

1 CORPORATE GOVERNANCE

1.1 REPORT BY THE CHAIRMAN OF THE SUPERVISORY BOARD

Dear Shareholders,

Pursuant to the last paragraph of article L 225-68 of the Commercial Code, please find hereafter our report, based on the information available, which has been reported to us, on the conditions of preparation and organisation of the work of the Supervisory Board, including internal control procedures implemented by the Group.

1.1.1 Conditions of preparation and organisation of the work of the Supervisory Board

Atos Origin has a two-tier Supervisory and Management Board structure, which provides the necessary checks and balances to ensure that shareholders' interests are properly protected. Prior approval of the Supervisory Board is required for certain decisions as defined in articles 19.3 and 19.4 of the by-laws.

1.1.2 The Management Board

The Management Board is currently composed of the Chief Executive Officer and two senior executive Vice-Presidents. Their biographies can be found below. The composition of the Management Board reflects a balanced range of business, financial, human resources, marketing and international experience which Atos Origin believes is essential for the continued success of a global IT services business. The Management Board is responsible for the general management of the Group's business and meets as frequently as necessary. In 2007, the Management Board met thirty-four times. It reports to the Supervisory Board on a quarterly basis and on a case-by-case basis, according to the needs of the operations and meets with the Supervisory Board once a year for a full-day meeting dedicated to strategy, budget and business plans.

Subject to the provisions of articles 19.3 and 19.4 of the by-laws, the Management Board has full power and authority to represent the Group in its dealings with third parties. Although each of the members of the Management Board has specific executive responsibilities, all of its members are collectively empowered to manage the Group's business. In the case of split decisions, the Chairman of the Management Board has the casting vote.

Name	Operational functions	Transversal functions
Philippe Germond	Chairman of the Management Board and Chief Executive Officer	
Eric Guilhou	Senior Executive Vice President Global Functions	Finance, Human Resources, Processes and IT, Purchasing, Legal and Internal Audit
Wilbert Kieboom	Senior Executive Vice President Operations	Country operations, Service Lines (Consulting, Systems Integration and Managed Operations) and Sales

Since January 2007, as part of the transformation plan, a Group Executive Committee has been created to help the Management Board to drive the operational performance of the Group. Its main tasks are to define and review business priorities, review Atos Origin operational performance and the execution of the 3O3 program on a monthly basis and define corrective action plans. It is a dedicated forum for operational management of the Group, the operational link between the Group and the Management Board, and it allows the Management Board to focus on developing the Group, including very high level customer relationships, negotiation of partnerships and alliances and development of specialised businesses.

The Executive Committee increases exchanges and collaboration between operations, services lines, sales and support functions.

The key members are the CEOs of the large countries and Atos Worldline, heads of Global Service Lines, heads of Group Sales and Markets, and heads of Group functions.

1.1.3 The Supervisory Board

The Supervisory Board is currently composed of six members who have a wide range of experience in terms of industrial, financial and general management, as a result of their background, education and executive positions held.

The Supervisory Board has written internal rules (“règlement intérieur”) that define the rules and responsibilities of the Supervisory Board and of its committees, which are described in more detail in this section. The Supervisory Board adheres to a Charter that is described in more detail later in this section. In accordance with article L.225-68 of the Commercial Code, the Supervisory Board is in charge of controlling the Management Board and has no management powers. It also has certain specific powers described in articles 19.3 and 19.4 of the by-laws.

Its members are:

Name	Nationality	Age	Date of appointment	Committee member	Term of offices (a)	Number of actions held
Didier Cherpitel (Chairman)	French	63	2004	A,I,R,N	2009	1000
Dominique Bazy	French	56	1997	A	2009	20
Diethart Breipohl	German	68	2005	R,N	2009	10
Jan P. Oosterveld	Dutch	63	2004	I, R, N	2007	10
Vernon Sankey	British	58	2005	I	2007	500
Michel Soublin	French	62	2004	A	2007	500

A: Audit Committee

I: Investment Committee

R: Remuneration Committee

N: Nomination Committee

(a) General meeting of shareholders to approve the accounts of the year.

1.1.4 Independence of members of the Supervisory Board

The AFEP/MEDEF report of October 2003 defines a director as independent “when he/she has no relationship of any kind whatsoever with the corporation, its group or the management of either, that might colour his or her judgment”. The AFEP/MEDEF report also defines the various criteria that determine whether a director may be deemed to be independent as follows:

- The director is not an employee or corporate officer (mandataire social) of the Group, nor an employee or director of its parent or of one of its consolidated subsidiaries, and has not been one during the previous five years.
- The director is not a corporate officer of a company in which the Group holds, either directly or indirectly, a directorship, or in which a directorship is held by an employee of the Group designated as such or by a current or former (going back five years) corporate officer of the Group.
- The director is none of the following (whether directly or indirectly) a customer, supplier, investment banker or commercial banker – in each case:
 - o which is material for the Group or its group, or
 - o for which the Group or its group represents a material proportion of the entity's activity
- The director does not have any close family ties with a corporate officer of the Group.
- The director has not been an auditor of the Group over the past five years (article L 822-12 of the French Commercial Code – formerly article L 225-225).
- The director has not been a director of the Group for more than 12 years.

