

BUSINESS MODEL



OUR MISSION

The digital revolution is fundamentally transforming our environment. It is speeding up changes in our clients' business models, internal processes and information systems. In this fast-changing environment, our role is to bring our customers new ideas and support them in their transformation by making the most effective use of digital technology.



OUR BUSINESS

Sopra Steria provides end-to-end solutions addressing the core business and competitive needs of large companies and organisations in Europe and further afield, helping them throughout their digital transformation.



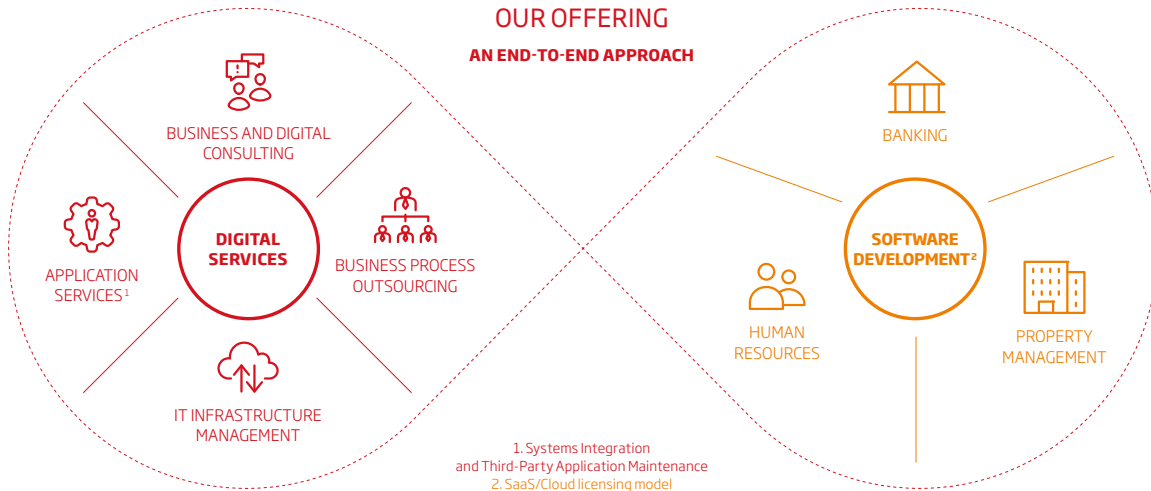
OUR MARKET

- Spending on digital services in Western Europe: €270bn in 2017*.
- A market that has grown by around 3% per year over the past 3 years*.
- Top-10 player in Europe in a highly fragmented market, with a share of around 2%.

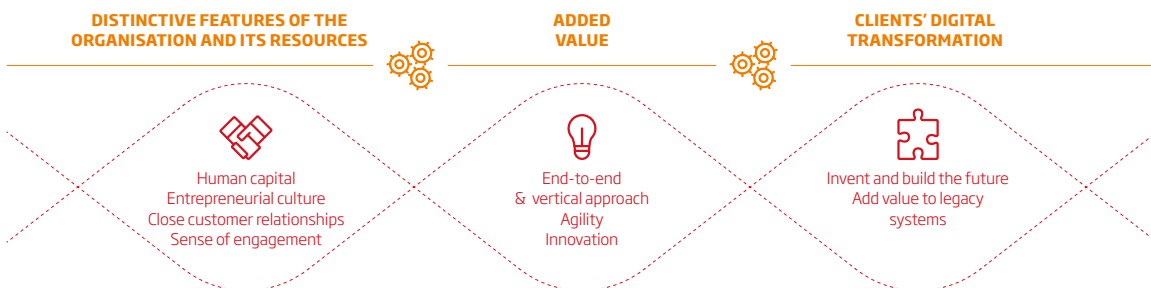
* Source: Gartner, Q4 2017, in euros.

OUR OFFERING

AN END-TO-END APPROACH



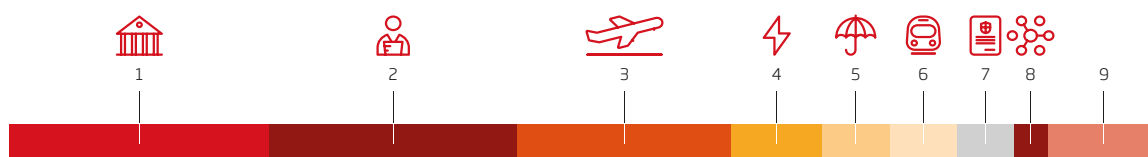
OUR MODEL



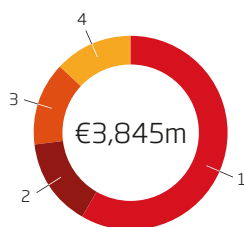
BREAKDOWN OF REVENUE

REVENUE BY VERTICAL MARKET

1 Banking	23%	6 Transport	6%
2 Public Sector	22%	7 Telecoms, Media & Games	5%
3 Aerospace, Defence & Homeland Security	18%	8 Retail	3%
4 Energy & Utilities	7%	9 Other	10%
5 Insurance	6%		

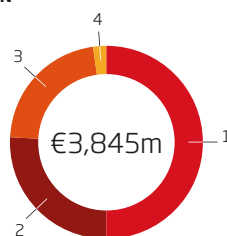


REVENUE BY BUSINESS LINE



1 Consulting & Systems Integration	61%
2 Solutions	16%
3 IT Infrastructure Management	13%
4 Business Process Services	10%

REVENUE BY REGION



1 France	51%
2 United Kingdom	22%
3 Other Europe	25%
4 Rest of the World	2%



WORKFORCE

GROUP

41,661

EMPLOYEES

FRANCE

18,649

UNITED KINGDOM

6,181

EUROPE (OTHER)

8,777

REST OF THE WORLD

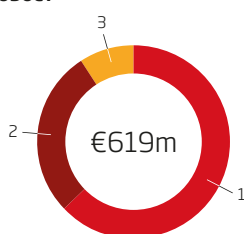
281

X-SHORE¹

7,773

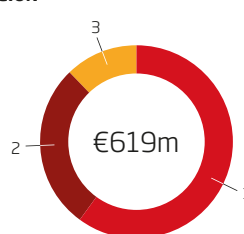
1. India, Poland, Spain and North Africa.

SOLUTIONS REVENUE BY PRODUCT



1 Sopra Banking Software	65%
2 Sopra HR Software	26%
3 Property Management Solutions	9%

SOLUTIONS REVENUE BY REGION



1 France	60%
2 Rest of Europe	27%
3 Rest of the World	13%

CORPORATE PLAN

KEY FEATURES OF THE CORPORATE PLAN



An independent model

An independent model predicated on a long-term vision and reconciling business performance with the Group's responsibilities to the environment and its stakeholders as a good corporate citizen.



Entrepreneurial culture

By its very nature, the Group is agile, has short decision-making circuits, and moves rapidly. Managers' autonomy, collective responsibility, dedication to serving clients and respect for others lie at the heart of the Group's values.



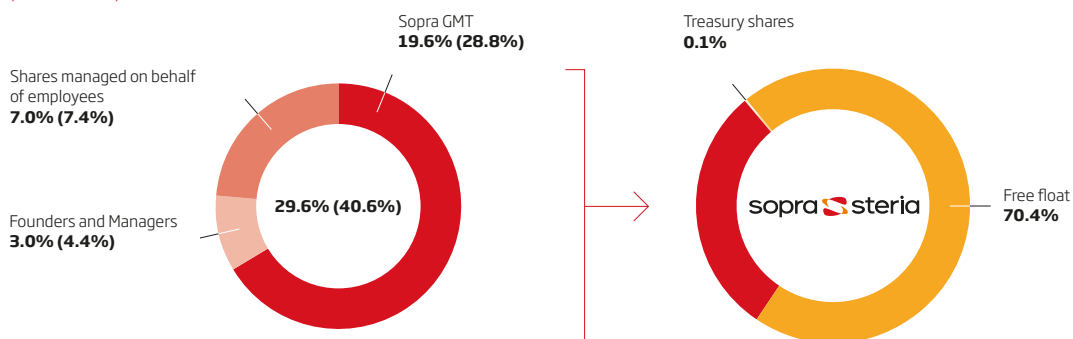
Importance of human capital

A demanding human resources policy focused on nurturing talent to fit the business culture and the development of employees' skills.



SHARE OWNERSHIP STRUCTURE

(at 31/12/2017)



20,547,701 listed shares
26,677,398 exercisable voting rights
XX.X% = Percentage of share capital held
(XX.X%) = Percentage of exercisable voting rights

For more information, see Chapter 6.

HISTORY OF SOPRA STERIA GROUP

A PERFORMANCE-ENHANCING CORPORATE PLAN

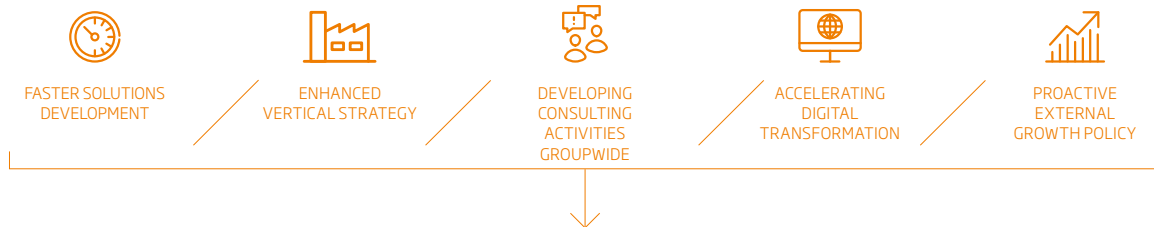
Sopra Steria has reinforced its position as a European leader in digital transformation.

Its shares are listed on the SBF 120 index and, in 2017, the Group posted €3.8 billion in revenue and employed almost 42,000 people in over 20 countries. 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. To support the Sopra Steria 2020 Project, strategic investments continue in services, consulting and the development of business-specific solutions.

For more information, see Chapter 1.

STRATEGY



Added value

Sopra Steria differentiates itself more clearly from its competitors by continuing to build an edge in its two key areas of specialisation: Business solutions that, combined with its full range of services, give it a unique offering in the sector and forge very close relationships with its clients. These relationships are founded on its roots in the regions where it operates and its ability to meet its clients' core business requirements as effectively as possible.



Innovation

Numerous initiatives are being encouraged to promote and enhance innovation, such as innovation imperatives assigned to project teams; internal innovation competitions to develop new digital uses for the Group's markets; hackathons open to clients and partners; and platforms for digital demonstrations, co-design, rapid development and technology watch open to clients, employees and partners at all the Group's major locations (DigiLabs).

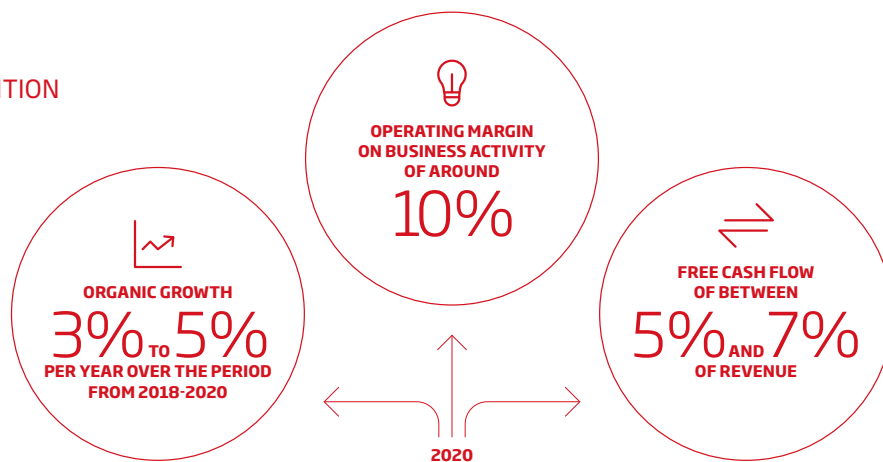


End-to-end approach

With one of the most comprehensive ranges of solutions and services in the market, the Group endeavours to develop its capacity as a turnkey provider in order to harness all its business lines and its ecosystem of partners (start-ups, third-party vendors, etc.) to deliver seamless end-to-end value propositions that respond as comprehensively as possible to the business challenges facing its clients.



2020 AMBITION



sopra  steria

GOVERNANCE

BOARD OF DIRECTORS' MEETING ON 13 APRIL 2018

PIERRE PASQUIER, Chairman of the Board of Directors



MEMBERS

19



NATIONALITIES

7



MALE DIRECTORS

59%



FEMALE DIRECTORS

41%



DIRECTORS' AVERAGE
ATTENDANCE RATE AT BOARD
MEETINGS

97% IN 2017



DIRECTORS' MINIMUM
ATTENDANCE RATE AT BOARD
MEETINGS

86% IN 2017



INDEPENDENT
DIRECTORS

47%



For more information,
see Chapter 2.



RENEWAL OF THE BOARD OF DIRECTORS FOLLOWING THE GENERAL MEETING ON 12 JUNE 2018

- Reduction in the number of members of the Board of Directors;
- Higher proportion of Independent Directors;
- Some Directors reappointed by rotation;
- Realignment of the mix of skills and expertise.



EXECUTIVE MANAGEMENT AND THE EXECUTIVE COMMITTEE

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

VINCENT PARIS
CEO
of Sopra Steria Group

JOHN TORRIE
Deputy CEO
of Sopra Steria Group

LAURENT GIOVACHINI
Deputy CEO
of Sopra Steria Group

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



For more information,
see Chapter 1.

CORPORATE RESPONSIBILITY

SOPRA STERIA: COMMITTED TO A MORE SUSTAINABLE WORLD

Sopra Steria has for the past several years been committed to a proactive corporate responsibility policy that is consistent with the Group's business requirements and in step with fundamental changes in society. This bold commitment requires us to change the way we see things and to strive together with our stakeholders for a more sustainable world. The Group's policy is part and parcel of a broader ongoing commitment to share information in its annual corporate responsibility report about the efforts made and the results achieved.

OUR ACCOMPLISHMENTS IN 2017...



ETHICS AND VALUES

1 dedicated governance
framework strengthened

1 code of ethics
and **core values supported**
by Executive Management

New Way
The Group's unifying
transformation programme



SOCIETY

United Nations Global Compact/GC Advanced level

Rated among the top 9% of Global Compact signatories

EcoVadis Gold level

15th out of 230
in the Gaïa Index
In the index for the 9th consecutive year

3rd of the Digital Gouv' barometer index in Europe
Sopra Steria

Support for the Collège des Bernardins
Digital Chair

International Inspiration Award
bestowed on Gayathri Mohan,
Head of CSR Sopra Steria India



WORKFORCE

9,500 new employees
joined the Group in 2017,
78% of them on permanent contracts

Recognised as one of Europe's leading recruiters

France's top recruiter of young graduates
in the digital sector

Women account for 31% of the Group's workforce,
and hold 27% of engineering, consulting and project management positions.

