

# Appendix 1

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

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## → 1. Legislative and regulatory framework

### 1.1. LEGAL FRAMEWORK

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

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

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

AREVA defers to the AFEP-MEDEF Code of Corporate Governance under the conditions mentioned in paragraph 1.2 hereunder;

- *"The [abovementioned] report shall also specify particular methods related to the participation of the shareholders in the Annual General Meeting or refer to the provisions of by-laws setting forth those methods."*

The by-laws of AREVA do not contain any particular provision such as double voting rights or statutory limits on the voting rights of shareholders. Shareholder rights at AREVA are therefore exercised according to common law, as noted in Chapter 21 of the Reference Document;

- *"Moreover, the [abovementioned] report presents the principles and rules decided upon by the Supervisory Board to determine compensation and benefits of any kind granted to corporate officers."*

This information appears in Chapter 15 of the Reference Document;

- *"The [abovementioned] report shall be approved by the Supervisory Board and made public."*

At the request of the Chairman of the Supervisory Board, this report was submitted to the Audit Committee for an opinion and to the Supervisory Board for approval on March 3, 2011, in accordance with the abovementioned provisions.

Concerning the organization and functioning of the Audit Committee set up by the Supervisory Board, the AREVA group already relies heavily on the principles and provisions of French governmental order no. 2008-1278 of December 8, 2008 transposing the European Community directive 2006/43/EC of May 17, 2006 concerning Statutory Auditors, which order shall be fully applicable in the particular case of AREVA beginning in fiscal year 2012, in accordance with the provisions of article 21 of said order.

## 1.2. THE AFEP-MEDEF CODE OF CORPORATE GOVERNANCE, THE AREVA GROUP'S STANDARD <sup>(1)</sup>

As mentioned above, the AREVA group defers to the AFEP-MEDEF Code of Corporate Governance for publicly traded companies of April 2010, with certain adjustments.

The adjustments to the AFEP-MEDEF Code of Corporate Governance are warranted by the distribution of the company's share capital. Given the very strong concentration of share ownership, the Supervisory Board has not yet performed a self-assessment. Likewise, the provision pertaining to members of the Supervisory Board holding "a significant number of shares" is irrelevant in this case.

Concerning the recommendation of April 2010 on the representation of women in Boards of Directors, AREVA will endeavor to comply, particularly during renewals of terms of service scheduled to expire in 2011.

In doing so, the group will also anticipate implementation of the provisions of the French law of January 27, 2011 on the balanced representation of men and women in Boards of Directors and Supervisory Boards and on equal access to employment, which will require members of each sex to be members of the boards in a proportion equal to or greater than 20% starting January 1, 2014 and 40% starting January 1, 2017.

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

## → 2. Reviews performed to prepare this report

This report was prepared based solely on information provided to the Chairman of the Supervisory Board by the Executive Board and the functional departments it coordinates in connection with the annual review of internal control procedures and various meetings of the Supervisory Board and its committees.

The Chairman of the Supervisory Board received the comments of the Internal Audit and the Joint Statutory Auditors on internal controls and asked Management to implement the corresponding action plans.

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

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

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

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

### 3.1. FUNCTIONING OF THE SUPERVISORY BOARD

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

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

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

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

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

The Supervisory Board is not limited to a supervisory function; it also delegates authority to the Executive Board to conduct transactions that the Executive Board cannot accomplish without such authorization. It reviews the overall strategy for AREVA and for the group. Supervisory Board approval is required for annual budgets and multiyear plans for AREVA, its direct subsidiaries and the group, and for any transaction at the subsidiary level contemplated by article 22-2 of the by-laws.

Pursuant to article 22-2 of the by-laws, the following Executive Board decisions are subject to prior approval by the Supervisory Board when they involve an amount exceeding 80 million euros:

- (i) the issuance of securities, regardless of type, that may have an impact on share capital;
  - (ii) significant decisions on opening establishments in France and abroad, either directly (through the creation of an establishment or a direct or indirect subsidiary), or by acquiring an equity interest; similar approval is required for decisions to close such establishments;
  - (iii) significant operations that may affect the group's strategy and modify its financial structure or scope of business;
  - (iv) acquisitions, increases or sales of equity interests in any company, existing or to be established;
  - (v) exchanges of goods, securities or assets, with or without cash payment, excluding cash management operations;
  - (vi) acquisitions of real estate;
  - (vii) settlements, agreements or transactions relating to disputes;
  - (viii) decisions pertaining to loans, borrowings, credit and advances; and
  - (ix) acquisitions and disposals of any receivables by any means.
- In addition, proposals by the Executive Board for allocations of earnings for the year are subject to the prior approval of the Supervisory Board.
- On July 3, 2001, the Supervisory Board authorized the Executive Board to carry out certain transactions, up to the following amounts:
- disposals of real property up to 30 million euros;
  - provision of collateral to secure corporate commitments, up to 80 million euros per year in the aggregate, provided that no single commitment exceeds 30 million euros.
- The Supervisory Board regularly updates its rules of procedure, which stipulate in particular:
- the establishment and functioning of the four committees described below;
  - rules for preparing Supervisory Board deliberations;
  - conditions for establishing the schedule of Supervisory Board meetings; and
  - resources at the disposal of Supervisory Board members elected by the employees.

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

### 3.2. COMPOSITION OF THE SUPERVISORY BOARD

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

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

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

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

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

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

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

As of December 31, 2010, the Supervisory Board consists of 15 members, including 5 – Mr. Jean-Cyril Spinetta, Mr. René Ricol, Mrs. Guylaine Saucier, Mr. François David and Mr. Oscar Fanjul – who are considered independent by the Supervisory Board.

#### MEMBERS APPOINTED BY THE SHAREHOLDERS

##### Jean-Cyril Spinetta (age 67)

Mr. Jean-Cyril Spinetta was appointed to the Supervisory Board and appointed Chairman of the Supervisory Board by the Board at its meeting of April 30, 2009 to replace Mr. Frédéric Lemoine, who had resigned. His appointment was confirmed by the Annual General Meeting of Shareholders of April 29, 2010. His term will expire at

the Annual General Meeting of Shareholders convened in 2011 to approve the financial statements for the year ended December 31, 2010.

