

1. History of Sopra Steria Group

A PERFORMANCE-ENHANCING CORPORATE PLAN

Sopra Steria has reinforced its position as a European leader in digital transformation. The Group's shares are listed on the SBF 120 index, and it posted €4.1 billion in revenue and employed more than 44,000 people in over 25 countries in 2018.

Sopra Steria was born from the merger in 2014 of two of France's oldest digital services companies, Sopra and Steria, founded respectively in 1968 and 1969, and both characterised by a strong entrepreneurial spirit as well as a firm collective commitment to serving their clients.

1968–1985

Meeting the needs of an increasingly computerised society

The emerging IT services industry is in step with the demands of an increasingly modern society. Sopra and Steria set ambitious growth targets to achieve critical mass as quickly as possible, and to meet the needs of major clients with innovative products and services.

Sopra invests in software development and opens up new vertical markets. Meanwhile, Steria signs a series of major contracts from the public sector.

1985–2000

An era of rebuilding

After two decades of strong momentum, the IT services market enters a maturity phase and faces its first tests. In 1985, Sopra rethinks its fundamentals. A model combining two complementary businesses emerges, and the company focuses on systems integration and software development. The Group places financial performance at the heart of its strategy to ensure its long-term independence and prepare for its initial public offering, which takes place in 1990.

Steria also reorganises its functional structure. By rationalising and industrialising processes, it once again wins major deals. Everything is ready for the company to plan its initial public offering in 1999.

2000–2014

Contributing to clients' digital transformation

In 2001, the Internet bubble bursts accelerating market changes. Clients are looking for global players capable of assisting them in transforming their businesses.

Steria responds to these challenges by making major, structural acquisitions. The Group doubles in size by integrating Bull's European services businesses in 2001, and boosts its consulting offering with the acquisition of German firm Mummert Consulting in 2005. Xansa, a British group specialising in business process outsourcing (BPO), joins the Steria fold in 2007. In 2013, Steria signs one of the biggest contracts in its history with the UK government, strengthening its foothold in the public sector.

Sopra combines internal and external growth to consolidate its European expansion and its areas of expertise: consulting, systems integration and solutions development. Axway, a subsidiary formed by bringing together the Group's software infrastructure divisions,

is floated in 2011 to let it pursue its growth independently and set out to conquer the US market. Sopra is recognised for its expertise in financial services, leading to the creation of Sopra Banking Software in 2012. In 2014, dedicated human resources solutions are brought together in a single subsidiary, Sopra HR Software.

2014–2019

A new dimension and accelerated performance

Due to the changes resulting from digital transformation, business-related issues are becoming increasingly significant within the digital services market. In this context, a friendly tie-up between Sopra and Steria makes perfect sense, and on 31 December 2014, a new European leader in digital transformation is created: Sopra Steria. The two groups perfectly complement each other in terms of business activities, strategic vertical markets and geographic segments, and their business cultures are closely aligned.

In the first few months of 2015, the integration plan jointly designed by Sopra and Steria teams is successfully rolled out in the operational and functional departments of the new Group. At the same time, the Sopra Steria 2020 Project is launched in order to improve performance in all areas and increase added value. By capitalising on an end-to-end offering delivered to major clients using a vertical approach, the project supports initiatives within the area of digital technology and puts the emphasis on consulting services and the development of software solutions, by means of organic growth and acquisitions. In 2016, the Group launches New Way, a three-year programme aiming to unite all employees around a single culture and shared fundamental values. The We Share employee shareholding plan gives employees a greater stake in the Group's expansion. With around 7% of share capital managed on behalf of its employees, Sopra Steria is France's leading digital services company in terms of employee shareholders.

Strategic investments continue in services, consulting and the development of business solutions. The acquisition of CIMPA in October 2015 boosts the Group's presence in the product lifecycle management (PLM) market. Following the acquisition of software house Cassiopae, finalised in January 2017, three new companies joined the Sopra Steria Group in 2017 (Kentor, 2MoRO and Gallitt). These acquisitions have helped to strengthen Sopra Steria's positioning in Scandinavia, in the aerospace and banking vertical markets.

In 2018, the acquisitions of **BLUECARAT**, a German IT services company (finalised on 3 May 2018) and of **it-economics**, a German digital consulting firm (finalised on 5 July 2018), strengthen Sopra Steria's position in Germany.

In the first half of 2018, Sopra Banking Software strengthened its footprint in its markets with the acquisition of **O.R. System**, followed by that of **Apak** in the second half.

Sopra Steria thus provides end-to-end solutions to address the core business needs of large companies and organisations, helping them remain competitive and grow. Combining expert business knowledge and added value with innovative high-performance services, the company excels in guiding its clients through transformation projects to help them make the most of digital technology.

2. Overview of the digital services sector

2.1. Main markets – Competitive environment of the digital services sector

In 2018, the digital services market in Western Europe was worth an estimated €305 billion ⁽¹⁾.

DIGITAL SERVICES MARKET IN WESTERN EUROPE (EXCLUDING HARDWARE AND SOFTWARE)

Country (in billions of euros)	2018 estimates
France	40.3
United Kingdom	90.8
Germany	52.7
Rest of Europe	121.2
TOTAL	305.0

Source: Gartner (Q4 2018), in constant 2013 US dollars.

The market in Western Europe expanded by an estimated 4% in 2018, including growth of 4.6% in Germany, 4% in France and 2.4% in the United Kingdom. According to market research (source: Gartner), this trend is expected to continue, with annual growth of more than 4% out to 2022.

DIGITAL SERVICES MARKET IN WESTERN EUROPE (EXCLUDING HARDWARE AND SOFTWARE)

Business (in billions of euros)	2018 estimates
Consulting	61.2
Systems development and integration	75.7
Outsourced IT services	129.7
Business process outsourcing	38.4
TOTAL	305.0

Source: Gartner (Q4 2018), in constant 2013 US dollars.

In 2018, the business process outsourcing and outsourced IT services segments expanded at estimated rates of 2.9% and 2.8%, respectively. The fastest-growing segments were services relating to applications development and systems integration (estimated 4% growth) and consulting (estimated 7.7% growth).

The European market has two main characteristics:

- three countries (the United Kingdom, Germany and France) account for 60% of IT services spending ⁽¹⁾;
- outsourcing of technology services (application maintenance and infrastructure management) and business process outsourcing together account for a little over half of IT services spending by European companies ⁽¹⁾.

Furthermore, the IT services market remains fragmented despite some consolidation, with the leading player in the European market

holding far less than a 10% share. Against this backdrop, Sopra Steria is one of the ten largest digital services companies operating in Europe (excluding captive service providers and purely local players). Its market share stands at over 4% in France and currently averages between 0.5% and 1% in the other major European markets.

Sopra Steria's main competitors in Europe are Accenture, Atos, Capgemini, CGI, DXC and IBM, all of which are present worldwide. It also faces competition from Indian groups, chiefly in the United Kingdom (such as TCS, Cognizant, Wipro and Infosys), and local companies with a strong regional presence (Indra in Spain, Fujitsu in the United Kingdom, Tieto and Evry in Scandinavia, etc.). Apart from its services business, listed rivals such as Temenos and Alfa Financials also command a significant presence in the software market, where Sopra Steria is also present, especially in banking.

(1) Source: Gartner (Q4 2018), in constant 2013 US dollars.

3. Sopra Steria's activities

3.1. A major European player in digital transformation

Sopra Steria, a major European player in digital transformation, has one of the most comprehensive portfolios of offerings on the market, spanning consulting and systems integration, the development of business and technology solutions, infrastructure management, cybersecurity and business process services (BPS).

The Group provides end-to-end solutions to address the core business needs of large companies and organisations, helping them remain competitive and grow throughout their transformation, from strategic analysis, programme definition and implementation, and IT infrastructure transformation and operation, to designing and implementing solutions and outsourcing business processes.

Combining added value, innovative solutions and high-performance services, Sopra Steria's hybrid model capitalises on its substantial experience. Thanks to very close relationships with its clients, the Group is able to continually innovate to guarantee that its offerings remain relevant to the strategic challenges of each of its vertical markets.

Sopra Steria is an independent group whose founders and managers control 22.4% of its share capital and 33.0% of its theoretical voting rights. With more than 44,000 employees in over 25 countries, it pursues a strategy based on European key accounts.

Sopra Steria Group is also the preferred partner of Axway Software, whose exchange and digital enablement platforms play an important role in renovating information systems and opening them up to digital technology.

For Sopra Steria, helping clients succeed in their digital transformation means breaking down their strategic and business challenges into digital initiatives through an exclusive end-to-end offering. Whether this takes a vertical approach (from the ideation of a need through to execution) or a horizontal approach (driven by data continuity), Sopra Steria's approach enables it to offer multi-disciplinary teams. These teams are trained in the new microservices platforms, DevOps and cloud computing (hard skills). They are also adopting new methods of designing, delivering and embedding teams (soft skills). Sopra Steria is therefore able to offer the two key components of successful digital transformation: speed of execution (or delivery in "fast IT" mode) and openness to external ecosystems.

3.1.1. CONSULTING AND SYSTEMS INTEGRATION

a. Consulting

Sopra Steria Consulting, the Group's consulting brand, is a leading consulting firm. Sopra Steria Consulting has over 40 years' experience in business and technological consultancy for large companies and public bodies, with around 3,000 consultants in France and Europe. Its aim is to accelerate the development and competitiveness of its clients by supporting them in their digital transformation. This support mainly involves understanding clients' business issues using substantial sector-specific expertise, and then working to design

transformation roadmaps (business processes, data architecture, change management, etc.) to make the most of new digital technologies.

b. Systems integration

Systems integration is Sopra Steria's original core business, and covers all aspects of the information system lifecycle and major transformation programmes. Sopra Steria is equipped to address the full range of its clients' software asset needs:

Design and integration

Sopra Steria's teams help their clients implement agile and industrial-scale projects. The Group undertakes to design and deliver systems in line with business requirements that are flexible and adapted to the new requirements of digital transformation as well as sector-specific regulatory constraints. This is made possible by working closely with the Sopra Steria Consulting teams.

Performance and transformation

In addition to standard information systems maintenance, Sopra Steria takes a continuous transformation approach to these systems to guarantee optimised operational efficiency for its clients, suited to changes in their business. The transformation approach includes a well-equipped and documented procedure making it possible to combine the issues involved in reducing the time to market with improved competitiveness and continuity of service.

Streamlining data flow

Once the systems and technologies are implemented, the information system gives access to reliable, relevant and critical data, offering better analysis of user satisfaction and optimisation of service performance.

With the increasing number of diverse data sources relating to fundamental changes in use, data is a more valuable to the company than ever. To increase the value of this data, Sopra Steria has developed specific know-how and expertise to manage the exponential growth in data volumes and associated skills (data science, smart machines, automation, artificial intelligence) by integrating them in a global solution, securing the data regardless of its origin (mobile devices, smart objects, data privacy, the cloud, multimodal and multichannel systems, etc.) and using the data by means of contextualised algorithms.

The Group's systems integration offering thus meets the challenges posed by both the obsolescence and modernisation of information systems, ensuring optimal flexibility and value creation.

Product lifecycle management (PLM)

CIMPA provides comprehensive expertise via its PLM offering, which covers all the various facets of PLM services:

- PLM strategy creation or optimisation;
- deployment of strategy-related tools, processes or methods;
- user training and support.

3.1.2. IT INFRASTRUCTURE MANAGEMENT

With over 4,500 technology experts worldwide and more than 10 years' experience in developing our outsourcing service centres in Europe and India, Sopra Steria provides digital transformation support for all technological and organisational transformation projects from consulting to execution in the IT infrastructure management sector.

The **hands-on approach applied for infrastructure management** covers five types of services that are essential to support information system transformation for our clients:

- **Consulting on Services:** Offers value propositions for the co-management and operation of transformation projects. This is provided across all four of the other service categories listed below;
- **Optimum Cloud Services:** A comprehensive range of cloud solutions and services with key market operators. Customisable services such as: CloudOps, CloudOptim or even CloudMigrationFactory to manage our clients' cloud environments;
- **Application Live Services:** Proven commissioning solutions, continuity of service and data management solutions. Customisable services such as: DevOps services, live services, API services and smart data services to ensure reliability and a high level of application availability;
- **Intelligent Services:** An intelligent services platform to better serve our clients' employees. Customisable services such as: digital workplace services, support services and AI services to make client services more efficient;
- **Legacy Services Plus:** Technology experts in servers, storage and backup to optimise existing applications while also looking after development and interconnection with applications hosted in the cloud. These services are complemented by hosting capacity in Europe, benefiting from HDS certification (France).

We assist large organisations with their strategic cloud-native, cloud-first or "data centre-less" initiatives.

Combining consulting and multimodal delivery, our teams work more specifically on transformation and managed services projects in private, public and hybrid cloud environments.

3.1.3. CYBERSECURITY

With over 700 experts and several state-of-the-art cybersecurity centres in Europe and worldwide (France, United Kingdom, Singapore), Sopra Steria is a global player in protecting critical systems and sensitive information assets for major institutional and private clients.

