



REPORT OF THE CHAIRMAN ON CORPORATE GOVERNANCE AND INTERNAL CONTROL
(Article L 225-37 of the Commercial Code)
for the 2006 year

Article L 225-37 of the Commercial Code requires the Chairman of the Board of Directors of any public limited company with its registered office in France and conducting public offerings to report on the conditions for the preparation and organisation of the work of the board and the internal control procedures established by the company. Without prejudice to the provisions of Article L 225-56, the report should among other items refer to any limitations placed by the board of directors on the authority of the chief executive.

I - PREPARATION AND ORGANISATION OF WORK OF THE BOARD OF DIRECTORS:

Internal regulations adopted by the Board on December 5, 2002 and updated on March 26, 2004, September 22, 2004, September 26, 2005 and December 18, 2006 specify and supplement the work of the Board described by the Articles of Association.

1) Composition of the Board

The Board of Directors of the Company has since April 21, 2006 consisted of 11 Directors and three non-voting members.

Affine complies with the principle recommended in France's Bouton report whereby at least half the Directors on the Board of Directors should be independent.

In accordance with the Bouton report, the principles used to determine the independence of a Director are that he or she:

- is or has not been an employee or senior officer of the company or an employee or director of the parent or a company it consolidates in the last five years;
- is not a customer, supplier or business or investment banker:
 - significant to the Company or its Group;
 - or for which the Company or its Group represents a significant proportion of business;
- does not have a close family link to a senior officer;
- has not been an auditor of the Company in the last five years;
- has not been director of the company for more than 12 years;
- if a director representing a significant shareholder, he or she is considered independent when this does not participate in the control of the company and its percentage shareholding is less than 10%.

In application of these principles, the following are considered independent directors: Mr Alain Bonte, Mr André Frappier, Mr Michel Garbolino, Mr Burkhard Leffers, Mr Paul Mentré, Mr Jacques de Peretti and Mr François Tantot.

A Director is appointed for three years. The appointment of Mab-Finances is due to end on the conclusion of the General Meeting convened to deliberate on the annual financial statements for 2006.

2) General management:

The Extraordinary General Assembly of September 12, 2002 harmonised the Articles of Association with France's new economic regulation Act of May 15, 2001 (Nouvelles Régulations Economiques, or the "NRE"). In application of Article 14 of the amended Articles of Association, the meeting of the Board of Directors on the same day decided not to separate the functions of Chairman of the Board and Chief Executive. It also decided to appoint a Deputy Chief Executive Officer.

3) Frequency of meetings:

The Board met nine times in 2006, on the following dates:

- January 27, 2006, examination of investment plans;
- February 28, 2006, approval of 2005 financial statements;
- April 21, 2006, renewal of appointment of the Chairman and Chief Executive and the Deputy Chief Executive, examination of investment plans;
- June 19, 2006, examination of investment plans;
- July 31, 2006, granting of a guarantee;
- August 24, 2006, examination of investment plans;
- September 18, 2006, examination of accounts for the first half of 2006 and forecast budget for 2006, payment of an interim dividend and examination of investment plans;
- October 30, 2006, examination of investment plans;
- December 18, 2006, examination of investment plans.

The average attendance rate of the Directors was 83.54 %.

4) Convening and information for the Directors:

The internal regulations envisage that meetings of the Board are convened by the Chairman of the Board of Directors verbally or in writing. This can include electronic messaging subject to a system being installed enabling authentication of the Chairman's signature.

Before any meeting, each Director receives a file enabling him or her to make a decision at the meeting based on all necessary information. Unless urgent, this file is sent a week before the date the Board is to meet but can be supplemented later by any other document able to assist decision-making.

The Company provides the Directors with all relevant information concerning it. This information is provided confidentially. At any time, any Director may request any document concerning the Company from the Chairman of the Board of Directors.

5) Specialist committees:

The Board of Directors has established two committees responsible for preparing its work:

- A Remuneration Committee, consisting of five members, is in charge of submitting to the Board all issues relating to the personal status and remuneration of senior company officers (salaries, bonuses and free share grants). These are decided on a consensual basis in accordance

with contributions to the results and satisfactory development of the Group. The Committee also deliberates on free share grants to certain staff members. These represent a loyalty-building tool and are awarded in accordance with the importance of responsibilities and contributions to Group results.

