

# REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

## REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS ON THE COMPOSITION OF THE BOARD AND APPLICATION OF THE PRINCIPLE OF BALANCED REPRESENTATION OF WOMEN AND MEN WITHIN IT, THE CONDITIONS FOR PREPARING AND ORGANISING THE WORK OF THE BOARD, AND THE INTERNAL AUDIT AND RISK MANAGEMENT PROCEDURES IMPLEMENTED BY THE COMPANY

Ladies and Gentlemen,

In accordance with Article L. 225-37 paragraph 6 of the Commercial Code, this report contains the following information:

- the composition of the Board of Directors and the application of the principle of balanced representation of women and men within it;
- the terms and conditions for preparing and organising the work to be done by your Board of Directors;
- your Company's internal audit and risk management procedures;
- possible limitations made by the Board of Directors to the Chief Executive Officer's powers.

The information provided take into account in particular Annex I of the European Regulation (EC) No.809/2004 of 29 April 2004 and AMF Recommendation No.2012-02 (as amended on 4 December 2013) on corporate governance and the compensation of Company executives for companies referring to the AFEP-MEDEF Code – consolidated presentation of the recommendations contained in the annual reports of *Autorité des Marchés Financiers* (AMF).

The report was approved by the Board of Directors during its 19 March 2014 meeting.

## 1. COMPOSITION OF THE BOARD AND APPLICATION OF THE PRINCIPLE OF BALANCED REPRESENTATION OF WOMEN AND MEN WITHIN IT

### *Conditions for preparing and organising the Board of Directors' work*

#### Composition of the Board and application of the principle of balanced representation of women and men within it

Société de la Tour Eiffel's Board of Directors is composed of eight members. Its Chairman is Mr Mark Inch. Mr Renaud Haberkorn is Chief Executive Officer and a Board member, Mr Frédéric Maman is Deputy Managing Director and a Board member.

Out of a total of eight members, the Board has four independent Directors who have no connection with the Company: Ms Mercedes Erra, and Messrs. Philippe Prouillac, Aimery Langlois-Meurinne and Richard Nottage. The independence criteria defined by the AFEP/MEDEF in the aforementioned corporate governance code were examined for each member by the Board of Directors on 19 March 2014.

#### Summary table detailing the status of directors with regard to the independence criteria set by the AFEP MEDEF code

	R. Haberkorn	M. Inch	F. Maman	R. Waterland	M. Erra	A. Langlois- Meurinne	R. Nottage	P. Prouillac
Is not an employee or officer of the Company, employee or director of its parent company or a consolidated company and has not been any of the above during the previous five years	NO	NO	NO	NO	YES	YES	YES	YES
Is not an officer of a company in which the Company directly or indirectly holds a directorship or in which an employee designated as such or a corporate officer of the Company (currently or within the past five years) holds a directorship					YES	YES	YES	YES
Is not (and is not related directly or indirectly to) a customer, supplier, investment banker or commercial banker: - a material proportion of the Company or its Group; - for which the Company or its Group holds a material proportion of the entity's activity					YES	YES	YES	YES
Has no close family ties with a corporate officer					YES	YES	YES	YES
Has not been the Statutory Auditor of the Company during the previous five years					YES	YES	YES	YES
Has not been a director of the Company for more than twelve years					YES	YES	YES	YES
<b>Independent director</b>	<b>NO</b>	<b>NO</b>	<b>NO</b>	<b>NO</b>	<b>YES</b>	<b>YES</b>	<b>YES</b>	<b>YES</b>

It was considered that the conclusion in December 2013 of a consulting agreement between the Company and Havas Worldwide Paris of which Ms Erra is a director is not likely to jeopardize the independence of the latter to the extent where Ms Erra is not involved in the provision of services and has no vested interest in this agreement.