Cybersecurity covers five key areas of expertise:

- **Governance, Risk and Compliance (GRC):** High value-added consulting services coupled with GRC solution integration in order to provide well-equipped security governance focused on managing business risks. In the area of regulatory compliance, Sopra Steria's comprehensive support to ensure compliance with major French and European regulations (LPM/NIS, CNIL/GDPR, export control, etc.) is based on the legal and operational expertise of our consultants;
- **Application Security:** A complete programme for securing applications, including a "secure by design" project approach and a unique code review as a service (CRaaS) production capacity made possible by our cybersecurity centres;
- **Cloud Security:** Sopra Steria Cloud Security Services covers compliance with the frameworks concerned, "secure by design" principles, application security and overall monitoring of public cloud and multi-cloud environments;
- **Data Security:** A comprehensive programme, extending from business-related risks to protection and surveillance measures,

designed for hybrid environments (legacy, cloud) and leveraging the best of big data and data science technologies;

- **Security Intelligence Centre (SIC):** A scalable Security Operations Centre (SOC) offering that may be used by the organisations known in France as *opérateurs d'importance vitale*, or OIVs (identified by the French state as having activities that are vital or hazardous for the population), in line with Sopra Steria's certification as an authorised security incident detection service provider (PDIS) by the ANSSI, the French networks and information security agency. The leading offering of its kind in France, this type of SOC combines information management and artificial intelligence to anticipate, detect, analyse and respond to cyber attacks as quickly and accurately as possible.

This comprehensive offering is suited for any environment and provides a tangible solution for the security issues specific to industrial systems.

3.1.4. BUSINESS SOLUTIONS

Sopra Steria offers its business expertise to clients via packaged solutions in three areas: banks and other financial institutions via Sopra Banking Software, human resources personnel via Sopra HR Software, and real estate owners and agents with its real estate management solutions. The Group offers its clients the most powerful solutions, in line with their objectives and representing the state of the art in terms of technology, know-how and expertise in each of these three areas.

Solutions

Sopra Banking Software: Solutions developer for the financial services industry

Sopra Banking Software, a wholly owned subsidiary of the Group, is the developer of market-leading financial solutions for more than 800 banks (direct- and branch-based retail banks, private banks, microfinance companies, Islamic financial institutions, centralised payment or credit factories) and specialist lenders around the world.

Sopra Banking Software's 4,200 experts are all fully dedicated to the success of their clients, implementing solutions that process more than 800 million transactions in order to meet objectives such as enhancing the client experience, operational excellence, controlling costs, compliance and reducing risks.

Beyond solutions and technologies, the question of the value promises made to clients is of paramount importance. This involves the development of new client experiences, but also the optimisation of existing systems. Optimisation helps to identify the investments needed to innovate and drive economic growth, promote advances in technology and ensure legal and ethical compliance. Each transformation is a multidimensional process specific to each client. This is why Sopra Banking Software works together with each of its clients to develop solutions and help them forge their own path going forward.

Platform, Amplitude and Digital Experience Platform: Three offerings to transform banks

Supported by an API, RESTful, microservices and cloud-native architecture, Sopra Banking Software's offerings cover all business processes in banking, from client relationships and banking production to accounting integration and regulatory reporting, and are entirely open. They use them to carry out their day-to-day operations and successfully complete their transformations to guarantee sustainable growth.

Sopra Banking Software is recognised for the power of its solutions and the quality of its experts.

DETAILED PRESENTATION OF SOPRA STERIA

Sopra Steria's activities

An unrivalled global position in asset finance

Sopra Banking Software's complete, flexible and field-proven solution in this area covers all requirements for business and personal financing and loans: car loans, capital goods loans, but also equipment and real estate leasing, and even market financing.

Thanks to the value-creating innovation culture fostered among all the entity's experts, combined with a collaborative working approach, its clients are able to raise satisfaction levels among their customers while driving growth.

Services

From consulting to analysis, planning, training of teams, implementation and maintenance, Sopra Banking Software also supports its clients by offering a wide range of related services over the entire life cycle of their projects.

In addition to operating its own solutions, Sopra Banking Software offers SaaS solutions.

Sopra HR Software: A market leader in human resource management

Sopra Steria Group also develops human resource management solutions via Sopra HR Software (a wholly-owned subsidiary of Sopra Steria). Sopra HR Software is present in 10 countries, providing comprehensive HR solutions perfectly suited to the needs of human resources departments. Sopra HR Software currently has a workforce of 1,576 people and manages the payrolls of 850 clients with over 12 million employees.

Sopra HR Software is a partner for successful digital transformation of companies and anticipates new generations of HR solutions.

Solutions

The Sopra HR Software offerings are based on the most innovative business practices and cover a wide range of functions, including core HR, payroll, time and activity tracking, talent management, HR spaces for employee engagement and collaboration, and analytics. The offering is based on two product lines, HR Access® and Pléiades®, aimed at large and medium-sized public or private organisations in any sector and of varying organisational complexity, irrespective of their location.

Within Sopra HR Lab, the Group anticipates the best of new HR solutions.

Services

Sopra HR Software, a comprehensive service provider, offers a number of services linked to its solution offering. Sopra HR Software supports its clients throughout their projects, from consulting through to implementation, including staff training, maintenance and business process services (BPS).

Sopra HR Software implements its own solutions either on-premise or in the cloud and also offers a wide range of managed services.

Real Estate Management Solutions by Sopra Steria: The leading name in digital transformation for real estate management

Sopra Steria is the leading developer/distributor/integrator/service manager of real estate management software in France. At the cutting edge of digital technologies, it offers its clients the most comprehensive information system on the market.

Targeting major operators in the public and private sector in France (institutional investors, social housing, real estate management companies, major users), Sopra Steria covers all areas of the real estate industry and markets itself through comprehensive solutions comprising products, innovative technology services (collaborative environments, BIM, apps, cloud, extranet) and consulting services.

With this full digital offering, Sopra Steria combines digital services around a single data repository for the building, its occupants and the management of real estate assets. This therefore makes it possible to achieve a higher return on the real estate portfolio while also improving its use and relations with occupants and service providers.

3.1.5. BUSINESS PROCESS SERVICES

Sopra Steria offers a full range of business process services (BPS) solutions: consulting for the identification of target operating models, development of transition and transformation plans, and managed services.

Today, our BPS offering goes hand in hand with digital transformation. Digital technologies have opened up opportunities for improving key business processes in all organisations. Whether they involve robotics, chatbots, automatic natural language processing (NLP) or artificial intelligence (AI) more widely, digital technologies can streamline the execution of processes, cut their costs and lead to new approaches.

Sopra Steria has forged relationships with major providers of digital solutions for BPS. Furthermore, we enjoy a strong presence in the technology ecosystem, both in France and worldwide. We thus have access to a dynamic network of partners as well as a singular ability to identify innovative solutions owing to our connections with the world of technology startups. We combine our own platforms with those of our technology partners to provide the right level of innovation within our design/production/operation services. Our specialised design teams work to ensure the best possible client experience for end-users and we offer our clients ways to considerably improve process efficiency by leveraging intelligent automation and machine learning. Thanks to our technology assets, we are helping to develop tomorrow's operating models.

Sopra Steria employs many consultants and practising professionals with expertise in BPS and the digital sector. They help organisations make the best use of new digital technologies to transform their activities, from their operating models to their processes and end-user services. Our ability to handle transformation in both its human and business dimensions allows us to support our clients wherever their digital journey takes them, helping them to move from a theoretical perspective on possible solutions to a focus on specific technologies. We eliminate inefficient practices, reorganise tasks and improve results for each activity entrusted to us, whether it involves individual business processes or highly complex shared services. Added to this is the experience of our employees in change management, which is essential to the success of any transformation. In the various BPS areas, we can provide the services ourselves or work in tandem with the client's personnel to carry out the engagement. In these cases, we invest in these individuals to help them become more effective and productive, sharing our best practices with them.

Sopra Steria operates two of the largest shared service centres in Europe, taking charge of multiple business processes each day on behalf of end-clients.

3.2. Business expertise at the heart of our strategy

Sopra Steria has chosen eight major vertical markets that constitute its areas of excellence and make up 90% of revenue. The Group has a comprehensive offering in each of these fields, meeting the specific challenges of its clients.

3.2.1. BANKING

The banking and financial services sector has entered a new era, that of Open Banking. Client demands and regulatory pressures are constantly increasing and new market entrants (fintech companies, the "Big Four" tech companies, retail and telecoms players, etc.) are helping to accelerate transformations in this ecosystem, moving it toward greater openness, a paradigm shift often referred to as the Open Banking revolution.

Faced with these new challenges, Sopra Steria aims to be a partner for banks, helping to facilitate and accelerate this transformation.

With three core areas of expertise – understanding of the banking sector, its clients and the most innovative technologies – the Group offers powerful and agile software solutions, as well as their application by means of value-added use. The Group and its subsidiary Sopra Banking Software provide comprehensive solutions and turn changes in the banking world into opportunities for their clients, whether in risk management, regulatory compliance, data protection, improving the client experience, optimising performance, delivering differentiation or identifying new sources of income.

3.2.2. PUBLIC SECTOR

Faced with new expectations from civil society and businesses, the need to optimise their expenditure, the obligation to keep up with regulatory changes and driven by a wave of reforms, public sector entities are continuing the broad-based transformation of their activities, organisations and the services offered to their users.

When digital technology is a force for change, Sopra Steria provides solutions in two main categories: (i) the digitisation of government services, the re-engineering of processes and, more generally, the modernisation of business-specific information systems via digital transformation programmes, and (ii) the pooling of support functions for central government agencies, local authorities, and key providers in the health and welfare sectors.

As a result, public sector organisations can ensure that they meet their targets and priorities at the lowest cost, while giving their information system the agility it requires to cope with the challenges they face.

3.2.3. AEROSPACE, DEFENCE AND HOMELAND SECURITY

a. Aerospace

The aeronautics and space sector is a particularly fertile ground for innovation. It is subject to constraints regarding reliability, availability, security and performance, which require suppliers to have full command of the technologies and processes implemented, as well as a thorough understanding of their different clients' core businesses.

For optimal service, companies operating in this sector must align their capacities with the pace of production and optimise their processes and information systems while also improving profitability. Digital continuity and the ability to manage the product life cycle, from design to manufacture and after-sales services, are crucial. Sopra Steria's acquisition in 2015 of CIMPA, a specialist in product lifecycle management, makes total sense in this context particularly as it was followed in 2017 by the acquisition of 2MoRO, extending the Group's offering in aerospace maintenance activities.

To meet these challenges, Sopra Steria's expertise comes into play in such critical areas as industrial efficiency, manufacturing and particularly the shop floor, supply chain, on-board systems and air traffic control.

b. Defence

In a tense geopolitical context, marked by the rise of new threats to states (cybercrime, terrorism, etc.), defence departments must improve their effectiveness while taking into account budgetary constraints. It has become essential to optimise the interoperability and security of critical operational systems for exchanging real-time information.

With over 40 years' experience in supporting the military in Europe, Sopra Steria combines pragmatism and innovation, thanks to powerful technological and process solutions:

- interoperability and security of military systems;
- efficiency and overall effectiveness of the armed forces;
- efficiency of the military supply chain (supply chain management);
- reliability of operational and communication information systems;
- mass data leveraging for information systems;
- sovereign cyber-defence solutions and services;
- control over costs and the complexity of ensuring compliance for command and control systems.

c. Homeland security

Sopra Steria supports public authorities in meeting the challenges of homeland security. The Group operates in 24 countries, serving many different organisations: police, emergency services, border control, census services, justice, customs and homeland security services.

Sopra Steria carries out large-scale, complex and critical projects on behalf of these organisations, concerning:

- management of surveys and domestic intelligence;
- road safety;
- automation of command and control solutions;
- management of identity documents, security credentials and civil and criminal biometrics;
- modernisation of civil and criminal systems and management of prisoners;
- intelligent, distributed computer systems;
- infrastructure security;
- mobile technologies to optimise operations on the ground.

In addition, the Group has developed innovative solutions specific to the security sector, to meet the challenges and requirements of clients in this field (biometrics, mobile technology, fingerprint and genetic footprint search engines, etc.).

3.2.4. ENERGY AND UTILITIES

Faced with the challenges of energy transition and the opening up of markets, as well as regulatory constraints, companies in the energy sector must be increasingly creative to improve their productivity, develop new products and services, control costs, reduce their environmental impact and rationalise their operations.

In a context of strategic choices to be made between integration and specialisation, investment priorities focused on the regulated arena or the competitive sector, and the extent of internationalisation, digitisation is fast becoming the inevitable route to step up transformation for players in this sector.

Sopra Steria supports energy suppliers and utilities in their strategic responses to trends affecting a number of areas:

- experience and client acquisition: Reinventing customer relations and designing new services;
- optimisation of asset performance: Controlling operating costs and securing performance;
- digital transformation of engineering firms: Overhauling processes for the design, construction and maintenance of industrial assets;
- modernisation of networks: Accompanying the decentralisation and the digitisation of energy networks;
- transformation and performance of organisations: Facilitating changes in organisations and business lines necessitated by major changes affecting the sector.

3.2.5. TELECOMS, MEDIA AND GAMING

The telecoms, media and gaming sector is at the centre of the digital revolution, and is continually innovating to stay abreast of new digital interactions and the emergence of new technologies and usage patterns.

Sopra Steria enables its clients to meet the following main challenges:

- transformation of the telecommunications sector: End-to-end digitisation from client systems to infrastructure, network virtualisation, fixed-mobile convergence, reduction of the time to market, optimisation and digitisation of customer relationships;
- network management: Reduction in infrastructure management costs, introduction and operation of new technologies such as SDN/NFV or 5G, reduction in delivery times, sharing of operating and investment expenditures between providers;
- diversification: Operators offer new services such as the internet of things, content distribution and even financial services;
- core media business: Use of new technologies, optimisation of advertising revenue, digitisation of content, improvement in the creation and broadcasting of television programmes;
- core gaming business: Management of customer retention and churn, fraud reduction and control over cash flows, compliance with regulations, digitisation of distribution channels, and differentiation by customer experience.

