# DELIVERING DIGITAL TRANSFORMATION TOGETHER

REGISTRATION DOCUMENT
ANNUAL FINANCIAL REPORT

2017

sopra steria

Elements of the Annual Financial Report are identified by the AFR logo

TRANSPARENCE LABEL OR

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

# REGISTRATION DOCUMENT ANNUAL FINANCIAL REPORT

# 2017

AUTORITÉ DES MARCHÉS FINANCIERS

AMF

The original French-language version of this Registration Document was filed with the Autorité des Marchés Financiers (AMF) on 13/04/2018 in accordance with Article 212-13 of the AMF General Regulation. The French-language original may be used as a basis for a financial transaction if it is supplemented by a prospectus authorised by the AMF. This document was prepared by the issuer, whose authorised signatories alone assume responsibility for its content.

Copies of this Registration Document may be obtained by submitting a request to Sopra Steria Group, Communications Department, 9 bis rue de Presbourg, 75116 Paris, France, via our website: www.soprasteria.com, or via the website of the Autorité des Marchés Financiers: www.amf-france.org.

In accordance with Article 28 of Commission Regulation (EC) No. 809/2004 of 29 April 2004, the following information is included for reference in this Registration Document:

## 1. RELATING TO FINANCIAL YEAR 2015:

- the Management Report included in the Registration Document filed on 22 April 2016 under number D.16-0385 is detailed in the cross-reference table (pages 273 to 274) – Information regarding the Management Report;
- the consolidated financial statements and the report of the Statutory Auditors on the consolidated financial statements, included in the Registration Document filed on 22 April 2016 under number D.16-0385 (pages 117 to 184 and 185, respectively);
- the individual company financial statements of Sopra Steria and the report of the Statutory Auditors on those financial statements included in the Registration Document filed on 22 April 2016 under number D.16-0385 (pages 187 to 214 and 215);
- the special report of the Statutory Auditors on related-party agreements and commitments included in the Registration Document filed on 22 April 2016 under number D.16-0385 (pages 216 to 218).

## 2. RELATING TO FINANCIAL YEAR 2016:

- the Management Report included in the Registration Document filed on 13 April 2017 under number D.17-0381 is detailed in the cross-reference table (pages 296 to 297) – Information regarding the Management Report;
- the consolidated financial statements and the report of the Statutory Auditors on the consolidated financial statements, included in the Registration Document filed on 13 April 2017 under number D.17-0381 (pages 143 to 211 and 212, respectively);
- the individual company financial statements of Sopra Steria and the report of the Statutory Auditors on those financial statements included in the Registration Document filed on 13 April 2017 under number D.17-0381 (pages 213 to 240 and 241);
- the special report of the Statutory Auditors on related-party agreements and commitments included in the Registration Document filed on 13 April 2017 under number D.17-0381 (pages 242 to 243).

The information included in both of those Registration Documents, other than the information mentioned above, has been replaced and/or updated, as applicable, by the information included in this Registration Document.

*This document is a free translation into English of the original French "Document de référence", referred to as the "Registration Document". It is not a binding document. In the event of a conflict of interpretation, reference should be made to the French version, which is the authentic text.*

# SOPRA STERIA REACHED A NEW MILESTONE IN ITS DEVELOPMENT IN 2017

We recorded a healthy performance, with organic revenue growth of 3.5% bringing revenue to €3,845.4 million. Operating profit on business activity grew by 9.5% to €329.8 million, and our margin reached 8.6%, an improvement of 0.6 points compared with 2016. Lastly, net profit attributable to the Group rose 14.0% to €171.4 million. As a result, we reached the targets set in 2015 when Sopra and Steria merged – namely revenue of between €3.8 billion and €4 billion and an operating margin on business activity of between 8% and 9%. These results are the culmination of our efforts to completely transform the Group. The business segments that had seen performance shortfalls in 2014 (Germany and IT infrastructure management in France) were successfully turned around and today are a source of strength for the future. We have launched a targeted repositioning plan covering our operations in the United Kingdom. In particular, it aims to bolster the businesses serving the private sector.

In France, we strengthened our leadership in Consulting and Systems Integration. We backed up our healthy business performance with substantial investments to expand our offerings. Generally speaking, our move up the value chain has increased the relative size of our Consulting and Software businesses, which now generate close to one-quarter of the Group's revenue.

We are committed to a proactive corporate responsibility policy, fully aligned with our business goals and our transformation programme. In 2017, we contributed to 16 of the 17 United Nations Sustainable Development Goals through our social, societal, environmental and ethical initiatives. As far as our workforce policy is concerned, we provided over one million hours of training to our employees in 2017.

As part of our commitment to the environment, we continued to reduce our greenhouse gas emissions and reiterated our target of cutting them by 21% from their 2015 level by 2025. Our societal accomplishments in 2017 included the award of EcoVadis' Gold Advanced level, a standard achieved by less than 1% of businesses rated by the organisation. Lastly, we strengthened the ethics- and compliance-related aspects of our governance framework in 2017 with the creation of a new Corporate Governance & Risk Management Department.

Our clients' needs are changing, and they now demand greater agility, rapidity and added value. Today more than ever before they are looking for partners able to invent the business models of the future with them and support their transformation. With this in mind, our strategy is predicated on four key principles:

– independence, which underpins our long-term vision and our entrepreneurial model;

"Our move up the value chain has increased the relative size of our Consulting and Software businesses, which now generate close to one-quarter of the Group's revenue."

PIERRE PASQUIER,
Chairman of Sopra Steria Group

– expansion, which requires a combination of brisk organic growth and a targeted acquisition policy;
– added value, which relies to a large extent on our Business Consulting and Digital Consulting activities and on Software;
– singularity, which is embodied in the special relationships we forge with our clients based on a deep connection, reliability and trust over the long term.

By executing this strategy, we aim to achieve organic growth over the next three years at a pace of between 3% and 5% per year, with an operating margin on business activity of around 10% in 2020. The digital revolution is unfurling across all sectors of the economy and all aspects of society. We aim to build on our strengths to maximise our leverage without losing sight of what still needs to be done to complete our own transformation. By doing so, we can look to the future with clarity, confidence and determination.

"Our clients' needs are changing, and they now demand greater agility, rapidity and added value. Today more than ever before they are looking for partners able to invent the business models of the future with them and support their transformation."

## 2017 KEY FIGURES

Sopra Steria has one of the most extensive portfolios of offerings available on the market, spanning consulting, systems integration, the development of business- and technology-specific solutions, infrastructure management, cybersecurity and business process services.

**REVENUE**
€3.8bn
**3.5% ORGANIC GROWTH***

**OPERATING PROFIT ON BUSINESS ACTIVITY**
€329.8m
**8.6% OF REVENUE**

**NET PROFIT ATTRIBUTABLE TO THE GROUP**
€171.4m
**4.5% OF REVENUE**

**BASIC EARNINGS PER SHARE**
€8.48

**EQUITY**
€1.2bn

**NET FINANCIAL DEBT**
€510.1m
**i.e. 1.4 X EBITDA**

**MARKET CAPITALISATION AT 31 DECEMBER 2017**
€3.2bn

**SERVICES REVENUE**
€3,226m
**3.3% ORGANIC GROWTH**

**SOLUTIONS REVENUE**
€619m
**8.8% ORGANIC GROWTH**

**R&D IN SOLUTIONS**
€102.2m

41,661
**EMPLOYEES**

184
**LOCATIONS**

>20
**COUNTRIES**

* Alternative performance measures are defined in the glossary at the end of this document.

For more information, see Chapter 1.

# 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*.

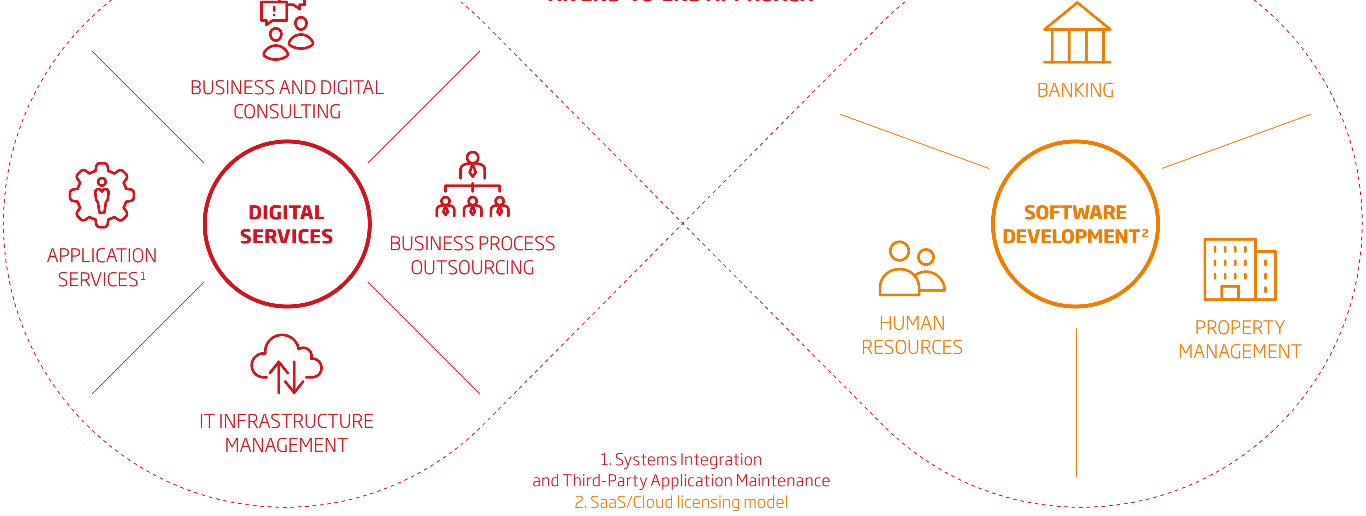
– A market that has grown by around 3% per year over the past 3 years*.

– 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**




1. Systems Integration and Third-Party Application Maintenance
2. SaaS/Cloud licensing model

## OUR MODEL

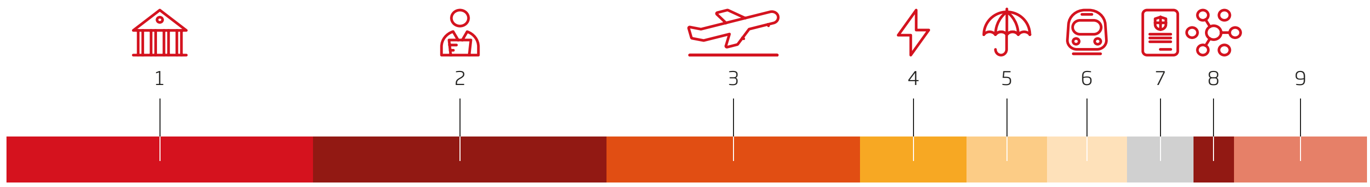



For more information, see Chapter 1.

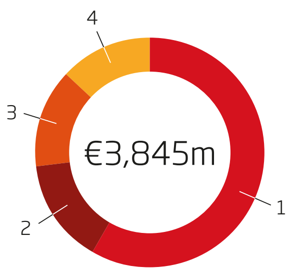
# BREAKDOWN OF REVENUE

## REVENUE BY VERTICAL MARKET

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

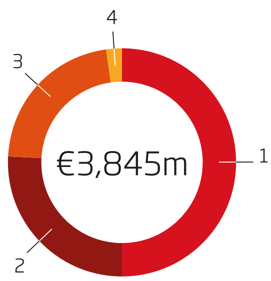



## REVENUE BY BUSINESS LINE



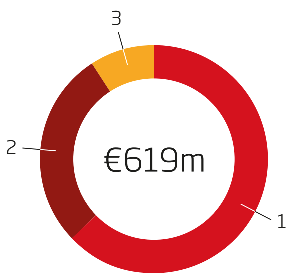

1 Consulting & Systems Integration ........ **61%**
2 Solutions ........ **16%**
3 IT Infrastructure Management ........ **13%**
4 Business Process Services ........ **10%**

## REVENUE BY REGION



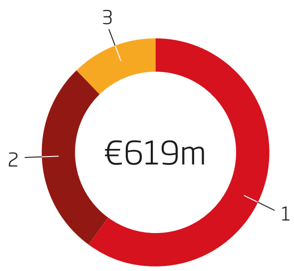

1 France ........ **51%**
2 United Kingdom ........ **22%**
3 Other Europe ........ **25%**
4 Rest of the World ........ **2%**

## 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%**

## WORKFORCE

**GROUP**
41,661
**EMPLOYEES**

**FRANCE**
18,649

**UNITED KINGDOM**
6,181

**EUROPE (OTHER)**
8,777

**REST OF THE WORLD**
281

**X-SHORE**[1]
7,773

1. India, Poland, Spain and North Africa.

For more information, see Chapter 1.

# CORPORATE PLAN

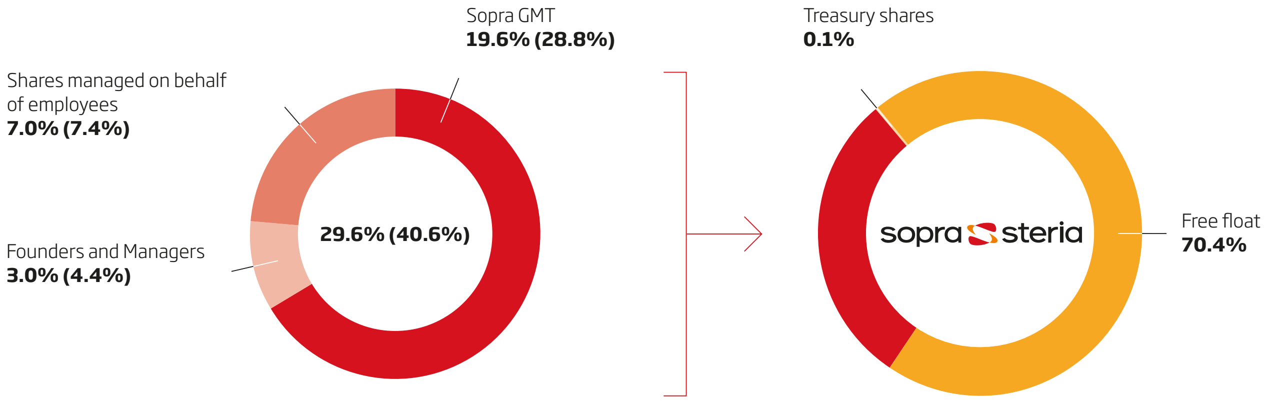
## KEY FEATURES OF THE CORPORATE PLAN

### 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

FASTER SOLUTIONS DEVELOPMENT

ENHANCED VERTICAL STRATEGY

DEVELOPING CONSULTING ACTIVITIES GROUPWIDE

ACCELERATING DIGITAL TRANSFORMATION

PROACTIVE EXTERNAL GROWTH POLICY

## 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

**OPERATING MARGIN ON BUSINESS ACTIVITY OF AROUND**
10%

**ORGANIC GROWTH**
3% TO 5%
**PER YEAR OVER THE PERIOD FROM 2018-2020**

**FREE CASH FLOW OF BETWEEN**
5% AND 7%
**OF REVENUE**

**2020**

For more information, see Chapter 1.

# GOVERNANCE

## BOARD OF DIRECTORS' MEETING ON 13 APRIL 2018

PIERRE PASQUIER, Chairman of the Board of Directors

**MEMBERS**
19

**MALE DIRECTORS**
59%

**DIRECTORS' AVERAGE ATTENDANCE RATE AT BOARD MEETINGS**
97% **IN 2017**

**INDEPENDENT DIRECTORS**
47%

**NATIONALITIES**
7

**FEMALE DIRECTORS**
41%

**DIRECTORS' MINIMUM ATTENDANCE RATE AT BOARD MEETINGS**
86% **IN 2017**

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

every woman

### 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 | Ranking/Rating |
|---|---|
| ECOVADIS | Gold Advanced |
| UNGC | GC Advanced level |
| CDP | 2018 A List SupplierCDP Climate Change A List |
| MSCI | ESG A |
| GAÏA | 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

For more information, see Chapter 3.

# 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).

**IMPORTANCE FOR STAKEHOLDERS** / **IMPORTANCE FOR SOPRA STERIA**

| | Medium | High | Very high |
|---|---|---|---|
| **Very high** | | ● Responsible supply chain | ● Client satisfaction<br>● Innovation<br>● Ethics and values<br>● Operational security (including cybersecurity) |
| **High** | ■ Environmental impact | ● Data protection<br>▲ Diversity and equal opportunities<br>⬟ Civic engagement<br>■ Greenhouse gas emissions | ▲ Attracting and retaining talent<br>▲ Skills development and transformation |
| **Medium** | ● Sustainable development embedded in offering | ⬟ Digital responsibility | ▲ Entrepreneurial culture<br>▲ Labour relations<br>▲ Workplace well-being and engagement |

■ Environmental priorities ⬟ Societal priorities ▲ Social priorities ● Market and conduct of business priorities

## 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



For more information, see Chapter 3.

# 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

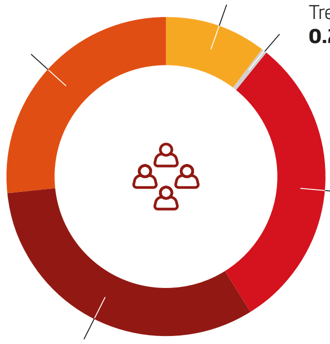
**CONFERENCES**
7

**WINNER OF THE 2017 TRANSPARENCY PRIZE[1]**
in the "Utilities and Technologies" category

**WINNER OF THE 2017 INVESTOR RELATIONS PRIZE[2]**
in the "Best IR Presentation" category

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

### 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.

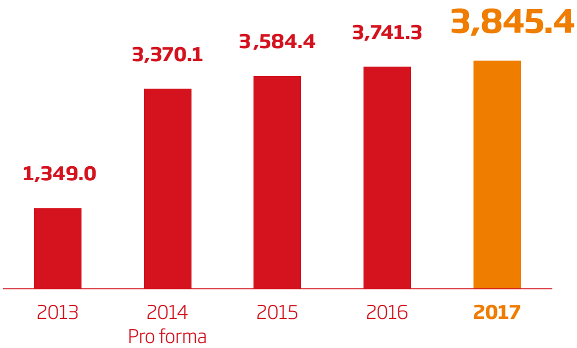
**TRANSPARENCE** LABEL OR
This seal of quality is awarded to Registration Documents achieving the highest level of transparency according to the Annual Transparency Rankings criteria.

FOLLOW US ON

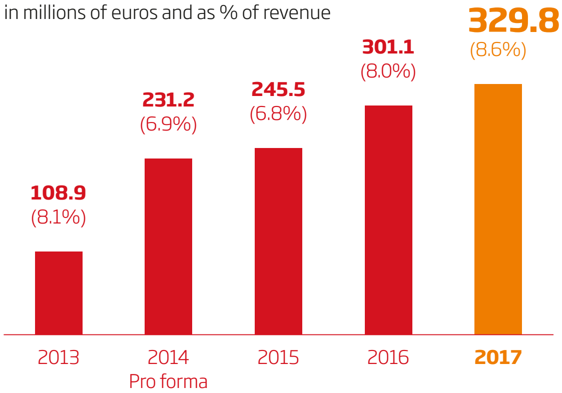
For more information, see Chapter 6.

# FINANCIAL PERFORMANCE

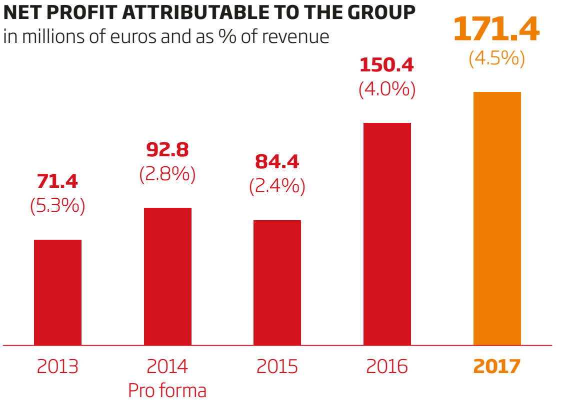
**REVENUE**
in millions of euros



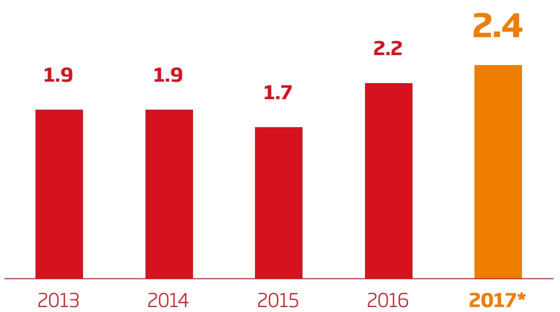

**OPERATING PROFIT ON BUSINESS ACTIVITY**
in millions of euros and as % of revenue




**NET PROFIT ATTRIBUTABLE TO THE GROUP**
in millions of euros and as % of revenue

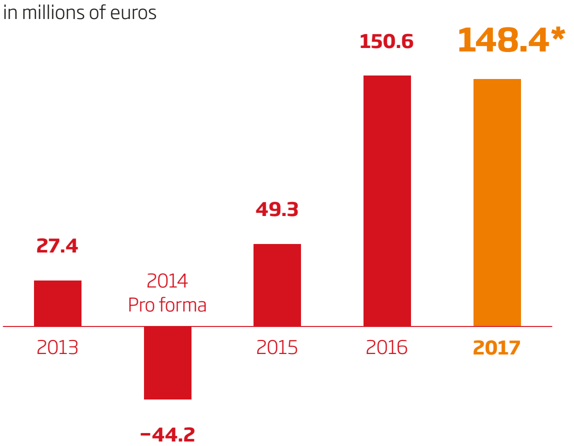



**DIVIDEND IN EUROS**
per share




* 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.



For more information, see Chapter 6.

# 1 INTRODUCTION TO SOPRA STERIA

# 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)].

### 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.*

### 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 techology 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:

#### 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.

### 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

| *(in millions of euros)* | 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.*

### 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%** |

### 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.

## 5.2.2. CONSOLIDATED FINANCIAL STATEMENTS FOR FINANCIAL YEAR 2017

### 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 |

#### 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.

## 6.2. Balance sheet

| **Assets** *(in thousands of euros)* | **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** *(in thousands of euros)* | **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<br>■ Legal deadline: 45 days | | | | | |

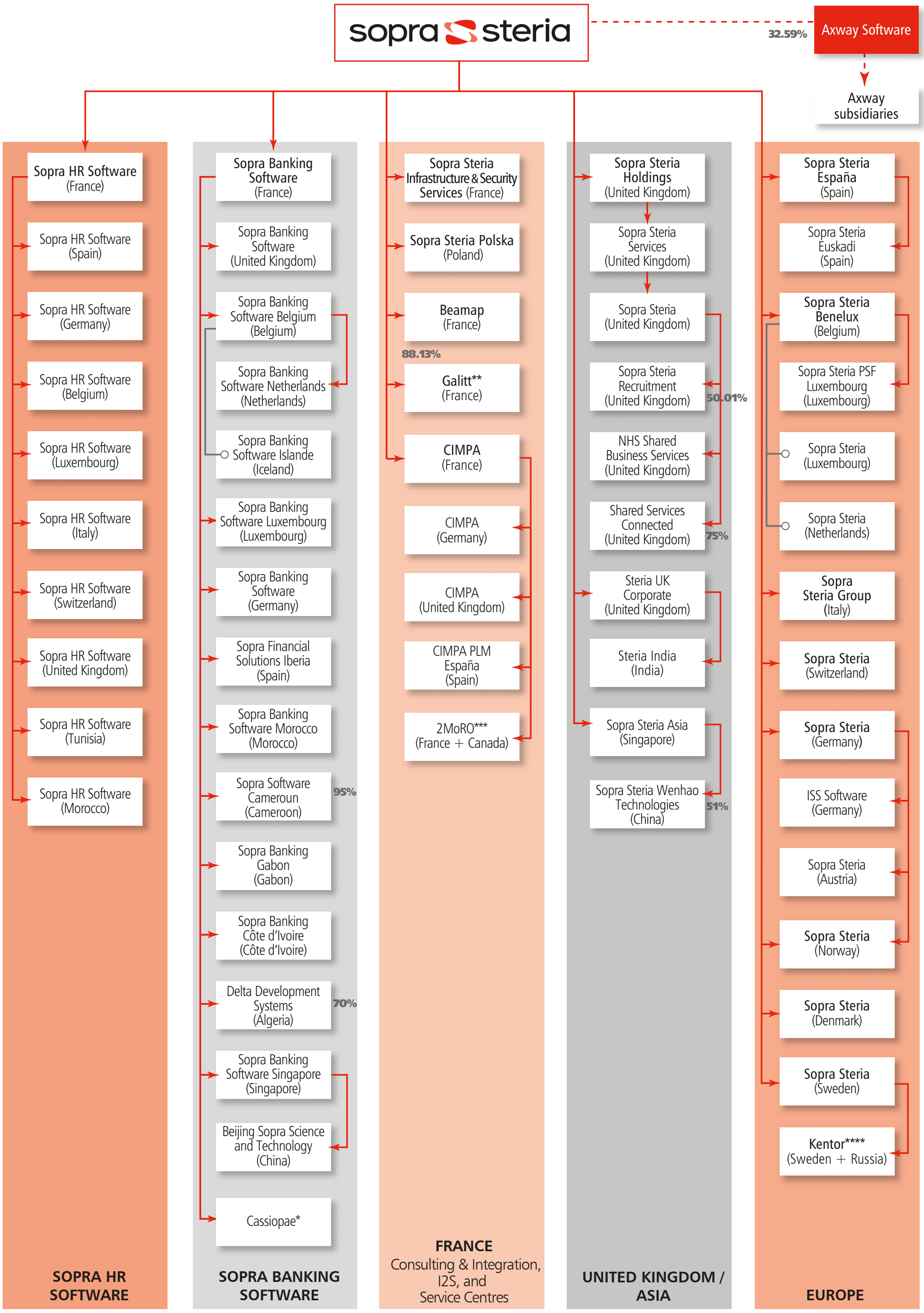
**Article D. 441-4 I, paragraph 2° of the French Commercial Code: Invoices issued, not yet paid and past due at the balance sheet date**

| | 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) | incl. VAT 0 | | | | 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<br>■ 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).

# 7. Simplified Group structure at 31 December 2017




*Note: Companies are directly or indirectly held at more than 95%, unless otherwise indicated.*

*(*) Cassiopae is made up of the holding company KSEOP Holding and its subsidiaries (France, UK, Germany, USA, Brazil, India and Tunisia) held during financial year 2018. It should also be noted that there is a branch in South Korea.*

*(**) Galitt is made up of a holding company (Tecfit) and an operational company.*

*(***) 2MoRO is made up of a holding company and two operational companies (France and Canada).*

*(****) Kentor is made up of two Swedish companies and one Russian service centre.*

—o BRANCH

# 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

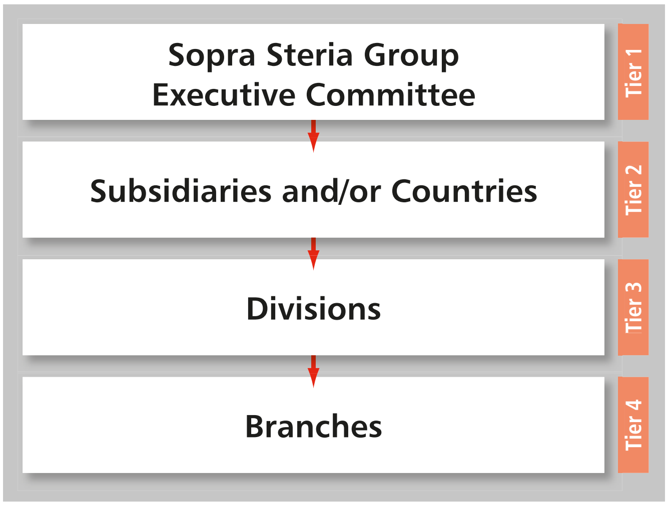
Each country or subsidiary is made up of divisions based on two criteria:

- 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 | ■ Risks relating to attracting and retaining talent<br>■ Risks relating to changes in markets, technologies, competition – Digital transformation risks<br>■ Project execution risks<br>■ Risks relating to continuity of service<br>■ Risks relating to systems security and data protection | | | Foreign exchange risk |
| Other risks | ■ Risks of client dependence<br>■ Risks relating to international expansion<br>■ Supplier risks | Environmental risks | Compliance risks<br>Tax risk<br>Intellectual property risks<br>Litigation, government, legal or arbitration proceedings | Risks relating to pension schemes and associated liabilities<br>Liquidity risk<br>Interest rate risk<br>Bank counterparty risk<br>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 has also developed new training programmes via the 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): $CO_2$ 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 if 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).

## 9.4. Procedures on the preparation and treatment of accounting and financial information

### 9.4.1. COORDINATION OF THE ACCOUNTING AND FINANCIAL FUNCTION

#### a. Organisation of the accounting and financial function

**Limited number of accounting entities**

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

**Centralised coordination of the accounting and financial function**

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

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

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

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

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

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

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

#### b. Organisation of the accounting information system

**Accounting**

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

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

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

**Accounting policies and presentation**

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

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

### 9.4.2. PREPARATION OF THE PUBLISHED ACCOUNTING AND FINANCIAL INFORMATION

#### a. Reconciliation with the internal management system accounting data

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

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

Each Group entity prepares a monthly operating statement closed on the third working day of the following month.

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

All documents produced are combined with numerous management indicators related to the business (utilisation rate, selling prices, average salary), human resources, invoicing and receipts, etc.

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

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

#### b. Procedures for the preparation of the consolidated financial statements

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

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

### c. Procedure for signing off the financial statements

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

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

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

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

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

### d. Financial communications

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

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

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

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

The Registration Document is filed with the AMF after being audited by the Statutory Auditors.

# 2 CORPORATE GOVERNANCE

This chapter contains information on the Board of Directors, the roles and compensation of the executive company officers, and the recommendations of the AFEP-MEDEF Code[(1)] that have exceptionally been set aside or only partially implemented by the Company.

# 1. Board of Directors

## 1.1. Members of the Board of Directors

On the date at which this Registration Document was published, the Board of Directors had 19 members with the right to vote, 17 of whom were appointed at the General Meeting and 2 of whom were Directors representing employees.

Sopra GMT, the Group's key holding company in which the founders and their family groups own the bulk of their shareholding (see Chapter 6 of this document, "Sopra Steria Group and the stock market", pages 229 to 232) has de facto control of Group.

The terms of office of all currently serving Directors will end at the close of the General Meeting of 12 June 2018. The policies and procedures relating to the membership of the future Board of Directors are outlined in the presentation provided below of the resolutions submitted for the approval of the shareholders at the General Meeting (Chapter 8 of this document, "General Meeting of 12 June 2018", pages 251 to 268).

### 1.1.1. CONSEQUENCES OF THE SOPRA-STERIA MERGER

The current size and composition of the Board of Directors reflect to a large extent the negotiations conducted in 2014 by Sopra GMT with Groupe Steria with a view to its merger with Sopra Group to form Sopra Steria Group.

To foster integration between the two companies, the shareholders' agreement between Sopra GMT and Soderi, the general partner of Groupe Steria, provides, for an initial period of five years beginning in August 2014, a balance between the number of Directors representing Sopra GMT and those from Steria on the combined entity's Board of Directors and for a Soderi representative to have one seat.

Sopra GMT's representatives pursuant to this agreement are Pierre Pasquier, François Odin, Éric Pasquier and Kathleen Clark Bracco (permanent representative of Sopra GMT).

The Directors representing Steria are Astrid Anciaux, Solfrid Skilbrigt, Éric Hayat and Jean-Bernard Rampini, the latter being Soderi's representative.

### 1.1.2. SKILLS AND EXPERTISE REQUIRED

The Nomination, Ethics and Governance Committee chaired by Sopra GMT ensures that the members of the Board of Directors together possess the necessary skills and knowledge:

- first and foremost about the Company and its business lines, particularly consulting, systems integration and industry-specific solutions in banking and also in its other sectors of activity. Thorough knowledge of the Company, its clients, its strategic, technological and commercial positioning is essential for strategic decision-making (most of the Directors have some or all of this expertise);
- about Axway Software, its technology and its market: the ownership of a 32.59% shareholding in Axway Software, which was spun off from Sopra Group and listed in 2011, has created an unusual situation as part of the work on strategy (Kathleen Clark Bracco, Emma Fernández, Pierre Pasquier and Hervé Saint-Sauveur are members of Axway Software's Board of Directors);
- in specific client sectors such as banking and finance (Sylvie Rémond's and Jean-François Sammarcelli's areas of expertise);
- in areas related to management control and the assessment of the Company's internal control and risk management system (Astrid Anciaux, Marie-Hélène Rigal-Drogerys, Sylvie Rémond and Hervé Saint-Sauveur are the Directors who possess these specific skills and expertise).

### 1.1.3. APPLICATION OF THE PRINCIPLE OF BALANCED GENDER REPRESENTATION

Seven of the 17 members of the Board of Directors appointed by vote of the shareholders at the General Meeting are women (i.e. 41.2% of Board members).

### 1.1.4. DIRECTORS REPRESENTING THE EMPLOYEES AND EMPLOYEE SHAREHOLDERS

- Two Directors representing employees were designated in August 2015 by the Sopra Steria Group works council, namely Aurélie Peuaud and Gustavo Roldan de Belmira. The latter is a member of the Compensation Committee.
- Astrid Anciaux, Chairman of the Supervisory Board of the FCPE Steriactions corporate mutual fund, has been a member of the Board of Directors since September 2014.