The above criteria have been reviewed by the Supervisory Board. On the above basis, five out of six members of the Supervisory Board are deemed to be independent, namely Messrs Cherpitel, Bazy, Breipohl, Sankey and Soublin.

While Mr Oosterveld does not meet all the independence criteria specified in the AFEP/MEDEF report (in view of the position he held at Philips until 2004), the Group believes that he is of sufficient stature and integrity as to ensure that his duties are carried out objectively and in the best interests of the Group and its shareholders.

1.1.5 Meetings

In accordance with the bylaws and internal rules, the Supervisory Board meets as frequently as necessary. A minimum of four meetings is held each year. During 2007, the Supervisory Board met twenty-two times. The members' rate of attendance was 85.7%. To encourage members to participate at meetings, 50% of the directors' fees paid for participation in the Supervisory Board are based on their attendance at the four principal meetings of the year and, from 2005 onwards, the amount not distributed to non-attending members is shared among the participants of the other Supervisory Board meetings held during the year.

In order to carry out its functions effectively, the Supervisory Board has asked the Management Board to provide regular and comprehensive information, in writing, on all significant matters relating to the operations of the Group.

During 2007 the Supervisory Board meetings dealt, inter alia, with the following subjects:

- A review and approval of the 2007 & 2008 budgets.
- The 3O3 Transformation Plan.
- Reviews of the quarterly trading results, forecasts and commercial prospects. Review of financial press releases.
- A quarterly review of off-balance-sheet commitments and risks.
- A review of the 2006 and half-year 2007 accounts.
- Divestments carried out during the year.
- Major outsourcing deals concluded during the year.
- Incentive plans for the top management of the Group and for employees.

In addition, the Supervisory Board met numerous times to deal with the following key and specific issues:

- The sale process initiated by the Management Board at the beginning of 2007, which was conducted under the strict control of the Supervisory Board, which reviewed regularly the process and which requested that industrial buyers be invited.
- The change in the composition of the Management Board required by the situation in which the Group was in June 2007, positioning Philippe Germond as the new chairman of the Management Board, including the new terms and conditions of compensation and functioning of the new Management Board.
- A business strategy review requested by the Supervisory Board from the Management Board based on the evolutions of the Group's markets, the inconclusive outcome of the sale process and the questions and suggestions made by certain shareholders of the Group. The Supervisory Board spent considerable time analyzing proposals made by certain shareholders of the Group and the reports and documents prepared by the Management Board and its financial advisors, to ensure that actions that would be value creative for all the shareholders and compliant with the corporate interest of the Group be taken into account in the Management Board's strategic plan. The Supervisory Board created an ad hoc committee (composed of Messrs Didier Cherpitel, Diethart Breipohl and Vernon Sankey, all being independent) to ensure the dealings with certain shareholders of the Group and their specific proposals, which reported regularly to the Supervisory Board.

The Supervisory Board holds a one-day meeting each year dedicated to reviewing the strategy of the Group. This meeting is attended by Management Board members and discussions focus on the major IT business trends within each service line and geography, and Group business plans. In February 2007, this meeting focused specifically on the 2007 budget and transformation plan. The business strategy review referred to above led to another session at the beginning of 2008 during which the Management Board presented its strategy for 2008.

The Supervisory Board has established the following four committees:

- The Audit Committee
- The Investment Committee
- The Remuneration Committee
- The Nomination Committee

Members of these committees are appointed by the Supervisory Board from among its members. The committees' terms of reference are specified in the Supervisory Board's internal rules and the committees act in a consultative capacity, reporting to the Supervisory Board. Their recommendations are discussed at length during the sessions, together with related documentation.

1.1.6 The Audit Committee

The Audit Committee is currently composed of Messrs Bazy (Chairman), Cherpitel and Soublin. The Committee meets at least four times a year, including two times in the presence of the statutory auditors. The Committee met eight times in 2007 and the attendance rate of its members was 100%.

The Committee reviews the accounting policies used by the Management Board to prepare the Parent Company and Group consolidated financial statements and controls whether they are appropriate and consistently applied, and monitors the proper implementation of internal controls. It is kept informed of key risks, including major litigations and financial commitments. The Committee holds meetings with the Management Board member in charge of Global Functions, the Group Chief Financial Officer, the Group General Counsel, the head of Internal Audit and the statutory auditors. Following the decision taken to improve its supervision and review processes in 2006, the Committee held exchanges with the statutory auditors without the presence of the management of the Group.