3.2.6. TRANSPORT

The transport sector is undergoing far-reaching changes and must meet new challenges: growing international and urban traffic, new modes of transport (carpooling, low-cost operators, long-distance buses, free-floating systems for car, bike and scooter sharing, to name a few), the inescapable renovation of ageing networks, while preparing for the opening to competition and the arrival of new digital players (Google, Uber, BlaBlaCar, etc.).

Faced with these major challenges, the transport sector must strive to provide door-to-door, multimodal services (rail and underground, bicycles, taxis, buses, scooters) with a low carbon footprint, adopting a passenger-centric approach.

In transport, our aim is to be the digital transformation partner for the main players across the three key business dimensions of their value chain: innovation in the passenger experience to achieve greater simplicity and fluidity, operational management of resources to ensure more robust offerings, and better use of capital assets (fleets, infrastructure).

Our ambition is also to be a recognised player in mobility ecosystems: mobility platforms, autonomous shuttles/vehicles, smart cities, etc.

Sopra Steria has developed business know-how in all of these fields based on four main themes:

- infrastructure management: Asset management, preventive and predictive management (e.g. industrial IoT), factory 4.0 or factory of the future, maintenance of aeroplanes and rolling stock, mobility, paperless records, etc.;
- traffic management: From timetable design to transport planning, rolling stock management and supervision of rail, road and air traffic;
- passenger experience: Mobile ticketing, boarding and access control, passenger information, and new services in stations and airports;
- transport services tailored to smart cities: Mass transit, sustainable urban logistics, multimodal urban mobility services (MaaS), collaborative mobility management.

Sopra Steria is a leading player in business and information system transformation for major clients in the rail, aviation, postal services and urban transport sectors.

3.2.7. INSURANCE

The insurance sector is fiercely competitive and subject to increasingly strict regulation. As in other areas, policyholders expect to interact with providers via various channels, and providers are attempting to develop client-centred processes in order to ensure seamless service for all the policyholder's major milestones. Insurance companies and social welfare providers have to find a way of cutting costs while also optimising efficiency and providing a differentiated and harmonious client experience.

Sopra Steria offers its clients solutions focused on transforming distribution models, the development of new insurance products and services, and operational efficiency, through services such

as maximising value-add for the client experience, leveraging of data and information assets, acceleration of paperless processes and digital transformation, alignment of business processes and information systems, and the use of smart devices for prevention, big data for combating fraud and artificial intelligence for smart care.

3.2.8. RETAIL

Retailers face a challenging business environment as well as profound and continual changes in the shopping habits of customers, who increasingly use digital technology. To remain competitive, transformation is essential. The aim is to secure and better manage retail business practices while offering a real ability to innovate to meet consumer demand for immediate and flexible services.

Sopra Steria assists retailers with their digital transformation and has developed knowledge and experience in multi-channel commerce, optimisation of logistics chains and understanding client needs. In this way, the business processes and information systems of these companies become a lever for performance.

3.3. Research and Development in Solutions

The Group has continued its R&D efforts, investing €104.9 million in 2018 (versus €102.2 million in 2017) in developing and expanding its business solutions. All of these totals are gross amounts and do not take into account funding related to the French R&D tax credit.

4. Strategy and objectives

4.1. Strong and original positioning in Europe

Sopra Steria's ambition is to be a major European player in digital transformation, with a comprehensive, high value-added offering, enabling its clients to make the best use of digital technology to innovate, transform their models (business as well as operational models), and optimise their performance.

The Group's aim is to be the benchmark partner for large public authorities, financial and industrial operators and strategic companies in the main countries in which it operates.

To achieve this aim, Sopra Steria will continue to strengthen its key competitive advantages:

- business software solutions which, when combined with the Group's full range of services, make its offering unique;
- a position among the leaders in the financial services vertical (core banking and specialist lenders) bolstered by the success of the Sopra Banking Software solutions;
- very close relationships with its clients, thanks to its roots in the regions where it operates and its ability to meet core business requirements without taking the prescriptive approach favoured by certain global providers.

4.2. Confirmed objectives and priority action areas

4.2.1. DEVELOPMENT OF SOLUTIONS

The Group, currently France's number two software development company ⁽¹⁾, confirms its medium-term target of bringing the share of its solution development and integration activities to 20% of its revenue. Through a combination of organic growth and acquisitions, efforts will continue to be focused on enriching the Group's solutions, adapting them to cloud systems and leveraging new digital technologies, along with the development of managed services and geographic expansion.

The development of Sopra Banking Software, whose aim is to conquer markets beyond Europe, is a priority. The Group will also continue to strengthen its leading position in human resources and real estate management solutions, remaining on the lookout for new sector opportunities.

4.2.2. EXPANSION IN CONSULTING

In order to position itself even more securely with client decision-makers at the business department level, the Group is continuing its move up the value chain in Consulting, and confirms its medium-term target of bringing the share of these activities to 15% of revenue. To do this, it is gradually developing a range of consulting services and capacity in all of the regions in which it operates, using a model that favours synergies with the Group's other business lines. The priorities in this area are digital consulting, upstream consulting (e.g. digital strategy, operating strategy, IT strategy), enhancing business expertise in each vertical market with special emphasis on the financial services vertical and building a strong brand for the Consulting business in the market.

(1) Source: Truffle 100, May 2018.

4.2.3. LEVERAGING DIGITAL TECHNOLOGIES

Sopra Steria has successfully completed numerous digital projects. Its experience has allowed it to offer a holistic approach to digital transformation to the market, based on a series of best practices, with the ultimate goal of creating the platform enterprise.

Accordingly, to step up its commitment along these lines, the Group is continuing its investments with the following goals:

- being at the cutting edge of the market in all of its services and business models;
- strengthening its technology assets;
- transforming its operational models;
- educating all of its employees in digital culture, practices and skills;
- keeping an eye on the market in order to clarify its digital strategy and target the best digital partners.

Digitisation of offerings and business model adaptation

The Group is gradually adapting its solutions to factor in advances in digital technology in a number of key areas, such as client/user experience, service platforms, analytics and virtual advisors, and accommodate the growing use of hybrid (private/public) cloud environments by its clients.

The same approach is being applied for each of the Group's major service offerings – Consulting, Application Services (Build and Application Management), Infrastructure Management, Cybersecurity, Business Process Services – with the following objectives:

- using the immense potential of new technologies for the benefit of all of its clients;
- presenting new value propositions to the market: UX/UI strategy and design, digital factories, development/operation of service platforms, end-to-end approaches covering needs from consulting to run services for cloud migration and the modernisation of legacy information systems, etc.

The digitisation of offerings and, more broadly speaking, changing client expectations, have led the Group to adapt its business models. The Group anticipates that it will be selling more and more solutions operated on behalf of clients and, in services, increasingly leveraging intellectual property (reusable components, implementation accelerators, integration/operation platforms, etc.), thereby gradually moving away from billing simply based on the number of person-days spent on a project.

Technology assets

The Group is continually investing in the exploration of new ideas and expertise in architectures, and in emerging digital and cloud technologies and uses, relying on its teams of “digital champions”.

At the same time, all necessary resources are being put in place to rapidly develop and operate digital solutions on behalf of the Group's clients that are natively designed to function in hybrid (private/public) cloud environments:

- DevOps to industrialise processes;
- technology foundation to enable the quick setup of digital services platforms (based in particular on the components of Axway's Hybrid Integration Platform);
- environment for the development, management and execution of reusable software components;
- Implementation accelerators for new digital technologies (blockchain, augmented reality (AR)/ virtual reality (VR), smart machines, the internet of things (IoT), etc.);

- pre-trained machine learning/data science algorithms and models (for targeted verticals and business areas);
- digital factories to enable service offerings combining consulting and software (e.g. cloud migration and information system modernisation).

Transformation of operational models

The Group is gradually changing the operational model for its services and R&D activities, by integrating its developed technology assets:

- expanding use of new agile and collaborative approaches resulting from digital technologies;
- rollout of processes and resources (software and digital factories) for industrialisation, automation and reusable components developed to boost productivity and quality for IT services and R&D activities;

In particular, this involves greater use of smart machines (robotic process automation, intelligent automation, virtual assistants) in the Group's recurring service activities (in connection with its Business Process Services, Infrastructure Management, Application Management and Support offerings) as well as expanding the reuse of existing technology- or business software components (IP blocks, open source) and the use of low-code/no-code development platforms for the building of solutions;

- transformation in line with the location of each activity (distribution of roles between the onshore production teams, the shared service centres, and the offshore and nearshore R&D teams).

Innovation

Numerous initiatives are being encouraged to promote and enhance innovation, such as the Group's digital champions keeping an eye on technology advances and uses, innovation imperatives assigned to project teams, internal innovation competitions to develop new digital uses for the Group's vertical markets, hackathons open to clients and partners, as well as platforms for digital demonstrations, brainstorming, co-design, rapid development and technology intelligence open to clients, employees and partners at all the Group's major locations (DigiLabs), etc.

Ecosystem of partners

Special efforts are being made to establish targeted partnerships with leading players in the digital ecosystem by vertical and by major technology area (startups and niche players, institutions of higher education and research laboratories, top software development companies and tech giants, etc.). It is within this framework that a strategic partnership has been forged with Axway.

In order to ensure effective market intelligence, a collaborative startup observatory is made available to the Group's teams of digital champions and all its managers.

In certain very specific cases relating to its digital strategy, the Group may take equity stakes in young startups that it considers as the most innovative in the market, applying a corporate venturing approach.

4.2.5. VERTICAL APPROACH

Focused business development

To support the positioning it has in view, the Group is continuing its policy targeting specific vertical markets, key accounts and business areas in all countries where it operates.

In line with this approach, eight priority verticals currently account for nearly 90% of revenue: Financial Services; Public Sector; Aerospace, Defence and Homeland Security; Energy and Utilities; Telecoms and Media; Transport; Insurance; and Retail.

For each vertical, the Group selects a small number of key accounts (fewer than 100 at Group level) and focuses on a few different business areas in which it aims to secure a leading position.

End-to-end vertical offerings

In order to achieve its leadership objective in its targeted verticals and business areas, the Group mobilises the development efforts of its various business activities and countries to build end-to-end value propositions as well as offerings of business solutions designed to address the business challenges faced by its major clients.

As part of this approach, particular emphasis is placed on the financial services vertical, for which the Group offers comprehensive responses to productivity issues and the challenges brought about by “platformisation” in the core banking and specialist lending sectors. These responses are based on Sopra Banking Software’s industry-specific assets, the Group’s technology assets and its full range of services.

4.2.5. ACQUISITION STRATEGY

The Group will continue to play an active role in market consolidation, in a targeted manner. Its approach will focus on three main areas: solutions (with the priority on banking solutions), consulting, and strengthening its position in certain geographies.

4.3. Medium-term strategic objectives

The Group has reaffirmed its strategy through its independent, value-creating corporate plan based on expansion, added value and differentiation, particularly through its software business. With this in mind, and with the market being driven by digital transformation, Sopra Steria is confident in its ability to steadily and continually improve its performance.

The Group is targeting annual organic revenue growth of between 4% and 6%, an operating margin on business activity of around 10%, and free cash flow of between 5% and 7% of revenue.

With respect to the 2019 financial year, the Group’s targets are:

- organic revenue growth of between 4% and 6%;
- slight improvement in operating margin on business activity;
- free cash flow in excess of €150 million.

5. Recent investments and developments

5.1. Investments during the year

5.1.1. ACQUISITIONS IN 2018

During 2018, the Sopra Steria Group announced the following acquisitions:

a. Apak

On 18 October 2018, through its subsidiary Sopra Banking Software, Sopra Steria acquired 100% of Apak, which develops specialised lending solutions for car loans and asset finance. Apak has been consolidated in Sopra Steria’s consolidated financial statements since October 2018.

b. it-economics

On 6 July 2018, Sopra Steria announced that it had finalised the acquisition of it-economics, a German digital consulting firm, on 5 July 2018. The planned acquisition had first been announced in a press release on 15 May 2018. it-economics has been consolidated within Sopra Steria since 5 July 2018.

c. BLUECARAT

On 4 May 2018, Sopra Steria announced that it had finalised its acquisition of BLUECARAT, a German IT services company, on 3 May 2018. The planned acquisition had first been announced in a press release on 8 January 2018. BLUECARAT has been consolidated within Sopra Steria since May 2018.

d. O.R. System

On 4 April 2018, Sopra Banking Software completed the acquisition of O.R. System, the developer of a counterparty risk management solution for the banking sector and financial institutions. The company has been consolidated within Sopra Steria since the second quarter of 2018.

5.1.2. INFRASTRUCTURE AND TECHNICAL FACILITIES

A total of €52.2 million was invested in 2018 in infrastructure and technical facilities, as against €44.5 million in 2017.

Investments in facilities comprised the following:

- land and buildings: €2.1 million;
- fixtures and fittings: €28.6 million;
- IT equipment: €21.5 million.

