1 CORPORATE GOVERNANCE

1.1 REPORT BY THE CHAIRMAN OF THE SUPERVISORY BOARD

Ladies and Gentlemen,

2006 has been a very active year for the Supervisory Board and its committees in view of recent performance and strategic transformation plan.

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 Company.

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 four other executives. 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 Company's business and meets formally at least once a month, in addition to weekly follow-up conference calls and regular, close working relationships between its members on a day-to-day basis. In 2006, the Management Board met twenty-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.

The Management Board has broad powers to represent the Company 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 Company's business. In the case of split decisions, the Chairman of the Management Board has the casting vote.

1.1.3 The Supervisory Board

The Supervisory Board is currently composed of seven members from various backgrounds, including both commercial and manufacturing operations, and financial institutions. Philippe Germond resigned from the Supervisory Board with effect on 1 November 2006, prior to his appointment to the Management Board.

The Supervisory Board has written internal rules and responsibilities ("reglement interieur") 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. It delegates certain powers to the Management Board to ensure effective control of the Company. Its members are:

Name	Function	Age	Date of appointment	Committee member	Term of offices (3)	Number of shares held (4)
Didier Cherpitel (1)	Chairman	62	2004	(a),(b),(c),(d)	2009	1,000
Dominique Bazy (1)	Member	55	1997	(a)	2009	20
Diethart Breipohl (1) (2)	Member	67	2005	(c),(d)	2009	10
Philippe Germond (1) (5)	Member	49	2003	(b),(c) (5)	2009	50
Jan P. Oosterveld (2)	Member	62	2004	(b),(c), (d)	2007	10
Vernon Sankey (1) (2)	Member	57	2005	(b)	2007	500
Michel Soublin (1)	Member	61	2004	(a)	2007	500
Jean-François Theodore	Member	60	2000	(b), (d)	2009	10

1) Independent director
2) Foreign (non-French) national
3) Annual General Meeting to approve the fiscal year financial statements to be held on the following year
4) Each member of the Supervisory Board must hold at least ten shares
5) until 1 November 2006

(a) Audit Committee
(b) Investment Committee
(c) Remuneration Committee
(d) Nomination Committee

Members of the Supervisory Board

Didier CHERPITEL was elected Chairman of the Supervisory Board in 2004. He is also Chairman of the Remuneration committee and a member of the Board's Audit, Investment and Nomination Committees. Didier Cherpitel is a director of INSEAD, Medecins Sans Frontieres Foundation, Wendel Investissements and François Xavier Bagnoud Society.

Dominique BAZY joined the Supervisory Board of Atos in 1997 and is Chairman of the Audit Committee. He is currently Vice-Chairman Europe of the Board of UBS Investment Bank (UK) and a director of Vinci.

Diethart BREIPOHL was elected Vice Chairman of the Supervisory Board in 2005 and Chairman of the Nomination Committee and member of the Remuneration Committee. He is Chairman of the Supervisory Board of KM Europa Metal AG in Germany, a member of the Supervisory Boards of Continental AG and KarstadtQuelle AG in Germany, AGF, Credit Lyonnais and Euler & Hermes in France.

Jan OOSTERVELD was elected as a member of the Supervisory Board in 2004. He is Chairman of the Investment Committee and a member of the Remuneration and Nomination committees. He is Chairman of the Supervisory Board of Crucell NV, a member of the Board of Directors of Barco NV and Cookson Ltd and a member of the Supervisory Board of Continental AG.

Vernon SANKEY was elected as a member of the Supervisory Board in December 2005. He is a member of the Investment Committee. He is a Director of Zurich Financial Services AG, Taylor Woodrow plc, Cofra AG, Firmenich SA, Vividas Group plc and Chairman of the Board of Directors of Photo-me International plc. He is also an advisory board member of GLP Llp, MCC Inc, a member of Pi Capital and active in private equity.

Michel SOUBLIN was elected as a member of the Supervisory Board in 2004 and is a member of the Audit Committee. He is Financial Advisor of Schlumberger Ltd and a Director of Gemalto NV.

