

5. Internal control

Report of the Chairman of the Supervisory Board on the Supervisory Board's composition and the preparation and organization of its work, on principles senior managers' remuneration, and on internal-control and risk-management (Article 225-68, Paragraph 7, of the Commercial Code)

In accordance with the provisions of Article L.225-68 of the French Commercial Code, the Chairman of your Supervisory Board reports on the Board's composition, on the preparation and organization of the Board's work (section I), on Supervisory Board principles and rules for setting remuneration and benefits of all kinds for senior managers (section II), and on Company procedures for internal control and risk management (section III).

As decided at the Supervisory Board meeting of December 16, 2008, and stated in a press release on December 20, 2008, our Company follows a corporate governance code drawn from the consolidated joint reports from AFEP and MEDEF of October 2003, January 2007, and October 2008 (the "AFEP-MEDEF Recommendations"). This code is available at the MEDEF website: <http://www.medef.fr>.

In compliance with Paragraph 8 of Article L. 225-68 of the Commercial Code, this Annual Report specifies which provisions of the AFEP-MEDEF Recommendations have been set aside and explains why.

5.1. Supervisory Board composition ; preparation and organization of Board work

Compagnie des Alpes was created within the group Caisse des Dépôts – Développement (C3D), which remained the majority shareholder until May 13, 2004, date of CDA's privatization. Since then CDA's shareholders have been diverse, including no majority shareholder in capital or voting rights.

These developments led management, with the support of the principal shareholders, to renew CDA's governance, as made necessary by (i) its internal organization (two-tier board), (ii) its status as a listed company (with respect to national and international developments in "corporate governance"), and (iii) the absence of a majority shareholder.

Internal regulations were adopted on May 27, 2004, after the company's privatization, and entered into force after the General Shareholders Meeting of July 5, 2004, under the title "Corporate Governance Charter" ("Charte de Gouvernement d'Entreprise"), or "Charter." They complete the by-laws, define the principles for Supervisory Board composition (subject to decisions of the General Shareholders Meeting) and operating rules, and organize the Supervisory Board's relations with the Management Board.

A revision of the Corporate Governance Charter took effect on October 1, 2007. It adapts the former charter to changes in stock ownership after the acquisition of stakes in the companies STVI, SERMA, DSV, and DSR, and to changes in the general context for corporate governance. These changes were presented to shareholders at the General Meeting of October 1, 2007. The full text of the Corporate Governance Charter is available at the Company website: www.compagniedesalpes.com.

5.1.1. Composition of Management Board Principles of the CDA Corporate Governance Charter for Board composition

Supervisory Board composition follows eight principles:

•**Principle n°1** : Candidates for Supervisory Board membership presented to the CDA General Shareholders Meeting shall be chosen in accordance with Principles nos. 2 to 8, below; for their competence; and for their potential contribution to the Supervisory Board's work.

•**Principle n°2** : The Supervisory Board shall reflect shareholder geography.

Supervisory Board composition shall take a "democratic" form and adhere to principles of good governance. It shall reflect CDA shareholders as summarized below:

Shareholding (voting right held By a shareholder acting alone)		Number of representing or appointed by the shareholder
Category A	< 5 %	One possible but not guaranteed (Principle n°3)
Category B	More than or equal to 5 %	One director
Category C	More than or equal to 10 %	Two directors
Category D	More than or equal to one-third	Four directors, including the Chairman and CEO

Principle no. 3: Set Number of Members

Barring a decision of the General Shareholders Meeting, which holds the ultimate authority, the Supervisory Board shall be composed of twelve members, including two independent members.

Principle no. 4: Representation of shareholders in the event that a threshold is crossed during the term. :

(a) Except in case of a vacancy, in order to respect the Set Number of Members (Principle no. 3) a shareholder exceeding the thresholds mentioned in Principle no. 2, above, gains the right to demand the designation of a person chosen by him, in accordance with Principle no. 2, on the date of the first total or partial renewal of the Supervisory Board members after the threshold is exceeded.

The shareholder in question may nevertheless ask the Supervisory Board to appoint a non-voting member, chosen ahead of time by the shareholder. The non-voting member shall attend Supervisory Board meetings under conditions stipulated in the by-laws and the Charter.

(b) Inversely, shareholders falling short of one of the thresholds mentioned in Principle no. 2, above, shall not immediately be held responsible for adjusting their representation on the Supervisory Board. The adjustment shall nevertheless take place during the first total or partial renewal of Supervisory Board members after the shortfall, unless that shortfall results from shareholders' having put all or part of their stake at the third party's disposition. In that case, their representation shall, if necessary, be adjusted in favor of any shareholder in the situation described at (a), above.

Should the preceding prove difficult to apply, the Appointments and Remuneration Committee shall present its recommendations to the Supervisory Board or propose suggestions in accordance with the Set Number of Members and this Principle no. 4.

Principle no. 5: Resolution of Conflicts between Principle no. 2 and Principle no. 3

After a threshold is exceeded as discussed in Principle no. 2, either hypothetically or by application of Principle no. 2 itself, the number of category-B, -C, or -D candidacies put forward by shareholders for the subsequent partial or total renewal of Supervisory Board members would exceed ten (independent members excluded) through application of the abovementioned rules:

(i) representative slots resulting from Principle no. 2 shall be filled first for category D, then for category C, and finally for category B.