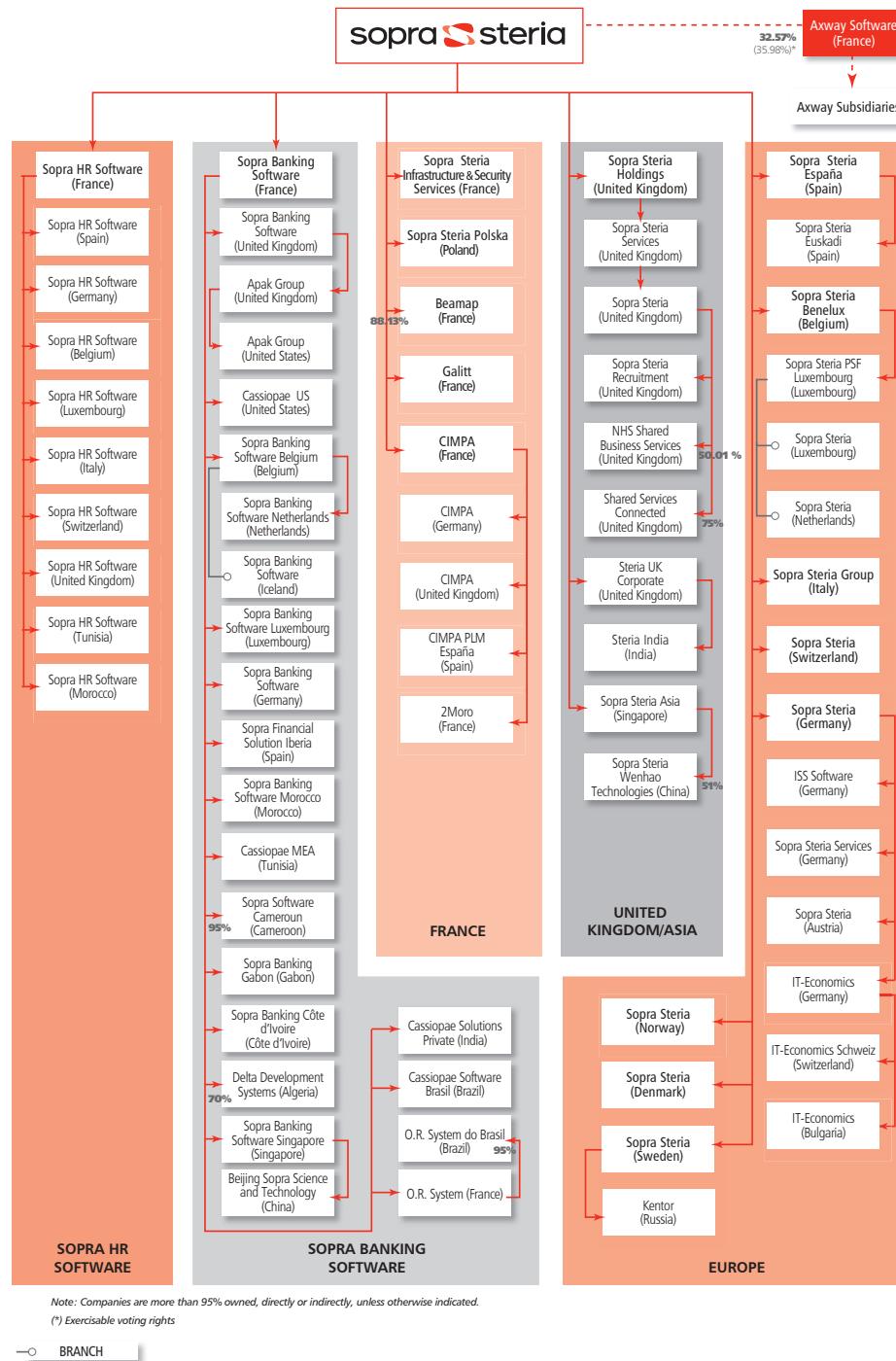
5.1.3. RECENT DEVELOPMENTS

On 10 April 2019, Sopra Steria announced its plans to acquire SAB – a French core banking developer that generated €64.4 million in revenue in 2018 – to bolster Sopra Banking Software’s strategy. This proposed acquisition is subject to customary closing conditions.

5.1.4. RATINGS GIVEN TO THE COMPANY BY CREDIT RATING AGENCIES

The Company is not rated by any financial rating agencies.

6. Simplified Group structure at 31 December 2018



7. Group organisation

Sopra Steria Group's governance consists of a Board of Directors, Chairman, Chief Executive Officer and Deputy Chief Executive Officers.

The organisation is supported by a permanent operational and functional structure as well as temporary structures for the management of particular deals and projects.

Sopra GMT, the holding company that takes an active role in managing the Group, takes part in conducting Group operations through:

- its presence on the Board of Directors and the three Board committees;
- a tripartite assistance agreement entered into with Sopra Steria and Axway, concerning services relating to strategic decision-making, coordination of general policy between Sopra Steria and Axway, and the development of synergies between these two companies, as well as consulting and assistance services, particularly with respect to finance and control.

7.1. Permanent structure

The Group's permanent structure is composed of four operational tiers and their associated functional structures.

7.1.1. TIER 1: EXECUTIVE MANAGEMENT AND THE EXECUTIVE COMMITTEE

Executive Management is represented by the Chief Executive Officer and the Deputy CEOs.

Members of Executive Management as at 31 December 2018:

- Vincent Paris, Chief Executive Officer of Sopra Steria Group;
- John Torrie, Deputy Chief Executive Officer of Sopra Steria Group and Chief Executive Officer of Sopra Steria UK;
- Laurent Giovachini, Deputy Chief Executive Officer of Sopra Steria Group.

The Executive Committee (ExCom) consists of Executive Management and the heads of the main operating and functional entities.

The members of Sopra Steria Group's Executive Committee supervise the Group's organisation, management system, major contracts and support functions and entities and take part in the Group's strategic planning and implementation.

7.1.2. TIER 2: SUBSIDIARIES OR COUNTRIES

These are the main operating entities. Their scope corresponds to one of the following:

- a specific line of business (consulting and systems integration, business solutions, infrastructure management, cybersecurity, business process services);
- geographic area (country).

These entities are managed by their own Management Committee, comprising in particular the Director and management of tier 3 entities.

7.1.3 TIER 3: DIVISIONS

Each country or subsidiary is made up of divisions based on two criteria:

- vertical market;
- geographic area (region).

7.1.4. TIER 4: BUSINESS UNITS

Each division is made up of business units, which are the organisation's primary building blocks. They operate as profit centres and enjoy genuine autonomy. They have responsibility for their human resources, budget and profit and loss account. Management meetings focusing on sales and marketing strategy and human resources are held weekly, and the operating accounts and budget are reviewed on a monthly basis.

The diagram below illustrates the four main tiers of the ongoing structure:



7.1.5. OPERATIONAL SUPPORT FUNCTIONS

The operational organisation is strengthened by operational support entities responsible for managing major transformations:

- the Key Accounts and Partnerships Department (DGCP), responsible for promoting the Key Accounts policy and developing relations with partners. The role of this department is to coordinate the commercial and production approaches for our major clients, particularly when different entities are involved;
- the Digital Transformation Office (DTO), responsible for designing and managing the Group's digital transformation. It also manages the Group's innovation approach;
- the Industrial Department, responsible for industrialising working methods and organising subcontracting on X-shore platforms. It also checks that projects are properly executed.

7.1.6. FUNCTIONAL STRUCTURES

The functional departments are the Human Resources Department, the Communications and Marketing Department, the Corporate Responsibility and Sustainable Development Department, the Internal Control and Risk Management Department, the Finance Department, the Legal Department, the Real Estate and Purchasing Department, and the Information Systems Department.

These centralised functions ensure Group-wide consistency. Functional managers transmit and ensure commitment to the Group's core values, serve the operational entities and report directly to Executive Management.

The Group's functional structures standardise management rules (information system resources, IT systems, financial reporting, etc.) and monitor the application of strategies and rules. In this manner, they contribute to overall supervision and enable the operational entities to focus on business operations.

7.1.7. A SOLID, EFFICIENT INDUSTRIAL ORGANISATION

Sopra Steria manages complex and large-scale programmes and projects in a market where delivery commitments are increasing and becoming globalised. The Group has an increasingly wide range of skills to support multi-site projects that generate strong gains in productivity with delivery models that guarantee clients an optimal cost structure.

Sopra Steria applies an industrial production approach, supported by five levers:

- production culture: Transmission of know-how and expertise in the field;
- choice of personnel: Human resources are central to the approach, providing training, support and improved skills for each employee;

- organisation: The Industrial Department and its representatives in the business units control production quality and performance, identify and manage risks, support project managers and roll out industrialised production processes;

- toolkit: The Quality System, the eMedia method, the Continuous Delivery Kit (CDK) and associated software tools;

- global delivery model: Rationalising production by pooling resources and expertise within service centres, with services located based on the needs of each client (local services in France, nearshore in Spain, North Africa and Poland, and offshore in India).

7.2. Temporary structures for specific deals and projects

The Group's organisation must retain flexibility in order to adapt to changes in its markets and ensure the successful completion of projects.

These are handled by temporary teams:

- within the entities;
- under the authority of a pilot entity, established to leverage synergies across several entities.

Each project is organised and carried out in order to meet fundamental objectives: client service, business success, and contribution to the overall growth of the Group.

Depending on their particularities (size, area of expertise, geographic area covered) large-scale projects can be managed at the business unit, division, subsidiary/country or Executive Management level. Certain large projects requiring the resources of several business units may involve the creation of a division.

8. Risk factors and internal control

The Group performs its activities in a constantly changing environment. It is therefore exposed to risks the occurrence of which may have a negative impact on its business activities, results, financial position, image and outlook. This chapter sets out the main risks to which the Sopra Steria Group is deemed to be exposed. Other risks, of which the Group is not currently aware or which it considers as of lesser importance at the date when this Registration Document was drawn up, might also have an adverse effect on the Group, its operations, financial position, business results or share price.

Sopra Steria cannot provide an absolute guarantee that its objectives will be achieved and all risks will be eliminated. The internal control and risk management system aims to identify and qualify the risks to which it is exposed, as well as to reduce their probability of occurrence and their potential impact on the Group.

8.1. Main risks

RISK MAPPING EXERCISE AND METHODOLOGY

A new risk mapping exercise was carried out at the end of 2018. It was led by the Internal Control and Risk Management Department and involved the relevant internal stakeholders, together with Executive

Management and the members of the Executive Committee. This risk mapping covers all internal and external risk factors and includes both financial and non-financial issues. The process helps to identify and assess risks. In particular, the assessment of risks involves an evaluation of their probability of occurrence and the estimated magnitude of their adverse impact should an event occur (low, medium or high). As part of this exercise, the main risks are identified, namely the ones that are most material for Sopra Steria,

in terms of probability of occurrence and the expected magnitude of their adverse impact. They are then ranked by category of risk.

Specific mapping exercises for corruption and influence-peddling risks and risks relating to the duty of care have also been taken into account in preparing the overall mapping of risks. The risk mapping was presented to the Board of Directors' Audit Committee at the same time as the Group insurance programme.

Sopra Steria's main risk factors are presented below. They are listed initially in order of importance, with regard to their probability of occurrence and the magnitude of their potential adverse impact, in the summary table below.

For each risk factor, a description is provided explaining in what ways it can affect Sopra Steria as well as the risk management measures put in place, i.e. policies, procedures and action plans.

SUMMARY TABLE OF MAIN RISKS AND RISK MANAGEMENT MEASURES

Main operating risks	Main risk management measures
Risk related to market developments and the transformation of the business model	<ul style="list-style-type: none"> ■ Comprehensive annual strategy review ■ Governance of the transformation supervised by the Chairman and the Chief Executive Officer ■ Regular follow-up on the implementation of decisions and execution
Risk related to the adaptation of skills*	<ul style="list-style-type: none"> ■ Recruitment selectivity ■ HR policy including the rollout of the DPEPP approach, which stands for Dynamique Prospective Emplois et Parcours Professionnels, or Dynamic Forecasting of Workforce Requirements and Career Development ■ Training programmes
Risk related to the protection and security of client data	<ul style="list-style-type: none"> ■ Security policies and procedures, with an organisational structure led by the Chief Information Security Officer (CISO) ■ ISO 27001 certification and GDPR compliance programme ■ Support provided by the Toulouse security operations centre (SOC) ■ Large-scale training and awareness programme
Risk related to project delivery	<ul style="list-style-type: none"> ■ Organisation and procedures (including the Quality System) for the pre-sales, production and quality control phases of projects ■ Reviews and audits by the Industrial Department
Risk related to continuity of service and information system security	<ul style="list-style-type: none"> ■ Policy and procedures for the selection of locations for shared service centres, organisation and planning for continuity of service
Risk related to attracting and retaining talent*	<ul style="list-style-type: none"> ■ Ambitious recruitment and retention policy
Risk related to the loss of a significant client	<ul style="list-style-type: none"> ■ Policy and strategy for key accounts reviewed annually ■ Regular monitoring of the client portfolio by the Key Accounts and Partnerships Department
Risk related to activities in high-risk countries	<ul style="list-style-type: none"> ■ Implementation of an export policy and procedure
Risk related to Brexit	<ul style="list-style-type: none"> ■ Specific committee formed to monitor the associated risks and propose action plans
Risks associated with retirement benefit obligations	<ul style="list-style-type: none"> ■ Monitoring and management by Finance Departments at entity and Group levels
Main non-financial risks	Main risk management measures
Risk of breaches of ethics or violations of the law*	<ul style="list-style-type: none"> ■ Reinforced ethics and compliance programme, including the implementation of a system for preventing and combating corruption and influence peddling ■ Internal Control and Risk Management Department set up to coordinate and monitor compliance, internal control and risk management issues in a cross-functional manner ■ Appointment of Compliance Officers, responsible for compliance issues as well as internal control in each of the entities

* This risk also relates to the anticipated regulatory changes provided for in Articles L. 225-102-1 III and R.225-105 of the French Commercial Code.