Over 1,000,000 hours of training
provided Group-wide

Employer brand
recognised on social media and rating platforms



ENVIRONMENT

1 key commitment
Launch of an ambitious programme to reduce the Group's greenhouse gas emissions

11% reduction in overall greenhouse gas emissions
from their 2016 level
Target of a 21% reduction from their 2015 level by 2020 (absolute value)

Science Based Targets Initiative (SBTi)
World's first digital services company to have received approval from SBTi for its greenhouse gas emissions reduction targets for the Group as a whole

#WeRRR campaign
A staff #WeRRR challenge held to identify the best waste reduction, recycling and reuse ideas.

SEALS OF QUALITY AND ACCREDITATIONS



Ranking

ECOVADIS
UNGC
CDP
MSCI
GAIA

Ranking/Rating

Gold Advanced
GC Advanced level
2018 A List Supplier CDP Climate Change A List
ESG A
15th/230



Happy Trainees accreditation

In France, for the 5th year in a row

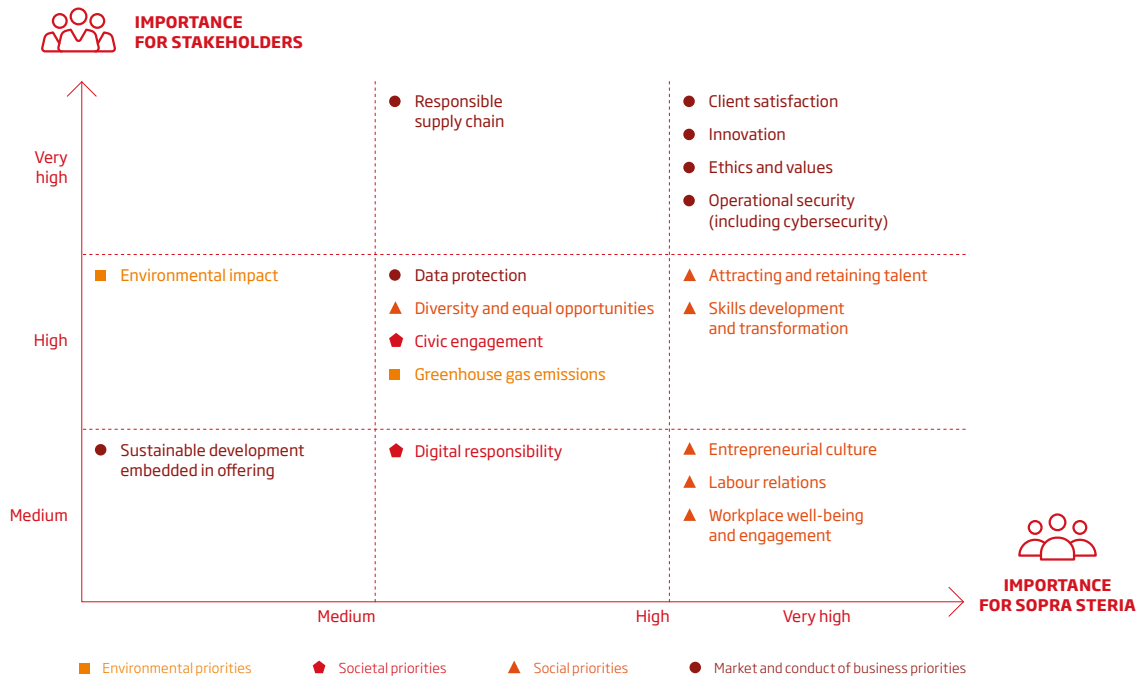
Universum rankings

Sopra Steria moves up three places in the Top 100

MATERIALITY MATRIX

OBJECTIVES AND APPROACH

In 2017, Sopra Steria carried out its first materiality analysis. This analysis helped to identify and rank the priorities most relevant for the organisation itself and for its stakeholders. The analysis is presented in the form of a matrix, which plots the priorities according to their importance for the Group (x-axis) against their importance for the Group's stakeholders (y-axis).



PRINCIPAL ACTION POINTS

ACTION ADDRESSING ENVIRONMENTAL PRIORITIES

- Cut greenhouse gas emissions
- Curb the environmental impact of activities

ACTION ADDRESSING SOCIETAL PRIORITIES

- ◆ Act as a good corporate citizen
- ◆ Anticipate to digital technology's impact on society

ACTION ADDRESSING SOCIAL PRIORITIES

- ▲ Attract and retain talent
- ▲ Develop and transform skills
- ▲ Foster an entrepreneurial culture within teams
- ▲ Build strong labour relations
- ▲ Promote diversity and equal opportunities
- ▲ Promote well-being in the workplace and employee engagement

ACTION ADDRESSING MARKET AND CONDUCT OF BUSINESS PRIORITIES

- Achieve client satisfaction
- Integrate innovation right across the value chain
- Champion the Group's ethics and values
- Keep the Group's activities safe and secure
- Work with a responsible supply chain
- Protect employees' and clients' personal data
- Embed sustainable development in the offering

DIALOGUE WITH INVESTORS

TECHNICAL DETAILS OF THE SHARE



LISTING	Euronext Paris
MARKET	Compartment A
ISIN CODE	FR0000050809
TICKER SYMBOL	SOP
MAIN INDICES	SBF 120, CAC ALL-TRADABLE, CAC ALL SHARES, CAC MID & SMALL, CAC MID 60, CAC SOFT & C. S., CAC TECHNOLOGY, Euronext FAS IAS, NEXT 150

Eligible for Share Savings Plan
Eligible for Deferred Settlement Service

FINANCIAL CALENDAR



19 February 2018 before market open	2017 annual revenue and earnings*
26 April 2018 before market open	Q1 2018 revenue
12 June 2018	Annual General Meeting
3 July 2018	Ex-dividend date
5 July 2018	Dividend payment date
27 July 2018 before market open	2018 interim revenue and earnings*
26 October 2018 before market open	Q3 2018 revenue

* The full-year and half-year results are presented at face-to-face meetings and at bilingual webcast meetings in French and English.

MEETINGS WITH INVESTORS



**INVESTORS MET
IN 2017**

349



**COUNTRIES
COVERED**

13



**CITIES
VISITED**

19



ROADSHOWS

24



CONFERENCES

7



**WINNER OF THE 2017
TRANSPARENCY
PRIZE¹**

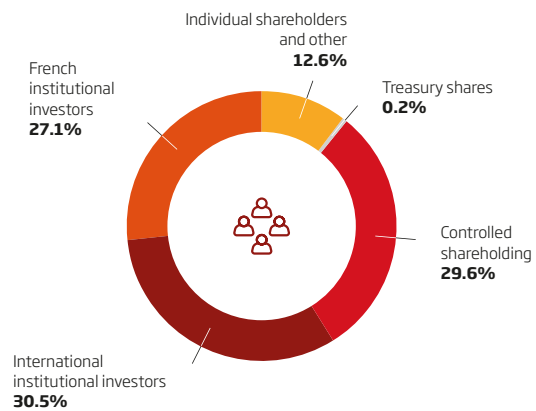
in the
"Utilities and Technologies"
category



**WINNER OF THE 2017
INVESTOR RELATIONS
PRIZE²**

in the
"Best IR Presentation"
category

INSTITUTIONAL INVESTORS' HOLDING IN THE GROUP'S CAPITAL ACCORDING TO THE OWNERSHIP STRUCTURE BASED ON THE TPI SURVEY OF 28 FEBRUARY 2018



TPI survey of 28 February 2018 - Shareholding threshold of over 1,000 shares.

TRANSPARENCY LABEL OR

This seal of quality is awarded to Registration Documents achieving the highest level of transparency according to the Annual Transparency Rankings criteria.

FOLLOW US ON



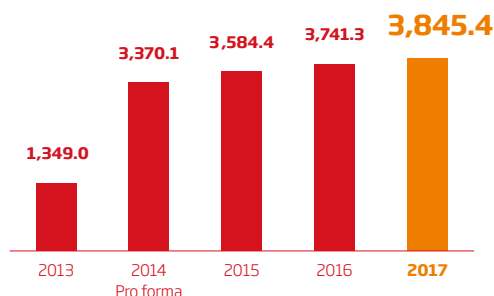
1. Awards organised by Labrador.
2. More information: <http://www.forum-ir.com/>

FINANCIAL PERFORMANCE



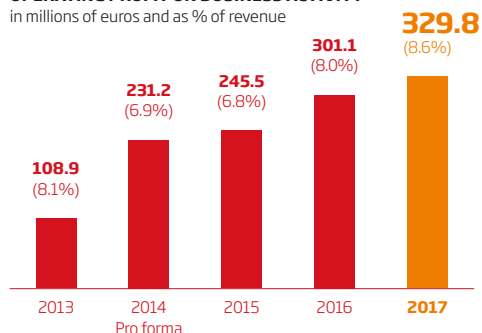
REVENUE

in millions of euros



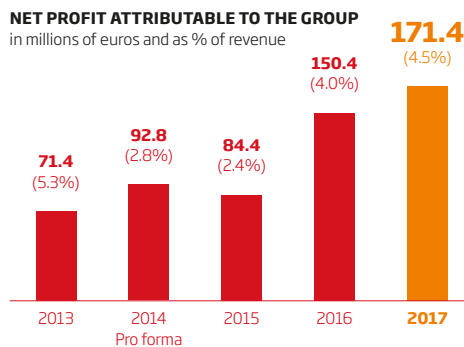
OPERATING PROFIT ON BUSINESS ACTIVITY

in millions of euros and as % of revenue



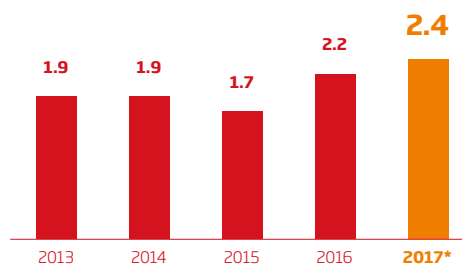
NET PROFIT ATTRIBUTABLE TO THE GROUP

in millions of euros and as % of revenue



DIVIDEND IN EUROS

per share

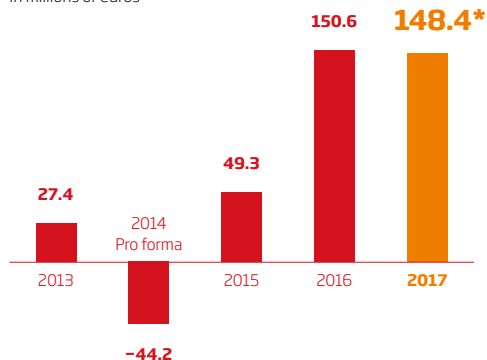


* Amount proposed at the 2018 General Meeting.



FREE CASH FLOW

in millions of euros



* Including a €37.0m sale of trade receivables leading to their deconsolidation.



PERFORMANCE OF SOPRA STERIA SHARES OVER THE PAST 5 YEARS* RELATIVE TO THE PERFORMANCE OF THE SBF 120 AND CAC 40 INDICES



* Rebased 100 at 2 January 2013.



1 INTRODUCTION TO SOPRA STERIA

1.	HISTORY OF SOPRA STERIA GROUP	14
2.	OVERVIEW OF THE DIGITAL SERVICES SECTOR	15
2.1.	Main markets - Competitive environment of digital services sector	15
3.	STRATEGY AND OBJECTIVES	16
3.1.	Strong and original positioning in Europe	16
3.2.	Priorities for action	16
4.	SOPRA STERIA'S ACTIVITIES	17
4.1.	A European leader in digital transformation	17
4.2.	Business expertise at the heart of our strategy	20
4.3.	Research and Development of Solutions	22
5.	2017 KEY FIGURES AND CONSOLIDATED FINANCIAL STATEMENTS	22
5.1.	Key figures for 2017	22
5.2.	Review of the Group's position and results in 2017	23
6.	2017 PARENT COMPANY FINANCIAL STATEMENTS OF SOPRA STERIA GROUP SA	29
6.1.	Income statement	29
6.2.	Balance sheet	30
6.3.	Identity of shareholders	31
7.	SIMPLIFIED GROUP STRUCTURE AT 31 DECEMBER 2017	32
8.	GROUP ORGANISATION	33
8.1.	Permanent structure	33
8.2.	Temporary structures for specific deals and projects	34
9.	RISK MANAGEMENT AND CONTROL	35
9.1.	Risk factors	35
9.2.	Insurance	42
9.3.	Internal control and risk management	42
9.4.	Procedures on the preparation and treatment of accounting and financial information	47



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 €3.8 billion in revenue and employed almost 42,000 people in over 20 countries in 2017.

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 digital 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 BPO (Business Process Outsourcing), 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.

2014-2018

A new dimension and stepping up 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 makes employees even more involved 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.

To support the Sopra Steria 2020 Project, strategic investments continue in services, consulting and the development of business-specific solutions. The acquisition of CIMPA in October 2015 boosts the Group's presence in the PLM (product lifecycle management) market. Following the acquisition of software publisher 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. On 8 January 2018, the Group announced its plan to acquire BLUECARAT, a Germany IT services company. This proposed acquisition would strengthen Sopra Steria's position in the German market and provide the local subsidiary further growth opportunities and access to major strategic accounts.

Sopra Steria 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 digital services sector

In 2017, the digital services market in Western Europe was worth an estimated €270 billion ⁽¹⁾.

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

Country (in billions of euros)	2017 estimates
France	35.1
United Kingdom	84.9
Germany	44.6
Rest of Europe	105.4
TOTAL	270.1

Source: Gartner, updated fourth quarter 2017, in constant 2013 US dollars.

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

Business (in billions of euros)	2017 estimates
Consulting	56.6
Development and systems integration	73.5
Outsourced IT services	102.7
Business process outsourcing	37.2
TOTAL	270.1

Source: Gartner, updated fourth quarter 2017, in constant 2013 US dollars.

The European market has two main characteristics:

- three countries alone (the United Kingdom, Germany and France) account for 61% of IT services spending in Europe ⁽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⁾.

In spite of the recent consolidations, the IT services market remains highly fragmented in Europe. The main competitors of Sopra Steria are divided into four categories:

- players present on all continents, such as IBM, HP EDS, CSC, Accenture, CGI, Capgemini and Atos;

- Indian players such as TCS, Cognizant, Wipro and Infosys;
 - local players positioned in niche segments with high added value or general purpose services;
 - players in the consulting sector such as EY and BearingPoint;
 - software developers: Temenos, Alpha financial, etc.
- With 2017 revenue of €3.8 billion and a market share of around 2%, Sopra Steria is one of Europe's ten largest digital services companies (excluding captive service providers and purely local players).

(1) Source: Gartner report, updated fourth quarter 2017.

3. Strategy and objectives

3.1. Strong and original positioning in Europe

Sopra Steria aims to become a leader for digital transformation in Europe, with a comprehensive, high value-added offering, enabling its clients to make the best use of digital technology to innovate, transform their operations 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.

Sopra Steria will differentiate itself more clearly from its competitors by continuing to build an edge in its two key areas of specialisation:

- industry-specific solutions which, when combined with the Group's full range of services, make its offering unique;
- 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.

