226-14 of the French Criminal Code.

Article 6 - In particular, the following information is considered to be confidential and, as such, protected by the obligation of professional secrecy:
a) Information that Associates of the FRR may be exposed or privy to through their professional position, activity or status;

- b) Information which, if disclosed, could be harmful to the interests of the FRR;
- c) Personal or medical information related to a particular situation or person;
- d) Privileged information as defined in Article 13 of this guide.

Article 7 - The non-disclosure requirement applies to Associates whether they are physically present in the offices and workplace of the FRR or elsewhere. Associates continue to be held to this requirement after their employment contract with the FRR is terminated.

Article 8 - The non-disclosure requirement does not prohibit the disclosure or flow of information within the FRR, insofar as this information is communicated in accordance with established procedures set forth by management, and provided that doing so furthers the aims and missions of the FRR or enables its personnel to exercise their lawful rights.

Article 9 - The non-disclosure requirement does not preclude the dissemination of information that is required by laws or regulations in force.

In this case, it is the responsibility of the Executive Board to define the procedure by which an individual is authorized to disclose the confidential information and to ensure that this procedure is duly respected.

Preventing conflicts of interest

Article 10 - Associates are required to avoid situations where their personal interests conflict with the interests of the FRR. When in doubt, Associates must alert their immediate manager.

Associates may not be personally involved in a transaction, negotiation or contract on behalf or in the name of the FRR, with an outside entity in which they or a close relative have a direct or indirect interest, without having fully informed their immediate manager or a member of the Executive Board of such relationship in writing, and without having obtained the FRR's prior consent in writing.

Associates agree to adhere to the principles of fairness and transparency in their relationships with suppliers and service providers, by complying with the rules in force and acting in conformity with the interests of the FRR.

III - Rules relating to personal transactions involving financial instruments

Definitions

Article 11 - Personal transactions are those carried out by Associates on their own behalf, for a member of their family, or, acting in a personal capacity, on behalf of a third party.

Article 12 - 1. Sensitive positions are those that:

- a) Expose their occupant to potential conflicts of interest or privileged information;
- b) Are occupied by the immediate manager of an Associate who occupies a sensitive position as defined in item a.

2. The Executive Board shall draw up a list of sensitive positions.

Article 13 - Privileged information is material non-public information, which, if it were made public, could influence the price of a financial instrument traded on a regulated market.

Article 14 - A “stock by stock” securities trading account is an account in which at least one security has been deposited that is other than a mutual fund unit that is widely available to the public.

Rules applicable to all Associates

Article 15 - Associates who carry out personal transactions involving financial instruments must always follow the normal order placing procedure of the account-holding institution.

Article 16 - Associates must not, on behalf of a family member or third party, engage in any activity, or get a family member or third party to engage in any activity, or make it possible for a family member or third party to engage in any activity that they are not allowed to engage in on their own behalf and in their own name.

Article 17 - Associates who acquire privileged information in the performance of their professional duties are prohibited from using this information for their own benefit or for the benefit of a third party. This prohibition also applies to anyone who acquires privileged information directly or indirectly from a source described in the previous paragraph.

Article 18 - Associates are not allowed to make personal trades in markets or financial instruments in cases where a conflict of interest is possible due to their professional occupation.

Rules that apply specifically to Associates who occupy sensitive positions

Article 19 - Associates who occupy sensitive positions may be totally or partially, temporarily or permanently, prohibited from placing personal orders involving financial instruments. The Executive Board establishes and updates a list of these prohibitions on the basis of recommendations submitted by management staff.

Article 20 - Associates who occupy sensitive positions are required to transfer any “stock by stock” securities trading accounts they hold to the Caisse des Dépôts et Consignations or an institution approved by the Executive Board.

Notwithstanding the foregoing, a “stock by stock” securities trading account under management mandate shall not be subject to any holding institution restrictions, provided that the management mandate has been approved by the Executive Board.

Article 21 - Each month, Associates who occupy sensitive positions and who own a “stock by stock” account must submit an itemized report of all transactions carried out during the month ended, to a control body designated by the Executive Board. The information that is provided for this purpose is processed and stored in such a way as to ensure its integrity and confidentiality.

For monitoring purposes, Executive Board members must be able to access all “stock by stock” securities trading accounts described in this section.

Article 22 - The Executive Board may waive any of the provisions in this section as needed, provided that the reason(s) for such waivers are given. The Chairman of the Supervisory Board is informed in such cases.