### 1.1.5. INDEPENDENT DIRECTORS

The Nomination, Ethics and Governance Committee also monitors the proportion of Independent Directors sitting on the Board. Every year, the Committee and then the Board of Directors review the members' status in the light of the requirements of Article 8.5 of the AFEP-MEDEF Code of corporate governance for listed companies, according to which an Independent Director:

- Requirement 1: must not be an employee or executive company officer of the Company; or an employee, executive company officer or Director of a consolidated company or the parent company, and must not have held such a position at any time over the preceding five years;
- Requirement 2: must not be an executive company officer of a company in which the Company holds, either directly or indirectly, a directorship or in which an employee appointed as such or an executive company officer of the Company (serving currently or having served within the preceding five years) holds a directorship;

*(1) The AFEP-MEDEF code is the code to which the Company refers pursuant to Article L. 225-37 of the French Commercial Code. It is available for download on the AFEP website at www.afep.com.*

- Requirement 3: must not be a customer, supplier, commercial banker or corporate banker material to the Company or Group;
- Requirement 4: must not be a customer, supplier, commercial banker or corporate banker, a material portion of whose business is transacted with the Company or Group;
- Requirement 5: must not have close family ties with a company officer;
- Requirement 6: must not have been a Statutory Auditor during the preceding five years;
- Requirement 7: must not have been a Director for more than 12 years.

The eight Directors (47%) qualifying as independent are:

- Emma Fernández;
- Gérard Jean;
- Jean-Luc Placet;
- Sylvie Rémond;
- Marie-Hélène Rigal-Drogerys;
- Hervé Saint-Sauveur;
- Jean-François Sammarcelli;
- Jessica Scale.

In addition, the Board of Directors has noted that Christian Bret, a Non-Voting Director, satisfies all the objective independence requirements stated in the AFEP-MEDEF Code.

**Comments and clarifications**

**Requirement 1**

Like Sopra Steria Group, Axway Software is fully consolidated by Sopra GMT. In keeping with the opinion of the Nomination, Ethics and Governance Committee, the Board of Directors considers that the status of Hervé Saint-Sauveur and of Emma Fernández as members of the Board of Directors of Axway Software does not call into question their status as Independent Directors:

- Axway Software's day-to-day operations and investments are not discussed by Sopra Steria Group's Board of Directors, although it is kept informed on a very regular basis of the company's position operational and financial performance;
- the procedure for handling potential conflicts of interest apply to the consideration of matters related to Axway Software;
- the Independent Directors present on both Sopra Steria Group's and Axway Software's Boards of Directors ensure that opinions independent of the core shareholder are heard on issues concerning both companies and their strategy.

**Requirements 3 and 4**

Sopra Steria Group purchases consulting services from PwC. Jean-Luc Placet's role within PwC is not connected operationally with the relevant activities. These services are not material either for Sopra Steria Group or for PwC, either with respect to their nature or the revenues they generate (0.03% of the Group's purchases). They do not give rise to any reciprocal dependence. Accordingly, the Nomination, Ethics and Governance Committee considers that these services do not constitute a material business relationship likely to call into question Jean-Luc Placet's status as an Independent Director. The Board of Directors has endorsed this view.

On the recommendation of the Nomination, Ethics and Governance Committee, the Board of Directors concluded that:

- Sylvie Rémond was appointed in her own name and does not represent the Société Générale group on the Board of Directors;
- Sylvie Rémond's professional duties do not place her in a position to take or influence decisions within the Société Générale group that might have repercussions for Sopra Steria's business or operations;
- the Société Générale group does not generally act as an advisor for the Group's external growth transactions;
- although the Société Générale group is a major client for Sopra Steria (accounting for more than 1% of the Group's revenue), the existing business relations between the two groups do not entail any mutual dependence and are not different in nature from those maintained by Sopra Steria with other large French and international banking groups, given that the banking sector is one of Sopra Steria's key markets.

No other business relationships were identified by the Company with Independent Directors.

**Requirement 7**

Gérard Jean and Hervé Saint-Sauveur have been members of the Board of Directors since 2003. The Nomination, Ethics and Governance Committee considered this situation. It reached the conclusion that, as they have not requested the renewal of their terms of office, which will end at the close of the next General Meeting, they may be objectively considered as independent.

In addition, as in 2017, these Directors' professional circumstances and their roles within a radically overhauled Board of Directors have changed over the course of their terms. The company went from having a Supervisory Board and Management Board to a Board of Directors having a combined Chairman and Chief Executive Officer. It then switched to become a company with a Board of Directors having a separate Chairman and Chief Executive Officer. The merger between Sopra and Steria transformed the Group and expanded its shareholder base. The current executive management team has been in place only since 2015. The composition of the group of shareholders acting in concert led by the core shareholder Sopra GMT with de facto control of the Company has itself changed. These fundamental changes contributed to preventing the creation of ties to particular interests likely to compromise the exercise of these Directors' independent judgement.

The Board of Directors approved the recommendation of the Nomination, Ethics and Governance Committee and continued to consider Gérard Jean and Hervé Saint-Sauveur as Independent Directors.

## 1.1.6. NON-VOTING DIRECTORS

Under the Articles of Association, Non-Voting Directors shall attend Board of Directors' meetings, and shall receive notice of such meetings in the same manner as the Directors. At the initiative of the Board of Directors, they may also serve on the committees created by the Board.

Non-voting members receive all documents provided to the Board of Directors. They shall keep the Board's items of business confidential.

Non-voting members have no decision-making powers, but are at the disposal of the Board of Directors and its Chairman to provide their opinions on matters of all types submitted to them, particularly technical, commercial, administrative and financial matters. They participate in deliberations in an advisory capacity, but do not take part in votes. Their absence from meetings has no effect on the validity of decisions.

Through their participation in the Board's activities, which is informed by their professional experience and career accomplishments, the Non-Voting Directors contribute to its independence.

The term of office of Christian Bret, currently the Company's only Non-Voting Director, will end at the close of the General Meeting of 12 June 2018.

The appointment of Jean-Bernard Rampini will be proposed as Non-Voting Director for a term of two years.

### 1.1.7. DIVERSITY POLICY

Since its merger with Steria, the contribution made by France has dropped from two-thirds to under one-half of the Group's total revenue. The Board of Directors has thus gradually become more international in its outlook and now has members with French, British, Spanish, Belgian, Norwegian, US and Colombian nationality.

Several of the Directors with French nationality possess international experience and either hold or have held directorships in companies outside France. However, the Board of Directors has not set any specific diversity objectives.

The average age of Directors remained stable over the period 2012-2018, at 61.6 years. Currently, the youngest Director is 36 and the eldest is 85.

Details on the diversity policy as it relates to qualifications and professional experience are provided in Section 1.1.2, page 50.

### 1.1.8. SUMMARY PRESENTATION OF THE BOARD OF DIRECTORS

| Name | Age | Independent Director | Number of directorships at listed companies (excluding Sopra Steria Group) | Audit Committee | Compensation Committee | Nomination, Ethics and Governance Committee | Date of first appointment | Date term of office began | End of current term |
|---|---|---|---|---|---|---|---|---|---|
| **Pierre Pasquier** Chairman of the Board of Directors | 82 | | 1 | | | x | 1968 – creation of Sopra | 19/06/2012 | AGM 2018 |
| **François Odin** Vice-Chairman of the Board of Directors | 85 | | 0 | x | | | 1968 – creation of Sopra | 19/06/2012 | AGM 2018 |
| **Éric Hayat** Vice-Chairman of the Board of Directors | 77 | | 0 | | x | x | 27/06/2014 | 03/09/2014 [1] | AGM 2018 |
| **Astrid Anciaux** Director | 53 | | 0 | | | | 27/06/2014 | 03/09/2014 [1] | AGM 2018 |
| **Sopra GMT, represented by Kathleen Clark Bracco*** Chairman of the Nomination, Ethics and Governance Committee | 50 | | 1 | | x | Chairman | 27/06/2014 | 27/06/2014 | AGM 2018 |
| **Emma Fernández**** Director | 54 | Yes | 3 | | | | 19/01/2017 [2] | 19/01/2017 [2] | AGM 2018 |
| **Gérard Jean** Chairman of the Compensation Committee | 70 | Yes | 0 | | Chairman | x | 30/06/2003 | 19/06/2012 | AGM 2018 |
| **Jean Mounet** Director | 73 | | 1 | | | | 19/06/2012 | 19/06/2012 | AGM 2018 |
| **Éric Pasquier** Director | 47 | | 0 | | | | 27/06/2014 | 27/06/2014 | AGM 2018 |
| **Aurélie Peuaud** Director representing the employees | 36 | | 0 | | | | 27/08/2015 | 27/08/2015 | AGM 2018 |
| **Jean-Luc Placet** Director | 66 | Yes | 0 | | x | x | 19/06/2012 | 19/06/2012 | AGM 2018 |
| **Jean-Bernard Rampini** Director | 61 | | 0 | | | | 27/06/2014 | 03/09/2014 [1] | AGM 2018 |
| **Sylvie Rémond** Director | 54 | Yes | 0 | | | | 17/03/2015 [2] | 17/03/2015 [2] | AGM 2018 |
| **Marie-Hélène Rigal-Drogerys** Director | 48 | Yes | 0 | x | | | 27/06/2014 | 27/06/2014 | AGM 2018 |

| Name | Age | Independent Director | Number of directorships at listed companies (excluding Sopra Steria Group) | Audit Committee | Compensation Committee | Nomination, Ethics and Governance Committee | Date of first appointment | Date term of office began | End of current term |
|---|---|---|---|---|---|---|---|---|---|
| **Gustavo Roldan de Belmira** Director representing the employees | 60 | | 0 | | x | | 27/08/2014 | 27/08/2015 | AGM 2018 |
| **Hervé Saint-Sauveur** Chairman of the Audit Committee | 74 | Yes | 1 | Chairman | | | 30/06/2003 | 19/06/2012 | AGM 2018 |
| **Jean-François Sammarcelli** Director | 67 | Yes | 1 | | | | 15/04/2010 | 19/06/2012 | AGM 2018 |
| **Jessica Scale** Director | 55 | Yes | 0 | | | | 22/06/2016 | 22/06/2016 | AGM 2018 |
| **Solfrid Skilbrigt** Director | 59 | | 0 | | | | 21/04/2015 (2) | 21/04/2015 (2) | AGM 2018 |
| **Christian Bret***** Non-Voting Director | 77 | Yes | 2 | | x | x | 19/06/2012 | 13/06/2017 | AGM 2018 |

* *Kathleen Clark Bracco was a Director of Sopra Group SA from 19 June 2012 until her appointment as permanent representative of Sopra GMT on 27 June 2014.*

** *Emma Fernández was appointed on 19 January 2017. This appointment was ratified at the General Meeting of 13 June 2017.*

*** *Christian Bret satisfies all the objective independence requirements stated in the AFEP-MEDEF Code.*

*(1) Date of satisfaction of the condition precedent for appointment by the General Meeting of Shareholders, contingent upon the success of the public exchange offer made by Sopra Group for Groupe Steria.*

*(2) Date of cooption.*

### Changes since the start of the 2017 financial year in the composition of the Board of Directors

| | |
|---|---|
| **Term of office ends** | None |
| **Appointment** | Christian Bret, Non-Voting Director (13 June 2017) |
| **Resignation** | Christian Bret, Director (19 January 2017) |
| **Cooption** | Emma Fernández, Director (19 January 2017) (1) |

*(1) Cooption ratified on 13 June 2017.*

## 1.1.9. DETAILED PRESENTATION OF THE MEMBERS OF THE BOARD OF DIRECTORS

### PIERRE PASQUIER
**Chairman of the Board of Directors**

Number of shares in the Company owned personally: **108,113** [(1)]

- Member of the Nomination, Ethics and Governance Committee

**Business address:**
Sopra Steria Group – 9 bis, rue de Presbourg
75116 Paris – France

**Nationality:** French **Age:** 82

**Date of first appointment:** 1968 (date Sopra was founded)

**Date term of office began:** 19/06/2012

**Date term of office ends:** General Meeting to approve the financial statements for the year ended 31/12/2017

| Main positions and appointments currently held | Listed company |
|---|---|
| ■ Chairman of the Board of Directors of Sopra Steria Group | ✔ |
| ■ Chairman of the Board of Directors of Axway Software | ✔ |
| ■ Chairman and CEO of Sopra GMT | |
| ■ Executive officer, Director or permanent representative of Sopra GMT at Sopra Steria Group subsidiaries (direct and indirect) | |
| ■ Company officer of Axway Software's foreign subsidiaries (direct and indirect) | |
| **Other directorships and offices held during the last 5 years** | |
| ■ Not applicable | |

*(1) The Pasquier family estate holds 68.44% of the share capital of Sopra GMT (the holding company that takes an active role in managing Sopra Steria Group and Axway Software). Shares held directly or indirectly through Sopra GMT by the Chairman in a personal capacity or by the Chairman's family estate make up more than 10% of the Company's share capital. See Chapter 6, Section 2 ("Share ownership structure"), on page 229 of this document.*

### FRANÇOIS ODIN
**Vice-Chairman of the Board of Directors**

Number of shares in the Company owned personally: **47,187** [(2)]

- Member of the Audit Committee

**Business address:**
Régence SAS, Les Avenières
74350 Cruseilles – France

**Nationality:** French **Age:** 85

**Date of first appointment:** 1968 (date Sopra was founded)

**Date term of office began:** 19/06/2012

**Date term of office ends:** General Meeting to approve the financial statements for the year ended 31/12/2017

| Main positions and appointments currently held | Listed company |
|---|---|
| ■ Chairman of Régence SAS | |
| ■ Chief Operating Officer and Director of Sopra GMT | |
| **Other directorships and offices held during the last 5 years** | |
| ■ Not applicable | |

*(2) The Odin family estate holds 28.41% of the share capital of Sopra GMT (the holding company that takes an active role in managing Sopra Steria Group and Axway Software). See Chapter 6, Section 2 of this report (page 229).*

## ÉRIC HAYAT

**Vice-Chairman of the Board of Directors**

Number of shares in the Company owned personally: **36,745**

- Member of the Compensation Committee
- Member of the Nomination, Ethics and Governance Committee

**Business address:**
Sopra Steria Group – 9 bis, rue de Presbourg
75116 Paris – France

**Nationality:** French **Age:** 77

**Date of first appointment:** 27/06/2014

**Date term of office began:** 03/09/2014 (1)

**Date term of office ends:** General Meeting to approve the financial statements for the year ended 31/12/2017

| Main positions and appointments currently held | Listed company |
|---|---|
| ■ President of Éric Hayat Conseil | |
| ■ Chairman of the public interest group Modernisation des Déclarations Sociales (MDS GIP) | |
| **Other directorships and offices held during the last 5 years** | |
| ■ Director of Rexecode | |
| ■ Member of the Supervisory Board and then Chairman of the Board of Directors of Groupe Steria SA | ✔ |

## ASTRID ANCIAUX

**Director**

Number of shares in the Company owned personally: **1,083**

**Business address:**
Sopra Steria Benelux, Le Triomphe, avenue Arnaud Fraiteur 15/23
1050 Brussels, Belgium

**Nationality:** Belgian **Age:** 53

**Date of first appointment:** 27/06/2014

**Date term of office began:** 03/09/2014 (1)

**Date term of office ends:** General Meeting to approve the financial statements for the year ended 31/12/2017

| Main positions and appointments currently held | Listed company |
|---|---|
| ■ Chief Finance Officer of Sopra Steria Benelux | |
| ■ Director or company officer of subsidiaries (direct and indirect) of Sopra Steria Group | |
| ■ Chairman of the Supervisory Board of the Steriactions company mutual fund (FCPE) | |
| ■ Director of Soderi | |
| **Other directorships and offices held during the last 5 years** | |
| ■ Not applicable | |

*(1) Date of satisfaction of the condition precedent for appointment by the General Meeting of Shareholders, contingent upon the success of the public exchange offer made by Sopra Group.*

## KATHLEEN CLARK BRACCO

**Sopra GMT permanent representative**

**Chairman of the Nomination, Ethics and Governance Committee**

Number of shares in the Company held by Sopra GMT: **4,034,409**

- Member of the Compensation Committee

**Business address:**
Sopra Steria Group – 9 bis, rue de Presbourg
75116 Paris – France

**Nationality:** American **Age:** 50

**Date of first appointment:** 27/06/2014

**Date term of office began:** 27/06/2014

**Date term of office ends:** General Meeting to approve the financial statements for the year ended 31/12/2017

| Main positions and appointments currently held by Kathleen Clark Bracco | Listed company |
|---|---|
| ■ Director of Corporate Development of Sopra Steria Group | ✔ |
| ■ Vice-Chairman of the Board of Directors of Axway Software | ✔ |
| ■ Director with responsibility for Sopra GMT | |
| ■ Director or permanent representative of Sopra GMT at subsidiaries (direct and indirect) of Sopra Steria Group | |
| **Other directorships and offices held during the last 5 years** | |
| ■ Director of Sopra Group – (19/06/2012 – 15/07/2014) | ✔ |

## EMMA FERNÁNDEZ

**Independent Director**

Number of shares in the Company owned personally: **100**

**Business address:**
Sopra Steria Group – 9 bis, rue de Presbourg
75116 Paris – France

**Nationality:** Spanish **Age:** 54

**Date of cooption:** 19/01/2017
**Date term of office began:** 19/01/2017
**Date term of office ends:** General Meeting to approve the financial statements for the year ended 31/12/2017

| Main positions and appointments currently held | Listed company |
|---|---|
| Director of Axway Software | ✔ |
| Direcotr of ASTI Mobile Robotics S.A | |
| Director of Ezentis | ✔ |
| Managing Partner, Kleinrock Advisors | |
| **Other directorships and offices held during the last 5 years** | |
| Senior Executive Vice President of Indra | |
| Member of the Executive Committee of Spain's Chamber of Commerce | |
| Member of the Executive Committee of Elcano Royal Institute | |

## GÉRARD JEAN

**Independent Director**

Number of shares in the Company owned personally: **1**

- Chairman of the Compensation Committee
- Member of the Nomination, Ethics and Governance Committee

**Business address:**
Sopra Steria Group – 9 bis, rue de Presbourg
75116 Paris – France

**Nationality:** French **Age:** 70

**Date of first appointment:** 30/06/2003
**Date term of office began:** 19/06/2012
**Date term of office ends:** General Meeting to approve the financial statements for the year ended 31/12/2017

| Main positions and appointments currently held | Listed company |
|---|---|
| Chairman of Altime Associates SAS | |
| Member of the Supervisory Board of Kowee SA | |
| **Other directorships and offices held during the last 5 years** | |
| Not applicable | |

## JEAN MOUNET

**Director**

Number of shares in the Company owned personally: **4,620**

**Business address:**
Sopra Steria Group – 9 bis, rue de Presbourg
75116 Paris – France

**Nationality:** French **Age:** 73

**Date of first appointment:** 19/06/2012
**Date term of office began:** 19/06/2012
**Date term of office ends:** General Meeting to approve the financial statements for the year ended 31/12/2017

| Main positions and appointments currently held | Listed company |
|---|---|
| Chairman of Trigone SAS | |
| Director of Econocom Group | ✔ |
| Company officer of direct and indirect subsidiaries of Sopra Steria Group | |
| Director of Fondation Télécom | |
| Chairman of the Statutory Committee of Syntec Numérique | |
| Chairman of the CPE Lyon-Monde Nouveau endowment fund | |
| Director of ESCPE | |
| **Other directorships and offices held during the last 5 years** | |
| Director of AS2M (Malakoff Médéric) | |
| Member of the Supervisory Board of CXP Groupe | |

## ÉRIC PASQUIER
**Director**

Number of shares in the Company owned personally: **503** [(1)]

**Business address:**
Sopra Banking Software – 9 bis, rue de Presbourg
75116 Paris – France

**Nationality:** French **Age:** 47

**Date of first appointment:** 27/06/2014
**Date term of office began:** 27/06/2014
**Date term of office ends:** General Meeting to approve the financial statements for the year ended 31/12/2017

| Main positions and appointments currently held | Listed company |
|---|---|
| ■ Chief Executive Officer of Sopra Banking Software | |
| ■ Managing Director and member of the Board of Directors of Sopra GMT | |
| ■ Director or company officer of subsidiaries (direct and indirect) of Sopra Steria Group | |
| **Other directorships and offices held during the last 5 years** | |
| ■ Not applicable | |

*(1) The Pasquier family estate holds 68.44% of the share capital of Sopra GMT (the holding company that takes an active role in managing Sopra Steria Group and Axway Software). Shares held directly or indirectly through Sopra GMT by the Chairman in a personal capacity or by the Chairman's family estate make up more than 10% of the Company's share capital. See Chapter 6, Section 2 ("Share ownership structure"), on page 229 of this document.*

## AURÉLIE PEUAUD
**Director representing the employees**

Number of shares in the Company owned personally: **45**

**Business address:**
Sopra Steria Group, ZAC Les Ailes de l'Europe, 37 chemin des Ramassiers
31770 Colomiers Cedex, France

**Nationality:** French **Age:** 36

**Date of first appointment:** 27/08/2015
**Date term of office began:** 27/08/2015
**Date term of office ends:** General Meeting to approve the financial statements for the year ended 31/12/2017

| Main positions and appointments currently held | Listed company |
|---|---|
| ■ Process Engineer, Project Owner Services, Sopra Steria Group | |
| **Other directorships and offices held during the last 5 years** | |
| ■ Not applicable | |

## JEAN-LUC PLACET
**Independent Director**

Number of shares in the Company owned personally: **100**

- Member of the Compensation Committee
- Member of the Nomination, Ethics and Governance Committee

**Business address:**
PwC, 63 rue de Villiers
92208 Neuilly sur Seine, France

**Nationality:** French **Age:** 66

**Date of first appointment:** 19/06/2012
**Date term of office began:** 19/06/2012
**Date term of office ends:** General Meeting to approve the financial statements for the year ended 31/12/2017

| Main positions and appointments currently held | Listed company |
|---|---|
| ■ PwC Partner | |
| ■ Chairman of IDRH SA | |
| ■ Chairman of EPIDE | |
| **Other directorships and offices held during the last 5 years** | |
| ■ Member of the Statutory Committee of MEDEF | |
| ■ Member of the Conseil Économique, Social et Environnemental | |
| ■ Chairman of Fédération Syntec | |

## JEAN-BERNARD RAMPINI

**Director**

Number of shares in the Company owned personally: **4,849**

**Business address:**
Sopra Steria Group – 9 bis, rue de Presbourg
75116 Paris – France

**Nationality:** French

**Age:** 61

**Date of first appointment:** 27/06/2014

**Date term of office began:** 03/09/2014 (1)

**Date term of office ends:** General Meeting to approve the financial statements for the year ended 31/12/2017

| Main positions and appointments currently held | Listed company |
|---|---|
| ■ Director of Offers and Innovation, Sopra Steria Group | |
| ■ Chairman of the Board of Directors of Soderi | |
| ■ Founder and Director of Fondation Sopra Steria Group - Institut de France | |
| **Other directorships and offices held during the last 5 years** | |
| ■ Not applicable | |

*(1) Date of satisfaction of the condition precedent for appointment by the General Meeting of Shareholders, contingent upon the success of the public exchange offer made by Sopra Group for Groupe Steria.*

## SYLVIE RÉMOND

**Independent Director**

Number of shares in the Company owned personally: **2**

**Business address:**
Société Générale
75886 Paris Cedex 18 – France

**Nationality:** French

**Age:** 54

**Date of cooption:** 17/03/2015

**Date term of office ends:** General Meeting to approve the financial statements for the year ended 31/12/2017

| Main positions and appointments currently held | Listed company |
|---|---|
| ■ Co-Head of Coverage and Investment Banking at Société Générale Corporate & Investment Banking | |
| ■ Director, SGBT Luxembourg (Société Générale group) | |
| ■ Director of Rosbank, Russia (Société Générale group) | ✔ |
| ■ Director of KB Financial Group Czech Republic (Société Générale group) | |
| ■ Director of ALD Automotive (Société Générale group) | ✔ |
| **Other directorships and offices held during the last 5 years** | |
| ■ Director of Oseo Banque | |

## MARIE-HÉLÈNE RIGAL-DROGERYS

**Independent Director**

Number of shares in the Company owned personally: **100**

■ Member of the Audit Committee

**Business address:**
École Normale Supérieure de Lyon, 15, parvis René Descartes
BP 7000, 69342 Lyon Cedex 07, France

**Nationality:** French

**Age:** 48

**Date of first appointment:** 27/06/2014

**Date term of office began:** 27/06/2014

**Date term of office ends:** General Meeting to approve the financial statements for the year ended 31/12/2017

| Main positions and appointments currently held | Listed company |
|---|---|
| ■ Advisor to the President on Campus Policy, École Normale Supérieure de Lyon | |
| ■ Expert member of the Advisory Board, Institut Mines-Télécom (IMT) Albi-Carmaux | |
| **Other directorships and offices held during the last 5 years** | |
| ■ Consultant and Partner, ASK Partners | |

## GUSTAVO ROLDAN DE BELMIRA

**Director representing the employees**

Number of shares in the Company owned personally: **None**

- Member of the Compensation Committee

**Business address:**
Sopra Steria Group – 9 bis, rue de Presbourg
75116 Paris – France

**Nationality:** French and Colombian **Age:** 60

**Date of first appointment:** 27/08/2015
**Date term of office began:** 27/08/2015
**Date term of office ends:** General Meeting to approve the financial statements for the year ended 31/12/2017

| Main positions and appointments currently held | Listed company |
|---|---|
| ■ Branch Chief Technical Officer of Sopra Steria Group | |
| **Other directorships and offices held during the last 5 years** | |
| ■ Not applicable | |

## HERVÉ SAINT-SAUVEUR

**Independent Director**

Number of shares in the Company owned personally: **100**

- Chairman of the Audit Committee

**Business address:**
Sopra Steria Group – 9 bis, rue de Presbourg
75116 Paris – France

**Nationality:** French **Age:** 74

**Date of first appointment:** 30/06/2003
**Date term of office began:** 19/06/2012
**Date term of office ends:** General Meeting to approve the financial statements for the year ended 31/12/2017

| Main positions and appointments currently held | Listed company |
|---|---|
| ■ Director of Axway Software | ✔ |
| **Other directorships and offices held during the last 5 years** | |
| ■ Director of LCH Clearnet | |
| ■ Director of Comexposium | |
| ■ Director of Viparis Holding | |
| ■ Elected member of the Paris Chamber of Commerce and Industry | |

## JEAN-FRANÇOIS SAMMARCELLI
**Independent Director**

Number of shares in the Company owned personally: **100**

**Business address:**
Sopra Steria Group – 9 bis, rue de Presbourg
75116 Paris – France

**Nationality:** French **Age:** 67

**Date of cooption:** 15/04/2010
**Date term of office began:** 19/06/2012
**Date term of office ends:** General Meeting to approve the financial statements for the year ended 31/12/2017

| Main positions and appointments currently held | Listed company |
|---|---|
| ▪ Chairman of the Supervisory Board, NextStage | ✔ |
| ▪ Director of RiverBank, Luxembourg | |
| ▪ Director of Crédit du Nord | |
| ▪ Director of Boursorama | |
| ▪ Director of Sogeprom | |
| ▪ Member of the Supervisory Board of Société Générale Marocaine de Banques | |
| ▪ Director of Société Générale Monaco | |
| ▪ Non-Voting Director of Ortec Expansion | |
| **Other directorships and offices held during the last 5 years** | |
| ▪ Advisor to the Chairman of Société Générale | |
| ▪ Chairman of the Board of Directors of Crédit du Nord | |
| ▪ Director of Banque Tarneaud | |
| ▪ Director of Amundi Group | |
| ▪ Permanent representative of SG FSH on the Board of Directors of Franfinance | |

## JESSICA SCALE
**Independent Director**

Number of shares in the Company owned personally: **10**

**Business address:**
Sopra Steria Group – 9 bis, rue de Presbourg
75116 Paris – France

**Nationality:** French and British **Age:** 55

**Date of first appointment:** 22/06/2016
**Date term of office began:** 22/06/2016
**Date term of office ends:** General Meeting to approve the financial statements for the year ended 31/12/2017

| Main positions and appointments currently held | Listed company |
|---|---|
| ▪ Chairman of Digitfit | |
| ▪ Independent consultant specialising in the challenges posed by the digital transformation | |
| **Other directorships and offices held during the last 5 years** | |
| ▪ Not applicable | |

## SOLFRID SKILBRIGT
**Director**

Number of shares in the Company owned personally: **948**

**Business address:**
Sopra Steria Group, Biskop Gunnerus' Gate 14A
0185 Oslo, Norway

**Nationality:** Norwegian **Age:** 59

**Date of cooption:** 21/04/2015
**Date term of office ends:** General Meeting to approve the financial statements for the year ended 31/12/2017

| Main positions and appointments currently held | Listed company |
|---|---|
| ▪ Director of HR & Strategy, Sopra Steria Group Scandinavia | |
| ▪ Director of Soderi | |
| ▪ Director of the French-Norwegian Chamber of Commerce | |
| **Other directorships and offices held during the last 5 years** | |
| ▪ Not applicable | |

**CHRISTIAN BRET**
**Non-Voting Director**

Number of shares in the Company owned personally: **10**

- Member of the Compensation Committee
- Member of the Nomination, Ethics and Governance Committee

**Business address:**
Sopra Steria Group – 9 bis, rue de Presbourg
75116 Paris – France

**Nationality:** French **Age:** 77

**Date of first appointment:** 19/06/2012
**Date term of office began:** 13/06/2017
**Term of office ends:** General Meeting to approve the financial statements for the year ended 31/12/2017

| Main positions and appointments currently held | Listed company |
|---|---|
| Director of Altran Technologies | ✔ |
| **Other directorships and offices held during the last 5 years** | |
| Director of Sopra Steria Group | ✔ |
| Director of Econocom Group | ✔ |
| Director of Digital Dimension | |

Owing to their professional experience as well as activities pursued outside the Company, the members of the Board of Directors have all acquired expertise in the area of management and some of them also have gained expertise in the Company's industry sector.

In addition, to the best of the Company's knowledge, none has:

- any conflict of interest affecting the exercise of his or her duties and responsibilities;
- any familial relationship with another member of the Board of Directors, with the exception of Éric Pasquier, who is related to Pierre Pasquier;
- any conviction during the last five years in relation to fraudulent offences;
- been incriminated and/or been the focus of an official public sanction issued by statutory or regulatory authorities, nor barred by a court from serving as a member a supervisory board, board of directors or other management body of an issuer or from taking part in the management or conduct of an issuer's business affairs at any point during the past five years;
- been involved in any bankruptcy proceedings or been subject to property sequestration during the last five years as a member of a board of directors, a management body or a supervisory board.

Furthermore, there are no service agreements binding the members of governing and management bodies to the issuer or to any one of its subsidiaries that provide benefits upon the termination of such agreements.

## 1.2. Preparation and organisation of the work of the Board of Directors

### 1.2.1. REGULATORY FRAMEWORK GOVERNING THE BOARD OF DIRECTORS, ITS ORGANISATION AND ITS WORKING PROCEDURES

The organisation and working procedures of the Board of Directors are governed by law, the Company's Articles of Association and the Board's own internal rules. Each of the permanent Board Committees has adopted its own charter approved by the Board of Directors setting forth how it should operate.

#### a. Legal provisions

The working procedures of the Board of Directors are governed by Articles L. 225-17 et seq. of the French Commercial Code. The principal mission of the Board of Directors is to determine the strategic directions to be followed by the Company and to oversee their implementation.

#### b. Provisions in the Articles of Association

The rules governing the organisation and procedures of the Board of Directors are set forth in Articles 14 to 18 of the Articles of Association, as discussed in Chapter 7, "Additional information", of this document (pages 240 and 241). The Articles of Association are also available on the Group's website ("Investors" section).

By way of exception to the guidelines of the AFEP-MEDEF Code, the term of office of Directors under the Articles of Association remains six years. The provisions of the Articles of Association setting the term of office of Directors to a maximum of six years, but permitting appointments for shorter periods so that the terms of office of specific Directors may end on the same date where appropriate, were approved by an 85.8% majority of the shareholders at the Combined General Meeting of 27 June 2014. The staggered renewal of terms of office would be aimed at striking the balance between change and continuity in the representation of shareholders and is the subject of a resolution submitted for approval at the General Meeting of 12 June 2018. The maximum term length of six years allows for the re-appointment of one-third of Board members every two years and thus meets the Company's current requirements.

#### c. Internal rules and regulations of the Board of Directors

The Board of Directors' internal rules were last amended on 12 April 2017 to reflect new corporate governance recommendations, provide additional guidelines and include the code of ethics for Board members, which had previously been issued as a separate document.

They define the roles of the Board of Directors, its Chairman and the Chief Executive Officer, and specify the conditions for the exercise of their prerogatives. They also provide that prior approval by the Board of Directors is required for certain decisions "that are highly strategic in nature or that are likely to have a significant impact on the financial position or commitments of the Company or any of its subsidiaries". This point is discussed in Chapter 7, "Additional information", of this document, on page 242. The internal rules and regulations are also available on the Group's website (Investors section).

They also set out the number, purpose and composition of the committees tasked with preparing certain matters for the Board of

Directors, and give specific provisions for its three standing committees, namely:

- the Audit Committee;
- the Compensation Committee;
- the Nomination, Ethics and Governance Committee

The internal rules and regulations provide that the Board of Directors may create one or more "ad hoc" Committees and that those Committees may, in the performance of their respective duties and after having duly informed the Chairman, hear matters brought to them by the Group's managers and use the services of external experts at the Company's expense.

The internal rules and regulations also address the following issues: summary of powers under applicable law and the Articles of Association, meetings, information received by the Board of Directors, training of members, evaluation of the Board, travel expenses, directors' fees, confidentiality, non-voting members, works council representative, discretionary and other ethical obligations, in particular regarding conflicts of interest or stock exchange transactions.