There is one woman on the Board: Ms Mercedes Erra. Besides its intrinsic interest, her nomination meets the statutory requirement concerning the balanced representation of women and men on Boards of Directors. Her reappointment will be proposed at the next General Shareholders' Meeting.

The objective is that 20% of the Board of Directors of the Company be women at least after the next General Shareholders' Meeting. At least one woman will have to be designated if new directors are appointed.

The Board of Directors is actively seeking candidates for a more meaningful representation of women in its composition. The appointment of a woman is scheduled for the next General Shareholders' Meeting.

The Board ensures that its composition also includes a variety of skills and nationalities.

The Board of Directors has appointed an Audit Committee and an Appointment and Remuneration Committee to act in an advisory role. No Company executive is a member of either of these Committees.

### *Missions of the Board of Directors*

According to the articles of association, the Board of Directors sets the course for the Company's business and monitors its execution. It deliberates on any issue affecting the Company's progress and governs its affairs through its deliberations.

It deliberates on the strategy of Société de la Tour Eiffel proposed by the executive management and the operations arising from same, including the strategy for property investments and financing, the financial statements, budgetary procedures and organisational orientations as well as audit and internal control.

Any significant transaction outside the stated strategy of the Company is subject to prior approval of the Board.

The Board of Directors secures the quality of information provided to shareholders and to the markets.

### *Convocations of Directors and Statutory Auditors*

The directors were called to meet several days in advance by simple letter and/or electronic message.

In accordance with Article L. 225-238 of the Commercial Code, the Statutory Auditors were called to Board meetings, where they reviewed and closed the first half interim (half-yearly) financial statements as well as the annual accounts. They also were invited to attend several other Board meetings.

### *Providing reports to the directors*

Before attending each Board meeting, each director is sent any necessary documents and information, notably the detailed meeting agenda, the minutes of the previous meeting for approval, a file containing the points which require special reports (particularly on property acquisitions and sales) and a table showing the progress of the property transactions underway. In general, all the documents that must be approved by the Board are systematically sent to the directors before Board meetings.

The quarterly reports on the operations, the presentation on the accounts produced each year on 30 June and 31 December, the Group's financial evolution, the updated business plan together with the changes in the Group's cash position in the medium and long term and short and medium-term funding are also sent to the directors.

The Board is thus regularly informed about the financial position, cash position and commitments of the Company, the latter being reviewed at least twice a year.

### *Holding meetings*

The Board meetings are usually held at the head office. Directors are entitled to attend Board meetings by teleconference. In general, the year-end Board of Directors meeting sets a schedule for the following year. Each Board meeting date is confirmed at the close of the previous meeting.

### *Board meetings*

Article 14 of the articles of association and memorandum stipulates that the Board shall meet as often as the Company's interest requires. Thus, over the past financial year, your Board of Directors met twelve times, with an average attendance rate of over 90.6%:

#### **17 January 2013**

- Proposed capital increase.
- Massy project development /partnership.

#### **20 March 2013**

- Closed the corporate and consolidated financial statements at 31 December 2012, dealt with appropriation of earnings, prepared and called the annual shareholder's meeting.
- Authorised sureties, backings and guarantees.
- Annual debate on the functioning of the Board of Directors; review of the qualification as independent director for each member of the Board.

#### **11 April 2013**

- Allocation of bonus shares and stock options.

#### **25 April 2013**

- Modification of the severance pay allocated to Mr Renaud Haberkorn and the performance criteria as of 2014.
- Appointment of Mr Richard Nottage as a member of the Appointment and Remuneration Committee.
- Modification of the internal rules of procedure of the Board of Directors.

### 30 May 2013

- Answers to be given to the possible written questions put by the shareholders (no questions asked).
- Calculation of the issue price of new shares in the event of payment of the stock dividend by scrip issue.
- Confirmation of the separation of the roles of Chairman and Chief Executive Officer, Reappointment of Mr Mark Inch as Chairman of the Board of Directors.