Jean-Cyril Spinetta, Chairman of the Board of Directors of Air France-KLM and Air France, holds an advanced degree in public law and is a graduate of Institut d'études politiques de Paris. He is an alumnus of the École nationale d'administration.

##### Other offices held

- Director of Alcatel Lucent;
- Director of Saint Gobain;
- Director of Alitalia CAI (Italy);
- Member of the Advisory Board of Paris Europlace;
- Member of the Board of Governors of the International Air Transport Association (IATA) (Canada).

##### Other offices held during the past five years

- Director (representing the French State) of GDF SUEZ until November 2009;
- Director (representing the French State) of La Poste until April 2009;
- CEO of Air France-KLM and of Air France until December 2008;
- Director of Unilever (United Kingdom) until July 2007;
- Director of Alitalia (Italy) until January 2007.

##### Bernard Bigot (age 60)

Mr. Bernard Bigot was appointed member and Vice Chairman of the Supervisory Board on February 5, 2009 to replace Mr. Alain Bugat, who had resigned. The Annual General Meeting of Shareholders ratified his appointment on April 30, 2009. His term will expire at the Annual General Meeting of Shareholders convened in 2011 to approve the financial statements for the year ended December 31, 2010.

Bernard Bigot is Administrator General and Chairman of the Board of Directors of the Commissariat à l'énergie atomique. He is a graduate of École normale supérieure de Saint Cloud, holder of the *agrégation* in physical sciences and PhD in chemistry.

##### Other offices held

- Director representing the French State, on behalf of the minister of Industry, to the Board of Directors of AREVA NC;
- Chairman of the Board of Directors of the Institut national de la recherche pédagogique;
- Chairman of the Fondation de la Maison de la Chimie ;
- Vice Chairman of the Fondation Jean Dausset – CEPH.

##### Other offices held during the past five years

- None.

## REPORT OF THE SUPERVISORY BOARD CHAIRMAN ON THE PREPARATION AND ORGANIZATION OF THE BOARD'S ACTIVITIES AND INTERNAL CONTROL PROCEDURES

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

### Christophe Béhar (age 53)

Mr. Christophe Béhar was appointed to the Supervisory Board at the latter's meeting of April 29, 2010, to replace Mr. Pradel, who had stepped down. His appointment was ratified by the General Meeting of Shareholders of December 23, 2010 and his term will end at the Annual General Meeting of Shareholders convened in 2011 to approve the financial statements for the year ended December 31, 2010.

Christophe Béhar is Director of Nuclear Energy at the Commissariat à l'énergie atomique. He is a graduate of École Centrale de Paris and holds the rank of *ingénieur*.

#### Other offices held

- Permanent representative of the Commissariat à l'énergie atomique to the Board of Grand équipement national de calcul intensif (GENCI) and of AREVA TA;
- Director of Société des techniques en milieu ionisant (STMI) ;
- Representative of France to the Joint Research Centre (European Commission).

### **Commissariat à l'énergie atomique et aux énergies alternatives (CEA), represented by Christophe Gegout**

The Commissariat à l'énergie atomique was appointed to the Supervisory Board by the General Meeting of Shareholders on September 3, 2001. Its term expired at the end of the Annual General Meeting of Shareholders convened to approve the financial statements for the year ended December 31, 2005 and was renewed by the Annual General Meeting of Shareholders held on May 2, 2006. Its term will expire at the Annual General Meeting of Shareholders convened in 2011 to approve the financial statements for the year ended December 31, 2010.

The Commissariat à l'énergie atomique is represented by Mr. Christophe Gegout (age 34), who is a graduate of Institut d'Études Politiques de Paris and an alumnus of École polytechnique and of École nationale de la statistique et de l'administration. He is Chief Financial Officer and head of the Management Control and Information Systems division of the Commissariat à l'énergie atomique.

#### Other offices held by the CEA

- Director of CEA Investissement, of AREVA TA, of La Route des Lasers and of Minatéc.

#### Other offices held during the past five years

- None.

#### Other offices held by Mr. Gegout

- Chairman and Director of CEA Investissement;
- Director of Co-Courtage Nucléaire (CCN);
- Permanent representative of the Commissariat à l'énergie atomique to the Board of Directors of FT1CI, of GIP DFT Minatéc, and of GIP Sources HA.

#### Other offices held during the past five years

- Member of the Supervisory Board of Emertec Gestion and of Avenium Consulting until February 2010.

### François David (age 69)

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

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

#### Other offices held

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

#### Other offices held during the past five years

- Director of EADS until April 2007.

### Oscar Fanjul (age 61)

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

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

#### Other offices held

- Vice Chairman of the Board of Directors of Lafarge;
- Director of Marsh & McLennan Companies, of Acerinox and of Cibeles et Partex; Trustee of the International Accounting Standards Committee Foundation (IASC).

#### Other offices held during the past five years

- Director of the London Stock Exchange until July 2010;
- Director of Inmobiliaria Colonial until December 2007;
- Director of Unilever Plc until May 2006;
- Director of Tecnicas Reunidas until June 2005.

### René Ricol (age 60)

Mr. René Ricol was appointed as an independent member to the Supervisory Board at the latter's meeting of April 29, 2010, to replace Mr. Desmaret, who had stepped down. His appointment was ratified by the General Meeting of Shareholders of December 23, 2010 and his term will end at the Annual General Meeting of Shareholders convened in 2011 to approve the financial statements for the year ended December 31, 2010.



Mr. Ricol is a chartered accountant and registered auditor. He is also the current Commissioner General of Investment in charge of overseeing the execution of the national government investment plan (*grand emprunt national*), reporting to the Prime Minister of France.

**Other offices held**

- None.

**Other offices held during the past five years**

- None.

**Guylaine Saucier (age 64)**

Mrs. Guylaine Saucier was appointed to the Supervisory Board by the Annual General Meeting of Shareholders on May 2, 2006. Her term will expire at the Annual General Meeting of Shareholders convened in 2011 to approve the financial statements for the year ended December 31, 2010.