## 1.2.2. MEETINGS OF THE BOARD OF DIRECTORS

### a. Number of meetings held during the financial year and attendance of directors

In accordance with its internal rules and regulations, the Board of Directors is required to meet at least five times each year. An annual schedule is drawn up detailing the work of the Board. This schedule may be changed where justified by special events or deals.

In accepting their appointments as Directors, all Board members agree to devote the time and attention necessary to fulfil their duties. Directors are required to be present at every meeting of the Board as well as those of its committees on which they serve, unless they are unable to attend due to an emergency situation or other legitimate reason.

All Board members also agree to resign from their positions should they feel they are no longer able to fully assume their responsibilities. They must inform the Chairman of the Board of Directors of any change in their professional situation that might affect their availability.

The Board of Directors met seven times in 2017. In 2017, the average attendance rate at Board meetings for Directors and the Non-Voting Director was 97%. No Director was absent from more than one Board meeting. The lowest individual attendance rate was therefore 86%. Sixteen of the Board members had an attendance rate of 100%.

In 2017, in contrast with 2016 and as a departure from the recommendations of the AFEP-MEDEF Code, no meetings of the Board of Directors were held in the absence of Vincent Paris, Chief Executive Officer. However, it is worth noting that the latter is not a Director and does not take part in the Board's discussions relating to the evaluation of his performance or the determination of his compensation.

### b. Issues discussed

The Board of Directors was kept regularly informed of the activities of the three permanent committees through reports by their respective chairmen on the work performed between each meeting of the Board of Directors.

The main items of business in 2017 were:

- approval of the financial statements for the year ended 31 December 2016;
- 2017 budget and major strategies;
- quarterly performance;
- approval of management forecasts and corresponding reports;
- approval of the interim financial statements for the first half of 2017;
- continuation of previously authorised agreements;
- preparation of the Combined General Meeting of 13 June 2017;
- approval of the Report of the Chairman of the Board on corporate governance, internal control and risk management;
- end of the term of office of a Statutory Auditor;
- review of the recommendations of the Compensation Committee, in particular those relating to the compensation of company officers;
- Group strategy;
- review of the works council's opinion on the Group's strategic directions;
- external growth transactions;
- various transactions relating to the Group's legal structure;
- decision to make an additional group incentive payment in respect of 2016;
- introduction of an employee share ownership plan;
- introduction of a long-term incentive plan providing for awards of performance shares;
- composition and functioning of the Board of Directors;
- qualification of Independent Directors;
- Company policy on workplace and pay equality;
- authorisation to guarantee commitments by subsidiaries controlled by the Group;
- delegation to the Chief Executive Officer of the authorisation received at the General Meeting of Shareholders to repurchase the Company's shares;
- formal record of the level of the share capital at 31 December 2016;
- the functioning of the Board of Directors and the revision of its internal rules.

## 1.2.3. COMMITTEES OF THE BOARD OF DIRECTORS

### a. Audit Committee

The Audit Committee is governed by the Board of Directors' internal rules and regulations and by a charter that is reviewed at least once every two years by the Committee and approved by the Board of Directors. Its current members are:

- Hervé Saint-Sauveur, Chairman (Independent Director);
- François Odin;
- Marie-Hélène Rigal-Drogerys (Independent Director).

This composition provides the blend of financial and accounting expertise and knowledge of the business that are necessary for the Committee's work. This Committee meets at least four times a year. At least two of these meetings are convened to review the interim and annual financial statements, respectively.

The Committee does not have its own decision-making power. It submits its findings and recommendations to the Board of Directors in support of the latter's decisions in the areas of risk management and internal control, financial reporting and policy, internal auditing and external audits.

In the performance of its duties, the Committee may:

- receive any internal documentation necessary for its purposes;
- hear any person affiliated with or external to the Company;
- where applicable, make use of independent experts for assistance;
- expedite an internal audit with the consent of the Chairman of the Board of Directors.

The Audit Committee Charter gives a precise definition of the Committee's remit and explicitly states the principal matters excluded from that remit. The Committee's main responsibilities include:

- reviewing the financial statements, especially in order to:
  - provide a judgment on risk exposure,
  - verify that the procedures for gathering and checking information guarantee its reliability,
  - ensure that accounting policies have been applied consistently and are pertinent;
- reviewing financial policy;
- monitoring the effectiveness of internal control and risk management procedures, particularly as regards the work of the internal audit team;
- managing the statutory audit of the financial statements by the Statutory Auditors;
- ensuring compliance with requirements for the independence of the Statutory Auditors.

The Committee met in person seven times in 2017. Meetings were attended by the Statutory Auditors, the Chief Financial Officer and the Director of Internal Audit. The attendance rate for Committee members was 100%. In order for the Audit Committee to obtain any and all desired clarifications, its meeting on the annual financial statements is held at least twenty-four hours before that of the Board of Directors. Prior to that, two preparatory sessions are held to address issues of methodology or specific points on the preparation and presentation of the financial statements.

The main items of business in 2017 were as follows:

- *with regard to the review of the financial statements and financial policy:*
  - sign-off on cash-generating units and the presentation of segment reporting,
  - 2016 impairment tests,
  - approval of the financial statements for the year ended 31 December 2016,
  - presentation by the Statutory Auditors of key takeaways from statutory audit findings and preferred accounting treatments,
  - review of the financial statements for the first half of 2017,
  - off balance sheet commitments and guarantees issued under the delegation of powers from the Board of Directors,
  - preparing the implementation of IFRS 9, 15 and 16,
  - management of pension funds in the United Kingdom,
  - joint ventures with public-sector entities in the United Kingdom,
  - cash management of certain subsidiaries,
  - review of a selection of management indicators;
- *with regard to monitoring the effectiveness of internal control and risk management procedures:*
  - measures implemented and planned as part of the process to improve internal control,
  - organisation and 2017 work plan for internal audit,
  - risk mapping and "audit universe" (classification of key Group processes),
  - verification of the completeness of audit coverage across the Group by the Internal Audit team,
  - periodic review of the internal audit charter,
  - follow-up on implementation of internal and external audit recommendations,
  - significant changes in the Company's legal environment,
  - implementation of subsidiary self-assessments,
  - work on the simplification of the Group's legal structure,
  - review of the draft report of the Chairman of the Board of Directors on internal control and risk management procedures, in preparation for the Board's discussions on these issues,
  - a presentation by the Executive Committee member in charge of the Industrial Department, whose purview includes the quality management system and production security;
- *with regard to the management of the statutory audit:*
  - statutory audit engagement (scope, work schedule, fees for the past year, budget),
  - consequences of the EU audit reform for the Statutory Auditors' audit procedures and reporting,
  - prior authorisation for services other than the certification of the accounts,
  - Board of Directors recommendation to reappoint Mazars as joint Statutory Auditor;
- *with regard to the Committee's own organisation and activities:*
  - Committee self-assessment.

The Statutory Auditors were heard by the Committee with no senior executives attending. The same was true of the Director of Internal Audit.

When requests by the Audit Committee cannot be satisfied immediately, they are subject to a formal follow-up procedure in order to ensure that they are addressed in full at the various meetings scheduled throughout the year. Fourteen specific requests were monitored using this approach in 2017 and were added to the meeting agendas established on the basis of the Committee's annual work plan.

The Audit Committee requested the addition of an engagement to the internal audit plan for 2017.

Lastly, the Audit Committee was kept informed of technology advances being monitored by the Group at an informal meeting of its members held at its request and not scheduled as part of its annual work plan.

### b. Compensation Committee

The Compensation Committee is governed by the Board of Directors' internal rules and regulations and by a charter approved by the Board of Directors. Its current members are:

- Gérard Jean, Chairman (Independent Director);
- Kathleen Clark Bracco, permanent representative of Sopra GMT;
- Éric Hayat;
- Jean-Luc Placet (Independent Director);
- Gustavo Roldan de Belmira (Director representing the employees);
- Christian Bret, Non-Voting Director.

Christian Bret's resignation as Director effective 19 January 2017 might be considered as entailing a departure from the recommendations of the AFEP-MEDEF Code, which states that independent Directors should make up the majority of the Committee's members (excluding Directors representing employees in this determination).

However, this is only an apparent departure. Christian Bret, now serving as a Non-Voting Director, is a full member of the Compensation Committee and meets all of the criteria set forth in the AFEP-MEDEF Code to be deemed independent.

The Committee's main responsibilities are as follows:

- submitting its recommendations to the Board of Directors on the principles and guidelines used to determine, structure and grant the fixed, variable and exceptional components of the total compensation and benefits of any kind received by the company officers;

- verifying the application of rules determined for the calculation of variable components of compensation;
- verifying the quality of the information communicated to shareholders concerning compensation, benefits in kind, options, and directors' fees received by executive company officers;
- where applicable, offering recommendations to Executive Management on the compensation of the company's principal executives;
- preparing the Board of Directors' decisions regarding directors' fees and their apportionment;
- obtaining an understanding of pay policy and ensuring that this policy is in line with the Company's interests and enables it to reach its objectives;
- preparing the policy for granting share subscription or purchase options and awarding performance shares;
- preparing decisions related to employee savings plans.

The Committee hears the executive company officers at the start of each of its meetings and on each item of business as necessary.

The Committee met four times in 2017. The member attendance rate was 96%. Items of business included:

- fixed compensation, benefits in kind to be paid to company officers and their variable compensation: criteria, objectives and recommendations based on performance;
- developing employee share ownership;
- an additional group incentive payment in respect of financial year 2016;
- long-term incentive plans providing for awards of performance shares;
- review of the draft Registration Document for 2016;
- apportionment of directors' fees.

### c. Nomination, Ethics and Governance Committee

The Nomination, Ethics and Governance Committee is governed by the Board of Directors' internal rules and regulations and by a charter approved by the Board of Directors. Its current members are:

- Kathleen Clark Bracco, permanent representative of Sopra GMT, Chairman;
- Éric Hayat;
- Gérard Jean (Independent Director);
- Pierre Pasquier;
- Jean-Luc Placet (Independent Director);
- Christian Bret, Non-Voting Director.

The Chairman of the Board of Directors sits on the Nomination, Ethics and Governance Committee. The Committee hears the Chief Executive Officer on the items of business as necessary.

The tie-up between Sopra and Steria in 2014, followed by Christian Bret's resignation as Director effective 19 January 2017, entailed a departure from the recommendations of the AFEP-MEDEF Code, which states that independent Directors should make up the majority of the Committee's members.

Governance was a key aspect of the negotiations relating to the tie-up between Sopra and Steria. The balance between Directors representing Sopra GMT and Directors formerly from Steria (see §1.1.1 of this chapter, page 50) as well as the precise composition of Board committees were among the conditions of the merger. It was therefore agreed that Éric Hayat, the Group's Vice-Chairman who formerly served in this capacity at Groupe Steria SCA, would be appointed to the Nomination, Ethics and Governance Committee. The Committee's proposed membership was made public in advance and was approved by the shareholders.

With this appointment, the number of Directors deemed independent (3) was brought on an equal footing with that of the Directors representing the controlling shareholder (2), Sopra GMT, plus the Director (1) formerly from Steria.

Subsequently, Christian Bret, one of the Committee's independent Directors, recognising that it would be mathematically impossible to reach the required proportion of women Directors (40%) given the legal limit of 18 members, decided to resign in January 2017. However, he became a member of the Committee once again, following his appointment as Non-Voting Director by vote of the shareholders at the General Meeting of 13 June 2017. This is supported by the Board of Directors' internal rules, which stipulate that Non-Voting Directors may serve as full members of its committees. As indicated above, the Board of Directors is of the opinion that Christian Bret, Non-Voting Director, satisfies all the objective criteria set forth in the AFEP-MEDEF Code to be considered independent.

The Committee's main responsibilities are as follows:

- preparing appointments of members of the Board of Directors and executive company officers;
- carrying out the annual review of the plan for unforeseen departures by the Chairman of the Board of Directors and the Chief Executive Officer;
- evaluating the Board of Directors and the effectiveness of corporate governance;
- verifying that good governance rules are applied at the Company and its subsidiaries;
- assessing whether Board members may be deemed independent in view of deliberations by the Board of Directors on this subject;
- proposing and managing changes it deems beneficial or necessary to the procedures or composition of the Board of Directors;
- verifying that the Group's values are observed and promoted by its company officers, executives and employees;
- checking that there are rules of conduct which address competition and ethics;
- assessing Company policy on Corporate Responsibility.

The Committee met five times in 2017, with a member attendance rate of 97%. Items of business included:

- effectiveness of governance and annual review of the plan for unforeseen departures by the Chairman of the Board of Directors and the Chief Executive Officers;
- selection of candidates for directorships;
- assessment of the Board of Directors and its operations;
- verification of Company compliance with the AFEP-MEDEF Code;
- qualification of Independent Directors;
- review of the Chairman's report on corporate governance and Board operations;
- Company policy on workplace and pay equality;
- review of the draft of the Corporate Responsibility Report;
- meeting with the Group's Director of Sustainable Development and Corporate Responsibility;
- the functioning of the Board of Directors and the revision of its internal rules.

### 1.2.4. ORGANISATION AND ASSESSMENT OF THE BOARD OF DIRECTORS

#### a. Access to information by members of the Board of Directors

**Dissemination of information – preparatory materials**

***Article 4 of the internal rules and regulations states that:***

- *"each member of the Board shall receive all information required in the performance of his or her mission and is authorised to request any documents deemed pertinent;*
- *in advance of each meeting of the Board, a set of preparatory materials shall be addressed to members presenting the items on the agenda requiring special analysis and preliminary reflection, provided that confidentiality guidelines allow the communication of this information;*
- *the members of the Board shall also receive, in the intervals between meetings, all pertinent and critical information concerning significant events or operations. This information shall include copies of all press releases disseminated by the Company".*

The members of the Board of Directors receive a monthly summary report on Sopra Steria Group's share performance. This report describes and analyses developments in the share price and trading volumes, putting them into perspective by highlighting main trends in macroeconomic data and financial markets.

Board members receive all press releases intended for investors and are invited to the presentations of the Company's full-year and half-year results.

**Additional information at meetings**

The Chief Executive Officer and the Chief Financial Officer are invited to Board meetings, subject to certain exceptions. Thanks to their participation, additional information that may be useful to discussions is made available. They do not take part in the consideration of matters that involve the Chief Executive Officer.

Depending on the items of business before a given Board meeting, other operational heads or outside consultants may be invited to attend. This is the case, in particular, for strategic presentations and discussions of external growth transactions.

***Training***

Article 5 of the internal rules and regulations states that "any member of the Board may, on the occasion of his or her appointment or at any point during his or her term in office, engage in training sessions he or she feels are required by the performance of his or her duties".

Following the appointment of the Directors representing the employees, a specific training plan was implemented to orientate new Directors. The content and format of this orientation training was approved by the Board of Directors after consultation with the individuals concerned and with the Nomination, Ethics and Governance Committee.

#### b. Preventing conflicts of interest

Members of the Board of Directors must inform the Board of any current or potential conflicts of interest in which they could be directly or indirectly involved.

Any member of the Board of Directors in a situation of conflict of interest, even potentially, may not participate in the vote on the corresponding issue. He or she may be invited by the Chairman to not participate in deliberations.

During the 2017 financial year, several Board members occasionally abstained from participating in discussions and/or votes on certain issues.

#### c. Assessment of the Board of Directors and its committees

In accordance with the recommendations of the AFEP-MEDEF Code in this area:

- each year, at least one discussion by the Board of Directors is devoted to its operating procedures and ways in which they might be improved;
- in addition, the Board of Directors carried out a formal assessment of its operations in 2016, led by the Nomination, Ethics and Governance Committee. The previous board evaluation took place in 2013.

The Nomination, Ethics and Governance Committee proposed that the Board of Directors proceed with a self-assessment on the basis of a questionnaire whose responses would be collected anonymously. To this end, the Committee drew up a draft questionnaire containing 27 items divided into four sections:

- members of the Board of Directors;
- information provided to directors;
- meeting procedures and content;
- relations between the Board of Directors and its committees.

In particular, the aims of this questionnaire were to:

- evaluate to what extent the composition of the Board of Directors actually represents all shareholders and allows it to fulfil its role and responsibilities efficiently. The questionnaire also focused on the directors' contributions to meetings and their level of commitment, their understanding of the Company's business activities, and the manner in which they update and refresh their skills and knowledge;
- ascertain the quality of the information made available to Board members and their level of satisfaction with the responses provided to their questions and the handling of their requests;
- identify potential opportunities for improvements relating to the work procedures and encompassing all aspects, from the annual work schedule to the minutes of meetings;
- evaluate the preparation of discussions by the Board's committees and the contribution of their work to the quality of exchanges at Board meetings.

Following the Board's approval of the questionnaire and the analysis of individual responses, an overview of its findings was first examined by the Nomination, Ethics and Governance Committee and then discussed by the Board at its meeting of 20 April 2016.

This self-assessment procedure revealed a need, which has since been met by the participation of Board members in the annual launch seminar along with all the Group's senior managers and by holding a meeting for them with the Executive Committee members. The procedure also resulted in the communication of specific requests regarding the annual work schedule and the availability of preparatory materials.

The Board's permanent committees also carry out their own procedural reviews on a regular basis, separate from those of the Board, and update their charters at least once every two years.

Each year, the Audit Committee conducts its own self-assessment using a questionnaire that covers its composition and its working procedures, the way in which its work is organised and its ability to fulfil its responsibilities. The Committee compares its procedures with the best practices established by similar bodies in other companies. It also examines developments in the regulatory environment and adapts its own working procedures in consequence. For example, in 2016 the Committee decided to revise its annual work plan in line with the EU audit reform. This adjusted work plan was introduced in 2017.

### 1.2.5. COMPENSATION OF THE BOARD OF DIRECTORS (AFEP-MEDEF CODE OF CORPORATE GOVERNANCE FOR LISTED COMPANIES, NOVEMBER 2016)

#### STATEMENT OF DIRECTORS' FEES AND OTHER COMPENSATION RECEIVED BY NON-EXECUTIVE COMPANY OFFICERS

| *(amounts rounded to the nearest euro)* | 2017 | 2016 |
|---|---|---|
| **Astrid Anciaux** | | |
| Directors' fees | €16,852 | €17,945 |
| Other compensation | - | - |
| **Christian Bret,** Non-Voting Director | | |
| Directors' fees | €25,349 | €24,996 |
| Other compensation | - | - |
| **Emma Fernández** (co-opted 19 January 2017) | | |
| Directors' fees | €12,037 | - |
| Other compensation | - | - |
| **Éric Hayat** | | |
| Directors' fees | €27,936 | €29,483 |
| Other compensation | - | - |
| **Gérard Jean** | | |
| Directors' fees | €32,936 | €37,176 |
| Other compensation | - | - |
| **Bernard Michel** (Non-Voting Director; term of office ended at the close of the General Meeting of 22 June 2016) | | |
| Directors' fees | - | €11,679 |
| Other compensation | - | - |
| **Jean Mounet** | | |
| Directors' fees | €16,852 | €9,969 |
| Other compensation | - | - |
| **François Odin** | | |
| Directors' fees | €41,852 | €41,022 |
| Other compensation | - | - |
| **Éric Pasquier** | | |
| Directors' fees | €16,852 | €17,945 |
| Other compensation | - | - |
| **Aurélie Peuaud** | | |
| Directors' fees | €14,444 | €17,945 |
| Other compensation | - | - |
| **Jean-Luc Placet** | | |
| Directors' fees | €27,936 | €29,483 |
| Other compensation | - | - |
| **Jean-Bernard Rampini** | | |
| Directors' fees | €16,852 | €17,945 |
| Other compensation | - | - |
| **Sylvie Rémond** | | |
| Directors' fees | €16,852 | €17,945 |
| Other compensation | - | - |
| **Marie-Hélène Rigal-Drogerys** | | |
| Directors' fees | €41,852 | €41,022 |
| Other compensation | - | - |
| **Gustavo Roldan de Belmira** | | |
| Directors' fees not collected (reversion) | €24,259 | €24,355 |
| Other compensation | - | - |

| *(amounts rounded to the nearest euro)* | 2017 | 2016 |
|---|---|---|
| **Hervé Saint-Sauveur** | | |
| Directors' fees | €64,444 | €64,099 |
| Other compensation | - | - |
| **Jean-François Sammarcelli** | | |
| Directors' fees | €16,852 | €15,951 |
| Other compensation | - | - |
| **Jessica Scale** (appointed by the General Meeting of 22 June 2016) | | |
| Directors' fees | €16,852 | €7,975 |
| Other compensation | - | - |
| **Solfrid Skilbrigt** | | |
| Directors' fees | €16,852 | €17,945 |
| Other compensation | - | - |
| **Sopra GMT** | | |
| Directors' fees | €31,612 | €33,329 |
| Other compensation | - | - |
| **TOTAL** | **€479,473** | **€478,209** |

The total amount of directors' fees to be allocated with respect to the 2017 financial year was €500,000 (eleventh resolution approved at the General Meeting of 13 June 2017). The directors' fees allocated to Pierre Pasquier with respect to 2017, totalling €20,527, are presented in Table 2 – "AFEP-MEDEF Code of corporate governance for listed companies, November 2016".

The internal rules of the Board of Directors stipulate that the total amount of directors' fees is fully allocated to members effectively taking part in the meetings of the Board and its committees (voting and non-voting members) solely in proportion to their attendance at those meetings, whether in person or by telephone, as follows:

- an amount equal to 65% of the total directors' fees being reserved and divided among members having attended Board meetings;
- an amount equal to 20% of the total directors' fees being reserved and divided among members having attended Audit Committee meetings, with each attendance by its Chairman counting double;
- an amount equal to 10% of the total directors' fees being reserved and divided among members having attended Compensation Committee meetings, with each attendance by its Chairman counting double;
- an amount equal to 5% of the total directors' fees being reserved and divided among the attendees of Nomination Committee meetings, with the committee chairman's attendance counting double.

It should also be noted that:

- the implementation of the tripartite framework agreement for assistance entered into between Sopra GMT, Sopra Steria Group and Axway Software in 2011 resulted in the invoicing to Sopra Steria Group by Sopra GMT for a net amount (i.e. after the invoicing of services by Sopra Steria Group to Sopra GMT) of €1,276,323 in respect of 2017. It should be noted that the costs rebilled by Sopra GMT mainly comprise the portion of payroll and related personnel costs allocated to the services performed by Sopra Steria Group and, where applicable, the external expenses incurred by Sopra GMT under the same conditions, which are rebilled on a cost-plus basis including a 7% margin (see the Statutory Auditors' special report on related-party agreements and commitments on pages 225 to 226);
- Trigone, a company controlled by Jean Mounet, invoiced commercial consulting services totalling €280,000 excluding VAT in 2017 under the terms of a contract signed in 2009;
- Éric Hayat Conseil, a company controlled by Éric Hayat, provided consulting services for business development in strategic operations, billed in the amount of €231,250 excluding VAT under an agreement that took effect on 18 March 2015.

# 2. Role and compensation of executive company officers

## 2.1. Roles of executive company officers

On 19 June 2012, Sopra's Board of Directors decided to separate the roles of Chairman and Chief Executive Officer.

This separation of roles emerged as the most appropriate organisational choice in light of the themes raised by the Group's growth and ongoing transformation. The Chairman is tasked with managing strategy, while the Chief Executive Officer is responsible for operations, but they and their teams work in close collaboration and maintain an ongoing dialogue.

Vincent Paris was named Chief Executive Officer on 17 March 2015. He does not hold any comparable positions outside the Group.

*The Chairman:*

- guides the implementation of the Group's strategy and all related matters, including mergers and acquisitions;
- oversees investor relations;
- assists Executive Management by contributing to certain operational assignments.

*The Chief Executive Officer:*

- works with the Chairman to design strategy;
- supervises the implementation of decisions adopted;
- ensures the operational management of all Group entities;
- leads the transformation and industrialisation process.

## 2.2. Succession plan for executive company officers

A succession plan for the executive company officers, namely the Chairman of the Board of Directors and the Chief Executive Officer, has been drawn up and was reviewed by the Nomination, Ethics and Governance Committee, which found it to be realistic, practicable and appropriate to the Company's circumstances. This plan is re-examined each year by the Committee.

## 2.3 Overview of the activities of the Chairman of the Board of Directors in 2017

The Chairman of the Board of Directors carried out activities on a full-time basis throughout the year, involving not only the direction of the work of the Board, but also certain assignments of an operational nature having a clearly defined scope.

This scope comprises the governance of strategy, acquisitions and investor relations as well as the supervision of several matters identified early in the year as strategic in coordination with the Chief Executive Officer. These strategic issues all relate to preparations for the long term necessitated in particular by the Group's transformation (transformation of HR, digital transformation, main principles for the organisation and functioning of the Group, employee share ownership, promotion of values and compliance).

In carrying out all of these assignments, the Chairman drew on resources across the Group but was also supported by a central team at the holding company Sopra GMT, in line with its leadership role, comprised of three highly experienced individuals. This team was established at the time of the Axway Software spin-off by way of the transfer to the holding company of senior managers having spent most of their working life within the Group and who are therefore fully familiar with all details of its operations. This team offers the benefit of its expertise for both Sopra Steria Group and Axway Software and, beyond the support provided separately to each of these companies, makes sure that synergies are being fully tapped and especially that best practices are being shared. The work performed by this team and the principle for the rebilling to either company of the costs incurred are the focus of a framework agreement for assistance approved by the shareholders at the General Meeting among regulated agreements and commitments and reviewed each year by the Board of Directors.

The various matters placed under the Chairman's responsibility require a perfect knowledge of operational realities and thus very close relations with the Chief Executive Officer and the Executive Committee. This involves the sharing of information and effective coordination for decisions to be taken with a view to the accomplishment of the medium-term strategic plan and the monitoring of the implementation of these decisions over time, although other urgent operational needs may arise as priorities.

The separation of the roles of Chairman and Chief Executive Officer is based on the definition of duties and responsibilities set out in the Board of Directors' internal rules, observance of the respective prerogatives of the Chairman and Chief Executive Officer, a relationship founded on trust built up over time, and a natural complementarity due to the differences in age and experience. Given the senior executives currently in place, this system of governance offers significant fluidity, simplifies the decision-making process and ensures considerable speed of execution, in order to best address Sopra Steria Group's strategic goals and challenges.

## 2.4. Principles and guidelines used to determine the compensation of executive company officers

While paying particular attention to the stability of the principles used to determine and structure compensation for executive company officers, the Board of Directors re-examines their compensation packages on an annual basis to verify their fit with the Group's requirements. The Board's discussions are preceded by a series of two or three preparatory meetings of the Compensation Committee between December and February.

During these meetings, the Compensation Committee considers the updated information it has received concerning the Group's pay policy. It receives the performance assessment for the past year and the objectives set for the Executive Committee members, as well as the updates to the annual component of their compensation under consideration. It also requests benchmarking studies to compare its practices with those of other companies in its sector. Lastly, as regards the Chief Executive Officer, it examines the recommendations of the Chairman of the Board of Directors. The Committee ensures that its own recommendations are consistent with all of the information it receives.

### 2.4.1. FINANCIAL YEAR 2017

At the General Meeting of 13 June 2017, the shareholders decided, acting on a proposal from the Board of Directors, to make a significant change in the principles used to determine and structure compensation for the Chairman of the Board of Directors and the Chief Executive Officer.

#### Compensation of the Chairman of the Board of Directors

The General Meeting of Shareholders approved a proposal to the General Meeting to suppress the variable component of compensation for the Chairman without altering the amount of his total compensation package. Under this proposal, the average amount of variable compensation paid since the last update of the fixed component in January 2011 was included within his fixed compensation, whose gross annual amount would thus be raised from €350,000 to €500,000 on a gross basis in respect of financial year 2017.

This decision by the Board of Directors aims in particular to bring the structure of compensation received by the Chairman of the Board of Directors in line with the AFEP-MEDEF Code, and specifically the provisions of its Article 24.2, while taking into account his role as well as his long-standing and ongoing commitment in service of the Company.

#### Compensation of the Chief Executive Officer

At the General Meeting, the shareholders approved the change in the compensation policy for the Chief Executive Officer decided by the Board of Directors.

This change involves a shift in the balance between the fixed and variable components of the Chief Executive Officer's compensation:

- the fixed annual component of the Chief Executive Officer's compensation was raised from €400,000 to €500,000, on a gross basis effective 1 January 2017.
- under this proposal, the Chief Executive Officer's variable compensation was raised from 40% to 60% of his annual fixed compensation should the objectives be met and its upper limit from 60% to 100% in the event of particularly outstanding performance.

This change was intended to tighten the link between performance during the year and total compensation and to encourage ambitious objectives be set without losing the motivation and loyalty effects of compensation.

The criteria for the granting of annual variable compensation were also revised in the interests of clarity and compliance with AFEP-MEDEF recommendations. Two-thirds of the amount (i.e. 40%, if the targets are fully met, of the annual fixed compensation) is now based on the quantitative target and one-third of the amount (i.e. 20%, if the targets are fully met, of the annual fixed compensation) is now based on one or more qualitative targets which, under the former system, only served to raise or lower the variable compensation effectively paid. The qualitative targets continue of course to be precisely defined, in line with the Group's strategy and/or the assessment of the Chief Executive Officer's performance.

For 2017, the quantifiable objective of operating profit on business activity and the four qualitative objectives in line with strategy were unanimously approved by the Board of Directors during its meeting of 24 February 2017, without the Chief Executive Officer being present. They have not been made public for confidentiality reasons. It should be noted that the qualitative objectives were set in line with the priorities adopted by the Group for financial year 2017, and in particular the objectives of moving toward higher value offerings and the transformation of the Group.

In addition, the Board of Directors continued its project with the aim of aligning the interests of the Chief Executive Officer with those of shareholders by granting him a conditional award of 3,000 performance shares as part of a new three-year plan. As was the case for the previous plan, 50% of the shares having vested at the conclusion of the plan will need to be held for his entire term of office.

The implementation of the compensation policy for company officers in 2017 is presented below in the summary statements of compensation, options and shares granted to executive company officers.

As regards variable compensation, the guidelines adopted for the 2017 financial year were applied as planned, with no changes made during the financial year.

#### SUMMARISED STATEMENT OF COMPENSATION, OPTIONS AND SHARES GRANTED TO PIERRE PASQUIER, CHAIRMAN OF THE BOARD OF DIRECTORS (TABLE 1 – AFEP-MEDEF CODE OF CORPORATE GOVERNANCE FOR LISTED COMPANIES, NOVEMBER 2016)

| | 2017 | 2016 |
|---|---|---|
| Compensation due for the year | €529,077 | €530,341 |
| Value of stock options granted during the year | - | - |
| Value of performance shares granted during the year | - | - |
| Value of other long-term compensation plans | - | - |
| **TOTAL** | **€529,077** | **€530,341** |

#### SUMMARISED STATEMENT OF THE COMPENSATION OF PIERRE PASQUIER, CHAIRMAN OF THE BOARD OF DIRECTORS (TABLE 2 – AFEP-MEDEF CODE OF CORPORATE GOVERNANCE FOR LISTED COMPANIES, NOVEMBER 2016)

| | 2017 | | 2016 | |
|---|---|---|---|---|
| | Amount due | Amount paid | Amount due | Amount paid |
| Fixed compensation | €500,000 | €500,000 | €350,000 | €350,000 |
| Annual variable compensation | - | €150,000 | €150,000 | €170,100 |
| Exceptional compensation | - | - | - | - |
| Directors' fees | €20,527 | €21,791 | €21,791 | €23,779 |
| Benefits in kind | €8,550 | €8,550 | €8,550 | €8,550 |
| **TOTAL** | **€529,077** | **€680,341** | **€530,341** | **€552,429** |

As Chairman and CEO of Sopra GMT, the holding company that takes an active role in managing Sopra Steria Group, Pierre Pasquier received fixed compensation in respect of the 2017 financial year from that company in the amount of €60,000. As Chairman of Axway Software, as indicated in its registration document, he also received fixed compensation from the latter company in the amount of €138,000.

At its meeting of 16 February 2018, the Board of Directors of Sopra Steria Group resolved not to make any changes to the compensation granted to Pierre Pasquier in respect of financial year 2018.

## SUMMARISED STATEMENT OF COMPENSATION, OPTIONS AND SHARES GRANTED TO VINCENT PARIS, CHIEF EXECUTIVE OFFICER (TABLE 1 – AFEP-MEDEF CODE OF CORPORATE GOVERNANCE FOR LISTED COMPANIES, NOVEMBER 2016)

| | 2017 | 2016 |
|---|---|---|
| Compensation due for the year | €701,471 | €573,527 |
| Value of stock options granted during the year | - | - |
| Value of performance shares in awards granted during the year | €312,930 | €270,750 |
| Value of other long-term compensation plans | - | - |
| **TOTAL** | **€1,014,401** | **€844,277** |

See Table 6 below for details and comments relating to the granting of shares subject to conditions regarding continued employment and performance over a period of three financial years.

## SUMMARISED STATEMENT OF THE COMPENSATION OF VINCENT PARIS, CHIEF EXECUTIVE OFFICER (TABLE 2 – AFEP-MEDEF CODE OF CORPORATE GOVERNANCE FOR LISTED COMPANIES, NOVEMBER 2016)

| | 2017 | | 2016 | |
|---|---|---|---|---|
| | Amount due | Amount paid | Amount due | Amount paid |
| Fixed compensation | €500,000 | €500,000 | €400,000 | €400,000 |
| Annual variable compensation | €190,000 | €162,400 | €162,400 | €171,871 |
| Exceptional compensation | - | - | - | - |
| Directors' fees | - | - | - | - |
| Benefits in kind | €11,471 | €11,471 | €11,127 | €11,127 |
| **TOTAL** | **€701,471** | **€673,871** | **€573,527** | **€582,998** |

After taking into account the extent of achievement of the set targets, the variable component of Vincent Paris' compensation in respect of financial year 2017 was set at the gross amount of €190,000 (i.e. 63% of the target value).