### 24 July 2013

- Review and closure of the consolidated and corporate financial statements at 30 June 2013, half-yearly activity report.
- Renewal of the committees.
- Implementation of the new share buy-back programme.
- Cost reduction programme.
- Proposed acquisition.
- Authorization of a regulated agreement (addendum No.2 to the asset management master agreement signed by and between the Company and TEAM).

### 17 September 2013

- Decision to distribute an interim dividend.
- Approval of the proposed capital increase to remunerate a contribution of shares in a property company under the sixteenth resolution of the General Shareholders' Meeting of 30 May 2013.
- Situation report on the pipeline of property transactions.
- Self-assessment of the Board.

### 4 November 2013

- Situation report on legal proceedings.
- Situation report on the share contribution project.
- Situation report on prospective property transactions.

### 6 November 2013

- Draft conclusions prepared by counsel for the Company.

### 14 November 2013

- Investment /partnership projects.
- Situation report on business.

### 27 November 2013

- Situation report on ownership structure.

### 4 December 2013

- Recording of the fulfilment of the conditions for the final allocation of shares in the plan dated 8 December 2011.
- Preliminary items in the 2014 budget.
- Authorisation of a regulated agreement: amendment No.7 to the subsidiaries' adhesion contract dated 30 November 2006.
- Distribution of the 2013 attendance fees.
- Schedule for 2014.

In addition, at each meeting, the Board hears a report by the senior management on business, the property portfolio, and the Group's cash position, and discusses the Company's policy in respect of investing, financing and disposals of assets.

## Rules of procedure

The rules of procedure are available on the Company website: [www.societetoureiffel.com](http://www.societetoureiffel.com).

## Committees

Two specialised committees, the Audit Committee and the Appointments and Remunerations Committee, assist the Board in its task.

### Audit Committee

This committee comprises two members: Mr Philippe Prouillac, Chair, and Mr Richard Nottage. In accordance with the provisions of Article L. 823-19 and the recommendations of the AMF report of 14 June 2010 on the Audit Committee, the Board selected the members of the Audit Committee based on (i) their skills and qualifications in financial, accounting and property management, and (ii) their independence according to the criteria defined by the AFEP/MEDEF in the governance code for listed companies revised in June 2013.

The Audit Committee regularly audits the conditions for drawing up the individual and consolidated financial statements and ensures the accounting methods used are permanent and appropriate. It also makes sure that the internal procedures for collecting and checking information are in keeping with these objectives. It alerts the Board of Directors to accounting, financial or fiscal matters brought before it or which merit attention. It regularly informs the Board of Directors which formed it of its diligence and observations.

The main tasks of the Audit Committee are to:

- provide assistance to the Board in monitoring the preparation and approval of the corporate and consolidated annual and interim financial statements and their annexes;
- review the corporate annual and interim financial statements and the related reports before they are submitted to the Board of Directors;
- hear the Statutory Auditors and receive information about their analyses and conclusions;
- review and advise on the nominations of the Company's Statutory Auditors on the occasion of any such appointment and renewal;
- investigate any transaction, fact or event which could have a material impact on the Company's position in terms of commitments and/or risks;
- verify that the Company has suitable means (audit, accounting and legal) to prevent risks and anomalies in managing the Company's affairs;
- monitor the process for the preparation of financial information and the effectiveness of internal control and risk management systems.

It reports to the Board of Directors.

During 2013, the Audit Committee met six times to discuss the following:

- 29 January: Independent valuation of property assets at 31 December 2012;
- 12 March: 2012 financial statements;
- 13 June: Review of preliminary findings on reporting and forecasting tools, changes implemented, review of the structure of operating costs;
- 5 July: Valuation of assets;
- 23 July: Consolidated half-year financial statements for 2013;
- 3 December: Recording of the fulfilment of the conditions for the final allocation of shares in the plan dated 8 December 2011, implementation of monitoring tools, 2014 budget.

The attendance rate of the members was 100%.