3.2. Priorities for action

3.2.1. FASTER SOLUTIONS DEVELOPMENT

In software, the ambitions and momentum of Sopra Steria – ranked France's number two software vendor ⁽¹⁾ – have been confirmed. The Group has reaffirmed the medium-term target of bringing the share of its solution development and integration activities to 20% of its revenue. Combining organic and external growth, efforts will continue to enrich the Group's offering, in particular to open it up to the digital world, as well as developing managed services and geographic expansion, which may go beyond Europe. The development of Sopra Banking Software is a priority. The Group will also continue to strengthen its leading position in Human Resources and Property Management, remaining on the look-out for new sector opportunities.

3.2.2. ENHANCED VERTICAL STRATEGY

Focused business development

To support the positioning that it has chosen, the Group is continuing its policy of concentrating on certain targeted vertical markets and key accounts across all of its locations. Business development focuses on eight priority vertical markets, together accounting for almost 90% of revenue: Banking; Public Sector; Aerospace, Defence & Homeland Security; Energy & Utilities; Telecoms & Media; Transport; Insurance; and Retail.

For each vertical, the Group selects a small number of major accounts (in total, fewer than 100 at Group level) and focuses on a few different areas of business in which it aims to secure a leading position through high value-added end-to-end offerings.

End-to-end offerings

With one of the most comprehensive ranges of solutions and services in the market, the Group endeavours to develop its capacity as a turnkey provider in order to harness all its business lines and its ecosystem of partners (start-ups, third party vendors, etc.) to deliver seamless end-to-end value propositions that respond as comprehensively as possible to the business challenges facing its clients.

3.2.3. DEVELOPING CONSULTING ACTIVITIES GROUPWIDE

In order to position itself even more securely with client decision-makers at the business department level, the Group is working to accelerate its development in consulting and has set itself the medium-term target of increasing the proportion of its business in this area 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, development of upstream consulting (e.g. digital strategy, operating strategy, IT strategy); enhancing industry expertise in each vertical market, giving priority to Banking; and lastly, establishing a strong Consulting brand in the market.

3.2.4. ACCELERATING DIGITAL TRANSFORMATION

Sopra Steria has successfully completed numerous digital projects. Its experience has allowed it to develop an end-to-end digital transformation approach for companies and governments, based on a series of best practices.

The Group is continuing its own digital transformation to consolidate its leading position in this field with the following goals:

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

Offering

The solutions offered by the Group evolve at a rapid rate in order to factor in advances in digital technology in a number of key areas, such as client/user experience, service platforms, analytics and virtual advisors.

Each of its major service offerings has also been reviewed: Consulting, Application Services, Infrastructure Management, Cybersecurity, Business Process Services. This has a number of aims:

- to use the immense potential of new technologies for the benefit of all of its clients;
- to promote new value propositions: UX/UI strategy & design, digital factory, end-to-end cloud migration services and leveraging data, etc.;
- to roll out new agile and collaborative "ways of doing" resulting from digital technology as widely as possible;
- to push forward the development of software component based-solutions (IP or accelerators);
- and to capitalise on smart machines as a way of improving productivity and service standards.

Technology

Structures are in place to help entities keep an eye on technologies and their use and provide the necessary expertise for conducting digital projects: an Advisory Board (made up of people from outside the Group), "digital champions" teams for each priority vertical and key technology (Digital Interaction, Smart Machines, Data Science, Blockchain, IoT & Automation, etc.).

(1) Source: Truffle 100, May 2017.

At the same time, the Group has the means to develop the best digital solutions on the market for its clients much more quickly: digital enablement and social coding platforms (Cloud, DevOps, micro-services, API, etc.) allowing for development, capitalisation, re-use and execution "as a service" of software components; accelerators for the use of emerging technologies (bots, blockchain, etc.).

The 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 (start-ups and niche players, institutions of higher education and research laboratories, major software publishers and the "big four" - Google, Apple, Facebook and Amazon, etc.). In this regard, a (collaborative) observatory of start-ups works with teams of "digital champions" and Group entities.

It is within this framework that a strategic partnership has been forged between Sopra Steria and Axway, giving the Group the essential building blocks for its solutions and services activities in the area of digital technology.

Innovation

Numerous initiatives are being encouraged to promote and enhance innovation, such as innovation imperatives assigned to project teams; internal innovation competitions to develop new digital uses for the Group's markets; hackathons open to clients and partners; and platforms for digital demonstrations, co-design, rapid development and technology watch open to clients, employees and partners at all the Group's major locations (DigiLabs).

3.2.5. PROACTIVE, TARGETED EXTERNAL GROWTH POLICY

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

4. Sopra Steria's activities

4.1. A European leader in digital transformation

Sopra Steria, a European leader in digital transformation, has one of the most extensive portfolios of offerings available on the market, spanning consulting and systems integration, the development of business- and technology-specific 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 guidance and implementation, and the conversion and operation of IT infrastructures, 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 22.6% of its share capital and 33.2% of its theoretical voting rights. With almost 42,000 employees in over 20 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 its clients to succeed in their digital transformation means turning their strategic and business challenges into digital initiatives by means of 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 new microservices platforms, DevOps and Cloud technology (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 elements of successful digital transformation: speed of execution (or delivery in "fast IT" mode) and openness to external ecosystems.

4.1.1. 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 2,400 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:

INTRODUCTION TO SOPRA STERIA

Sopra Steria's activities

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, and improving competitiveness and continuity of service.

Streamlining data flow

Once the systems and technologies are implemented, IT 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 factor for 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, multi-modal and multi-channel 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.

PLM (Product Lifecycle Management)

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.

4.1.2. 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 Infrastructure Management provides digital transformation support for all technological and organisational transformation projects from consulting to execution.

Infrastructure management's hands-on approach covers five types of services that are essential for the changing IT needs of our clients:

- **Consulting on services:** offers value propositions for the co-management and operation of transformation projects. This is across all of the four 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, service continuity 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).

4.1.3. CYBERSECURITY

With over 700 experts and latest-generation Cybersecurity Centres in Europe and worldwide (France, United Kingdom, Singapore), Sopra Steria is a global player in protecting 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 focusing on the management of business risks;
- **Regulatory compliance:** comprehensive help with ensuring compliance with major security regulations (NIS/LPM, GDPR/CNIL, sector-specific regulations), based on both legal and technical expertise;
- **Application security:** a complete programme for securing applications, including a Security by Design project approach and unique code as a service audit capacity;
- **Data security:** an innovative, end-to-end range of data services: strategy, analysis and classification, protection solutions (DLP, DRM), supervision and dashboards;
- **Security Operations Center (SOC) managed services:** a comprehensive and evolving information management solution to anticipate, detect, analyse and respond to cyberattacks as quickly and accurately as possible thanks to artificial intelligence innovations.

4.1.4. BUSINESS SOLUTIONS

Sopra Steria offers its business expertise to clients via packaged solutions in three areas: Banking via Sopra Banking Software, Human Resources via Sopra HR Software and Property Management with its property management solutions. The Group adapts and deploys its application solutions to offer its clients high-performance enterprise software packages, in line with the development of their company and the latest information technology, know-how and expertise.

Sopra Banking Software: a leading name for banks

With 800 clients worldwide and 3,285 staff (excluding shared service centres) in over 70 countries, Sopra Banking Software is the partner of choice for banks and financial institutions for their day-to-day performance needs and helping with digital transformation.

Sopra Banking Software, a wholly-owned subsidiary of the Group, produces software solutions for a wide range of banking operations, enabling financial institutions to improve their responsiveness, agility

and more generally their productivity. In addition to its software offering, Sopra Banking Software offers deployment, support and training services.

Digital core banking solutions

The solutions offered by Sopra Banking Software are suitable for retail (direct or branch-based) banks, as well as for private banks. These services also cover more specific needs such as Islamic banking, microfinance and the implementation of "factory"-style globalised solutions (such as payment and credit solutions).

Sopra Banking Suite® meets general needs by offering integrated systems, but also more specific vertical market needs such as loan services, payment transactions, management of bank cards and accounts, banking distribution, cash management and regulatory compliance via a wide range of business components which may be linked together. It should be noted that it is also possible to implement these solutions one component at a time, allowing a gradual step by step approach.

To serve the needs of banks of all sizes and locations, Sopra Banking Suite® offers two flagship solutions: Amplitude®, an integrated solution designed to provide a very broad business offering in emerging markets and among mid-sized banks thanks to its modularity, flexibility and openness, and Platform®, designed to provide a comprehensive, innovative and robust solution in mature markets through a blend of components based on a service-oriented architecture.

Services

Sopra Banking Software, a comprehensive service provider, offers a number of services linked to its solution offering. From consulting to analysis, planning, training of teams, implementation and maintenance, Sopra Banking Software supports clients throughout their project.

As well as operating its own solutions, Sopra Banking Software also offers SaaS solutions, notably for direct banks and for regulatory reporting purposes.

Sopra HR Software: a market leader in human resources 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 1,412 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, Talent Management, HR Space, and Analytics. The offering is based on two product lines, HR Access® and Pléiades®, aimed at large and medium-sized organisations in the public or private domain, regardless of their business sector, organisational complexity or 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.

Sopra HR Software implements its own solutions in on-premises or outsourced mode, as well as offering a wide range of managed services.

Property management solutions by Sopra Steria: the leading name in digital transformation for property management

Sopra Steria is the leading publisher - distributor - integrator - service manager of property 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, property management companies, major users), Sopra Steria covers all areas of the property industry and markets itself through comprehensive solutions comprising products, innovative technology services (collaborative platform, 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 management of real estate assets. This therefore makes it possible to achieve a higher return on the property portfolio while also improving its use and relations with occupants and service providers.

4.1.5. BUSINESS PROCESS SERVICES

The huge expansion in breakthrough digital technologies that have entered every aspect of our lives is regarded as the fourth industrial revolution. This will turn our markets upside down, creating newcomers and new industries and wiping out others. The way in which services are executed is being reinvented. The very future of how we work is gradually changing. This represents both an opportunity and a threat.

Early familiarisation with new technologies, understanding how they interact and their impact on security and business activity is the first challenge to be addressed for any organisation. It is then necessary to define stages to make as much of it as possible. Sopra Steria's Business Process Services (BPS) now go hand in hand with digital transformation, helping clients through all of these stages. The experience of Sopra Steria's teams ranges from designing new start-ups to highly complex shared services.

Sopra Steria Group combines expertise from consulting to services operation, relying on international experts in the field of business processes, technology, integration and data architecture to come up with new targeted digital operating models serving existing clients or new ordering parties. Sopra Steria's UX (user experience) teams devise optimised client experiences in collaboration with experienced business consultants. They deploy intelligent automation to perform straight-through processing using cognitive robotics and software, thereby combining the power of artificial intelligence and data analysis.

In addition, teams have a dynamic ecosystem of partners to encourage and capitalise on emerging start-up and SME technologies. Sopra Steria offers turnkey applications and its own platforms to design, build and operate end-to-end business process services.

Via its Business Process Services offering, Sopra Steria adapts services to meet its clients' needs as closely as possible thanks to individual processes such as "Know Your Customer", for example helping to combat money laundering in the banking sector, HR, finance and accounting functionalities, or even services shared between a number of organisations such as the British government and the National Health Service.

Digital technology represents a fantastic opportunity for our clients. We help to transform their processes and perform these services in an effective way using the latest technologies and our talented teams. Sopra Steria is a leader in the business process services market in Europe. In particular, the Group operates the largest Business Processes as a Service (BPaaS) platform in Europe for shared services handling financial and accounting processes (NHS SBS). Moreover, the Group was the first IT service provider to take over the operation of part of the business and back-office processes for a police force in Europe (Cleveland police in the United Kingdom). Winning the SSCL ⁽¹⁾ programme at the end of 2013 – with the potential to meet all the British government's front, middle and back office process requirements – considerably strengthened this position. A further breakthrough came in 2015 with the signing of an agreement with the Metropolitan Police Service, the largest police force in the United Kingdom, for Sopra Steria to create a BPaaS platform for the police. This platform is intended to serve several police forces in a similar way to Sopra Steria's multi-client health platform (NHS SBS).

4.2. 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.

4.2.1. BANKING

The banking and finance sector is subject to major changes. Regulatory requirements are constantly changing and the digital revolution, which has led to the emergence of digital banking, has increased the expectations of clients who now have multiple banking relationships. With technological developments and the arrival of newcomers (Fintechs, Gafas, telecoms operators), relations with banks have changed considerably.

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.

4.2.2. PUBLIC SECTOR

Faced with new expectations from citizens and companies, the need to optimise expenditure, and the obligation to keep up with regulatory changes, governments continue to implement a huge programmes of public sector transformation to transform their activities, organisation and user service offering.

In a context in which digital technology is a force for change, Sopra Steria provides, firstly, solutions for the digitisation of government services, process re-engineering and, more generally, modernisation of business-specific information systems, and secondly, solutions for pooling the support functions of central government, 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.

4.2.3. AEROSPACE, DEFENCE & 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;

(1) Shared Services Connected Limited, joint venture between Sopra Steria and the UK Cabinet Office.

- 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.).

4.2.4. ENERGY & 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. The decisions made at the COP21 climate talks in November 2015 only increase these challenges by encouraging major principals to diversify and innovate even more, to control energy more effectively and revamp their management of customer relationships (companies, local authorities and private individuals).

Other major issues must also be taken into account:

- control of expenditure and maintenance costs for production, transportation and distribution infrastructures;
- rapid change in customer requirements and development of services as growth drivers;
- end-to-end control of energy and data flows (from production to the end-user via smart meters);
- the transition to new generations, particularly on the production side.

Sopra Steria helps energy suppliers and utilities transform all their key processes: exploration, production and trading, transport and distribution, marketing and services.

4.2.5. TELECOMS, MEDIA & GAMES

The telecoms, media and games 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 digitalisation 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 Games 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.

4.2.6. TRANSPORT

The transport sector is undergoing far-reaching changes: increasing openness to competition, growing European and urban traffic, new modes of transport (car sharing, low-cost operators, long-distance buses, etc.), the digital revolution (Uber, BlaBlaCar, etc.) and the renovation of old networks.

Faced with these major challenges, the transport sector must change and propose multiple or integrated offerings (bus, taxi, bike, etc.) through a door-to-door offering; become customer-centred and develop loyalty; propose new services (luggage, guarantees for passengers, mobile ticketing).

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

- infrastructure management: asset management, development of mobile tools for maintenance, paperless records, etc.;
- traffic management: from timetable design to transport planning, fleet management and supervision of rail, road and air traffic;
- traveller experience: mobile ticketing, boarding and access control, passenger information.

4.2.7. 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: enhanced value of 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, of big data for combating fraud and artificial intelligence for smart care.

INTRODUCTION TO SOPRA STERIA

2017 key figures and consolidated financial statements

4.2.8. RETAIL

Retailers face an unfavourable economic environment and profound and continual changes in the patterns of consumption of clients who increasingly use digital technology. Transformation is essential.