The quantitative target relating to the Group's operating profit on business activity resulted in the vesting of 50% of the maximum amount.

The qualitative targets identified in connection with the Group's strategy and reflecting the short-term achievement of the quantitative target were considered as met at 100% for the first three of the targets and at 60% for the fourth. Variable compensation is primarily awarded on the basis of the quantitative target.

The payment of this variable compensation is subject to approval by shareholders at the General Meeting of 12 June 2018 of the items of remuneration paid or granted to the Chief Executive Officer in respect of financial year 2017.

As a reminder, and for information purposes only, the Group's profitability target (operating margin on business activity) communicated to the market for 2017 was "between 8% than 9%", and the actual margin achieved was 8.6%.

At its meeting of 16 February 2018, the Board of Directors of Sopra Steria Group resolved not to make any changes to the fixed compensation granted to Vincent Paris in respect of financial year 2018.

## STATEMENT OF DIRECTORS' FEES AND OTHER COMPENSATION RECEIVED BY NON-EXECUTIVE COMPANY OFFICERS (TABLE 3 – AFEP-MEDEF CODE OF CORPORATE GOVERNANCE FOR LISTED COMPANIES, NOVEMBER 2016)

See §1.2.5 of this chapter, "Compensation of the Board of Directors" (pages 66 and 67).

## SHARE SUBSCRIPTION AND PURCHASE OPTIONS GRANTED DURING THE YEAR TO EXECUTIVE COMPANY OFFICERS (TABLE 4 – AFEP-MEDEF CODE OF CORPORATE GOVERNANCE FOR LISTED COMPANIES, NOVEMBER 2016)

| Name of executive company officer | Number and date of plan | Type of options | Value of options according to the method used for the consolidated financial statements | Number of options granted during the year | Exercise price | Exercise period |
|---|---|---|---|---|---|---|
| - | - | - | - | - | - | - |

### SHARE SUBSCRIPTION AND PURCHASE OPTIONS EXERCISED DURING THE YEAR BY EXECUTIVE COMPANY OFFICERS (TABLE 5 – AFEP-MEDEF CODE OF CORPORATE GOVERNANCE FOR LISTED COMPANIES, NOVEMBER 2016)

| Name of executive company officer | Number and date of plan | Number of options exercised during the year | Exercise price |
|---|---|---|---|
| - | - | - | - |

### PERFORMANCE SHARES AWARDED TO EACH EXECUTIVE COMPANY OFFICER DURING THE FINANCIAL YEAR (TABLE 6 – AFEP-MEDEF CODE OF CORPORATE GOVERNANCE FOR LISTED COMPANIES, NOVEMBER 2016)

| Name of executive company officer | Number and date of plan | Number of Sopra Steria Group shares awarded during the year | Value of shares according to the method used for the consolidated financial statements | Vesting date | Availability date | Performance conditions |
|---|---|---|---|---|---|---|
| Vincent Paris | 24/02/2017 | 3,000 | €312,930 | 31/03/2020 | 31/03/2020 (50%)<br>At the end of his term of office (50%) | 1) Change in Sopra Steria Group's consolidated revenue in 2017, 2018 and 2019<br>2) Change in the Group's operating profit on business activity in 2017, 2018 and 2019<br>3) Change in the Group's free cash flow in 2017, 2018 and 2019 |
| **TOTAL** | **-** | **3,000** | **€312,930** | **-** | **-** | **-** |

At its meeting of 24 June 2016, the Board of Directors decided to set up a long-term incentive plan, covering a total of 88,500 rights to free performance shares, for the Group's senior managers. It granted 3,000 rights to shares (0.01% of the share capital) to Vincent Paris, executive company officer.

The Board of Directors decided at its meeting of 24 February 2017 to set up a second long-term incentive (LTI) plan, along the same lines as the 24 June 2016 plan, awarding a total of up to 109,000 rights, including 3,000 (0.01% of the share capital) awarded to Vincent Paris.

Lastly, the Board of Directors decided at its meeting of 16 February 2018 to set up a third plan of this type, still along the same lines as the earlier plans and corresponding to a total of 127,000 rights to performance shares, including 3,000 rights (0.01% of the share capital) conditionally awarded to Vincent Paris.

A total of 9,000 rights to performance shares have thus been conditionally awarded to Vincent Paris, in accordance with the authorisation given by shareholders at the General Meeting of 22 June 2016. The vesting periods for the three plans in question extend from 24 June 2016 to 31 March 2021.

For these three plans:

- shares are awarded subject to the condition of presence at the end of the vesting period. However, this condition may in exceptional circumstances be fully or partially waived;
- strict performance conditions will be measured over three financial years (the year of the award and the two following years) against targets for organic consolidated revenue growth, operating profit on business activity (expressed as a percentage of revenue) and free cash flow. These targets are at least equal to any guidance disclosed to the market;
- the Board of Directors also decided that Vincent Paris must retain at least 50% of the vested shares awarded to him under these plans throughout his entire term of office as Chief Executive Officer. Vincent Paris has agreed not to engage in any hedging transactions with respect to performance shares held until the expiry of this plan.

## PERFORMANCE SHARES NO LONGER SUBJECT TO A HOLDING PERIOD DURING THE YEAR FOR EACH EXECUTIVE COMPANY OFFICER (TABLE 7 – AFEP-MEDEF CODE OF CORPORATE GOVERNANCE FOR LISTED COMPANIES, NOVEMBER 2016)

| Name of executive company officer | Number and date of plan | Number of Sopra Steria Group shares no longer subject to a holding period during the year | Vesting conditions |
|---|---|---|---|
| - | - | - | - |
| **TOTAL** | - | **-** | - |

## RECORD OF SHARE SUBSCRIPTION OR PURCHASE OPTIONS GRANTED – INFORMATION ON SHARE SUBSCRIPTION OR PURCHASE OPTIONS (TABLE 8 – AFEP-MEDEF CODE OF CORPORATE GOVERNANCE FOR LISTED COMPANIES, NOVEMBER 2016)

See Chapter 4, Note 5.4.1 (page 152).

## OVERVIEW OF PERFORMANCE SHARE GRANTS – INFORMATION ON PERFORMANCE SHARES (TABLE 9 – AFEP-MEDEF CODE OF CORPORATE GOVERNANCE FOR LISTED COMPANIES, NOVEMBER 2016)

See Chapter 5, Section 3.3.3 (page 207).

## SUMMARY STATEMENT OF THE MULTI-YEAR VARIABLE COMPENSATION OF EACH EXECUTIVE COMPANY OFFICER (TABLE 10 – AFEP-MEDEF CODE OF CORPORATE GOVERNANCE FOR LISTED COMPANIES, NOVEMBER 2016)

| Name and position of executive company officer | Financial year |
|---|---|
| - | - |

## EMPLOYMENT CONTRACTS, SUPPLEMENTARY PENSION PLANS, ALLOWANCES OR BENEFITS DUE ON THE CESSATION OF DUTIES OR A CHANGE IN DUTIES, NON-COMPETITION CLAUSES (TABLE 11 – AFEP-MEDEF CODE OF CORPORATE GOVERNANCE FOR LISTED COMPANIES, NOVEMBER 2016)

| | Employment contract | | Supplementary pension plan | | Allowances or benefits due or likely to become due as a result of the cessation of duties or a change in duties | | Allowances for a non-competition clause | |
|---|---|---|---|---|---|---|---|---|
| **Executive company officers** | **Yes** | **No** | **Yes** | **No** | **Yes** | **No** | **Yes** | **No** |
| Pierre Pasquier<br>Chairman<br>Term of office began: 2012<br>Term of office ends: 2018 | | X | | X | | X | | X |
| Vincent Paris<br>Chief Executive Officer<br>Term of office began: 2015<br>Term of office ends: indefinite | X | | | X | | X | | X |

It should be noted that Vincent Paris was appointed Chief Executive Officer on 17 March 2015 and that he holds no other comparable positions outside the Group. By way of an exception to the AFEP-MEDEF Code, his employment contract was not terminated and remains in abeyance.

The recommendation in this article applies to the Chairman and the Chief Executive Officer, but not to the Deputy Chief Executive Officers.

Hired on 27 July 1987 following his graduation from the École Polytechnique, Vincent Paris has spent his entire career within Sopra Steria Group or within the companies having merged since that date with Sopra Steria Group. After 26 years of employment within the Group, as part of the tie-up with Groupe Steria and as its integration was being completed, he was appointed Deputy Chief Executive Officer in January 2014, then Chief Executive Officer in April 2014, once again Deputy Chief Executive Officer in September 2014 and finally Chief Executive Officer again in March 2015. Although the criteria used to determine and structure his variable compensation, which have long been strictly in keeping with those used for the Company's senior managers, have undergone changes in 2017, they remain very similar.

At present, no commitments have been entered into by the Company with regard to severance pay, a non-compete payment or a supplementary pension plan benefiting Vincent Paris. Vincent Paris is not a member of the Board of Directors. His employment contract has been in abeyance since his first appointment as Deputy Chief Executive Officer.

In light of his career within the Group, his length of service, his circumstances, his significant contributions and the components of his compensation, the decision not to terminate his employment contract still seems to be in the best interests of the Company. A decision of this kind would carry great symbolic weight and would, in addition, be difficult to envision without an agreement to a set of terms in exchange. On the other hand, the possible disadvantages of maintaining the suspended employment contract have not been identified. Nonetheless, it should be noted that if Vincent Paris were no longer a company officer, his employment contract would remain in effect and would entitle him to claim pension or termination benefits, if applicable. The employment contract in abeyance is a standard employment contract without any specific clauses, particularly in the event of termination.

### 2.4.2. FINANCIAL YEAR 2018 AND FOLLOWING

In accordance with the second paragraph of Article L. 225-37-2 of the French Commercial Code, the principles and guidelines used to determine, structure and grant the fixed, variable and exceptional components of the total compensation and benefits of any kind received by the Chairman, the Chief Executive Officer and any Deputy Chief Executive Officers, in recognition of their service in these positions, are presented below.

It should be noted that the payment of variable and exceptional components of compensation is subject to shareholder approval at an Ordinary General Meeting of the compensation package for the individual in question.

**Presentation of the principles and guidelines used to determine, structure and grant the fixed, variable and exceptional components of total compensation and benefits of any kind received by the Chairman of the Board of Directors, the Chief Executive Officer and, where applicable, any Deputy Chief Executive Officers, subject to shareholder approval at the General Meeting**

#### COMPENSATION OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

| Items of remuneration | Comments |
|---|---|
| Annual fixed compensation | Determination by the Board of Directors, acting on a recommendation by the Compensation Committee |
| Annual variable compensation | Not applicable |
| Variable deferred compensation | Not applicable |
| Multi-year variable compensation | Not applicable |
| Exceptional compensation | Applicable, by decision of the Board of Directors, contingent upon very specific circumstances (spin-off and listing of a subsidiary, merger, etc.). Payment subject to shareholder approval of all items of compensation at an Ordinary General Meeting and in all circumstances capped at 100% of fixed annual compensation |
| Share options, performance shares and any other long-term items of compensation | Not applicable |
| Directors' fees | In accordance with the Board of Directors' internal rules (see "Structuring rules" in §1.2.5) |
| Any other benefits | Company car |
| Retirement payment | Not applicable |
| Non-compete payment | Not applicable |
| Supplementary pension plan | Not applicable |

## COMPENSATION INFORMATION FOR THE CHIEF EXECUTIVE OFFICER (PRINCIPLES ALSO APPLICABLE FOR ANY DEPUTY CHIEF EXECUTIVE OFFICERS)

| Items of remuneration | Comments |
|---|---|
| Annual fixed compensation | Determination by the Board of Directors, acting on a recommendation by the Compensation Committee (taking into account the responsibilities held, experience, plus internal and external benchmarking) |
| Annual variable compensation | Amount:<br>■ 60% of annual fixed compensation if objectives are met;<br>■ upper limit of 100% of annual fixed compensation.<br>Criteria:<br>■ two-thirds of the amount based on meeting one or more quantifiable objectives and the remaining one-third based on meeting one or more precisely defined qualitative objectives consistent with the Group's strategy and/or the assessment of the company officer's performance;<br>■ payment subject to shareholder approval of all items of compensation at an Ordinary General Meeting. |
| Variable deferred compensation | Not applicable |
| Multi-year variable compensation | Not applicable |
| Exceptional compensation | Applicable, by decision of the Board of Directors, in case of very specific circumstances (spin-off and listing of a subsidiary, merger, etc.)<br>Payment subject to shareholder approval of all items of compensation at an Ordinary General Meeting and in all circumstances capped at 100% of fixed annual compensation |
| Share options, performance shares and any other long-term items of compensation | Eligibility for long-term incentive plans set up by the Group for its senior managers<br>These plans are subject to continued employment and to strict performance conditions based on targets that are at least equal to any guidance disclosed to the market<br>Obligation to hold a portion of the shares that will vest under these plans for the entire duration of the recipient's term of office |
| Directors' fees | Not applicable (except in case of appointment by the Board of Directors of the Company<br>Appointments held at Group subsidiaries do not give rise to any compensation) |
| Any other benefits | Company car; contribution to the GSC unemployment insurance for executives |
| Retirement payment | Not applicable |
| Non-compete payment | Not applicable |
| Supplementary pension plan | Not applicable |

# 3. Departures from the guidelines set forth in the AFEP-MEDEF Code

At its meeting of 11 April 2018, the Board of Directors noted the following departures from the guidelines set forth in the AFEP-MEDEF Code after hearing the report of the Nomination, Ethics and Governance Committee:

- Recommendation 13.1. The term of office of directors under the Articles of Association is set at six years. The clauses of the Articles of Association whereby the term of office of directors is limited to, but may be less than, six years were approved by an 85.8% majority of the shareholders at the Combined General Meeting of 27 June 2014. The staggered renewal of terms of office would be aimed at striking the balance between change and continuity in the representation of shareholders and is the subject of a resolution submitted for the approval of shareholders. The maximum term length of six years allows for the re-appointment of one-third of Board members every two years and thus meets the Company's current requirements.

  At the General Meeting of 12 June 2018, shareholders will be asked to approve the amendment to Article 14 of the Company's Articles of Association calling for the staggered renewal of terms of office every two years and maintaining the maximum term length of six years in line with this approach;
- Recommendation 10.3. In 2017, in contrast with 2016 and as a departure from the recommendations of the AFEP-MEDEF Code, no meetings of the Board of Directors were held in the absence of the Chief Executive Officer. However, it is worth noting that the latter is not a Director and does not take part in the Board's discussions relating to the evaluation of his performance or the determination of his compensation;
- Recommendations 16.1 and 17.1. The tie-up between Sopra and Steria in 2014 and Christian Bret's resignation as Director effective 19 January 2017 entailed the Company's departure, strictly speaking, from the recommendations of the AFEP-MEDEF Code, which state that independent Directors should make up the majority of the members of the Compensation Committee and, in principle, of the Nomination, Ethics and Governance Committee.

Governance was a key aspect of the negotiations relating to the tie-up between Sopra and Steria. The balance between Directors representing Sopra GMT and Directors from Steria (see §1.1.1, page 50) as well as the precise composition of Board committees were among the conditions of the merger. It was therefore agreed that Éric Hayat, the Group's Vice-Chairman who formerly served in this capacity at Groupe Steria SCA, would be appointed to the Nomination, Ethics and Governance Committee. The Committee's proposed membership was made public in advance and was approved by the shareholders.

With this appointment, the number of Directors deemed independent (3) was brought on an equal footing with that of the Directors representing the controlling shareholder, Sopra GMT (2) plus the Board member (1) formerly with Steria serving on the Nomination, Ethics and Governance Committee.

Subsequently, Christian Bret, one of the Committee's independent Directors, recognising that it would be mathematically impossible to reach the required proportion of women Directors given the legal limit of 18 members, decided to resign. However, he became a member of the Committee once again, following his appointment as Non-Voting Director by vote of the shareholders at the General Meeting of 13 June 2017. This is supported by the Board of Directors' internal rules, which stipulate that Non-Voting Directors may serve as full members of its committees. As indicated above, the Board of Directors has noted that Christian Bret, Non-Voting Director, satisfies all the objective criteria set forth in the AFEP-MEDEF Code to be considered independent.

**Recommendations regarding the status and compensation of company officers:**

- Recommendation 22. The Board of Directors has not, to date, fixed the number of shares that must be held and registered in the name of the Chairman of the Board of Directors. Shares held directly or indirectly through Sopra GMT by the Chairman in a personal capacity or by the Chairman's family estate make up more than 10% of the Company's share capital;
- Recommendation 21.1. By way of an exception to the AFEP-MEDEF Code, the Chief Executive Officer's employment contract was not terminated. and remains in abeyance.

The recommendation in this article applies to the Chairman and the Chief Executive Officer, but not to the Deputy Chief Executive Officers.

Hired on 27 July 1987 following his graduation from the École Polytechnique, Vincent Paris has spent his entire career within Sopra Steria Group or within the companies having merged since that date with Sopra Steria Group. After 26 years of employment within the Group, as part of the tie-up with Groupe Steria and as its integration was being completed, he was appointed Deputy Chief Executive Officer in January 2014, then Chief Executive Officer in April 2014, once again Deputy Chief Executive Officer in September 2014 and finally Chief Executive Officer again in March 2015. Although the criteria used to determine and structure his variable compensation, which have long been strictly in keeping with those used for the Company's senior managers, have undergone changes in 2017, they remain very similar.

At present, no commitments have been entered into by the Company with regard to severance pay, a non-compete payment or a supplementary pension plan benefiting Vincent Paris. Vincent Paris is not a member of the Board of Directors. His employment contract has been in abeyance since his first appointment as Deputy Chief Executive Officer.

In light of his career within the Group, his length of service, his circumstances, his significant contributions and the components of his compensation, the decision not to terminate his employment contract still seems to be in the best interests of the Company. A decision of this kind would carry great symbolic weight and would, in addition, be difficult to envision without an agreement to a set of terms in exchange. On the other hand, the possible disadvantages of maintaining the suspended employment contract have not been identified. Nonetheless, it should be noted that if Vincent Paris were no longer a company officer, his employment contract would remain in effect until its natural expiration and would entitle him to claim termination benefits, if applicable. The suspended employment contract is a standard employment contract without any specific clauses, particularly in the event of termination.

# 3 CORPORATE RESPONSIBILITY

# 1. Sopra Steria: committed to a sustainable world

## 1.1. A strong and enduring commitment

For a number of years, Sopra Steria has been committed to a proactive corporate responsibility policy that is aligned with the Group's business requirements and in step with fundamental changes in society. This bold commitment drives us to change our perspective and to strive together with our stakeholders for a more sustainable world. The Group's policy is part of a broader continuous improvement process, under which Sopra Steria shares information in its annual Corporate Responsibility Report about the efforts it has made and the results it has achieved.

For 50 years we have built our Group on solid, enduring fundamentals and a set of ethical principles and core values that define us. As an expression of these values, Sopra Steria is a signatory to and member of the United Nations Global Compact, in the "Global Compact Advanced" category. Under this commitment, Sopra Steria supports the Global Compact's 10 principles in the areas of human rights, labour standards, protection of the environment and anti-corruption, and is committed to promoting these principles within its ecosystem of influence and continuing with its efforts in these areas.

### CONVERGENCE WITH THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS (SDGS)

Through its corporate responsibility programmes targeting social, societal, environmental and ethical goals, Sopra Steria contributes to 16 of the 17 United Nations Sustainable Development Goals. Goal 2 – End Hunger – falls outside the scope of the Group's actions.

In 2017, the Group's actions were directed towards meeting the following goals:

**4.** quality education: Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all;

**11.** sustainable cities and communities: make cities inclusive, safe, resilient and sustainable;

**13.** climate action: take urgent action to combat climate change and its impacts.

Through its new initiatives, the Group is bringing its programmes further into line with the SDGs.

## 1.2. Programme of initiatives aligned with the Group's priorities

In response to its rapidly changing environment and new challenges linked to digital technology, Sopra Steria has initiated a materiality study of its key strategic challenges.

Using a materiality matrix, the Group has mapped these challenges and their importance to its stakeholders, and has adapted its 2020 Corporate Responsibility progress plan so that it addresses them. (See the materiality matrix on page 10 of this document.)

### MATERIALITY ANALYSIS | METHODOLOGY USED

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 shown graphically in the form of a matrix plotting the significance of priorities for the Group (x-axis) against their significance for the organisation's external stakeholders (y-axis).

### STAGES IN THE MATERIALITY ANALYSIS

An initial list of priorities was compiled based on a document review and discussions with the Group's management. The list was then refined at workshops facilitated by an external consulting firm in which the Group's senior executives took part.

The degree of materiality for Sopra Steria of each of the priorities was then assessed by the senior managers. They rated each priority on a scale from 0 to 3 to reflect the extent to which it is capable of influencing the organisation's strategy, its reputation and/or its financial health.

In parallel, the materiality of the priorities for external stakeholders was assessed through a document review. Two stakeholder groups in particular were analysed: investors and non-financial rating agencies, and clients. The communications of the leading players in the digital sector were also analysed. Each priority was rated – on a scale from 0 to 3 – to reflect the extent to which it matters to the external stakeholder, and then the ratings were averaged to produce a single score for each priority.

SETTING PRIORITIES

| Challenges | Definition |
|---|---|
| **WORKFORCE** | |
| Attracting and retaining talent | Organisation's ability to attract the top digital professionals and to retain talent. |
| Skills development and transformation | Organisation's ability to develop and align the skills of its employees to proactively deliver solutions to the needs of its clients. |
| Entrepreneurial culture | Organisation's ability to foster a culture of entrepreneurship within its teams combining autonomy and accountability, creativity and collective thinking. |
| Labour-management dialogue | Organisation's ability to forge with employee representatives a constructive dialogue and negotiations to plan ahead for and support the major changes affecting the Group. |
| Diversity and equal opportunity | Organisation's ability to respond to public-interest priorities and to prevent any form of discrimination by fostering access to employment for people with disabilities, gender equality in the workplace, and access to employment for young people. |
| Well-being in the workplace and employee engagement | Organisation's ability to provide an environment fostering a high quality of life in the workplace and to convey the meaning of a corporate plan that engages and motivates all employees. |
| **MARKET AND CONDUCT OF BUSINESS** | |
| Client satisfaction | Organisation's ability to ensure that its service offering satisfies the requirements of its clients and helps to create value. |
| Innovation | Organisation's ability to support its clients with their digital transformation by providing them with the best solutions and technologies available in the marketplace. |
| Ethics and values | Organisation's ability to ensure that its practices fulfil ethical standards in all the countries in which it operates, including in the fight against corruption, observance of human rights and protection of the environment. Group's ability to establish an enduring trust-based relationship with all its stakeholders by applying its principles and core values. |
| Operational security, including cybersecurity | Organisation's ability to safeguard business continuity in the face of the mounting risks that organisations have to contend with (failure risk, climate risk, risk of cyberattack). |
| Responsible supply chain | Organisation's ability to work with suppliers and service providers meeting its corporate responsibility standards. |
| Data protection | Organisation's ability to develop the most innovative data security, protection and confidentiality solutions for its own operations and those of its clients. |
| Sustainable development embedded in solutions | Organisation's ability to incorporate sustainable development priorities in its service offering. |
| **ENVIRONMENT** | |
| Environmental impact | Organisation's ability to curb the environmental impact of its operations by working together with its stakeholders: employees, suppliers, clients and partners. |
| Greenhouse gas emissions | Organisation's ability to define greenhouse gas emissions reduction targets and implement a reduction plan involving its entire value chain. |

## 1.3. Activities and business lines

### SOPRA STERIA: A EUROPEAN LEADER IN DIGITAL TRANSFORMATION

Sopra Steria, a European leader in digital transformation, has one of the most comprehensive portfolios of offerings on the market, spanning consulting and systems integration, development of industry- 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 definition and implementation, and IT infrastructure transformation and operation, to designing and implementing solutions and outsourcing business processes.

### SOPRA STERIA: DELIVERING TRANSFORMATION THROUGH END-TO-END SOLUTIONS

For Sopra Steria, helping clients succeed in their digital transformation means breaking down their strategic and business challenges into digital initiatives through an exclusive end-to-end offering. This subject is detailed in Chapter 1, Section 4 of the 2017 Registration Document.

## 1.4. Group governance

Sopra Steria Group is a *société anonyme* with a Board of Directors.

The Board of Directors currently consists of 19 directors, two of whom represent the Group's employees. Excluding the employee representatives, seven of the Board's members – i.e. over 40% of its membership – are women.

Where appropriate, the Board's work is prepared by an Audit Committee, a Nomination, Ethics and Governance Committee and a Compensation Committee. Corporate responsibility policy and actions are monitored by the Nomination, Ethics and Governance Committee, which informs the Board of Directors of its work and recommendations in this area. In 2017, the Group's corporate responsibility policy and programme were presented and discussed at two of the Committee's meetings.

The functions of Chairman and Chief Executive Officer are separate. Executive management responsibility is held by a Chief Executive Officer and two Deputy CEOs.

The Group's ongoing structure consists of four operational tiers and associated functional structures.

This subject is discussed in more detail in Chapter 1, Section 8 and Chapter 2 of the 2017 Registration Document.

## 1.5. Organising corporate responsibility to serve the Group's businesses

Sopra Steria Group's corporate responsibility approach and programme are the responsibility of Executive Management, who oversee the Group's strategy in this area.

Sopra Steria has structured its corporate responsibility programme around several departments:

#### Group Corporate Responsibility and Sustainable Development Department

The Corporate Responsibility and Sustainable Development (CR&SD) Department oversees rollout of the Group's corporate responsibility policy, works with the relevant departments to coordinate the continuous improvement approach, and supports those departments and all entities as they implement their action programmes.

The CR&SD Department spearheads Group-wide programmes, and more specifically regulatory reporting (presented in this Corporate Responsibility Report), the Group's assessment by external organisations, interaction with stakeholders, the Group's environmental programme, the main corporate sponsorship and community engagement partnerships, and actions to raise employee awareness.

### 1.5.1. THE FOUR PILLARS OF CORPORATE RESPONSIBILITY

Sopra Steria Group's corporate responsibility initiatives are managed via four interdependent units focused on Market Responsibility, Responsible Employment, Environmental Responsibility and Community Engagement.

#### Market Responsibility unit

This unit is coordinated by the Group CR&SD Department. It collaborates closely with Group departments responsible for particular aspects of Market Responsibility: Corporate Governance & Risk Management, Human Resources, Legal, Property & Purchasing, Information Systems, Group Communications and Financial Reporting, Quality, and operating divisions.

#### Responsible Employment unit

Responsible employment is a key issue for the Sopra Steria Group. The unit that coordinates the responsible employment programme forms part of the Group's Human Resources Department. To handle cases involving issues such as workers with disabilities, gender equality, older employees, diversity and work-linked training opportunities and to coordinate action programmes, a manager with responsibility for responsible employment practices works with the various entities to ensure that all initiatives reflect the wider Group approach.

#### Environmental Responsibility unit

The Group's environmental programme is managed by a Group head and overseen by the Group CR&SD Department. The Environmental Responsibility unit draws on its network of Environment Officers (Group Environmental Sustainability Committee or GESC) and on the relevant Departments, including Property & Purchasing, Information Systems, Communication, Quality, and Corporate Governance & Risk Management. Together with the Quality Department, this unit is responsible for rollout of the Environmental Management System (EMS) and for ISO 14001 certification for certain sites. It also coordinates greenhouse gas assessments and annual reporting to CDP's climate change programme.

#### Community Engagement unit

This unit is coordinated by the Group CR&SD Department. It is managed by the CR&SD Department in the case of Group sponsorship or partnership programmes, by foundations in France and India, or directly by Group entities that enlist the support of their employees and, in some cases, clients. This programme, is supported by an international network of key stakeholders leading local community engagement programmes.

### 1.5.2. PROGRAMME STEERING BODIES

The corporate responsibility programme relies on two steering committees – one at Group level and one covering the network of country correspondents.

#### Corporate Responsibility and Sustainable Development Committee

The Group Deputy CEO and the CR&SD Director chair the Corporate Responsibility and Sustainable Development Committee (CR&SD Committee), which, meeting twice a year, brings together the managers of the key central departments involved in the Group's approach. The Committee draws up the Group's corporate responsibility roadmap and tracks progress against the associated action plans. It met twice in 2017. More specifically, the Committee holds interim progress meetings throughout the year for certain projects, involving functional departments for matters falling within their remits, as well as Group entities and operational departments.

#### Corporate Responsibility Advisory Board

The purpose of this advisory body is to provide external feedback on the various components of the Group's corporate responsibility approach.

The Advisory Board consists of three independent experts from senior civil service positions and civil society, the Deputy CEO, the CR&SD Director and key Group managers with responsibility for business units and major issues. It met twice in 2017.

The Advisory Board's main responsibilities are:

- to submit recommendations on the Group's corporate responsibility strategy and priorities;
- to provide Executive Management with useful benchmarking information in relation to corporate responsibility;
- to provide information on legislative and regulatory developments and their impact as regards corporate responsibility.

In 2017, the Advisory Board's membership included the following three independent experts:

- Marie-Ange Verdickt, former Director of Research and Socially Responsible Investment at La Financière de l'Échiquier, a company director working with institutions that champion social development;
- Mark Maslin, Professor of Climatology at University College London (UCL), an expert in climate change and author of numerous studies and publications on climate issues;
- Frédéric Tiberghien, member of France's Council of State, Chairman of Finansol and honorary chairman of ORSE *(Observatoire de la Responsabilité Sociétale des Entreprises)*.

In 2018, prominent figures from outside the Group and other heads of Sopra Steria businesses will join the Committee to adapt the framework in light of changes affecting the Group.

**A network of in-country officers**

Country Leaders manage activities in all themes – Responsible Employment, Environment, Ethics and Compliance, Community Engagement, Responsible Purchasing, Communication and Interaction with Stakeholders – at national level. The Group coordinates them and arranges regular updates for the community engaged in each theme, thereby implementing the Group corporate responsibility strategy and programme and sharing best practices at country and entity level.

# 2. Responsible employment: Sopra Steria, a responsible and committed team

## 2.1. Background and key events

The digital revolution is fundamentally changing our society and how we work. Huge volumes of information are transmitted instantaneously, and knowledge is now within everyone's grasp. Innovation is becoming a collaborative endeavour and is accelerating in every field. Digital technology is prompting economic agents to reinvent themselves in response to new models, offering our clients opportunities to automate, simplify, and create and personalise new services.

To help it rise to these new challenges, meet clients' high expectations in terms of added value and assert its leadership in digital transformation, one of the Group's priorities is to attract and retain top talent.

As a responsible employer, the Group supports the development and transformation of its employees' skill sets so that they are ready for the digital jobs of the future. In all the regions where it operates, the Group offers an inclusive working environment designed to stimulate entrepreneurial thinking and teamworking.

2017 was marked by an acceleration in the Group's transformation programme in support of Sopra Steria's ambitious Corporate Plan.

**Key events in 2017:**

- Xavier Hürstel was appointed Chief Transformation and People Management Officer, a new role on Sopra Steria's Executive Committee;
- Sopra Steria was recognised as one of Europe's leading recruiters. 9,500 new employees joined the Group in 2017, 78% of them on permanent contracts. In France, the Group remained the top recruiter of young graduates in the digital field;
- Over 1,000,000 hours of training were provided Group-wide.

## 2.2. Commitments

Sopra Steria's responsible employment policy aims to promote equal opportunity and diversity, thus boosting the Group's appeal as an employer and retaining talent. It forms part of a continuous improvement approach aimed at reconciling economic effectiveness with social equity.

Human resources and talent development are at the heart of the Group's Corporate Plan. The Group is committed to anticipating future skills requirements, promoting internal mobility and offering a broad range of comprehensive and innovative professional development training. These commitments and a working environment nurturing professional development in which everyone feels valued, help to retain its talent.