The Audit Committee reviews the quarterly Group financial reporting package addressed to the Supervisory Board. It is regularly informed of the Group's financial strategy and its implementation. It is informed on the terms and conditions of significant contracts (including the risk management aspect of such contracts). It also regularly reviews the status of the major existing contracts delivered under the risk management programmes. The Committee examines the accounting and financial documents to be submitted to the Supervisory Board. It also receives report from the statutory auditors on their conclusions of their work. A specific session is held each year in addition to ordinary meetings, in order to review specific contracts engagements, major contracts risks and losses declared. Topics reviewed by the Audit Committee during the year included:

- Recurring matters:
 - o The quarterly financial reporting package.
 - o The statutory auditors' global audit plan.
 - o The external audit fee budget.
 - o Internal control audit plans and recommendations.
 - o Provisions (including pension provisions), risks and undertakings.
 - o Material claims and litigation (including tax audits).
 - o Risk management reports for existing and new contracts.
 - o Implementation and updating of the delegation of authority and code of ethics.
- Specific matters:
 - o The scope and impact of the 3O3 Transformation Plan.
 - o The delivery progress of major contracts.
 - o The Group Book of Internal Control.
 - o Financial reporting processes and organisation.
 - o Professional fees.
 - o Preparation of the external audit renewal for one of the statutory auditors.

In 2007, the Audit Committee reviewed the process for the selection of one auditor of the Group and its renewal.

1.1.7 The Investment Committee

The Investment Committee is composed of Messrs Oosterveld (Chairman), Cherpitel and Sankey. The Committee met five times during 2007. The attendance rate of its members was 93.3%.

The Committee reviews all proposed acquisitions, divestments and strategic developments that are likely to have a material impact on the Group's development and external growth. The Committee reviewed all divestment and joint-venture projects.

1.1.8 The Remuneration Committee

The Remuneration Committee is composed of Messrs Cherpitel (Chairman) Breipohl and Oosterveld. It meets at least once a year. During 2007, the Committee met six times and the attendance rate of its members was 100%.

The Committee is responsible for:

- Making recommendations to the Supervisory Board concerning the fixed and variable remuneration, pension benefits, benefits in kind, free shares and stock subscription or purchase options awarded to the Chairman of the Supervisory Board and members of the Management

Board. These recommendations are made regularly at the end of each financial year, on the basis of the Group's financial statements.

- Determining the principal objectives to be included in the bonus scorecards of the Management Board for the coming financial year.
- Making recommendations to the Supervisory Board for employee share ownership plans and management incentive schemes.
- Making recommendations to the Supervisory Board for the amount of free shares and stock subscription or purchase options to be issued to Group employees.

The following principles (determined in 2004 and reviewed regularly on the basis of updated benchmarks) have applied in 2007 in determining the remuneration of the members of the Management Board:

- The remuneration package in 2007 is currently a combination of salary and free shares.
- Total salary includes:
 - o 40% fixed salary
 - o 40% variable annual bonus of which:
 - 50% (100% for the Chairman of the Management Board) is based equally on three financial criteria (i.e. external revenue growth, net income Group share and reduction in net debt)
 - 50% is based on individual objectives.
 - The financial and individual objectives are approved each year by the Supervisory Board.
 - Bonus may exceed 100% (on target), with a maximum cap of 250% for the year 2007 only.
 - o 20% long-term incentive based on achieving a rolling two-year target linked to cash flow elements. The incentive is triggered only if the two-year target is achieved at 100% minimum. Such incentive can exceed 100%, with a maximum of 300%. Long-term incentive granted in free shares that are locked up for two years after target achievement.
- A Management Incentive Plan (MIP) through which free shares are granted, provided the Management Board member has invested in Atos Origin shares. Under the plan, a free share is granted against a share purchased, with a maximum of shares to be purchased which cannot exceed 500,000 euros per annum.
- 20% of free shares granted to the Management Board must be retained until the end of their mandate.

The Supervisory Board is reviewing these principles in order to refine the remuneration package, in order to better reflect the performance of the Management Board members.

In July 2007, the comprehensive remuneration package of Management Board members created in 2005, some elements of which came under the definition and were approved as related-party agreements ("conventions réglementées") by the shareholders at the General Meeting of 23 May 2006, was reviewed and completed by the Supervisory Board, on the basis of a recommendation of the Remuneration Committee, as follows:

- The pension scheme at retirement up to 60% of the average annual fixed salaries over the last thirty-six months, after deduction of mandatory or other contractual pension benefits –including defined contribution benefits as applicable–, was implemented as of 1/1/2007 for the members of the Management Board and of the Group Executive Committee. Accrual of rights is quarterly, based on a fifteen year contribution. Contribution from start of service is with a fifteen year maximum retroactivity. A benefit to surviving spouse is an option at the discretion of the beneficiary, the related capital not being modified by this choice. The scheme also includes a defined-contribution aspect up to 5% of the annual gross salary limited to 5 times the annual French social security ceiling amount.

