

## 1.1 INTERNAL CONTROL

### Extract from the Report by the Chairman of the Supervisory Board – 2008 Annual report

The internal control system whose definition is stated in section 20.2.1 below and designed within Atos Origin relied 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 Origin (see section 20.2.2).

Specific attention has been given to the internal control system relating to accounting and financial information (section 20.2.3), inspired by the application guide section of the AMF framework.

Internal control players have been described in section 20.2.4.

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

#### 1.1.1 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”) aimed 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.

#### 1.1.2 Components of internal control system

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

## CONTROL ENVIRONMENT

The organisation, competencies, systems and policies (methods, procedures and practices) represented 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 organisation:** Atos Origin runs a matrix organisation structure that combined Operational Management (Countries) and Functional Management (Service lines, Sales and Markets and Support Functions). This was a source of control with a dual view on all operations (Country / Service line).

**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. These policies and procedures are reviewed when necessary to be in line with the objectives of the Group. Some of these key polices and procedures included:

- **The Code of Ethics:** As Atos Origin has paid a particular attention to compliance with ethical rules in connection with the conduct of its operations, a Code of Ethics established and adopted by the Management Board set out the principles applicable to conflicts of interest, insider trading and business ethics (see specific section on Code of Ethics).

- **Delegation of Authority:** A formal policy set 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 was to ensure efficient and effective management control from the country level to Management Board level. The delegation of authority policy was 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. A program was managed to follow-up the improvement of 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 rules in the systems.
- **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 was the means 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.
- **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) included "Payment & Treasury Security Rules", "Purchasing Code of Conduct", "Pension Governance", "Investment Committee" and "Legal Handbook".

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

**Information Systems:** Group Business Process and Internal IT department has been in place to provide common internal IT infrastructures and applications for Atos Origin staff worldwide. It supported 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 have been managed by this department and benefit from the core expertise and resources from the group.

## **COMMUNICATION OF RELEVANT AND RELIABLE INFORMATION**

Several processes have been in place to ensure that relevant and reliable information is communicated on a timely manner to relevant players within Atos Origin.

**A shared ERP system** was deployed and used in the main countries of the group. With Spain and UK adopting this system in 2008, all main countries are now using the same ERP, enabling easier exchange of operational information.

**Formal information reporting lines** have been defined, following the operational and the functional structures. This formal reporting, based on standard formats, concerned both financial and non financial information. Communication of relevant information has also been organized in the Group through several specialised escalation processes that define criteria to raise issues to the appropriate level of management, up to the Management Board for the most important ones. This covered 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 has been accompanied by top-down instructions, issued regularly, and especially for budgeting and financial reporting sessions.

**A dedicated intranet site** has been 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.

## SYSTEM FOR RISK MANAGEMENT

Risk management refers to means deployed in Atos Origin to identify and analyse 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** will be updated in 2009, in order to identify and assess risks that may impact the objectives of the Group. The selected methodology involves the key managers of the Group through interviews, to collect their perception of the main risks that may impact Atos Origin objectives, their potential impact and their level of control. This assessment is also challenged against a standard risk model, which ensures a proper coverage of all areas (strategic, operations, finance, information...).

**The Risk Analysis**, as detailed in *"risks" section of the 2008 Annual Report*, presents the Group's vision of the main areas of 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 previously been managed by the Risk Management function (including a Group Risk Management Committee who met monthly to review the most significant and challenging contracts. 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".

**The anti-fraud plan:** Atos Origin has also set up a specific framework to manage the fraud risk. The objective was to build a comprehensive and structured approach to cement initiatives aiming at:

- establishing common values,
- assessing fraud risks,
- developing and implementing means to prevent and detect frauds,
- ensuring a high level of knowledge and maturity on fraud issues,
- and operating detection and investigation capabilities.

Some of those initiatives will pursue their development and deployment through the organisation in 2009.

## CONTROL ACTIVITIES

Atos Origin's key control activities are described in the Book of Internal Control (BIC). This document, sent out to all entities by the Management Board, 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):

- **HR and Pensions' Management:** control activities have been designed regarding identification and management of evolutions of Labour laws in countries where the Group operates, treatment of payroll, control of employment contracts, recruitment and termination processes, authorisation mechanisms for compensation and benefits, objective and appraisal scheme, management of temporary staff and business expenses;
- **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;
- **Delivery cycle:** 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;
- **Purchasing:** control activities have been designed on purchasing request authorisation process, key steps of procurement flow and ethics for buyers;

- **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;
- **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.
- **Mergers & Acquisitions:** control activities aim at ensuring that the proper authorizations have been obtained at each step of the process, and proper tools and resources employed to secure operations.
- **Finance and Treasury:** the control activities are described in section 20.2.3.

As the Book of Internal Control is in continuous improvement, several updates were conducted in 2008 to reflect the changing environment, processes or tools including purchasing, delivery, consolidation and Mergers and Acquisitions processes.

A specific action has also been with regards to “**SAS70**” reports.