## 2.3. Challenges and achievements

| Targets for 2017 | Achievements in 2017 | Ambitions for 2018 |
|---|---|---|
| **Workforce: Promoting equal opportunity and diversity to enhance its appeal to and retention of all its talented employees** | | |
| **Attracting and retaining more talent**<br>■ Support national efforts to boost access to employment for young people<br>■ Continue to develop the international student and employee mobility programme | 9,500 employees recruited, 78% of them on permanent contracts and 42% under 26. Success of the international mobility programme. Over 135 employees and 104 interns and work-linked training students in a number of countries. Ten internships converted for the first time into permanent jobs – a conversion rate of 10%. | Reinforce the Group's position as a responsible employer by implementing initiatives and projects making it more attractive, so that it can recruit and retain more talent. |
| **Developing and transforming skills**<br>■ Continue to harmonise HR practices and roll out the Group's Core Competency Reference Guide across all countries in 2017 and 2018 | Harmonised HR practices across the entire Group. Gradually rolled out Group Core Competency Reference Guide across virtually all countries but not all subsidiaries. | Continue developing and transforming our employees' skills and harmonise HR practices. Update the Core Competency Reference Guide to take greater account of the impact of major changes affecting our business and environment.<br>Roll out a digital training programme to acquire the most sought-after skills and retain our talent. |
| **Diversity and equal opportunity**<br>■ Work to make jobs in the digital field more attractive to women and continue to make the skills of women working in the digital arena more visible, both internally and externally | Further expansion of the women's networks in France, India and Norway. In 2017, women accounted for 31% of the workforce, and 27% of engineering, consulting and project management positions. 1% increase in the number of women hired. Increased recruitment of women in Germany and Spain. | Continue and encourage initiatives rolled out in the Group's various countries, and share Group-wide best practice in relation to diversity and equal opportunity (access to employment for young people, women and people with disabilities) to give substance to and foster employees' commitment. |
| ■ Continue to inform and raise awareness of the Group's social responsibility challenges through induction programmes and corporate modules forming part of business-specific training | Dedicated sessions in 20 "Team Spirit" induction seminars (in France).<br>Presentation at 2017 kick-off of challenges and events relating to Group social responsibility, raising awareness among more than 3,000 managers from around the world. | |

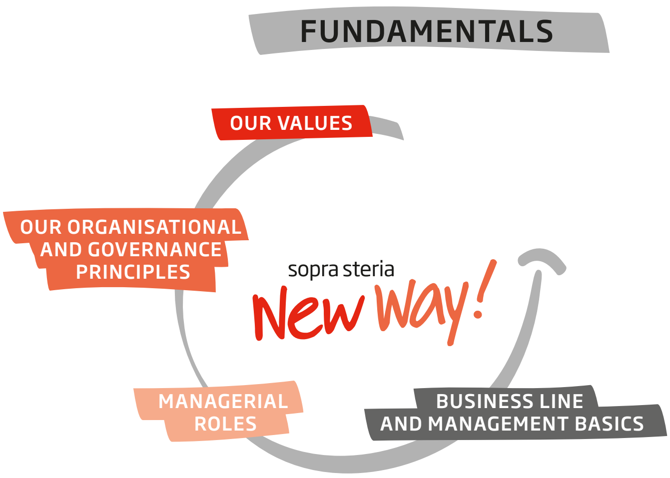
## 2.4. Culture and values that bring us together

Working at Sopra Steria means sharing in a strong corporate culture that is first and foremost about people. This culture reconciles the strength of our team spirit with the entrepreneurial spirit that energises us.

### 'NEW WAY': THE GROUP'S UNIFYING TRANSFORMATION PROGRAMME

With digital technology increasingly impacting our clients, in an ever more challenging competitive environment and following the merger of Sopra and Steria, the Group is rolling out an internal transformation programme. With Sopra and Steria both having strong cultures, it was vital that the Group quickly forge a shared culture that everyone could take pride in. The aim of this programme is to unite all staff around the Corporate Plan and involve them in a distinctive project rooted in our strong DNA and people.

This DNA is based on fundamentals and key principles known as pillars:




**PILLARS**

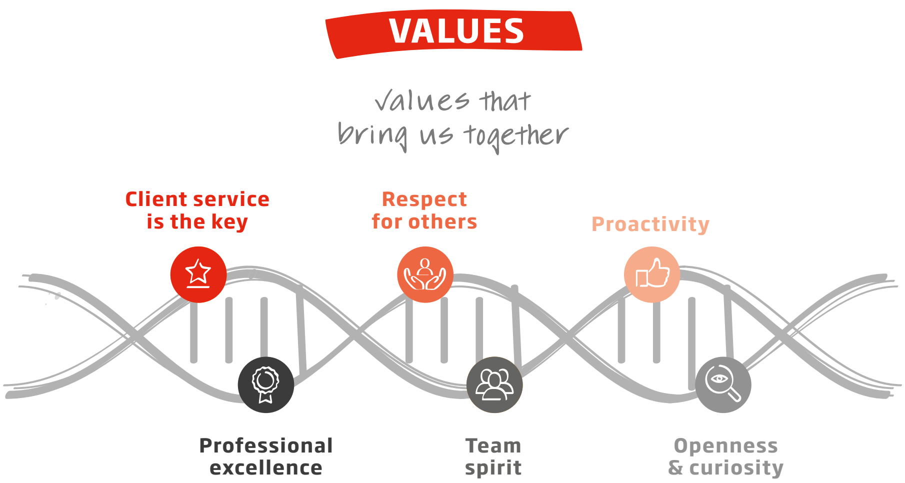
- A motivated workforce and entrepreneurial spirit
- Overall function
- Individual empowerment, with decisions made as close to the front line as possible
- Decisions belong to people, not processes
- The right person in the right place

Our fundamentals are at the heart of our corporate culture. They consist of our values and of behaviours that are critical to the effective operation of our business. Our fundamentals also include our management style through the various roles played by managers, as well as key principles of organisation and governance that govern the way we operate. Our organisational model is supported by short, streamlined decision-making channels. It advocates individual empowerment, with decisions made as close to the front line as possible. These various elements combine to differentiate us and give us a unique corporate personality. Together they constitute an authentic signature that is recognised by our clients, our candidates, our competitors and our market in general.

Our fundamentals are also tools that help us work together more effectively in one mind, and to innovate and move forward. They support our Corporate Plan. They give us the opportunity to create a Group in our image: human, agile, digital and market-leading.

#### VALUES THAT BRING US TOGETHER

Sopra Steria's values represent the core of our fundamentals:



These six values guide our day-to-day actions. Sharing them helps us understand each other and work together more effectively, irrespective of business line or country.

The New Way programme is designed not only to communicate our Corporate Plan and our DNA but also to release the creativity and energy of all our staff, so as to meet the challenges of transforming our business lines. Our staff are at the heart of this collective effort.

To roll out New Way, an ambitious training cycle was designed to involve employees in a "collective intelligence" experience that can be put into practice on a day-to-day basis. This cycle kicked off in 2016 in France and will continue across all of the Group's countries and subsidiaries until 2019. Within each entity, it is put together in close cooperation with local management to ensure that it is fully aligned with local challenges.

It represents a total of 50,000 days' training; in 2016, 20,000 of these were dedicated to an initial wave of 12,600 French staff, including 1,670 managers who attended a specific seminar. To sustain this positive dynamic embedding our culture, the induction training given to new employees and managers was overhauled completely in 2017 together with Sopra Steria Academy to incorporate the messages passed on at seminars or New Way days.

In 2017, the Group continued to run the New Way programme in Spain and the Benelux countries, at all CIMPA's units (France, Germany, United Kingdom and Spain) and in Infrastructure Management (France and Poland). Around 2,000 employees including 700 managers attended a dedicated seminar in 2017, representing a total of 4,800 days' training.

In 2018, Spain will complete the roll-out of the manager seminars and the employee days. Employee days will be held in France and in Poland. Italy and India are set to join the programme.

## 2.5. Employment policy in support of professional excellence

Human resources are at the heart of the Corporate Plan, and Sopra Steria's aim is to create conditions that foster a sense of pride in working together in a spirit of entrepreneurship and sharing. For many years, the Group's growth has been backed by a proactive employment policy of recruiting talented individuals and developing employees' skills.

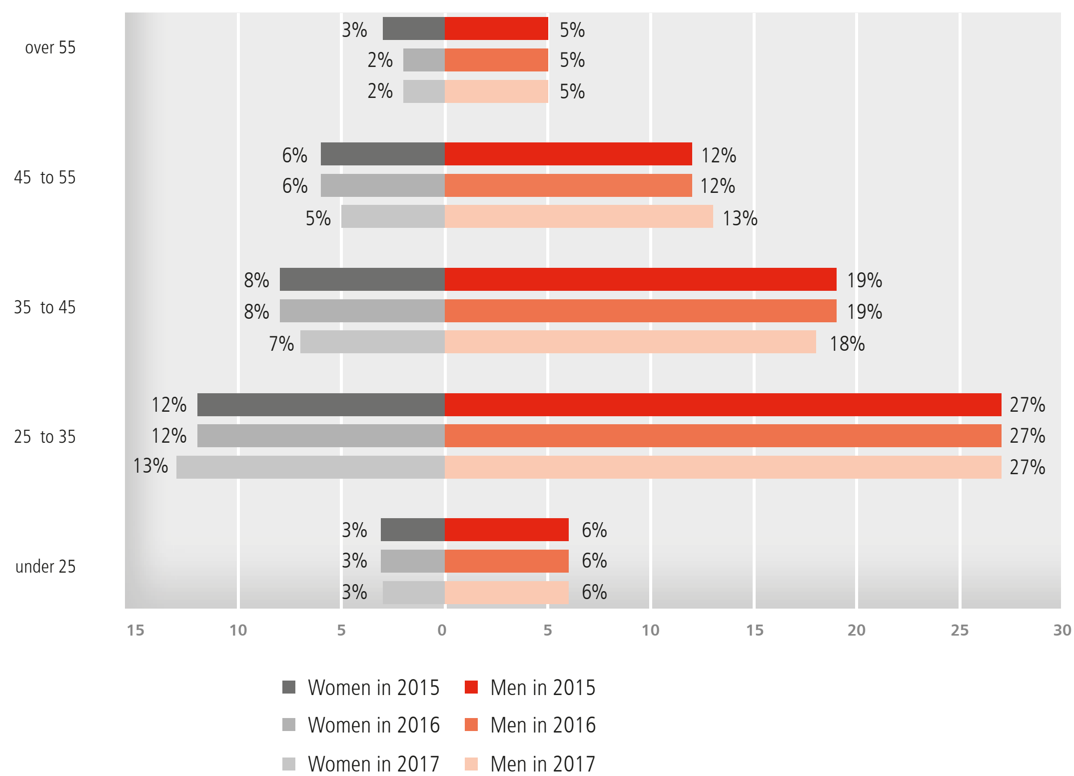
External growth is also a strong driver of the Group's development and increased business volumes. Thanks to the various acquisitions completed in 2017 (575 employees), the Group can offer a comprehensive response to its clients' needs in the areas of transformation and competitiveness.

At 31 December 2017, Sopra Steria Group had a total of 41,661 employees (41,086 excluding 2017 acquisitions), mainly based in Europe, and in particular in France, the United Kingdom, Germany, Spain, India and Scandinavia, which together account for 90% of the Group's workforce.

The proportion of permanent contracts (96.1%) and temporary contracts (3.3% excluding interns) demonstrates the Group's years-long commitment to offering stable jobs while favouring employment for young people on permanent contracts and work-linked training programmes (94% of fixed-term contracts were for work-linked training students in 2017, compared with 92% in 2016). The average age of employees on permanent contracts is 37.8, with an average length of service of 7.3 years.

The proportion of women in the Group's workforce held steady, with women representing 31% of the workforce, and 27% of engineering, consulting and project management positions. However, this proportion of women remains higher than the overall proportion of women in scientific careers (28%). Progress was made in Spain and Germany with a significant increase in the proportion of women recruited in these countries.

The age pyramid, which shows a breakdown of the Group's workforce (excluding acquisitions) by gender and age, remained stable between 2015 and 2017.



## 2.6. Appealing to and retaining talent promotes the Group's Corporate Plan

Appealing to and retaining talent represents a major priority supporting the Group's transformation. Various HR programmes have been launched to energise this process, which is crucial for the Group's future development.

To attract and recruit talent effectively, innovative digital practices have been introduced without losing sight of the need to build a close relationship with applicants. The first key stage in retaining talent is to support their integration within the Group through effective onboarding. Next the goal is to foster the development of their skills to train the managers of the future and retain as many as possible of them.

### 2.6.1. ATTRACTING MORE TALENT

Recruitment is one of the pillars of the Group's development strategy. In 2017, Sopra Steria hired 9,500 new employees (up 12% compared with 2016), 42% of them under 26 years old, making the Group France's leading recruiter of newly qualified graduates in its sector. With regard to recruitment of experienced candidates, the Group uses trial periods to encourage internal employee job moves before undertaking any external recruitment.

Recruitment policy deliberately places the priority on hiring young graduates of engineering schools, business schools and universities, thus contributing to the national effort to promote access to employment for young people. In France, the Group continues to pursue its dynamic policy of using work-linked training programmes and internships (with 14% more employees on work-linked training contracts in 2017, compared with a 10% increase in 2016) and has renewed its international mobility programme to help them achieve their qualifications and share in the Group culture.

Through its employer brand and close relationships with schools, the Group is able to help students make informed choices, as well as offering innovative recruitment paths and opportunities for international internships.

#### Employer brand

The Group has built up its social media presence and now offers new ways of meeting applicants, including monthly live streams on Facebook Live showcasing the organisation's innovative experiments (virtual visit to the DigiLab, Escape Game recruitment, etc.). Training sessions in personal branding on LinkedIn were offered throughout 2017 to encourage employees to talk about their experiences online. In addition, the company's Twitter account is one of the most widely followed among digital enterprises (with 18% more followers in 2017 than in 2016).

Sopra Steria is present on rating platforms for applicants and employees such as Glassdoor and Choose my company. What's more, for the fifth year in a row, the Group received Happy Trainees accreditation.

Furthermore, to make interactions between applicants and the company even more authentic, a platform enabling candidates to chat with employees has been set up on the careers site.

#### Educational partnerships

The school relations policy is at the heart of the Group's recruitment strategy. This strategy aims to boost awareness of the Group and strengthen local relationships with target schools by sharing content about our businesses, offerings and projects, with the aim of attracting and recruiting more young graduates, interns and work-linked training students.

In 2017, the Group was involved in over 650 activities throughout the year with 200 partner schools and universities, boosting its appeal on the ground and building close relationships with students. The Group hosted 514 work-linked students and 821 interns, 30% of them outside France.

Examples of innovative initiatives taken to attract a greater variety of candidates and raise the profile of the employer brand include:

- the Student Award, awarded by the Sopra Steria-Institut de France Foundation, which supports a team of students with a project combining digital technology with social or environmental innovation;
- Sopra Steria is the first organisation to have made disability a priority and an integral part of its approach to the EDHEC Sailing Cup, Europe's largest sporting event for students. In 2017, the Group sponsored 20 crews, including six mixed crews consisting of students with and without disabilities, recruited in advance through the "sailing through disabilities" challenge. This turned the spotlight on disability issues throughout the week, with a special-focus day dedicated to raising awareness of disabilities among as many students as possible.

**Sopra Steria up three places in the Universum rankings [1]**

After entering the Top 100 in France in 2016, Sopra Steria ranked 83rd in 2017 in a sample of 16,000 students from 132 schools.

#### An international mobility programme to attract future employees

The international mobility programme launched in 2016 was a success in 2017. A total of 104 students, interns and work-linked training students were given the chance to spend a few months working at one of the Group's offices outside France, particularly in Spain and India. Other countries such as the Benelux countries, Norway, the United Kingdom and Germany played host to work-linked training students and interns.

The Group is thus developing international schemes aligned with the new expectations of both educational institutions and young people. More generally, the International Mobility programme addresses the following challenges:

- attracting new talent from top institutions, motivated by a recruitment promise that puts the emphasis on a dynamic career with the Group;
- helping disseminate a Group culture in line with New Way;
- strengthening the sharing of expertise and delivery models within the Group;
- offering exciting career development prospects.

In 2018, the Group is set to maintain this momentum by launching innovative initiatives and projects to raise its profile and attract the top talent.

### 2.6.2. ANTICIPATING CHANGING SKILLS REQUIREMENTS

Amid accelerating digital innovation, evolving client expectations and changing employee aspirations, training is more than ever before a driver of engagement, professional excellence and employee retention.

Sopra Steria Academy, the Group's in-house training system, exists to support employee induction, promote a shared corporate culture and anticipate changing skills requirements. It does this through pooled training offerings. The Campus By Academy portal rolled out in 2017

*(1) Universum, an international group founded in 1988 and specialised in employer branding, has worked together with over 2,000 schools and universities worldwide to publicise its surveys about careers and the talented employees' favourite employers*

has become the prime channel for accessing the Group's range of training courses.

Sopra Steria Academy helps guarantee the level of excellence and adaptability of the Group's employees so that they are up to the challenge of digital innovation and evolving client expectations. Training and knowledge-sharing are key success factors for Sopra Steria's Corporate Plan.

To foster a shared culture and Group cohesion, the Group's values and fundamentals are shared so that they are understood by all staff.

To meet these challenges, Sopra Steria Academy's key objectives are to:

- facilitate integration of new recruits;
- support the Group's strategy by developing both business and digital skills;
- share fundamentals, encourage employees to capitalise on best practice through knowledge management and promote the creation of international business communities;
- make available new ways of acquiring and transferring skills;
- develop and lead major training programmes
- foster the Group's international development.

### An evolving training offering in support of transformation

Thanks to its educational expertise, its knowledge of key business and strategic issues and its ability to organise seminars and training programmes, Sopra Steria Academy is a key tool for supporting changes in the business and the Group's transformation.

The knowledge management system supports and supplements this training framework. This system, which can be accessed via the Sopra Steria intranet, facilitates sharing of the Group's fundamentals and capitalising on best practice through more than 170 international communities organised by business line, offering and expertise.

Sopra Steria Academy offers training in 10 fields: Group Fundamentals, Management, Strategy and Offerings, Sales, Conduct, Quality and Methods, Business Lines and Sectors, Technologies, Solutions, and Languages and Office Skills.

Training programmes are structured by business line and level, with new and updated modules added every year.

Development of management skills is a key component of the training framework. The ability of the Group's managers to manage the business overall, motivate and develop their teams and promote a strong entrepreneurial spirit at every level is critical to Sopra Steria's success.

### Changes in the training offering

The digital sector is constantly and rapidly evolving. To help develop the skills required for our clients' projects, Sopra Steria Academy refreshes its training offering every year.

The transformation sweeping through the digital services sector means we have to accommodate digital technology in all its forms, evolving practices and patterns of use in our markets, the silo-busting impact of our end-to-end approaches and the need to work in international multi-disciplinary teams. Training pathways are designed to reflect and integrate the changes observed or anticipated affecting the activities conducted by the Group's business lines.

In 2017, Sopra Steria Academy also upgraded its approach to respond more effectively to training needs by establishing the role of learning partners. Learning partners are responsible for rolling out the training plan and detecting training needs so they can be met rapidly as close to the front line as possible. This new organisation has helped to build significantly closer relationships by offering a swifter and more effective response to training requirements with two major results:

- faster development and launch of initiatives that can be shared within the training offering;
- a more employee-centric approach to gauging the relevance of training solutions provided.

What's more, an ambitious plan of close to 16,000 days training was rolled out across the Group to enrich the offering of emerging digital technologies and methods. Various themes and arrangements have been put in place:

- new working methods

  The shorter development cycles and even closer collaboration with an array of different players means that we have to adjust how our teams work in the field. The development of agile methods is spearheading the process of adapting to this phenomenon of acceleration and rapid renewal triggered by the digital revolution;
- security

  The introduction of GDPR recognises that data and system security are now critical for both businesses and consumers, and has prompted us to review our arrangements for protectibng personal data. Compliance with regulatory requirements such as the GDPR is one aspect of this. All employees are now provided with more security training. Training is in place to support the change to make Sopra Steria a trusted partner in information system security;
- digital learning

  Digital learning facilitates access to and the take-up of training by employees. The development of new content is accompanied by the implementation of interactive and collaborative learning practices between learners.

  To support the introduction of these new approaches to learning, new tools have been rolled out to trainers to enable them to enhance both the content of training and the teaching methods used by offering a more interactive experience, testing and evaluation options, and content visualisation techniques.

  The use of digital learning meets a growing need among employees for constantly updated, attractive content available through various channels.

  Examples include the following:

  - mobile e-learning training,
  - widespread access to modules with technology content supported by partner platforms,
  - availability of blended learning modules,
  - availability of MOOCs (Massive Open Online Courses) awarding certificates (e.g. in data science).

In 2017, the training plan served the Group's strategic, commercial and operational direction as well as helping share the Group's fundamentals. Over one million hours of training were delivered across 98% of the Group (compared with 74% in 2016), including almost 550,000 hours in France.

In 2018, the training campaign will be maintained against the backdrop of major changes to support our clients' digital transformation, plan ahead for their evolving skill set needs and retain talent.

## 2.6.3. RETAINING AND DEVELOPING TALENT

### Integration policy

Sopra Steria has put in place a robust induction and integration policy covering both new recruits and employees joining the Group through external acquisition operations. All employees are offered an approach tailored to their seniority and position within the business, to help them take their first steps in the Group and understand its culture, values and fundamentals.

In 2017, the continuing roll-out of the New Way programme in France and elsewhere served to increase the importance of employee induction and integration within the Group as a key factor in retaining talent. As a result, both onboarding seminars were overhauled from top to bottom: *Esprit de Groupe* (Team Spirit) for integrating young employees and Sopra Steria Managers for integrating new managers.

### Integration of young recruits

As soon as young new recruits arrive at Sopra Steria, they are offered an integration path structured around an induction day within their particular entity, a three-day induction seminar, training suited to their profile (business, methodologies and technologies), interviews with management and peer discussions.

In 2017, two tools were put in place:

- Immediate Boarding, a new interactive and fun-to-use pilot portal, was launched to re-establish the basics of induction and integration at the entities. This portal helps to create a sense of belonging and to get new employees up to speed more rapidly;
- the *Esprit de Groupe* (Team Spirit) onboarding seminar was updated. This three-day training seminar is held for all new employees who are just beginning or in the early stages of their careers. Its purpose is to share the Group's history, Corporate Plan, values and offerings as well as fundamental principles concerning the focus on client service and project quality.

### Induction training for newly recruited or promoted managers

Dedicated sessions for new managers are run in all countries where the Group operates, with the aim of supporting integration, providing reference points and fostering the development of a relational network within the Group. Examples include the following modules: Core Management Training (United Kingdom) and Stepping into Management (Scandinavia).

In 2017, the Sopra Steria Managers seminar was expanded in France. It is now a four-day rather than a two-day residential stay. The seminar's aim is to share the Group's fundamentals, business lines, and culture, and to inspire the motivational management that is deeply embedded in our managerial culture. The seminar is led by BU Heads and Heads of Sales, and ends with a discussion with Executive Management. All the Group's French-speaking managers attend this training.

In 2018, the Group will continue to ramp up its programmes for integrating younger recruits and managers recently hired or promoted as the first step along the path to effective retention.

### Developing our talent

The digital transformation is opening up new opportunities for skills development. Digital jobs are evolving, and it is a combination of business-specific and technological expertise and a collaborative approach that will be our strength, enabling us to innovate and add value to our clients.

Anticipating changing skills requirements is key to supporting clients' major transformation projects as closely as possible and ensuring the success of the Sopra Steria Corporate Plan while maintaining a high level of employee motivation.

Identifying and developing the talents of every individual in the company is a major focus of our human resources policy. The diversity of our business lines, projects and clients means there are real opportunities for every person to perform his or her role to the full and pursue a rewarding career path.

At the core of our values are team spirit, proactivity, professional excellence, the primacy of client service, respect for other people and, lastly, openness and curiosity. These markers guide each and every employee along a robust and evolving career path.

Professional development is also supported by shared management tools, such as the Core Competency Reference Guide and assessment and development processes fostering close relationships with and in-depth understanding of staff:

- continuous assessment and career development;
- network support for line managers;
- New Skill programmes;
- international mobility programme;
- remuneration policy.

The Core Competency Reference Guide describes all the Group's business areas (consulting, integration, software development, infrastructure management, security, sales, entity management and support functions) and the required skills. It brings further clarity to the trajectories available to each member of staff depending on their abilities and motivations and the Group's priorities.

### Continuous assessment and career development

Sopra Steria uses an assessment and career development framework that enables the Group that enables the Group to monitor each employee's development regularly. This framework helps maintain staff employability by ensuring continuous skills development. It is supported by individual target-setting interviews, pre- and post-project interviews and annual appraisal and development interviews. It also draws on the core competency reference guide, a valuable tool given the backdrop of strong growth and rapid change in skill sets. The Core Competency Reference Guide helps clarify the trajectories available to all Group employees depending on ability, motivation and the Group's priorities.

Outputs are shared with management at structured Human Resources Committee meetings. The committees promote shared knowledge about staff in terms of skills, aspirations, performance and development capacity, as well as collective decisions on pay and promotion, immersion periods in new roles, and training, taking into account the objective of gender equality. The leadership of HR cycles was stepped up in 2017, and specific information about expected outcomes from people reviews, career development action plans, immersion periods in new roles and training was passed on to the countries. All the Group's countries conducted people reviews. Almost 41,000 Group employees have been appraised based on the same criteria.

### Supporting line managers: a key driver of performance and employee retention

The network of line managers helps to detect and retain talent. Support for line managers is based on a partnership with the HR network and selective training to guarantee the success of critical HR assignments such as annual reviews, recruitment interviews and other HR-related meetings.

Throughout the year, Sopra Steria Group trains management close to employees, including both line managers with responsibility for career development and operational managers tasked with managing assignments or projects. As a result, motivational management and career management training is delivered in every country to every individual taking up a managerial role.

In 2018, the Group will launch initiatives to train all young project managers earlier in their career.

### New Skill programmes, pathways maintaining and enhancing our employees' employability

Amid the rapid change and major transformations currently holding sway, the ability to develop, preserve, update and adapt skills to keep pace with the market's requirements becomes a competency in its own right, underpinning employees' prospects of professional advancement and success for the Group. The Group has introduced New Skill pathways to motivate employees and respond to the need for them to constantly acquire new competencies.

A New Skill pathway is a made-to-measure initiative combining training and immersion periods in new roles to develop and maintain employees' employability by helping them acquire new skills. This applies to employees looking to move into one of the Group's new business lines or those needing to inject fresh impetus into their career, update their skills to keep pace with market developments or secure advancement within the organisation.

Harnessing the experiences already gained in India and the United Kingdom, the Group has launched a New Skill pilot in France.

### An international mobility programme to attract and retain talented individuals

International mobility among employees is one of the Group's levers to adapt more effectively to the challenges posed by the digital transformation, but also to share production and human resources practices in all countries.

The Group's international mobility policy aims to respond to employees' wishes for better career prospects while aligning with the operational requirements of countries and clients, by forming multinational, multidisciplinary teams.

To encourage international mobility, internal communication campaigns are promoted via the Group portal.

In 2017, 125 employees took up international mobility opportunities, with 90% of international movers hosted by 14 countries (mainly France, the United Kingdom, Spain, Norway, Belgium and India).

In 2018, the Group will continue its efforts to offer international mobility opportunities.

### A remuneration policy designed to retain valuable employees

Pay is one way of recognising each individual's contribution to the Group's performance. To support its growth, the Group is keen to attract, motivate and retain employees by offering a coherent remuneration package and fair treatment.

Backed by the employee assessment system, the remuneration policy provides for individually assessed remuneration for each employee and goes beyond the minimum requirements laid down in applicable local legislation. It is based on objective factors and aims to recognise talent by rewarding both individual and collective performance.

In 2017, 83% of employees working in 75% of the Group's scope were working in a country where there is a ratio of no more than one to ten between the average and the highest salary:

| Ratio between the highest and the average annual salary<br>75% of the Group's scope (France, India, Scandinavia, United Kingdom*) | % of total |
|---|---|
| Under 10 | *83%* |
| 10 ≤ x ≤ 20 | *17%* |
| Over 20 | *0%* |

* *Excluding Sopra Banking Software and Sopra HR Software United Kingdom.*

### A motivating employee share ownership policy for all employees

In 2016, Sopra Steria launched its international Group employee share ownership programme to give all employees a more meaningful stake in the company's performance. The three-year programme was renewed in 2017.

The We Share programme consists of the following:

- a share purchase programme rolled out in 15 countries in 2017 in the form of the Group Savings Plan (*Plan d'Épargne Groupe* or PEG in French), either via an employee investment fund (FCPE in French) or directly where local regulations prohibit the use of employee investment funds. Under the programme, Sopra Steria makes a matching contribution of one share for every share invested up to a cap of €3,000 and an overall limit of 110,000 matched shares;
- a Share Incentive Plan (SIP) specific to the United Kingdom and aligned with local regulations, for employees of UK entities, with similar matching employer contributions. The shares are underwritten through a UK SIP trust;
- on average, 30% of Group employees and 36% of eligible employees of the Group's French companies signed up in 2017;
- the FCPE employee investment fund set up under the We Share programme has a Supervisory Board consisting of three women members elected from among the unitholders and two members appointed by the organisation's management;
- by giving employees a stake in the company's long-term development, the We Share programme confirms Sopra Steria's desire to be, above all, an independent group of entrepreneurs that puts shared success at the heart of everything it does.

With 7% of the share capital (and 7.4% of voting rights) **held on behalf of employees,** Sopra Steria Group is Europe's number one digital services firm in terms of employee share ownership.

In addition, Sopra Steria has published an Employee Savings Guide for all French employees that is available via the intranet. It aims to raise the profile of employee savings and employee share ownership plans and broaden access to them within the Group.

## 2.7. Labour relations

Labour relations involve working with employee representatives on matters relating to corporate strategy and the company's economic, financial and employee policy. It involves sharing information about significant changes faced by the Group.

Dialogue takes place at periodic meetings with employee representatives, in accordance with local legislation. The Group takes care to ensure that labour relations are running smoothly within each subsidiary.

Employee representation is structured within institutions specific to each country and legislative regime. These institutions act as preferred contact points in respect of labour relations.

In 2017, labour relations activities were particularly wide-ranging and sustained in an environment characterised by the digital transformation and the need to think about how best to anticipate changes in the Group's businesses and required skills.

In Europe (chiefly France, Germany and Belgium), compensation, gender equality in the workplace, working hours and employee status adjustments in connection with acquisitions were among the main issues dealt with together with employee representatives in 2017.

In this context, 33 agreements were signed with trade unions on these subjects, covering 69.7% of the workforce (compared with 53.2% in 2016), and 216 agreements were in force in 2017 in Europe (in France, the United Kingdom, Germany, Belgium and Italy). No new workplace health and safety agreements were signed in 2017.

These various initiatives increase employees' sense of belonging, ensuring that all staff are committed to the Corporate Plan and that the challenges posed by the digital transformation are met. As such, they constitute one of the drivers of business performance.

In 2018, labour relations remain a key issue for the Group's future development.

## 2.8. Working conditions and organisation: a priority for the Group

Working conditions and the organisation of work are important components of human resources management, considered by the Group as critical to its efficiency and long-term success.

The Group ensures that employees' working conditions and environment comply with legislation in force in the countries in which it operates.

The Group's businesses fall within the service sector and do not include any high-risk activities, notably in respect of occupational accidents, which are related purely to the hazards of everyday life. Nevertheless, the Group ensures that awareness and training action plans are implemented in all countries to prevent accidents and improve employee health and safety. 80% of employees are covered by these initiatives, in the following countries: Belgium, France, Germany, India, Italy, Spain, United Kingdom, Tunisia and Switzerland.

A psychological counselling and support unit is also available to employees in a number of countries (78% of employees have access to this type of support in the following countries: France, United Kingdom, Scandinavia, India, Belgium, Germany). This unit, staffed by psychologists, is completely independent of the company and can be accessed anonymously, confidentially and free of charge at any time.

The Group also champions local initiatives to improve life in the workplace. In the United Kingdom, for example, information campaigns about well-being in the workplace ran for the entire year. In Norway, meditation and yoga sessions were put on for employees to help them balance their work and private life.

Health and safety committees ensure that specific processes and measures are put in place and implemented at the local level, since each entity is subject to legislation specific to its host country. These measures concern, in particular, buildings (security of premises, furnishings, heating and air conditioning, etc.) and food (canteen, water, etc.).

In 2017, there were no occupational illnesses recognised in France by CPAM (the national health insurance body). The rules used to calculate absenteeism, and workplace accident frequency and severity rates were altered. In 2017, the rates were calculated based on business days, rather than calendar days as was previously the case. The figures for 2016 were recalculated using the same method. According to this rule, the absence rate was 2.1% in 2017, lower than in 2016 (2.7% recalculated). The workplace accident frequency rate decreased significantly in 2017 (1.68%, vs. 2.29% recalculated in 2016), while accident severity was 0.035% (compared with 0.030% recalculated in 2016). The rates remain very low and are linked to the hazards of everyday life.

### ORGANISATION OF WORK

The organisation of employees' work schedules must allow for an appropriate work/life balance. Part-time working is never obligatory; it is always a matter of individual employee choice. Sopra Steria approves employee requests for part-time work whenever they are compatible with the requirements of the departments or projects concerned.

In 2017, 6.3% of Group employees were part-time (compared with 6.6% in 2016).

In 2018, the Group will endeavour to continue with and step up its actions to improve working conditions and the organisation of work, notably from a health and safety perspective.

## 2.9. Diversity and equal opportunity: a key issue for innovation and performance

Sopra Steria Group's anti-discrimination policy is consistent with its approach based on the principle of promoting equal opportunity. Sopra Steria works hard to recruit talented employees from a variety of backgrounds, retain its employees by offering a stimulating and welcoming work environment, and demonstrate respect and fairness to all staff. This approach focuses on both staff employability and the challenges facing civil society. It covers four areas: access to employment for people with disabilities, gender equality in the workplace, the intergenerational approach, and diversity and access to employment for young people.

### EMPLOYMENT OPPORTUNITIES FOR PEOPLE WITH DISABILITIES

The main aim of the Group's disability policy is to favour the recruitment and continued employment of people with disabilities. Irrespective of the country in which they are based, the Group's companies are committed to complying with legislation and all local regulations and recommendations in support of employment for people with disabilities. Certain frameworks require employment to be provided. Furthermore, many Group companies in a number of countries have adopted a series of measures aimed at going beyond legislative requirements in promoting employment for people with disabilities.

In France, the proportion of employees with disabilities increased in 2017, ending the year at 2.46% (higher than the 1.4% achieved by the digital sector as a whole; source: OPIIEC 2014), thanks to buoyant recruitment, initiatives to retain employees with disabilities and a focus on the sheltered employment sector. In Spain, the Group launched a programme to help employees recognise disabilities and took part in a national employment day for people with disabilities. In Italy, Sopra Steria entered into two partnerships with leading non-profits specialising in retaining employees with disabilities and launched recruitment activities specifically targeting people with disabilities.