Jean-Francois THEODORE was elected as a member of the Supervisory Board in 2000 and is a member of its Investment and Nomination Committees. He is currently Chairman of the Management Board and Chief Executive Officer of Euronext, and chairman of the Supervisory Board of AtosEuronext Market Solutions Holding SAS.

The members of the Supervisory Board 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.

1.1.4 Independence of members of the Supervisory Board

The AFEP/MEDEF Bouton 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 Bouton 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 company, 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 company holds, either directly or indirectly, a directorship, or in which a directorship is held by an employee of the company designated as such or by a current or former (going back five years) corporate officer of the company.
- The director is none of the following (whether directly or indirectly) a customer, supplier, investment banker or commercial banker – in each case:
  - which is material for the company or its group, or
  - for which the company 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 company.
- The director has not been an auditor of the company 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 company for more than 12 years.

The above criteria have been reviewed by the Supervisory Board. On the above basis, six out of eight members of the Supervisory Board are deemed to be independent, namely Messrs Cherpitel, Bazy, Breipohl, Germond (until 1 November 2006), Sankey and Soublin. As from 1 November 2006, five out of seven members of the Supervisory Board are deemed to be independent.

While the two other members do not meet all the independence criteria specified in the Bouton report, the Company believes that they are of sufficient stature and integrity as to ensure that their duties are carried out objectively and in the best interests of the Company 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 2006, the Board met ten times and received one written communication. The members' rate of attendance was 84.5%. 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 receives regular and comprehensive information from the Management Board, in writing, on all significant matters relating to the operations of the Company. According to the importance of the topics, the Management Board communicates in writing and in a regular and timely manner, all such information that it believes should be brought to the attention of the Supervisory Board.

This information may also be communicated, where appropriate, during conference calls with Supervisory Board members interested in a particular area.

During 2006 the Supervisory Board meetings dealt, inter alia, with the following subjects:

- A review and approval of the 2006 budget.
- 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 2005 and half-year 2006 accounts.
- Acquisition proposals.
- Divestments carried out during the year.
- Major outsourcing deals concluded during the year.
- Change in the composition of the Management Board.
- Remuneration and retention schemes for Management Board and key personnel.

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 region and service line, and Group business plans. In 2006, this meeting focused specifically on the objectives of each region and service line and their related budgets. This full day session will be repeated each year, as it already has been for the 2007 budget and transformation plan and strategy review on 2 February 2007.

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 independent auditors. The Committee met eight times in 2006 and the attendance rate of its members was 79%.

The Committee is responsible for ensuring that the accounting policies used to prepare the Parent Company and Group consolidated financial statements are appropriate and consistently applied, and for monitoring the proper implementation of internal controls. It also monitors the quality of information issued to shareholders and is kept informed of key risks, including major litigations and financial commitments. The Committee holds meetings with the Group Chief Financial Officer, the head of Global Finance, 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 Company.

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 meets with the statutory auditors to discuss the 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:
  - The statutory auditors' global audit plan.
  - The external audit fee budget.
  - Internal control audit plans and recommendations.
  - Provisions (including pension provisions), risks and undertakings.
  - Material claims and litigation (including tax audits).
  - Risk management reports for existing and new contracts
  - Implementation and updating of the delegation of authority and code of ethics.

- Specific matters:
  - The delivery progress of major contracts
  - Financial reporting processes and organisation
  - Pensions
  - Information to the market
  - Professional fees

1.1.7 The Investment Committee

Since 18 December 2006, the Investment Committee is composed of Messrs Oosterveld (Chairman), Cherpitel, Sankey and Theodore. Mr Germond participated until 1 November 2006. The Committee met twice during 2006 and a third meeting was held during a full Supervisory Board session. The attendance rate of its members was 71%.

The Committee is responsible for reviewing all proposed acquisitions, divestments and strategic developments that are likely to have a material impact on the Company's development and external growth. The Committee reviewed all divestment projects as well as the main contracts concluded during the year.