Each of these main risks is presented in more detail on the following pages, including information describing the risk as well as the Group's risk management process.

DETAILED PRESENTATION OF THE GROUP'S MANAGEMENT OF ITS MAIN OPERATING RISKS

I RISK RELATED TO MARKET DEVELOPMENTS AND THE TRANSFORMATION OF THE BUSINESS MODEL

Risk description	Risk management
<p>The business activities of the Group's clients are changing and are being transformed as a result of digitisation and the emergence of new rivals, new businesses and new organisations.</p> <p>Clients are seeking to become more agile, and to do so they are reinventing their business models, organisational structures and resources.</p> <p>If the Group is unable to understand, satisfy and anticipate clients' needs, an unsuitable market positioning and/or difficulties in implementing its strategy could potentially impact its financial performance.</p> <p>Furthermore, although some of the Group's activities involve multi-year contracts (maintenance activities, facilities management, outsourcing of business processes), its consulting and integration activities as well as its licence sales are characterised by short cycles, making it difficult to prepare forecasts for levels of activity, order intake and future earnings.</p>	<p>The management of this risk is integrated into the development of the Group's strategy as well as its effective implementation. Each year, the Group conducts a comprehensive strategy review and update, under the supervision of the Strategy Department, the Chairman and the Chief Executive Officer, covering all markets and sectors in which it operates. This review is performed with all activities and regions, using external studies and surveys as well as internal feedback from various parties, in particular all those in contact with clients. At the end of this annual process, a number of decisions are made. The approach to risk management is itself reviewed on a quarterly basis by all entities. The implementation of actions and priorities is guided and monitored on a regular basis by the Chairman and the Group's Executive Committee.</p> <p>By way of illustration, the following decisions, in particular, were translated into actions during the year: development of the Consulting business, especially with regard to its move up the value chain; stepping up of cybersecurity activities and reinforcement of related expertise; acquisition strategy; acceleration of agile and/or co-design development in order to respond to the needs of clients and market changes; software development as a service; investments in centres of excellence for digital technologies and internal platforms for the development and assembly of modules (introduction of a digital enablement platform and hybrid digital platforms), strengthening of partnerships in cloud services with Microsoft, Google and Amazon; transformation and revamped organisation for the human resources function.</p> <p>In order to track technology advances in a proactive manner, an organisation has been set up via the Innovation Department and built around Chief Technology Officers (CTOs), together with the Group's digital champions and experts, and in relation to each of the Group's vertical markets. The goal is to plan ahead as effectively as possible for developments driven by new technologies as well as the transformation of our clients' businesses.</p>

I RISK RELATED TO THE ADAPTATION OF SKILLS

Risk description	Risk management
<p>In light of the transformation of our clients' businesses as well as developments in digitisation and artificial intelligence, training and adapting employees' skills to new roles are essential in the IT services and digital transformation industry. Any inability or difficulty in training Group employees in client needs and new activities relating to the digital revolution might make it difficult to deliver the Group's strategy and thus adversely impact its financial performance.</p>	<p>Skills development aims to meet the current and future needs of the Group's clients, but also to give each employee the means to take responsibility for their own professional development.</p> <p>Sopra Steria's policy to maintain and develop skills is part of an overall approach aimed at anticipating changes in our business lines and our target populations so that we can continue to serve our clients and meet the objectives of the Group's strategic plan, developing the skills of employees to safeguard their employability while assisting them in their career planning, supporting motivation and promoting employee engagement.</p> <p>Sopra Steria's proactive management of change resulted in the launch of the following Group-wide actions during the year: the digitisation and update of the Group's Core Competency Reference Guide; the standardisation of appraisal practices; and a new forward-looking approach for maintaining and developing skills. This approach is known by its French acronym DPEPP, which stands for Dynamique Prospective Emplois et Parcours Professionnels (Dynamic Forecasting of Workforce Requirements and Career Development). It draws on an understanding of contexts in the various countries to anticipate workforce trends over the next three years for each business line and at each level, in line with the Core Competency Reference Guide. It focuses on transformation trends in each speciality area, in terms of opportunities, risks and key skills, together with an analysis of emerging and sustainable job profiles, as well as those likely to see lower staffing levels, in order to adapt skills to changes affecting the market and guide HR action plans (career management, recruitment, training, etc.).</p> <p>Training policy is a decisive factor. For this reason, the objectives of the training strategy are reviewed and approved by the Group's Executive Committee. The management and coordination of training programmes have been reinforced, courses have been redesigned and reorganised, digitised training has been expanded, with more MOOCs (massive open online courses) and the launch of e-learning modules to promote compliance with Group standards (information security, personal data protection, anti-corruption measures, but also e-learning tools relating to disabilities).</p> <p>Increase in the number of training hours delivered: 1,244,583 hours in 2018 across 99% of the Group, up 15.5% compared with 2017).</p>

I RISK RELATED TO THE PROTECTION AND SECURITY OF CLIENT DATA

Risk description	Risk management
<p>A cyber attack on the Group's systems, a security flaw in the Group's systems and/or our clients' systems could result in the loss of information or data, and depending on the matter concerned, the loss or disclosure of confidential information or data, particularly in sensitive activities. This risk of loss or disclosure might involve personal data in the BPS, maintenance and/or managed services activities, particularly in the context of payment and/or payroll activities.</p> <p>Situations such as this could result in a risk of client complaints, contract compliance risk and/or a risk of damage to Group property or data, or a risk of revenue loss.</p> <p>In view of the Group's activities, a major security breach could potentially result in a risk to the Group's image and raise doubts about the trust placed in us by our clients, and thereby result in a loss of business.</p>	<p>Security and the protection of client data are key issues for the Group.</p> <p>To avoid security incidents that could impact the Group's information systems, cut response times and implement the necessary actions particularly in the event of an attack, the Group has an information security policy and a solid organisational structure supported by the Chief Information Security Officer (CISO) within the various entities. This organisational structure with its local network, meeting different countries' regulatory requirements and client demands as closely as possible, allows for in-depth knowledge of areas of risk and our clients' business demands. This organisation is coordinated cross-functionally across the entire Group and overseen at Group level. Steering meetings are held frequently and reports are issued on a regular basis. Policies, procedures and the organisational approach are reviewed each year to ensure the best possible adaptation to the environment and risks, and to reinforce the entire system.</p> <p>The Group has opted for a cross-cutting organisational approach bringing together all participants in order to take early preventive action: the Security Manager, the Information Systems Department, the Industrial Director, the Shared Service Centre Manager, the Legal Department, the Director of Communications, the Insurance Manager, the Compliance Officer, the Head of the Internal Control and Risk Management Department, but also the Purchasing Department.</p> <p>Everything is controlled and audited on a regular basis. To date, the Group has earned ISO 27001 certification for 12 of its operations, in the United Kingdom, Norway, Germany, Switzerland, Italy, Spain, India and France, as well as for the IT services supplied by the Information Systems Department to all Group entities. Other audits under ISAE 3402 are carried out regularly at the sites of the entities SBS, SHR and IM (France and Poland).</p> <p>To manage and verify compliance by contractual commitments with standards, all contracts are reviewed by the Legal Department. With respect to security, Sopra Steria mainly provides consulting services or takes part in projects in application of policies and levels of security defined and decided by its clients.</p> <p>The Group capitalises in particular on specific cybersecurity-related skills and services developed at its own security operations centre (SOC) and offered to its clients. Located in Toulouse, this centre offers threat investigation, monitoring and handling services. As a result, investigations, regular tests and automatic interventions can be carried out in the event of a threat, as well as early intervention and/or crisis management.</p> <p>In 2018, the Group invested heavily in a security awareness and training programme for all Group employees (e-learning modules, internal phishing campaigns, videos, on-site training).</p> <p>A cybersecurity insurance policy has been taken out to supplement the Group's professional liability insurance, in order to ensure consistency between the Group's insurance programmes and the insurance coverage obtained, particularly in the event of cyber attacks as well as to better manage and cover the varying types of risk: compensation claims as a result of complaints from third parties, property damage and loss of use, business interruption, additional communications expenses for crisis management following a security incident, for example.</p> <p>As regards the various international and local regulations relating to data protection and security, all of the Group's entities comply with national regulations relating to the protection of personal data, in particular the requirements of the CNIL in France.</p> <p>Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 (the General Data Protection Regulation, or GDPR) entered into force on 25 May 2018. Sopra Steria Group and its subsidiaries have rolled out a programme aimed at ensuring compliance with this regulation and local legislation.</p> <p>In particular, this programme overseen by the Group Legal Department, which coordinates data protection arrangements across all subsidiaries, includes the following:</p> <ul style="list-style-type: none"> ■ Appointment of Data Protection Officers (DPOs); ■ Rollout of training to all Group employees; ■ Adjustments to contracts; ■ Implementation of specific internal procedures. <p>In addition, at Sopra HR Software, the Sopra Steria Group's HR solutions publisher subsidiary, the Binding Corporate Rules (BCR) have been in place within its entities since 2015.</p>

I RISK RELATED TO PROJECT DELIVERY

Risk description	Risk management
<p>For fixed-price projects and fixed-price services (contracts involving commitments as to price, results and lead times), any failure to complete the project or provide the services as agreed in the contract, or any provision of services or project delivery not in line with standards as specified therein, may entail a risk of default which, depending on the contractual causes and consequences, may give rise to various risks for Sopra Steria (contractual penalties, client complaints, claims for damages, non-payment, additional costs, early contract termination, reputational risk). In the current environment, clients' demands are becoming increasingly complex.</p> <p>For fixed-price projects and fixed-price services, a poor assessment of the scale of the work to be done, an underestimate of the cost of providing the service or an incorrect estimate of the technical solutions to be implemented can lead to estimated costs being exceeded or contractual deadlines not being met. This delay can, in itself, result in late delivery penalties and/or budget overruns (additional days), resulting in additional costs and potentially impacting project margins.</p> <p>In 2018, fixed-price integration projects and fixed-price services accounted for 19.4% and 42.9% of the Group's consolidated revenue, respectively. The breakdown of Group revenue according to the nature of contracts is presented at the end of this section (see the summary table on page 37 of this document).</p>	<p>It is critical for the Group to be able to meet client demands and deliver consistent quality.</p> <p>In order to ensure the quality of management and execution of client projects, the Group has developed a series of methods, processes and controls via its Quality System. The selection of Project Directors and Heads of Project Management responds to specific requirements and criteria according to the level of risk and project complexity. Particular attention is paid on making any appointments. Project managers receive specific training. These courses are regularly updated to include issues meriting special attention and warnings relating to risks.</p> <p>In addition to project and line management, Industrial Managers under the authority of division/subsidiary managers and reporting functionally to the Group Industrial Department are responsible for monitoring all projects as well as the application of the Quality System. Structural audits are performed so as to verify the application and effectiveness of the Quality System among the Sopra Steria staff members concerned (management, sales, operational quality unit). Projects are reviewed on a regular basis, at key phases in their life cycle. These reviews, which are organised by the Industrial Department or by its local representatives, provide an external perspective on the status and organisation of projects.</p> <p>Monthly steering meetings facilitate an overview of quality at all levels, the monitoring of annual quality targets established during management reviews and the determination of the appropriate action plans to continuously improve production performance and the quality of Sopra Steria products and services. The implementation of actions agreed during steering committees, audits and reviews is checked by the Industrial Department.</p> <p>The review of proposals and contracts by line management, but also by the Industrial Department and the Legal Department, is an integral part of the Group's first- and second-level controls relating to these issues.</p> <p>An annual review is performed by Executive Management to ensure that the Quality System remains pertinent, adequate and effective. This review is based in particular upon an analysis of project reviews and internal structural audits performed at all levels of the Group as well as upon annual quality reports produced by divisions or subsidiaries. During this review, the adequacy of the quality policy is evaluated, the annual quality objectives are defined and possible improvements and changes in the Quality System are considered.</p> <p>As part of its insurance programme, the Group has taken out a policy offering coverage for premises and operations liability as well as professional indemnity. This programme covers all of the Group's companies for monetary consequences arising as a result of their civil and professional liability in connection with their activities, due to bodily injury, material or non-material damage caused to third parties. Overall coverage is limited to €150 million per claim and per year of insurance.</p>

