D.3 Report of chairman of the Board of Directors on Corporate Governance and Internal Control

Dear Shareholders,

Pursuant to article L.225-37 of the French Commercial Code, as Chairman of the Board of Directors of Atos (hereinafter the "Company"), let me present first of all the preparation and organisation conditions of the work of the Board of Directors since January 1st, 2011, and secondly, the internal control procedures set up within the Atos Group.

The Board of Directors approved this Report during its meeting of 29 March 2012.

D.3.1 Corporate Governance

Since February 10, 2009, the Company is composed as a "*société anonyme*" (public limited company) with a Board of Directors and a Chief Executive Officer.

This governance structure, tailored to the Group's situation, allows for the necessary reactivity to ensure growth and company profitability in the tough current economic environment, as well as to take up the challenges relating to the successful integration of Siemens IT Solutions and Services.

The Board decided not to separate the functions of Chairman of the Board and Chief Executive Officer in order to comply with its announced commitments to the shareholders when transforming the Company's governance. The powers of the Chairman of the Board and Chief Executive Officer are described in the "Legal information" section of the Reference Document.

The Company determined the compensation and benefits of its managers and representatives according to a set of rules and principles described in the "Executive compensation and stock ownership" section of the Reference Document.

The rules relating to the participation of shareholders in the General Meetings are described in the "Legal information" section of the Reference Document.

The factors that can exert influence on the public takeover bids are described in the "Legal information" section of the Reference Document.

Frame of reference on Corporate Governance
French legislation and rules published by market regulatory authorities apply to the Company's corporate governance.

The Company refers to the recommendations set out in the Corporate Governance Code of Listed Companies issued by the AFEP-MEDEF and has decided to use the Code as a reference in terms of corporate governance. This Code is available on the following website: www.code-afep-medef.com.

The Code of Corporate Governance was adopted by the AFEP-MEDEF on 23 December 2008 and is now the new frame of reference. Since its adoption, the Board of Directors committed to perform a yearly review of the implementation of these rules, and to publish the review of the recommendations of the AFEP-MEDEF.

Therefore, the Board of Directors held a meeting on 22 December 2011 on the yearly review of the implementation of the rules of governance. The Board also relied on the specifications brought on a later date by the reports of the Autorité des Marchés Financiers (AMF), and by the AFEP-MEDEF, on the implementation of these recommendations.

Following this meeting, the Board considered that the mechanism put in place by the Company on corporate governance matters, especially concerning the compensation of legal representatives, was consistent with the recommendations of the AFEP-MEDEF.

The detailed elements taken into consideration by the Board of Directors are available on the following website: www.atos.net.

More generally, upon suggestion by the Chairman of the Board of Directors, the agenda regularly contains points on the corporate governance of the Company. Thus the Board has consistently expressed its will to take into account, and sometimes anticipate, recommendations from various bodies working on the improvement of corporate governance for listed companies whenever such recommendations are in line with the interests of the Company and of its shareholders.

Therefore, many systems illustrating this commitment have already been put in place in previous years by the Board of Directors upon the Chairman's request. This includes, among others, the reinforcement of conditions for stock option or performance share plans for which the managers of the company are beneficiaries, the definite removal of golden parachutes or the appointment of a reference director.

Reference director
In accordance with the 7 December 2010 AMF recommendation in the "AMF supplemental report on corporate governance, director compensation and internal control", upon proposal of the Remuneration Committee, the Board of Directors appointed Pasquale Pistorio as the new reference director during its meeting of 22 December 2010.

The reference director is in charge, in particular, of the assessment of the Board's work, carried out every year under his supervision. He is also in charge of arbitrating potential conflicts of interest. He is questioned regularly on the functioning of the Board.

Censor
Pursuant to article 26 of the Company's articles of association, the Board of Directors decided to appoint Colette Neuville as censor during its meeting of 13 April 2010. The appointment was later ratified during the General Meeting of shareholders of 27 May 2010. Ms. Neuville's mandate was renewed during the General Meeting of Shareholders of 1st June 2011 for a term of one year.

The censor is invited to each meeting of the Board where he/she acts as observer. The Board may give him/her specific assignments. If deemed relevant, he/she can present observations to the General Meetings, based on proposals submitted to him/her.

Presence of women's presence in the Board

From 1st January 2011 to 1st July 2011, the Company's Board of Directors was composed of 25% of women including the censor[1].

Since 1st July 2011, following the appointment of Dr. Roland Busch representing the Siemens shareholder, whose application was submitted pursuant to the agreements governing the acquisition by Atos of Siemens IT Solutions and Services, the Board of Directors is composed of 23% of women, including the censor[2].