The Remuneration Committee met once in 2006 with a 100% attendance rate.

- A Commitments Committee, consisting of six members, has the task of examining investments in both lease and rental assets of which the amount exceeds the authority delegated to the Board, that is, €5,000,000.

For projects of less than €10,000,000 the Board of Directors is informed of the decisions of the Commitments Committee. For those of more than €10,000,000, it makes a decision based on its recommendations.

The Committee met twice in 2006 with an average attendance rate of 83.33%, it being understood that if a Committee member is absent, his or her observations may exceptionally be made in writing. Before each meeting of the Board of Directors, the Committee members are required to study all investment projects submitted directly to them.

The Board of Directors' meeting of December 18, 2006 amended the internal regulations to enable the Real Estate Director to attend Commitments Committee meetings in a consultative capacity.

6) Meeting minutes:

The minutes of the Board of Directors are prepared on the conclusion of each meeting and provided to the Directors for approval before the next.

II – INTERNAL CONTROL PROCEDURES:

1) Objectives:

The internal control procedures in effect at the Company have the aim:

- firstly to ensure that management actions, the performance of operations and the activities of staff comply with legislative and regulatory provisions specific to both banking and financial companies and the professional standards specific to the operations conducted, as well as with the enterprise guidelines established by the company bodies in respect of internal Company rules, standards and values; and

- secondly, to ensure that the accounting, financial and management information provided to the Company bodies accurately reflects the business and situation of the enterprise.

The main aim of the internal control system is to prevent and control risks arising from the activity of the Company and those of error or fraud, particularly in the accounting and financial areas. Like any control system, it can not constitute an absolute guarantee that these risks shall be fully eliminated. Nevertheless, Affine's status of credit institution resulted several years ago in it introducing rigorous internal control procedures under the monitoring of supervisory

authorities, as well as in appointing a specific supervisor and above all familiarising all Company employees with the importance of internal control.

2) Organisation:

The internal control supervisor works directly for General Management.

The internal control system is applied by Affine on two levels:

a) First-level controls concern all means implemented by the operating entities to ensure the appropriateness, security and successful completion of operations conducted, as well as compliance with procedures relating to the surveillance of all types of risks related to operations.

b) The second-level controls verify, with a monthly or quarterly frequency as appropriate, the appropriateness and compliance of operations in particular via an assessment of the:

- effectiveness of the first-level controls;
- compliance with and updating of procedures; and
- suitability of existing systems to the importance and control of all risks related to operations.

Controls are based on written, regularly updated procedures. These comply with both regulatory stipulations and Company standards. They describe the methods for recording, processing and generating information, the accounting systems and the procedures for initiating operations. They produce the information needed for the risk monitoring purposes of the Company and its subsidiaries.

3) Risk control

The twin characteristics of credit institution and property company govern risk identification and controls, asset monitoring arrangements and monitoring of the financial and accounting information quality.

a) Credit risk

The contractual relations with the lessees or tenants are based on tested, standard contracts that are regularly updated with the assistance of specialist lawyers.

• Risk analysis for decision-making purposes

The healthy quality of Affine's portfolio is thanks to a rigorous analysis of lessee and tenant circumstances and the provision of the guarantees necessary to mitigate any deterioration: assignment of sub-tenant rents, guarantees from lessee or tenant shareholders, guarantee deposits or bank guarantees for forthcoming rents and so on.

• Post-decision risk controls

- Global controls

As owner of more than 300 real estate assets, the Affine Group takes care in particular that:

- the assets are covered by insurance policies that can allow recovery of the value in the event of an incident;
- buildings comply with all applicable regulations: asbestos legislation, regulations on high-rise constructions and buildings open to the public, etc;
- building maintenance is conducted under its supervision by recognised professionals;
- large repairs are performed in a reasonable time to ensure the security and comfort of users and to preserve the value of the building;
- a financial analysis is conducted for the main lessees and tenants once annually;
- estimates of the buildings' values are checked against market values twice a year upon preparation of accounts.

The Affine Group has taken out all insurance policies needed for its business with major international firms:

- damages: new value with unlimited coverage;
- professional civil liability;
- civil liability for building owners; and
- company officer civil liability.