It involves having secure, controlled business practices as well as a real ability to innovate to meet consumer requirements for immediate and flexible services.

Sopra Steria guides retailers in their digital transformation, making these companies' information systems a lever for performance.

4.3. Research and Development of Solutions

The Group continued its R&D efforts, investing €102.2 million in 2017 (versus €111.2 million in 2016) in developing and expanding its industry-specific solutions. All of these totals are gross amounts and do not take into account funding related to the French R&D tax credit.

R&D expenses mainly consist of the direct cost of staff dedicated to developing certain solution offerings and software packages produced by Sopra Steria: €99.4 million were recognised as operating expenses.

5. 2017 key figures and consolidated financial statements

5.1 Key figures for 2017

KEY INCOME STATEMENT AND BALANCE SHEET ITEMS

<i>(in millions of euros)</i>	2017	2016
Revenue	3,845.4	3,741.3
EBITDA	349.4	344.0
Operating profit on business activity	329.8	301.1
As % of revenue	8.6%	8.0%
Profit from recurring operations	286.8	267.8
As % of revenue	7.5%	7.2%
Operating profit	261.7	240.2
As % of revenue	6.8%	6.4%
Net profit attributable to the Group	171.4	150.4
As % of revenue	4.5%	4.0%
Total assets	3,803.8	3,884.9
Total non-current assets	2,247.1	2,251.3
Equity attributable to the Group	1,208.2	1,070.6
Minority interests	31.8	32.5
Number of shares at 31 December	20,547,701	20,531,795
Basic earnings per share (in euros) ⁽¹⁾	8.48	7.50
Fully diluted earnings per share (in euros) ⁽²⁾	8.45	7.49
Net dividend per share (in euros)	2.40 ⁽³⁾	2.20
Total workforce at 31 December	41,661	39,813

⁽¹⁾ Net profit attributable to the Group divided by the average number of shares during the year excluding treasury shares.

⁽²⁾ Net profit attributable to the Group divided by the average number of shares during the year excluding treasury shares, taking into account the dilutive effect of instruments convertible into ordinary shares.

⁽³⁾ Dividend to be proposed at the General Meeting of 12 June 2018.

I BREAKDOWN OF REVENUE BY REPORTING UNIT

(as %)	2017	2016
France	42%	41%
United Kingdom	21%	25%
Other Europe	21%	19%
Sopra Banking Software	10%	9%
Other Solutions	6%	6%
TOTAL	100%	100%

I REVENUE BY VERTICAL MARKET

(as %)	2017	2016
Banking	23%	22%
Insurance	6%	5%
Public Sector	22%	23%
Aerospace, Defence, Homeland Security	18%	19%
Energy, Utilities	7%	8%
Telecoms, Media, Games	5%	6%
Transport	6%	6%
Retail	3%	2%
Other	10%	10%
TOTAL	100%	100%

5.2 Review of the Group's position and results in 2017

5.2.1. GENERAL CONTEXT AND KEY EVENTS IN 2017

Sopra Steria generated 2017 revenue of €3,845.4 million, reflecting buoyant organic growth of 3.5%. Changes in scope had a positive impact of €38.9 million, while currency fluctuations had a negative impact of €64.3 million. Total revenue growth for the Group was 2.8% year on year.

The Group's operating profit on business activity grew by 9.5% relative to 2016, to €329.8 million, a margin of 8.6% (compared to 8.0% in 2016).

2017 marked the successful completion of the first phase in the construction of the post-merger model for Sopra Steria Group:

- the three-year targets set in March 2015, namely revenue of between €3.8 and €4.0 billion and an operating margin on business activity of between 8.0% and 9.0%, have been met;

- as an annual average over the past three years, organic growth was 3.6%;
- the underperforming segments identified in 2014 (Germany and IT infrastructure management in France) were successfully turned around and today offer advantages for the future;
- a specific repositioning plan has been launched for the United Kingdom;
- consulting and Software are making stronger contributions to Group revenue;
- Sopra Banking Software has initiated its shift to a software vendor model and its product offerings have been redefined;
- the Group's transformation is underway: alignment of business models by geographies, rollout of digital conceptualised as a continuum, changes in human resource management.

INTRODUCTION TO SOPRA STERIA

2017 key figures and consolidated financial statements

5.2.2. CONSOLIDATED FINANCIAL STATEMENTS FOR FINANCIAL YEAR 2017

I PERFORMANCE BY REPORTING UNIT

	2017		2016	
	€m	%	€m	%
France				
Revenue	1,597.0		1,528.1	
Operating profit on business activity	138.0	8.6%	123.3	8.1%
Profit from recurring operations	123.7	7.7%	114.4	7.5%
Operating profit	111.2	7.0%	102.7	6.7%
of which C&SI (including CIMPA)				
Organic growth	+4.2%		+8.0%	
Revenue	1,396.0		1,327.4	
Operating profit on business activity	128.0	9.2%	119.0	9.0%
Profit from recurring operations	114.7	8.2%	110.6	8.3%
Operating profit	108.6	7.8%	106.1	8.0%
of which I2S				
Organic growth	+0.2%		-1.3%	
Revenue	200.9		200.6	
Operating profit on business activity	10.0	5.0%	4.4	2.2%
Profit from recurring operations	9.0	4.5%	3.8	1.9%
Operating profit	2.6	1.3%	-3.4	-1.7%
United Kingdom				
Revenue	801.7		927.9	
Operating profit on business activity	52.8	6.6%	74.7	8.0%
Profit from recurring operations	40.7	5.1%	63.1	6.8%
Operating profit	36.9	4.6%	59.4	6.4%
Other Europe				
Revenue	827.6		728.1	
Operating profit on business activity	67.1	8.1%	41.8	5.7%
Profit from recurring operations	62.8	7.6%	39.1	5.4%
Operating profit	56.7	6.8%	31.1	4.3%
Sopra Banking Software				
Revenue	402.2		350.9	
Operating profit on business activity	38.9	9.7%	31.9	9.1%
Profit from recurring operations	28.3	7.0%	22.9	6.5%
Operating profit	24.3	6.0%	19.9	5.7%
Other Solutions				
Revenue	216.9		206.4	
Operating profit on business activity	33.0	15.2%	29.4	14.2%
Profit from recurring operations	31.3	14.4%	28.3	13.7%
Operating profit	28.9	13.3%	26.7	12.9%

In **France**, 2017 revenue came to €1,597.0 million, representing organic growth of 3.7%.

■ In 2017, **Consulting & Systems Integration** (€1,396.0 million in revenue) consolidated its leadership position in the French market, delivering solid performance. Organic growth was buoyant, coming in at 4.2%. That brisk pace was driven to a great extent by Consulting, which surged 11.2% year on year. Nearly all verticals contributed to this growth, with the strongest being aerospace, the public sector, defence and insurance. The operating margin on business activity improved during the year to 9.2% (up 0.2 percentage points year on year), despite significant investments in training and offerings.

■ **I2S (Infrastructure & Security Services)** has successfully repositioned itself on services with high added value (consulting, architecture, cloud, solutions and cybersecurity, among others), reflected by the substantial improvement in its operating margin on business activity to 5.0%, versus 2.2% in 2016. Revenue for the financial year stood at €200.9 million, equating to organic growth of 0.2%. The success of efforts in the past three years to move towards a more selective approach to new contracts, drive up the value of offerings and ensure closer ties with the Consulting & Systems Integration businesses suggests a return to growth and continuing improvement in operating performance, thereby bringing it in line with the Group's standards.

In the **United Kingdom**, 2017 revenue was €801.7 million, representing negative organic growth of 7.7%. Exchange rate fluctuations had a negative impact of €59.7 million. Overall, the region posted negative revenue growth of 13.6%. Part of this performance was due to the anticipated transition phase experienced by the SSCL joint venture, which is expected to continue into the first half of 2018. In addition, client decision-making cycles saw a lengthening trend overall in the second half of 2017, in an environment marked by a more wait-and-see attitude. Against this backdrop, the operating margin on business activity contracted to 6.6% in 2017 (8.0% in 2016). This contraction is explained by lower volumes as well as the one-year migration postponement (until 5 February 2018) for an SSCL client. A plan was launched in 2017 to turn around the performance of this region. Its aims are to refocus the model on services with higher added value that also take greater advantage of digital opportunities and to expand the portfolio of private sector clients. The plan includes investments in the Consulting business and in sales teams. In 2018, it will be accompanied by a cost-cutting plan aimed at generating savings of about €20 million on a full-year basis.

Revenue for the **Other Europe** reporting unit rose sharply to €827.6 million, equating to organic growth of 12.0%. All of the region's countries recorded robust growth. Germany, Scandinavia, the Benelux countries and Italy had growth rates higher than 10%. This performance was coupled with a substantial improvement in the reporting unit's operating margin on business activity to 8.1% (up 2.4 percentage points on the prior year), driven in large part by

Germany which has completed a successful turnaround, illustrated by its margin of over 9%.

Sopra Banking Software generated revenue of €402.2 million, equating to organic growth of 11.2%, thanks to a strong increase in licence sales (up 19%) and robust growth in services. The Platform, Amplitude and Cassiopae solutions all contributed to this growth, with 33 new contracts signed and more than 50 go-live decisions in the year. In particular, 2017 demonstrated the strong appeal among Tier 1 banks of the approach used by the Platform solution: the launch of the Loan component for La Banque Postale, the sale of the Lending Suite for Crédit Agricole's corporate banking division and the cross-selling of components, particularly those dealing with regulatory aspects, across different assets. As regards profitability, Sopra Banking Software's operating margin on business activity increased by 0.6 percentage points, from 9.1% in 2016 to 9.7% in 2017.

Other Solutions (Human Resource Solutions and Property Management Solutions) posted revenue of €216.9 million, with organic growth reaching 4.7% thanks to a very strong fourth quarter for both HR and Property Management solutions. It is worth noting that Sopra HR Software is managing more than 700,000 payslips each month as of year-end 2017, having added 120,000 payslips over the year. Major product advances in terms of digitisation have been achieved for Property Management Solutions (multi-channel collaborative platform, mobile applications, digital technologies such as building information modelling (BIM), etc.). The reporting unit posted operating profit of 15.2% of revenue, thus 1.0 percentage point higher than in 2016.

GROUP CONSOLIDATED INCOME STATEMENT

(in millions of euros)	Financial year 2017	Financial year 2016
Revenue	3,845.3	3,741.3
Staff costs	-2,330.7	-2,257.3
External expenses and purchases	-1,144.1	-1,118.0
Taxes and duties	-37.4	-37.2
Depreciation, amortisation, provisions and impairment	-15.8	-44.1
Other current operating income and expenses	12.5	16.5
Operating profit on business activity	329.8	301.1
as % of revenue	8.6%	8.0%
Expenses related to stock options and related items	-21.2	-12.1
Amortisation of allocated intangible assets	-21.8	-21.1
Profit from recurring operations	286.8	267.8
as % of revenue	7.5%	7.2%
Other operating income and expenses	-25.1	-27.6
Operating profit	261.7	240.2
as % of revenue	6.8%	6.4%
Cost of net financial debt	-6.8	-6.7
Other financial income and expenses	-9.8	-7.6
Tax expense	-73.5	-80.9
Net profit from associates	1.7	10.8
Net profit from continuing operations	173.3	155.8
Net profit from discontinued operations	-	-
Consolidated net profit	173.3	155.8
as % of revenue	4.5%	4.2%
Non-controlling interests	1.8	5.4
NET PROFIT ATTRIBUTABLE TO THE GROUP	171.4	150.4
as % of revenue	4.5%	4.0%
EARNINGS PER SHARE (IN EUROS)		
Basic earnings per share	8.48	7.50
Diluted earnings per share	8.45	7.49

INTRODUCTION TO SOPRA STERIA

2017 key figures and consolidated financial statements

Revenue

Revenue increased from €3,741.3 million in 2016 to €3,845.4 million in 2017, equating to total growth of 2.8%. That represents a rise of €104.1 million, which breaks down as follows:

- a negative currency effect of €64.3 million, mainly due to sterling;
- an effect of changes in the scope of consolidation of €38.9 million;
- organic growth was €129.6 million or 3.5%.

Expenses included in Operating profit on business activity

The ratio of staff costs to revenue increased by 0.3 points (60.6% in 2017 compared with 60.3% in 2016).

The rate of consultant downtime (number of days between contracts excluding training, sickness, leave and pre-sales as a percentage of total number of workable days) was 3.9% over 12 months in 2017 (unchanged compared to 2016).

Other operating expenses remained stable at 30.4% of revenue, with operating costs again broadly under control across all departments and countries.

Depreciation, amortisation and provisions decreased by €28.3 million to €15.8 million in 2017 compared with €44.1 million in 2016. Reversals of provisions cover operating expenses up to the amount of €42.7 million. Over two-thirds of these reversals have been used.

Operating profit on business activity

The Group's operating profit on business activity grew by 9.5% relative to 2016, to €329.8 million, a margin of 8.6% (compared to 8.0% in 2016).

Profit from recurring operations

Profit from recurring operations came to €286.8 million. That includes a €21.2 million expense related to share-based payments (€12.1 million in 2016) as a result of the extension during 2017 of the We Share

employee share ownership plan and of the long-term incentive plan for the Group's main managers.

Operating profit

Operating profit was €261.7 million after €25.1 million in other net operating expense (compared to net expense of €27.6 million in 2016), which includes €23.0 million in reorganisation and restructuring expenses.

Financial items

The cost of net financial debt remained stable at €6.8 million compared with €6.7 million in 2016.

Tax expense

Tax expense came to €73.5 million, versus €80.9 million in 2016, representing a Group-wide tax rate of 30.0%.

Share of net profit from equity-accounted companies

Income from equity-accounted associates totalled €1.7 million compared with €10.8 million in 2016. The consolidation of Axway under the equity method represented €10.4 million in 2016 compared with €1.4 million in 2017.

Net profit

The net profit attributable to the Group was €171.4 million after deducting €1.8 million in respect of minority interests, representing an increase of 14.0% (€150.4 million in 2016).

Earnings per share

Basic earnings per share came to €8.48 (compared with €7.50 the previous year), representing an increase of 13.0%.