D.3.1.1 The Board of Directors: composition and functioning

The mission of the Board of Directors is to determine the strategy and trends of the Company's activity and to oversee their implementation. Moreover, the Board of Directors decides on the separation of the functions of Chairman of the Board and Chief Executive Officer, appoints managing legal representatives and rules on the independence of directors on a yearly basis, eventually imposes limitations on the powers of the Chief Executive Officer, approves the Chief Executive Officer Report, convenes the General Meetings and decides on the agenda, undertakes the controls and verifications which it deems opportune, the control and audit of the sincerity of the financial statements, the review and approval of the financial statements, the communication to the shareholders and to the market of high quality information.

On 31 December 2011, the Board of Directors is composed of twelve members: Thierry Breton (Chairman of the Board and Chief Executive Officer), René Abate, Nicolas Bazire, Jean-Paul Béchat, Dr. Roland Busch, Ms. Jean Fleming (director representing employee shareholders, appointed during the Ordinary and Extraordinary General Meeting of Shareholders of 26 May 2009), Bertrand Meunier, Ms. Aminata Niane, Michel Paris, Pasquale Pistorio, Vernon Sankey and Lionel Zinsou-Derlin. Dr. Roland Busch represents the Siemens shareholder. His application was submitted to the General Meeting of Shareholders pursuant to the agreements governing the acquisition by Atos of Siemens IT Solutions and Services. He joined the Board of Directors on 1st July 2011.

[1] 18% of women and 25% including the censor
[2] 16% of women and 23% including the censor

Name	Nationality	Age	Date of appointment	Committee member	Term of offices[3]	Number of shares held
René Abate	French	63	2009		2011	1 000
Nicolas Bazire[4]	French	54	2009	N&R[5]	2011	1 000
Jean-Paul Béchat[6]	French	69	2009	A[7]	2011	1 000
Thierry Breton	French	56	2009		2011	5 000
Dr. Roland Busch[8]	German	47	2011	A	2013	1 000
Ms. Jean Fleming[9]	British	42	2009		2012	640
Bertrand Meunier	French	55	2009	N&R	2011	1 000
Ms. Aminata Niane[10]	Senegalese	55	2010	A	2012	1 000
Michel Paris	French	54	2009	A	2011	1 000
Pasquale Pistorio[11]	Italian	75	2009	N&R	2011	1 000
Vernon Sankey	British	62	2009	A	2011	1 000
Lionel Zinsou-Derlin	French and Beninese	57	2010		2011	1 000
Censor						
Ms. Colette Neuville	French	74	2011		2011	500

Pursuant to the articles of association, each director must own at least 1,000 shares. This rule however does not apply to the director representing employee shareholders[12] or to the censor.

The Internal Rules govern the work of the Board of Directors. They specify the rules on composition, functioning and the role of the Board, remuneration of directors, evaluation of the works of the Board, information of directors, the role and competence of the Committees of the Board – the Audit Committee and the Nomination and Remuneration Committee, the specific missions which can be granted to a director and the confidentiality obligations imposed on directors.

As soon as appointed, a copy of the Internal Rules as well as the Charter of the Board of Directors and the Guide to the Prevention of Insider Dealing are given to the directors who subscribe to these documents. The content of these documents is described more specifically in the "Codes and Charts" section of the Reference Document.

[3] Following the Annual General Meeting deciding on the accounts of the year
[4] Chairman of the Nomination and Remuneration Committee
[5] Nomination and Remuneration Committee
[6] Chairman of the Audit Committee
[7] Audit Committee
[8] Director appointed to the Board of Directors and to the Audit Committee on 1st July 2011
[9] Director representing employee shareholders
[10] Appointed to the Audit Committee on 22 December 2011
[11] Dismissed from the Audit Committee and was appointed to the Nomination and Remuneration Committee on 15 February 2011
[12] Pursuant to article 16 of the articles of association

D.3.1.2 Definition of an "independent member" of the Board of Directors

The Corporate Governance Code of the AFEP-MEDEF defines as independent a director when "he or she has no relationship of any kind whatsoever with the corporation, its group or the management of either that is such as to colour his or her judgment". The AFEP-MEDEF Code also determines that a certain number of criteria must be reviewed in order to determine the independence of a director:

- *"Not to be an employee or executive director of the corporation, or an employee or director of its parent or a company that it consolidates, and not having been in such a position for the previous five years;*
- *Not to be an executive director of a company in which the corporation holds a directorship, directly or indirectly, or in which an employee appointed as such or an executive director of the corporation (currently in office or having held such office going back five years) is a director;*
- *Not to be (or directly or indirectly linked to) a customer, supplier, investment banker or commercial banker:*
  - *that is material for the corporation,*
  - *or its group or for a significant part of whose business the corporation or its group accounts;*
- *Not to be related by close family ties to an executive director;*
- *Not to have been an auditor of the corporation within the previous five years;*
- *Not to have been a director of the corporation for more than twelve years."*

As regards directors representing significant shareholders of the corporation or its parent, these may be considered as being independent, provided that they do not take part in control of the corporation. In excess of a 10% holding of stock or votes, the Board, upon a report from the Nomination and Remuneration Committee, should systematically review the qualification of a director as an independent director, having regard to the make-up of the corporation's capital and the existence of a potential conflict of interest.