(ii) for categories in which the number of legitimate candidacies provided for by Principle no. 2 could not be maintained after application of the priority mechanisms mentioned above, as required by the Set Number of Members (Principle no. 3), the Appointments and Remuneration Committee shall present the Supervisory Board with recommendations and suggestions (including, if necessary, the alternation of a member with a non-voting member) in accordance with said Set Number of Members.

(iii) the Supervisory Board shall then provide the General Shareholders Meeting with a list of candidates chosen in accordance with the Charter's principles. The Board shall strive to preserve equitable representation, weighing the respective stakes of the shareholders concerned and abiding by the Set Number of Members.

The same principles shall apply should the Set Number of Members be exceeded when shareholders pass from one category (as mentioned in Principle no. 2, above) to another.

Principle no. 6: Designation of other independent members

Should the application of the above Principles not permit the designation of ten members other than the independent members, vacant posts shall be filled by other independent members.

Principle no. 7: Increasing the number of Supervisory Board members

Should CDA's shareholders decide at the General Meeting to make an exception to the Set Number of Members (Principle no. 3) and increase the number of Supervisory Board members (notably in application of Articles L. 225-23 and L. 225-27 and subsequent articles of the Commercial Code), the Charter shall immediately be amended to adjust Principles nos. 1 to 6, above.

Principle no. 8: Appointment of the Chairman

The Supervisory Board Chairman is appointed from among the members representing (or appointed by) the principal shareholder (i.e., a person and the companies controlled by said person in terms of Article L. 233-3 of the Commercial Code, excluding any third party with which the person acts together without controlling it).

Definition of independent members

Independent members shall have the relevant experience and competence necessary to fulfill their functions on the Supervisory Board and on any Committees on which they might serve. Independent Members should in particular be "active, present, and involved," in accordance with AFEP-MEDEF Recommendations.

In compliance with the Professional Code of Ethics of the IFA:

(i) independent members of the Supervisory Board shall strive in all circumstances to maintain their independence in making judgments and decisions as well as in action. They must not be swayed by any factor lying outside the corporate interests that has been entrusted to them.

(ii) they shall pledge to avoid any conflict between their moral and material interests and those of Compagnie des Alpes. They shall inform the Supervisory Board of all conflicts of interest in which they might be implicated. Should such conflicts arise, they shall abstain from all debates or decisions concerning the matters in question.

Review of candidacies for independent members should ensure that candidates, in their professional activity, do not and will not be tempted to maintain any relations with

Compagnie des Alpes, the CDA Group, or its shareholders that could compromise the liberty of their judgment; to evaluate these criteria, the objective characteristics below (inspired by AFEP-MEDEF Recommendations) may be taken into account. They should not constitute automatic cause for exclusion, either individually or collectively. The candidate:

(a) may not be an employee of Compagnie des Alpes or of one of its Subsidiaries and not have been during the three previous years an employee or a director of a CDA shareholder with more than a three percent (3%) share

(b) may not be a corporate officer in a company in which Compagnie des Alpes has direct or indirect board representation or in which an employee designated as such or a CDA corporate officer (at present or within the past three years) holds board seat

(c) may not be a client, supplier, commercial or investment banker:

- for the CDA Group or
- for which the CDA Group represents a considerable proportion of business

(d) may not have a close family link with a senior manager from a CDA Group company

(e) may not have been the auditor of a CDA Group company in the previous five years.

Composition of the Supervisory Board

Rules for the composition of the Supervisory Board are set forth in the Corporate Governance Charter.

Shareholder	Category	Number	Members
Caisse des dépôts (CDC)	D	4	Dominique MARCEL, Chairman, until October 14, 2008 Philippe SEGRETAIN, Vice-Chairman until October 25, 2007, then member, then Chairman since October 14, 2008 Alain QUINET, since October 14, 2008 Francis SZPNER CDC, represented by Éric FLAMARION
CEL (Groupe IPE)	C	2	Philippe NGUYEN CEL, represented by François NICOLY
SOFIVAL	B	1	Bernard BLAS, Vice-Chairman since October 25, 2007
Crédit Agricole des Savoie (CADS)	B	1	CADS, represented by Jean-Yves BARNAVON
Caisse Nationale des Caisses d'Épargne	B	1	CNCEP, represented by Olivier KLEIN
Banque Populaire des Alpes (BPA)	A	1	BPA, represented by Laurent WORBE until March 1st, 2008 Pascal MARCHETTI since March 1st, 2008
Independant members		2	Jacques MAILLOT Gilles CHABERT

All Supervisory Board memberships expire after the General Shareholders Meeting convened to approve the accounts for the financial year ending September 30, 2009, except for the membership of Bernard Blas, appointed by the General Meeting of October 1, 2007, for a six-year term, to end with the General Shareholders Meeting scheduled for 2014.

By vote of the General Meeting of February 28, 2007, the regulation on age limits for Supervisory Board members, as provided for in Article 14 of the Company by-laws, on the composition of said Board, has been changed. At least two-thirds of the members must now be under 68.

A list of the terms and functions for Supervisory Board members is included in chapter V of this reference document.

It is specified that Bernard Blas, Vice Chairman of the Supervisory Board, is the father of Jean-François Blas, member of the Management Board. That exception aside, no family link exists between the members of the Company's Supervisory and Management Boards.

Every Supervisory Board member must own at least one nominative share while serving.

AFEP-MEDEF Provisions and Recommendations not retained by the Company

The AFEP-MEDEF Recommendations concern the functions and composition of boards of directors for listed business corporations. For the needs of the reference document, they are adapted to the functioning and composition of the Company's Supervisory Board.

Supervisory Board composition

The Company's Supervisory Board has twelve members, two of whom are independent.