BALANCE SHEET AND FINANCIAL STRUCTURE

Assets (in millions of euros)	31/12/2017	31/12/2016
Goodwill	1,590.6	1,557.0
Intangible assets	190.2	199.6
Property, plant and equipment	128.9	120.7
Equity-accounted investments	189.1	202.3
Other non-current financial assets	28.6	22.8
Retirement benefits and similar obligations	4.3	4.1
Deferred tax assets	115.4	144.8
Non-current assets	2,247.1	2,251.3
Trade accounts receivable	1,137.8	1,132.7
Other current receivables	256.4	231.1
Cash and cash equivalents	162.4	265.4
Current assets	1,556.6	1,629.3
Assets held for sale	-	4.4
TOTAL ASSETS	3,803.8	3,884.9

Liabilities and equity (in millions of euros)	31/12/2017	31/12/2016
Share capital	20.5	20.5
Share premium	531.5	531.4
Consolidated reserves and other reserves	484.7	368.2
Profit for the year	171.4	150.4
Equity attributable to the Group	1,208.2	1,070.6
Non-controlling interests	31.8	32.5
TOTAL EQUITY	1,240.0	1,103.1
Financial debt – non-current	398.9	402.6
Deferred tax liabilities	16.8	15.9
Retirement benefits and similar obligations	378.1	468.6
Non-current provisions	56.2	49.7
Other non-current liabilities	65.2	86.4
Non-current liabilities	915.3	1,023.3
Financial debt - current	273.6	368.8
Current provisions	16.6	66.7
Trade payables	268.8	285.9
Other current liabilities	1,089.6	1,037.1
Current liabilities	1,648.5	1,758.5
Liabilities held for sale	-	0.1
TOTAL LIABILITIES	2,563.8	2,781.8
TOTAL LIABILITIES AND EQUITY	3,803.8	3,884.9

The change in goodwill was due to:

- goodwill arising on additions to the scope of consolidation in 2017 representing a total of €65.3 million (see breakdown by acquisition under §8.1.1 “Statement of changes in goodwill” in Chapter 4, page 161);
- adjustment of net assets acquired for Cassiopae amounting to €1.4 million;
- the change in goodwill in the amount of €33.1 million, including €21.3 million in the United Kingdom as a result of changes in the value of sterling.

The main components of the change in equity are:

- profit for the year of €171.4 million;
- dividend payout of €44.5 million (€2.20 per share);
- corresponding adjustment to equity of expenses under IFRS 2 in the amount of €17.5 million;
- actuarial gains and losses in the amount of €61.7 million, relating mainly to the change in UK pension funds;
- translation differences relating to changes in exchange rates representing a negative amount of €52.0 million;
- corresponding adjustment to equity of debt on the purchase of treasury shares within the framework of the LTI plan representing a negative amount of €9.0 million;

Sopra Steria's financial position at 31 December 2017 was robust in terms of both financial ratios and liquidity.

Net financial debt at 31 December 2017 was nearly stable compared with its level a year earlier. It came to €510.1 million, or 1.44x pro forma 2017 EBITDA, versus 1.47x at 31 December 2016 (with the covenant stipulating a maximum level of 3x).

Ratings by financial ratings agencies

The Company is not rated by any financial rating agencies.

5.2.3 INVESTMENTS DURING THE YEAR

Acquisitions in 2017

During 2017, the Sopra Steria Group announced the following acquisitions:

a. Cassiopae

On 28 April 2016, Sopra Banking Software acquired 75% of KSEOP, the Cassiopae group's parent company, and planned to acquire the remaining shares by 2020.

On 27 January 2017, the various stakeholders finalised Sopra Banking Software's acquisition of 25% of KSEOP's share capital, which until then had been held by its historic shareholders, confirming the strategic interest of a tie-up between the two companies.

b. 2MoRO

On 31 July, Sopra Steria completed the acquisition of the French company 2MoRO, a software vendor for the aerospace and defence market (solutions for fleet tracking, navigability management, preventive and curative maintenance management, etc.) having generated revenue of €1 million in 2016.

c. Kentor

On 30 August 2017, Sopra Steria acquired 100% of the share capital of Swedish firm Kentor, which until now had been wholly owned by Norwegian group TeleComputing. This acquisition significantly bolsters Sopra Steria's position in Scandinavia and will boost future growth in the region.

d. Galitt

On 7 November 2017, Sopra Steria acquired 88.1% of the shares and voting rights in Tecfit, the holding company of Galitt, which until then had been exclusively owned by its founder and long-term managers. A subsequent acquisition of minority stakes by Sopra Steria is envisioned for 2021 at the latest.

In addition, as announced by the Group on 28 July 2017, Sopra Steria has become a shareholder of La FoncièreNumérique®, a digital platform to better manage and leverage all data relating to digitised property assets.

Facilities

A total of €44.5 million was invested in 2017 in infrastructure and technical facilities, as against €36.8 million in 2016.

Investments in facilities comprised the following:

- land and buildings: €0.8million;
- fixtures and fittings: €22.1million;
- IT equipment: €21.6million.

5.2.4 RECENT DEVELOPMENTS

a. Proposed acquisition

On 8 January 2018, Sopra Steria announced its plan to acquire 100% of the share capital of BLUECARAT, a German firm providing strategic IT Consulting, Agility, Cybersecurity and API Management, which generated estimated revenue of €33 million in 2017.

b. Establishment of an employee share ownership plan

In a press release dated 20 March 2018, Sopra Steria Group announced the launch of an offer to sell shares reserved for employees belonging to an employee savings plan, named "We Share 2018" ("the Offer").

The Offer is available to employees of the Group in Belgium, Denmark, France, Germany, India, Italy, Luxembourg, Morocco, the Netherlands, Norway, Poland, Singapore, Spain, Sweden and Switzerland who are eligible and belong to the Group Savings Plan (PEG) or the International Group Savings Plan (PEGI).

With this Offer, Sopra Steria wishes to continue to associate its employees more closely in the Group's development and performance.

The Offer of Sopra Steria shares to Group employees will be carried out by selling existing treasury shares and/or shares bought back in advance by Sopra Steria under a share buyback programme authorised by the shareholders at the General Meeting of Shareholders of 13 June 2017 in accordance with Article L. 225-209 of the French Commercial Code. It will also be carried out pursuant to the provisions of Articles L. 3332-24 et seq. of the French Labour Code.

On 18 January 2018, the Board of Directors decided to proceed with this Offer and delegated the powers necessary to implement it to the Chief Executive Officer. In accordance with the decision of the Board of Directors, the Offer will involve a maximum of 220,000 shares in the Company, corresponding to 110,000 shares financed by employees and 110,000 free shares awarded as the employer's matching contribution.

On 26 March 2018, the Chief Executive Officer, acting on the authority of the Board of Directors, set the dates of the Offer period and the purchase price.

The purchase price was set at €164.43, corresponding to the average of weighted average prices of Sopra Steria shares on the Euronext Paris market over the 20 trading days preceding the date of the Chief Executive Officer's decision.

The Offer Period was set from 27 March 2018 to 10 April 2018, inclusive.

Settlement of the Offer will take place on 16 May 2018.

This operation was approved by the Autorité des Marchés Financiers on 31 January 2018 under number FCE20180002.

5.2.5 OUTLOOK

The Group's targets for the 2018 financial year are:

- organic revenue growth of between 3% and 5%;
- a slight improvement in operating margin on business activity;
- free cash flow in excess of €170 million (€133million including 2017 sale of trade receivables).

6. 2017 parent company financial statements of Sopra Steria Group SA

Sopra Steria Group SA comprises all of the Group's French consulting, systems integration and property solutions development activities, as well as all of its central services (Executive Management, operational support functions and functional structures). It has systems integration and solutions subsidiaries in Europe, software development subsidiaries for banking (Sopra Banking Software) and human resources

management (Sopra HR Software), infrastructure subsidiary Sopra Steria Infrastructure & Security Services, and a 32.59% stake in global software vendor Axway Software, the market leader in data flow governance.

The accounts are presented in detail in Chapter 5 of this Registration Document (pages 197 to 225).

6.1. Income statement

(in thousands of euros)

	2017	2016
Net revenue	1,456,888	1,393,280
Other operating income	46,785	38,506
Operating income	1,503,673	1,431,786
Purchases consumed	472,440	443,390
Staff costs	875,136	839,900
Other operating expenses	684	797
Taxes and duties	37,544	37,311
Depreciation, amortisation, provisions and impairment	29,889	21,037
Operating expenses	1,415,693	1,342,435
Operating profit	87,980	89,351
Financial income and expenses	46,876	38,862
Pre-tax profit on ordinary activities	134,856	128,213
Exceptional income and expenses	7,152	19,743
Employee profit sharing and incentives	-16,552	-9,302
Corporate income tax	16,314	3,368
NET PROFIT	141,770	142,022

Revenue totalled €1,456.9 million in 2017, compared with €1,393.3 million in 2016.

Operating profit came in at €88.0 million in 2017, compared with an operating loss of €89.4 million in 2016.

Financial income and expenses amounted to income of €46.9 million in 2017, compared with €38.9 million in 2016.

Pre-tax profit on ordinary activities totalled €134.9 million in 2017, compared with €128.2 million in 2016.

Exceptional income and expenses showed income of €7.2 million in 2017, compared with €19.7 million in 2016.

Employee profit-sharing and incentive expenses went up from €9.3 million in 2016 to €16.6 million in 2017, while income tax expense rose from €3.4 million in 2016 to €16.3 million in 2017.

Net profit went from €142.0 million in 2016 to €141.8 million in 2017.

Research and development on Solutions represented an investment of €11.8 million, mainly in the area of property management. These costs are fully expensed.

In accordance with Article 39-4 of the French General Tax Code, the accounts for the financial year ended include an expense of €445,035 in respect of non-tax-deductible expenditures.

INTRODUCTION TO SOPRA STERIA

2017 parent company financial statements of Sopra Steria Group SA

6.2. Balance sheet

Assets <i>(in thousands of euros)</i>	2017	2016
Intangible assets	101,757	105,086
Property, plant and equipment	52,553	48,857
Financial investments	1,921,370	1,790,154
Non-current assets	2,075,680	1,944,097
Stock and work in progress	1,512	33
Trade accounts receivable	408,105	425,973
Other receivables, prepayments and accrued income	226,882	190,965
Cash	40,081	107,716
Current assets	676,580	724,687
Debt issuance costs	368	622
Translation adjustments – Asset	10,332	7,173
TOTAL ASSETS	2,762,960	2,676,579

Liabilities and equity <i>(in thousands of euros)</i>	2017	2016
Share capital	20,548	20,532
Share premium	531,477	531,381
Reserves	259,727	162,856
Profit for the year	141,770	142,022
Equity	953,522	856,791
Provisions	115,976	105,676
Financial debt	870,557	961,732
Trade accounts payable	114,152	119,303
Tax and social security payables	328,388	315,451
Other liabilities, accruals and deferred income	371,107	309,343
Liabilities	1,684,204	1,705,829
Translation adjustments – Liability	9,258	8,283
TOTAL LIABILITIES AND EQUITY	2,762,960	2,676,579

Equity increased from €856.8 million at the end of 2016 to €953.5 million at the end of 2017.

Non-current assets totalled €2,075.7 million in 2017, compared with €1,944.1 million in 2016. This includes financial investments of €1,921.4 million in 2017, compared with €1,790.2 million in 2016, intangible assets of €101.8 million in 2017, compared

with €105.1 million in 2016, and property, plant and equipment of €52.6 million in 2017, compared with €48.9 million in 2016.

Application of the ANC regulation 2015-05 of 2 July 2015 on financial futures and hedging transactions did not have a material impact on the presentation of the financial statements.

Pursuant to the provisions of Articles D. 441-1-1 and D. 441-1-2 of the French Commercial Code, trade accounts payable and receivable broke down as follows:

**Article D. 441-4 I, paragraph 1° of the French Commercial Code:
Invoices received, not yet paid and past due at the balance sheet date**

	0 days (for guidance only)	1 to 30 days	31 to 60 days	61 to 90 days	91 days or more	Total (1 day or more)
(A) Invoices paid late						
Number of invoices concerned	0					14,941
Total amount of invoices concerned (in euros, incl. VAT)	0 incl. VAT	10,024,935 incl. VAT	1,083,224 incl. VAT	732,032 incl. VAT	899,229 incl. VAT	12,739,420 incl. VAT
Percentage of total purchases for the year	0%	2%	0%	0%	0%	2%
Percentage of revenue for the year (excl. VAT)						
(B) Invoices excluded from (A) relating to disputed payables and receivables or not recorded in the accounts						
Number of invoices excluded						
Total amount of invoices excluded (in euros, incl. VAT)						
(C) Payment terms used as reference (contractual deadline or legal deadline set forth in Article L. 441-6 or L. 443-1 of the French Commercial Code)						
Payment terms used to calculate late payments						

■ Contractual deadline: 0 to 45 days

■ Legal deadline: 45 days

**Article D. 441-4 I, paragraph 2° of the French Commercial Code:
Invoices issued, not yet paid and past due at the balance sheet date**

	0 days (for guidance only)	1 to 30 days	31 to 60 days	61 to 90 days	91 days or more	Total (1 day or more)
(A) Invoices paid late						
Number of invoices concerned	0					3,262
Total amount of invoices concerned (in euros, incl. VAT)	0 incl. VAT	21,991,752 incl. VAT	5,617,342 incl. VAT	1,672,969 incl. VAT	5,402,475 incl. VAT	34,684,539 incl. VAT
Percentage of total purchases for the year						
Percentage of revenue for the year (excl. VAT)		1%	0%	0%	0%	2%
(B) Invoices excluded from (A) relating to disputed payables and receivables or not recorded in the accounts						
Number of invoices excluded					25	25
Total amount of invoices excluded (in euros, incl. VAT)					543,909 incl. VAT	543,909 incl. VAT
(C) Payment terms used as reference (contractual deadline or legal deadline set forth in Article L. 441-6 or L. 443-1 of the French Commercial Code)						
Payment terms used to calculate late payments						

■ Contractual deadline: 45 days

■ Legal deadline: 45 days

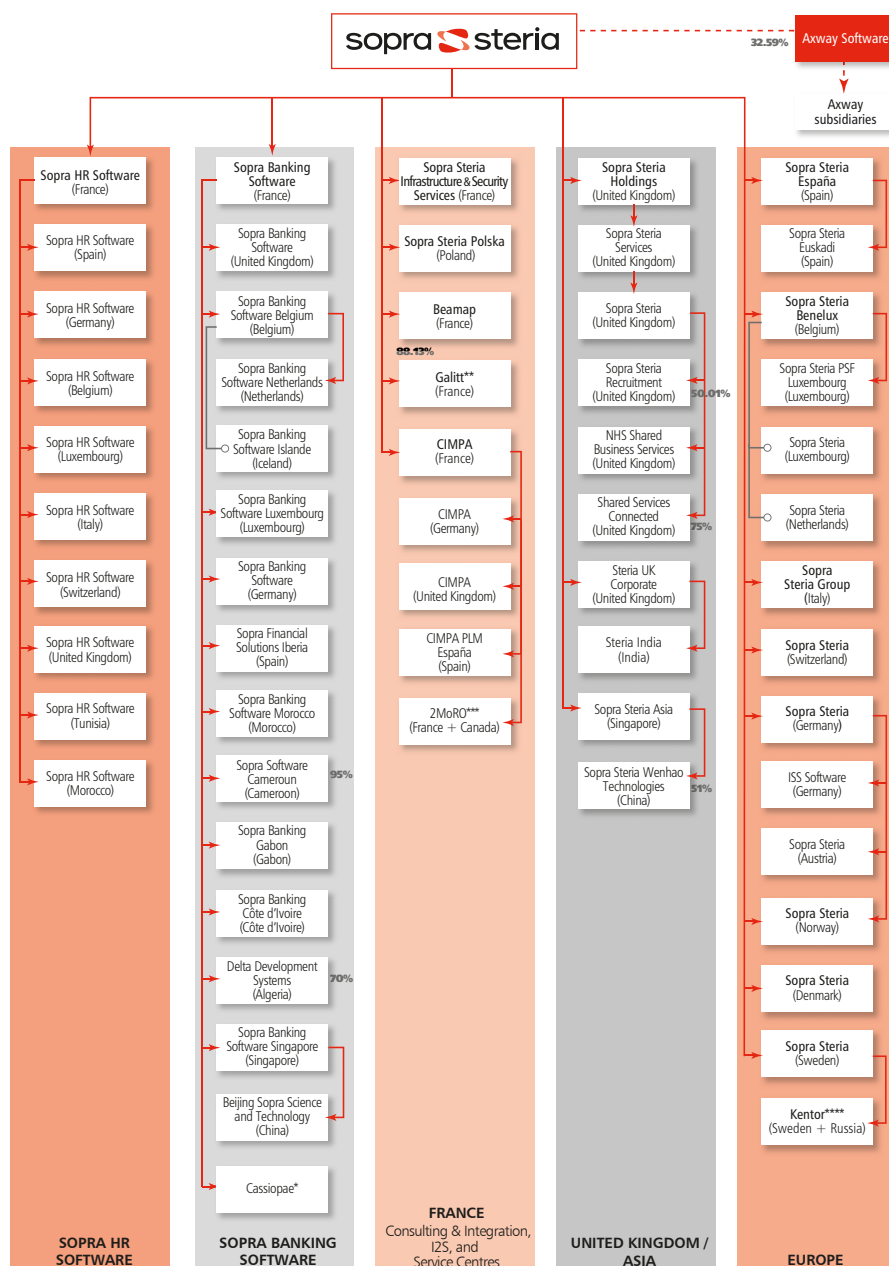
6.3. Identity of shareholders

Sopra Steria Group's share ownership structure is described in Chapter 6, Section 2 ("Current ownership") of this Registration Document (page 229).