Guylaine Saucier is a chartered accountant and a graduate of HEC Montreal.

**Other offices held**

- Director of the Danone group, of Axa Canada, of the Bank of Montreal and of Wendel;
- Director of AREVA Canada Inc.

**Other offices held during the past five years**

- Director of Petro-Canada until 2009;
- Director of CHC Helicopter Corp until 2008;
- Director of Altran Technologies until February 2007;
- Director of Nortel Networks until 2005;
- Director of Tembec Inc. until 2005.

**MEMBERS REPRESENTING THE FRENCH STATE, APPOINTED BY MINISTERIAL ORDER**

**Jean-Dominique Comolli (age 62)**

Mr. Jean-Dominique Comolli was appointed to the AREVA Supervisory Board by ministerial order of September 15, 2010 in the capacity of State representative (*Journal Officiel* of September 22, 2010) to replace Mr. Bruno Bezar for the remainder of the latter's term. The Supervisory Board acknowledged Mr. Comolli's appointment on September 22, 2010.

Jean-Dominique Comolli, Commissioner with the *Agence des participations de l'état*, is a graduate of École nationale d'administration.

**Other offices held**

- Member of the Boards of Directors, representing the French State, of Air France-KLM, of EDF, of France Télécom, of the *Fonds stratégique d'investissement* and of SNCF.

**Other offices held during the past five years**

- Chairman of the Board of Directors of Altadis until August 2010;
- Chairman of the Supervisory Board of Altadis Maroc until September 2010;
- Director of Calyon (now Crédit Agricole Corporate & Investment Bank) until August 2010;
- Director of Casino until September 2010;
- Vice Chairman of Imperial Tobacco until September 2010;
- Director of Pernod Ricard until September 2010;
- Chairman of the Board of Directors of Seita until September 2010;
- Director of Logista until October 2008;
- Director of Aldeasa until April 2008.

**Pierre-Franck Chevet (age 49)**

Mr. Pierre-Franck Chevet was appointed representative of the French State to the Supervisory Board by ministerial order of March 1, 2007, published in the *Journal Officiel* on March 3, 2007. He replaces Mr. Dominique Maillard. His term will expire at the Annual General Meeting of Shareholders convened in 2011 to approve the financial statements for the year ended December 31, 2010.

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

**Other offices held**

- Director representing the French State to the Boards of Directors of GDF SUEZ, La Poste and the Institut Français du Pétrole;
- Government Commissioner to the *Commission de régulation de l'énergie* (French energy regulation commission);
- Government Commissioner to AREVA NC;
- Government Commissioner to Andra;
- Director of the French Environment and Energy Management Agency (ADEME);
- Member of the Steering Committee of the International Energy Agency (IEA) and of the *Comité de l'énergie atomique* (French atomic energy board).

**Other offices held during the past five years**

- None.

**Luc Rousseau (age 53)**

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

## REPORT OF THE SUPERVISORY BOARD CHAIRMAN ON THE PREPARATION AND ORGANIZATION OF THE BOARD'S ACTIVITIES AND INTERNAL CONTROL PROCEDURES

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

of April 26, 2006, published in the *Journal Officiel* on May 11, 2006. His term will expire at the Annual General Meeting of Shareholders convened in 2011 to approve the financial statements for the year ended December 31, 2010.

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

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

### Other offices held

- Member of the *Comité de l'énergie atomique* (French atomic energy board);
- Government Commissioner to La Poste and FT1CI;
- Representative of the French State to the Boards of Directors of the public institution OSEO, of the Palais de la Découverte, of the Cité des Sciences et de l'Industrie, and of the *Agence française des investissements internationaux* (Invest in France Agency);
- Director of the *Agence nationale de la recherche* (French National Research Agency), of the *Fonds stratégique d'investissement* (French strategic investment fund) and of Renault.

### Other offices held during the past five years

- Government Commissioner to Oseo Innovation until April 2009;
- Government Commissioner to the Supervisory Board of the *Agence de l'innovation industrielle* (French industrial innovation agency) until December 2007.

### **Pierre Sellal (age 58)**

Mr. Pierre Sellal, Ambassador of France, was appointed representative of the French State to the Supervisory Board by ministerial order of April 10, 2009, published in the *Journal Officiel* on April 28, 2009. He replaces Mr. Gérard Errera. His term will expire at the Annual General Meeting of Shareholders convened in 2011 to approve the financial statements for the year ended December 31, 2010.

Pierre Sellal is a graduate in law and an alumnus of the École nationale d'administration. He is a former ambassador, former permanent representative of France to the European Union in Brussels, former Chief of Staff of Mr. Hubert Védrine and currently Secretary General of the French Ministry of Foreign Affairs and European Affairs.

### Other offices held

- Director of EDF, of École nationale d'administration, of *Audiovisuel extérieur* de la France (Audiovisual Outside France), of Cultures France, of the *Agence nationale des titres sécurisés* (French national agency of secure shares), of the *Commission de Récolement des dépôts d'œuvres d'art* (commission of verification of registered works of art), and of the *Établissement de préparation et de réponse aux urgences sanitaires* (institution of planning and response to health emergencies);
- Member of the *Comité de l'énergie atomique* (French atomic energy board);

- Member of the Board of the *l'Institut du monde arabe* (Arab World Institute).

### Other offices held during the past five years

- None.

## MEMBERS ELECTED BY AND REPRESENTING THE EMPLOYEES

### **Jean-Claude Bertrand (age 59)**

Elected by the electoral college consisting of employees on May 28, 2002 in elections validated by the *Comité d'entreprise* (work council) on July 12, 2002. He took office at the Supervisory Board meeting held on July 25, 2002. His term was renewed following elections held on May 24, 2007 and will expire following elections to be held in 2012.

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

### Other offices held

- None.

### Other offices held during the past five years

- Member of the Board of Directors of Alexis junior high school in Montélimar until September 2010.