Article 8.2 of the AFEP-MEDEF Recommendations states that the proportion of independent directors be at least one-third for companies with controlling shareholders and one-half for other companies.

The goal of this recommendation is to prevent conflicts of interest with a majority shareholder, when one exists, and otherwise to ensure that the interests of minority shareholders are taken into account. The Company has preferred to implement an automatic rule based on a quota of independent members. Besides ensuring the presence of two entirely independent members, this democratic way of representing Company shareholders in general also permits the representation of the Company's six principal shareholders, which together, but without specifically agreed common action, own more than three-fourths of the Company (77.22% at September 30, 2008). It is also specified that none of the six holds a majority on the Board.

Definition of independent members

According to Article 8.4 of the AFEP-MEDEF Recommendations, in order to be qualified as an independent a director should in principle:

- not have been an employee or senior manager of the Company and not have been an employee or director of the parent company or of a company that the parent has consolidated in the previous five years, and
- not have been a Company director in at least twelve years.

The Charter's current provisions reduce the first requirement to not having been an employee of the Company or any of its subsidiaries in the previous three years. The second requirement is not explicitly provided for. However, both will be taken into consideration during the Charter's revision, now underway.

Term of office

According to Article 12 of the AFEP-MEDEF Recommendations, term of office for Supervisory Board members should not exceed four years, "so that shareholders may elect them with sufficient frequency."

Company by-laws provide for terms of six years, the maximum permitted by law. The discrepancy with the AFEP-MEDEF Recommendations is explained by the logic of the Company's shareholder representation,

which makes more-frequent renewals of the Supervisory Board unnecessary.

Shareholding by Supervisory Board members

In principle, Article 17 of the Recommendations requires Supervisory Board members to own a "relatively large number of shares."

Company by-laws require that they own only one share. At this time additional requirements are not considered useful, because other rules exist to ensure the fair representation of Company shareholders in the Supervisory Board.

5.1.2. Conditions for the preparation and organization of the Board's work

The Chairman — or, in the Chairman's absence, the Vice Chairman — convenes the Board and steers the debate.

The Chairman of the Supervisory Board sets the agenda in consultation with the Chairman of the Management Board. Except in emergencies, the agenda is sent to Supervisory Board members at least five days before the meeting. A dossier detailing the agenda's topics, and prepared by the Management Board, is supplied before the meeting. Secretarial functions are provided by the Company Secretary.

A draft of the minutes is submitted to Supervisory Board members for comment. The final minutes are approved at the next meeting.

The Supervisory Board is assisted by three permanent Committees, whose tasks and modes of operation are set out in the Corporate Governance Charter.

- The **Audit Committee** is composed of Eric Flamarion, representative of the CDC (Caisse des Dépôts et Consignations) and Committee Chairman; François Nicoloy, CEL representative; and Jacques Maillot, independent member. Its mission is to formulate all recommendations and proposals concerning accounts, external control, internal control, and risk management.
- The **Appointments and Remuneration Committee** is composed of Jacques Maillot, independent member and Committee Chairman; Gilles Chabert, independent member; Philippe Segretain, designated by the CDC; and Philippe Nguyen, CEL representative. Its mission is to formulate all recommendations and proposals for the appointment and remuneration of Management Board members, as well as stock options and performance shares.
- The **Strategy Committee** was, for financial year 2007–2008, composed of Dominique Marcel, Chairman of the Supervisory Board and Committee Chairman; Eric Flamarion, CDC

representative; Philippe Nguyen and François Nicolý, representing CEL; and Gilles Chabert, independent member. During the financial year, the number of members was increased to six, Bernard Blas having been named by the Supervisory Board on October 25, 2007. The Committee's mission is to analyze strategy, investment policy, and budget policy and to formulate all recommendations for investments requiring previous authorization from the Supervisory Board. Philippe Segretain has been Committee Chairman since October 14, 2008, when he replaced Dominique Marcel and Alain Quinet was designated by the CDC to replace Eric Flamarion.

The appropriate Committee must be consulted before any Supervisory Board vote on issues falling within said Committee's competence. Voting may not be completed until the Committee has submitted its recommendations or proposals.

However, if (i) one of the Committees has voted against a project under consideration, or (ii) the concerned Committee has been unable to meet or to vote, a qualified majority of eight-twelfths (8/12) of the Supervisory Board members present or represented shall be required to adopt the decision regarding said project.

The consultation of Committees may not serve the purpose of delegating to them powers that the law or Company by-laws attribute to the Supervisory Board. Nor may it have the effect of limiting the Management Board's powers.

In conformity with CDA by-laws, and under the conditions stipulated above, Supervisory Board decisions are made by simple majority of the members present, each member having one vote. The Chairman's vote breaks all ties.

During the most recent financial year, the Supervisory Board convened five times, in the presence of the Management Board members and of the Company Secretary. The Strategy Committee convened three times, the Audit Committee two times, and the Appointments and Remuneration Committee three times.

Average attendance of Supervisory Board members at Board and Committee meetings was 92%. Attendance for independent members at Board and Committee meetings was 100%.

Also regularly attending Supervisory Board meetings (at a rate of 100% during the financial year) are a representative of the Labor-Relations Committee and the Company auditors for the adoption of the half-year and annual financial statements.