1.1.8 The Remuneration Committee

Since 18 December 2006, the Remuneration Committee is composed of Messrs Cherpitel (Chairman), Breipohl and Oosterveld. Mr Germond participated until 1 November 2006. It meets at least once a year. During 2006, the Committee met five times and the attendance rate of its members was 100%. In 2006, the Remuneration Committee focused mainly on increasing motivation and achieving a better alignment of the remuneration of employees, management and members of the Management Board with the interests of shareholders.

The Committee is responsible for:

- Making recommendations to the Supervisory Board concerning the fixed and variable remuneration, pension benefits, benefits in kind 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 stock subscription or purchase options to be issued to Company employees.

Based on recommendations made in 2004 by the Remuneration Committee, it was decided that for 2004 and beyond, the following principles would be applied in determining the remuneration of the members of the Management Board:

- The remuneration package will be a combination of salary and stock options.
- Total salary includes:
  - 40% fixed salary
  - 40% variable annual bonus of which:
    - 80% is based equally on two financial criteria (i.e. net income Group share and reduction in net debt)
    - 20% 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 150%.
  - 20% long-term incentive based on achieving a rolling two-year target linked to cash flow. Long-term 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.
- The number of stock options granted to the Management Board cannot exceed 20% of the total number of stock options granted in an annual grant.

In 2006, the Remuneration Committee recommended an annual stock option grant amounting to 1,180,000 options (of which 1,167,140 were actually granted), including 230,000 options to the members of the Management Board. This recommendation was as per the rules implemented by the Supervisory Board of an annual grant of 1.75% of outstanding share capital, in which 20% are allocated to the Management Board under a specific decision of the Supervisory Board and 80% are allocated to managers or employees under a specific decision of the Management Board and according to the following criteria: - high performing senior management, high potential individuals and individuals with critical skills and special achievements in the year. Moreover, a welcome grant of 50,000 options was granted to Mr Germond on 1 December 2006, as recommended by the Remuneration Committee.

In 2005 a full review of the remuneration package of Management Board members was made and a comprehensive package (including fixed and variable remuneration and long-term incentives as explained before, benefits and termination engagements) was approved, in order to harmonise diverse contractual situations among members of the Management Board that existed prior to the acquisitions of both Origin and Sema. Some elements of the package have been reported at the Annual General Meeting of 23 May 2006 as “regulated agreements” in accordance with the terms of article L 225-90-1 of the French Commercial Code as revised by the law 2005-842 of 26 July 2005. Such elements include a 24-month termination payment (based on the last annual reference salary, the annual bonus target for the year in which termination occurs and the long-term incentive for the same year), due in case of termination without cause of a Management Board member’s mandate, simultaneously with the termination of any existing paid mandate, employment contract or services contract which may exist with any Atos Origin subsidiaries.
Such terms also include the principle of providing a pension at retirement up to 60% of final fixed salary or its equivalent at the date of retirement.
In 2006, the Remuneration Committee worked on the detailed conditions of implementation and a scheme was presented to the Supervisory Board with the following characteristics:

- a contribution effort deisgned to target a pension equivalent up to 60% of the last fixed salary as of date of retirement, after deduction of mandatory or other contractual pension benefits,
- catch up based on a fifteen year contribution from start of service,
- technical parameters being frozen and contribution effort never being revised, except by a Supervisory Board decision.

Final terms and conditions of the scheme will be approved by the Remuneration Committee and by the Supervisory Board.

For the long-term incentive element of remuneration of the Management Board, it was decided in 2005 that, pending a decision by shareholders to implement a share scheme (such as a free share scheme), the long-term incentive for 2004/2005 will be paid in cash and 50% of the resulting gross pay will be required to be reinvested in Atos Origin shares with a lock-up period of two years.

Corresponding shares were acquired by Management Board members in May 2006 as reported in the Legal information section of this document (see section "Resolutions").
For the long-term incentive 2006, the rolling two-year target was achieved at less than 100% and accordingly no long term incentive 2006 will be paid in 2007.

Arrangements for the implementation of an employee share purchase plan, a management share purchase plan including incentives based on shareholder value criteria, and a management incentive plan, were approved by the Supervisory Board and by the shareholders at the Annual General Meeting of 23 May 2006. On 20 December 2006, 1,230,757 shares were issued under the Sprint employee share purchase plan, as presented in the Human Resources review section of this document.