### **Gérard Melet (age 53)**

Elected by the electoral college consisting of employees on May 28, 2002 in elections validated by the *Comité d'entreprise* (work council) on July 12, 2002. He took office at the Supervisory Board meeting held on July 25, 2002. His term was renewed following elections held on May 24, 2007 and will expire following elections to be held in 2012.

Mr. Melet is a program officer with the local economic development management team of AREVA NC.

### Other offices held

- None.

### Other offices held during the past five years

- None.

### **Alain Vivier-Merle (age 62)**

Elected by the electoral college consisting of engineers and managers on June 20, 2002 in elections validated by the *Comité d'entreprise* (work council) on July 12, 2002. He took office at the Supervisory Board meeting held on July 25, 2002.

Mr. Vivier-Merle is a marketing program officer for AREVA NP in Lyon.

### Other offices held

- Chairman of the Supervisory Board of the Framépargne balanced fund;
- Member of the Supervisory Board of the AREVA diversified balanced fund;

- Member of the Supervisory Board of the AREVA socially responsible balanced fund.

**Other offices held during the past five years**

- None.

In 2010, Mr. Marcel Otterbein, representing AREVA's *Comité d'entreprise* (work council), attended the meetings of the Supervisory Board in an advisory capacity.

**Economic and Financial Comptroller General**

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

**Censors**

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

No censor had been designated as of the filing of this Reference Document.

**Secretary of the Board**

**Mrs. Josseline de Clausade**, Senior Vice President of Compliance of the AREVA group, serves as Secretary of the Supervisory Board.

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

**3.3. ACTIVITIES OF THE SUPERVISORY BOARD**

In 2010, the Supervisory Board met 12 times (attendance rate: 89%). During these meetings, the Supervisory Board voted on the matters described below:

- **January 14, 2010:** Consistent with AREVA's growth strategy for renewables and to examine acquisition opportunities, the Board, pursuant to article 23 of the by-laws, on the proposal of the Executive Board, authorized the acquisition of Ausra, a company specialized in concentrated thermal solar power;
- **March 4, 2010:** Following the Executive Board's presentation of the financial results for 2009 and of the company financial statements and the consolidated financial statements, and pursuant to article 23.3-2 of the by-laws, the Supervisory Board approved the proposed profit allocation and the proposal to distribute a dividend of 7.06 euros per share and per investment certificate. In addition, the Board examined the Executive Board's management report and, pursuant to article L. 225-68 of the French Commercial Code and on the favorable opinion of its Audit Committee, approved the report of the Chairman of the Supervisory Board on the Board's activities and internal control procedures. The Board was also given a presentation on the ongoing work of the Compensation and Nominating Committee, and in particular the proposals for payment in 2010 of the 2009 bonuses of the members of the Executive Board. Lastly, in connection with the disposal of AREVA T&D and the separation agreements to be implemented, the Supervisory Board authorized the Executive Board to enter into a memorandum of agreement between AREVA and AREVA T&D Holding SA to formalize their relations as regards proceedings or actions by third parties in progress or to occur after the disposal of T&D; this agreement is subject to the provisions of article L. 225-86 *et seq.* of the French Commercial Code;
- **April 29, 2010:** Messrs. Christophe Behar and René Ricol were appointed to the Supervisory Board to replace Messrs. Pradel and Desmarest respectively, who have resigned. In parallel, Mr. Behar was

appointed to the End-of-Lifecycle Obligations Monitoring Committee and Mr. Ricol was named co-Chairman of the Audit Committee together with Mrs. Guylaine Saucier. Mrs. Saucier was also named Chairman of the End-of-Lifecycle Obligations Monitoring Committee, replacing Mr. François David, who has resigned from that position. In addition, the Supervisory Board received all necessary information on the Executive Board's quarterly report, on perceptions of the group's 2009 performance by market analysts and fund managers, and on the status of the financing plan decided by the Board on June 30, 2009, and in particular the planned issue of shares to new shareholders. The Board also received information on the work of the Audit Committee, in particular on the status of the OL3 project, on the quarterly Major Projects report, on the profitability of AREVA's integrated model, and on the risk map, as well as the reports by the Statutory Auditors and the Internal Audit department on internal controls. Lastly, the Board authorized AREVA NC and those of its subsidiaries and lower tier subsidiaries concerned to invest as necessary to continue the Imouraren project and bring the mine into production, and to continue the Katco project and increase its total production capacity;

- **June 23, 2010:** The Board received a progress report on capital transactions and disposals of equity interests, on revision 1 of the budget, and on the status of nuclear safety and radiation protection, which was presented in the 2009 annual report of the General Inspectorate. The Board was also informed of the stage of development of the project to build an enrichment plant in the United States using the same technology as the Georges Besse II plant in France, and the recent approval of a 2-billion US dollar loan guarantee from the US Department of Energy (DOE). Lastly, the Board was informed of the work of the Audit Committee, the Compensation and Nominating Committee, and the End-of-Lifecycle Obligations Monitoring Committee. In this regard, the Board approved Appendix 1 of the triennial "Report on Internal Controls"



## REPORT OF THE SUPERVISORY BOARD CHAIRMAN ON THE PREPARATION AND ORGANIZATION OF THE BOARD'S ACTIVITIES AND INTERNAL CONTROL PROCEDURES

3. Preparation and organization of the Supervisory Board's activities  
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prepared pursuant to article 7 of the decree of February 23, 2007 on securement of funding for nuclear expenses. The Board also approved the recommendations of the Compensation and Nominating Committee on bonuses to be paid for 2009 and the principles for setting the 2010 compensation of the members of the Executive Board. That compensation is, moreover, subject to approval by the relevant ministers, pursuant to the decree no. 53-707 of August 9, 1953;