During the financial year, the Supervisory Board:

- examined the Management Board's quarterly reports
- examined the strategy behind and changes in Group organization
- examined the annual corporate and consolidated accounts on 09/30/2007 and half-year consolidated accounts on 03/31/2008, the management report, special reports from the Management Board, and reports from the auditors
- examined the budget for financial year 2007–2008
- authorized plans for stock options and free shares
- remunerated Management Board members
- prepared the General Shareholders Meeting and resolutions for voting.

Supervisory Board Committees were regularly consulted on matters falling within their competence, and the Board followed their recommendations. The Management Board was always forthcoming and transparent in providing the information, documents, and explanations necessary for the Supervisory Board and its Committees to carry out their work.

In 2009, in conformity with AFEP-MEDEF Recommendations, the Supervisory Board will set up a mechanism to evaluate its operations.

Provisions of the AFEP-MEDEF Recommendations not retained by the Company

Committee composition

AFEP-MEDEF Recommendations stipulate that the various Supervisory Board Committees be made up of a certain proportion of independent members:

- two-thirds for the Audit Committee (Art. 14.1)
- the majority for the Remuneration Committee (Art. 15.1)

The Company's Audit Committee is composed of three members, including one independent; the Nominations and Remunerations Committee is composed of four members, including two independents. As a result, the relevant AFEP-MEDEF Recommendations are not applied to the letter, because the independent members do not constitute a majority in either of the two Committees.

However, Committee composition is directly influenced by the "democratic" logic of representation (representation of all shareholders with more than a 5% stake in the Company) that governs the composition of the Company's Supervisory Board. Thus, as previously stated, the Company's Corporate Governance Charter provides for only two members strictly qualified as independent (non-shareholders) to be present. Both are members of the Appointments and Remuneration Committee, and one presides over it.

5.1.3. Control

The Company has opted for a democratic form of representation for Company shareholders in the Supervisory Board. It provides, in addition to two purely independent members, representation for the Company's six principal shareholders, which together, but without specifically agreed common action, own more than three-fourths of the Company. It also prevents any of the six from holding a majority on the Board. In this way, the composition of the Supervisory Management Boards ensures that control of the Company is not exercised to the Company's detriment.

To the Company's knowledge, with the exception of the agreement mentioned in chapter VI, section 2, of this reference document, there exists no agreement or commitment binding one or more shareholders or whose implementation could at some future date affect control of the Company.

5.1.4. Participation in the General Shareholders Meeting

Shareholders participate in the Company's General Meeting under conditions provided for by law and the provisions of Articles 18 to 27, in particular Article 21, of the Company by-laws.

5.1.5. Factors likely to be important in case of a takeover offer

The information to which Article L. 225-100-3 of the Commercial Code applies is specifically covered in chapter VI of this reference document.

The information is also available in the Company reference document submitted to the AMF and online at the Company website: www.compagniedesalpes.com.

5.2. Principles and rules for setting the remuneration of corporate officers

The Supervisory Board is responsible for setting remuneration for the Company's senior managers, on the basis of the Appointments and Remuneration Committee's opinion and recommendations.

5.2.1. Remuneration of Management Board members

Once per year, the Appointments and Remuneration Committee carries out an exhaustive review of Management Board-member remuneration (fixed part, variable part, stock options, performance shares, retirement conditions, and specific benefits) and recommends any necessary changes to the Supervisory Board. In particular, it verifies quantitative criteria and takes stock of qualitative factors that determine the elements of remuneration.

The remuneration of Management Board members comprises a fixed part and a variable part, varying from 0% to 40%, depending on qualitative and quantitative criteria designed to put the Company's general interests first.

To determine the fixed part of remuneration, beneficiaries' personal qualities, the size of the Group, and the senior-management pay scale for the CDC Group to which the Company is associated are taken into consideration.

For FY 2007-2008, the Supervisory Board unanimously decided on December 17, 2007, that the variable part of each Management Board member's remuneration for 2007-2008 would be set in accordance with the following provisions:

- 0% to 20% depending on the Supervisory Board's collective opinion of Management Board performance.
- 0% to 10% depending on net attributable income for the financial year.
- 0% to 10% depending on changes in return on invested capital (ROIC).

Management Board members receive benefits in kind, such as a company car or, for the Management Board Chairman in 2007-2008, a parking space.

They are also enrolled in a Group insurance policy, comprising payments to a defined benefit plan and payments to a defined contribution plan, in accordance with the provisions of Article L. 911-1 of the Social Security Code. Policy terms appear in point 2.1.3, below.

The Chairman of the Management Board also receives private unemployment insurance of type GSC.

For FY 2007–2008, the Supervisory Board unanimously decided on December 17, 2007, to award stock options and performance shares to Management Board members. The Management Board Chairman was to receive 12,000 stock options and 3,600 performance shares; the other Management Board members, 8,000 stock options and 2,400 performance shares.

Performance shares were awarded on condition of an increase in Group CDA's free cash flow, defined as cash flow from operations minus net capital expenditures. 100% of the performance shares will be definitively acquired at the end of the acquisition period, 25 months from the attribution date, if free cash flow has increased by 30% from FY 2006–2007 to FY 2008–2009. No bonus share will be acquired if free cash flow has not increased.

All elements regarding the remuneration of Management Board members for financial year 2007–2008 are detailed in chapter V, section 2, of this reference document.

Management Board members receive no directors' fees for their terms of service in Group companies.

At its meeting of September 30, 2008, the Supervisory Board set the remuneration of the new Management Board Chairman by applying the principles stated above. Gross fixed annual remuneration was set at 340,000 euros. The decision took effect on October 14, 2008, date of Jean-Pierre Sonois's resignation and replacement by Dominique Marcel.