1.1.9 The Nomination Committee

Since 18 December 2006, the Nomination Committee is composed of Messrs. Breipohl (Chairman), Cherpitel, Oosterveld and Theodore. The Committee is responsible for recommending suitable candidates for appointment to the Supervisory Board should any vacancy arise. The Committee did not meet in 2006.

1.1.10 Self assessment of the Supervisory Board

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

The improvements defined during the self-assessment session of 2005, 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 2006.The new composition of the Supervisory Board in 2006, whith new members from Germany and the United Kingdom, has enriched discussions and provided better geographic coverage.

For 2007, the general direction reflected in recommendations for improvement defined in 2005 remains valid, especially for timely information of Board members and for improved business information tools.

Moreover, Supervisory Board members indicated their priority will be to continue focusing on reviews of people and talents in order to encourage succession options and the emergence of talented managers within the Group.

1.2 INTERNAL CONTROL

1.2.1 Internal control procedures

Introduction: Internal control objectives

Internal control procedures include rules, procedures and processes implemented throughout the Group. They form part of a broader framework constituting the internal control system. Within Atos Origin, internal control procedures are intended to ensure:

- The effective management and monitoring of operations.
- The preparation of reliable financial information.
- The compliance with applicable laws and regulations.

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.

Organisation of internal control

Over recent years, the Group has grown through mergers and acquisitions (Origin, KPMG Consulting, Sema Group) or as a result of clients outsourcing to Atos Origin the management of their computing operations (Euronext, KPN, KarstadtQuelle etc.). During the last five years, the Group's revenues have increased from just over EUR 1 billion to more than EUR 5 billion. The number of employees has increased from 10,000 to almost 50,000.

Corporate management issues Group internal control procedures and policies to establish the rules applicable to the Group as a whole as well as limitations of powers. These instructions are communicated within the subsidiaries incorporating more detailed local procedures. In order to ensure consistency in the local implementation of Group policies, managers in charge of support functions (Finance, Human Resources, Legal, IT) perform regular reviews of procedures through their functional reporting line.

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

Supervisory Board and 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, monitors the content and the implementation of internal control procedures used to ensure the reliability and accuracy of financial information.

Management Board
As defined in the previous section, the Management Board is responsible for the general management of the Company's business and, as part of its role, defines in detail and implements the system of internal control. Management at different levels is responsible for monitoring the process within their respective areas of responsibility.

Global functions
Global Finance receives financial information prepared by the subsidiaries, conducts regular checks and is responsible for the production of the Group's consolidated financial information. Global Finance responsibility includes consolidation and financial reporting, internal IT, purchasing, treasury, tax, business process design and financial expertise (Pensions, Accounting standards and policies).

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

Global 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.

Each global function is responsible for the preparation and issue of the Group internal control policies and procedures related to their respective areas of responsibility. Local Management is responsible for the implementation of these policies and procedures.

Global service lines
Global Managed Operations and Global Consulting and System Integration are the two service lines in charge of developing, supporting and controlling the business in their respective areas. Internal control consists mainly in supporting large or cross-border deals and monitoring significant projects. These internal controls are embedded in two functions : global risk manager and global controller.

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

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.

Presentation of the main internal control procedures

- **Main internal control procedures designed to ensure an effective management and monitoring of operations**

Financial monitoring procedure
The Group has set up an operational monitoring procedure based on the monthly financial reporting and placed under the authority of the Finance Division. Based on the reported data, operational review meetings are held each month at all levels of the Company. These regular meetings are based on the monitoring of key performance indicators in order to make the Group as responsive as possible to market changes.

Bid procedure
To manage its commercial processes, the Company has a set of procedures and tools called Atos 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 means by which Atos Origin's management is involved in controlling and guiding the acquisition of the Company'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 Global Finance. The Rainbow process is facilitated through a governance model and defines Rainbow rules at Management Board, Global Service Lines, Global Functions and country levels. Global Service Lines and Global 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 2006, 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.