The Board of Directors, during its meeting of 22 December 2011, relying on the preliminary work of the Nomination and Remuneration Committee of 22 December 2011, has led a specific review on the independent status of each of its members, relying on the above-mentioned criteria. On this basis, seven out of the twelve members of the Board (i.e. 58%), are considered as independent, in conformity with the AFEP-MEDEF recommendations, which state that half the members of the Board must be independent directors. In particular, the Audit Committee and the Nomination and Remuneration Committee are both chaired by an independent director.

Five out of twelve members of the Board are not considered as independent, namely, in addition to Thierry Breton, Michel Paris, Lionel Zinsou-Derlin and Dr. Roland Busch – considering their relation with a significant shareholder of the Company (21.4% of the Company's stock being held by the Financière Daunou 17 (PAI Partners) and 14.9% by Siemens, as well as Ms. Jean Fleming as representative of employee shareholders and employee of a subsidiary of the Company.

D.3.1.3 Meetings of the Board of Directors

Pursuant to the articles of association and the Internal Rules, the Board of Directors has met as often as necessary. During the 2011 financial year, the Board of Directors has met 12 times. Attendance of directors at these meetings was an average of 88%.

The Board of Directors met to discuss the following topics:

- Review and approval of the budget;
- Review of quarterly results and forecast;
- Review of financial presentations and press releases;
- Review of and approval of consolidated half year and yearly financial statements;
- Review of strategic trends of the Group, external growth operations and partnerships, including the Siemens SIS acquisition;
- Review of off-balance commitments and risks;
- Review of certain strategic contracts;
- Review of the functioning of the social bodies and corporate governance (composition of the Board and renewal of its members, evaluation of the Board's work, remuneration of the directors, review of the independence of directors, conformity review of the Company's practice with the AFEP-MEDEF recommendations).

Certain members of the Board, selected by it, also focused on particular corporate governance issues within two permanent committees:

- The Audit Committee; and
- The Nomination and Remuneration Committee.

The members of these Committees are appointed by the Board of Directors from among its members. The competences of these Committees are governed by the Internal Rules of the Board of Directors. The Committees are solely advisory in preparing the works of the Board which is the only decisive and liable entity. They report to the Board of Directors. Their recommendations are discussed at length during the meetings, where applicable, on the basis of the documentation generated by the Committees.

D.3.1.4 The Audit Committee

The mission of the Audit Committee is to prepare and facilitate the work of the Board of Directors. It provides assistance to the Board of Directors in its analysis of the exactness and sincerity of the Company's statements and consolidated financial statements. The Audit Committee also looks to the quality of internal controls and the information given to shareholders and to the market. In order to fulfil its mission, the Audit Committee is regularly informed of major risks, including litigation and off-balance sheet commitments of the Company.

During the 2011 financial year, the Audit Committee was composed as follows[13]:

- From 1st January to 15 February 2011:
  - Jean-Paul Béchat (Chairman)*
  - Michel Paris
  - Pasquale Pistorio*
  - Vernon Sankey*

- From 15 February to 1st July 2011:
  - Jean-Paul Béchat (Chairman)*
  - Michel Paris
  - Vernon Sankey*

- From 1st July to 22 December 2011:
  - Jean-Paul Béchat (Chairman)*
  - Dr. Roland Busch
  - Michel Paris
  - Vernon Sankey*

- Since 22 December 2011:
  - Jean-Paul Béchat (Chairman)*
  - Dr. Roland Busch
  - Aminata Niane*
  - Michel Paris
  - Vernon Sankey*

During its meeting of 22 December 2011, the Board of Directors acknowledged that the Audit Committee was composed of ¾ of independent directors until 15 February 2011, of 2/3 of independent directors until 1st July 2011, in conformity with the AFEP-MEDEF recommendations which state that the Audit Committee must be composed of at least 2/3 of independent members.

Following the appointment of Dr. Roland Busch on 1st July 2011, resulting from the acquisition of Siemens IT Solutions and Services, the Audit Committee was composed of half of independent members. This situation resulted from the recent modification of the Company's capital, the Board of directors having expressed the wish that the director submitted by Siemens, pursuant to the acquisition agreements, be represented at the Audit Committee. The Board, after acknowledging that the upcoming renewal of several Board members would encourage to review the composition of its Committees, decided to appoint without delay Aminata Niane (independent director) as member of the Audit Committee[14].

On 31 December 2011, the Audit Committee was composed of 3/5 of independent members.

Pursuant to the 8 December 2008 Decree, the Audit Committee has at least one member, including its Chairman, with financial or accounting qualifications, acquired by professional experience.