In 2007, in addition to the review of the principles described above, the Remuneration Committee reviewed and recommended:

- o the implementation of the Long Term Incentive plan for the top management under which 168,658 free shares were granted under performance conditions;
- o the implementation of the Management Incentive Plan for the top management under which 218,184 free shares were granted subject to conditions of presence in the Group and investment in Atos Origin shares through the vesting period;
- o the implementation of the Employee stock purchase plan Sprint 2007, under which 693,439 new shares were issued;

- o a welcome grant of 25,000 Stock subscription share options was authorised and implemented in 2007 to several new high level executives.
- o a benchmark of the remuneration of Management Board members.

1.1.9 The Nomination Committee

The Nomination Committee is composed of Messrs Breipohl (Chairman), Cherpitel and Oosterveld. The Committee is responsible for recommending suitable candidates for appointment to the Supervisory Board should any vacancy arise. The Committee met twice in 2007, to review potential candidates to be proposed to the next shareholder's meeting.

1.1.10 Self assessment of the Supervisory Board

In 2007, follow-up interviews and discussions were held with the assistance of the same external consultant as in 2005 and 2006.

The improvements defined during the self-assessment session of 2006, covering both the process and format of the meetings and the contents of decisions, as reported in last year's annual report, were implemented in 2007.

For 2008, the general direction reflected in recommendations for improvement defined in 2005 remains valid, especially for timely information of Supervisory Board members and for improved business information tools.

1.2 INTERNAL CONTROL

The internal control system designed within Atos Origin and described hereafter, has been established by reference with the internal control reference framework of the AMF (*Autorité des Marchés Financiers*).

On top of the definition of the internal control (section 20.2.1), description of the components of the internal control (section 20.2.3) and internal control players (section 20.2.5), this report includes also a view on the context of internal control main initiatives performed this year within Atos Origin (section 20.2.2), and makes a specific focus on the internal control system related to the accounting and financial information (section 20.2.4).

The Chairman of the Supervisory Board has entrusted the preparation of the section of the Report by the Chairman of the Supervisory Board on internal control procedures to the Group Internal Audit Department. This preparation has been reviewed by the Management Board Member in charge of Global Functions. The information reported below has been extracted from this preparation.

1.2.1 Internal control definition and objectives

Internal control system designed throughout the parent company and its subsidiaries (together referred to as the "Group" or the "Company") aims to ensure:

- Compliance with applicable laws and regulations;
- Application of instructions and directional guidelines settled by the Management Board;
- Correct functioning of company's internal processes particularly those implicating the security of its assets;
- Reliability of financial information.

One of the objectives of internal control procedures is to prevent and control risks of error and fraud, in particular in the accounting and financial areas. As for any internal control system, this mechanism can only provide reasonable assurance and in no event gives an absolute guarantee against these risks.

1.2.2 Internal control main initiatives of the year

At the end of 2006, the Group designed new governance with the creation of the Group Executive Committee and evolved to a matrix organisation in order to ensure a direct link between countries, operational lines, support functions and sales. As a result the 3O3 transformation plan was launched in 2007 (details are in the Business Activity Report, section 9 - Strategy, Organisation and Outlook). In

line with this transformation plan and Atos Origin objectives over the coming years, major evolution took place in the Group organisation in 2007:

- Strengthening of responsibilities of support functions Finance, HR and Legal, with now a dual reporting of the Country/ Service Line functions to Group Functions and to Country CEO/ Service Line leaders.
- Centralization of the Purchasing, Business Process & IT and Internal Audit functions.

These changes have been accompanied by a reinforcement of the internal control system materialized by the elaboration of a Book of Internal Control and the creation of an Internal Control function at group level:

- The Book of Internal Control is the Group framework addressing key internal control activities related to key processes (Finance and Treasury, Human Resources and Pensions, Legal, Purchasing, Internal IT, Communication, and controls over projects from bidding to post-delivery phases). Its objective is to provide a more comprehensive and standard internal control framework within the Group, in addition to the existing Group and local procedures & policies.

Financial controls of this Book of Internal Control have been designed in compliance with the AMF Application Guide for Internal Control Procedures Related to the Accounting and Financial Information Published by the Issuers (*Guide d'application relatif au contrôle interne de l'information comptable et financière publiée par les émetteurs*).

- The Internal Control function has been created within the Group Internal Audit Department. This function is to ensure the coordination of the implementation of the Book of Internal Control and its continuous improvement within the Group.