- Specific controls

Customer risk is monitored very regularly under a specific procedure. Any delay or failure to collect payments of more than six months results in the systematic provision of the corresponding receivable. The financial structure of the main lessees and tenants is reviewed annually or when a significant event occurs affecting them.

Affine has had a technical assessment procedure for its buildings in place since 2003. This is implemented by a specialist engineering firm, which obtains assurance of the satisfactory quality of the buildings before the construction guarantees expire.

b) Financial risk

The Company makes certain it has excess financial resources at all times, in particular via confirmed bank lines. It systematically covers its interest-rate risk via market operations (caps and swaps).

Furthermore, as part of the interest-rate risk hedging operations, Affine only enters into contracts with leading banking institutions.

c) Operating risk

- IT risk

Affine's entire IT system is backed up every day. In the event of an incident, a back-up facility is provided for outside the premises. Coded access procedures and anti-virus systems supplement the measures taken against IT risk.

- Legal risk

All property leases signed with customers are subject to one or more notarial deeds, with possibly ambiguous points thus examined twice by the legal department and the notary upon the wording of each agreement.

In respect of other contracts, to support its analysis of complex legal points the legal department receives assistance from specialist lawyers.

- Environmental risks

To respond to changes in customer demands and developments in regulatory standards, the Group participates in France's high environmental quality initiative (Haute Qualité Environnementale). This consists of limiting the environmental impacts of a construction or renovation operation, while ensuring healthy and comfortable living conditions for building occupants.

The company Abcd has thus introduced a low environmental impact site charter that is signed by all site participants before works agreements are formalised. This charter aims to reduce the nuisances caused by the site, for example with information from inhabitants of riverside areas, management of waste and rejected products, reductions in noise, cleanliness of sites and accesses and so on.

Affine takes care to ensure that the user of its leased or owned properties complies with all existing environmental regulations.

d) Money-laundering risk

Checks on the sources of funds from buyers and partners are conducted regularly, in accordance with stipulations applicable to both credit institutions and real estate professionals. In this respect, regular staff meetings allow for reiteration of the instructions with which to comply.

III - LIMITATIONS ON AUTHORITY OF CHIEF EXECUTIVE INTRODUCED BY BOARD OF DIRECTORS

1) Chairman and Chief Executive:

On 21 April 2006, the Board of Directors renewed the appointment of Maryse Aulagnon as Chairman and Chief Executive Officer and the Board defined her authority accordingly:

Subject to the authority the law expressly attributes to the General Assembly and that reserved specifically for the Board of Directors, the Chairman and Chief Executive Officer has in all circumstances the broadest authority to act within the limits of the corporate purpose on behalf of the Company. She may, furthermore, delegate her authority though only for a limited purpose and time.”

2) Deputy Chief Executive:

The Board of Directors of April 21, 2006 renewed the appointment of Alain Chaussard in his post of Deputy Chief Executive Officer. The Board defined his authority accordingly:

Mr Alain Chaussard has the following authority, as defined in the meeting of the Board of Directors of September 12, 2002:

- subject to the authority the law attributes expressly to the General Assembly and the Board of Directors, complete authority in all circumstances to act within the limits of the corporate purpose on behalf of the Company; and
- assistance to the Chairman in the management of the work and the organisation of the Board of Directors.

Mr Alain Chaussard is representative on the Board of Directors of Mab-Finances, vice-Chairman of the Board.

3) Delegations of authority:

The internal regulations of the Board of Directors have delegated the following authority to general management:

- divestments and acquisitions: up to €5,000,000 per transaction. After conclusion, the next meeting of the Board of Directors must be informed of operations of more than €1,000,000; and
- security, avals and guarantees: up to €3,000,000 per operation for requesting parties outside the Affine Group; for operations on the request of Group companies, the next meeting of the Board of Directors is informed.

General management has delegated the following authority:

- to Mr Nicolas Cheminais, Real Estate Director, the authority to adopt, renew and terminate all leases, to conclude all contracting or property development agreements for a maximum amount of €300,000, to grant all construction or contract development agreements for works not exceeding an amount of €100,000 and to conclude all technical contracts with a maximum amount of €100,000.
- to Ms Catherine Wallerand, Legal Director, the authority in particular to conclude any leases and to buy or sell all types of land, buildings and real estate rights and assets.

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