During the year 2011, the Audit Committee met 7 times. Attendance of members to the meetings was an average of 84%.

---

[13] Independent directors are identified by this symbol: *
[14] Board meeting of 22 December 2011

The Group Chief Financial Officer, the Head of Internal Audit, the Head of Risk Management, the Group General Counsel as well as the statutory auditors attended meetings of the Audit Committee. All documentation presented to the Committee was communicated to the Committee by the Group Chief Financial Officer at least three days prior to the meetings.

Other managers of the Company participated in certain meetings of the Committee upon its request, including, the Head of Global Systems Integration.

The Audit Committee reviewed the quarterly Group financial reporting package before addressing to the Board. It was regularly informed of the Group's financial strategy and its implementation. It was informed on the terms and conditions of significant contracts (including the risk management aspect of such contracts). It regularly reviewed the status of the major existing contracts (on the basis of approvals delivered under the risk management programs). The Audit Committee regularly examined the accounting and financial documents to be submitted to the Board. It also received reports from the statutory auditors on the conclusions of their work. The Board also reviewed specific contractual commitments, major contracts, risks and losses declared. The Committee was finally involved in the preparation of the present "Chairman's Report"; as well as in the setup of the renewal procedure of mandates of one of the two auditors of the Company.

The Audit Committee met to review the following matters:

- Quarterly financial information to the Board of Directors;
- Statutory external auditors, reports on audit and internal control plan;
- Group performance analysis;
- Internal control audit plans and recommendations;
- Risk management reports for existing and new contracts;
- Material claims and litigations.

D.3.1.5 The Nomination and Remuneration Committee

The mission of the Nomination and Remuneration Committee is to prepare and facilitate the decisions of the Board of Directors in the areas which fall within its scope.

With regard to nominations, the general scope of the Nomination and Remuneration Committee is to assist, review and, where applicable, submit to the Company all applications to the General Meeting of Shareholders for the appointment as member of the Board of Directors or, if called upon for such purpose, to review an application for manager, and to advise or issue recommendations to the Board of Directors on such applications.

The Nomination and Remuneration Committee reviews significant operations which could create a potential conflict of interest between the Company and the members of the Board. The qualification of "independent" director is prepared every year within the Nomination and Remuneration Committee and reviewed and discussed by the Board of Directors prior to the publication of the Reference Document on a yearly basis.

With regard to remuneration, the mission of the Nomination and Remuneration Committee is to make suggestions on the overall, total and fixed remuneration as well as the applicable criteria for variable remuneration of the Chairman of the Board and Chief Executive Officer.

The Nomination and Remuneration Committee also is involved in the analysis of the principles of the Company's and its subsidiaries' profit-sharing plan for employees. Its mission is also to make observations and/or suggestions on decisions to grant stock-subscription option rights or performance shares of the Company for the legal

representatives and all or part of the employees of the Company and its subsidiaries.

The rules relating to the compensation of the executive officers are described in the "Executive Compensation and Stock Ownership" section of the Reference Document.

With regard to the members of the Board of Directors, the Committee suggests each year the amount of the envelope for directors fees which will be submitted to the approval of the General Shareholders' Meeting, as well as the conditions of distribution of the fees among directors. The Committee takes into account the attendance of the directors to the various meetings of the Board and the Committees of which they are members but also the level of responsibility endorsed by the directors, as well as the time they dedicate to their function.

The Committee also makes observations and/or recommendations on the pensions, benefits and financial rights of the legal representatives of the Company and its subsidiaries.

During the 2011 financial year, the Nomination and Remuneration Committee was composed as follows[15]:

- From 1st January to 15 February 2011:
  - Nicolas Bazire (Chairman)*
  - Bertrand Meunier*

- From 15 February to 31st December 2011:
  - Nicolas Bazire (Chairman)*
  - Bertrand Meunier*
  - Pasquale PIstorio*

During the year 2011, the Nomination and Remuneration Committee was composed solely of independent members, being in perfect conformity with the recommendations of the AFEP-MEDEF code which state that at least half of the members of the Nomination and Remuneration Committee must be independent.

During the year 2011, the Nomination and Remuneration Committee met 4 times. Attendance of members to the meetings was an average of 90,9%.

[15] Independent directors are identified by this symbol: *

The Nomination and Remuneration Committee met to review the following matters:

- Determination of the remuneration of the Chairman of the Board and Chief Executive Officer and the definition of performance objectives
- Review of the performance conditions for the stock-option plans;
- Increase in capital reserved for employees;
- Review of the grant of performance shares to employees and legal representatives of the Group;
- The composition of the Board and its Committees;
- Proposal for the appointment of a director and the renewal of the mandates of directors;
- Conditions of distribution of the directors fees;
- Conditions of the follow up of the functioning of the Board of Directors;
- Determination of independent members of the Board.