In 2013, the members of the Audit Committee met the Statutory Auditors on several occasions, with particular regard to the corporate and consolidated financial statements for 2012 and the 2013 interim financial statements, as well as the CFO in charge of internal audit and risk control.

### Appointments and Remunerations Committee

This committee currently comprises three members: Mr Aimery Langlois-Meurinne, Chair, Ms Mercedes Erra and Mr Richard Nottage, appointed on 25 April 2013. They were selected by the Board of Directors in particular because of their expertise in management and human resources.

The Appointments and Remunerations Committee ensures that the remuneration of Executive Directors, and any changes made thereto, is in keeping with the shareholders' interests and the Company's performance, in particular in relation to the competition. The Committee also ensures that all remunerations enable the Company to recruit, motivate and retain the best executives.

It makes proposals or recommendations to the Board of Directors in the following areas:

- implementing a comprehensive remuneration policy for Executive Directors consisting of a fixed remuneration, variable portion, share subscription or purchase options, granting free shares, miscellaneous benefits and pension plan;
- developments occurring in all of the components making up executive remuneration, exceptional remunerations and other benefits;
- the total equity remuneration package consisting of share options and bonus shares, the scope of beneficiaries and a breakdown by category;
- fixing the amount of attendance fees and their allocation;
- supervising agreements entered into with Executive Directors;
- evaluating the financial consequences of these various items on the Company's financial statements;
- establishing rules for reimbursing expenses and miscellaneous benefits;
- the performance conditions to be set for executives receiving deferred compensation.

#### Regarding the selection of new directors:

- The Committee is responsible for making proposals to the Board after reviewing in detail all the elements that it must take into account in its deliberations: the required balance of the composition of the Board given the structure of, and

developments in the Company's share ownership, search for and evaluation of potential candidates, opportunities for reappointments. In particular, it must organise a procedure for the selection of future independent directors and perform its own review of potential candidates.

#### With regard to succession planning of Executive Directors

- The Committee should design a plan for the replacement of Executive Directors in order to be able to submit to the Board solutions for replacement in the event of an unforeseeable vacancy. This is one of the Committee's main tasks, even though such task may, if necessary, be entrusted by the Board to an *ad hoc* committee.

It reports to the Board of Directors.

During 2013, the Appointments and Remunerations Committee met five times to discuss the following:

- 17 January: Recruitment of a Chief Financial Officer and definition of his remuneration, remuneration of Mr Frédéric Maman under his employment contract with Tour Eiffel Asset Management, appointment of Mr Renaud Haberkorn as manager of Tour Eiffel Asset Management and allocation of remuneration between the latter company and Société de la Tour Eiffel;
- 20 March: Performance criteria related to the allocation of bonus shares to executives, determination of the variable remuneration of Mr Frédéric Maman;
- 24 April: Modification of the severance indemnity allocated to Mr Renaud Haberkorn and the performance criteria as of 2014;
- 30 May: Consultation on the separation of the roles of Chairman and Chief Executive Officer;
- 9 October: Review of the application of a new member of the Board.

The attendance rate of the members was 100%.

### *Principles and rules drawn up by the Board of Directors to determine the range of remuneration and benefits granted to the Company officers and directors*

The remuneration policy for Executive Directors is described in Section 3.4 of the management report for fiscal 2013.

Non-executive directors do not receive any remuneration from the Company other than attendance fees.

As remuneration for their activity on the Board of Directors, the attendance fees paid to directors comprise a fixed portion and a variable portion determined on the basis of actual attendance at meetings of the Board and the Committees.

### *Self-assessment of the Board*

The second self-evaluation of the Board was set up at year-end 2013 and the start of 2014.

This assessment was carried out on the basis of an anonymous questionnaire on the composition of the Board, its organization and operation, the directors' remuneration and the share ownership policy, the quality of the work of the Board, its relations with the Statutory Auditors and Company executives, its self-assessment and the management of the Company.