SAS70 (*Statement on Auditing Standards no.70*) defines the American professional standards usually implemented in other countries within the framework of an auditor’s report on internal control of a service to a third party. Activities of Atos Origin typically have an impact on the control environment of its clients (through information systems), which may require the issuance of “SAS70 reports” for the controls ensured by Atos Origin.

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*).

## 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 was the responsibility of the Group and Local Management, and has also been supported by Internal Audit missions.

**Self assessments** have been conducted for the main functional processes by group process owners, in order to evaluate the level of maturity of internal control in the different countries. This has been performed through questionnaires, filled locally and challenged and analysed at Group level. Evaluation is performed against a maturity scale (from “unreliable” to “monitored”) for each control objective. Actions plans are defined where gaps are identified with desired target.

**Monitoring** of specific areas has also been performed periodically to measure improvements or deviations of controls. For example, a monthly dashboard has been issued in 2008 to report on Segregation of Duties status, and distributed to group managers.

In parallel, **Internal Audit** has been responsible to assess the functioning of internal control system. Internal Audit has carried out reviews to ensure that the internal control procedures are properly applied and supports 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.

In 2008, Internal Audit coordinated the self-assessment related to financial processes, 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 2008, Internal Audit carried out 78 audit assignments assessing the functioning of internal control system. All assignments have been finalised 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 2008:

- 17 countries called “small and medium countries” were subject to a financial review. Assessment of their supervision structure were also performed.

- Follow-up of actions plans defined during 2007 financial review in 7 main countries (representing 40% of the external revenue of the Group) were carried out.
- Bonus process as well as purchasing savings process were audited through a full review of respectively 8 and 6 countries and of the piloting process at Group level.
- 3 particular investigation audits took place.

### **1.1.3 Internal Control system related to the accounting and financial information**

Processes contributing to the accounting and financial information, referred as “financial processes”, are in line with the internal control system of Atos Origin, and are subject to specific attention due to their sensitivity.

## **LOCAL AND GROUP FINANCIAL ORGANISATION**

The financial processes have relied on finance teams in each country. Country CFOs had a dual reporting to local management and to Group CFO. This organisation allowed for a comprehensive capture of business events as well as independence with operations.

Piloting was ensured by Group CFO assisted by the Group Finance Executive Committee that included main country chief financial officers and Group Finance functions. This committee met on a regular basis and was 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, were reported to this committee, which decided corrective actions to be carried out.

Group Finance Department was 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.

## **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 set out how financial information must be prepared, with common presentation and valuation standards. It also specified 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, have been regularly updated. An IFRS knowledge center is in place at Group level to assist and support local operations.

Training and information sessions were organised regularly in order to circulate these policies and procedures within the Group. A dedicated intranet site has been accessible to all accounting staff, which facilitates the sharing of knowledge and issues raised by members of the Atos Origin 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** has been used since the beginning of 2007 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 have aimed to ensure that accounting and financial information complies with rules and instructions.

**The Closing File** (included in the Book of Internal Control) was designed in 2007 for deployment at local level in 2008. It was required for each subsidiary to elaborate on a quarterly basis, a standard closing file formalising key internal controls performed over financial cycles and supporting closing positions.

**Functional reviews** were 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 has supported 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 that they have complied with the Group's accounting rules and policies and that, to the best of their knowledge, there was, within their scope of responsibility, 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 major 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 as effectively as possible to control such risks.

### **1.1.4 Internal Control system players**

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

#### **SUPERVISORY BOARD WITH AUDIT COMMITTEE**

The Supervisory Board prepared governance rules detailing the Board's role and the responsibility of its committees. Those committees played a key role in the internal control system through their review and monitoring duties in a number of areas. The Audit Committee, in particular, was informed of the content and the implementation of internal control procedures used to ensure the reliability and accuracy of financial information and monitors the proper implementation of the Internal Control System.

#### **MANAGEMENT BOARD AND EXECUTIVE COMMITTEE**

The Management Board was 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 defined the framework of the system of internal control.

The Executive Committee led the operational performance of the Group. Its main tasks were to define and review business priorities, review Atos Origin operational performance and define corrective action plans. Management at different levels was responsible for implementing and monitoring the internal control system within their respective areas of responsibility.

## **RISK MANAGEMENT**

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**

Internal control 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.

## **INTERNAL AUDIT**

The Internal Audit organisation was centralised which enabled a global working practice following one group audit plan and a consistent audit methodology. Internal Audit operating principles were defined in the Group Internal Audit Charter, which was validated by the Audit Committee. 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 would liaise with the statutory auditors to ensure an appropriate co-ordination between internal and external control.

### **1.1.5 Outlook and related new procedures to be implemented**

In 2009, the Top program, as described previously, should lead to process reviews and therefore have an impact on the Internal Control System.

The Internal Audit Department will pursue the internal review programme initiated in 2008. 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 and Top program. 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.

Jean-Philippe Thierry  
Chairman of the Supervisory Board