For the preparation of this Annual Report, the Appointments and Remuneration Committee reviewed all AFEP-MEDEF Recommendations of October 2008 for the remuneration of senior officers.

In particular, it verified the application of the following principles.

No combination of an employment contract with a board appointment

Since October 14, 2008, start date of his Management Board presidency, Dominique Marcel has not had an employment contract.

The other members of the Management Board have employment contracts distinct from their mandates. Each Management Board member's employment contract was approved at the nomination stage by the Supervisory Board.

Jean-Pierre Sonois, Management Board Chairman until October 14, 2008, also had an employment contract, which continued after the end of his appointment and was broken by mutual agreement on January 31, 2009.

Absence of excessive departure bonus ("golden parachutes")

Departure bonus of the Chairman of the Management Board

On December 16, 2008, the Supervisory Board, on the unanimous recommendation of the Appointments and Remuneration Committee, defined rules to be applied should the Chairman of the Management Board lose his appointment.

An indemnity for breach of employment contract shall be paid by the Company to Dominique Marcel under the following conditions:

(a) In case of permanent departure from the Company (with Mr. Marcel remaining neither an employee nor a senior officer of the Company or of any Group companies) after:

- the revocation or non-renewal of his appointment as Chairman and member of the Management Board, except in case of serious misconduct or gross negligence (as defined by the French Employment Code), or
- his resignation within 12 months of a change of control (in which one or more persons, acting alone or together, come to acquire or hold control of the Company in the sense of Article L. 233-3 of the Commercial Code), to the exclusion of any other kind of departure (especially a resignation other than in the case cited above, forced retirement, or force majeure).

(b) Payment of an indemnity for breach of employment contract is subject to conditions of individual performance and Group performance. The fulfillment of these performance conditions shall be determined on the date of the appointment's termination as follows:

- condition of individual performance: shall be fulfilled if on average over the previous three ended financial years the average bonus awarded by the Supervisory Board to Mr. Marcel is superior to 30% of the maximum bonus;
- condition of Group performance: shall be fulfilled if on average over the previous three ended financial years, and on the basis of the consolidated accounts, EBITDA margin is superior or equal to 20% like for like.

These performance conditions shall nevertheless be open to revision by the Supervisory Board at every term renewal.

(c) The amount of the indemnity for suspension of mandate shall be equal to two times Mr. Marcel's "annual reference salary."

The "annual reference salary" shall be his last gross annual base salary, including the gross amount of the bonus paid him for the most recent ended financial year, and excluding the amount of benefits in kind, reimbursements for professional expenses, and any financial instruments and stock options granted during that period.

(d) Exceptionally, if the appointment is terminated before September 30, 2011, the indemnity for breach of employment contract shall be set as follows:

- Termination before October 1, 2009: the indemnity shall be equal to gross base salary plus 40% (representing the maximum of the variable part) without application of the individual or Group performance conditions, but the Supervisory Board must find no evidence of serious misconduct or gross negligence (as defined by the French Employment Code).
- Termination falling within the period from October 1, 2009, to September 30, 2010: the indemnity shall be equal to:
 - the annual reference salary, but only if the Supervisory Board finds no evidence of serious misconduct or gross negligence (as defined by the French Employment Code)
 - plus the annual reference salary a second time if the individual and Group performance conditions are met after calculation of the averages on the last closed financial year and the current financial year.
- Termination falling within the period from October 1, 2010, to September 30, 2011: the indemnity shall be equal to two times the annual reference salary if the individual and Group performance conditions are met after calculation of the averages on the last two ended financial years and if the Supervisory Board finds no evidence of serious misconduct or gross negligence (as defined by the French Employment Code).

However, the indemnity for breach of employment contract shall be definitively acquired only after verification by the CDA Supervisory Board that the above criteria have been met. It shall be considered to include any indemnity due for unjustified revocation.

Departure bonus for other Management Board members

The employment contracts of Management Board members other than the Chairman provide for an indemnity to be paid in case of breach of contract by the employer, except in cases of serious misconduct or gross negligence.

The amount of the indemnity shall be equal to two times the member's "annual reference salary."

The "annual reference salary" shall be the gross annual base salary, including the gross amount of the bonus and excluding the amount of benefits in kind, reimbursements for professional expenses, and any financial instruments granted during that period.

On December 17, 2007, in application of the TEPA (work, employment, purchasing power) law no. 2007-1223 of April 21, 2007, the Supervisory Board specified that payment of the indemnity for breach of employment contract would be subject to individual and Group performance conditions. The fulfillment of these performance conditions shall be determined, by the Supervisory Board, on the date of the breach of contract as follows:

- individual performance condition: shall be fulfilled if the member's annual bonus was paid in full or in part, at least once in the three years prior to the notification of the breach
- Group performance condition: shall be fulfilled if CDA's overall consolidated earnings during the member's term were positive.

These provisions were approved at the General Shareholders Meeting of February 21, 2008, and are in conformity with the Recommendations, except for one provision regarding a non-competition clause applicable to Jean-François Blas. If added to the other provisions for breach of employment contract, this clause could entail a total indemnity superior to two years' remuneration.

This particular clause results from the protocol conditions, dating from October 1, 2007 (i.e., before the AFEP-MDEF Recommendations of October 2008), for the CDA Group's purchase of stakes in STVI, SERMA, Valmorel, and La Rosière, held by SOFIVAL. The purpose of the clause is to protect the Company, which may unilaterally renounce it.