The assessment included sixty-four questions grouped into seven themes, accompanied by a scoring scale. The directors were invited to submit their comments and suggestions on each theme.

Six of the eight directors replied to the questionnaire.

The overall assessment is satisfactory, the answers being divided, with a few exceptions, between “strongly agree” and “somewhat agree”. Ten “no opinion” answers were received.

Two “somewhat disagree” answers were received. On the one hand they concerned the question: “Is the division between independent

and non-independent directors adequate?”, and on the other, the question: “Is the training of directors for Company and Group business lines sufficient?”

The suggestions related to the appointment of another woman as a director and the appointment of a secretary to the Committees. Two directors felt that the questionnaire method was not the most constructive.

These answers and suggestions indicate areas for improvement to be investigated further.

## Corporate governance

The Company refers to the AFEP/MEDEF Code of Corporate Governance for listed companies revised in June 2013 (available on the website of MEDEF [www.medef.com](http://www.medef.com)).

The table below summarizes the recommendations of the aforementioned code of corporate governance not applied by the Company and the reasons for doing so.

AFEP/MEDEF code article No.	Recommendations of AFEP/MEDEF Code not applied	Company's explanations
6.3	Each board should publish in the reference document the objectives, methods and results of its policy in these matters (composition of the Board and committees).	This recommendation has been adopted by the Company for the 2014 financial period.
6.4	Balanced representation of men and women: the objective is that each Board shall reach and maintain a percentage of at least 20% of women within a period of three years (as from April 2010).	The objective set by the Code is not yet reached, since the Board of Directors of Société de la Tour Eiffel has only one woman.  The Board is actively seeking candidates to feminize its composition and it intends to propose the appointment of a woman at the next General Shareholders' Meeting.
10.4	The internal rules of operation of the Board of Directors must provide for a meeting without the executive or “in-house” directors once a year, at which time the evaluation of the Chairman's, Chief Executive Officer's and Deputy Chief Executive's respective performance shall be carried out, and the participants shall reflect on the future of the Company's executive management.	This point will be proposed to the Board of Directors at the next amendment of the Rules of Procedure.  However, the Audit Committee and the Nomination and Remuneration Committee are two forums for independent directors to meet (respectively 6 and 5 times in 2013).
16.3	The Audit Committee should be able to call upon outside experts as needed making sure they have the requisite skills and independence.	This point will be proposed to the Board of Directors at the next amendment of the Rules of Procedure.
23.2.3	<b>Variable part of Executive Directors' compensation</b> The variable compensation must be determined by the Board of Directors for a fixed period. The rules governing the determination of the variable compensation must be consistent with the annual or multi-annual assessment of the Executive Directors' performances and with the Company's strategy. The variable compensation is a reward for the director's performance and the progress of the Company in the period under consideration. The share price must not be the only criteria for measuring this performance.	On an exceptional basis, when he was appointed in September 2012, the variable compensation of the Chief Executive Officer, who was recruited from the outside, was laid down without performance criteria and guaranteed for a period of two years.  The recommendation of the AFEP-MEDEF Code will be fully implemented from September 2014 on.  For the Deputy Managing Director, this recommendation was implemented in 2013 and will continue to be.
23.2.5	<b>Termination payments for Executive Directors</b> The performance requirements set by the Board must be demanding and may not allow for the indemnification of an Executive Director, unless his or her departure is imposed, regardless of the form of this departure, and linked to a change in control or strategy.	Mr Renaud Haberkorn is entitled to severance pay in case of forced departure for any reason whatsoever other than gross negligence or misconduct on his part, in respect of the duties of Chief Executive Officer of the Company and/or Manager of Tour Eiffel Asset Management.  This is a contractual provision corresponding to a 50% decrease in the amount of the severance indemnity.