- **July 30, 2010:** The Board heard a presentation on the social policy and quality of working life in the group, the sustainable development policy, the group's activity report for the second quarter of 2010, and the consolidated financial statements for the period ending June 30, 2010, including comments thereon by the Audit Committee. The Board also approved a bond issue for a maximum amount of 2 billion euros and the sale by AREVA NC of a percentage of its interest in the Georges Besse II plant to the Japanese utilities Tohoku Electric Power Co., Inc. and Kyushu Electric Power Co., Inc. Lastly, in the wind energy business, the Board heard a presentation on the status of two sets of contracts, one to supply wind turbines and the other to provide maintenance and services. The Board did not raise any objection to AREVA's co-signature of these contracts with its subsidiary AREVA Wind;
- **September 22, 2010:** The Board convened for a special meeting following the abduction of an AREVA employee, his spouse and five employees of Sogea-Satom, a Vinci group subsidiary, from the Arlit site in Niger. The Board was informed of the emergency measures taken immediately to deal with this situation;
- **October 21, 2010:** The Executive Board submitted its report on the group's third quarter operations. The Supervisory Board also received a detailed presentation on the current status of Taishan construction as well as updates on the plan for a capital increase and on the strategic partnership between AREVA and EDF. Lastly, the

Board was informed of the work of the Audit Committee, particularly as regards the risk map and the group's 2009 business ethics report;

- **November 25, 2010:** The Board held a meeting to receive an update on potential minority partnerships in certain mining projects;
- **December 11, 2010:** The Supervisory Board convened for a special meeting to validate the offers from the French State and the Kuwait Investment Authority for subscription to the reserved capital increase. The Board validated those offers;
- **December 15, 2010:** The Supervisory Board convened in a special meeting to deliberate on AREVA's sale of its equity interest in STMicroelectronics at the request of the State and under the conditions posed by the *Fonds stratégique d'investissement*. That sale was validated;
- **December 17, 2010:** The Supervisory Board heard a review of the ATMEA™ reactor situation, revision 2 of the 2010 budget accompanied by a meeting report on the work of the Audit Committee, a summary of the work of the End-of-Lifecycle Obligations Monitoring Committee and a meeting report on the work of the Strategy Committee relating to AREVA's strategy in the United States. Pursuant to article L. 225-68 of the French Commercial Code, the Board also authorized the Executive Board to provide surety, endorsements and guarantees through December 31, 2010 and, pursuant to article 23-2 of the by-laws, to set up bilateral lines of medium-term credit to fund the group's general requirements. The Board postponed the final review of the proposed 2011 budget to February 2011;
- **December 23, 2010:** The Supervisory Board authorized the Executive Board to launch the capital increase operations approved by the General Meeting of Shareholders of that date and authorized the signature of the contract between AREVA and the *Fonds stratégique d'investissement* for the disposal and acquisition of FT1CI shares.

### 3.4. ACTIVITIES OF THE FOUR COMMITTEES OF THE SUPERVISORY BOARD

Pursuant to article 22 of the by-laws and Chapter I of the rules of procedure of AREVA's Supervisory Board, the Board formed four committees whose role is to provide additional information enabling the Board to make decisions on matters subject to its oversight. Therefore, each meeting of the Board may be preceded by in-depth work by the specialized committees, whose report is systematically sent to the members of the Board.

The four committees are the Strategy Committee, the Audit Committee, the Compensation and Nominating Committee (formed when the AREVA group was established in 2001), and the End-of-Lifecycle Obligations Monitoring Committee, formerly called the Cleanup and Decommissioning Fund Monitoring Committee (formed in 2002). Each committee met throughout 2010 to delve deeper into the matters reviewed hereunder.

#### 3.4.1. STRATEGY COMMITTEE

As of December 31, 2010, the Strategy Committee had five members, chosen from among the members of the Supervisory Board: Jean-Cyril Spinetta <sup>(1)</sup>, Chairman, Bernard Bigot, Jean-Dominique Comolli, Oscar Fanjul <sup>(1)</sup> and Luc Rousseau. Josseline de Clausade serves as secretary to the Committee.

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

The Strategy Committee met once in 2010, with an attendance rate of 100%.

- **November 25, 2010:** The Strategy Committee met to review AREVA's strategy in the United States.

(1) Independent members of the Supervisory Board.

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

As of December 31, 2010, the Audit Committee had five members, chosen from among the members of the Supervisory Board: Guylaine Saucier and René Ricol<sup>(1)</sup>, co-Chairmen, Jean-Dominique Comolli, Jean-Claude Bertrand and Christophe Gegout. Jean-Pierre Kaminski serves as secretary to the Committee.

The Committee meets at least once per quarter and as often as necessary to fulfill its duties. It is convened by its Chairman or at least two of its members.

The role of the Committee, which has no formal authority, is to assist the Supervisory Board in exercising its authority and attributions in the following fields: the integrity of the financial data published by the company, internal controls, the execution of the internal audit function, the independence and performance of the Statutory Auditors, risk management, financial planning, monitoring of major projects, and business ethics standards.

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

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

Upon the expiration of the terms of the Statutory Auditors, the Audit Committee considers competitive offers and makes recommendations to the Supervisory Board to renew the terms of the current auditors or to appoint a new firm.

The Audit Committee establishes an annual schedule of work in fulfillment of its duties.

The Audit Committee met 11 times in 2010, with an attendance rate of 87%.

- **January 27, 2010:** The Committee met by teleconference to review and finalize the press release on the group's revenue for 2009.
- **February 22, 2010:** The Committee examined the status of the OL3 project, both in terms of the general progress of technical operations at the site and in financial terms. Then the Committee examined the financial statements for the year ended December 31, 2009, heard the Statutory Auditors' observations and findings, and reviewed the draft press release. The Committee also reviewed the Supervisory Board Chairman's report on internal controls. Lastly, the Committee was briefed on the group's financial position and on the status of its major projects.
- **April 28, 2010:** After reviewing the draft press release on financial information for the first quarter of 2010, the Committee meeting was largely devoted to examining the status of the OL3 project, the quarterly report on the group's major projects, and the profitability of

AREVA's integrated model. The Committee also heard presentations on the risk map and cash forecasts, and on the reports of the Statutory Auditors and the Internal Audit department on the group's internal controls. Lastly, the Committee reviewed the fees of the Statutory Auditors and examined the annual work schedule proposed for the Committee.