### WORKPLACE GENDER EQUALITY

The Group remains committed to workplace gender equality. During HR cycles, Human Resources Committees monitor compliance with principles of fairness in decisions concerning promotion, compensation, immersion periods in new roles, and training.

In 2017, the proportion of women in the Group's workforce held steady, with women representing 31% of the workforce and 27% of engineering, consulting and project management positions. This was higher than the equivalent proportion in scientific careers and in the digital sector as a whole (women represent only 20% of engineers, and fewer than 15% of graduates in the digital sector, according to the 2015 *Mutationnelles* survey). A total of 2,940 women were recruited (compared with 2,587 in 2016), accounting for 31% of all Group recruitment (vs. 30% in 2016). The leadership of HR cycles was stepped up with clear guidelines on expected outcomes.

The Group also encourages concrete local initiatives in each country. In Germany, France, India, the United Kingdom and Scandinavia, networks of women and men continued their efforts to encourage women to join our industry. These include conducting upstream awareness-raising among female students, making various audiences aware of the importance of eliminating discrimination and sharing best practices.

### INTERGENERATIONAL APPROACH

The Group endeavours to attract young talent and to reflect the various generations proportionately, and it strives to support senior employees. The Group promotes knowledge and skills transfer – a key component of its intergenerational policy – by appointing a mentor for every new recruit aged under 26. In 2017, 9% of the workforce was under 25 years of age (compared with 9% in 2016) and 8% was over 55 (compared with 8% in 2016).

In France, measures supporting senior staff were maintained under a new three-year generational contract for 2017-2019. The Group achieved its targets for the recruitment and overall proportion of older employees (with 1.5% of new hires and 15% of employees aged over 50). The Group maintained its drive to develop skills and qualifications among older employees. A total of 14% of all training delivered was to employees aged 50 and over (compared with 13% in 2016), and an in-depth interview system was rolled out to anticipate career changes. Information sessions were held for employees affected by end-of-career adjustments and the transition from working life to retirement.

### DIVERSITY AND ACCESS TO EMPLOYMENT FOR YOUNG PEOPLE

Ensuring access to education for all and integrating young graduates into the world of work is central to the Group's social policy, in line with the principle of equal opportunity and Group's proactive policy of recruiting and developing talented young people.

In France, partnerships with Pôle Emploi (France's network of job centres) and specialist organisations like EPEC made it possible to offer unemployed young people access to retraining programmes leading to professional qualifications and give them the opportunity to be directly involved in IT projects run by the Group, notably under the terms of social inclusion clauses (a total of over 135,000 hours have been spent on such projects, more than 49,000 of them in 2017). Lastly, the Group launched a pilot "Passport to the future" project in Toulouse to support higher education students from underprivileged areas (nine students were tutored by the Group's employees). In the United Kingdom, the partnership with non-profit organisation Career Ready also provided support for unemployed young people, notably through volunteer mentoring by Group employees.

In 2018, the Group will continue with its initiatives promoting employment for people with disabilities, maintaining a higher proportion of women in the Group's workforce than in the sector as a whole, promoting gender equality in the digital sector and contributing to the national effort to recruit young people, and in particular those from disadvantaged neighbourhoods, while also continuing to employ older people.

## 2.10. Promoting and complying with the fundamental conventions of the International Labour Organization (ILO)

Sopra Steria adheres to the principles and fundamental entitlements of the Universal Declaration of Human Rights of the United Nations and the Charter of Fundamental Rights of the European Union. Sopra Steria is committed to:

- complying with European Community and domestic labour law and collective bargaining agreements in each country where it operates;
- respecting the exercise of trade union rights in each of the countries in question.

Sopra Steria's employment policy aims to promote health, safety and dignity in the workplace for all employees, with a particular focus on ensuring compliance with the principles of equality, diversity and non-discrimination, in relation to both recruitment practices and employee career development.

### 2.10.1. UPHOLDING FREEDOM OF ASSOCIATION

As a signatory of the United Nations Global Compact, Sopra Steria is committed to upholding freedom of association and recognising the right to collective bargaining. Sopra Steria has implemented non-discrimination policies and procedures with regard to employee representatives. In countries that do not have an institutional framework governing the recognition of employee representatives, Sopra Steria seeks to implement measures intended to improve professional relations between the company and its employees. Sopra Steria has reaffirmed this commitment in its Code of Ethics.

### 2.10.2. REPUDIATION OF FORCED CHILD LABOUR

Sopra Steria has formally committed itself to combating child labour, child exploitation, forced labour and all other forms of compulsory labour, notably through its adherence to the United Nations Global Compact. This commitment is reiterated in Sopra Steria's Code of Ethics.

## 2.11. Regional impact

### 2.11.1. EMPLOYMENT AND REGIONAL DEVELOPMENT IN FRANCE

Sopra Steria remained a major driver of growth in regional employment in 2017. The Group has 18,369 employees (excluding acquisitions), with close to two-thirds of them living outside the Paris region. A total of 2,616 new staff were hired on permanent contracts, with close to 59% of these living outside the Paris region (same as in 2016),

To serve its clients and meet their needs as effectively as possible, Sopra Steria has developed regional service centres and boosted the workforce at its regional sites. This policy has resulted in many jobs being created in regions other than Paris. Recruitment of apprentices continued at a brisk pace in 2017 (161 apprentices taken on in 2017, 157 in 2016), as did recruitment under occupational training contracts despite a decline (353 in 2017 vs. 379 in 2016). Furthermore, recruitment under permanent contracts of young graduates following internships grew strongly in 2017, up 28% relative to 2016 (461 in 2017, versus 359 in 2016).

### 2.11.2. EMPLOYMENT AND REGIONAL DEVELOPMENT IN SPAIN

Sopra Steria confirmed its position as a major provider of regional employment in Spain, with 895 new staff recruited under permanent contracts. Recruitment across the country, already high in 2016, grew strongly year on year (700 new employees had been recruited under permanent contracts in 2016). Recruitment remained buoyant among under-25s, including in struggling regions where unemployment has reached record levels within the European Union, especially among under-25s (over 37% of whom are unemployed; source: INE).

# 3. Societal responsibility: increased interaction with stakeholders

Corporate social responsibility encompasses action in various different areas – responsible procurement, stakeholder dialogue, client satisfaction and outreach programmes to support local communities where the Group operates.

## 3.1. Background and key events

Whether in relation to needs, uses, offerings or business models, in the face of rapid change linked to the digital transformation and new technologies, companies need to adapt and get on board with the digital revolution.

As a major European player in the digital transformation, Sopra Steria is a preferred partner of major organisations, helping them respond to these new challenges.

As part of its corporate responsibility approach, Sopra Steria interacts with all stakeholders, with an emphasis on three key factors: dialogue, innovation and value creation.

**Key events**

- Sopra Steria is a GC Advanced signatory of the United Nations Global Compact, the highest level. The Group ranks among the top 9% of companies supporting the Global Compact.
- Sopra Steria achieved EcoVadis Advanced Gold level for social and environmental responsibility, ethics and supply chain, putting the Group in the top 1% of companies rated by EcoVadis, which assesses companies' CSR performance.
- For the ninth year running, Sopra Steria was included in the Gaia Index, which lists the 70 companies with the best corporate responsibility ratings out of a sample group of 230 companies.
- In 2017, Sopra Steria published the third edition of its European digital governance survey.
- It received the following awards and accolades for its partnerships: IBM Watson Ecosystem Partner, Microsoft Health Innovation Awards 2017 Winner, SAP Quality Awards Golden Winner 2017 Belgium, Oracle Excellence 2017 Winner, SAS Regional Partner of the Year.

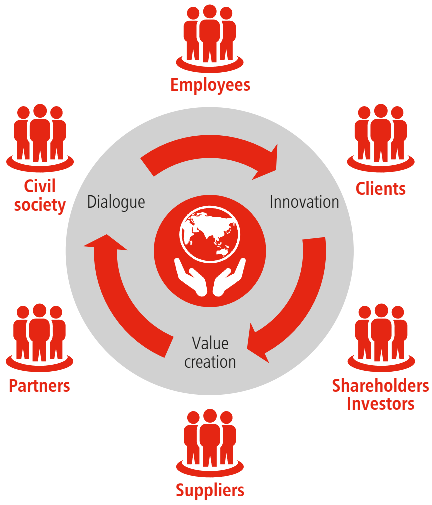
## 3.2. Commitments

Sopra Steria's approach to corporate responsibility is based on its commitment to the United Nations Global Compact. It embraces the principles of transparency towards and dialogue with all key stakeholders: clients, employees, shareholders, investors, partners, suppliers and civil society.

## 3.3. Challenges and key achievements

| 2017 challenges/targets | Achievements in 2017 | Ambitions for 2018 |
|---|---|---|
| **STAKEHOLDER DIALOGUE** | | |
| ▪ Strengthen initiatives designed to raise awareness of corporate responsibility<br>▪ Develop collaborative initiatives with the Group's ecosystem (market, environment diversity and inclusion) | ▪ Contribution to the Group's various major internal and external events.<br>▪ Organised joint events and initiatives with clients and NGOs on issues related to corporate responsibility. | ▪ Roll out new internal and external initiatives (market, community engagement, environment, ethics) to entities and internationally. |
| **DIGITAL RESPONSIBILITY** | | |
| ▪ Contribute to thinking about the social impact of digital technology and work towards a more inclusive digital society | ▪ Sponsored the Collège des Bernardins Digital Chair and the Digital Inclusion laboratory of the Agence Nationale des Solidarités Actives (ANSA) | ▪ Provide long-term support for Collège des Bernardins' digital humanism department. |
| **RESPONSIBLE SUPPLY CHAIN** | | |
| **Responsible Purchasing Charter**<br>▪ Incorporate new European and local directives into the Responsible Purchasing Charter<br>▪ Roll new charter out to employees involved in purchasing | ▪ Comprehensive review of the responsible purchasing policy to standardise practices within the Group and incorporate new regulations (Sapin II Act, duty of care). | ▪ Roll out this new policy across the entire Group. |
| **Supplier evaluation**<br>▪ Reinforce the programme to raise awareness of the EcoVadis assessment system among Group purchasing staff to increase the number of suppliers assessed | ▪ Review of the supplier evaluation programme to ensure it complies with the latest regulatory requirements (Sapin II Act, duty of care). | ▪ Extend the programme to assess a larger number of suppliers and subcontractors in the country's entities. |
| **CLIENT ISSUES AND SATISFACTION** | | |
| **Expertise and services**<br>▪ Continue to innovate in client projects<br>▪ Develop joint corporate responsibility initiatives between Sopra Steria Group and its clients | ▪ 7 new DigiLabs, notably in Italy and Belgium.<br>▪ Development of joint initiatives with our clients: Mobility with Demeter in France, Community engagement with Harrow Council in the United Kingdom and the Environment with a major city in Norway. | ▪ Continue development of frameworks for innovation.<br>▪ Strengthen the Group's verticals by leveraging the Innovation Awards. |
| **Client satisfaction**<br>▪ Strengthen the Key Accounts programme | ▪ Introduce a Key Accounts governance framework geared to individual countries.<br>▪ Analysis of the Group's image among its major clients. | ▪ Harness the projects creating the most value from the Innovation Awards for the benefit of our clients. |

# 3.4. Stakeholder dialogue




Sopra Steria engages in ongoing and open dialogue that fosters innovation and value creation for all its stakeholders.

For example, since 2014 the Group has entered into a partnership with Ipsos to conduct opinion surveys, the results of which are regularly published.

Under this partnership, the Group and Ipsos have launched Digital Gouv', a bellwether index for the government's digital transformation. The third edition, based on a survey of 4,000 citizens representative of the national population aged 18 and over conducted in four countries (Germany, France, Norway and the United Kingdom), was published in 2017.

### SUMMARY OF STAKEHOLDER DIALOGUE

| | |
|---|---|
| Clients | Regular dialogue concerning Sopra Steria's contribution to helping clients meet their corporate responsibility challenges (meetings, questionnaires, third-party assessments, etc.); co-development initiatives with clients focused on innovation and social inclusion and environmental clauses linked to Sopra Steria's services. |
| Employees | Group-wide campaigns raising awareness about corporate responsibility; coordination of in-country officers networks; dedicated Group newsletter; education of new arrivals; dedicated mailbox. Employees' involvement in diversity programmes, access for young people to employment, environment, community engagement. |
| Shareholders and investors | Reporting to shareholders via the registration document, general meetings, press releases and earnings presentations; dedicated communications for employee shareholders; communication with investors via the website and answers to specific questionnaires. Evaluation of the Sopra Steria Group by the Gaia Index, CDP and EcoVadis. |
| Partners | Joint innovation approach with major strategic partners in the digital transformation; Governance of strategic partnerships (Microsoft, IBM Software, SAP, Oracle, HP Software, Dassault Systèmes) with dedicated managers; More specialised partnerships with industry and technology vendors (Google Cloud, etc.). |
| Suppliers and subcontractors | Responsible purchasing policy rolled out Group-wide; Responsible purchasing charter: programme to assess suppliers and subcontractors led by EcoVadis, an external organisation. |
| Civil society | Partnerships and sponsorships with international and local NGOs in each country; foundations in France and India; working with local authorities, schools and universities in the various countries in which the Group operates; active involvement in trade unions and industry bodies. |
| All stakeholders | Publication of an annual Corporate Responsibility Report audited by an independent third party; evaluation by non-financial organisations and analysts, with ratings publicly disclosed.<br>Regular dissemination of information via the Group's website and social networks: Twitter, Facebook, LinkedIn. |

### AN ADVISORY BOARD TO STRENGTHEN STAKEHOLDER DIALOGUE

The Sopra Steria Group's CR Advisory Board consists of external figures with no financial or business interests in the Group. Through their experience and expertise in key areas falling within the Group's corporate responsibility, these advisors provide independent and relevant insights challenging and driving improvement in the Group's corporate responsibility approach and forging stronger dialogue with all stakeholders. An overview of the Advisory Board can be found in Section 1.5.2 of this Corporate Responsibility Report.

# 3.5. Support for the Digital Chair: a fresh perspective on digital technology's impact on humankind

As a major European player in the digital transformation working with large organisations, Sopra Steria plays an essential role in contributing to and providing input into work on the societal impact of digital technology. For the past two years, the Group has thus been involved with the Digital Chair created by the Collège des Bernardins, a key centre for gatherings and discussion, as part of its research activities. This commitment to the Collège des Bernardins will continue for the next few years with the creation of the new digital humanism department dedicated to studying the societal aspects of digital technology. Through this department, the Group will provide its experience as a digital enabler helping large businesses and administrations enrich thinking and work to be undertaken with researchers, scientists, experts, anthropologists and large businesses to provide a fresh perspective on this crucial subject for the future of humankind.

## 3.6. More stringent responsible purchasing requirements

Over the past few years, the Group has launched a programme to evaluate its key suppliers to make sure they meet the corporate responsibility standards set by the Group. The programme was reviewed in 2017 to:

- incorporate new regulatory requirements (duty of care; Sapin II Act) and manage risks arising from the supply chain;
- overhaul Group purchasing rules and procedures;
- raise standards and harmonise practices and roll them out Group-wide;
- add a Purchasing section to the Key Book, the handbook of Group rules specifically concerning:
  - supplier selection,
  - purchase requests and orders,
  - order receipts and payments;
- overhaul the Group's supplier charter to include the Group's new requirements.

### 3.6.1. THIRD-PARTY EVALUATION OF THE SUPPLY CHAIN

**Suppliers**

Sopra Steria uses the EcoVadis platform to evaluate its supply chain. It reviews 21 different areas related to social, environmental and ethical responsibility and the supply chain.

The framework has been introduced in stages since 2014 across the countries and entities making up the Sopra Steria Group. In 2018, it will be extended to new Group suppliers.

**Subcontracting**

Sopra Steria may make use of subcontractors in cases where its commitments cover activities or services that fall outside its usual scope of activity, or where specific expertise is needed within a given project. When it calls upon external expertise, the service providers or subcontractors it selects to perform a portion of the services are accountable to the Group's entities. The services they provide are checked in the same way as services delivered by other members of Sopra Steria's teams.

The Group's key subcontractors are gradually being brought into the EcoVadis CSR evaluation programme.

### 3.6.2. ETHICAL AND INCLUSIVE PURCHASING IN SUPPORT OF DIVERSITY

The Group's responsible purchasing policy also reflects the community engagement aspects promoting local development, small businesses and greater diversity.

- Use of the social economy in countries, measures to promote diversity.
- Partnership with Atimic in France promoting employment for people with disabilities as subcontractors.
- Use of local suppliers to strengthen the local economy.
- Shorter payment periods to encourage the use of small businesses.

### 3.6.3. ENVIRONMENTAL POLICY

- Listing of eco-friendly paper at our supplier, Office Depot.
- Renewable energy: purchase of renewable energy or use of certificates of origin covering electricity and gas consumption.
- Purchases of EPEAT Gold-certified PCs.
- Introduction of Science Based Targets [(1)]: Sopra Steria makes sure that its major suppliers accounting for at least 70% of its supply chain's emissions, keep their greenhouse gas emissions under tight control and have introduced greenhouse gas emission reduction targets by 2025.

- Sopra Steria gained the maximum score in the CDP Supplier evaluation and was added to CDP's A List (2017-2018 campaign).

## 3.7. Client satisfaction at the heart of the Sopra Steria Group's project

Delivering client satisfaction is a top priority for Sopra Steria. Combining added value, innovative solutions and high-performance services, the Group enables its clients to make the best use of digital technology.

**Enduring trust**

For the past several years, Sopra Steria has pursued a key account strategy aimed at building enduring, high-quality relationships, better understanding its strategic clients' development and competitiveness challenges, and providing a comprehensive end-to-end response with a high level of added value. In 2017, the major clients strategy was ramped up and supported by a governance framework tailored to each individual country.

In 2017, the Group's revenue from its major clients grew again, reflecting the pertinence of this approach amid a fiercely competitive environment.

In a reputation survey undertaken in 2017, major clients recognised the relevance of the Group's strategy, the excellence and closeness of relationships with their contacts at Sopra Steria, and the integrity, ability to respond swiftly and confidence they inspire.

*(1) SBT: Science Based Targets is an internationally recognised initiative offering mathematical models for identifying the environmental footprint of activities so as to be able to set ambitious greenhouse gas emissions reduction targets.*

**Sopra Steria, a leading partner**

In Europe, Sopra Steria has become the leading supplier to public authorities and major companies in sectors as diverse as banking and aerospace.

In 2017, Airbus, Sopra Steria Group's largest client, which it serves in France, Germany, the United Kingdom, Spain and India, has established the Group as a leading supplier of high value-added digital services across the portfolio of solutions it provides.

## 3.7.1. BUSINESSES AND EXPERTISE HELPING THE GROUP'S CLIENTS DELIVER SUSTAINABLE PERFORMANCE

### An end-to-end approach harnessing digital technology to create value

**Sopra Steria aligns all its business lines to meet the needs of its clients:** consulting and systems integration, development of industry- and technology-specific solutions, infrastructure management, cybersecurity and business process services (BPS).

By offering one of the most comprehensive portfolios of offerings in the market, the Group is able to provide end-to-end solutions to its clients' development and competitiveness challenges.

### Innovation and digital co-innovation

#### Co-design to mobilise collective intelligence

- Development of a collaborative approach that fosters creativity in the design of services, uses, processes, organisations and a shared vision or strategy. By involving business experts, end users and technical experts, this approach shortens the design phase, optimises processes and helps maximise access to digital technology.

#### Sopra Steria DigiLabs: spaces dedicated to digital co-innovation

- In 2017, digital co-innovation – a driver of value creation in the digital revolution – saw Sopra Steria staff and clients work together on technologies like virtual reality, augmented reality, the Internet of Things, artificial intelligence, data science, blockchain, robotics, mobility and cybersecurity.
- This approach is supported by 16 DigiLabs, spaces dedicated to innovation to encourage the emergence of innovative solutions that will meet the new challenges facing businesses and organisations. DigiLabs have been rolled out across the Group, in France, the United Kingdom, India, Germany, Norway, Belgium, Italy, Spain and Singapore.

### Sopra Steria Innovation Awards

Over 600 entries consisting of innovative projects submitted by teams from all the Group's entities were received for the annual competition. The awards were bestowed on the prizewinners as part of the January 2018 Management Kick-Off attended by close to 4,000 Group managers.

- **Clook (Germany):** an app that helps users make travel arrangements.
- **What's Next (France):** a project that uses artificial intelligence to help users monitor their budgets and accounts and speed up invoice processing.
- **Smart Digital Cloning (India):** an application that analyses data collected via the IoT from a vehicle using blockchain technology.
- **Ant Tennaz (France):** an app that lets users communicate via mobile even when no internet connection is available, using Google's new Nearby Connections API.
- **Microsoft Award: Smart DLT – Blockchain 2.0 (Belgium):** using blockchain technology, this application can be used to combat counterfeit drugs by securing their distribution channels.

In 2017, a special prize – the Disability Innovation Award – was introduced for the first time.

**2017 Disability Innovation Award: VR Phantom Limbs (France)**

What are phantom limbs? They are a sensation that many individuals with a limb amputation experience may feel. The VR Phantom Limbs app aims to reduce this type of pain by combining therapeutic techniques with virtual reality technology. The virtual reality technology fully immerses the user in the environment. This step-by-step approach helps to avoid the use of anti-depressants or powerful pain relief drugs.

### Digital technology can help to meet our clients' sustainable development goals

#### Harnessing digital technology to achieve a low-carbon economy

- Developing solutions that address the new challenges of energy efficiency and allow users to better manage their energy consumption.
- Optimising urban transport and multimodality to promote the use of safer, more regular and more attractive modes of transport with a low carbon impact.
- Process optimisation and paperless exchange thanks to digital technology.
- Services benefiting from the Group's carbon neutral policy: business travel, offices and datacentres.

#### Taking into account the social dimension of Corporate Responsibility

- Harnessing digital technology to work for a more inclusive economy and working with clients and stakeholders in civil society on digital inclusion issues.

### Harnessing expertise for smart cities

#### Making cities more attractive, reducing their environmental footprint and offering new services thanks to digital technology

- Harnessing digital technology to improve quality of life for citizens and promote sustainable economic development through smart cities.
- Supporting digital transformation and regional economic development.
- Sopra Steria is partnering with major European cities as they put together their digital strategies, supported by innovative solutions developed by the Group:
  - Smart Harbour: a system that optimises harbour management by switching to paperless activity management and developing new services;
  - SI@GO: a building energy efficiency management system;
  - Enjoy-MEL: digital infrastructure to help boost the appeal of city centres;

- Colibry [1]: a platform for developing innovative operational solutions that meet the urban mobility challenges facing smart cities, businesses and citizens.

**Demeter [2], a collaborative management initiative**

In France, Demeter has 30 partners including Sopra Steria who are working together to reduce Toulouse airport's environmental footprint. Stakeholders have formed four working groups, covering mobility and sustainable infrastructure development, green growth, the circular economy and air pollution. Together, they aim to build momentum leveraging the impact of their areas of expertise. Initial avenues for development include green fuel for aircraft, car pooling for employees and hydrogen stations. Under this joint initiative, Sopra Steria is involved more specifically in the Commute project [3], which aims to implement a collaborative management system for employee mobility and help relieve urban traffic congestion. The partners in Commute, which was picked out by the European Commission's Urban Innovative Action programme from 200 applications, include Airbus, ATR, Safran, Sopra Steria, Toulouse Blagnac airport, AFNOR, Tisséo Collectivités and the Réussir Business Club, with the Toulouse Métropole authority providing leadership. Sopra Steria's goal is to roll out the Colibry digital platform, and contacts are currently being established with other urban authorities in France and the rest of Europe.

### 3.7.2. INFORMATION SYSTEMS SECURITY, INCLUDING CYBERSECURITY

#### Information systems security

With the growing number of potential threats that companies can face (climate, cyberattacks, failures, etc.), it is crucially important for the Sopra Steria Group to implement robust security frameworks for information systems.

Sopra Steria entities (in France, the United Kingdom, Germany, Scandinavia, Poland, Spain, Italy, India and Switzerland) are certified to ISO 27001 by accredited organisations. This certification also applies to IT services supplied by the IT Department for the Group as a whole, which have been certified ISO 27001 since 2015 and are subject to annual follow-up audits. The scope of certification is steadily being extended; in 2017, around 10 new sites were certified in France, Spain and the United Kingdom.

#### Cybersecurity

As a leading player in cybersecurity, Sopra Steria develops the most innovative solutions and services, especially addressing the risks arising from potential cyberattacks, and these help to meet the Group's security requirements for its own operations.

This subject is discussed in further detail in Chapter 1, Section 4.1.2 of the 2017 Registration Document.

## 3.8. Community engagement for an inclusive digital society

The rapid changes in society triggered by digital technologies affect numerous areas such as health, disability, culture, education, urban and regional infrastructure development. These changes represent real challenges.

Education and training, especially in digital technology, represent key priorities for creating value for society and for social inclusion and access to employment for all. The Group is particularly attentive to this issue, and remains committed to vulnerable populations in these areas, while also supplementing its framework for action with initiatives in favour of water rights. To fulfil this commitment, involving hundreds of Group employees, Sopra Steria is supported by two foundations in France and India, as well as long-term sponsorships developed with non-profit organisations. This programme is supplemented by local community outreach initiatives, including a major educational and engagement programme in India, and fundraising events in several countries to expand their own action programmes or bolster the programme in India.

#### Key events

- Launch of the Group's first annual Community Day campaign to promote and raise employee awareness of community engagement initiatives in various countries.
- 15th Sopra Steria-Institut de France Foundation Student Awards.
- Launch of a new community engagement programme in the United Kingdom focusing on education about digital inclusion and entrepreneurship, in tandem with clients and with the support of employees.
- Efforts to boost the scientific knowledge of students in schools supported by Sopra Steria in India, including robotics workshops, science exhibitions and the Thinker Math programme.
- Launch of a new partnership in France with ANSA, a non-profit organisation that runs socially innovative projects to combat poverty and social exclusion.
- Continued sponsorship of the Collège des Bernardins Digital Chair: "Humanity in the face of the digital challenge"; participation in the Reboot Challenge aimed at students.
- Gayathri Mohan, Sopra Steria's Head of Corporate Responsibility in India, won the FDM everywoman in Technology Award at the beginning of 2018 in the International Inspiration category. The prize was a reward for the engagement and substantial educational programme that has been underway in India for many years.

*(1) Colibry: COlLaboratIve moBility gets RealitY.*

*(2) Démonstrateur des engagements territoriaux pour la réduction des émissions ("Regional emissions reduction commitments demonstrator").*

*(3) Collaborative Mobility Management for Urban Traffic and Emissions Reduction.*

### 3.8.1. CHALLENGES AND KEY ACHIEVEMENTS

| 2017 challenges/targets | Achievements in 2017 | Ambitions for 2018 |
|---|---|---|
| **DIGITAL RESPONSIBILITY** | | |
| Contribute to thinking about the social impact of digital technology and work towards a more inclusive digital society | ■ Sponsored the Collège des Bernardins Digital Chair and the Digital Inclusion laboratory of the Agence Nationale des Solidarités Actives (ANSA) | Continue sponsorship of the Collège des Bernardins through the new Digital Humanism Department<br>Ongoing partnership with ANSA to publicise the results of the Digital Inclusion lab's work. |
| **CIVIC ENGAGEMENT** | | |
| Develop access to education | ■ Rolled out education programme in 64 schools in India to 70,000 children from poor rural backgrounds.<br>■ Helped 463 students via higher education scholarship programme in India.<br>■ Initiatives across all the Group's countries, etc. | Extend programme in India with support of European Group entities. |
| Foster digital inclusion | ■ 12 projects supported by the Sopra Steria-Institut de France Foundation.<br>■ Smart classrooms and computer labs converted to solar energy in schools supported by Sopra Steria in India.<br>■ Pro bono partnership with Ferd Social Entrepreneur in Norway.<br>■ Initiatives in the United Kingdom, Poland, etc. | Efforts to strengthen partnerships in the various countries in which the Group operates with experienced organisations renowned for their digital inclusion capabilities.<br>Development of joint initiatives between the Group's countries. |
| Contribute to employability | ■ Professional development centre in India, giving access to short training courses culminating in qualifications.<br>■ Initiatives in France, Spain, the United Kingdom and Norway. | Involve employees to scale up the initiatives launched by the Group. |
| Be committed to water rights | ■ Sponsorships with 1001fontaines, Green Cross, Planet Water Foundation and Puits du Désert. | Develop initiatives in India and favour partnerships involving employees. |

### 3.8.2. WORKING TOGETHER TO SUPPORT LOCAL COMMUNITIES

#### Digital inclusion: making digital technology accessible to all

In 2017, Sopra Steria decided to support ANSA, an agency in France supporting active engagement founded by Martin Hirsh[1], to pursue local, experimental and socially innovative projects to fight against poverty and social exclusion. The corporate philanthropy programme supported the Digital Inclusion lab, which ran four workshops in 2017 to map out risk scenarios and identify ways to broaden access to all. The initiative was supported by non-profits and private and public organisations, as well as volunteers from the Sopra Steria-Institut de France Foundation.

This work is monitored by major organisations, which are using their experience to build a unique digital inclusion model in France.

The partnership is set to continue in 2018, with the publication and release of theme-based notebooks. It will make the results of this study available to the Group's other countries so that local initiatives in this field can be shared.

For the past two years, the Group has also supported the Collège des Bernardins Digital Chair to further the study of digital technology's impact on humankind, particularly in the field of education (see Chapter 3, Section 3.5 of the 2017 Registration Document).

In 2017, the **Sopra Steria-Institut de France Foundation** continued to support projects that combine digital and social or environmental innovation. In 2017, the Foundation supported 12 non-profit projects in the area of digital inclusion, sponsored by Sopra Steria employee volunteers, who provide support to the non-profits concerned and offer advice and expertise.

**Winners of the Sopra Steria-Institut de France Foundation 2017 Student Award**

Both the student projects rewarded in 2017 proposed innovative solutions to help people with disabilities. PolySENS, the project submitted by the ENSEA team that won the top prize, is a solution that helps to stimulate the senses and emotions of people with multiple disabilities, in partnership with the Cergy specialist reception centre and the Zigzag non-profit organisation. The students of Telecom ParisTech, winners of the judges' special prize, presented the Listen and Warn project featuring a connected watch for people who are deaf or hearing-impaired as an alternative to existing hearing devices.

*(1) French government High Commissioner for Active Solidarity Against Poverty from 2007 to 2010, and author of a number of books on social exclusion.*

**In other Group countries,** many local digital inclusion initiatives aimed at vulnerable populations were launched or continued with clients, partners and employees: social entrepreneurship and the unemployed in Norway, help for autistic children in Italy, support for orphans in Poland, assistance for disadvantaged young people in Spain, etc.

### Education and training: key drivers of integration

**In India,** a major long-term education programme has been put in place as part of the fight against poverty in a country with high levels of inequality. This programme is aimed at children from poor rural areas attending public sector schools located close to the company's sites. In 2017, over 70,000 children benefited from the programme at 64 schools from primary to high school level. Hundreds of volunteers help guide children through their school careers.

The educational programme will continue in 2018, with the aim of evolving towards green schools, incorporating solar power, access to drinking water, vegetable gardens and sanitation facilities.

#### Aside from school, university grants and training in India

The programme of university scholarships in India enables students from schools supported by the Group to continue their studies. To date, the programme, which is entirely funded through an annual fundraising event, has helped 463 scholarship students, 241 of whom have completed their studies and found employment.

Financed by funds raised annually by staff in Scandinavia, the Career Development Centre provides training opportunities for school leavers unable to pursue long-term studies by offering them shorter vocational training courses and skills development programmes. The CDC programme, sponsored by Sopra Steria Norway, was established in partnership with the NIIT foundation.

**In other Group countries,** initiatives are also run with the help of volunteers to provide academic tutoring to vulnerable children and to help women gain computer skills. In the United Kingdom, for example, employees take part in educational initiatives for young people in Harrow.

### Programmes fostering employee engagement

In 2017, fundraising programmes and initiatives in response to local community issues continued with the help of several hundred employees.

Employees rallying behind community and also environmental causes raise funds both for Group programmes and for local charities of their own choice. These events are held in India (Share and Support Day), in the United Kingdom (Community Matters), in Scandinavia (The Challenge) and in Poland (Charity Challenge).

Employees are also involved in community engagement initiatives supporting local priorities in Italy, France, Belgium, Spain, Poland and Morocco.

In Germany, Norway and the United Kingdom, salary-based levies are a way for employees to help provide financing for not-for-profit organisations and the Group's education programme in India.

In France, the Group has for several years been involved in the Planète Urgence Congés Solidaires programme, which gives employees opportunities to pass on their skills to projects kicked off by local stakeholders in developing countries.

The approach also features local, cultural and sports-related initiatives.

### Water rights for all

Though it may appear to be abundant, water is on the verge of becoming the planet's scarcest and most precious resource. Yet today, this non-renewable resource is polluted, wasted and over-exploited. More than a billion people have no access to safe drinking water and 8 million people, half of them children, die from water-borne diseases every year.

Through financial sponsorship, since 2012 the Group has been supporting international organisations working in a variety of fields: developing solutions for accessing drinking water, sanitation programmes, advocacy, and pollution reduction and prevention.