Human Resources and Group compensation policy
The management of human resources is critical in a service-based, people business. The Human Resources Department has defined a number of policies and procedures for managing the remuneration of the Group's key executives. The Human Resources Department has also established a policy defining the objectives and the incentive structure for key managers in the Group.

The purpose of the policy is to ensure that objectives and remuneration policies are applied consistently throughout the Group.

As part of the ongoing talent management initiatives, annual HR reviews and succession planning exercises were conducted for senior management and key account managers by the Management Board in coordination with Global HR. Follow-up initiatives were undertaken, including the deployment of specific individual development plans which have been implemented accordingly. In addition, a large scale evaluation of our Global Leadership Development Programme (GOLD) was completed. As a result the talent identification and selection processes have been reinforced and a GOLD selection committee has been established to ensure appropriate guidance of these processes.

In 2006, two major internal audits were conducted, on Bonus plans and business expense reports. Bonus reviews were followed up by initiatives and action plans to clarify and formalise the processes - such as authorisation, approval and compliance -, to clearly communicate the guidelines and policies and to reinforce the importance of Global HR governance.

Delegation of authority
Atos Origin has defined 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. This policy is rolled-out under the supervision of the Global Legal department.

Specific monitoring procedures and authorization rules have been prepared by the Global Finance Department in order to track and control the Group's exposure to financial risks (in particular in respect of performance guarantees, foreign exchange and interest rate risks).

Investments, purchasing, financing
An Investment Committee is in place at a corporate level to review and approve all operational investments exceeding a certain amount. A procedure covers all aspects of investing and purchasing, including the financing associated.

- **Main internal control procedures designed to ensure a full compliance with laws and regulations**

Code of Ethics
Atos Origin pays 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 distribute 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 Global Legal and the Audit Committee. 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.

Operational responsibility
The Group has determined that, in the event of a dispute involving a subsidiary, the cost of any settlement must be borne by the operational unit concerned, with a corresponding reduction of its financial performance. This rule is intended to raise the awareness of operational managers, whose evaluation is partly linked to the achievement of financial targets.

Group contractual standards
Finally, in order to reduce its exposure to contractual legal risks, Atos Origin has also defined a number of principles for the drafting of contracts with clients, any departure from these principles being subject to a specific approval procedure.

- **Main internal control procedures designed to ensure reliable financial information**

Procedures and tools for the preparation of financial data in subsidiaries

Global Finance has drawn up a number of Group policies to control the way in which financial information is processed in the subsidiaries. These policies have been discussed with the Statutory Auditors 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. In 2006, Group reporting definitions and internal guidelines for IFRS have been updated and a new Group chart of accounts has been implemented. Group policies related to the application of specific IFRS in our business have been developed. An IFRS knowledge centre is in place at Group level to assist and support local operations if necessary.

Pensions
Governance model has been implemented to manage pension topics including the creation of Global and Local Pension Steering Committees. A Global Benefit and Finance Director has been also appointed to provide assistance to local operations in improving investment strategy, and to develop reporting and Group policy in coordination with the Global HR Pension Director.

Treasury and cash management policies include policies for investment, guarantees, foreign exchange exposure, bank relationships and financing. The cash management function is centralised. Any transfer of cash not directly related to operations must be approved by the Global Treasury.

IT

Updated standards for segregation of duties started to be implemented in the system. Tooling has been implemented to verify the new standard automatically and highlight corrective actions. In addition, Global IT department coordinates an ongoing self-assessment process designed to help local IT departments evaluate and improve continuously internal compliance and governance. Results constitute guidance for local IT departments on areas of possible improvement.

Training and communication

Training and information sessions are organized regularly in order to circulate these policies and procedures within the Group. In 2006, the Group pursued in particular an intensive IFRS training programme providing guidelines on local application. An "IFRS certification" programme has been set up for the Group's financial population. 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. In 2007, it is planned to terminate this certification programme session and to request key managers, especially from the finance area, to obtain internal certification on internal control.

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 consolidation, no major deficiency in the control systems in place within their respective subsidiary.