Each operating and support function at Group and at local levels is responsible for the correct application of the controls of the Book of Internal Control and Group and local management is responsible for the supervision of this application.

The design and communication phases of the Book of Internal Control have been completed in 2007. While the Book of Internal Control has been phased in over 2007, it will be fully deployed in 2008:

- The Book of Internal Control has been designed by Group process owners based on the Group risk mapping, on the existing Group and local procedures, and on workshops with Group and local staff. During the design phase, it was paid a particular attention to get controls proportionate to the risks on one hand, and to define an appropriate and sufficient documentation for each control activity on the other hand.
- The Book of Internal Control has been communicated by the Management Board to all managers within the Group. Internal control '*champions*' have been identified for each process and in main countries, and trained to be the relay of the local implementation of the Book of Internal Control. Presentations were made in Executive Committees of main subsidiaries to introduce the Book of Internal Control.
- The Book of Internal Control started to be deployed in 2007. A particular focus has been made on the application of controls related to reliability of accounting and financial information within the main countries.

The deployment plan started with a self-assessment process leading local Management to make a picture of their subsidiary on the level of control related to reliability of accounting and financial information. An audit has followed to check the reliability of the self-assessment and assess the level of implementation of controls.

1.2.3 Components of internal control system

Internal control system within Atos Origin is based on the following five components:

1.2.3.1 Control environment

The control environment is based on the matrix organisation structure of the Group including Operational Management (Countries) and Functional Management (Service lines, Sales and Markets

and Support Functions). The components of this organisation having an importance for the internal control system are the followings:

- **Deployment of a Code of Ethics**

Atos Origin pays a particular attention to compliance with ethical rules in connection with the conduct of its operations. A Code of Ethics setting out the principles applicable to conflicts of interest, insider trading and business ethics has been prepared and adopted by the Management Board (see specific section on Code of Ethics).

A procedure has been developed to communicate this Code of Ethics to the executives of each of the Group's units and to ensure that they comply with the Code. This process is monitored by Group Legal and the Audit Committee is kept informed. The purpose of this procedure is to ensure that all persons entrusted with responsibilities are aware of the Group's standards in terms of integrity and legal compliance and agree in writing to abide by these principles.

- **Delegation of Authority**

In 2007, Atos Origin updated procedures applicable throughout the Group setting out the authorization of officers of subsidiaries to incur legal commitments on behalf of the Group with clients, suppliers and other third parties. The intention of these rules is to ensure efficient and effective management control from the country level to Management Board level. The delegation of authority policy is rolled-out under the supervision of the Group Legal department.

- **Attention to the respect of Segregation of Duty principles**

Updated standards for segregation of duties have been implemented in the organisation. A program started in 2006 to improve segregation of duties including functional review of segregation of duties and review of procedures for profiles attribution. Tooling has been used to perform automatic assessments of those standards in the systems.

- **Human Resource Management**

A Group Human Resource management policy has been designed through the Global Capability Model (GCM) which is a standard for categorizing jobs by experience and expertise across the Group. It helps employees in being aware of their responsibility through job description; it helps managers in recruitment and rewarding; and it helps the Operations in resourcing and budgeting. A Group Policy on bonus scheme completes this organisation by setting incentives for key managers.

For 2008, key human resource areas will be to develop more online human resource processes to support Atos Origin transformation plan and continue to provide the necessary HR tools and systems to allow managers to inform employees on important decisions impacting their responsibility area.

- **Information Systems**

Group Business Process and Internal IT department is in place to provide common internal infrastructures and applications for Atos Origin staff worldwide. It supports functions like Finance (accounting and reporting applications), Human Resources (resourcing tool, corporate directory) or Communication (group websites and intranet). Security and access to these infrastructures and applications as well as their reliability and performance are managed by this department.

- **Operating procedures**

The Group has designed and implemented over the last years operating procedures to manage its key processes. These operating procedures are reviewed when necessary to be in line with the objectives of the Group. Some of these key operating procedures are described hereafter:

- o **Bid management**

To manage its commercial processes, the Group has a set of procedures and tools called AtosTM Rainbow. Rainbow provides a formal and standard approach to bid management, balancing sales opportunities and risk management for all types of opportunities, as well as continuous guidance and control for the decision-making process. Rainbow is the mean by which Atos Origin's management is involved in controlling and guiding the acquisition of the Group's contracts. Above specific thresholds Rainbow reviews are performed at Management Board level.