- **May 21, May 28 and June 21, 2010:** The Committee, with the Statutory Auditors attending, examined all aspects of the dispute between Eurodif and EDF, and in particular the compromise proposed by the French Administration. The Committee also reviewed developments in the OL3 project and the amount of the additional provision to be set up. The Committee then re-examined impairment tests performed on the mining portfolio for the year ended December 31, 2009, particularly in light of the recent trend in uranium prices, the quantity of ore mined and mine production costs. Lastly, the Committee was briefed on developments in the Global Tech 1 offshore wind project, revision 1 of the 2010 budget, the valuation of Siemens' put, and the proposed disposal of AREVA's interest in STMicroelectronics.
- **July 28, 2010:** The Committee, with the Statutory Auditors attending, examined the quarterly report on the group's major projects and, in light of developments in the OL3 project and the additional explanations provided, finalized its review of the additional provision to be included in the half-year financial statements, which had been presented to the Committee. The Committee also examined the group's cash position, the half-year report on the execution of the internal audit plan, and the draft press release. Lastly, the Committee received complete and useful information on Britain's new anti-corruption law and on changes in accounting standards.
- **October 18, 2010:** The Committee heard presentations on the group's major projects, an updated cash forecast and the risk map. In addition, the Committee examined the group's tax situation and the business ethics report.
- **October 25, 2010:** The Committee met by teleconference to review and finalize the press release on the group's third quarter 2010 revenue.
- **November 15, 2010:** The Audit Committee examined the group's financial position and in particular the cash forecasts for 2010 to 2012.
- **December 13, 2010:** The Committee heard presentations on revision 2 of the 2010 budget, the internal audit plan for 2011 and the fees to the Statutory Auditors.

### 3.4.3. COMPENSATION AND NOMINATING COMMITTEE

As of December 31, 2010, the Compensation and Nominating Committee was composed of three members, chosen from among the members of the Supervisory Board; Jean-Cyril Spinetta<sup>(1)</sup>, Chairman, Jean-Dominique Comolli and Oscar Fanjul<sup>(1)</sup>. Josseline de Clausade serves as secretary to the Committee. The Committee meets at least once per six-month period and as often as necessary to fulfill its duties. It is convened by its Chairman or at least two of its members.

(1) Independent members of the Supervisory Board.

**4. System of internal controls**
**4.1. Introduction**

With respect to compensation, the Committee is responsible for recommending to the Supervisory Board executive compensation levels, retirement and insurance programs, and in-kind benefits for executive officers of AREVA based on comparable factors in the market and on individual performance assessments.

With respect to nominations, the Committee reviews the files of the candidates for positions on the Executive Board and conveys its opinion to the Supervisory Board. The Committee also gives the Supervisory Board its opinion on executive appointments for first-tier companies of the AREVA group.

The Compensation and Nominating Committee met three times in 2010, with an attendance rate of 100%:

- **February 11, March 3 and June 15, 2010:** The Committee recommended the amount of bonuses for 2009 to be paid to the members of the Executive Board in 2010:

- 56% for Mrs. Lauvergeon and Mr. Arbola,
- 61% for Mr. Oursel, and
- 72% for Mr. Benedetti.

In addition, the Committee recommended the payment of a bonus representing four months of fixed compensation to Mrs. LAUVERGEON and Mr. ARBOLA in recognition of the flawless implementation of the disposal of the T&D subsidiary, three months ahead of the deadline;

- lastly, the Committee considered bonuses for Executive Board members for 2010 and recommended that the quantitative component of the bonus for each member be kept at 60%, based on:
  - backlog (15%),
  - revenue (15%),
  - operating income (15%), and
  - cash flow before capital expenditures (15%).

**3.4.4. END-OF-LIFECYCLE OBLIGATIONS MONITORING COMMITTEE**

As of December 31, 2010, the End-of-Lifecycle Obligations Monitoring Committee was composed of four members, chosen from among the members of the Supervisory Board: Guylaine Saucier <sup>(1)</sup>, Chairman, Christophe Béhar, Pierre-Franck Chevet and Gérard Melet. Patrick Herbin-Leduc serves as secretary to the Committee.

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

The Committee may hear financial consulting firms chosen by the fund management companies.

The End-of-Lifecycle Obligations Monitoring Committee met twice in 2010, with an attendance rate of 88%.

- **June 22, 2010:** The Committee examined the report related to article 20 of the French law of June 28, 2006 as well as the status of managed dismantling assets and liabilities at year-end 2009; the coverage ratio is slightly above 100%.
- **December 16, 2010:** The Committee reviewed the management of earmarked assets and the coverage ratio for dismantling liabilities.

## → 4. System of internal controls

### 4.1. INTRODUCTION

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

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

The group's Compliance department published a detailed memorandum on the AREVA intranet describing the "System of Internal Controls of the AREVA group", whose purpose is to make all of the group's employees aware of the key components of this system by specifying, among other things, the scope of internal controls, the roles and responsibilities of different players, and the tools available in the group contributing to the effectiveness of the system of internal controls.

(1) Independent members of the Supervisory Board.

#### 4.1.1. AREVA GROUP COMMITMENTS

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

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

**Sustainable Development** is central to the AREVA group strategy, which rests on profitable growth, social responsibility, and respect for the environment. This translates into 10 commitments: governance, continuous improvement, environmental protection, financial performance, risk management and prevention, innovation, commitment to employees, community involvement, dialogue and consensus building, and customer satisfaction.

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

#### 4.1.2. INTERNAL CONTROL STANDARDS

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

- an organization with a clear definition of responsibilities, sufficient resources and expertise, and appropriate information systems, procedures, tools and practices;

- the internal dissemination of relevant and reliable information enabling each person to discharge his or her responsibilities;
- a system to identify, analyze and manage risk;
- control activities designed to reduce this risk; and
- continuous monitoring of the internal control system.

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

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

#### 4.1.3. INTERNAL CONTROL OBJECTIVES

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

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

AREVA's internal control system is fully consistent with the group's commitments regarding the conduct and development of its operations, particularly as regards the Values and Sustainable Development Charter.