I RISK RELATED TO CONTINUITY OF SERVICE AND INFORMATION SYSTEM SECURITY

Risk description	Risk management
<p>The reliability of IT and communications infrastructures is an issue of growing importance to production. In view of its business model integrating service centres as well as national and worldwide shared data centres in nearshore and offshore countries, the Group is dependent on its remote production centres and telecommunications networks functioning correctly. Any claims, failures or shutdowns at the level of these centres could have an impact on both internal systems and client systems, resulting in a potential risk of non-compliance in the execution of contractual services, and consequently potential demands for damages and interest and/or loss of income.</p> <p>It should be noted that a proportion of the Group's production activities are located in India. India still shows various characteristics that may constitute risk factors (including political, economic and social unrest, wage inflation, natural disasters and pandemics).</p> <p>The Group has service centres in Spain, Tunisia, Poland and India.</p>	<p>The continuity and security of our clients' services is one of the key criteria in the definition of the policy for the Group's production sites and the implementation decisions. The policy concerning site locations and all decisions taken in this regard follow the guidance provided by the Group based on various criteria, including client requirements and risk management (natural or geopolitical risks). The decision to expand into new geographies, countries and regions is an integral part of this policy to maintain security and reduce risk exposure, allowing for the management of backup plans, in particular by <i>setting</i> up redundancies and duplication between sites.</p> <p>Once the decision has been made, strict prevention and security procedures covering physical security, information systems security, power cuts, regulation of temperature changes, data storage and backups apply to the Group's production sites, service centres and data centres. The Group has a business continuity strategy that defines a nominal level of service and a principle of redundancy for all critical system components, relying in particular on multi-site replications. Remote redundancy is implemented for all critical system components. Business continuity and disaster recovery plans are put in place and reviewed on a regular basis. Contracts with our suppliers are reviewed according to their nature by the Information Systems Department or the General Resources Department, taking account of the same security and service level requirements. In the case of outsourcing or subcontracting, the same level of service is demanded of our suppliers.</p> <p>The Group has four production facilities in India. These sites are distant from each other and located in three different regions, thus limiting the consequences of incidents or risks that might arise in a specific region. In addition, the fact that a large number of production facilities are used across the Group, with a range of onshore, nearshore and offshore services, makes it possible to have backup solutions.</p>

I RISK RELATED TO ATTRACTING AND RETAINING TALENT

Risk description	Risk management
<p>In view of the Group's ambitions in terms of expansion and growth, the constantly changing competitive environment, the talent war, the scarcity of certain IT skills and expertise, Sopra Steria may face difficulties in attracting and recruiting talented candidates.</p> <p>Recruitment difficulties and/or increased employee turnover may prevent the Group from delivering on its strategic objectives and fulfilling its ambitious recruitment targets to support its growth, thereby impacting the Group's financial performance. The recruitment of young people and the best digital professionals is also indispensable to maintain an adequate level of quality and innovation as well as a coherent age-earnings profile.</p>	<p>Sopra Steria's overall attractiveness as an employer, together with its ability to attract the best digital professionals and retain talented staff, are key priorities for the Group.</p> <p>An ambitious recruitment policy has been adopted: In 2018, the Group hired 11,662 employees (compared with 9,500 in 2017), including 4,356 new staff across all types of employment contract in France. Women make up 33% of the Group's new hires and 37% of all joiners were under 26. To meet these challenges, the Group's recruitment policy deliberately places a priority on hiring young higher education graduates as well as the hosting of interns and students doing work-linked training, and is aimed at ensuring equality of opportunity while promoting diversity and inclusion. It is organised around five main pillars:</p> <ul style="list-style-type: none"> ■ Building closer ties with schools and promoting digital professions to attract more young people, and particularly young women (in 2018, more than 780 actions of this type were conducted at schools); ■ Giving substance to employee engagement: Enriching experiences offered through citizenship projects (HandiTutorat, Prix Étudiants Fondation Sopra Steria Institut de France, etc.); ■ Adapting the recruitment process: Free exchanges between employees and applicants via sites like PathMotion and Glassdoor; increasing the number of LinkedIn subscribers (194,000 in 2018); improvements in rankings (15th place in the Happy Trainees survey in France); ■ In addition, the organisation devoted to recruitment has been considerably reinforced, particularly in France; ■ Encouraging mobility: Meeting the career development goals of students and employees by offering international mobility opportunities (including 112 interns and students doing work-linked training, up 57% in 2018). <p>A retention policy founded on a robust induction and integration strategy, a key phase in the retention of both new hires, most of whom are young people, and employees joining the Group as a result of mergers and acquisitions. It is implemented through three main measures:</p> <ul style="list-style-type: none"> ■ An integration process tailored to seniority levels, designed to allow joiners to gain an understanding of the Group's culture, values and fundamentals; ■ An ongoing career and skills assessment and development process to maintain staff employability; ■ An international Group employee share ownership programme to give all employees a more meaningful stake in the company's performance. <p>Employees under 30 account for 24% of the Group's total workforce (scope: staff on permanent contracts at 31 December 2018, excluding new hires during the year).</p> <p>The employee turnover rate was 16.9% for the Group as a whole at 31 December 2018, compared with 15.6% a year earlier.</p> <p>Special attention paid to well-being in the workplace: Sopra Steria has adopted a preventive approach to professional risks, with the aim of safeguarding the health and safety of its employees and subcontractors, while promoting employee well-being in the workplace.</p> <p>Employer brand: All of the work around the brand platform, designed to reinforce the Group's employer brand, is also carried over into other actions to raise Sopra Steria's profile, especially among recruitment candidates and employees.</p> <p>Reinforcement of the human resources and recruitment organisation: The Human Resources Department also underwent a reorganisation in 2018, particularly in France, so as to be closer to operations and better manage the adaptation of skills and resources to the specific requirements of projects and clients.</p> <p>Career management: The entire support process for annual appraisal interviews and career management was also revamped in 2018 to better provide for long-term management of skills and talent. Sopra Steria continues to develop systems for the recognition, engagement and retention of its employees.</p> <p>The training policy is instrumental in supporting career management and must ensure that the necessary skills are available at all times and in all places. It must also address the acceleration of project cycles. The full range of training topics is discussed in the "Risk related to the adaptation of skills" section above.</p> <p>The Group's recruitment and talent management policies are described in detail in Section 2, "Social responsibility", in Chapter 3 of this Document (pages 83 to 87).</p>

I RISK RELATED TO THE LOSS OF A SIGNIFICANT CLIENT

Risk description	Risk management
<p>The risk of the loss of a client or a major contract remains a potential risk, particularly in view of rapid changes in the Group's markets and possible consolidation within the various sectors. The loss of a client leads to the loss of the associated revenue and requires the reassignment of the project teams in place, a risk all the more difficult to manage if the loss of the client was not able to be predicted.</p> <p>In 2018, the Group's top client accounted for 6.7% of revenue, the top five clients represented 19% and the top ten contributed 30%.</p> <p>Main clients include:</p> <ul style="list-style-type: none"> ■ In France: Airbus Group, Banque Postale, BNP Paribas, CNAM, Crédit Agricole, EDF, Ministry of Defence, Orange, Société Générale and SNCF; ■ In the United Kingdom: Ministry of Justice, Home Office, Ministry of Defence and National Health Service. 	<p>The Group's policy is to maintain a multi-client and multi-sector portfolio across multiple geographical operations and sites, in particular to avoid any uncontrolled concentration risk. The Group's largest client is also a client across multiple business lines and geographical operations and the revenue generated with this client is based on a large number of contracts. The Group's policy and strategy relating to key accounts are reviewed each year in accordance with country, business line and sector-specific strategic reviews in order to adapt this strategy to market developments. This is the object of a dedicated exercise with all concerned parties. A regular review at monthly steering committee meetings is also organised within the Group. In addition, the IT services market is currently a full employment market, which means that, in the event of the loss of a significant client, it is possible to reassign staff more easily and limit the related impacts in terms of resources and wages.</p>

I RISK RELATED TO ACTIVITIES IN HIGH-RISK COUNTRIES

Risk description	Risk management
<p>Sopra Steria has locations in a number of different countries. Even though it operates in what are generally considered stable countries, the Group may be exposed to political and economic risks. Furthermore, in addition to geopolitical risks, in a difficult economic climate or new political climate, some governments may be tempted to adopt new regulations, taxes and duties.</p> <p>Furthermore, the desire for the Sopra Steria Group to expand outside France and carry out further acquisitions requires – in addition to mapping of the various country risks – knowledge of international regulations and certain control of operations. Any compliance risk and/or risk of non-control of international operations could have an impact in terms of performance and image.</p>	<p>Export activity remains marginal within Sopra Steria and relates primarily to software development activities, licence sales and associated services. In order to improve controls on the Group's international expansion and its activities in countries where it does not have a subsidiary, specific rules and procedures have been put in place to organise the necessary prior validations and checks. This organisation allows for the monitoring and control of these export transactions, whether on a local level or at Group level. A formal export procedure has been rolled out, notably including the requirement for prior validation by each entity's senior management of any export transaction as well as guidelines for preliminary analyses and assessments. Formal assessment procedures for export clients and partners have been developed and are in the process of being rolled out. Specific and dedicated training sessions on export activities are delivered. The Group-wide rollout and implementation of these procedures and controls is part of an internal control and continuous improvement process.</p>

DETAILED PRESENTATION OF SOPRA STERIA

Risk factors and internal control

RISK RELATED TO BREXIT**Risk description**

Major uncertainties remain concerning the terms of the United Kingdom's departure from the European Union. Against this backdrop, the effects remain uncertain. Brexit could have an unfavourable impact on the economy and market conditions, as well as an impact in terms of instability on the financial markets and international forex markets. In addition, Brexit may result in legal uncertainties and have associated effects such as certain decisions being delayed while awaiting greater visibility. The most significant risks seem to involve political disturbances and uncertainties and macroeconomic impacts. Each of these effects, as well as others that are not yet known and cannot be anticipated, could have an unfavourable impact on the Group's activities, performance and financial position. It should be noted that although the Group may appear to be exposed to the increased volatility of euro and sterling exchange rates, which could have an impact in the consolidated financial statements of transactions carried out in the United Kingdom, the Group's exposure to foreign exchange transaction risk seems limited insofar as its activities are conducted primarily by subsidiaries that operate in their own country and their own currency. It should also be noted that in spite of this context, business opportunities remain available.

Risk management

With respect to Brexit, Sopra Steria's management in the United Kingdom and the Group's Executive Committee are keeping a close eye on any political decisions made by the United Kingdom or the European Union in this area so as to take any requisite measures to reduce risk.

Sopra Steria has set up a Brexit working group. This working group tracks and manages the potential risks identified in the following areas: human resources; financial, tax, legal, regulatory and IT systems; and data security. This involves an analysis by segment of Brexit's implications for client requirements. Mitigation measures have been put in place, such as communications campaigns, and requests have been sent to certain key suppliers, particularly with regard to the hosting of data and data flows. This subject and its developments are being addressed in regular exchanges with clients in the United Kingdom. The Group has not identified any logistics risk of service interruption. In fact, more than two-thirds of business activities in sales, services and solutions are recurring in nature, the majority of clients are local, and both resources and organisations remain local, with the exception of the service centre in India, whose activity is not affected by Brexit. Nevertheless, a number of minor preventive and anticipatory measures have been decided, particularly with respect to communications and relations with suppliers.

RISKS ASSOCIATED WITH RETIREMENT BENEFIT OBLIGATIONS**Risk description**

Sopra Steria Group provides its employees with retirement benefits in several countries, including the United Kingdom (which accounts for 48% of the Group's retirement benefit obligations).

The Group's financial statements may be affected by provisions for obligations under defined-benefit pension plans and the associated liabilities.

Within the framework of commitments made, the employer is obliged to cover any difference (deficit) between the value of the fund assets and the pension obligations to be paid.

The evaluation of pension fund liabilities can be impacted by regulatory developments, changes in long-term interest rates, life expectancy and more generally any changes in the financial markets, as well as any changes in macroeconomic parameters. These parameters, which are external to the company, can have a non-neutral impact on the valuation of both assets and liabilities. The Group may also be compelled to meet calls for funds to make up for low pension contribution levels as part of the three-yearly negotiations with trustees in the United Kingdom or as a result of regulatory developments.

Furthermore, assets are managed by fund trustees and invested in different asset classes (including shares) that are subject to the risk of fluctuations in financial markets.

Risk management

Since 2010, defined-benefit plans in the United Kingdom have been replaced by defined-contribution plans (pension benefits are based on the performance of the fund's investments over the contribution period), although benefits vested prior to this decision remain in effect. The defined benefit plans are exceptionally maintained in connection with a few public-sector outsourcing projects, to comply with the legislation and commitments made to clients.

All elements relating in particular to the management and review of assets and liabilities, as well as the three-yearly negotiations, are monitored by the Group's Finance Department. The Finance Department takes part in the regular exchanges with the trusts managing pension fund assets in the United Kingdom, and also participates in the three-yearly negotiations. The next round of three-yearly negotiations is to be held in 2020. It should be noted that the proceedings previously initiated by the Steria Pension Plan trustees before the High Court of Justice to confirm the validity and effective date of an amendment signed in 2006 have been settled amicably.

For more information, see Note 5.3 to the consolidated financial statements in Chapter 4 of this document (pages 128 to 133).