D.3.1.6 Assessment of the work of the Board of Directors

The Board of Directors must regularly assess its capacity to meet the expectations of the shareholders by periodically analyzing its composition, organization and functioning, as well as the composition, organization and functioning of its Committees. In particular, it analyses the methods by which the Board of Directors and its Committees function, in order to ensure that the important questions have been suitably prepared and discussed and measure the actual contribution of each director to the work of the Board of Directors and its committees, according to his or her skills and involvement in the discussions.

For this purpose, the Internal Rules of the Board of Directors provide that, once a year, the Board of Directors must dedicate one item on its agenda to the discussion of its functioning and inform the shareholders each year, in the Reference Document, of the conducting of these assessments and the subsequent follow-up.

In these conditions, and in order to ensure both the compliance of its governance practices with the recommendations of the AFEP-MEDEF Code, the Board, in 2009, had already decided to supplement the yearly assessment of the Company's governance practices by a formalised assessment, under the supervision of its reference director. For the year 2011, the Board, during its meeting of 22 December, decided to renew this exercise in the same conditions.

The formalised assessment lead on the work of the Board and its Committees on fiscal year 2011 aimed at evaluating the stakes and actual means of functioning of the Board and its Committees by integrating the points of view of various governance stakeholders (procedures of the Board, work of the Board, relations with management/Executive Committee).

The review was carried out on the basis of the following three points:

- statistical analysis of the participation of the directors to the work of the Board and its two Committees;
- a questionnaire circulated to the directors on issues relating to the functioning of the Board as well as on its focus on corporate governance issues;
- Individual interviews, as the case may be, between the reference director and the directors.

The following points emerged from the interviews by the reference director of all the directors:

- On the governance, the directors deemed both the conformity of the Company's practice to the recommendations of the AFEP-MEDEF Code and the time spent by the Board to the review of governance practices, to be excellent. They notably highlighted the members' commitment in the work of the Board and its Committees – this functioning being supported by the Company's management which strongly focuses on governance issues.
- On the operational functioning – with regard to strategy: the directors noticed the strong information and implication of the Board in the external growth operation projects. The frequency and duration of the Board's meetings, the time and quality of the information and the debates on the financial results, on the acquisition projects (including within the acquisition of Siemens IT Solutions and Services), on the majors strategies of the Group's organisation, the relationship between the Board and its Committees, the minutes of the meetings have all been assessed as being very satisfactory.

Finally, several ideas and areas of improvement have been raised which would allow to better strengthen the excellent perception of the current organisation and functioning of the Board of Directors and of its Committees, such as the improvement of information of the Board on competitors' situation, including on financial performance, or the dedication of one meeting a year to the various activities of the company in the presence of each manager.

In the end, this exercise confirmed:

- the dynamic of the functioning of the Board allows it to fully undertake its role which has been set by applicable legislation;
- the Company and the Board attach a significant interest on issues pertaining to corporate governance.

D.3.2 Internal control

The internal control system whose definition is stated in section D.3.2.1 below and designed within Atos relies on the internal control reference framework prescribed by the AMF (Autorité des Marchés Financiers).

The "general principles" section of the AMF framework has been used to describe in a structured manner the components of the internal control system of Atos — section D.3.2.2. Specific attention has been given to the internal control system relating to accounting and financial information — section D.3.2.3, in compliance with the application guide of the AMF.

Internal control players are described in section D.3.2.4.

D.3.2.1 Internal control definition and objectives

Internal control system designed throughout the Group aims to ensure:

- compliance with applicable laws and regulations;
- application of instructions and directional guidelines settled by General Management;
- correct functioning of company's internal processes particularly those implicating the safeguarding 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 not an absolute guarantee against these risks.

D.3.2.2 Components of the internal control system

The internal control system within Atos is a combination of closely related components that are detailed hereafter.

A - Organization / control environment

The organization, competencies, systems and policies (methods, procedures and practices) represent the ground layer of the internal control system and the fundamentals of the Group in the matter. The main components are presented in this section.

Matrix organization: The Company runs a matrix organization structure that combines Operational Management (Global / Specialized Business Units / Service Lines) and Functional Management (Sales and Markets and Support Functions). This constitutes a source of control with a dual view on all operations.
Roles and responsibilities have been updated in 2011 following the Siemens IT Services (SIS) acquisition, and organizations for the main Functions communicated to all employees.

Responsibilities and powers: Specific attention has been paid to ensure that the right people are granted the appropriate responsibilities, especially through the following initiatives:

- **Delegation of Authority**: A formal policy sets out the authorisation 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 General Management level. The delegation of authority policy has been updated in July 2011, approved by the Board of Directors and rolled-out under the supervision of the Group Legal department.
- **Segregation of Duties:** Updated rules for segregation of duties have been implemented in the organisation. They are followed-up through functional review of segregation of duties and procedures for profiles attribution. Tooling has been used to perform automatic assessments of those rules in the systems.