FRR: Policies and Procedures

On the basis of:

The French Social Security Code (Code de la Sécurité Sociale), particularly Articles L135-6 to L 135-15 and R 135-18 to R 135-29;

The Supervisory Board's Resolution of January 22, 2003 ratifying those provisions of the policies and procedures that pertain to it;

The Executive Board's Resolution of May 16, 2003 ratifying those provisions of the policies and procedures that pertain to it;

Approvals from the supervising ministries issued on February 18, 2003 and June 25, 2003.

Part One: The Supervisory Board

Article CS.1 Vice-chairmen

The Supervisory Board shall appoint two vice-chairmen from among its members, (i) to serve as replacements for the Chairman in the event that the latter is removed from office or otherwise indisposed, and (ii) to chair the Accounts Committee mentioned in Article 6/cs of these policies and procedures.

Article CS.2 Calls to meetings and items of business

The Supervisory Board shall meet at least twice a year at the behest of its Chairman, who shall set the items of business on the agenda. Meetings shall be called automatically whenever a request is made by one of the Fund's supervising ministers, or when at least one-third of the Board's members petition the Chairman and propose an agenda.

The Chairman serves notice to members of the Board, and provides a copy of the agenda and any related supporting documents at least seven (7) days prior to the scheduled meeting date. In the event of an emergency, the Chairman may add other items of business to the agenda.

Article CS.3 Attendance at meetings

Only members of the Supervisory Board may attend meetings (or their alternates, if they are unable to attend and provided that they have notified the Chairman beforehand). Members of the Executive Board, the Accounting Officer and the Financial Controller of the Fund participate in the proceedings in an advisory capacity. An attendance record shall be drawn up and duly signed.

The Board may call on the individuals of its choosing to meetings to provide information that Board members deem relevant.

It may also solicit input from the members of any inspection or control teams that have performed a Fund management audit.

Article CS.4 Validity of proceedings

The proceedings of the Supervisory Board shall be valid only if at least half of its members are in attendance. If this quorum is not reached, a second meeting of the Board shall be called within twenty (20) days maximum to

transact the business at hand. The proceedings of the second meeting shall be valid regardless of the number of members in attendance.

Resolutions are passed by a simple majority of the members of the Supervisory Board when at least half of its members are in attendance, and by a simple majority of those in attendance otherwise. In the event of a tie, the Chairman shall cast the deciding vote.

The existence of a quorum is determined at the beginning of the meeting on the basis of the signatures in the attendance record.

Questions submitted to a vote of the Board may give rise to a hand vote or a paper (i.e., secret) ballot. Voting by a show of hands is the usual method, and shall be automatic unless one of the voting members of the Supervisory Board requests a vote by paper ballot.

Article CS.5 Enforceability of proceedings

Resolutions concerning the general investment policy orientations for the Fund's assets, which originate with the Executive Board, are automatically enforceable once they are ratified.

Decisions relating to the selection of independent accountants are automatically enforceable once they are taken. Resolutions concerning accounting and financial statement controls and approvals are enforceable, barring express approval previously notified, upon expiration of a one-month period starting from the date of receipt by the Minister of Social Security and the Minister of Economy and Finance of the resolutions and relevant documents, unless one of the aforementioned Ministers signals opposition.

Article CS.6 Accounts Committee

From among its members, the Supervisory Board forms an Accounts Committee responsible for preparing all proceedings and resolutions related to the approval of the annual financial statements. The Accounts Committee shall also assist in the process of reviewing annual results and in the process of selecting the Fund's independent accountants, as provided for in Article L 135-12 of the French Social Security Code.

Finally, the Accounts Committee shall assist in the half-yearly examination of the inventory of Fund assets before the latter is presented to the Supervisory Board.

The Accounts Committee has four members, including its chairman (mentioned in Article 1/cs of these policies and procedures). Other members of the Committee are chosen from among those members of the Supervisory Board who are entitled to participate in discussions and to vote. The following individuals may attend meetings of the Accounts Committee: a member of the Executive Board, a representative of each supervising ministry with a seat on the Supervisory Board, the Accounting Officer, and the Financial Controller.

The Committee may call on the individuals of its choosing to meetings to provide information deemed to be of relevance.

Article CS.7 Public notice of proceedings – confidentiality

The discussions and votes of Board members, as well as all related documents, shall be considered as confidential. Notwithstanding the foregoing, all or a part of the Board's discussions and votes may be disclosed to the public via its Chairman.