INTRODUCTION TO SOPRA STERIA

Simplified Group structure at 31 December 2017

7. Simplified Group structure at 31 December 2017



8. 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.

8.1. Permanent structure

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

8.1.1. 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 2017:

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

8.1.2. 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, industry-specific 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.

8.1.3. TIER 3: DIVISIONS

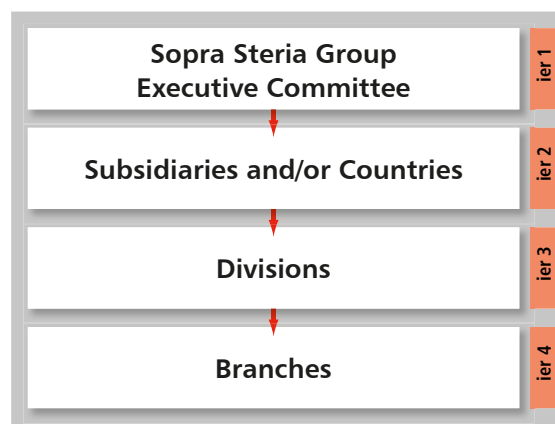
Each country or subsidiary is made up of divisions based on two criteria:

- vertical market;
- geographic area (region).

8.1.4. TIER 4: BRANCHES

Each division is made up of branches, 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:



8.1.5. OPERATIONAL SUPPORT FUNCTIONS

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

- the Key Accounts and Partnerships Department, 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 digital transformation of the Group. 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.

8.1.6. FUNCTIONAL STRUCTURES

The functional departments are the Human Resources Department, the Communications and Marketing Department and the Corporate Responsibility and Sustainable Development Department; Corporate Governance & Risk Management Department, the Finance Department, the Legal Department, the Real Estate & 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.

8.1.7. 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;
- equipment: 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).

8.2. 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 branch, division, subsidiary/country or Executive Management level. Certain large projects requiring the resources of several branches may involve the creation of a division.

9. Risk management and 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.

Sopra Steria cannot provide an absolute guarantee that its objectives will be achieved and all risks will be eliminated. Its risk control procedures aim to identify and qualify the risks to which it is exposed, as well as to reduce their likelihood of occurring and their potential impact on the Group. Investors are reminded that the list of risks presented below is not exhaustive and that other risks, not known or not considered likely to occur, on the date when this Registration Document was drawn up, may have an adverse effect on the Group, its business, financial condition, performance or share price.

9.1. Risk factors

	Strategic and operating risks	Environmental risks	Legal risks	Financial risks
Main risks	<ul style="list-style-type: none"> Risks relating to attracting and retaining talent Risks relating to changes in markets, technologies, competition – Digital transformation risks Project execution risks Risks relating to continuity of service Risks relating to systems security and data protection 			Foreign exchange risk
Other risks	<ul style="list-style-type: none"> Risks of client dependence Risks relating to international expansion Supplier risks 	Environmental risks	Compliance risks Tax risk Intellectual property risks Litigation, government, legal or arbitration proceedings	Risks relating to pension schemes and associated liabilities Liquidity risk Interest rate risk Bank counterparty risk Equity risk

A new mapping exercise focused on the principal risks was carried out within the Group in 2017. It was led by the Corporate Governance & Risk Management Department together with Executive Committee members. This risk mapping concerns all internal and external risks, as well as financial and extra-financial risks. The process helps to identify the principal risks facing the Group and Group entities as part of a consolidated overview. A principal risk is a risk deemed to have a negative impact on the Group's ability to achieve its objectives, on its performance and on its image. The assessment of risks allows for each risk to be positioned on a matrix according to two criteria: probability of occurrence and level of impact if it occurs. The risk mapping was also presented to the Board of Directors' Audit Committee at the same time as the Group insurance programme.

Details of the principal risks and the procedures in place to control these risks are provided below. The Group's risk management and control policy, governance and associated management procedures are described in Section 9.3, "Internal control and risk management".

9.1.1. RISKS RELATING TO STRATEGY

9.1.1.1. Risks relating to attracting and retaining talent

Risk description

In view of the Group's ambitions in terms of expansion and growth, as well as the scarcity of certain IT skills and expertise, there may be a risk of facing difficulties in recruiting staff. Furthermore, in light of the transformation of our clients' businesses, developments in digitisation and artificial intelligence, particular attention will need to be paid to training and adapting employees' skills to new roles. Difficulties in recruiting staff, increased employee turnover, the inability to train Group employees in client needs and new activities relating to the digital revolution may make it difficult to deliver the Group's strategy and to fulfil its ambitious recruitment targets to support its growth.

Risk control procedures

Attracting and retaining talent represents one of the Group's major priorities. In order to respond to the challenges faced by the Group, various human resources procedures have been reinforced, including recruitment, strengthening relations with schools, the international mobility programme, changes to the training offering, an enhanced integration policy, a programme for identifying and supporting talent, as well as a programme to develop new skills.

In 2017, the Group hired 9,500 employees, 42% of whom were under 26. The recruitment policy deliberately places the priority on hiring young graduates from engineering schools, business schools and universities. As regards the recruitment of experienced candidates, the Group encourages employee mobility and internal transfers before undertaking any external recruitment.

To keep up with the rapidly evolving digital sector, the growing pace of digitisation and the transformation of our business activities and those of our clients, Sopra Steria Academy. Training pathways are designed to reflect and integrate the changes observed or anticipated, in particular end-to-end approaches and the need to work as a multi-disciplinary and multi-business line team.

An ambitious plan of close to 16,000 days training was rolled out to enrich the offering of emerging digital technologies and methods. Various themes have been integrated and implemented, such as new working methods including shorter and collaborative development cycles, security and digital learning.

The Group has also introduced new training programmes (New Skill) to allow employees to acquire new skills on a constant and regular basis. The aim of these training programmes is to guide employees' career development and to underpin the Group's support for and development of new skills, which is vital in a fast-moving environment experiencing tremendous change.

Among other things, the organisational structure has been reinforced with Digital & Innovation Champions in order to identify, develop and unify experts around the topics of the future. Particular attention is paid to the local management team in charge of passing on the Group's messages, accompanying change and implementing all of the actions relating to these major priorities.

Lastly, a number of actions involving the Human Resources Department, the Communications and Marketing Department as well as operating

staff and managers in relation to the employer brand are in place in order to reinforce communications.

All of the aforementioned HR programmes are described in the section on responsible employment practices – Chapter 3 of this Document (pages 81 to 91).

9.1.1.2. Risks relating to changes in markets and competition – digital transformation risks**Risk description**

The business activities of the Group's clients are changing as a result of digitisation and the emergence of new rivals. Clients are seeking to become more agile, and to do so they are reinventing their business models, organisational structures and resources. As with any market developments and any strategic threat, there is a risk that the Group might not have the services, skills, resources and organisational structure to be able to address these new challenges. Like any strategic risk, this would have an effect in the medium term on the company's performance and image. 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 performance. Furthermore, the consulting and IT services industry remains highly competitive, with major operators both from France and abroad.

Risk control procedures

Risk control depends on both devising a strategy and its effective implementation. Each year, the Group performs a full strategic exercise 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. Following this exercise, a number of decisions are made. The implementation of actions and priorities is guided and monitored on a regular basis by the Chairman and the Group's Executive Committee.

To track advances in technology as pro-actively as possible, an organisation structure was built around Chief Technology Officers (CTOs), Digital Champions and experts within the Group and within the various vertical sectors. The goal is to plan ahead as effectively as possible for developments driven by new technology and the transformation of client industries.

9.1.2. OPERATING RISK**9.1.2.1. Project execution risks**

The breakdown of revenue according to the nature of contracts is summarised in the table below:

(% of revenue)	2017	2016	2015
Licences	2.6%	2.2%	1.9%
Fixed-price projects	19.3%	17.1%	17.5%
Fixed-price services	45.1%	48.1%	51.2%
Time and materials (including consulting services)	33.0%	32.6%	29.4%
TOTAL	100%	100%	100%

Risk description

It is critical for the Group to be able to meet client demands and deliver consistent quality.

Depending on the contractual commitments entered into, any failure to provide the services specified in the contracts, or any provision of sub-standard services, may result in a risk for the Group (penalties, client complaints, claims for damages, additional cost, non-payment, early termination of the contracts, reputational risk). In the current environment, clients' demands are becoming increasingly complex. Unlike time-and-materials contracts, fixed-price contracts are characterised by commitments regarding price, result and lead times: they may be fixed-price projects such as systems integration and/or software development, or fixed-price services such as maintenance contracts, third-party application maintenance, infrastructure management or Business Process Services (BPS). Fixed-price service contracts are often multiannual agreements with regular management and follow-up. 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, potentially impacting project margins.

Risk control frameworks

Carrying out projects is central to what Sopra Steria does. 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 control system. The choice of Project Directors and Director of Monitoring 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. 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 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. Organised by the Industrial Department, or by the quality structure's local representatives, these reviews 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.

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.

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.

9.1.2.2. Risks relating to continuity of service**Risk description**

The reliability of IT and communications infrastructures is an issue of growing importance to production. In view of its business model integrating service centres, national and worldwide shared datacentres in nearshore and offshore countries, the Group is potentially 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.

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). The Group has service centres in Tunisia, Poland and India.

Risk control frameworks

The continuity and security of our clients' services is one of the key criteria in the policy and decision to set up the Group's production sites. Once the decision has been made, strict prevention and security procedures covering physical security, IT systems security, power cuts, flooding, regulation of temperature change, data storage and backups apply to IT production sites, service centres, offshore development and datacentres. The Group has a Group business continuity strategy and policy that defines a nominal level of service and a principle of redundancy for all critical elements, relying in particular on multi-site replications. All elements are made redundant on site and remotely. Business continuity and disaster recovery plans are in place and monitored on a general basis or by site. 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.

The Group has four production facilities in India. These sites are located far apart and in three different regions, considerably limiting the consequences of incidents or risks that might arise in a specific region. In addition, at the Group level, using a large number of production facilities and having a variety of onshore, nearshore and offshore services makes it possible to have backup solutions.

9.1.2.3. Risks relating to systems security**Risk description**

A cyberattack on the Group's systems by hackers, a security flaw in the Group's systems and/or our clients' systems could result in loss of information, and depending on the matter concerned, the loss of confidential information particularly in sensitive activities, payment activities and/or payroll activities. Situations such as this could result in a risk of damages and interest and/or sanctions. 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.

Risk control frameworks

Security and the protection of client data are key issues for the Group.

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 a security policy and solid organisational structure supported by the Information Systems Security Managers (ISSM) 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 and overseen at Group level. Regular meetings and reporting are arranged. Policies and procedures are in place to reinforce the entire system. Everything is controlled and audited on a regular basis. All of the Group's activities and regions have 27001 certification.

The Group capitalises in particular on specific security-related skills and services developed its own centre of cybersecurity expertise and offered to its clients. The Security Operation Centre (SOC) in Toulouse 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.

9.1.2.4. Risk of client dependence**Risk description**

The Group serves a large number of clients in different market sectors and different regions. The majority of clients are key accounts, large international groups and public bodies. The risk of excessive concentration and dependency nevertheless remains a potential risk that is monitored on a regular basis, particularly in view of the rapidly evolving markets, and any consolidation within the various sectors.

In 2017, the Group's top client accounted for 6.7% of revenue; the top five clients represented 20.8% and the top ten contributed 32.2%.

Main clients include:

- in France: Airbus Group, Banque Postale, BNP Paribas, CNAM, Crédit Agricole, EDF, Orange, Société Générale, SNCF;
- in the United Kingdom: Ministry of Justice, Home Office, Ministry of Defence and National Health Service.

Risk control procedures

The fact that the Group operates in a number of sectors, various markets and different regions limits the risk of dependency on a specific sector and/or market. The Group has a clear policy of having a multi-client and multi-sector portfolio, in particular to avoid any uncontrolled concentration risk. The Group's Key accounts strategy is 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 these areas.

9.1.2.5. Supplier risks**Risk description**

Both integration projects and managed services and business process services (BPS) contracts involve an increasingly high level of complexity and require working with many partners (such as developers, manufacturers, consultants or IT services companies), thus creating a certain dependence by Sopra Steria Group on some suppliers. Although there are alternative solutions for most software, hardware and networks and although the Group has regular monitoring of partners with whom it works, some projects could be affected by a risk of potential failure of its suppliers.

Risk control procedures

The Group has implemented a responsible purchasing policy based in particular on a diverse range of suppliers and regular monitoring of the Group's partners and suppliers. Agreements are signed with strategic partners as well as master agreements and contracts with the Group's main suppliers. The strategic partnerships and master agreements are managed across the Group as a whole on a centralised basis by the Key Accounts and Partners Department, along with the Real Estate and Purchasing Department and the Information Systems Department. Key suppliers are selected on the basis of multiple reviews and criteria, including a certain number of criteria concerning ethics, compliance, sustainable development and protecting the environment, in order to implement the Group's responsible procurement policy. Section 3.6 of this Registration Document specifies the procurement processes in place.