Policies and procedures: The Group has designed and implemented over the last years several policies and procedures in order to establish common practices and standardised methods. Most of them have been renewed or reviewed in the SIS acquisition's context to ensure they were still in line with organization's objectives.

Some of these key policies and procedures included:

- **The Code of Ethics**: This code sets the "tone at the top" in line with Atos commitment to corporate social responsibility, and especially its adhesion in 2010 to the United Nations' Global Compact. The Code of Ethics has been updated and adopted by the Board of Directors on the 12th of October 2010. It has been communicated throughout the Group with trainings to remind the importance of respecting the code for
  - complying with all laws, regulations and internal standards,
  - acting honestly and fairly with clients, shareholders and partners,
  - playing by the rules of fair competition,
  - never using bribery or corruption in any form,
  - being loyal to the company and in particular, avoiding any conflicts of interest,
  - protecting the Group's assets and preventing and combating against fraud
  - protecting confidentiality and insider information.

  Training sessions with management teams have been initiated to increase the awareness of the Code of Ethics throughout the group, performed by Group lawyers.
- **Atos Rainbow™: Rainbow** is a set of procedures and tools that 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 means by which Atos' 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. Since 2010, Rainbow has been progressively deployed to also monitor delivery phases of projects.
- **Operational policies and procedures** have also been implemented in all departments. The main impacting policies and procedures in terms of internal control (regarding authorizations and ethics) include "Payment & Treasury Security Rules", "Purchasing Code of Conduct", "Pension Governance", "Investment Committee", "Legal Handbook" and "Credit Risk Policy". They are gathered in the Book of Internal Policies.

Process management: Along with the centralization of the Group Policies, Atos has created in 2011 a "Business Process and Organization Management" (BPOM) department focused on creating an Atos Business Process Center of Excellence (BPCOE) in coordination with business process owners and the functions related to Internal Control, Quality, security etc. The BPCOE community, supported by process analysts, is responsible for documenting existing and targeted business processes, including the supporting organization, KPIs, and internally and externally mandated compliance parameters.

Human Resource Management: The Group Human Resource management policy relies on the *Global Capability Model* (GCM) which is a standard for categorising jobs by experience and expertise across the Group. A Group Policy on bonus scheme completes this system by setting additional incentives.

Information Systems: Group Business Process and Internal IT department is in place to provide common internal IT infrastructures and applications for Atos staff worldwide. It supports functions like Finance (accounting and reporting applications), Human Resources (resourcing tool, corporate directory), Communication (Group websites and intranet) or Project Managers (capacity planning and project management).

Security and access to these infrastructures and applications as well as their reliability and performance are managed by this department and benefit from the core expertise and resources from the Group.

B - Communication of relevant and reliable information

Several processes are in place to ensure that relevant and reliable information is communicated within Atos.

The systematic holding of monthly reviews of operational performance by Service Line and Operational Entity organized under the responsibility of the Group Chief Financial Officer and in the presence of at least one of two Executive Vice Presidents. These sessions aim to review the results and operational forecasts, as well as the implementation and monitoring of action plans.

A shared ERP system is deployed and used in the main countries of the Group, enabling easier exchange of operational information.
It allows producing cross border reporting and analysis (cross border project analysis, customer profitability...) as well as business reports through different analytical axis (service line, geographical and market axis).
A deployment program has been initiated in 2011 to ensure timely migration of newly acquired entities to the Atos' ERP.

Formal information reporting lines have been defined, following the operational and the functional structures. This formal reporting, based on standard formats, concerns both financial and non financial information. Communication of relevant information is also organized in the Group through several specialised escalation processes that define criteria to raise issues to the appropriate level of management, up to General Management. This covers a wide range of topics like operational risks (through Risk Management Committees), treasury (with Payment and Treasury Security Committee), or financial restructuring (Equity Committee).
This bottom-up communication is accompanied by top-down instructions, issued regularly, and especially for budgeting and financial reporting sessions.

Specialized committees have been initiated to exchange information and to follow-up initiatives on specific topics. Among others Quality, Security and Compliance committees have been regularly held with General Management and representatives of respective functions and their stakeholders.

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

C - System for risk management

Risk management refers to means deployed in Atos to identify, analyse and manage risks. Although risk management is part of a manager's day to day decision making process, specific formal initiatives have been led concerning risk management:

The risk mapping has been reviewed in 2011 (four months after the acquisition of SIS), in order to identify and assess risks that may impact the objectives of the Group. The selected methodology involved the managers of the Group TOP 200 through workshops and questionnaires, to collect their perception of the main risks that may impact Atos' objectives, their relative importance and mitigation effectiveness.
This assessment has covered potential risks related to our environment (stakeholders, natural disasters), the transformation & business development (evolution, culture, market positioning), our operations (clients, people, IT, processes) and the information used for decision making (financial and operational).
Results have been shared with General Management, to ensure that appropriate measures are deployed to manage the main risks, and presented to the Audit Committee.