Coordination and implementation of the Rainbow process throughout the Group is ensured by Group Finance. The Rainbow process is facilitated through a governance model and defines Rainbow rules at Management Board, Global Service Lines, Group Functions and country levels. Global Service Lines and Group Functions are closely involved in this process and review all commercial bids that exceed certain thresholds. Rainbow process is supported by a formal change management process: in 2007, Rainbow has been updated in order to take into account the evolution of the Group's business environment, and in particular the increasing size and complexity of commercial opportunities. Controls performed on major contracts at Management Board level have been strengthened, integrated handover between bidding and delivery processes has been reinforced, levels of authorization according to the delegation of authority policy have been reviewed, and finally management of the contracts database has been improved.

o Pension Governance

Governance model has been implemented to manage pension topics including the creation of Group and Local Pension Steering Committees, and Group Pension Investment Committee. In 2007, Group Pension Steering Committee attended 3 times. Group pension policies (benefit design, asset management & transfer/outourcing) have also been updated and communicated. Group Pension department (in dual reporting to Group HR & Group Finance) is in place to provide assistance to local operations in improving investment strategy, and to develop reporting and Group policy.

o Investment Committee

Group Investment Committee aims to review and approve all purchases of tangible & intangible assets which are above countries thresholds including the financing associated and irrespective if the purchase is for an internal project or for a client. Group Investment Committee aims to assess the overall profitability of the investment with key performance indicators such as value creation, payback period or return on investment. This Committee is chaired by the Group CFO.

o Payment & Treasury Security rules

These rules have been designed by the Group Finance Department to strengthen internal control on payment authorization, means of payment, segregation of duties, and bank accounts management. Internal control strengthening has been materialized for example by the followings:

- Review of authorization thresholds;
- Enhance security of payment mean with electronic data transfer;
- Request of acknowledgement of receipts to the banks to ensure strict application of rules;
- Maintain all bank accounts and signatories through a centralized database;
- Creation of a Group Treasury and Security Committee to supervise the implementation of these rules. This Committee is chaired by the Group CFO.

1.2.3.2 Communication of relevant and reliable information

A dedicated intranet site is accessible to all employees which facilitates the sharing of knowledge and issues raised by the Atos Origin internal communities. This global knowledge management system promotes collaboration and allows efficient and effective information transfer.

Group procedures are available on this Global knowledge management system. Every employee has an access to its communities within the Global knowledge management system. Every time a procedure is updated or amended, an alert is given and the procedure is communicated by e-mail to a diffusion list preliminary prepared. The updated or amended procedure is then included in the Group knowledge management system to be available for all relevant employees. For new procedures, trainings or presentations are organised to train relevant staff or explain the procedure.

In 2007, the Book of Internal Control has been subject to a communication plan to ensure a proper dissemination within the Group.

1.2.3.3 System for risk management

A risk mapping has been carried out in 2005 with the objective of identifying key risks the Group is dealing with, and assessing the efficiency of procedures in place to mitigate these risks. In 2007, this still valid risk mapping was used in the design of the Book of Internal Control (design of control objectives facing key risks).

Some risks are also subject to a specific follow-up: operational risks on projects are managed by the Risk Management function (including a Group Risk Management Committee who meets monthly to review the most significant and challenging contracts), primary insurable risks including protection of Group assets (production sites and datacenters) and people are covered by insurance policies, managed at Group level by the Legal Department. These risks are detailed in the Financial and Legal Information report (section 19 - Risk Analysis).

1.2.3.4 Control activities

Key control activities are included in the Book of Internal Control (see description above).

Control activities are precise actions to be performed to cover control objectives (statements related to a significant risk to be covered).

In the Book of Internal Control, a control activity always includes:

- Control evidence which is the document formalizing the control performed,
- Control owner which is the precise function in charge of performing the control, and
- Control frequency which is the event or the moment when the control has to be performed.

Control activities within the Book of Internal Control cover also the following topics:

- Regarding HR and Pensions, control activities have been designed regarding to identify and manage evolutions of Labour laws in countries where the Group operates, treatment of payroll, control of employment contracts, recruitment and termination processes, authorization mechanisms for compensation and benefits, objective and appraisal scheme, management of temporary staff and business expenses.
- Regarding Legal, on top of the Delegation of Authority mentioned above, control activities have been designed on rules for customer contracts, trademarks, patents and domain names registration, insurance and corporate law.
- Regarding the control of our business projects (System Integration and Managed Operations) from bidding to post-delivery, on top of the Bid Management process and Risk Management mentioned above, control activities have been designed on the handover from bidding to delivery, follow-up of risk register and action plans, resource management control, project financial review, monitoring of project execution and termination process for a project.
- Regarding Purchasing, control activities have been designed on purchasing request authorization process, key steps of procurement-flow, asset management rules and ethics for buyers.
- Regarding Internal IT, control activities have been designed around protection and confidentiality of data and information including disaster recovery plans, security and access to the systems and networks.
- Regarding Communication, designed control activities are related to internal communication of key messages as well as procedures and policies, preparation and disclosure of announcement, public relations, communication crisis plan, financial communication, and investor relations.