Breach of the employment contract of Jean-Pierre Sonois

Jean-Pierre Sonois resigned as Management Board member and Chairman on October 14, 2008.

The Supervisory Board stipulated on December 16, 2008:

- that Jean-Pierre Sonois has an employment contract that provides for the payment of an indemnity in case of suspension of contract;
- that the conditions of Jean-Pierre Sonois's departure render applicable the contractual provisions for indemnity for suspension of employment contract;
- that the contractual performance conditions necessary for payment of said indemnity, in conformity with the provisions of the TEPA law of August 21, 2007, and approved at the Company's General Meeting of February 21, 2008, have been completely fulfilled;
- that, firstly, the amount of said contractual indemnity for breach of employment contract shall be €835,200 gross (two years' fixed and variable remuneration), an amount to which Jean-Pierre Sonois has agreed, and that, secondly, it is in conformity with the AFEP-MEDEF Recommendations of October 2008 on the remuneration of listed-company directors;
- that Jean-Pierre Sonois has been serving the Company for 20 years, during which time he has made it a leading company in its sector;
- that on December 9, 2008, the Appointments and Remuneration Committee declared itself unanimously in favor of paying said contractual indemnity for suspension of the employment contract;

It has therefore recognized the fulfillment of the contractual performance conditions necessary for payment to Jean-Pierre Sonois of the contractual indemnity for breach of employment contract. Taking the preceding points into account, the Supervisory Board unanimously authorized payment to Jean-Pierre Sonois of said contractual indemnity, which represents the gross sum of €835,200 and corresponds to two years' remuneration (fixed and variable), as stipulated in his employment contract.

Framework for complementary retirement schemes

On January 17, 2006, the Supervisory Board approved the implementation of a Group insurance policy, comprising payments to a defined benefit plan and payments to a defined contribution plan, in conformity with Article L. 911-1 of the Social Security Code. Its main terms are described in chapter V, section 2, of the Annual Report.

Enrolled in the Group insurance policy are the Chairman of the Management Board (Supervisory Board meeting of September 30, 2008, determining all aspects of the Chairman's remuneration), Management Board members (as approved by the General Meeting of Shareholders of February 23, 2006, within the purview of regulated agreements), and Group senior executives and category-CIII executives (about 60 persons).

Setting of complementary rules for stock options and performance shares

For several years, the CDA Group's remuneration and profit-sharing policy for senior executives and employees has included a provision for the annual awarding of stock options.

With the new mechanism for awarding performance shares, due to finance law no. 2004-1484 for 2005, that plan has been replaced by a combined plan for the awarding of stock options and performance shares. In the Supervisory Board's view, such a measure constitutes a motivation for Group senior executives, especially given the stock's historical performance and the level of direct remuneration. In the long term, it is likely to sustain value creation for shareholders.

Stock options are awarded to Management Board members and to senior executives.

In addition, performance shares are awarded to Management Board members, senior executives, and principal senior managers.

The Company and all of its French subsidiaries are covered by profit-sharing agreements, a group Savings Plan. Certain subsidiaries are covered by shareholder agreements.

Awarding shares

For combined plan no. 3, 44,000 stock options and 13,200 performance shares have been awarded to Management Board members and 44,700 stock options and 35,500 performance shares to beneficiaries outside the Management Board. The Supervisory Board sets the number of stock options and performance shares awarded to Management Board members when determining all other elements of their remuneration.

The Company has maintained the principle that the award date for performance shares and stock options is the date of the General Shareholders Meeting.

The number of stock options is set independently of stock-market performance. Since the number of options awarded to the five members of the Management Board represents 0.25% of the Company's capital, and their valuation represents less than 15% of the remuneration due for the 2007–2008 financial year (cf. chapter V, section 2, of the reference document), the total amount may be considered moderate.

For the next Plan to be implemented during the financial year, the Supervisory Board has decided that the award of performance shares to senior officers shall be conditioned on the purchase of a defined quantity of shares once the awarded shares may be transferred.

Share price

The stock-option exercise price is the average of the closing prices on the 20 most recent trading days without a discount.

The Company has never set up hedging instruments for stock options.

Exercise conditions

Exercising stock options is not permitted before the expiration of the four-year vesting period.

All performance shares are awarded on the basis of performance.

The number of performance shares definitively acquired was set for plan no. 11 on February 21, 2008, on the basis of changes in free cash flow over two years, with a goal of 30% over two years. CDA's business is very specific and cannot be compared with other sectors of economic activity.

Management Board members are among CDA's corporate insiders. Therefore, in application of the Financial Markets Code, they may not execute financial operations involving CDA shares (stock options

included) when they are in possession of privileged information, as defined in Article 621-1 of the AMF's General Rules. In addition, senior officers must consult the corporate ethics advisor before exercising their stock options.

Holding period for acquired shares

In conformity with Article 62 of the law of December 30, 2006 (Balladur amendment), Combined Plans no. 2 and no. 3 for the awarding of stock options and performance shares, as applicable, to Management Board members provide for:

- 20% of the stocks issued from the exercise of stock options to be recorded as registered shares until the Management Board member's term expires;
- 20% of the restricted shares awarded and definitively acquired to be recorded as registered shares beyond the holding period, until the Management Board member's term expires.

Transparency for all aspects of remuneration

Chapter V of the Annual Report for the 2007–2008 financial year, compiled by the Management Board, presents corporate-officer remuneration in detail. It follows AFEP-MEDEF Recommendations, specified and completed by the AMF recommendation of December 22, 2008.