## 4.2. ORGANIZATION, GOVERNANCE, RESOURCES, INFORMATION SYSTEM AND OPERATING PROCEDURES

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

#### 4.2.1. ORGANIZATION OF THE AREVA GROUP

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

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

On January 28, 2010, AREVA announced an important evolution in the organization of its nuclear and renewables operations that enables it to enter a new phase in the alignment of its operational organization with its strategy and aimed at strengthening its efficiency even further.

This evolution is being carried out in compliance with the group's values and culture and is consistent with its action principles: adherence and coherence, subsidiarity, transparency and economy.



## REPORT OF THE SUPERVISORY BOARD CHAIRMAN ON THE PREPARATION AND ORGANIZATION OF THE BOARD'S ACTIVITIES AND INTERNAL CONTROL PROCEDURES

### 4. System of internal controls

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

The evolution in the group's organization focuses in particular on supporting three objectives:

- finalizing the organization's alignment with the group's strategy;
- providing better support to the nuclear renaissance and the development of renewables; and
- reinforcing the group's commercial efficiency and facilitating the development of commercial offers.

The evolution is being implemented through four major organizational changes described in detail in the group's organizational memoranda, duly updated:

- organization of the group into four business groups: Mining-Front End, Reactors & Services, Back End and Renewable Energies, which bring together all of the business units belonging to the group's large subsidiaries, in the legal sense of the word;
- strengthening of the ties between the Mining and Front End operations;
- strengthening of the marketing and sales function, particularly in the major customer projects and in the deployment of commercial operations internationally; and
- creation of an Engineering & Projects organization across the nuclear operations that brings together existing design, project management, project procurement, inspection, construction and startup skills. The Engineering & Projects organization is a department of resources.

As part of this new organization, the Executive Committee (ExCom) backs the Executive Board, defining the group's objectives and providing operational management under the oversight of the Supervisory Board. The ExCom validates any matter involving a significant financial commitment or having a strong strategic or commercial dimension.

The business groups, Engineering & Projects organization and functional departments report to the Executive Board.

The ExCom members are:

- the members of the Executive Board;
- the Chief Operating Officer of Operational Performance;
- the Senior Executive Vice Presidents of the Business Groups;
- the Senior Executive Vice President of Engineering & Projects;
- the Chief Financial Officer;
- the Senior Executive Vice President of Human Resources;
- the Executive Officer in charge of process optimization and cost reduction;
- the Senior Vice President of Communications;
- the Senior Vice President of the Corporate Legal department;
- the Senior Vice President of Compliance, who is also Secretary to the ExCom.

The Senior Vice President of Strategy, Mergers and Acquisitions attends meetings of the ExCom.

Also created were:

- an International Committee tasked with monitoring the group's international operations by country and including the members of the ExCom and the regional directors of Germany, the United States, Brazil, China, India, Japan, the United Kingdom, Russia, Italy and Africa; and
- an Operational Coordination Committee including the members of the ExCom, the Business Unit directors and the directors of the major industrial sites, with the Chief Operating Officer of Operational Performance acting as Secretary.

Other committees created were the Proposals Committee, the Investments Committee, the Major Projects Oversight Committee and the Engineering Management Committee, which support the Executive Board in its decisions.

#### 4.2.2. DEFINITION OF RESPONSIBILITIES AND AUTHORITY

The group's frame of reference clearly defines responsibilities and authorities in accordance with the organizational changes implemented in January 2010, and is based on the following:

- formal and duly signed organizational memoranda describing duties and responsibilities in the group, the business groups, the Engineering & Projects organization and the functional departments;
- formal delegations of authority in the procedure "Delegation of Authority – Thresholds and Decision Channels", which defines internal rules for authorization and decision for the leading operational processes; and
- delegations of authority and signature authority throughout and at each level of the group to conduct business as appropriate and in a manner consistent with applicable laws and regulations.

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

#### 4.2.3. HUMAN RESOURCES MANAGEMENT POLICY

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

- to strengthen the group's culture by sharing core values and common practices;
- to facilitate recruitment, mobility and talent development, particularly through training, so as to increase the group's market leadership;
- to develop an innovative, responsible social policy that promotes diversity; and
- to develop tools for human resources management performance.



#### 4.2.4. INFORMATION SYSTEMS

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

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

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

#### 4.2.5. OPERATING PROCEDURES

##### 4.2.5.1. General internal control procedures

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

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

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

Supplementing this, the businesses have translated their internal control systems into charters and policies.

The charters establish rules of governance and principles for internal controls, particularly in the following areas:

- the Nuclear Safety Charter, which spells out the group's commitments in the field of nuclear safety and radiation protection to ensure that requirements are met throughout the facility lifecycle;
- the Audit Charter, which describes the purpose, missions, roles, responsibilities and applicable procedures of the group's Internal Audit; and
- the Network Security Charter, which defines the basic principles of the AREVAnet computer information network and the rules to be followed to access various services.

The policies define the operating principles and procedures that are a step above specific business procedures. In particular, the group has established the following policies:

- the procurement policy and the guide to ethics in procurement, which set rules, objectives and best practices in procurement and business ethics;
- the payment security policy, which defines the group's policy for secure payment methods and the means to be used to limit the risk of fraud;

- the personnel protection policy, designed to give all group employees an equal level of protection, whether they are traveling on business or live in France or abroad;
- the occupational safety and environmental policies, which establish rules of conduct for continuing risk reduction; and
- the human resources policy, otherwise known as the "Talent Builder", which aims to increase the company's collective performance by developing each individual's skills and talents in a spirit of transparency, equity and diversity.

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

##### 4.2.5.2. Accounting and financial reporting procedures

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

##### Overall organization of risk management

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

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

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

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

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

The processes modeled can be consulted on a dedicated intranet page.

Financial communications revolve around the four business groups – Mining-Front End, Reactors & Services, Back End, and Renewable Energies – and are based on data in the consolidated financial statements, thus ensuring broad consistency.