The Risk Analysis (as detailed in the "Risks" section of the 2011 Annual Report) presents the Group's vision of the main business risks, as well as the way those risks are managed. This includes the contracting of several insurance policies to cover primary insurable risks including the protection of Group assets (production sites and datacenters) and people. Operational risks on projects have been managed by the Risk Management function (including a Group Risk Management Committee who met monthly to review the most significant and challenging contracts. Risks related to logical or physical security are managed through a Security Organization coordinated at Group level. Control activities have also been implemented (through the Book of Internal Control), on the basis of main risks identified, as described next section related to "control activities".

D - Control activities

Atos key control activities are described in the Book of Internal Control (BIC). This document, sent out to all entities by the General Management, complements the different procedures by addressing the key control objectives of each process to achieve a convenient level of internal control.
For each control objective, one or more control activities (including control activities' description, evidences, owners and periodicity) have been identified in order to formalize Group's expectations in terms of control.

The Book of Internal Control covers not only the financial processes, but also delivery processes (like contract management), support processes (including legal, purchasing, HR or IT) and some management processes (Mergers and Acquisitions):

An updated version of the Book of Internal Control has been released and communicated throughout the Group in January 2012, following SIS acquisition, in order to take into account additional controls and some improvements in various processes. This framework will continue to evolve, according to evolving maturity of processes and emerging risks.

A specific action has also been led with regards to **"ISAE3402"** reports[16].

[16] ISAE3402 (International Standards for Assurance Engagements (ISAE) No. 3402). A global assurance standard for reporting on controls at a service organization used for auditor's report on internal control of a service to a third party. Activities of Atos typically have an impact on the control environment of its

A control framework has been defined, detailing control activities related to client service. This framework has been built on the basis of the ITGI model *(IT Governance Institute's publication titled IT Control Objectives for Sarbanes-Oxley, 2nd Edition)*.

E - 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, and is also supported by Internal Audit missions.

Internal Audit is responsible for assessing the functioning of the Internal Control system.
It has carried out reviews to ensure that the internal control procedures are properly applied and supported the development of internal control procedures. Internal Audit also defined, in partnership with Group and Local management, action plans for continuously improving internal control processes.

---

clients (through information systems), which may require the issuance of "ISAE3402 reports" for the controls ensured by Atos Origin.

In 2011, Internal Audit carried out a total of 69 audit assignments assessing the functioning of internal control system: 43 in the domain of support functions (Finance, Human Resources, Purchasing) and 26 related to Operations/core business (mainly focus on Worldline activities). 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 2011:

- A compliance audit on Rainbow bidding process to ensure that risks inherent to this process are properly monitored
- An audit on timesheet management process performed to secure performance monitoring and optimize management of resources
- 4 ex-SIS countries have been reviewed regarding the effectiveness of Finance control environment and reliability of financial statements in the context of SIS acquisition and related opening balance sheet reviews. These financial audit reviews in ex-SIS countries will continue in 2012.
- Audits on incident & problem management process and also pertaining to the overall governance of the process.
- Audits on Identity & Access management including the evaluation of the overall architecture, policies, processes and governance in place.
- Advisory assignments and support to the business (for example: governance structure for a joint venture, compliance management...)
- 9 particular investigation audits and 2 specific performance reviews performed in India
- An exhaustive follow-up of all open – high and medium risk – recommendations has been carried out, to ensure action plans were correctly implemented

Internal audit has also actively contributed to help the business meeting the compliance requirements to maintain the "payment institution" status for Worldline Belgium. An annual assessment has therefore been included in the audit plan.

D.3.2.3 Systems related to accounting and financial information

The financial governance of the Group relies on a set of global financial processes, that are part of the Internal Control system of the Group and for which a specific attention is paid due to their sensitivity:

- Finance processes: budget and forecast, consolidation and reporting, treasury, credit risk management...
- "Expert" functions processes: taxes, insurance, pensions, real estate transactions
- Operational processes: bidding, contract execution, financial business model.

Local and Group financial organization

The management of the Finance function is performed through two main committees that meet on a weekly basis and are chaired by the Group CFO:

- **The Group Finance Committee** (GFC) physically gathers the directors of the main functions within Finance organization and Finance Directors of Service Lines and of Markets. This committee deals with transversal topics critical for the Group.
- **The Operational Finance Committee** (OFC) gathers CFOs from GBUs, Treasury and Controlling directors (and other directors according to the agenda). It deals with operational topics and GBU specific issues.

Those committees allow the relay of General Management's decisions to operations and communication in return. The final aim is to ensure timely transmission and execution of General Management's decisions and to adapt continuously the Group to the market in which it operates.

This organization is cascaded at country level.

Direct reporting to Group Function, as for the other support functions, reinforces the integration of the financial function and contributes to the full alignment of key processes and provides an appropriate support to operational entities of the Group.