Regarding Finance and Treasury, the detailed control activities are described below.

1.2.3.5 Monitoring

Monitoring of internal control system includes the analysis of results of controls (identification and treatment of incidents) and the assessment of controls to ensure controls are relevant and appropriate with control objectives. This monitoring is the responsibility of the Group and Local Management.

Regarding the Book of Internal Control, Group and Local process owners have signed in 2007 a letter of representation to confirm their ownership and their responsibility in the implementation of this Book of Internal Control including its monitoring.

Internal Audit is responsible to assess the functioning of internal control system.

Internal Audit carries out reviews to ensure that the internal control procedures are properly applied and supports the development of internal control procedures. Internal Audit also defines, in partnership with Group and Local management, action plans for continuously improving internal control processes.

Internal Audit coordinates the self-assessment process designed to help Local Management evaluate and continuously improve their internal control. This process is supported by internal audit reviews at local level, to assess internal control, check self-assessment reliability and follow-up corrective actions.

In 2007, Internal Audit carried out 45 audit assignments assessing the functioning of internal control system. All assignments have been finalized by the issuance of an audit report including action plans to be implemented by the related division or country. Among the audit assignments achieved in 2007:

- 4 countries within the Group have been audited through a full review of the operation of internal control on all the key processes. A follow-up was also performed on previous action plans.
- 7 divisions have been subject to a financial review. These divisions represent 40% of the external revenue of the Group.

1.2.4 Internal Control system related to the accounting and financial information

1.2.4.1 Group and local financial organisation

Group Finance Executive Committee includes main country chief financial officers and Group Finance functions and meets on a regular basis and is in charge of the overall monitoring of the process of preparation of the financial information. Significant accounting issues, as well as potential internal control deficiencies, are reported to this committee, which decides on the appropriate corrective actions to be carried out.

1.2.4.2 Group Finance policies & procedures

Group Finance has drawn up a number of Group policies and procedures to control how financial information is processed in the subsidiaries. These policies and procedures have been discussed with the statutory auditors before issuance and include the following main elements:

- Financial accounting policies include a Group reporting and accounting principles handbook applicable to the preparation of financial information. The handbook sets out how financial information must be prepared, with common presentation and valuation standards. It also specifies the accounting principles to be implemented by Atos Origin entities in order to prepare budget, forecast and actual financial reporting required for Group consolidation purposes. Group reporting definitions and internal guidelines for IFRS and particularly accounting rules applicable in the Operations are regularly updated. In 2007, a new Group chart of accounts has been deployed. An IFRS knowledge center is in place at Group level to assist and support local operations.

The Closing File (included in the Book of Internal Control) is also a key financial tool which has been designed in 2007. It is required for each subsidiary to elaborate on a quarterly basis, a standard closing file formalizing key internal controls performed over financial cycles and supporting closing positions. The Closing file will be fully deployed at local level in 2008.

- Financial reporting including budget, forecast and financial information by subsidiary is carried out in a standard format and within a timetable defined by formal instructions and procedures. Group Finance liaises with statutory auditors to coordinate the annual and half-year closing process.

Since beginning of this year, financial information (operational reporting and statutory figures) is reported monthly through a unified reporting tool. Each subsidiary reports its financial statements on a standalone basis in order to be consolidated at Group level. There is no intermediary consolidation level and all accounting entries linked to the consolidation remain under the direct

control of Group Finance. Off balance sheet commitments are reported as part of the mainstream financial information and are examined by Group Finance.

- Functional reviews are performed by the Group support functions on significant matters relating to financial reporting, such as:
 - Review of tax issues by the Tax Department.
 - Review of pensions by the Pension Department.
 - Review of litigations by the Legal Department.
 - Review of off balance sheet items by the Treasury and Legal departments.
 - Review of business performance and forecast by the Controlling department.
- Financial monitoring procedure: Group controlling is supporting Operations and Executive Committee in the decision making process by establishing a strong link with country management in financial analysis & monitoring, enhancing control & predictability of operations and improving the accuracy & reliability of information reported to the Group.
- Training and information sessions are organised regularly in order to circulate these policies and procedures within the Group. A dedicated intranet site is accessible to all accounting staff, which facilitates the sharing of knowledge and issues raised by members of the Atos Origin financial community.
- Representation letters: During the annual and half-year accounts preparation, the management and financial head of each subsidiary is required to certify in writing that they have complied with the Group's accounting rules and policies and that, to the best of their knowledge, there is, within their scope of responsibility, no major deficiency in the control systems in place within their respective subsidiary.

The review of the internal control procedures linked to the processing of financial information is a major component of the reviews conducted by the Internal Audit Department. The Internal Audit Department works together with Group Finance to identify the main risks and to focus its work plan as effectively as possible to control such risks.