4. System of internal controls  
4.3. Dissemination of information

#### ***Implementation and control of accounting principles***

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

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

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

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

#### **4.2.6. SOFTWARE**

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

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

### **4.3. DISSEMINATION OF INFORMATION**

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

- bottom-up information:
  - accounting and financial information is processed and reported in accordance with specific procedures using shared tools to record and control the data (i.e. a single, secure reporting and consolidation software program shared by the entire group and supervised by the Finance department);
  - AREVA Way assessments and sustainable development indicators, particularly for environmental, social and societal aspects, are established using a common tool and rolled up to the relevant corporate departments; and

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

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

AREVA rolled out the AREVA Segregation of Tasks & Roles Optimization project (ASTRO) to strengthen internal controls and streamline access to information systems. The main objective of this project is to make the management process for access secure by ensuring that user roles are defined according to best practices for the separation of duties and by automating their management with the SAP Governance, Risk and Compliance suite (SAP GRC).

Following a pilot phase completed in July 2008, ASTRO was deployed in all of the group's core SAP systems in 2009 as new SAP applications were started up in the entities in 2010.

#### **4.2.7. PRACTICES**

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

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

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

- a common software program is used to measure the progress of action plans, indicative of the achievement of strategic objectives, and serves as an additional channel for bottom-up reporting;
- top-down information:
  - the relevant departments and the group's entities are informed of resolutions by the corporate decision-making bodies; and
  - the group monitors laws and regulations on safety, security, health, the environment, accounting and tax, and disseminates this information throughout the group as appropriate, with organizational memoranda, rules, standards and procedures disseminated in accordance with established organizational standards and procedures.

Communications with stakeholders follow appropriate processes to ensure the quality of the information provided.

## 4.4. MANAGING RISK AND SETTING OBJECTIVES

### 4.4.1. RISK IDENTIFICATION, ANALYSIS AND MANAGEMENT

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

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

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

Moreover, the risks associated with each heading of the balance sheet, income statement and off-balance sheet information are identified as a minimum by one of the group's tools, the self-assessment questionnaire (see Appendix 1, Section 4.6., *Continuous monitoring of the internal*

*control system*). This identification, along with the group's tools and procedures, is used to manage the risk by implementing the corresponding action plans. The Finance department matches the group's tools to the risk associated with each balance sheet item.

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

### 4.4.2. SETTING OBJECTIVES

Risk management is useful to the process of setting the group's objectives, supplemented by the AREVA Way initiative supporting continuous improvement (see Chapter 4, *Risk factors*, and AREVA Way: see Appendix 1, Section 4.1.1., *AREVA group commitments*).

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

In addition, the group has set up a "Cap 2012" program whose objectives are to optimize crosscutting processes and to develop and deploy a series of short- and medium-term actions that will enable the group to achieve its goal of reducing general, administrative, marketing and sales costs by the end of 2012.

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

## 4.5. CONTROL ACTIVITIES

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

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

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

Preventive controls are performed according to specific procedures, whether manual or computerized, involving validations at appropriate levels of the organization, among other things. Detection controls consist

of after-the-fact verifications connected with specific supervision of the work performed and analysis of variances or anomalies. Information systems, performance indicators, etc. are used to facilitate this supervision.

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

In particular, as regards accounting and financial reporting:

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

4. System of internal controls

4.6. *Continuous oversight of the internal control system*

## 4.6. CONTINUOUS OVERSIGHT OF THE INTERNAL CONTROL SYSTEM

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

The Compliance department is responsible, among other things, for ensuring the following internal control processes:

- an annual compliance letter process that applies to all senior executives of the subsidiaries, senior executive vice presidents of the business groups, directors of the business units, regional directors and senior vice presidents of the group's functional departments, confirming compliance with the principles of the group's Values Charter and protecting the identity of whistleblowers to prevent any subsequent retribution or discrimination in their regard;
- the Internal Audit department, which, in performing its duties, verifies compliance with internal controls and the effectiveness of established internal control procedures within the group. Audit missions are implemented in accordance with an annual audit plan approved by the Executive Board and reviewed by the Audit Committee. The plan is based on an independent assessment of risk performed by the Audit department. In particular, this assessment takes into account the risks identified using the full range of the group's tools (risk map of the Risk and Insurance department, but also the risk identification carried out by the Environment department, the Safety, Health and Security department, and others).

The Audit department may intervene in any area related to internal controls. Its activities are carried out in accordance with an audit charter according to the standards of the profession defined by the Institute of Internal Auditors (*Institut français de l'audit et du contrôle interne*, IIA-IFACI – IFACI certification renewed in 2009 and maintained in 2010 without any indication of non-compliance of any sort) and a code of business ethics.

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

Lastly, the Audit Director presents his internal controls review report to the Executive Committee and to the Audit Committee;

- in addition to audits scheduled in the audit plan, the group's entities have performed a self-assessment of their internal controls every year since 2007 following a standard questionnaire, duly validated by their operational management, that complies with the "Implementing guidelines for internal controls of accounting and financial information" of the frame of reference published by the AMF. The questionnaire, reviewed by the college of Statutory Auditors, was deployed in 2010 across the entire consolidation scope of the group, representing 120 entities in some 20 countries. For each entity, it covered some 350 control points divided into 16 business cycles, and it ensured that continuous improvement applied to internal controls as well, particularly by the entities' development and gradual deployment of action plans addressing the weaknesses brought to light (13% of the control points tested had not been implemented or were carried out without being formalized, and opportunities for improvement in the management of information systems were identified).

The entities' results from this questionnaire, reviewed by the Audit Department to ensure oversight of the overall system, were presented to the relevant organizational levels (business units, business groups and functional departments), and the key findings were included in the Audit Director's annual internal controls review report;

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

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

This year's report does not contain an analytical section. This is consistent with practices in France and the recommendations of the *Autorité des marchés financiers*, as described in its December 7, 2010 report on corporate governance and internal controls.

The Chairman of the Supervisory Board  
Jean-Cyril Spinetta

## → 5. Business addresses of members of AREVA's Supervisory Board

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5. Business addresses of members of AREVA's Supervisory Board  
*Directors Continuous oversight of the internal control system*

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