5.2.2. Remuneration of Supervisory Board members

Except in exceptional circumstances, Supervisory Board members do not receive any remuneration within the Group other than directors' fees. These are allotted to the Supervisory Board by the General Meeting and are distributed by the Board. Distribution to Supervisory Board members is based on a lump sum per Supervisory Board or Committee meeting actually attended. These aspects are covered in chapter V, section 2, of this reference document.

5.3. Internal-control and risk-management procedures

To enhance its internal control, Compagnie des Alpes relies on the reference framework for internal control published by the AMF in January 2007. For this report, CDA has used the implementation guide for recommendation for small and mid-cap companies published in January 2008.

5.3.1. Internal control (definitions and objectives)

Internal control is a set of procedures implemented by the Group's Management Board, senior executives, and employees. It is designed to provide reasonable assurance that objectives are being met in the following categories:

- reliability of financial information
- execution and optimization of operations
- compliance with current law and regulations
- preservation of Group assets

To achieve these objectives, the internal-control system seeks to prevent and control the risks inherent in Group activities, especially in regards to personal and environmental safety, the risks of error and fraud, and asset preservation in accounting and financial matters. However, like any other system of control, it cannot absolutely guarantee the elimination of all these risks.

Risk analysis is integral to Group internal-control processes.

5.3.2. Risk analysis and control

The organization of risk management depends on the existence of a Group Risk Committee, presided by the Chairman of the Management Board, and on a Risk Committee for each business sector, in which the principal operational managers participate.

In addition, crisis-management provisions are available if necessary at various levels of the organization.

The Group recently decided to sharpen its analysis and tighten its management of risks likely to affect business activities and assets. In 2007–2008 it developed an identification standard for risks and evaluated the extent to which they had been brought under control. The standard relies on a risk map of potential impact on the Group's situation and the level of control that particular measures or action plans can provide.

Operations aside, risks are inherent to particular, distinct processes. Operations processes aim to increase sales and operate facilities in the service of customers. Operations support processes, meanwhile, notably involve human-resources, IT, asset, accounting, financial, and general management.

One purpose of the standard is to allow the heads of operations entities and of pooled support activities to analyze and better control the risks within their purview. Another is to allow Headquarters to form an overall picture of the situation and manage risk in general.

On the basis of tests conducted in 2007–2008, the measure will be implemented throughout the Group during the 2008–2009 and 2009–2010 financial years.

A report on risk management is presented annually to the Supervisory Board's Audit Committee.

5.3.3. Group organization and management of internal control

Group activities are located in the Alps and in six European countries for the Ski Areas division and are highly concentrated in the Paris Region, Belgium, and the Netherlands for Leisure Parks.

Group management is organized to include the corporate (HQ) department, based in Boulogne-Billancourt, France, and two operational divisions, corresponding to the two business sectors. The Leisure Parks operations department is also based in Boulogne-Billancourt, while the Ski Areas operations department is based in Chambéry, in the French Alps.

The Management Board defines Group strategy and strategic orientation under Supervisory Board control, notably through the Strategy Committee. This Committee examines the Group's annual budget, medium-term plans, and investment budgets, formulates an opinion on strategic orientations and on options for the Management Board's planned allocation of financial resources, and controls commitments exceeding €15 million as well as commitments of any amount that involve a new business activity or a new country.

Each operational department steers and controls the activities of business units, operating companies for Ski Areas (sometimes grouped together) or Leisure Parks. Each, in the context of its business activity, is organized to manage and develop common activities: purchasing, marketing and sales, safety, merchandising, food sales, etc.

The corporate (HQ) department manages and controls accounting and financial information, human-resources policy, and risk management and control. It also has control of shared services, such as IT systems, financing, the treasury, insurance, and the coverage of financial risks. Investor relations and activities related to external growth also fall within its scope.

The departments and functions whose chief mission is to contribute to internal control are: the Internal Audit Department, Management Control, the Company Secretarial Office, and the heads of quality control, safety, and environment at operational departments and business units.

- The Internal Audit Department's mission is to ensure that internal procedures are followed, verify their effectiveness, identify weaknesses, and detect fraud. Audits are carried out in accordance with the CDA Group Internal Audit Charter, which describes the purpose and objectives of the Internal Audit Department, the terms under which missions are carried out, and the respective obligations of auditors and those whom they audit. Every year, the Management Board approves the Audit Plan, and an activity report is presented to the Supervisory Board's Audit Committee.
- Management Control handles the annual budget process and draws up the medium-term plan. Budget objectives are set annually by company and department. Management Control ensures their compilation and distribution and follows up on them weekly (for business and sales) or monthly (for earnings and investments). It revises data projections regularly and carries out the necessary analyses to monitor changes to authorization for investments.
- The Company Secretary is responsible for controlling contracts and agreements of significant scope, handling disputes, and ensuring conformity between commitment procedures and requests for non-budgeted commitments for projects or investments.

- Managerial positions for quality, safety, and environmental control have been established in all Ski Areas subsidiaries — all of which have ISO 9001 (Quality) / OHSAS 18001 (Occupational Health and Safety) / ISO 14001 (Environmental Management Systems) certification — and within the operational department concerned. These managers oversee compliance with the defined procedures, as well as the smooth operation of the certification process and certification renewal. A quality, safety, and environment manager has also been appointed within the management department of the Leisure Parks division to head up the network of experts who define and carry out the corresponding procedures.

5.3.4. Means of internal control

Charters and procedures constitute the chief means of internal control.