**Find out more about Sopra Steria Group's humanitarian initiatives:**

| | |
|---|---|
| Group: | https://www.soprasteria.com/fr/groupe/responsabilite-d-entreprise/ |
| France: | http://www.fondationsoprasteria.org/fr |
| India: | http://www.soprasteria.in/about-us/corporate-responsibility |
| United Kingdom: | https://www.soprasteria.co.uk/about-us/sustainability/community |
| Norway: | https://www.soprasteria.no/om-sopra-steria/samfunnsansvar |
| Germany: | https://www.soprasteria.de/das-unternehmen/corporate-responsibility |
| Spain: | http://www.soprasteria.es/sobre-nosotros/responsabilidad-corporativa/responsabilidad-comunidades |

# 4. Ethics & Compliance

## 4.1. Background and key events

**Key events**

- Creation of the new Corporate Governance & Risk Management Department. The main responsibility of this central department is to update principles guiding the Group's policy on compliance and ethics by taking into account new regulatory requirements (the Sapin II Act and the duty of care, or *devoir de vigilance* in French) and ongoing changes in the Group's scope.
- Compliance programme launched in 2017.
- Revisited core rules and procedures.

## 4.2. Challenges and key achievements

| 2017 challenges/targets | Achievements in 2017 | Ambitions for 2018 |
|---|---|---|
| **ETHICS & VALUES** | | |
| ■ Strengthen rules and procedures within the Group following the merger (including compliance and control issues) | ■ Set up Corporate Governance & Risk Management department.<br>■ Code of Ethics supplemented by a stock market code of ethics and conduct.<br>■ Core Group rules revisited. | Roll out new arrangements within the Group, notably in light of changes in the Group's scope. Continue with compliance programme in 2018 to supplement existing arrangements. |
| **DATA PROTECTION** | | |
| ■ Strengthen data protection arrangements | ■ Prepare new data protection programme. | Roll out GDPR implementation programme across entire Group. |

## 4.3. Governance and organisation

To ensure that ethical and compliance issues are addressed and regulatory challenges met as effectively as possible, senior management has opted to bring together compliance, internal control and risk management within a single department: Corporate Governance & Risk Management. This department reports to the Group's Executive Management. The structure is designed to bring compliance issues, compliance controls, and alerts and risks under a unified governance framework.

The department oversees compliance issues across the Group and coordinates all stakeholders involved in compliance. To manage these issues, it is supported both by correspondents in the Group's various subsidiaries and entities and by the Group's functional departments, which have expertise in their respective fields and are in turn supported by their own correspondents who cover compliance issues in the various entities.

Under this governance structure, the department is headed up by the Group Compliance Officer, who is also the primary reference point for the alert system and is supported by a network of compliance officers in the Group's various entities and geographies, who act as contact points and ensure close links with local teams.

The Risk Committee conducts monthly Group-level reviews of compliance issues, risks, points to watch and alerts fed back by the Group's various entities and geographies. The Risk Committee is made up of the Industrial Director, responsible for operational reviews and alerts and projects, the Finance Director, the Legal Director, the Human Resources Director, the Security Director and the Corporate Governance & Risk Management Director.

The Corporate Governance & Risk Management and Audit Departments undertake regular joint updates, notably concerning the audit plan and the identification of risks. All compliance issues are regularly presented to the Audit Committee, which is a subcommittee of the Board of Directors.

A Stock Market Ethics Committee has also been formed. This committee meets as often as necessary, and in any event no less than once a month.

Risk management and control within the Group, and the relationship with the Audit Department and external auditors, are described in more detail in Chapter 1, Section 9.1 of the 2017 Registration Document.

## 4.4. A Code of Ethics and core values supported at the highest levels of the Group

The Sopra Steria Code of Ethics expresses the Group's values and is based on shared ethical principles that apply to all Group entities, including in particular the core values of respect, integrity and transparency.

The principles of the Group's Code are founded on compliance with legislation and regulations in all countries in which Group entities operate, and on entities' commitments to conduct their business as efficiently and effectively as possible.

At the local level, depending on legislation in force in the countries in which the Group operates, additional charters and rules on business ethics are in place and regularly monitored.

Under its Code of Ethics, Sopra Steria is committed to ensuring that the Group and its employees abide by the following:

- human rights and fundamental freedoms;
- local laws and customs;
- rules on the prevention and refusal of all forms of active or passive corruption, whether direct or indirect, and conflicts of interest;
- competition rules;
- confidentiality of information to which employees have access in the course of their duties and activities.

Through this code, the Group is committed to conducting its business in adherence to the highest possible standards. The Sopra Steria Code of Ethics is supported by Group management, which is responsible for ensuring that these rules are observed. The code applies to all Sopra Steria employees to ensure that the Group's businesses operate effectively.

In 2017, the Code of Ethics was supplemented by a Stock Market Code of Ethics, which is a conduct of business code covering securities trading and the prevention of insider dealing. This new code was introduced primarily as a means of ensuring compliance with the European Market Abuse Regulation (Regulation (EU) 596/2014).

## 4.5. Core rules and procedures

Beyond the Code of Ethics, which reaffirms the Group's fundamental principles and values, the compliance system within Sopra Steria is supported by a common core of rules covering all Group processes (management, human resources, purchasing, sales, operations and production, finance and accounting, security, etc.). In 2017, following the merger, significant work was undertaken at Group level to consolidate existing rules as part of the compliance programme, and a number of guidelines and procedures were clarified. This work to formalise and review rules continues in 2018 under the compliance programme to ensure that implementation of rules within the Group is monitored, but also to supplement and reinforce a number of control points in relation to certain processes. These changes also form part of the Group's response to new regulatory requirements.

## 4.6. A programme aimed at supplementing existing compliance arrangements

To support the Group's development and growth and meet new regulatory requirements, the Chairman and Executive Management decided to supplement existing arrangements by launching, in 2017, a compliance programme to be implemented and rolled out across the Group. Implementation of this programme will speed up in 2018.

As well as implementing governance arrangements, revising and reformulating Group rules and bolstering the internal control system as described above, this programme includes the following:

- **an anti-corruption and influence-peddling code of conduct** supplementing the existing Code of Ethics, covering all entities and geographies and translated into all the Group's languages. This code will be incorporated into Group entities' internal rules of procedure after submission to the various representative bodies in accordance with usual procedure;
- **Group-wide awareness-raising and training** consistent with communication and training programmes already in place within the Group's various entities. In addition to an awareness programme aimed at all employees providing an accessible and specific overview of corruption and influence-peddling risks to the business, training will be rolled out for employees directly involved in purchasing processes (buyers, public sector, export sales and recruitment) in conjunction with Sopra Steria Academy. Dedicated modules will be incorporated into existing training, notably for managers, and into induction programmes for new recruits, to ensure that training arrangements are fit for purpose for the long term;
- **strengthened control and audit procedures;**
- **responsible purchasing: speeding up the supplier evaluation programme;**
- **a whistleblowing system** supported by compliance officers within the Group's various entities: this system will be widely communicated to Group employees following consultation with representative bodies and rollout

## 4.7. Duty of care and prevention

Information on health and safety, working conditions, diversity and equal opportunity, and promoting and complying with fundamental conventions is covered via various stakeholders and in various parts of the Registration Document (in the sections entitled "Responsible employment practices", "Environmental responsibility" and, for suppliers and subcontractors, "Social responsibility").

Sopra Steria has opted to carry out a comprehensive exercise covering the entire Group and its subsidiaries (entities and geographies) to map risks relating to its duty of care, so as to formalise the components of the duty of care plan in a structured and consolidated form, as well as prevention actions and priorities identified. As regards responsible purchasing, a review of purchasing policy has been undertaken by the Purchasing and Corporate Governance & Risk Management departments to extend the scope of third-party supplier and subcontractor assessments (EcoVadis evaluation), notably to incorporate issues relating to the duty of care. As regards real estate policy, as well as complying with local regulations, each of the Group's country entities develops prevention initiatives to ensure safety and quality of life in the workplace: secure access, maintenance of electrical installations, sanitary checks, renovation of existing sites or selection of new sites, interior layout, etc.

As regards human rights, Sopra Steria is committed to combating child labour and exploitation, forced labour and any other form of compulsory labour (including slavery); complying with European Union and national legislation and collective bargaining agreements in each country in which the Group operates; respecting the free exercise of trade union rights in each country concerned; promoting health, safety and dignity in the workplace; and abiding by the principles of equality, diversity and non-discrimination. These commitments are reiterated in the Group's Code of Ethics.

Work on these issues is closely coordinated with Human Resources, Corporate Responsibility and Sustainable Development and, for environmental issues, Purchasing and Property. Entity heads are closely involved in the risk-mapping exercise and in implementing and monitoring associated actions. Implementation of the duty of care plan requires ongoing oversight and monitoring by executive management. Management of alerts and risks relating to these specific issues will be incorporated into the Group's risk management process.

## 4.8. Protection of personal information

Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 (the General Data Protection Regulation, or GDPR) enters into force on 25 May 2018. Sopra Steria Group and its subsidiaries have been rolling out a programme aimed at ensuring compliance with this regulation.

This programme is overseen by the Group Legal Department, which coordinates data protection arrangements across all subsidiaries.

All Group entities (Sopra Steria Group) comply with domestic regulations on the protection of personal information.

In addition, at Sopra HR Software, the Sopra Steria Group's HR solutions publisher subsidiary, the Binding Corporate Rules (BCR) have been in place within its entities since 2015.

# 5. Environmental responsibility: innovating in support of the environment

Environmental issues, and more specifically the consequences of climate change, are increasingly affecting society and the way businesses operate. In its 2018 Global Risks Report, the World Economic Forum announced that environmental risks now rank third, after persistent risks of inequality and injustice and risks linked to national and international political tensions, and ahead of the risk of cyber-vulnerability.

Climate change is not new, but the world is currently experiencing an acceleration of phenomena related to climate change, with major consequences for the planet in general and the economy in particular.

Sopra Steria is at the heart of an industry sector that can make a positive impact on companies' environmental footprint by incorporating environmental expertise into its offerings, developing responsible purchasing programmes and involving all parties in the supply chain in a shared improvement process.

Now recognised as one of the world's leading companies in terms of its commitment to combating climate change, Sopra Steria continues to roll out its proactive strategy for lowering its environmental impact, contributing to international initiatives aimed at reducing climate risk and supporting the transition to a low-carbon economy within its ecosystem.

In seeking to understand its stakeholders' expectations, the Group has identified two key environmental challenges:

- limiting the negative environmental impact of the Group's activities;
- developing an ambitious programme to reduce the Group's greenhouse gas emissions.

## 5.1. Background and key events

In the wake of the 2015 Conference of the Parties, or COP21, in Paris in the context of the United Nations Framework Convention on Climate Change, followed by COP23 in Bonn and the Paris Climate Change Summit in December 2017, governments, NGOs and businesses are organising for action.

For several years now, Sopra Steria Group has chosen to support and participate in major national and international initiatives aimed at combating climate change. Thanks to its commitments, formalised with leading international bodies, and its proactive programme of initiatives to put its commitments into practice, the Group is one of the top global companies actively working and contributing to action against climate change.

**Key events**

- **CDP Climate Change A List:** Sopra Steria achieved a performance score of "A", the highest awarded by CDP [1] Climate Change. This distinction is in recognition of the Group's commitment, transparency and innovation, as a digital leader in Europe, in its policy and its programme of initiatives in support of environmental responsibility.

CDP A LIST 2017 CLIMATE

"A large network of people throughout Sopra Steria Group are working to implement our environmental policy. They are all convinced that they can take action within the company to help combat climate change. I'm very happy to acknowledge this distinction from the CDP, which recognises our commitment to the transition to a low-carbon economy."

Vincent Paris, CEO of Sopra Steria

- **Science Based Targets initiative (SBTi)** [2]: Sopra Steria is the 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. Across all sectors, Sopra Steria Group is one of the top 50 companies in the world whose targets are SBTi-approved.
- **CDP Supplier A List:** Sopra Steria is one of the 2% of organisations participating in the CDP supply chain evaluation programme to have been awarded the highest ranking in recognition of its initiatives concerning its suppliers' environmental issues.

*(1) CDP is a non-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts.*

*(2) SBTi: Science Based Targets initiative. Science Based Targets is an internationally recognised initiative offering mathematical models for identifying the environmental footprint of activities so as to be able to set ambitious greenhouse gas emissions reduction targets.*

- **TCFD-CDSB:** has committed itself to implementing, ove, over the next three years, the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) on climate-related financial reporting. The task force, which arose from the G20, has drawn on the work of the Climate Disclosure Standards Board (CDSB) to encourage companies to disclose physical and decision-related information on climate issues.
- **Internal shadow carbon price:** in France, Sopra Steria has introduced an internal shadow carbon price for greenhouse gas emissions arising from business travel. After the United Kingdom, France is the second country in the Group to apply the scheme, which aims to raise staff awareness of the environmental impact of travel.
- **Carbon-neutral certification:** the Group maintained the carbon-neutral status of its offices, datacentres and business travel, and extended it to include NHS SBS and SSCL, its UK joint venture companies. This certification aims to offset greenhouse gas emissions that are unavoidable due to the specific nature of the Group's activities.

CERTIFIED CARBON NEUTRAL® business travel CarbonNeutral.com CERTIFIED CARBON NEUTRAL® office space CarbonNeutral.com CERTIFIED CARBON NEUTRAL® data centres CarbonNeutral.com

- **Gaia and EcoVadis:** the Group has achieved a high level of recognition from the Gaia and EcoVadis indices, notably for the performance of its environmental programme.

## 5.2. Environmental opportunities and risks

In anticipation of changes in French and European regulations on environmental risk, and as part of its commitment to follow the recommendations of the TCFD, Sopra Steria is incorporating environmental risks and opportunities into its reporting. Chapter 1, Section 9.1.3 of the 2017 Registration Document includes a summary of environmental risks and an overview of the steps set out by the Group for managing them. In 2018, Sopra Steria will move forward with analysing scenarios associated with its environmental risks and opportunities.

As a digital business, Sopra Steria must respond to three challenges related to environmental problems and the impacts of climate change:

- managing the environmental impact of its own activities;
- adapting the Group in response to environmental factors;
- business opportunities arising from the need to adapt to climate change.

#### Managing our environmental impact

Sopra Steria has put in place environmental management principles and procedures for identifying, prioritising and managing its environmental impacts (energy consumption, greenhouse gas emissions, waste, and supply chain-related impacts). These impacts are managed at Group level by a Corporate Responsibility and Sustainable Development Committee (or CR&SD Committee), supported by networks in the Group's various entities and countries.

#### Adapting in response to environmental factors

The environmental impacts of climate change have increasingly critical implications for the planet and the global economy. The acceleration in extreme weather phenomena is triggering violent storms, floods, and extreme temperatures and major droughts, severely affecting local populations and economies. These events, if they are not anticipated, can affect both corporate infrastructure (datacentres, offices, networks, etc.) and public infrastructure, and make it impossible for employees to travel. Against this backdrop, Sopra Steria continues to strengthen its business continuity and incident recovery arrangements so as to manage as effectively as possible those of the Group's businesses that could be affected by major weather events. In addition, staff have access to digital working tools that help avoid disruption to the Group's activities.

#### Seizing business opportunities

Reducing the environmental impact of human activities presents opportunities for Sopra Steria in areas including business digitisation, paperless processes, smart energy solutions (for managing energy consumption), the IoT (Internet of Things) and smart cities. These innovative solutions can reduce large-scale environmental impacts.

This subject is discussed in further detail in Chapter 3, Section 4 of the 2017 Registration Document.

### 5.2.1. DEFINING SOPRA STERIA'S ENVIRONMENTAL RISKS AND OPPORTUNITIES

#### Transition risk

The various risks identified by the TCFD relate in particular to the transition to a low-carbon economy. For Sopra Steria, these risks are more specifically political and regulatory, or reputational. For example, a significant increase in fuel duties, more restrictive requirements on non-financial reporting, or even greater awareness of environmental issues among stakeholders could represent more or less severe risks to the Group over the short and medium term. As an illustration, Sopra Steria has rationalised its data collection processes so as to produce highly transparent and reliable regulatory reporting, with the aim of increasing the visibility of its environmental initiatives among all stakeholders.

#### Physical risks

As a Group operating in over 20 countries, the most significant physical risks to Sopra Steria mainly relate to the risk of heavy flooding, air pollution related to higher temperatures and seismic risk in some parts of the world. These risks are taken into account when selecting locations for Group sites. These risks are also anticipated and managed by means of business continuity and recovery plans and procedures, as well as substantial investment to equip sites and employees with remote working technology (digital collaborative working platforms, videoconferencing, etc.).

#### Opportunities

Thanks to the Group's expertise in digital solutions and new technologies, and its experience in managing the environmental impact of its activities, Sopra Steria has identified business opportunities related to environmental factors. The Group has developed innovative solutions to help its clients manage their environmental impacts and achieve their sustainable development goals. The digital revolution is boosting demand for cloud, mobility and process automation technologies, for example, which lead to reduced use of physical resources. The Internet of Things and smart systems (energy management, building development, smart cities and networks) help people and organisations better identify and manage the environmental impact of their activities. A more comprehensive description of Sopra Steria's environmental risks and opportunities is presented as part of the annual CDP questionnaire.

### 5.2.2. MANAGING ENVIRONMENTAL RISKS AND OPPORTUNITIES

Sopra Steria's environmental risk and opportunity management process forms part of the company's overall risk management process and covers the Group's entire scope and structure.

#### At Group level

The Group's Environmental Responsibility Unit identifies environmental risks and opportunities facing the company. It is supported in this task by the Group's operational, functional and financial control mechanisms, as well as its environmental management bodies: the Corporate Responsibility & Sustainable Development Committee (CR&SD Committee), and the CR Advisory Board (see Section 1.5 of this Corporate Responsibility Report).

- **Risks:** the Group Environment network, which feeds into the Group Environment and Sustainability Committee (GESC), identifies risks and notifies them to the Deputy Chief Executive Officer, who heads up the Corporate Responsibility and Sustainable Development Committee (CR&SD Committee). Depending on the severity of the risks identified, the CR&SD Committee may alert the Group Compliance Officer, who may decide to notify the Nomination, Ethics and Governance Committee, which is a subcommittee of the Board of Directors.
- **Opportunities:** the CR&SD Committee is the point at which feedback from operations and the GESC network comes together. Since 2016, the GESC has identified international renewable energy certificates (I-RECs) as an instrument for obtaining low-carbon energy in India, thus lowering the Group's emissions.

#### At country level

**Risks:** local environment correspondents (known as sustainability champions) are responsible for feeding back environmental risks not already identified by the Group, via a range of mechanisms (dedicated mailbox, employee surveys, GESC network, CR&SD Committee, CR Advisory Board, Corporate Governance & Risk Management Department, etc.). Depending on the country, risk mitigation logs are managed by the sustainability champions, the Property Department or Internal Audit Department. Under the Group's risk management process, local sustainability champions escalate information to the GESC on all environmental risks relating to facilities (equipment, sites, etc.) where the level of risk must be taken into account to ensure the smooth running of the business.

**Opportunities:** staff at the Environment Unit work closely with functional and operational departments to share local initiatives with the aim of developing innovative sustainable development solutions (see Chapter 3, Section 3.7 of the 2017 Registration Document).

## 5.3. A strong, innovative environmental policy and commitments

### 5.3.1. CONTRIBUTING TO THE LOW-CARBON ECONOMY THROUGH AN INNOVATIVE ENVIRONMENTAL POLICY

Sopra Steria has in place an innovative environmental policy designed to reduce the adverse impact of its operations and help stakeholders within its value chain (employees, clients, suppliers, partners, etc.) increase their contribution to the low-carbon economy. As indicated through the Group's materiality matrix (see Chapter 3, Section 1.2 of the 2017 Registration Document), the environmental impact of Sopra Steria's activities is of high importance for its stakeholders. The maturity of the Group's environmental policy and the international recognition enjoyed by the Group show that this impact is well managed and underpinned by an innovative action programme and a dynamic improvement process. This policy includes optimising and protecting resources used in connection with the Group's activities, as well as a specific action programme for lowering greenhouse gas emissions.

Key initiatives have been put in place to lower the Group's environmental impact throughout the value chain, including:

- management of operations;
- upstream activities;
- downstream activities.

Sopra Steria is committed to leading the organisation to think, plan and operate collectively and consistently as an environmentally responsible business.

**The Group's commitments under its environmental policy concern the following actions:**

- implementing TCFD-CDSB recommendations to improve the transparency of the Group's non-financial reporting;
- contributing to the new low-carbon economy by targeting a 21% reduction in greenhouse gas emissions between 2015 and 2025, and incentivising employees, partners and suppliers to help deliver this commitment;
- contributing to a net reduction in greenhouse gas emissions by investing in carbon-free electricity and using renewable energy and instruments such as Guarantees of Origin (GOs) and international renewable energy certificates (I-RECs);
- continuing with the carbon-neutral offices, on-site datacentres and business travel programme;
- coordinating management of physical waste resulting from the Group's operations to aim at a target of sending zero waste to landfill;
- reducing the volume of Waste Electrical and Electronic Equipment (WEEE) by developing the reuse and recycling of IT equipment;
- managing the Group's water consumption and developing initiatives designed to protect water resources;
- using an ISO 14001 certified Environmental Management System (EMS) in a number of offices managed directly by the Group;
- strengthening the environmentally friendly responsible purchasing programme;
- working with organisations and representative bodies in the digital sector to influence government and regulatory policy;
- assessing the potential impact on biodiversity of activities at Group sites so as to limit risks.

Sopra Steria works to improve its non-financial reporting every year. In 2017, the Group made two commitments:

- set greenhouse gas emissions reduction targets approved by a recognised external body, SBTi;
- follow the TCFD-CDSB non-financial reporting recommendations.

**Sopra Steria's emissions reduction targets approved by SBTi**

Sopra Steria is the world's first digital services company to have received approval from SBTi (Science Based Targets initiative) for its greenhouse gas emissions reduction targets for the Group as a whole.

Sopra Steria is thus committed to reducing Scope 1, 2 and 3 greenhouse gas emissions by 21% between 2015 (the baseline year) and 2025. Scope 1, 2 and 3 emissions concern business travel, energy consumption at offices, on-site and off-site datacentres and leased assets. In the longer term, the Group aims to reduce emissions per employee by 76% between 2015 and 2040. Sopra Steria is also committed to ensuring that its key suppliers, who account for at least 70% of emissions arising from its supply chain, manage their greenhouse gas emissions, and that 90% of them have in place targets to reduce their greenhouse gas emissions by 2025. This subject is discussed in further detail in Chapter 3, Section 3.6.3 of the 2017 Registration Document.

In defining the targets approved by Science Based Targets, the Group is abiding by the commitment given at the United Nations Climate Change Conference held in Paris at the end of 2015 under the banner of the We Mean Business coalition. This major initiative is in full alignment with the Group's approach aimed at reducing its environmental impact and contributing to international action to limit climate change-related impacts.

"We would like to congratulate Sopra Steria for setting approved targets and demonstrating that the Group has adopted a forward-looking approach for itself and its clients. In so doing, Sopra Steria joins a number of global businesses that recognise that taking steps to lower emissions is the best way to guarantee growth during the transition to a low-carbon economy."

Alberto Carrillo Pineda, Senior Global Advisor
on Climate and Business for the WWF
and leader of the Science Based Targets initiative

**Sopra Steria is committed to applying the TCFD-CDSB recommendations**

As part of the September 2017 Climate Week in New York, a group of businesses from a variety of sectors committed to implement, within three years, the recommendations of the Task Force for Climate-related Financial Disclosure (TCFD) and the Climate Disclosure Standards Board (CDSB), an international consortium of businesses and environmental NGOs. This group of businesses will publish information on the financial implications of climate-related risks and related business opportunities. In the context of this initiative, Sopra Steria has notified its commitment to the TCFD.

### 5.3.2. HARMONISING PRACTICES THROUGH THE ENVIRONMENTAL MANAGEMENT SYSTEM

The Environmental Management System in place serves as the reference framework, ensuring that practices are harmonised across all entities. It incorporates ISO 14001 certification.

The Environmental Management System is in place in all entities and countries where the Group operates, and certain sites operationally controlled by the Group are managed in accordance with ISO 14001. Since 2016, a programme has been launched to roll out the latest version, ISO 14001:2015. This programme will be gradually extended between now and end-2018.

- ISO 14001 certification is active in the following Group countries: Belgium, Denmark, France, Germany, India, Norway, Poland, Spain, Sweden and the United Kingdom.

Where necessary, new buildings that already have the best environmental certification will gradually be included within the scope of ISO 14001:2015.

Sopra Steria seeks to secure the best of the various available certifications concerning quality management (ISO 9001), information security management (ISO 27001), IT service management (ISO 20000) and the environment (ISO 14001), and ISO 26000 depending on the scope of certification, added value for the Group's clients and optimisation of the Group's operations.

### 5.3.3. ENCOURAGING EMPLOYEE ENGAGEMENT

All staff are encouraged to take part in environmental initiatives rolled out across the Group. In particular, awareness campaigns are run to coincide with major annual international events like World Water Day, World Environment Day, Earth Hour, Earth Day, European Sustainable Development Week and the European Week for Waste Reduction.

**#WeRRR campaign**


A staff #WeRRR challenge was held during the European Week for Waste Reduction to identify the best initiatives for reducing, recycling and reusing waste.

## 5.4. Challenges and key achievements

| 2017 challenges/targets | Achievements in 2017 | Ambitions for 2018 |
|---|---|---|
| **ENVIRONMENTAL IMPACT** | | |
| Bring non-financial reporting arrangements in line with the TCFD-CDSB recommendations (1) | ■ Implemented environmental risk and opportunity monitoring process | ■ Implement TCFD-CDSB recommendations<br>■ Manage environmental risks and opportunities |
| Strengthen the environmental management system (EMS) and implement ISO 14001:2015 certification in 2017 | ■ Prepared implementation of ISO 14001:2015 certification | ■ Roll out ISO 14001:15 certification in Belgium, Denmark, France, Germany, India, Norway, Poland, Spain, Sweden and the United Kingdom and increase SME/ ISO 14001 cover |
| Involve our supply chain:<br>■ Ensure that 90% of suppliers, accounting for at least 70% of emissions arising from the supply chain, have in place targets to reduce their greenhouse gas emissions by 2025<br>■ Promote purchases of products and services with a low environmental impact | ■ Group's targets for its supply chain approved by SBTi | ■ Extend EcoVadis evaluation (kicked off in 2015) to other Group countries and more suppliers<br>■ Identify suppliers with greenhouse gas emissions reduction targets through the EcoVadis programme |
| | ■ New Group rules manual (Key Book) incorporating purchasing; new Group purchasing rules and procedures (in progress); overhaul of Group suppliers' charter | ■ Roll out new purchasing rules, notably incorporating environmental issues, across the entire Group |
| | ■ Recognition: achieved a CDP Supplier score of A (2017-2018 campaign) | ■ Maintain a high level of international recognition |
| | ■ 76% of paper purchased is environmentally accredited | ■ Continue purchasing products and services with a low environmental impact |
| Limit travel and promote the use of new technologies and the least polluting modes of transport | ■ Monitored audio- and videoconferencing system utilisation rates<br>■ Introduced an internal shadow carbon price for business travel in France | ■ Promote use of new remote communication technologies by in-house staff and clients<br>■ Continue to roll out internal shadow carbon price to new country entities |
| | ■ New models of hybrid vehicle incorporated into corporate fleet | ■ Increase the number of hybrid and electric vehicles in the Group's fleet<br>■ Favour use of the least polluting forms of transport |
| Protect energy resources and increase the proportion of the Group's electricity supply sourced from renewables to 85% by 2020 | ■ Reduced the Group's energy consumption per employee by 8.2% between 2016 and 2017 (with joint ventures included in 2017 but not in 2016) | ■ Continue with non-renewable energy consumption reduction programme |
| | ■ Increased the proportion of the Group's electricity supply sourced from renewables (offices and on-site datacentres) by 7% relative to 2016, bringing the total proportion to 76% on a like-for-like basis (excluding joint ventures) | ■ Meet 85% of the Group's electricity consumption needs from renewable sources by 2020, and increase the proportion of renewable energy used to meet the Group's energy consumption needs |
| Manage water consumption | ■ Put in place a water consumption measurement system | ■ Manage the Group's water consumption and develop initiatives to lower consumption |
| Promote the circular economy, optimise use of resources and reduce the amount of waste produced - Extend the "zero WEEE to landfill" policy, initiated in the UK, to the Group as a whole | ■ 96% of the Group's Waste Electrical and Electronic Equipment had a second life<br>■ 0.7% of WEEE sent to landfill sites in 2017 | ■ Increase the proportion of WEEE that has a second life<br>■ Zero Group waste sent to landfill by 2020 |
| | ■ 97% of paper and cardboard waste from selective sorting was recycled (up 5% relative to 2016, with joint ventures included in 2017 data). The amount of paper and cardboard waste collected by the Group in 2017 was down 2.1% by weight relative to 2016 on a like-for-like basis | ■ Extend the life cycle of paper and cardboard waste |
| Use digital innovation to reduce our clients' environmental impact | ■ Developed solutions: Colibry, Smart Cities and Smart Harbours projects | ■ Develop digital innovation in solutions in support of the low-carbon economy |

*(1) The work of the TCFD, carried out under the aegis of the G20's Financial Stability Board, is one of the most important developments in the area of climate reporting by businesses. The Climate Disclosure Standards Board (CDSB), an international consortium of businesses and environmental NGOs, works with the TCFD on these issues.*

| 2017 challenges/targets | Achievements in 2017 | Ambitions for 2018 |
|---|---|---|
| **IMPACT OF REDUCING GREENHOUSE GAS EMISSIONS** | | |
| Reduce Scope 1, 2 and 3 greenhouse gas emissions (business travel, offices, on-site and off-site datacentres and leased assets) by 21% between 2015 and 2025. Reduce greenhouse gas emissions by 76% per employee between 2015 and 2040 | ■ Target approved by SBTi<br>■ Reduced Scope 1, 2 and 3 Group greenhouse gas emissions by 11% per employee relative to 2016 (excluding fugitive emissions; joint ventures included in 2017 but not in 2016) and by 23.0% relative to 2015 (fugitive emissions included in 2017; fugitive emissions, hotels and joint venture sites not included in 2015) | ■ Remain on track to achieve SBTi target to reduce Scope 1, 2 and 3 greenhouse gas emissions by 2025 and 2040 relative to 2015 |
| Reduce greenhouse gas emissions arising from business travel | ■ Reduce Scope 3 greenhouse gas emissions per employee arising from business travel by 13.4% relative to 2015 (down 5.8% relative to 2016) (joint ventures included in 2017 data but not in 2015 or 2016; hotels included in 2015, 2016 and 2017 data) | ■ Remain on track to achieve SBTi target<br>■ Extend internal shadow carbon price to more Group countries |
| Introduce an internal shadow carbon price in another country (as well as the United Kingdom) | ■ Introduce an internal shadow carbon price in France | |
| Reduce greenhouse gas emissions from offices and datacentres | ■ Reduce Scope 1 and 2 greenhouse gas emissions per employee from offices and on-site datacentres by 61.5% relative to 2015 (joint ventures included in 2017 but not in 2015)<br>■ Reduce Scope 1, 2 and 3 greenhouse gas emissions from on- and off-site datacentres by 56% relative to 2015 (joint ventures not included in 2017) | ■ Remain on track to achieve SBTi target |
| Continue with carbon-neutral programme | ■ Continued with the Group's carbon-neutral business travel, offices and on-site datacentres programme | ■ Continue with carbon-neutral programme |
| Influence our ecosystem and mobile all staff | ■ Presentations at two conferences: "CDP-TCFD Transition at scale" and "Companies vs. Climate Change: Europe"<br>■ Group newsletter<br>■ World Water Day, Earth Hour, Earth Day, European Week for Waste Reduction (#WeRRR campaign) and internal campaigns | ■ Roll out e-learning training on sustainable development to the entire Group<br>■ Proactively use social media to promote international campaigns and internal awareness campaigns |

*(1) The work of the TCFD, carried out under the aegis of the G20's Financial Stability Board, is one of the most important developments in the area of climate reporting by businesses. The Climate Disclosure Standards Board (CDSB), an international consortium of businesses and environmental NGOs, works with the TCFD on these issues.*

## 5.5. Environmental impact

To reduce its environmental impact, Sopra Steria seeks first and foremost to conserve resources and draw on innovative alternative sources. The Group involves its supply chain in this approach.

Furthermore, the Group, which has financial control over joint ventures SSCL and NHS SBS, has opted to produce reporting that incorporates all emissions and consumption for these entities, over which it also has operational control.

### 5.5.1. INVOLVING OUR SUPPLY CHAIN

#### Responsible purchasing

This subject is discussed in further detail in Chapter 3, Section 3.6 of the 2017 Registration Document.

#### Evaluation of the supply chain by EcoVadis

This subject is discussed in further detail in Chapter 3, Section 3.6.1 of the 2017 Registration Document.

#### Purchase of environmentally accredited paper

Sopra Steria puts in place solutions to limit paper consumption (paperless processes, optimised printing, etc.). However, for business reasons, the Group sometimes needs to produce paper versions of certain documents. In such cases, in most countries in which it operates, Sopra Steria places a priority on purchasing environmentally accredited paper. Since 2016, the Group has been monitoring paper consumption and the use of environmentally accredited paper to evaluate the best solutions to roll out (country-specific information on purchases of environmentally accredited paper can be found in Chapter 3, Section 7.11.5 of the 2017 Registration Document).

The Group uses a number of environmental paper certifications:

- the FSC (Forest Stewardship Council) and the PEFC (Program for the Endorsement of Forest Certification Schemes) ensure that forests are managed sustainably and support the fight against deforestation;
- the Blue Angel label certifies that paper is produced from 100% recycled fibre.

**Indicator of paper consumption and purchases of environmentally accredited paper**

3kg of paper consumed per employee in 2017 – just over one ream of A4 per person. 76% of paper purchased by the Group is environmentally accredited.