9.1.2.6. Risks relating to international expansion and risks relating to conducting business in different countries**Risk description**

Sopra Steria Group 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. 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.

Risks relating to Brexit

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. 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 control procedures

Export activity remains marginal within Sopra Steria and relates primarily to Software activities, in particular the sale of licences and associated services. In order to better control its international expansion and activities in countries in which the Group does not have a subsidiary, specific rules and procedures are in place in order to organise the necessary prior validations and checks, as well as an organisational structure for monitoring and controlling operations of this kind, whether on a local level or at Group level.

Sopra Steria's management in the United Kingdom, as well as the Group's Executive Committee, are keeping a close eye on any political decisions made in relation to Brexit by the United Kingdom or the European Union in these areas to take any requisite measures to reduce risk.

9.1.3. ENVIRONMENTAL RISKS

Risk description

During the annual mapping of the Group's major risks, no risk of environmental damage was reported as being likely to have a material impact on the Group's ability to meet its targets. The risks of environmental damage resulting from the Group's activities remain limited, since the Group is a digital technology company and its activities are thus intangible. However, in mapping these risks of environmental damage, the following potential risks were analysed and identified as part of the Group's environmental programme, described in Section 5, "Environmental responsibility" of Chapter 3, "Corporate responsibility" of this document (pages 101 to 112): CO₂ emissions arising from employee business travel, energy and emissions arising from the use of the Group's own offices and datacentres and those managed by our partners in connection with our activities, and control of electronic waste managed by the Group's partners. These risks are monitored and managed at Group level, and particular attention is paid to relationships with and purchases from third parties under the responsible purchasing policy.

The Group also remains very attentive to potential environmental risks to its business. These "transition risks" and physical risks are identified in Section 5.2.1 of Chapter 3, "Corporate responsibility" of this document (pages 102 to 103). Transition risks (such as a significant increase in fuel duties and more stringent non-financial reporting requirements) and physical risks (such as severe flooding, pollution related to climate change, and earthquakes) are also managed at Group level. Since most of the Group's companies operate in Europe, the relevant EU directives apply, including those concerning emissions reduction, waste management and energy efficiency in buildings. Compliance with these different regulations is therefore an important issue for the Group, particularly since non-compliance could put the Group's reputation at risk.

Risk control procedures

Managing environmental risk is one of the key aspects of the Group's corporate responsibility. In this regard, within the framework of its purchasing policy, the Group imposes undertakings required of its partners – particularly at the level of selecting its suppliers – in order

to satisfy requirements at a higher level in terms of protecting the environment and responsible purchasing.

The most significant physical environmental risks for Sopra Steria relate to the risk of heavy flooding or pollution relating to the increase in temperatures. These risks are managed under the Group's business continuity and recovery plans and procedures.

The Group's policy in terms of protecting the environment and preventing climate change is described in Section 5 of Chapter 3, "Corporate responsibility", on pages 101 to 112 of this document. The Group takes action in particular with respect to prevention.

9.1.4. FINANCIAL RISKS

Within the Group's Finance Department, the Financing and Treasury Department offers and oversees the application of regulations concerning management of liquidity risk, market risk (forex, interest rates and equities) and associated counterparty risks. These risks are managed on a centralised basis at the level of the Sopra Steria Group parent company and financing, investment, identification and risk hedging strategies are reviewed regularly by the Group's Finance Department.

The Group's policy is not to engage in speculative trading on the financial markets.

Financial risk factors are detailed in Note 11.5 to the consolidated financial statements in Chapter 4 of this document (pages 174 to 181).

9.1.4.1. Liquidity risk

At 31 December 2017, the Group had total financing of €1.5 billion. The bank facilities renegotiated in 2016 have been extended until 2022 (with another possible extension to 2023). The Group has diversified its borrowings by taking out a bilateral bank loan in April 2017 and launching a €300 million NEU MTN programme in December 2017 in addition to the €700 million NEU CP programme. Detailed information about credit facilities and their use is provided in Note 11.5.1 to the consolidated financial statements in Chapter 4 of this document (pages 174 to 177).

As the majority of the Group's financing is carried by Sopra Steria Group, the implementation of financial policy is largely centralised.

9.1.4.2. Interest rate risk

Interest rate risk concerns the Group's debts and financial investments and the financial terms (fixed/floating rate).

The Group may be impacted in the event of unfavourable variations in interest rates. The impact would concern financing costs, interest paid on investments and the Group's future financial flows.

As part of its financing policy, the Group uses financing either at fixed rates or at floating rates.

The Group's aim is to protect itself against interest rate fluctuations by hedging a large part of its floating-rate debt. To do this, the Group uses different derivative instruments available on the market, restricting itself to vanilla products (interest rate swaps, caps, collars etc.). As regards financial investments, the Group favours security over returns, opting in particular for investment terms of less than three months.

For more information, see Note 11.5.3 to the consolidated financial statements in Chapter 4 of this document (pages 177 to 179).

9.1.4.3. Foreign exchange risk

Foreign exchange risk is defined as the impact on the Group's financial indicators of fluctuations in exchange rates relating to its business activities. The Group is exposed to transactional foreign exchange risk as well as translation foreign exchange risk.

Transactional foreign exchange risk affects the Group when balance sheet items – mainly cash, trade receivables, operating receivables and financial debt – are denominated in foreign currencies. The Group is then exposed to a potential risk of fluctuation in exchange rates between the accounting date and the settlement date.

Translation foreign exchange risk arises from subsidiaries' investments and assets in foreign currencies when they are converted into euros during the consolidation process.

The Group Finance Department provides hedging for such risks via futures or options entered into either on organised markets or over the counter with top-tier counterparties that are members of the banking syndicate. Management of foreign exchange risk is centralised with the main entities (outside India).

For more information, see Note 11.5.4 to the consolidated financial statements in Chapter 4 of this document (pages 179 to 181).

9.1.4.4. Bank counterparty risk

Within the framework of its financial investments and market risk hedging transactions (interest rate and foreign exchange risk), the Group is exposed to a bank counterparty risk.

All foreign currency and interest rate hedges are put in place with leading banks belonging to the Group's banking syndicate, with which market transaction agreements have been signed.

The Group favours short-term investments with banks that form part of its banking syndicate. These investments are subject to approval by the Group, and comply with internally defined principles of prudence.

For more information, see Note 11.5.2 to the consolidated financial statements in Chapter 4 of this document (page 177).

9.1.4.5. Client risk

A large proportion of the Group's revenue is generated by business with public authorities and European government entities. A very small proportion of revenue is generated by business with clients residing outside the OECD, and the largest proportion of revenue is generated by key accounts, in accordance with the Group's business strategy.

These factors help to reduce the Group's credit risk profile. Solvency risk takes into account factors that are exclusively internal to the Group as well as contextual factors such as geographical location, overall economic situation and segment growth forecasts.

Thanks to these various measures, the Group considers that it has introduced a mechanism that significantly reduces its counterparty risk in the current economic context. However, the Group remains subject to a residual risk which may affect its performance under certain conditions.

9.1.4.6. Equity risk

The Group does not hold any investments in equities or any equity interests in listed companies other than Axway Software shares, which are accounted for using the equity method (see Note 11.5.5 to the consolidated financial statements in Chapter 4 of this document, page 181) and which represented €189.1 million at 31 December 2017, and the shares in CS Communication et Systèmes, which represented €12.8 million at 31 December 2017.

These equity investments are made for strategic rather than financial reasons. Given the limited number of treasury shares it holds, these

shares do not represent a significant risk factor for the Group. Furthermore, since the value of treasury shares is deducted from equity, changes in the share price have no impact on the consolidated income statement.

9.1.4.7. Risks associated with retirement benefit obligations (pension funds) and associated liabilities

Sopra Steria Group provides its employees with retirement benefits in several countries. Such benefits are provided by associated pension funds or directly by the Group. The pension plans are either defined benefit plans (where the individual is guaranteed a certain percentage of his or her salary as a benefit) or defined contribution plans (where the benefit is determined based on the investment returns achieved over the contribution period). It should be noted that since 2010, defined-benefit plans in the United Kingdom have been replaced by defined contribution plans, though 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.

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. It should be noted that both pension fund assets and liabilities can be impacted by changes in long-term interest rates, life expectancy and more generally any changes in the financial markets, as well as any changes in macro-economic parameters. These parameters, which are external to the company, can have a non-neutral impact on the valuation of both assets and liabilities.

In the United Kingdom (56% of the Group's pension liabilities), assets are managed by fund trustees and invested in different asset classes (including shares) subject to the risk of fluctuations in financial markets.

In 2017, as part of its three-yearly negotiations, Sopra Steria Group reached an agreement with the trustees in the United Kingdom for additional future UK pension fund contributions aimed at absorbing deficits over a period of 1 to 13 years depending on the plan. These additional contributions on which the parties have reached an agreement are in line with the amounts paid over the last three years, plus annual rates of inflation.

The Company keeps itself informed of the strategy for investing funds and the asset and liabilities management approach decided on by the trustees, which include its representatives, and shares the aim of reducing volatility and exposure to interest rate and inflation risks. Any economic impact of these variations must be assessed over the medium and long term, according to the duration of the obligations. Deficits resulting from such variations in assets and/or liabilities do not necessarily change in the same direction. Changes in regulations or accounting standards may cause an increase in obligations and have a negative impact on the Group's financial statements.

It should be noted that the legal proceedings that had previously been initiated by the Steria Pension Plan Trustees before the High Court of Justice to confirm the validity and date of effect of an amendment agreed in 2006, for which Sopra Steria Limited acted as principal employer, are currently being settled.

Note 5.3 to the consolidated financial statements in Chapter 4 of this document (pages 145 to 151) gives a breakdown of the assets and obligations of defined benefit pension plans.

9.1.5. LEGAL RISKS

9.1.5.1. Compliance risk

Risk description

The Group's business is an unregulated activity, and therefore requires no special legal, administrative or regulatory authorisation. Some services, such as managed services or systems integration provided to clients whose business activity is subject to special regulations (such as the finance sector) may lead the Group to have to adhere to the contractual obligations linked to these regulations. Moreover, the Group is a multinational company that operates in many countries, subject to various constantly changing laws and regulations. The Group also recruits heavily each year. 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 legal risks in the event of violation or misconduct by its employees or third parties with which the Group works. Breaches of this kind may expose the Group or its employees to criminal or administrative sanctions, and could potentially raise doubts about its responsibility depending on the situation and damage its reputation.

Risk control procedures

Building on the Code of Ethics and its values of transparency and integrity, Executive Management wanted to reintroduce across the Group after the merger the Group-wide rules and procedures applicable to all employees in order to provide a common basis for all processes. These general rules are then implemented as specific procedures for each of the Group's various regions and adapted to regulatory constraints and the local culture. A Department spanning compliance, internal control and risk management was created in 2017 to coordinate management of these areas. The Group Compliance Officer is supported by compliance officers within the Group's various regions coordinating and acting as a point of contact for local teams. In addition to these new rules and the organisational structure introduced, the Group's Chairman and Executive Management wanted to supplement the compliance programme launched in 2017 with an anti-corruption and influence peddling code of conduct, dedicated awareness-raising and training sessions, a warning system and tighter control and audit procedures. This prevention and compliance programme, as well as the dedicated unit, are described in Section 4 of Chapter 3, "Corporate responsibility", on pages 99 to 101 of this document.

9.1.5.2. Tax risk

The tax rules in the various countries in which the Group operates are continually evolving. The Group cannot guarantee that the existing tax arrangements, including those granting eligibility for tax credits, 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 results. The Group is subject to the usual tax audits. In particular, it has received notices of reassessments and demands from the tax authorities in France and India, which it has formally challenged. At 31 December 2017, the associated disputes were under investigation by the tax authorities or courts.

9.1.5.3. Intellectual property

To protect its intellectual property, the Group relies on a combination of contracts, copyrights, trademarks, patents and confidentiality and trade secrecy obligations. In addition, due to their complexity, the

technological fields covered by the Group involve an increasing number of issues linked to intellectual property, special attention is given to specific contractual clauses related to intellectual property, in particular during integration of third-party software, use of software company licences in connection with integration projects or infrastructure management services and/or for any issues regarding reuse of software modules in connection with integration projects. Operational staff regularly receive training on protecting intellectual property.

Sopra Steria and its subsidiaries have protected the main trademarks used in each country concerned. The brand portfolio is managed by the Legal Department in collaboration with an intellectual property advisor.

Sopra Steria and its subsidiaries own exclusive intellectual property rights to all their software, either through having developed it in-house or by having acquired it from third parties. Software packages developed by the Group, in particular by Sopra Banking Software or by Sopra HR Software, are generally marketed directly. However there are a few distribution agreements with partners. Sopra Banking Software holds patents for the technical algorithms used by various technological and functional components of the Sopra Banking Platform software suite, designed for banks and financial institutions.

9.1.5.4. Data protection

Risk description

By the very nature of its activities, the Group has to comply with various international and local regulations relating to the protection of personal data. In the event of intentional or unintentional disclosure of all or some of the personal data relating to a client or third party, the Group may be held liable. Even if the necessary resources are in place to limit any negative impact, failure to comply with applicable regulations or an error in interpretation could expose the Group to a performance risk, a financial risk and/or a risk to its reputation.

Risk control procedures

As regards the various international and local regulations relating to data protection, all of the Group's entities (Sopra Steria Group) comply with national regulations relating to the protection of personal data, in particular the requirements of the CNIL in France. Sopra Steria Group and its subsidiaries are in the process of rolling out a programme within the Group with the aim of ensuring compliance with Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 (the "GDPR"), which will enter into force as of 25 May 2018. In addition, Sopra HR Software, the Sopra Steria Group's HR solutions publisher subsidiary, first introduced the Binding Corporate Rules (BCR) at its entities in 2015.

9.1.5.5. Litigation, government, legal or arbitration proceedings

Within the framework of everyday management of the Group's activities, some companies may be involved in legal proceedings. Provisions are recognised in respect of ongoing disputes, as detailed in Note 10.1 to the consolidated financial statements in Chapter 4 of this document (page 169). The Group is not aware of any legal or arbitration proceedings which could have a significant impact other than those reflected in the Group's financial position. To date, the Company is not aware of any governmental, legal or arbitration proceedings, including any proceedings that may be suspended or threatened, which may have or have had a material impact on the financial position or profitability of the Company or Group during the past twelve months.

However, Sopra Steria cannot rule out the possibility of further litigation proceedings being initiated as a result of events or facts that are not currently known and the associated risk of which cannot yet be determined and/or quantified. Proceedings of this kind may therefore have a material unfavourable effect on the Group's net profit or image.

9.2. Insurance

The Group's insurance policy is closely linked to a strategy of preventing and controlling risk. The Group's insurance management is centralised under a single Corporate Governance & 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 Sopra Steria Group and changes in its business, the insurance market and the risks incurred.

All Group companies are insured with leading insurance companies for all major risks that could have a material impact on its activity, results and assets.