- The Corporate Governance Charter defines the areas in which Management Board decisions are subject to prior Supervisory Board approval as well as the conditions for the granting of said approval. As indicated in section I, above, the Charter is available online at the Company website: <http://www.compagniedesalpes.com>.
- The Ethics Charter states CDA Group's values and principles and concerns all employees. It serves as a guide for professional behavior, reviews the principles of investment ethics for all to follow, specifies conflict-of-interest risks, and defines appropriate responses. It is annexed to senior-executive employment contracts. Consultations have been instated to make all employees aware that it may be appealed.
- A charter for the use of IT-system resources defines the rights and obligations of Group users.
- Procedures exist at various levels for all key processes. As indicated above, certain procedures have obtained certifications. In terms of operations, the procedures seek to guarantee compliance with at least the regulatory norms for the safety of facilities open to the public — the core of CDA business activities — both for Ski Areas and for Leisure Parks. These are the regulations for the construction and operation of public transportation by cable, of rides and facilities at leisure parks, norms pertaining to Public-Access Buildings, etc.

They also seek compliance with rules for the employment of personnel and for their safety, as well as for the protection of the environment and endangered species. In other areas, these procedures seek to ensure that management actions comply with rules and regulations and to guarantee the protection of Group assets. Action plans have been implemented to improve procedures on the basis of observations made during the internal audit or evaluations drawn from risk mapping.

5.3.5. Internal-control procedures for the development and treatment of accounting and financial information

Governance of the accounting and financial process

The Group draws up its consolidated financial statements in accordance with IFRS.

The Management Board is responsible for the publication of reliable and pertinent accounting and financial information, so as to allow investors to form an exact idea of the Group's financial position.

Accounting and financial information is subjected to a validation process involving the Management Board, the auditors, and the Supervisory Board, through its Audit Committee.

The Audit Committee examines half-year and annual financial reports prepared by the Management Board as well as the management report on the consolidated accounts, in the presence of the auditors. The auditors in turn present their own report, on the closing of the accounts, the principal accounting options, and events with significant effect on the financial situation. Their report also includes any remarks they might have.

The Audit Committee's examination of the accounts, before their presentation to the Supervisory Board, covers the reference document in its entirety, including all Appendices to all of the Company's consolidated and corporate accounts.

It takes place once the auditors have advanced far enough in their work to make a judgment.

The Management Board submits the accounts in detail to the Supervisory Board at each published closing of the accounts.

Accounting and financial organization

The Group Finance Department is responsible for the following processes:

Formalization of the methods and procedures for Group accounting standards, which are themselves harmonized with IFRS modifications. IFRS notably specifies the principles for the accounting of fixed assets used by the Group, on the basis of their technical and regulatory characteristics

Group budgetary process and medium-term plan, including the reporting of objectives, the preparation, examination, and approval of annual budgets, and five-year plans for all wholly owned companies

Disclosure processes, allowing weekly monitoring of treasury and business activities and monthly monitoring of operating costs, financial charges, and investments. This information is compared with the budget and with the results for the previous financial year.

Process for establishing consolidated financial statements and disclosures of regulated financial information, and the documentation necessary to submit the financial statements to the Management Board, the Supervisory Board, and investor relations.

Schedules for the announcements of accounting data are published annually. Company departments included in the consolidated accounts are responsible for establishing the corporate accounts and preparing the consolidated reporting schedules. They constitute a first level of control. Consolidated reporting schedules are reviewed by the auditors.

Within the Finance Department, the consolidation department helps finance directors at operating companies to apply accounting standards and provides controls for coherence.

The restatement of the corporate accounts is the responsibility of the consolidation department. At every closing of the accounts, the auditors examine all restatements. Consolidation tools allow these restated accounting items to be identified.

Accounting and financial IT systems

Group financial and accounting IT systems are market standards and meet requirements for the reliability, availability, and pertinence for accounting and financial information. Systems that are common to several entities are maintained by the Group IT Department, which also ensures that all interfaces feeding information function properly.

These IT systems are adapted and improved as necessary to keep up with Group needs. Owner/client and contractor relationships have been set up and budgets allocated to this effect.

The heads of the entities concerned ensure that information, data, and computer files are archived for the required periods. Controls are in place.

Risks affecting accounting and financial information

The Finance Department has set up communications with the finance departments of subsidiaries, so as to identify risks that could affect the quality of accounting and financial information and/or adherence to schedules. It also implements action plans to deal with these risks.

The use of procedures and best practices by Finance Department personnel helps reduce the risk of error and fraud. Internal audits can be triggered, in emergencies, in case of potential or imminent risk.

The steady automation of reconciliation operations is key to internal control.

As financial statements are prepared, instructions are given and controls carried out in order to guarantee a standard and homogeneous formalization of

consolidated reporting schedules and complementary analyses. Subsidiaries are responsible for preparing the information and formally commit to its accuracy.

Control

Subsidiaries have set up procedures for the inventory and preservation of assets. The Finance Department handles payment methods and authorizes their implementation.

Procedures are in place to control sensitive points, especially cash registers, the issuance of tickets and ski passes, and buying margins for products sold in boutiques or food and beverage sales.

In closing the accounts, all controlled companies apply the same procedures.

Financial reporting

Financial disclosure is the responsibility of the Management Board, which controls the information before its disclosure. In applying its controls, the Board relies on the Communications Department. This process concerns all Group entities.

Draft schedules for regulated financial disclosures are published for market participants.

Also, the Supervisory Board reviews the reporting of the half-year and annual financial statements before they are communicated to the market.

The Company Secretary coordinates the drafting of the reference document.