## 2. CHIEF EXECUTIVE OFFICER'S POWERS

Société de la Tour Eiffel top management position can be assumed either by the Chairman of the Board of Directors or by another individual appointed by the Board and bearing the Chief Executive Officer's title.

Whereas the separation of the roles of Chairman and Chief Executive Officer best reflects the organization of the current governance of the Company, the Board of Directors, on the recommendation of the Appointment and Remuneration Committee, decided on 30 May 2013 to maintain this separation.

Mr Mark Inch is Chairman of the Board of Directors. He organizes and directs its work, and reports to the General Shareholders'

Meeting. He also reports to the General Shareholders' Meeting on the preparation and organization of the Board, the internal control procedures implemented by the Company and the restrictions that the Board has made, if any, to the powers to the Chief Executive Officer. He ensures the proper operation of the Company bodies and ensures, in particular, that the Board members are capable of fulfilling their duties.

Mr Renaud Haberkorn is Chief Executive Officer. No restrictions have been made to his powers.

Mr Frédéric Maman is Deputy Managing Director and has the same powers as the Chief Executive Officer.

## 3. PARTICIPATION IN THE SHAREHOLDERS' MEETINGS

Participation in the shareholders' meetings is governed by Articles 22 to 31 of the Company's articles of associations, available at the Company's website, [www.societetoureiffel.com](http://www.societetoureiffel.com).

The procedures for the participation of shareholders are also specified in each Shareholders' Meeting file on the website of the Company, [www.societetoureiffel.com](http://www.societetoureiffel.com).

## 4. FACTORS THAT COULD HAVE AN EFFECT DURING A PUBLIC OFFERING

Information regarding the capital structure of the Company is contained in paragraph 5.1 of the management report on fiscal 2013.

The factors that could have an effect in the event of a public offering are contained in paragraph 5.5, "Factors that could have an effect during a public offering" of the management report on fiscal 2013.

## 5. INTERNAL CONTROL PROCEDURES AND RISK MANAGEMENT

With regard to the internal audit and risk management procedures, the Company relies on the framework for risk management and internal control updated by AMF in 2010.

The internal control procedures cover Société de la Tour Eiffel and all of its subsidiaries which are included in the consolidation scope.

These actions were carried out across the three key processes identified as having priority by the Company: real estate investment (acquisitions, disposals, valuation, market risk) rental management (relationship with tenants and managers, checking rent receipts, etc.) cash-flow and financing (financing and rate hedging policy, monitoring of cash, receipts, etc.).

During fiscal 2013, the General Secretariat introduced new tools for control and management, including:

- a quarterly accounting reporting tool on which the business plan of the Group is now based;
- a dual monitoring procedure for late rental payments (on the one hand at the property management level with a warning to the owner on D+7, and secondly at the cash management department level).

An internal procedure was formalized in 2013 to identify and control the off-balance sheet commitments.

Development of the internal control system will continue in 2014 with the implementation of existing recommendations but also by carrying out the new action plans as scheduled and improving the existing controls.

### 5.1 *Internal control and risk management objectives*

The Company and its subsidiaries are now managed from within; the control procedures set up for the Group are meant to:

- ensure that the managerial actions fall within the scope of the Company's corporate purpose, the strategic orientations as defined by the Board of Directors based on proposals of the top management, in accordance with current laws and regulations, the Company's corporate interest and that of each of its subsidiaries;
- improve the efficiency of the Company's operations and enable the efficient use of its resources;

- coordinate the proper dissemination of accounting, financial and management reports among outside parties and the Group's top executives, verify that these reports are regularly sent to the Company's corporate bodies and those of its subsidiaries, and that they fairly reflect the Group's activity and financial position;
- and lastly, foresee and control the risks relating to the Group's activity and the risks of errors or fraud, particularly in the accounting and financial areas.

Internal control cannot provide absolute certainty the Company's objectives will be achieved.