1.2.5 Internal Control system players

The main bodies involved in the implementation of internal control procedures at Atos Origin are as follows:

1.2.5.1 Supervisory Board with Audit Committee

As defined in the previous section, the Supervisory Board has prepared corporate governance rules detailing the Board's role and the responsibility of its four committees. Those committees play a key role in the internal control system through their review and monitoring duties in a number of areas. The Audit Committee, in particular, is informed of the content and the implementation of internal control procedures used to ensure the reliability and accuracy of financial information.

1.2.5.2 Management Board and Executive Committee

As defined in the previous section, the Management Board is responsible for the general management of the Group's business and focus on strategic aspects to develop the Group. As part of its role, the Management Board defines the framework of the system of internal control.

The Executive Committee has been created to drive the operational performance of the Group. Its main tasks are to define and review business priorities, review Atos Origin operational performance and the execution of the 3O3 program on a monthly basis and define corrective action plans. Management at different levels is responsible for implementing and monitoring the internal control system within their respective areas of responsibility.

1.2.5.3 Group functions

Group Finance has adjusted its existing governance model following the announcement of the transformation plan and the switch from a geographic to a matrix based organisation with a dual

reporting structure. Group Finance contributes to improve monitoring and controlling of business operations, to create competition advantage to face business challenges and to optimize costs.

Group Finance receives financial information prepared by the subsidiaries, conducts regular checks and is responsible for the production of the Group's consolidated financial information. Group Finance responsibility includes consolidation and financial reporting, controlling, bidding control, treasury, tax and financial expertise (Pensions, Accounting standards and policies).

Group Human Resources manages people-related information and ensures the relevant level of skills and experience for each management position. Group HR responsibility includes among others: bonus score-card management, appraisals, HR reviews, and training.

Group Legal participates in the Group internal control by ensuring the design and the proper implementation of corporate and legal business governance and Group insurance, among others: delegation of authorities, control of Group guarantees and Code of Ethics.

Business Process & IT organisation has the role to drive standardisation, simplification and economies of scale through alignment of all key stakeholders requirements (Service line and support functions). Business Process & IT contributes to process standardisation and is responsible for the application and infrastructure integrity through a defined enterprise architecture that is aligned to the Atos Origin business model.

The centralization of the purchasing function reinforces internal control and measurable margin impact. Unique procurement processes across the Group will standardize purchasing policies, procedures and tools, with reducing number of suppliers and volume concentration.

Each group function is responsible for the preparation and issue of the Group internal control policies and procedures related to their respective areas of responsibility and in particular the implementation and maintenance of the Book of Internal Control including key controls in line with the current process and organisation. Local Management is responsible for the implementation of these policies and procedures and the monitoring of internal control.

1.2.5.4 Global service lines

Global Managed Operations, Global Consulting and Global System Integration ensure consistent delivery across the organisation and support sales & marketing in large/ global deals. Internal control consists mainly in the validation of pricing on large or cross-border bids, capital expenditure and the monitoring of significant projects through the participation to risk management and investment committees. These internal controls are embedded in two functions: global risk manager and global controller.

1.2.5.5 Risk management

As defined in the previous section, Risk Management monitors, reviews and inspects the bidding, engaging in and the execution of contracts to achieve an optimum balance between risk and reward and identifies improvements in our operational processes, including controls where applicable.

1.2.5.6 Internal control

Internal control function has been created in 2007. This function is to ensure the coordination of the implementation of the Book of Internal Control and its continuous improvement within the Group. Internal control coordinates also all other initiatives of internal control.

1.2.5.7 Internal Audit

In 2007, the Internal Audit organisation has been centralized which allows working globally following one group audit plan and a consistent audit methodology. Internal Audit operating principles are defined in the Group Internal Audit Charter, which has been validated by the Audit Committee. The Audit Committee also receives regular reports on the Internal Audit work plan, objectives and findings. The internal audit department liaises with the statutory auditors to ensure an appropriate co-ordination between internal and external control.

1.2.6 Outlook and related new procedures to be implemented

In 2008, the Group will continue to improve its internal control system. Developments are planned in accordance with the 3O3 initiatives detailed previously.

The Internal Audit Department will pursue the internal review programme initiated in 2007. In line with the planned development of the internal control system of the Group, Internal Audit plans to pursue its focus on the implementation of the Book of Internal Control. In parallel with the continuation of the self-assessment process on financial internal controls, the Internal Audit team will continue to reinforce control and verification of financial information.

Conclusion

Based on the above, we have no other observation with regard to internal control and procedures implemented by the Group. However, it should be noted that internal control cannot provide an absolute guarantee that the Group's goals in this respect will be achieved and that all risks will have been completely eliminated.

Didier CHERPITEL
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