Group Finance Department is in charge of piloting the financial processes, especially through the financial consolidation, the monitoring of compliance matters, the supply of expertise and the control of the reported financial information. It has reviewed significant accounting options, as well as potential Internal Control weaknesses and has initiated required corrective actions.

In each GBU a Finance Risk and Internal Control Coordinator position has been created in 2011, in order to reinforce the attention given to Internal Control topics and facilitate deployment and monitoring of Internal Control.

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 were discussed with the statutory auditors before issuance and included the following main elements:

Financial accounting policies include a Group reporting and accounting principles handbook applicable to the preparation of financial information, including off-balance sheet items. 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 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.

An expertise center managed by the expert function at Group level is in charge of proper implementation of Group accounting principles (and their compliance with international standards), of the implementation of financial Internal Control, process standardization and of the knowledge transfer to the shared service center in charge of transactional processing for the entities in the main European countries.

Training and information sessions are organized 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 financial community.

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

Information systems

Information systems have played a key role in the control system related to the accounting and financial information, as they have both strongly structured the processes and provided automated preventive controls, but have also provided monitoring and analysis capabilities.

An integrated ERP system has supported the production of accounting and financial information in the main countries.

A unified reporting and consolidation tool is used for financial information (operational reporting and statutory figures). Each subsidiary reported its financial statements on a standalone basis in order to be consolidated at Group level. There was no intermediary consolidation level and all accounting entries linked to the consolidation remain under the direct control of Group Finance. Off balance sheet commitments were reported as part of the mainstream financial information and are examined by Group Finance.

Monitoring and control

In addition to the financial processes defined, monitoring and control processes aims to ensure that accounting and financial information complies with rules and instructions.

The Closing File (included in the Book of Internal Control) has been updated in 2011 and is deployed at local level. It was 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. Templates created by Group Finance illustrate the expected level of control for the main items. The Closing File is applied in each subsidiaries of the former Atos Origin perimeter and us being rolled out in subsidiaries from the SIS acquisition.

Functional reviews are performed by Group financial support functions on significant matters relating to financial reporting, such as tax issues, pensions, litigations, off balance sheet items or business performance and forecast.

Operational and financial reviews: Group controlling is supporting Operations and General Management in the decision making process through monthly reviews and 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;

Representation letters: During the annual and half-year accounts preparation, the management and financial head of each subsidiary was required to certify in writing:

- they have complied with the Group's accounting rules and policies;
- they are not aware of cases of proven or potential fraud that may have an impact on the financial statements;
- the estimated amounts resulting from the assumptions made by management enable the Company to execute the corresponding actions and
- that, to the best of their knowledge, there was, no major deficiency in the control systems in place within their respective subsidiary.

Internal Audit Department: The review of the internal control procedures linked to the processing of financial information was a component of the reviews conducted by the Internal Audit Department. The Internal Audit Department worked together with Group Finance to identify the main risks and to focus its audit plan consequently as effectively as possible.

D.3.2.4 Internal control system players

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

Board of Directors supported by Audit Committee
The Board of Directors prepares governance rules detailing the Board's role supported by its committees. Those committees enlighten the Board as to the quality of the internal control system 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 and stays informed about the proper implementation of the Internal Control System.

General management and Executive Committee
General Management is responsible for the management of the Group's business and focuses on strategic aspects to develop the Group. As part of its role, General Management defines the framework of the internal control system.

The Executive Committee leads the operational performance of the Group. Its main tasks are to define and review business priorities, review Atos operational performance 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.

Risk Management Committee
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.

Internal control & ERM
Internal control & ERM function is to ensure the coordination of the internal control system, like 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 and runs the Enterprise Risk assessment.
Internal control relays in each Global Function / Service Line / GBU assist in the deployment of the various initiatives.

Internal Audit
The Internal Audit organisation is centralized which enables a global working practice following one Group audit plan and a consistent audit methodology. Internal Audit operating principles are defined in the Group Internal Audit Charter, which was validated by General Management. The Audit Committee also received regular reports on the Internal Audit work plan, objectives of assignments, and associated results and findings. The internal audit department liaises with the statutory auditors to ensure an appropriate co-ordination between internal and external control.

D.3.2.5 Outlook and related new procedures to be implemented

In 2012, financial, commercial and social development programs will pursue their effects to improve and streamline processes, with benefits for the Internal Control System.

Initiatives identified through the updated risk mapping will be monitored to ensure that proper attention is given to those topics.

The Internal Audit Department will pursue the internal review program initiated in 2011 and the follow-up of its recommendations. 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, especially in newly acquired locations, and on controls over operations.

Conclusion

Based on the above, we have no other observation with regard to internal control and procedures implemented by the Group.
The above elements participate to guarantee the appropriate level of internal control even if they 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.

Thierry BRETON,
CEO and Chairman, Atos