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

- operations coverage and professional liability

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;

- direct damages and operating losses

This programme covers all of the Group's sites for the direct material losses they may suffer and any resulting operating losses. 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.

9.3. Internal control and risk management

The Group provides a range of business services, primarily based on intellectual services. These markets are highly competitive. Suppliers are assessed by clients based on two key differentiating factors: client confidence in a supplier's ability to provide quality services and price.

The competition faced by the Group is multiform; the Group must compete with the client's own internal teams, with major multinational groups and with small companies benefiting from specialist technical expertise or a deep-rooted local presence. Despite increasing market consolidation over the last few years, the software and services sector remains fragmented, with the continuous evolution of products and

services driven by the emergence of economic or organisational needs of clients as well as rapid technological change.

In this constantly evolving environment, key factors that will ensure success are responsiveness and flexibility, local access to clients, expertise on client issues and the ability to take risks and manage projects of strategic importance for major clients.

This context requires the Group to implement a highly decentralised operational organisation favouring autonomy and promoting decision-making at the local level. To provide the necessary governance in this decentralised structure, a robust management framework fosters effective dialogue along a short decision chain so that the Executive Committee remains in touch with operations.

The main challenges involve the ability to expand the Group's presence among major clients while improving the quality of delivery and reducing costs, as well as the management of human resources so as to assign the most qualified team members to each role. The preparation of accounting and financial information does not entail any particular complexity, with the exception of accounting for work in progress and associated revenue recognition. Physical assets held by the Group are not material.

All Group employees, regardless of their role, are expected to demonstrate good judgement in all circumstances and, in each and every specific instance, to take decisions that best serve the Group and its clients. Rules and procedures must be applied appropriately.

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

As set out below, management control (activity management) is one of the fundamental components of the internal control system. Management control draws on and updates a database using standardised models and indicators within an internally managed information system. It serves to communicate information internally as well as to identify and manage risks. The various management control processes are designed to ensure the consistency and timeliness of information to be shared with the relevant stakeholders, as well as facilitating decision-making and monitoring action plans.

As stated in the paragraph on control activities, the Industrial Department, Financial Controlling, and the Corporate Governance & Risk Management Department play an important role in this area. The Industrial Department verifies that the Quality System and production methods are fully and adequately applied, thus ensuring the effectiveness of production. Financial controlling ensures that the internal financial control system, a key component in the preparation of accounting and financial information, is working properly. A Corporate Governance & Risk Management Department was set up on 1 January 2017 to coordinate and monitor compliance and risk management issues across the entire Group on a cross-functional basis.

Internal Audit is tasked with monitoring and evaluating the internal control system. When auditing Group entities, the first checks carried out are those related to the usage of the management control system and the operating effectiveness of control activities.

The internal control systems described in the following paragraphs apply to the parent company and its subsidiaries except in areas where the Group's main operations are different from its traditional lines of business (United Kingdom/Asia, Scandinavia and CIMPA). In such areas,

the mechanisms that predate their consolidation remain in place and reporting to Executive Management is provided by the implementation of elements of the management control system (activity management) that make it possible to achieve the risk management objectives and prepare the business, accounting and financial information needed at Group level. All subsidiaries are thus consolidated in Group operational and financial management control.

9.3.1. PRESENTATION OF SOPRA STERIA'S INTERNAL CONTROL SYSTEM

Definition, objectives and components of internal control

According to the definition in the AMF's reference framework, internal control is a system set up by the Company, defined and implemented under its responsibility, which aims to ensure:

- compliance with laws and regulations;
- implementation of instructions and guidelines issued by Executive Management;
- proper functioning of the Company's internal processes, particularly those intended to safeguard its assets;
- reliability of financial disclosures;

and, in a general sense, to contribute to the control of its business activities, to the effectiveness of its operations and the efficient use of its resources, while not being able to provide an absolute guarantee that the Company's objectives will be achieved.

Organisation

This section addresses legal and internal organisation, the definition of powers and responsibilities, human resources, the information system, procedures and best practices, and lastly the tools that constitute the components of the internal control organisation according to the AMF's reference framework.

a. Legal organisational structure

The Group has chosen to limit the number of its legal structures. In principle, the Group only has one active company per country and per business, unless otherwise required by specific situations.

The legal organisational structure is presented in Section 7, "Simplified Group structure at 31 December 2017", of this chapter on page 32.

The Group holds a shareholding of about 32.59% in Axway Software, which was previously a wholly-owned subsidiary of the Group and has been listed on NYSE Euronext since 14 June 2011. This holding is accounted for using the equity method.

b. The Group's internal organisation

The Group's internal organisation is presented in Section 8, "Group organisation", of this chapter on pages 33 to 34. It is characterised by an operational organisation based on four levels and by a centralised functional organisation.

c. Definition of powers and responsibilities

Work was carried out during 2017 to document all the Group's rules and applicable decision-making levels in the various post-merger entities. A corpus of Group rules and 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 and any new entity. Rules define the scope of powers in areas such as trading, human resources management, purchasing, operations and finance. These general rules are then implemented as specific procedures for each of the Group's various regions and adapted to regulatory constraints and the local culture.

d. Human resources management policy

The Corporate Responsibility Report included in the Registration Document presents the Group's human resources policy and the main indicators related to it.

Since 2016, Executive Management has implemented a major unifying internal transformation and training programme to promote shared values and fundamentals.

Adherence to Group values, which is an essential criterion in the selection of managers, is a strong driver of cohesion and promotes the application of fundamental management principles. Managers play a key role in ensuring that employees successfully adopt the Group's culture. Such buy-in is also supported by the Sopra Steria Academy, whose training solutions include integration seminars, job-specific development courses and the annual convention attended by Group managers.

Performance reviews are carried out by managers and are taken into account in annual career interviews with employees. Employee evaluation and pay review cycles are held by the heads and management of each business unit once or twice a year depending on the subsidiary or job category. The purpose of these meetings is to share knowledge of employees, to assess their skills, performance and potential from a cross-functional perspective, and to establish development plans accordingly. They take place at every level of management (branch, division, subsidiary and Group) to ensure consistency, fairness and alignment with HR strategy objectives. Action plans are then rolled out and managed throughout the year within each entity.

Human resource managers at operational entities serve as liaisons between the central Human Resources Department and operations, monitoring the proper application of rules and procedures.

e. Information system

The Group's information system allows for software packages available on the market to coexist with in-house developments to address the Group's own specific needs. It addresses all management needs, including monitoring operations, revenue, invoicing and cash collection, sales pipeline, budgeting and forecasting, preparation of accounting and financial information and human resource management. The dashboard reports produced by this information system are used during management meetings. As indicated in the introduction above, some subsidiaries still use their own information systems that predate their joining the Group but have a proven track record of meeting their specific needs. These are managed and maintained by the Group Information Systems Department. A standardised Group reporting system for management purposes has therefore been put in place, with the assistance of the Information Systems Department.

The Information Systems Department is responsible for all information system issues (infrastructure, security, equipment purchases, applications used for the Group's internal requirements). The objectives of this department are to adapt the information system in the best possible fashion to the Group's operating requirements, to ensure the physical and logistical security of data to which continuous access must be guaranteed, and finally to optimise the information system's cost/service balance.

The Information Systems Security Manager (ISSM), who works outside the Information Systems Department, oversees the documentation, adaptation and application of the Information Systems Security Policy (ISSP) in conjunction with all the relevant operational and functional departments. The Information Security Committee (ISC) meets three times a year. It comprises the heads of the Group's Industrial, Information Systems, Legal, Human Resources, Real Estate and Purchasing departments, as well as the chief security officer and representatives the Executive Committee.

f. Procedures

The Group has established a code of ethics that sets out its values, helps to ensure compliance with the laws and regulations in force in all of the countries where it operates, and promotes its commitments to the proper conduct of its business activities.

These rules and procedures cover organisation and delivery management, internal control and accounting practices, information systems, human resources, production and quality assurance, sales and marketing, and procurement. A number of procedures are currently being reviewed and updated to meet the requirements of regulatory developments and new areas of business.

Functional managers are responsible for implementing rules and procedures, updating them, disseminating them via a training plan, and enforcing them.

These rules and procedures are available via the intranet portal of the Group and its various entities. They are complemented by best practices disseminated by the management and reinforced through the Group's various training and communications initiatives.

With respect to human resources, the Company has rules and procedures covering fundamental principles, staff administration, recruitment, performance measurement and career management, compensation, training and knowledge management.

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 overseen by the Information Systems Security Manager (ISSM).

To ensure that all commitments given to clients are legally watertight, all contracts are subject to legal review before being signed (excluding standard Group contracts).

g. 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 naturally incorporate the processes that make up the Group's production methodology. Proactive monitoring is carried out to identify new developments on the market and alternatives to the tools used. Continuous effort is made to capitalise on any best practices identified in the application of production tools during project support and training.

Internal information communication system**a. General description of the 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, support and train. It captures decisions made at steering meetings held at each of the different organisational levels, including the Group 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 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, etc.;
- annual meetings, looking ahead several years; the entities' annual budget process is driven by the Group's strategic plan.

b. Implementation of the management control system at all Group entities

The implementation of this system, generally completed in the shortest possible time for any newly acquired company, at all operational and functional entities is a highly effective vehicle for cohesiveness, the sharing of values and practices throughout the Group, and for controlling. Although, as indicated in the introduction above, some subsidiaries still use information systems that predate their consolidation but have proven successful in meeting their specific needs, they provide reporting to Executive Management via the implementation of elements of the Group management control system.

Risk identification and management system

As a reminder, the risk management objectives formalised in the AMF reference framework are as follows:

- create and preserve the Group's value, assets and reputation;
- secure decision-making and the Group's processes to attain its objectives;
- promote consistency between the Group's actions and its values;
- mobilise the Group's employees behind a shared vision of the main risks and raise their awareness of the risks inherent in their activities.

The effective implementation of the risk identification and management process is under the supervision of Executive Management, who receive information on risks from operational, functional and financial controlling. The aim of this process is to anticipate risks and mitigate them as efficiently as possible to support the realisation of Group objectives.

All staff and management are active participants in the risk management process. The importance of risk management is inherently appreciated by Sopra Steria personnel as most of them are engineers, already well versed in a culture of project management, a critical part of which is risk management.

a. Risk mapping procedure

A further risk mapping exercise was conducted in late 2017, and the results shared and discussed by the Group's Executive Committee in early 2018 to identify the Company's principal risk factors and their potential impact, as well as how best to control these risks.

b. Risk identification and management through the management control system

Each entity's management ensures the application of the company's policy regarding the management of risks related to the business they oversee, and checks that the level of exposure to these risks is in line with Group policy.

As part of their overall management function, branch managers and division/subsidiary managers are responsible for the direct supervision of human resources, sales and administration at their level of operations.

The relaying of information relating to identified operational and functional risks is structured by the rules of the management control system so that it may be handled at the most appropriate level of the organisation.

Operational risks associated with business activities, which are classified as “alerts” in the Group’s in-house lexicon when they are significant for the entity that identifies them, are prioritised and included in the weekly review until the appropriate action plan has been completed. The Group’s decentralised organisation generally allows for decisions to be taken swiftly, close to the situation, accompanied if necessary with input from the next reporting level. When a decision is required at the Group level, the procedures for risk mitigation (owner and action timeline) are typically determined by the Group’s Executive Committee at its meetings.

Functional departments are responsible for the definition and proper application of policies relating in particular to human resources, finance, production, client and supplier contracts, information systems, facilities and communications. They report to Executive Management of Group subsidiaries on a regular basis, including any newly identified risks, their impact assessment and steps for risk prevention or remediation.

Moreover, this organisation is backed up by the Group Risks Committee, formed of representatives from the Human Resources Department, the Finance Department, the Legal Department, the Security Department, the Industrial Department, and the Corporate Governance & Risk Management Department. It meets on a monthly basis, then updates Executive Management. At these meetings, any alerts, compliance issues potentially arising, and the most important risk areas, including projects at risk, are reviewed.

The risk management process also incorporates reviews by the Financial Controlling team, the Industrial Department and the Internal Audit team.

c. Crisis management procedures

In order to ensure that it can respond quickly in the event of a major crisis, the Group has modelled crisis management procedures at the different organisational levels as part of its business continuity strategy.

To prepare for major incidents that could affect the Group’s operations, Executive Management has opted to set up a Group crisis management unit to manage crisis situations.

This crisis management unit, which consists of Executive Management, functional Directors, Support and the Group Information Systems Security Manager, can be activated by Executive Management at any time.

The crisis management unit is activated via an escalation process communicated to all managers within the Group. In particular, this process stipulates the following:

- the composition of the Group crisis management unit;
- the escalation process (local/branch, entity/site or Group) and each person’s role within it;
- how the impact of incidents should be assessed.

The crisis management plan to be adopted in such situations is managed directly by the crisis management unit, which coordinates action by all relevant Group departments until the crisis is resolved and normal operations have resumed.

Control activities

Alongside the self-assessment and control procedures implemented by operational managers at every level, functional departments play a special role under the rules on delegation of powers in force within the Group:

- by providing support to operational staff in the field of risk management;

- by adopting a preventive approach through mandatory reviews that may be laid down in procedures; or
- by carrying out retrospective controls on adherence to rules and the results obtained, including checks on the quality of data input into the information system.

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

a. Finance Department (including Financial Controlling)

Financial Controlling falls under the responsibility 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 branch. 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 branch’s accounts. They also ensure that the costs for the branch 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 branches’ and/or divisions’ organisation and administrative operations. They monitor compliance with rules and deadlines.

b. 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. For the UK-Asia and Scandinavia regions, these monitoring responsibilities fall to the teams reporting to the Industrial Department of the subsidiary.

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.

Monitoring of the internal control system

a. Internal monitoring system

While improving the internal control system is a responsibility shared by all Group employees, the Group's management play a key role in the area of ongoing monitoring.

Executive Management

Executive Management constitutes the top level of the internal control and risk management system and takes an active role in monitoring its continuing effectiveness. It takes any action required to correct the issues 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.

The Internal Audit Department plays a key role in supporting these objectives.

Internal Audit Department

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

- independent and 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, Internal Audit has identified processes that are potentially concerned, associated risks, control procedures to be adopted (prevention and detection of fraud and corruption) 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.

Internal audit carried out 15 assignments in 2017.

Board of Directors (Audit Committee)

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 an overview of all the procedures relating to the preparation and recording of accounting and financial information.

The Audit Committee performs an annual review of the Group's risk mapping procedure and follows the activity of the Internal Audit Department through:

- 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 monitoring implementation of management action plans.

b. External monitoring system

Furthermore, the internal control 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 branch, division or subsidiary reviews, during which the Statutory Auditors examine the main ongoing projects, progress made and any difficulties encountered by the branch 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.

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.

Evaluation and continuous improvement process

As part of every internal audit, evaluations are carried out to ensure that the Group entities or business areas being audited have appropriate internal control systems in place.

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.

For example, in 2017, the Audit Committee monitored detailed analysis of sub-entities in the "audit universe" (breakdown of control points by process).