Supervisory Board members, as well as anyone who participates in Board proceedings in an advisory capacity, are expected to show due restraint and to refrain from disclosing confidential information to which they may be privy, either for their own benefit or for the benefit of outside parties.

Article CS.8 Reports of proceedings and minutes of meetings

Within fifteen (15) days of each meeting, the Chairman shall send copies of the following documents to the relevant supervising ministries: a report of the proceedings that includes all resolutions, the outcome of the voting, the names of those in attendance, and the names of any excused or absent members.

Minutes shall be drawn up at the end of each meeting, containing copies of all documents and reported submitted for discussion, a summary of such discussion, the wording of resolutions submitted to a vote and the outcome of the voting.

These minutes shall be submitted for approval at the next meeting.

Article CS.9 Provision of secretarial services for the Supervisory Board by the Executive Board

Article CS.10 Provision governing the commencement of the initial terms of office

The initial terms of office of members of the Supervisory Board shall commence on November 27, 2002, the date of the first Supervisory Board Meeting.

Article CS.11 Interruption of term of office

If a Board member leaves office before his or her scheduled term of office has expired, a replacement is appointed to fill the unexpired portion.

Article CS.12 Public notice of policies and procedures

These policies and procedures shall be made public by the Chairman of the Supervisory Board.

Part two: The Executive Board

Article D.1 Chairman

D.1-1 Pursuant to the terms set forth in these policies and procedures, the Chairman of the Executive Board may delegate signing authority to any member of the Executive Board with respect to agreements (including government procurement contracts, amendments to same and related instruments) and instruments relating to the Fund's daily operations (purchase orders, certificates of services rendered, payment orders, receipts and financial instrument transactions effected for cash management purposes).

D.1-2 With respect to government procurement contracts, the signing authority so delegated by the Chairman of the Executive Board implies (within the limits of applicable regulations) the ability to negotiate with and interview applicants, as well as to conduct onsite visits where appropriate.

D.1-3 Should the chair of the Executive Board become temporarily vacant, or should its chairman be temporarily incapacitated, the Executive Board member designated by the Decree of February 2, 2003 (pertaining to the appointment of the FRR Executive Board) shall serve as his or her replacement.

The cases of impossibility to conduct proceedings listed in the second paragraph of Article L. 135-13 of the French Social Security Code are considered as cases of incapacity.

Article D.2 Validity of proceedings

D.2-2 Resolutions are passed by a majority of the members in attendance. Abstentions are counted as votes against.

Article D.3 Calls to meetings and items of business

D.3-1 In principle, the Executive Board shall meet twice a month.

D.3-2 The Executive Board shall meet at the behest of its Chairman, who shall set the items of business on the agenda. If no meeting of the Board is notified as per the frequency indicated in the preceding paragraph, any member of the Executive Board may submit a formal request of meeting to the Chairman, together with a draft agenda.

D.3-3 The Chairman serves notice to members of the Executive Board, and provides a copy of the agenda and any related supporting documents at least two (2) days prior to the scheduled meeting date. However, in the event of an emergency, the Chairman may add other items of business to the agenda.

D.3-4 An attendance record and minutes to the proceedings of the Executive Board shall be kept.

Article D.4 Attendance at meetings

The Executive Board may invite the FRR Accounting Officer and the Financial Controller to participate in the proceedings in an advisory capacity.

At the invitation of its Chairman, the Executive Board may call on the individuals of its choosing to provide information the Board deems relevant.

Article D.5 Enforceability of proceedings

D.5-1 Resolutions are automatically enforceable once they are ratified.

D.5-2 The following resolutions are enforceable, barring express approval previously notified, upon expiration of a one-month period following the transmission to supervisory authorities, in compliance with the eleventh point of Article R.135-26 of the French Social Security Code:

- the specifications to requests for proposals (RFP) referred to in Article L. 315-10 I of the French Social Security Code;
- the appointment of duly qualified individuals to serve on the committee charged with selecting asset managers described in Article R135-27 of the French Social Security Code;
- the preparation of the Fund's administrative and technical management budget;
- the adoption of these policies and procedures.

D.5-3 The resolutions mentioned in the fourth paragraph of Article L. 135-8 of the French Social Security Code become enforceable as provided for in the second paragraph of Article R. 135-26 of the same Code.