Coordination with Statutory Auditors

Global Finance liaises with statutory auditors to coordinate the annual closing process. Group financial policies and procedures are discussed with the statutory auditors before issuance.

Monitoring of the process

A finance committee that includes country CFOs and the Head of Global Finance, 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.

Procedures for the reporting of information to, and consolidation by, the Finance Division

The reporting of the budget, forecast and financial information by subsidiaries is carried out in a standard format and within a timetable defined by formal instructions and procedures. If necessary, pre-consolidation meetings are held in some entities to address organisational or accounting issues and to smooth the consolidation process. Financial information is reported monthly through the controlling channel (for operational reviews) and quarterly through the statutory accounting channel. Such information packages are checked by separate teams and thereafter reconciled.

Each subsidiary reports its financial statements on a standalone basis and they are then consolidated at Group level. There is no intermediary consolidation level and all accounting entries linked to the consolidation remain under the direct control of Global Finance. Off balance sheet commitments are reported as part of the mainstream financial information and are examined by Global Finance. In addition, 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 Finance and HR Departments.
- Review of litigations by the Legal Department.
- Review of off balance sheet items by the Treasury department.

Internal audit procedures

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 Global Finance to identify the main risks and to focus its work plan as effectively as possible to control such risks.

In 2006, the Group launched financial audit program in order to strengthen the reliability and integrity of financial information and improve internal control within the Group. In response to the evolution of the 4th, 7th and 8th European directives, the Internal Audit Department has developed a list of key internal controls over financial reporting.

The Internal Audit Department coordinates also an ongoing self-assessment process designed to help local management evaluate and improve continuously their internal control for financial reporting. This process is supported by internal audit routine reviews, conducted locally, to review internal controls, verify assessments and follow-up corrective actions. The Internal Audit Department has developed a methodology for such reviews, which has been examined by Statutory Auditors.

Recommendations and observations raised by Internal Audit as part of the reviews conducted are strictly followed up. Quarterly conference calls are held with key Finance managers to discuss progress of implementation and results are reported to the Audit Committee.

The Internal Audit Department works in close contact with Statutory Auditors in order to co-ordinate projects and issues to be covered.

Outlook and related new procedures to be implemented

In 2007, the Group will continue to improve its internal control system. Developments are planned in the following areas:

Human Resources

During 2006, the key HR processes were analysed and the critical internal controls identified based on which we have developed our first HR self assessment questionnaire. The questionnaire was distributed to and completed by the HR function throughout the Group. The results are currently analysed and action plans will be defined accordingly in order to initiate further improvement of our key HR processes during the course of 2007.

For 2007 our key HR priority areas will be to further strengthen our talent management policies, to improve our Global recruitment practices and to optimise our employee services processes such as the effective deployment of the payroll processes and controls for which an internal audit review will be conducted.

Contract and project monitoring

In 2007, contract monitoring will be further reinforced. The already established global risk management processes for monitoring (monthly report of risky contracts) and reviewing (monthly global risk management committee) risky contracts will be further driven down into the organisation in all countries. A particular support process will be implemented for contracts in crisis, by giving the risk management function stronger empowerment. Also, new processes will be introduced focusing on prevention of contract losses and reduction of cost of non-quality.

Internal Audit

The Internal Audit Department will pursue the internal review programme initiated in 2006. In line with the planned development of the internal control system of the Group, Internal Audit plans to pursue its focus on HR processes and on control of projects and contracts at risk. 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 : in 2007, the Group plans to roll-out the process developed in 2006, trains and informs the financial community. In addition, Internal Audit Department will carry out a systematic verification of the self-assessment (list of key internal controls) through the internal audit plan.

Enterprise Risk Management
A risk mapping exercise has been carried out in 2005 with the objective of identifying key enterprise risks. Based on this initial work, the newly created Enterprise Risk Management function will collaborate with global service lines and other global functions to improve internal control procedures and mitigate key risks identified in the risk mapping.

Conclusion
Based on the above, we have no other observation with regard to internal control and procedures implemented by the Company.

Didier CHERPITEL
Chairman of the Supervisory Board.