## 5.2 *Drawing up and auditing accounting and financial reports*

### 5.2.1 Roles of the various parties involved

#### General secretariat

Tour Eiffel Asset Management carries out the duties of the General Secretariat in addition to its asset management mission (as an Asset Manager).

The General Secretariat disseminates and coordinates financial reporting among the various service providers and other parties while taking into account strategic imperatives as defined by the Owner.

Owing to the General Secretariat's role as a go-between among the Owner, the Asset Manager and the Property Managers, the General Secretariat has an overall view of the Owner and of the Companies. It makes sure that legal and contractual commitments are honoured, and that financial, tax and administrative obligations are met so the Owner and the Companies can be provided with efficient and optimal management.

To carry out its mission, the General Secretariat makes sure that it is kept informed of anything involving the Owner and the Companies. It makes sure that it takes the measures necessary to gather whatever information it needs, to validate the decisions taken and to alert the competent bodies and the Owner of any unfavourable consequences of pending decisions.

As part of the administrative follow-up of the Companies, the General Secretariat supervises the Companies' accounting which is sub-contracted out to an accounting firm, as well as the tasks involved in cash management, in operational, administrative and financial management control, and tax returns.

In its supervisory role, the General Secretariat keeps the Owner and the Asset Manager informed, forewarned and alerted of any and all legislative and case law developments which have consequences on the administration and management of the Owner or the Companies. It makes recommendations to them on their strategy and follow-up which could affect the Owner, the Companies or the properties concerned by these developments.

Lastly, the General Secretariat keeps the Owner aware, counselled, and informed of any major event concerning its strategy.

It coordinates with the Asset Manager the preparation and presentation of the overall budget and the medium-term business plan. The General Secretariat presents the Owner's short and medium-term objectives and strategy to the Asset Manager.

#### Property Managers

The Property Managers do the bookkeeping for income and expenses relating to the buildings in accordance with current French accounting regulations.

They monitor and input into the computer all settlements, follow-up actions, arrangements or legal disputes and their results so that the Owner can have clear and updated information.

At any time and whenever necessary, the Property Managers provide the Owner, the Asset Manager, or any other person designated by the General Secretariat, with the data needed to fill out tax returns.

Once a month, and within 10 days at the most after each month end, the Property Managers supply the data needed to draw up the Owner's accounts to the General Secretariat or to any persons it designates.

Every year within nine months of year end, the Property Managers send in the annual closed accounts to the Asset Managers for checking and approval then to the General Secretariat responsible for bookkeeping.

The Asset Manager and the Property Managers meet once a quarter to report on the past and future management of the buildings. At this time, the Property Managers submit a report to the Asset Manager which reports on the activity, the important events that occurred over the past quarter and the proposed responses for the following quarter.

#### Asset Manager

The Owner, the Property Managers and the Asset Manager (the "Asset Managers" job being performed by the same company which runs the General Secretariat) and/or their respective representatives meet at least once a year and more often if need be in accordance with the timetable established jointly at the beginning of the year in order to:

- report on the current state and forecasted trend of the markets where the buildings are located;
- update the management objectives and commercial strategy and approve the rolling maintenance programme for the coming year;
- examine issues of safety and regulatory compliance;
- assess the database system and its performance;
- review the bookkeeping and management analyses.

The Asset Manager will promptly notify the Owner of any event or circumstance that has a substantial negative or positive effect on the buildings value.

In parallel, the Asset Manager's teams regularly meet with his/her team in particular for a situation report on progress in operations and the strategy set up with the Owner.



### 5.2.2 Drawing up and controlling the accounting and financial information provided to the shareholders

The corporate and consolidated financial statements are drawn up by a certified accountants firm working closely with the General Secretariat. The certified accountants firm, Statutory Auditors and top executives, and, where applicable, the Board of Directors discuss beforehand the main options as to the choice of accounting methods.

The senior executives, General Secretariat, and third parties (certified accountants and Statutory Auditors), and where applicable, the Board of Directors and in particular the Audit Committee, draw up the accounting and financial reports to be circulated to the shareholders.