Article D.6 Public notice of proceedings – confidentiality

D.6-1 The discussions and voting of the Executive Board, as well as all related documents, are confidential. Executive Board members, as well as anyone who participates in Executive Board proceedings in an advisory capacity, are expected to show due restraint and to refrain from disclosing confidential information to which they may be privy, either for their own benefit or for the benefit of outside parties, particularly if the information in question is material and non-public, the disclosure of which could influence the price of a financial instrument traded on a regulated market.

D.6-2 When they take office, members of the Executive Board are required to inform the Chairman of the Supervisory Board of any interests they hold or have recently held and any positions they occupy or have recently occupied in any economic or financial sector, as well as any corporate offices they hold or have recently held. This information, which the Chairman of the Supervisory Board shall make available on request to other members of the Executive Board, shall be disclosed using the specimen form provided in the schedules to these policies and procedures.

Members shall ensure that information concerning their outside positions and offices is continuously updated, and that other information is updated at the beginning of each six-month period. Notwithstanding the foregoing, members are expected to communicate all material changes immediately.

D.6-3 In the performance of their financial management duties with regard to the Fund, members of the Executive Board are barred from reviewing and voting on matters in which they hold a position, office or interest (or a corporation in which they hold a position, office or interest). Nor may Board members participate in reviews or decisions pertaining to matters in which they (or a corporation in which they perform professional duties or hold an office) have represented one of the interested parties in the course of the eighteen

months preceding such deliberation. Members examine the items of business on the agenda of each Executive Board meeting, judging for themselves whether their situation or relationship with an organization to which they are affiliated as described bars them from participating in the related review and/or decision-making process, notifying in writing the chairman of the Supervisory Board and fellow members of the Executive Board.

Pursuant to Article L. 135-13, paragraph 3 of the French Social Security Code, the specific measures for implementing Article 6.3 shall be jointly devised by the Executive Board and the Chairman of the Supervisory Board.

D.6-4 The members of the Executive Board, as well as anyone in the employ of the Fund, are held to an obligation of professional secrecy, under the conditions and subject to the penalties set forth in Articles 226-13 and 226-14 of the French Criminal Code. Experts and other persons consulted are held to the same obligation of professional secrecy, under the same conditions and subject to the same penalties.

Article D.7 Delegation of signing authority

D.7-1 The Chairman of the Executive Board has exclusive authorization to sign:

- Agreements, procurement contracts, as well as amendments to and terminations of same, which involve more than 1,000,000 euros
- Decisions of the Executive Board that overrule a refusal by the Fund's Financial Controller to endorse or sign off on any matter
- Decisions pertaining to the composition and operating procedures of RFP commissions
- Instruments related to legal proceedings
- Letters to Ministers

D.7-2 Agreements and procurement contracts: delegation of joint or individual signing authority

The Chairman may delegate to the two other members of the Executive Board joint signing authority on agreements, procurement contracts, and amendments to and terminations of same, when they involve amounts of more than 500,000 euros (excluding taxes) and less than or equal to 1,000,000 euros (excluding taxes).

Signing authority for agreements, procurement contracts, and amendments to and terminations of same may be delegated to one or the other of the two members of the Executive Board, when they involve amounts of less than or equal to 500,000 euros (excluding taxes).