DETAILED PRESENTATION OF SOPRA STERIA

Risk factors and internal control

I BREAKDOWN OF REVENUE ACCORDING TO THE NATURE OF CONTRACTS

(% of revenue)	2018	2017	2016
Licences	1.7%	2.6%	2.2%
Fixed-price projects	19.4%	19.3%	17.1%
Fixed-price services	42.9%	45.1%	48.1%
Time and materials	36%	33%	32.6%
TOTAL	100%	100%	100%

DETAILED PRESENTATION OF THE MANAGEMENT OF MAIN NON-FINANCIAL RISKS

I RISK OF BREACHES OF ETHICS OR VIOLATIONS OF THE LAW

Risk description	Risk management
<p>Ethics and integrity are core values of the Sopra Steria Group. Like any international group with a large number of employees across many different countries, Sopra Steria could be exposed to risks in the event of violation or breaches of laws, regulations and internal rules by its employees or third parties with which the Group works. Breaches of this kind may expose the Group, its senior executives or its employees to criminal or administrative sanctions, and could also expose the Group to liability depending on the situation and damage its reputation (reputational risk). In addition, the Group remains subject, like any company, to regular audits by various authorities and regulators with regard to the completeness of compliance and prevention programmes.</p> <p>Moreover, the Group is a multinational company that operates in many countries, subject to a range of constantly changing laws and regulations. The Group's activities and operating profit might be affected by significant changes in laws or regulations, or by decisions taken by authorities. The tax rules in the various countries in which the Group operates are continually evolving. The Group cannot guarantee that the existing tax arrangements will continue to apply. Furthermore, the Group cannot guarantee that the current interpretations of existing tax arrangements will not be challenged, potentially with adverse consequences for its financial position or business results.</p>	<p>Building on the Group's Code of Ethics and its values of transparency and integrity, and in order to accompany the Group's expansion and growth following the merger while satisfying new regulatory requirements, Executive Management has placed emphasis on reiterating the rules and procedures applicable to all employees across the Group so as to provide a common foundation for all processes and entities. A new department was created, with responsibility for issues of compliance, internal control and risk management, in order to coordinate the Group's efforts in these areas. This department is supported in its work by the Compliance Officers (who are also responsible for internal control) throughout the Group's various geographical operations, the network of local representatives and local teams.</p> <p>In addition to the implementation of guidelines in these areas and the coordination of the organisational structure put in place, the Group has a Code of Ethics, which has been supplemented in particular by a specific code of conduct for stock market transactions.</p> <p>Along these same lines, a programme has been introduced to prevent and combat corruption. This anti-corruption system benefits from the following features:</p> <ul style="list-style-type: none"> ■ Strong involvement of the executive body; ■ A cross-cutting organisation coordinated by the Heads of Internal Control, responsible for compliance issues and risk management in each of the entities; ■ A mapping of corruption and influence-peddling risks, carried out at the same intervals and applying the same methodology used for the overall risk mapping exercise, and shared with the affected staff; ■ A code of conduct for the prevention of corruption and influence peddling, illustrated with real-world examples and made available as a supplement to the Code of Ethics, which has been translated into 10 languages and covers all Group entities; ■ A disciplinary regime based on the Code of Conduct made binding via its inclusion in the internal rules, with the understanding that the Group applies a zero tolerance policy with respect to corruption and influence peddling; ■ Specific, formal procedures rolled out across the Group; ■ A stricter procedure for assessing third parties; ■ A Group-wide training programme, including an e-learning module available in five languages, rolled out to 95% of the Group's employees, via the website of the Group's training organisation (Sopra Steria Academy) and face-to-face training for segments of the workforce considered as the most exposed; ■ Strengthened control and audit procedures; ■ A whistleblowing system, incorporating the French legal requirements laid down by the Sapin II Act and the Duty of Care Act, rolled out to all Group entities. <p>This entire programme and its dedicated organisational structure are described in Section 5 of Chapter 3, "Corporate responsibility", on pages 99 to 101 of this document.</p> <p>Developments in laws and regulations are monitored on a regular basis so as to anticipate upcoming changes by way of the departments concerned (Legal Department, Finance Department) and make the necessary adjustments to rules and procedures.</p> <p>In order to reduce risks related to changes in tax rules, the Group is actively monitoring regulatory and case law developments in the countries where it operates, making sure that its tax practices are in compliance with local laws and regulations.</p>

Disclosures required by specific obligations, including those relating to the other risks mentioned in the French Commercial Code, are presented in Section 2, "Disclosures arising from specific obligations – Other risks" in Chapter 7 of this document (pages 229 to 233).

8.2. Insurance

The Group's insurance policy is closely linked to its risk prevention and management practices, in order to ensure coverage for its major risks. The Group's insurance management is centralised under a single department, the Internal Control and Risk Management Department.

The aim of Sopra Steria Group's insurance programmes is to provide uniform and adapted cover of the risks facing the company and its employees for all Group entities at reasonable and optimised terms.

The scope and coverage limits of these various insurance programmes are reassessed annually in light of changes in the size of the Group, developments in its business activities as well as changes in the insurance market, and based on the results of the most recent risk mapping exercise.

All Group companies are insured with leading insurance companies for all major risks that could have a material impact on its operations, business results or financial position.

The main insurance programmes in place within the Sopra Steria Group are the following:

- premises and operations liability and professional indemnity insurance

This programme covers all of the Group's companies for monetary consequences arising as a result of their civil and professional liability in connection with their activities, due to bodily injury, material or non-material damage caused to third parties. Overall coverage is limited to €150 million per claim and per year of insurance;

- cybersecurity insurance

This programme covers all of the Group's companies for any direct or indirect financial losses, property damage or loss of use, and business interruption losses resulting from a cyber attack.

- property damage and business interruption insurance

This programme covers all of the Group's sites for the direct material damage to property they may suffer as well as any consequential losses in the event of reduced business activity or business interruption occasioned by the occurrence of an insured event. Operating losses are insured on the basis of the loss of gross profit. Overall policy coverage (for all types of damages and operating losses) is limited to €100 million per claim and per year of insurance.

In addition, Group programmes have been put in place covering in particular:

- the civil liability of senior executives and company officers;
- assistance to employees on assignment, as well as to expatriate employees and employees on loan.

8.3. Internal control and risk management

This section of the report outlines Sopra Steria's internal control and risk management systems. These systems are based on the reference framework issued by the AMF. A specific subsection addresses the preparation of accounting and financial information.

The management control system is one of the fundamental components of internal control at Sopra Steria. It supports the internal dissemination of information as well as the various reporting and risk management procedures, and the implementation of controls.

8.3.1. OBJECTIVES AND FRAMEWORK FOR THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

a. Objectives of the internal control and risk management system

In order to address the identified risk factors presented in the preceding chapter, the Sopra Steria Group has adopted a governance approach as well as a set of rules, policies and procedures together constituting its internal control and risk management system.

In accordance with the AMF reference framework, the internal control and risk management system, which is under the responsibility of the Group's Chief Executive Officer, is designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- compliance with laws and regulations;
- implementation of instructions, guidelines and rules set forth by Executive Management;
- proper functioning of the Company's internal processes, particularly those intended to safeguard its assets;
- quality and reliability of financial and accounting information.

The risk management system is designed to identify, analyse and manage the Company's main risks.

More generally, the Group's internal control and risk management system contributes to the control of its business activities, the effectiveness of its operations and the efficient use of its resources.

This system is updated on a regular basis, in application of a continuous improvement process, in order to best measure the level of risk to which the Group is exposed as well as the effectiveness of the action plans put in place to mitigate risks.

Nevertheless, the internal control and risk management system cannot provide an absolute guarantee that the Company's objectives will be achieved and that all risks will be eliminated.

b. Reference framework and regulatory context

The Sopra Steria Group refers and adheres to the reference framework issued by the Autorité des Marchés Financiers (AMF, the French securities regulator).

8.3.2. SCOPE

The internal control and risk management system applies across the entire Group, i.e. the parent company Sopra Steria Group, together with all fully consolidated companies.

8.3.3 COMPONENTS OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

a. Environment

Sopra Steria Group's internal control and risk management system is founded upon the Group's four-tier operational organisation as well as its centralised functional organisation. Each tier of the operational organisation is directly involved in the implementation of internal control and risk management practices. To this end, the Group has put in place a set of operating principles and rules, along with the appropriate delegations of authority. It is the responsibility of all Group employees to familiarise themselves with these rules and to apply them. For more information on the Group's organisation, see Section 7, "Group organisation", of this chapter (pages 27 to 28).

b. A shared management control system

The management control system is designed not only to manage the dissemination of information, upwards to Executive Management and downwards to the operational units, but also to guide, control and support the Group's employees. It involves steering meetings held at each of the different organisational levels, including the Group's Executive Committee.

These meetings are governed by specific standards (reporting timetable, participants, agenda, documents to be presented at the beginning and end of the meeting) and are supported by the management reporting system. Meetings are held according to a calendar, dependent on the organisational level and timeframe objectives:

- weekly meetings for the current month: Priority is given to the monitoring of sales, production and human resources;
- monthly meetings for the current year: In addition to the topics discussed at the weekly meetings, additional emphasis is placed on financial indicators (entity performance for the previous month, update of annual forecasts, actual vs. budget, progress report on actions in line with the medium-term strategy);
- annual meetings, looking ahead several years: The medium-term strategy and the annual budget process for the entities are discussed in the context of the Group's overall strategic plan.

The implementation of this system at all operational and functional entities is a highly effective vehicle for cohesiveness, the sharing of values and practices throughout the Group, and control.

c. Tools

The Group's management applications and office automation software are designed to standardise the documents produced by the Group. The production tools used or developed by the Group allow for the industrialisation of project delivery by improving the quality of deliverables. They incorporate the processes that make up the Group's production methodology.

d. A shared framework for Group rules

Code of Ethics, anti-corruption Code of conduct and code of conduct for stock market transactions

The aims of the Group's Code of Ethics, which is based on its core values, are to ensure compliance with international treaties, laws and

regulations in force in all countries where it operates, and to reaffirm the Group's ethical principles. In 2017, the Code of Ethics was supplemented by a code of conduct for stock market transactions whose main aim is to reiterate and clarify the rules regarding sensitive information, insider information and the management of securities. In 2018, the Code of Ethics was further supplemented by an anti-corruption code of conduct, setting out the rules and behaviours to be adopted to prevent corruption and influence peddling. For more details on the anti-corruption code of conduct, see the "Ethics and compliance" section of Chapter 3, "Corporate responsibility", on pages 99 to 101.

Group rules, policies and procedures

In 2017, work was carried out to formally document the Group's rules and applicable decision-making levels. A corpus of Group rules and delegations of authority (decision-making levels) was thus re-established and consolidated across the Group to provide a common foundation for all processes. These rules apply to all employees at any Group entity.

These general rules have been adapted to the Group's various entities, and continue to be supplemented at Group level via the formal documentation of procedures, always with a focus on the continuous improvement of internal control and so as to better manage the risks identified in the course of the Group's risk mapping exercises. These Group rules and procedures are then further detailed to take into account local regulatory constraints across all of the Group's geographical operations. The areas covered by the rules and procedures include organisation and delivery management, internal control and accounting practices, information systems, human resources, production and quality assurance, sales and marketing, and procurement.

These rules and procedures are available via the Group's intranet. They are reinforced through the Group's various training and communications initiatives.

On the production front, Sopra Steria's Quality System defines all the production, management and quality assurance processes required to successfully manage projects. The primary goal is to contribute effectively to the delivery of high quality IT systems that meet clients' needs in line with time and budget constraints. This methodology defines project management practices and processes suited to various environments and at different levels of management and supervision, as well as software engineering practices and processes. The basic principles of the Quality System are described in a Quality Manual supplemented by procedural guides and operating manuals. UK, Scandinavia and CIMPA apply mechanisms that are similar but rely on specific methods geared to the primary characteristics of their activities. Information security risks and IT/communications infrastructure risks are subject to the specific oversight of the Chief Information Security Officer (CISO) function.

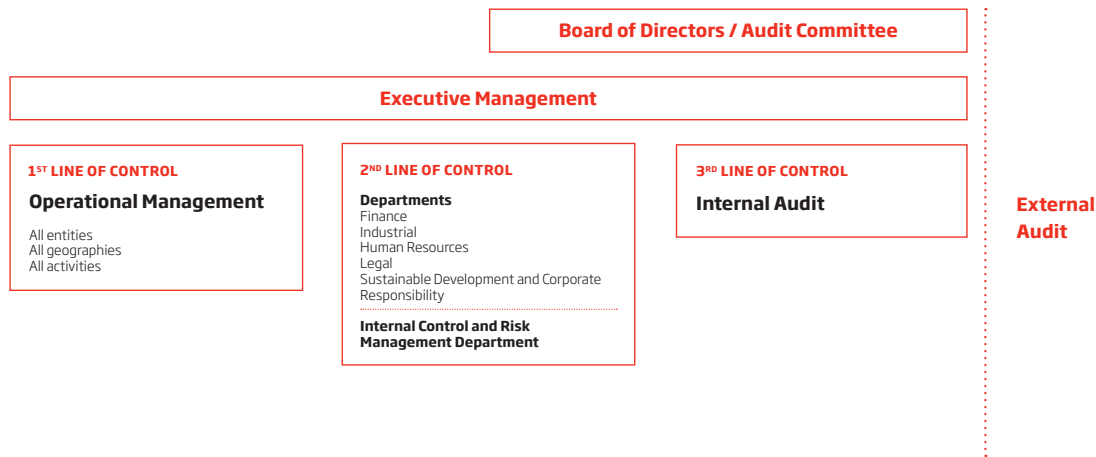
The Group's rules and procedures are regularly updated and supplemented to best reflect the Group's organisation and manage the identified risks.

8.3.4. PARTICIPANTS IN INTERNAL CONTROL AND RISK MANAGEMENT

Everyone in the Group has a part to play in risk management and internal control, from the governance bodies and senior management to the employees of each Group company.



PARTICIPANTS IN THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM



Executive Management

The internal control and risk management system is approved and overseen by Executive Management, thus at the Group's highest level. As the top level of authority and responsibility for the internal control and risk management system, it monitors the system's continuing effectiveness and takes any action required to remedy shortcomings identified and remain within acceptable risk tolerance thresholds. Executive Management ensures that all appropriate information is communicated in a timely manner to the Board of Directors and to the Audit Committee.