The Chief Executive Officer and the Finance Department are responsible for drawing up and controlling the accounting and financial information submitted to the shareholders working closely with the certified accountants and under the supervision of the Statutory Auditors.

In terms of the monitoring procedure for contingent liabilities, any financial commitment is inherently known by the legal department because of its close collaboration with the Finance Department of the Company. With regard to off-balance sheet commitments related to the operating activities of the Group, the operational departments automatically communicate to the legal department any proposed legal act, contract, warranty, guarantee, letter of intent, etc., for analysis and identification of the off-balance sheet commitments involved and to assess the sums involved. These off-balance sheet commitments, after being identified, are monitored over time in terms of their duration and amount.

### 5.3 Ways of improving control

During fiscal 2014, the Company has undertaken to continue to improve its internal control and risk management through the development of new procedures and the implementation of specific controls, especially for processes related to rental management, the Group's cash position, and evaluation of its property portfolio, in accordance with the "Internal Control Reference Framework" enacted by AMF.

#### Chairman of the Board of Directors

## 6. STATUTORY AUDITORS' REPORT DRAWN UP PURSUANT TO ARTICLE L. 225-235 OF THE FRENCH COMMERCIAL CODE BASED ON THE REPORT SUBMITTED BY THE CHAIRMAN OF THE BOARD OF DIRECTORS OF SOCIÉTÉ DE LA TOUR EIFFEL

### Financial year ending 31 December 2013

#### Expertise & Audit SA

39, avenue de Friedland  
75008 Paris

To the shareholders of:

#### Société de la Tour Eiffel

Public Limited Company with a capital of €31,269,580

In our capacity as Statutory Auditors to Société de la Tour Eiffel and pursuant to Article L. 225-235 of the French Commercial Code, we hereby report on the report submitted by the Chairman of the Board of Directors pursuant to Article L. 225-37 of the French Commercial Code for the year ended 31 December 2013.

It is the Chairman's duty to draw up a report on the internal control and risk management procedures in place at the Company and to submit it for approval by the Board of Directors. The report also discloses the other information required under Article L. 225-37 of the French Commercial Code relating notably to the corporate governance policy.

It is our responsibility to:

- make our observations on the information contained in the Chairman's report on the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information; and
- certify that the report contains the information required by Article L. 225-37 of the French Commercial Code, with the understanding that we are not responsible for verifying the fairness of this other information.

We carried out our work in accordance with the code of professional conduct applicable in France.

#### *Information concerning the internal control and risk management procedures relating to the preparation and processing of accounting and financial information*

The standards of professional conduct require that we practice due diligence to assess the fairness of the accounting and financial

#### PricewaterhouseCoopers Audit

63, rue de Villiers  
92200 Neuilly-sur-Seine

20-22, rue de la Ville-l'Évêque  
75008 Paris

information concerning the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information contained in the Chairman's report. This due diligence entailed the following in particular:

- familiarising ourselves with the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information underlying the information presented in the Chairman's report plus any existing documentation;
- familiarising ourselves with the work performed to compile this information and existing documentation;
- determining whether the Chairman's report mentions any material deficiencies in the internal control relating to the preparation and processing of the accounting and financial information we might have uncovered while performing our audit.

On the basis of our work, we have no opinion regarding the information provided on the Company's internal control and risk management procedures for the preparation and processing of accounting and financial information contained in the report of the Chairman of the Board of Directors, prepared in application of Article L. 225-37 of the French Commercial Code.

#### *Other information*

We attest that the Chairman of the Board's report comprises the other information required in Article L. 225-37 of the French Commercial Code.

Paris and Neuilly-sur-Seine, 20 March 2014

The Statutory Auditors

#### Expertise & Audit SA

Hélène Kermorgant

#### PricewaterhouseCoopers Audit

Yves Nicolas