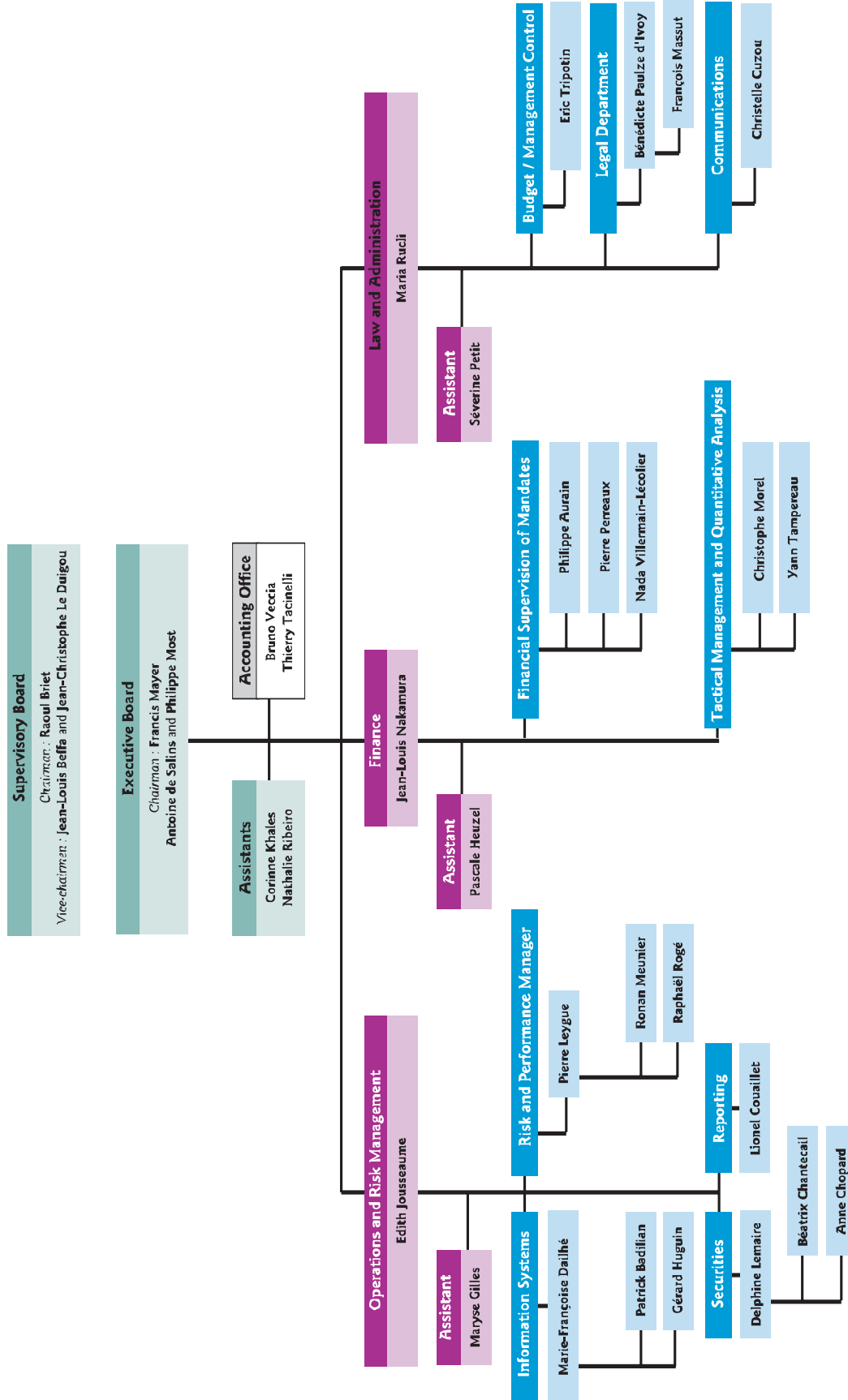
D.7-3 Other delegations

Other than the cases mentioned in paragraphs 7.1 and 7.2 above, the Chairman may delegate signing authority to either or both members of the Executive Board, acting separately or jointly, for any other instrument mentioned in Article 1.1 of these policies and procedures.

Article D.8 Secretarial services for the Supervisory Board

Executive Board secretarial services shall be provided by one of its members or by the meeting's secretary.

FRR: Organization Chart



List of Acronyms

COR:	<i>Conseil d'orientation des retraites</i> (Pensions Stewardship Council)
FSV:	<i>Fonds de solidarité vieillesse</i> (Old Age Solidarity Fund)
FRR:	<i>Fonds de réserve pour les retraites</i> (Pensions Reserve Fund)
CSG:	<i>Contribution sociale généralisée</i> (General Social Tax)
CNAVTS:	<i>Caisse nationale d'assurance vieillesse des travailleurs salariés</i> (National Old Age Insurance Fund for Salaried Workers)
MSA:	<i>Mutualité sociale agricole</i> (Farmers' Mutual Plan)
ARCCO:	<i>Association pour le régime de retraite complémentaire des salariés</i> (Supplemental Pension Plan for Salaried Workers)
AGIRC:	<i>Association Générale des Institutions de Retraite des Cadres</i> (Association of Manager Pension Fund Institutions)
CANCAVA:	<i>Caisse autonome nationale d'assurance vieillesse des artisans</i> (National Old Age Insurance Fund for Crafts Persons)
CNAVPL:	<i>Caisse nationale d'assurance vieillesse des professions libérales</i> (National Old Age Insurance Fund for Members of the Liberal Professions)
C3S:	<i>Contribution Sociale de Solidarité des Sociétés</i> (Social Solidarity Tax levied on Business)