Audit Committee of the Board of Directors

The Group's Audit Committee examines the main features of the internal control and risk management procedures selected and implemented by Executive Management to manage risks, including the organisation, roles and functions of the key actors, the approach, structure for reporting risks and monitoring the effectiveness of control systems. It has access to the elements necessary to reach an overall understanding of the procedures relating to the preparation and processing of accounting and financial information (presented in the following chapter).

Each year, the Audit Committee reviews the results of the Group's risk mapping exercise and holds regular meetings with the Internal Control and Risk Management Department to monitor the implementation and adaptation of the Group's rules and the internal control process.

The Audit Committee also monitors the activity of the Internal Audit Department through the following actions:

- approval of the annual internal audit plan;
- meeting with its Director once a year in the presence of the Statutory Auditors, but without the presence of management;
- biannual review of the results of internal audit assignments and follow-up on the implementation of action plans resulting from recommendations.

Three lines of control

In accordance with the AMF reference framework, the internal control and risk management system put in place by the Sopra Steria Group is structured around three lines of control, as presented below.

■ First line of control: Front-line staff and operational management

The first line of control for the internal control and risk management system consists of:

- operational management, tasked with implementing the system defined at Group level for the area under its responsibility. This line of control makes sure that the internal control rules and procedures are effectively implemented, fully understood and consistently applied within its scope of operations.
- the Group's employees, who take due note of and apply all of the rules set out within the organisation

■ Second line of control: Risk management and compliance functions

The aim of the second line of control is to monitor the internal control and risk management system on an ongoing and continuous basis to verify its effectiveness and coherence as well as the proper application of its rules and procedures.

- Internal Control and Risk Management Department and Compliance Officers at the entities

The internal control and risk management system is steered and coordinated by the Internal Control and Risk Management Department at Group level. As the coordinator of the system, and with regard to the risks that have been identified and assessed, the Internal Control and Risk Management Department defines and updates the system's various components. In carrying out these duties, the Internal Control and Risk Management Department works closely with the Group's functional and operational departments.

The Group has set up a network of Compliance Officers, appointed at each of the Group's entities and across all its geographical operations. These Compliance Officers are responsible for adapting the guidelines and rules defined at Group level. In particular, they are tasked with making sure that all components of the internal control and risk management system as well as those of the Group's compliance programme are effectively implemented, fully understood and consistently applied.

- **Functional departments**

The functional departments are also key participants in the coordination of the internal control and risk management system. They assist the Internal Control and Risk Management Department in updating procedures specific to the process or processes under their responsibility.

Alongside the self-assessment and control procedures implemented by operational managers at every level, functional departments play a special role in application of the rules for delegations of authority in force within the Group. They support operational staff in the area of risk management and, from a preventive standpoint, they may serve in an advisory capacity or perform ex-ante or ex-post controls on the application of rules.

The Finance Department is entrusted with specific responsibilities in the context of financial controls and the Industrial Department is responsible for control procedures relating to the management of its Quality System.

- **Finance Department**

Financial Controlling falls under the responsibility of the Finance Department. Its main responsibilities include the consolidation and analysis of monthly results produced by the internal management system, controlling the consistency of monthly forecasts, verifying the application of Group rules, assisting operational managers, training management system users, and performing the reconciliation between the internal management accounts and the general ledgers.

As part of its control responsibilities, Financial Controllers identify and measure risks specific to each business unit. In particular, they ensure that contractual commitments and project production are aligned with the revenue recognised. They raise alerts for projects that present technical, commercial or legal difficulties. They check that revenue is recognised in line with Group accounting rules as well as analysing any commercial concessions applicable and verifying their treatment in the business unit's accounts. They also ensure that the costs for the business unit are completely and accurately recognised.

Financial Controllers devote particular attention to unbilled revenue and contractual milestone payments, and check that invoices issued are paid. In coordination with the manager at the relevant entity, they trigger payment collection, which is managed directly by the Finance Department. They check any credit notes issued.

Financial Controllers assess business units' and/or divisions' organisation and administrative operations. They monitor compliance with rules and deadlines.

- **Industrial Department (Management of the Quality System)**

Quality management relies upon the day to day interaction between the operational and quality structures and covers the methods for the production and application of professional standards.

Sopra Steria's quality structure is independent of the project management and delivery operations. As such, it offers external quality assurance for projects with the objectives of assuring production and cost controlling, overseeing associated human resources, verifying production conformity and compliance with quality assurance procedures, and monitoring the quality assurance plan's effectiveness.

Industrial managers under the authority of division/subsidiary managers and reporting functionally to the Group Industrial Department are responsible for monitoring the Quality System and all projects.

Structural audits are performed so as to verify the application and effectiveness of the Quality System among the Sopra Steria staff members concerned (management, sales, operational quality unit). Projects are reviewed on a regular basis, at key phases in their life cycle. These reviews, which are organised by the Industrial Department, or by the quality structure's local representatives, provide an external perspective on the status and organisation of projects.

Monthly steering meetings facilitate an overview of quality at all levels, the monitoring of annual quality targets established during management reviews and the determination of the appropriate action plans to continuously improve production performance and the quality of Sopra Steria products and services.

The implementation of actions agreed during steering committees, audits and reviews is checked by the Industrial Department.

An annual review is performed by Executive Management to ensure that the Quality System remains pertinent, adequate and effective. This review is based in particular upon an analysis of project reviews and internal structural audits performed at all levels of the Group as well as upon annual balance sheets produced by divisions or subsidiaries. During this review, the adequacy of the quality policy is evaluated, the annual quality objectives are defined and possible improvements and changes in the Quality System are considered.

The Group has put in place a certification policy, covering all or a portion of its operations, depending on market expectations. This policy relates to the following standards or frameworks: ISO 9001, TickIT Plus, ISO 27001, ISO 22301, ISO 14001, ISO 20000, CMMI and TMMi.

■ **Third line of control: Internal audit function**

Internal Audit Department

Under the internal audit charter adopted by the Group, the Internal Audit Department has the following tasks:

- independent, objective evaluation of the effectiveness of the internal control system via a periodic audit of entities;
- formulation of all recommendations to improve the Group's operations;
- monitoring the implementation of recommendations.

The work of the Internal Audit Department is organised with a view to covering the "audit universe" (classification of key processes) reviewed annually by the Audit Committee.

Internal Audit covers the entire Group over a cycle of a maximum of four years. Audits are performed more frequently for the main risks identified. To this end, Internal Audit carries out field audits while using self-assessment questionnaires for areas of lesser importance.

By carrying out work relating specifically to fraud and corruption, the Internal Audit Department has identified processes that are potentially concerned, associated risks, control procedures to be adopted (prevention and detection) and audit tests to be carried out. These are systematically integrated into internal audit programmes.

Internal Audit, which reports to the Chairman of the Board of Directors and operates under the direct authority of Executive Management, is responsible for internal control and monitors the system in place. It submits its findings to Executive Management and the Audit Committee.

The Chairman of the Board of Directors validates the audit plan, shared with Executive Management, notably on the basis of risk information obtained using the risk mapping procedure, the priorities adopted for the year and the coverage of the "audit universe". This plan is presented to the Audit Committee for review and feedback. Recommendations are monitored and compiled in a report provided to Executive Management and the Audit Committee.

The Internal Audit Department carried out 22 assignments in 2018.

External monitoring system

Furthermore, the internal control and risk management system is also monitored by the Statutory Auditors and the quality certification inspectors for the Quality System.

Statutory Auditors

As part of their engagement, the Statutory Auditors obtain information on the internal control system and the procedures in place. They attend all Audit Committee meetings.

The Statutory Auditors are engaged throughout the year across the Group. Their involvement is not limited to interactions with the accounting department. To gain a more in-depth understanding of how operations and transactions are recorded in the accounts, the Statutory Auditors are in regular contact with operational managers, who are best placed to explain the Company's business activity. These meetings with operational staff are structured around business unit, division or subsidiary reviews, during which the Statutory Auditors examine the main ongoing projects, progress made and any difficulties encountered by the business unit or subsidiary.

Quality certification inspectors

The audit procedure aims to ensure that the Quality System is both in compliance with international standards and is applied to the entire certified scope of operations.

Each year, quality certification inspectors select the sites visited depending upon an audit cycle and relevance of the activity in relation to the certification.

8.3.5. ASSESSMENT AND CONTINUOUS IMPROVEMENT PROCESS

The purpose of this audit process is to identify ways in which the quality management system might be improved in order to ensure continuous improvement.

The internal control system and its operation are subject to internal and external assessments to identify areas for improvement. These may lead to implementation of action plans to strengthen the internal control system, in certain cases under the direct oversight of the Group's Audit Committee.

8.4. Procedures relating to the preparation and processing of accounting and financial information

8.4.1. COORDINATION OF THE ACCOUNTING AND FINANCIAL FUNCTION

a. Organisation of the accounting and financial function

Limited number of accounting entities

By keeping the number of legal entities, and therefore accounting entities, relatively low, the Group can drive reductions in operating costs and minimise risks.

Centralised coordination of the accounting and financial function

The activities of Sopra Steria's accounting and financial function are overseen by the Group's Finance Department, which reports directly to Executive Management.

The responsibilities of the Finance Department mainly include the production of the accounts, financial controlling, tax issues, financing and cash management, and participation in financial communications and legal matters.

Each subsidiary has its own financial team that reports functionally to the Group's Finance Department.

Supervision of the accounting and finance function by Executive Management and the Board of Directors

The Finance Department reports to the Group's Executive Management. As with all other entities, it follows the management reporting and controlling cycle described above: weekly meetings to address current business activities, monthly meetings devoted to a detailed examination of figures (actual and forecast), the organisation of the function and the monitoring of large-scale projects.

Executive Management is involved in the planning and supervision process as well as in preparing the period close.

The Board of Directors is responsible for the oversight of accounting and financial information. It approves the annual accounts and reviews the interim accounts. It is supported by the Audit Committee, as described in Section 1.2.3 of Chapter 2, "Corporate governance" of this document (pages 62 to 63).

b. Organisation of the accounting information system

Accounting

The configuration and maintenance of the accounting and financial information system are centralised at Group level. Central teams manage access permissions, and update them at least once a year. The granting of these permissions is validated by Finance teams at the subsidiaries.

All Group companies prepare, at a minimum, complete quarterly financial statements on which the Group bases its published quarterly revenue figures and interim financial statements.

Monthly cash flow forecasts for the entire year are prepared for all companies and consolidated at Group level.

Accounting policies and presentation

The accounting policies applied within the Group are presented in the notes to the consolidated financial statements in this document. At each balance sheet date, the Audit Committee ensures that these policies and presentation have been applied by the Finance Department and the Statutory Auditors.

The proper use of the percentage-of-completion method to value ongoing projects is monitored on a permanent basis jointly by the Industrial Department and by the Finance Department (Financial Controllers).

8.4.2. PREPARATION OF THE PUBLISHED ACCOUNTING AND FINANCIAL INFORMATION**a. Reconciliation with the internal management system accounting data**

All Group entities prepare a monthly budget, a monthly operating statement and revised monthly forecasts.

The budget process, which is short in duration, takes place in the last quarter of the year. This is a key stage. It provides an opportunity to apply the strategy approved by the Group's Executive Committee, to adapt the organisation to developments in business segments and market demand, and to assign quantitative and qualitative objectives to all Group entities. Budgets, including detailed monthly operating forecasts, are prepared by each unit at this event.

Each Group entity prepares a monthly operating statement closed on the third working day of the following month. Management indicators (utilisation rate, selling prices, average salary, indicators relating to human resources, invoicing and receipts, etc.) are also reviewed on a monthly basis.

Finally, a revised operating statement prepared each month includes the results of the previous month and a revised forecast for the remaining months of the current year.

Sales metrics (prospects, contracts in progress, signings, etc.), client invoicing and cash receipts are analysed at the management meetings organised by the management control system described above.

The results derived from the monthly management reporting documents are verified by Financial Controllers reporting to the Finance Department, who also reconcile this data with the quarterly accounting results in the general ledgers.

b. Procedures for the preparation of the consolidated financial statements

Each company establishes quarterly financial statements and prepares a consolidation pack.

For each of the companies falling within the scope of the audit of consolidated financial statements, the Statutory Auditors examine the interim and annual consolidation packs. Once approved, they are used by the Group Finance Department and the consolidated financial statements are examined by the Group's Statutory Auditors.

c. Procedure for signing off the financial statements

The interim and annual consolidated financial statements are presented to Executive Management by the Finance Department.

As part of their annual accounts close-out at 31 December, the financial statements of Sopra Steria Group and its subsidiaries undergo a legal audit by the Statutory Auditors in order to be certified. A limited review is also performed on 30 June.

As part of its assignment to monitor the legal control of the financial statements, the Audit Committee takes note of the Statutory Auditors' work and conclusions during the review of the interim and annual financial statements.

The Audit Committee examines the financial statements, notably in order to review the Company's exposure to risks, verify that the procedures for gathering and controlling information guarantee its reliability, and ensure that accounting policies have been applied consistently and appropriately. It gathers comments from the Statutory Auditors.

The Group's financial statements are then presented to the Board of Directors for approval.

d. Financial communications

The Financial Communications and Investor Relations Department, which is supervised by the Chairman of the Board of Directors, manages the Group's financial communications.

The Group communicates financial information via several different means, notably:

- press releases;
- the Registration Document and the various reports and disclosures that it contains;
- the presentation of the interim and annual financial statements.

The Group's website has a dedicated "Investors" section that presents all of the aforementioned items as well as other regulatory or informative items.