One ream of A4 = 2.5 kg

## 5.5.2. OPTIMISE BUSINESS TRAVEL

Sopra Steria has a large number of sites in over 20 countries, mainly in France, the United Kingdom and India. While maintaining close relationships with its clients and partners, the Group optimises its business travel by promoting:

- use of new technologies for internal and external meetings (audio- and videoconferencing, Agile kit, etc.);
- use of the least polluting means of transport, particularly for short trips and daily commutes to client locations.

As well as being a major environmental challenge, optimising business travel is also a financial challenge that means taking into account requirements arising from the Group's specific model of close, local relationships with its clients.

## 5.5.3. OPTING FOR EFFICIENT ENERGY CONSUMPTION AND INCREASING THE PROPORTION OF RENEWABLE ENERGY

Sopra Steria has been working for several years to lower its energy consumption, as well as gradually increasing the proportion of renewable energy used to meet its energy consumption needs.

### Preserving energy resources

To lower its energy consumption, Sopra Steria:

- favours, for new sites, low-energy buildings that meet new environmental standards and have more efficient equipment and control systems:
  - in France: Green Office® Meudon certified BREEAM, HQE-BBC® *Bâtiment tertiaire* (high environmental quality office building) and HQE® *Exploitation* (high environmental quality operations), Limonest and Colomiers certified HQE® *maximale* (maximum environmental quality), extension of Limonest's BREEAM Very Good rating, Aix-en-Provence HQE®, Montreuil Cityscope HQE Exploitation and BREEAM In-Use,
  - outside France: Site 3 in Noida, India, which has a LEEF Gold rating; higher environmental quality in Bangalore, the Silicon Valley of India; and the environmentally friendly site in Stockholm, Sweden, using an innovative heat recovery system,
  - new sites under construction in France: Lille has a BREEAM Very Good rating, and the commercial headquarters in Paris, undergoing a complete renovation, will carry both a BREEAM Very Good rating and HQE® certification;
- creating ever more efficient datacentres. One of Sopra Steria's off-site datacentres in the United Kingdom is hosted on premises that use a direct air cooling system throughout the year, rather than a server refrigeration system. This datacentre is highly energy-efficient, with an energy efficiency indicator (PUE or Power Usage Effectiveness) of only 1.22;
- is equipping itself with more compact and energy-efficient environmentally accredited IT equipment (desktop and laptop computers and servers with an Energy Star rating of 6.1; equipment with an EPEAT – or Electronic Product Environmental Assessment Tool – Gold rating).

Total of 96,610 MWh of energy consumed by the Group in 2017 (offices and both on-site and off-site datacentres; including joint ventures).

Energy consumption per employee was thus 8.2% lower in 2017 than in 2016 (with joint ventures included in 2017 but not in 2016).

### Increasing the proportion of renewable energy used to cover consumption

In 2016, the Group tripled the proportion of renewable energy used to meet power consumption needs at its offices and on-site datacentres, up from 20.4% in 2015 to 69% in 2016.

In 2017, the proportion of renewable energy used to meet the Group's total power consumption needs (offices and on-site datacentres, excluding JVs) was 76%, up 7% relative to 2016. The Group's target is to increase this proportion to 85% by 2020.

The proportion of renewable energy used to meet the Group's total energy consumption needs (fuel, gas, mains power and district heating) was 58% in 2017 (offices and on-site and off-site datacentres, including all Sopra Steria joint venture sites).

#### Power consumption

- In 2017 in France, Sopra Steria acquired Guarantees of Origin (GOs) covering 19,259,892 kWh of hydroelectric power. This electricity was certified as being generated from renewable sources by Powernext, the state-appointed registrar for Guarantees of Origin, and allocated to Sopra Steria by GO distributor Origo.
- Sopra Steria was also the first company since 2016 to purchase International Renewable Energy Certificates (I-RECs) covering hydroelectric power in India, which it acquired through Natural Capital Partners. Through this initiative, power consumption arising from the Group's network in India is covered by renewable energy.

"The central role played by traceability mechanisms such as Guarantees of Origin (GOs) and International Renewable Energy Certificates (I-RECs) is now recognised. Origo provides Sopra Steria with French Guarantees of Origin, thus enabling the Group to play its part in the energy transition."

Ivan Debay, Chairman, Origo

#### Gas consumption

In the United Kingdom, Sopra Steria is one of the first companies to have purchased Green Gas from Natural Capital Partners, in 2017. Sopra Steria purchased these certificates to cover 100% of its gas consumption (excluding joint venture sites) from a renewable source, biomethane.

For the Group, using renewable energy means not only renegotiating energy purchase contracts but also purchasing innovative instruments covering not only electricity consumption but also fossil fuels.

A breakdown of energy consumption by country can be found in Chapter 3, Section 7.11.1 of the 2017 Registration Document.

### 5.5.4. MONITORING WATER CONSUMPTION

Sopra Steria believes that protecting water resources is the major challenge facing humanity over the coming decades. Although the Group's water consumption remains very low, and at office sites is limited to sanitary use only, in 2017 Sopra Steria installed a system for measuring or estimating water consumption so as to better manage use. The Group consumed 244,480 cubic metres of water in 2017. A breakdown of measurements by country can be found in Chapter 3, Section 7.11.4 of the 2017 Registration Document.

Furthermore, since 2012 the Group has been working with international organisations to help their efforts to protect water resources.

### 5.5.5. COORDINATING WASTE MANAGEMENT, MAXIMISING THE LIFE CYCLE OF RESOURCES AND PROMOTING THE CIRCULAR ECONOMY

The key challenge is to optimise our production processes so as to limit waste, improve the management of residual waste, and extend the life cycle of scrapped resources by favouring their reuse, resale or recycling.

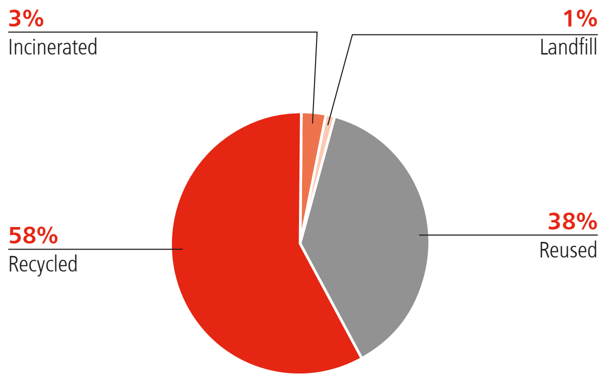
Each site is responsible for:

- collecting and storing waste in conditions that minimise risks to health, personal safety and the environment;
- ensuring that disposal procedures comply with local regulations, checking that waste is processed efficiently and encouraging waste processing operators to make their processes traceable.

**Extending the life cycle of WEEE**

To maximise the life cycle of its Waste Electrical and Electronic Equipment (WEEE), Sopra Steria has opted to mainly use highly energy-efficient electronic equipment with an Energy Star 6.1 and/or EPEAT Gold rating, and manages the life cycle of its electronic equipment.

**CIRCULAR ECONOMY OF WEEE IN 2017**




**Waste Electrical and Electronic Equipment**

82.6 tonnes of WEEE were generated across the Group in 2017.

96% of WEEE generated by the Group has a second life, 38% of WEEE was reused or resold in 2017 – an increase on the 2016 figure (33.7%). In Benelux, proceeds from reselling computers to employees are donated directly to humanitarian initiatives like Action Against Hunger.

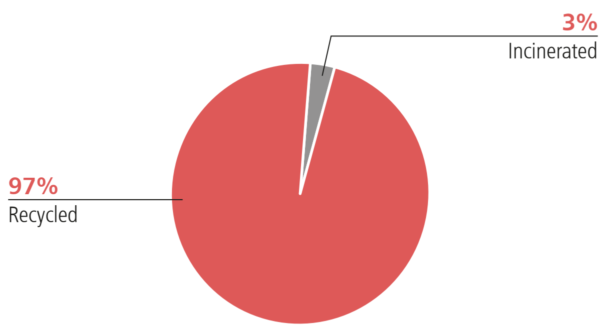
The total proportion of WEEE sent to landfill is 0.7%.

A breakdown of WEEE quantities by country can be found in Chapter 3, Section 7.11.2 of the 2017 Registration Document.

**Extending the life cycle of paper and cardboard waste**

Waste paper and cardboard produced by the Group in Benelux, Denmark, Germany, India, Norway, Spain, Switzerland and the United Kingdom is fully recycled.

**CIRCULAR ECONOMY OF PAPER AND CARDBOARD WASTE IN 2017**




**Paper and cardboard waste**

**435 tonnes of paper and cardboard waste collected in 2017**

This figure was down 2.1% relative to 2016 (excluding changes in the Group's scope).*

97% of paper was recycled in 2017 (compared with 92% in 2016).

A breakdown of WEEE quantities by country can be found in Chapter 3, Section 7.11.3 of the 2017 Registration Document.

* *Excluding joint ventures.*

### 5.5.6. INNOVATING TO REDUCE THE ENVIRONMENTAL IMPACT OF OUR CLIENTS' ACTIVITIES

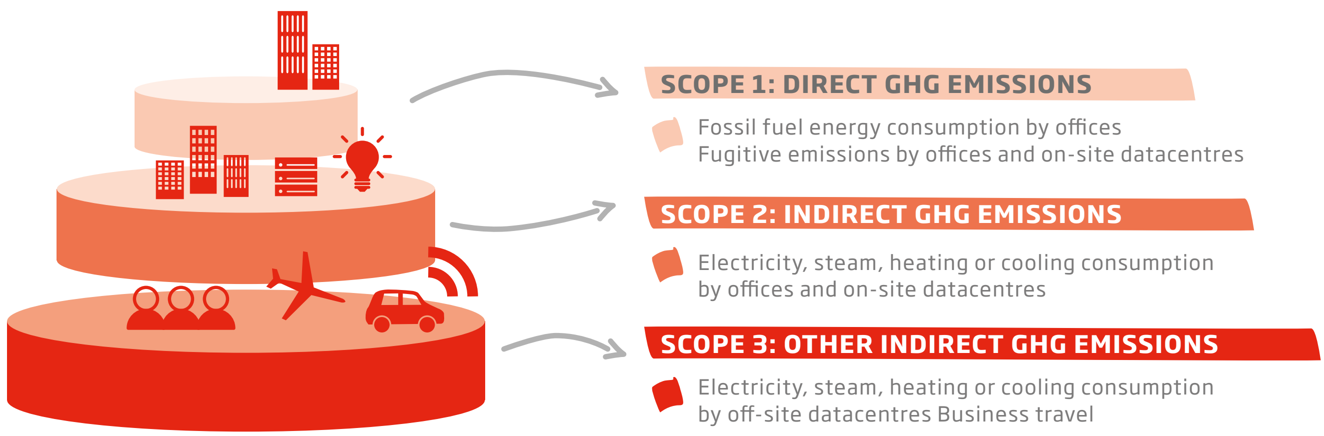
Sopra Steria leverages digital innovation to help its clients lower their impact on the environment. This approach is described more fully in Chapter 3, Section 3.7.1 of the 2017 Registration Document. The carbon neutrality of all of the Group's business travel, offices and datacentres supports the shift to a low-carbon economy. Through this low-carbon policy, which has already been in place for several years across the Group, we are able to offer our clients services with a reduced environmental footprint, thus contributing to sustainability in their supply chain.

## 5.6. Impact of greenhouse gas emissions

In the context of France's Energy Transition for Green Growth Act and the Grenelle II Act, Sopra Steria is working to identify significant greenhouse gas (GHG) emissions resulting from its activities and to track progress against its new targets approved by SBTi.

Since 2015, Sopra Steria has been closely monitoring its direct and indirect GHG emissions. The GHG emissions review undertaken by the Group covers:

- direct GHG emissions arising from combustion of fossil fuels (oil, fuel oil and gas), biodiesel or coolants escaping from air conditioning systems in offices and on-site datacentres (Scope 1);
- indirect GHG emissions associated with consumption of mains power and district heating in offices and on-site datacentres (Scope 2);
- indirect GHG emissions associated with consumption of mains power in off-site datacentres and business travel (Scope 3).



## TOTAL GREENHOUSE GAS EMISSIONS (BUSINESS TRAVEL, ENERGY AND FUGITIVE EMISSIONS)

| Total greenhouse gas emissions<br>*(tonnes of $CO_2$ equivalent) – market-based* | | | Scope 1 | | | Scope 2 | | | Scope 3 | | | Total Scopes 1, 2 & 3 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Year** | | | **2017** | **2016** | **2015** | **2017** | **2016** | **2015** | **2017** | **2016** | **2015** | **2017** | **2016** | **2015** |
| **Business travel**** | | | | | | | | | 36,653 | 35,316 | 32,005 | | | |
| **Energy** | Fuel oil, gas and biodiesel | | 1,821 | 2,430 | 2,237 | | | | | | | | | |
| | Electricity (mains) and district heating | *Offices and on-site datacentres* | | | | 6,191 | 7,190 | 15,723 | | | | | | |
| | Electricity (mains) | *Off-site datacentres* | | | | | | | 1,142 | 1,603 | 1,227 | | | |
| **Fugitive emissions*** | | | 1,725 | | | | | | | | | | | |
| **TOTAL** (including fugitive emissions)* | | | **3,546** | | | **6,191** | | | **37,795** | | | **47,532** | **N/A** | **N/A** |
| **TOTAL** (excluding fugitive emissions)* | | | **1,821** | **2,430** | **2,237** | **6,191** | **7,190** | **15,723** | **37,795** | **36,919** | **33,232** | **45,807** | **46,539** | **51,192** |
| **TOTAL EMISSIONS PER EMPLOYEE** (excluding fugitive emissions)* | | | | | | | | | | | | **1.13** | **1.27** | **1.47** |

**Change in emissions per employee in 2017 relative to 2016** (not including fugitive emissions; joint ventures included in 2017 but not in 2016) — **Reduction of 11%**

**Change in emissions per employee in 2017 relative to 2015** (fugitive emissions included in 2017; fugitive emissions + overnight hotel stays not included in 2015; joint ventures not included in 2015 but included in 2017) — **Reduction of 23%**

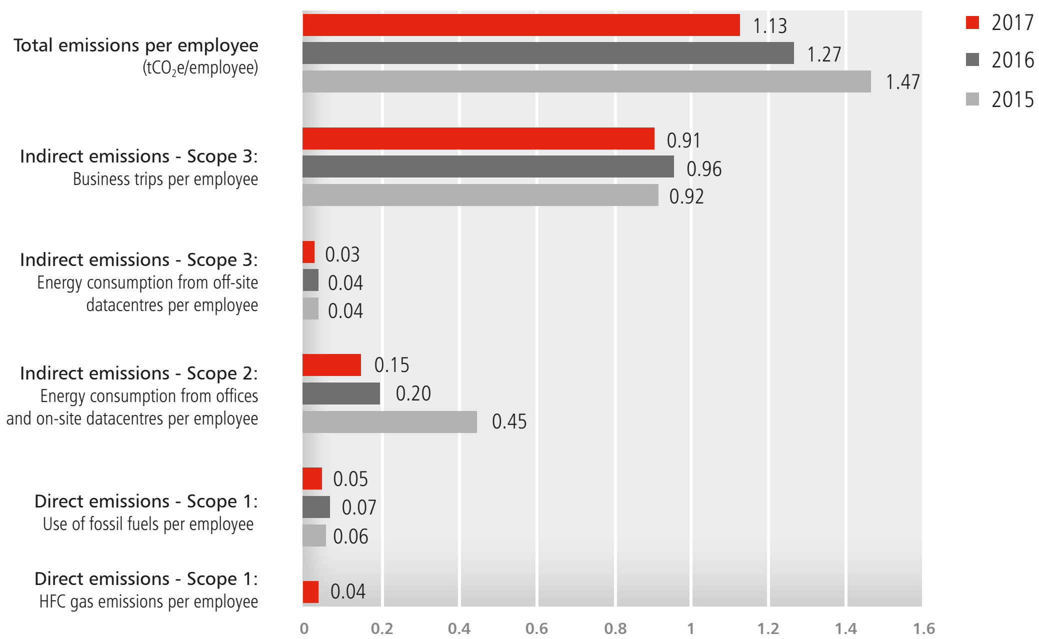
*For energy, emissions are calculated using the market-based method, under which a nil emissions factor is applied if the energy source is "green"; otherwise, "residual mix" emissions factors issued by the Association of Issuing Bodies or "location-based" emissions factors issued by the International Energy Agency are applied.*
*For business travel, the emissions factors used are those arising from the GHG Protocol.*
*The scope of calculated indicators includes all entities over which the Group has operational control (and therefore includes HS SBS and SSCL joint venture sites) but does not include Kentor, Galitt, Beamap, Cassiopae or 2MoRO.*
*Definitions of Scopes 1, 2 and 3 can be found at the beginning of Section 5.6, "Impact of greenhouse gas emissions".*

* *Fugitive emissions where available (not available for off-site datacentres).*

** *These figures take into account the reduction in emissions arising from "green" travel undertaken in Germany, totalling 36,653 $tCO_2e$ in 2017 and 35,316 $tCO_2e$ in 2016.*

## BREAKDOWN BY TYPE OF GHG EMISSIONS

*($tCO_2e$/employee)*



### 5.6.1. REDUCING GREENHOUSE GAS EMISSIONS FROM BUSINESS TRAVEL

To reduce its greenhouse gas emissions arising from business travel, the Group has made it a priority to work to limit travel (see Chapter 3, Section 5.5.2 of the 2017 Registration Document).

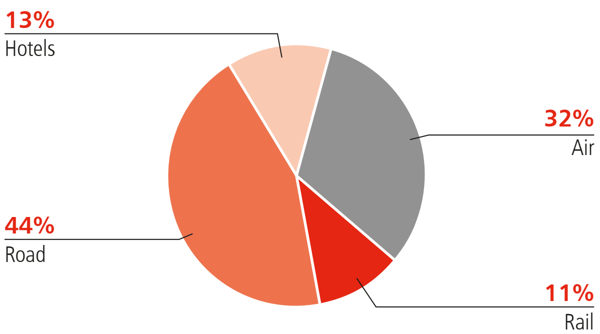
**Overall greenhouse gas emissions reductions in line with the SBTi-approved target:**

The Group's total greenhouse gas emissions (Scopes 1, 2 and 3) per employee were down 11% relative to 2016, in line with the target reduction approved by SBTi (excluding fugitive emissions and with JVs included in 2017 data but not 2016 data).

These total emissions per employee have been cut by **23%** since 2015, the baseline year; fugitive emissions and all sites operationally managed by Sopra Steria (including joint venture sites) were included in the scope of reporting for the first time in 2017.

A breakdown of total greenhouse gas emissions by country can be found in Chapter 3, Section 7.11.1 of the 2017 Registration Document.

**GREENHOUSE GAS EMISSIONS ARISING FROM BUSINESS TRAVEL DECLINED SHARPLY IN 2017:**




**GHG emissions from business travel by type of transport in 2017**

- Emissions per employee were down 5.8% year on year in 2017, with joint ventures included in 2017 data but not in 2016 data;
- Emissions from air travel were 9.5% lower than in 2016, while emissions from rail travel were 6.9% higher (mainly in France and Germany), with joint ventures excluded in 2016 data but included in 2017 data;
- Emissions per employee have fallen 13.9% since 2015 excluding hotels, with joint ventures included in 2017 data but not in 2016 data.

A breakdown of greenhouse gas emissions arising from business travel by country can be found in Chapter 3, Section 7.11.1 of the 2017 Registration Document.

#### Internal shadow carbon price

Sopra Steria does not operate in a sector that is required to use an emissions trading system. However, to encourage a reduction in business travel with a high environmental impact, in 2016 the Group introduced an internal shadow carbon price in the United Kingdom for greenhouse gas emissions arising from such travel. In 2017, this internal shadow carbon price was introduced in France, at divisional level. The goal of this exercise is to make entities more aware of the environmental impact of their carbon footprint.

### 5.6.2. LOWERING GREENHOUSE GAS EMISSIONS FROM OFFICES AND DATACENTRES

Greenhouse gas emissions arising from the Group's offices and datacentres have risen in absolute terms since 2016 due to expansion in the Group's workforce and sites, and the inclusion of the NHS SBS and SSCL joint ventures within the scope of reporting. However, on a per-employee basis, these emissions were down 8.2% relative to 2016 (Scopes 1, 2 and 3, with joint ventures included in 2017 data but not in 2016 data).

A breakdown of greenhouse gas emissions arising from offices and datacentres by country can be found in Chapter 3, Section 7.11.1 of the 2017 Registration Document.

#### Putting in place a programme to measure fugitive emissions

In 2017, Sopra Steria opted to gradually start reporting fugitive emissions due to the leakage of refrigerant gases from air conditioning equipment. The inclusion of these fugitive emissions conforms to the GHG Protocol, which covers gases under the Kyoto Protocol but it excludes certain refrigerant gases, such as R22. This initiative forms part of the plan to adjust the Group's indicators that was put in place after the Group's emissions reductions targets were approved by SBTi. The indicator on fugitive emissions is material and is monitored, as are emissions arising from energy consumption, since they are emissions influenced directly by Sopra Steria. In this first year of reporting, fugitive emissions accounted for 49% of the Group's direct Scope 1 emissions (see Chapter 3, Section 7.11.1 of the 2017 Registration Document).

### 5.6.3. CONTINUE WITH CARBON-NEUTRAL PROGRAMME

Owing to the nature of Sopra Steria Group's service businesses, greenhouse gas emissions reduction programmes can only ever achieve a partial reduction in such emissions. That being the case, in 2010 the Group launched a carbon-neutral certification programme, renewed annually, to offset the Group's residual emissions. This certification programme uses an offsetting system to confirm the carbon neutrality of all Sopra Steria's offices, datacentres and business travel. Sopra Steria will continue with this carbon-neutral programme covering greenhouse gas emissions arising from its activities.

### 5.6.4. INFLUENCING OUR ECOSYSTEM

As a market-leading company, Sopra Steria contributes to initiatives launched by issue-oriented organisations and forums in its sector, so as to bring its innovative thinking and experience to bear on issues such as adoption of the TCFD-CDSB reporting recommendations, SBTi-approved greenhouse gas emissions reduction targets, carbon-neutral programmes and the introduction of internal carbon prices.

**The Group promotes this contribution at a variety of international events, including in particular the following:**

- Companies vs. Climate Change conference – Brussels, October 2017;
- CDP-TCFD We Mean Business forum – "Transition at scale" – Paris, November 2017.

### Syntec Numérique

In France, digital sector trade union Syntec Numérique encourages IT service providers to work together on the concept of smart cities so as to develop initiatives in areas including energy efficiency and combating climate change. It also works with trade unions in other sectors on these issues. A member of the Group Executive Committee sits on Syntec Numérique's Board of Directors and takes part in discussions led by the organisation.

### Hertfordshire Chamber of Commerce

The head of the Group's Environmental Responsibility unit chairs the Innovation and Sustainability Forum of the Hertfordshire Chamber of Commerce in the United Kingdom. Work is undertaken in coordination with academic members and sector representatives so as to encourage local companies and groups to manage their climate change impact.

### Agoria

In Belgium, the Group has shared its projects in support of the low-carbon economy with members of Agoria, an organisation whose aim is to improve the socioeconomic environment through initiatives at the federal and regional levels. The organisation defends its members' interests at government level. Agoria also negotiates the content and terms of sector-wide agreements on energy policy applicable to energy-intensive businesses. The organisation supports a renewable energy club and promotes Belgil and its expertise in renewable energy technologies.

### For more information:

### Sopra Steria Group country environmental programmes

| | |
|---|---|
| Group and France: | https://www.soprasteria.com/fr/groupe/responsabilite-d-entreprise/ |
| India: | http://www.soprasteria.in/about-us/corporate-responsibility |
| United Kingdom: | https://www.soprasteria.co.uk/about-us/sustainability/environment |
| Norway: | https://www.soprasteria.no/tema/smartcity |
| Germany: | https://www.soprasteria.de/das-unternehmen/corporate-responsibility |
| Belgium: | http://www.soprasteria.be/about-us/corporate-responsibility |
| Italy: | http://www.soprasteria.it/IlGruppo/corporate-responsibility/environmental-responsibility |

### Organisations and initiatives related to Sopra Steria Group's commitments

SDGs: https://www.unicef.org/agenda2030/

Science Based Targets initiative: http://sciencebasedtargets.org/

Task Force on Climate-Related Financial Disclosures: https://www.fsb-tcfd.org/

Climate Disclosure Standards Board: https://www.cdsb.net/what-we-do

# 6. Approach and methodology

The 2017 Corporate Responsibility Report, presented in Chapter 3 of the 2017 Registration Document, aims to set out the most relevant information on the Group's activities. The report sets out the progress targets identified in Sopra Steria Group's roadmap for 2017/2018.

The information required to draw up this report is collected in accordance with the reporting procedure. This procedure is reviewed annually to take into account changes in the Group's scope and reporting approach. The regulatory requirements established by France's Grenelle II Environment Act set out a framework including specific topics that make the Group's reporting easier to understand.

Based on current regulations and taking into account the distinctive nature of its activities, Sopra Steria has identified 43 themes from the Grenelle Environment Act applicable to the structure of its reporting. Monitoring these themes provides an appropriate measure of the Group's progress on the five aspects of Corporate Responsibility: Workforce, Market, Community Engagement, Ethics & Compliance, and Environment.

This report includes a significant amount of information pertaining to Article 225 of the Grenelle II Environment Act and Articles 70 and 173 of the Energy Transition for Green Growth Act, consistent with the general principles laid down in the guidelines of the GRI (Global Reporting Initiative) and aligned as closely as possible with the components of ISO 26000.

A corresponding cross-reference table is included as an appendix to this document (page 296). The 2017 report includes 64 indicators for Sopra Steria Group, including six Key Performance Indicators (KPIs), 29 quantitative indicators and 29 qualitative indicators.

Furthermore, pursuant to the seventh paragraph of Article L. 225-102.1 of the French Commercial Code, Sopra Steria has appointed Mazars as an independent third party to verify the completeness and fairness of the information published, as laid down in Article R. 225-105-1 of the French Commercial Code.

## Scope of reporting

To ensure compliance with regulations, the Group has developed a reporting process for collecting the relevant data and leveraging the results in this document.

As part of a continuous improvement process, three environmental indicators have been added:

- a water consumption indicator;
- a paper purchase indicator;
- an indicator on greenhouse gas emissions arising from leakages of refrigerant gases used in air conditioning equipment.

As regards the Ethics & Compliance aspect, the initial anti-corruption indicator has been supplemented by five separate indicators covering the following:

- Group governance;
- Code of Ethics;
- anti-corruption initiatives;
- duty of care;
- General Data Protection Regulation (GDPR).

Sopra Steria's corporate responsibility policy applies to all Group entities. The headcounts provided in the workforce section of this report and used in certain environmental indicators include the employees of Delta Development System in Algeria (4 people), Sopra Banking Côte d'Ivoire (18 people) and Sopra Banking Gabon (3 people), all non-consolidated subsidiaries of the Group.

Depending on the indicator, the geographical scope is either:

- all Sopra Steria businesses worldwide (i.e. Sopra Steria Group);
- Sopra Steria Group businesses by country (e.g. Sopra Steria France, Sopra Steria UK, Sopra Steria España). For each country, all Sopra Steria Group subsidiaries are included (notably Sopra Banking Software, Sopra HR Software, I2S and CIMPA). The Group, which has both financial and operational control over its joint ventures, has opted to produce reporting that incorporates all environmental data available for those entities for financial year 2017;
- specific workforce data is provided for Kentor, Galitt and 2MoRO, acquired in 2017;
- the following entities fall outside the scope of environmental reporting: Kentor, Galitt, Beamap, Cassiopae and 2MoRO. This year, CIMPA is in scope for all environmental indicators;
- corporate responsibility reporting covers the calendar year from 1 January to 31 December 2017. Any exceptions to calendar year reporting are indicated in respect of the data concerned.

To check consistency between financial and non-financial reporting, some structural indicators common to both areas are compared and verified at various levels of detail.

An overview of the reporting process and reporting tools relating to this report is set out in the reporting protocol available on request from Sopra Steria's CR&SD Department.

# Report by the independent third party on the consolidated workforce-related, environmental and social information presented in the Management Report

**Financial year ended 31 December 2017**

To the Shareholders,

In our capacity as an independent third party, member of the Mazars network and a Statutory Auditor of Sopra Steria Group, certified by COFRAC under number 3-1058 (made available on www.cofrac.fr), we hereby report to you on the consolidated workforce-related, environmental and social information for the year ended 31 December 2017, presented in the Management Report (hereinafter referred to as the "CSR Information"), pursuant to the provisions of Article L. 225-102-1 of the French Commercial Code.

**Responsibility of the Company**

The Board of Directors is responsible for preparing a Management Report including the CSR Information required by Article R. 225-105-1 of the French Commercial Code, in accordance with the guidelines used by the Company (hereinafter referred to as the "Guidelines"), which are summarised in the Management Report and are available on request from the Company's registered office.

## INDEPENDENCE AND QUALITY CONTROL

Our independence is enshrined in the regulations, the Code of Ethics governing the audit profession in France and the provisions of Article L. 822-11-3 of the French Commercial Code. We have also implemented a quality control system comprising documented policies and procedures for ensuring compliance with ethical standards, and the applicable legal and regulatory requirements.

## RESPONSIBILITY OF THE INDEPENDENT THIRD PARTY

On the basis of our work, it is our responsibility to:

- certify that the required CSR Information is presented in the Management Report or, in the event that any CSR Information is not presented, that an explanation is provided in accordance with the third paragraph of Article R. 225-105 of the French Commercial Code (Statement of completeness of CSR Information);
- express a limited assurance conclusion that the CSR Information taken as a whole is, in all material respects, fairly presented in accordance with the Guidelines (Reasoned opinion on the fair presentation of CSR Information);
- express, at the Company's request outside the accreditation scope, a reasonable assurance conclusion that the information selected by the Company and identified by a √ sign in the "2017 Corporate Responsibility Report" chapter of the Management Report is presented, in all material respects, in accordance with the Guidelines.

However, it is not our responsibility to issue an opinion on compliance with any other applicable statutory requirements, including those provided for in Article L. 225-102-4 of the French Commercial Code (duty of care plan) and by the anti-corruption Sapin II Act (French law no. 2016-1691 of 9 December 2016).

Our work was carried out by a team of six people between October 2017 and March 2018, and required a total of about 12 weeks.

We conducted the work described below in accordance with the administrative order of 13 May 2013 setting forth the manner in which an independent third party should perform its engagement, the professional guidance issued by the CNCC for this type of engagement, and, with regard to the reasoned opinion on the fair presentation of CSR Information and the reasonable assurance conclusion, in accordance with the ISAE 3000 international standard.

**I – Statement of completeness of CSR Information**

On the basis of interviews conducted with the management of the departments concerned, we obtained an understanding of the Company's sustainability strategy, in line with the social and environmental issues raised by its activities and the Company's civic commitments and, where applicable, any initiatives or programmes arising from them.

We compared the CSR Information presented in the Management Report with the list provided in Article R. 225-105-1 of the French Commercial Code.

For any consolidated information that was not disclosed, we verified that the explanations provided complied with the provisions of Article R. 225-105, paragraph 3 of the French Commercial Code.

We ensured that the CSR Information covered the scope of consolidation, i.e. the Company, its subsidiaries as defined by Article L. 233-1 and the entities it controls as defined by Article L. 233-3 of the French Commercial Code within the limitations set out in the methodological information presented in the "Approach and methodology" section of the Management Report.

Based on this work and given the limitations mentioned above, we attest to the completeness of the required CSR Information in the Management Report.

## II – Reasoned opinion on the fair presentation of CSR Information

### Nature and scope of work

We conducted around ten interviews with the individuals responsible for preparing the CSR Information, the departments in charge of collecting the information and, where appropriate, those responsible for internal control and risk management, in order to:

- assess the suitability of the Guidelines in terms of their relevance, completeness, reliability, impartiality and comprehensibility, taking industry best practices into account where applicable;
- verify the implementation of a data-collection, compilation, processing and control procedure designed to produce CSR Information that is exhaustive and consistent, and obtain an understanding of the internal control and risk management procedures involved in preparing the CSR Information.

We determined the nature and scope of our tests and procedures according to the nature and importance of the CSR Information with respect to the characteristics of the Company, the social and environmental issues raised by its activities, its sustainable development policy and industry best practices.

With regard to the CSR Information that we considered to be the most important (see Annex):

- at the parent company level and that of the Group's Sustainable Development and Corporate Responsibility Department, we referred to documentary sources and conducted interviews to corroborate the qualitative information (organisation, policies, actions), performed analytical procedures on the quantitative information and verified, using sampling techniques, the calculations and the consolidation of the data. We also verified that the information was consistent and in agreement with the other information presented in the Management Report;
- at the level of a representative sample of entities and departments that we selected (see Annex) on the basis of their activity, their contribution to the consolidated indicators, their location and a risk analysis, we conducted interviews to ensure that procedures are being properly applied, and we performed tests of details, using sampling techniques, in order to verify the calculations made and reconcile the data with the supporting documents. The sample covers 71% of the workforce, deemed an order of magnitude characteristic of the workforce component, and between 53% and 97% of the environmental data, a percentage range that can similarly be deemed characteristic of the environmental component.

For the other consolidated CSR Information, we assessed consistency based on our understanding of the Company.

We also assessed the relevance of explanations given for any information that was not disclosed, either in whole or in part.

We believe that the sampling methods and sample sizes we have used, based on our professional judgement, are sufficient to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive work. Due to the use of sampling techniques and other limitations intrinsic to the operation of any information and internal control system, the risk of not detecting a material misstatement in the CSR Information cannot be totally eliminated.

### CONCLUSION

Based on the work performed, we have not identified any material misstatement that would cause us to conclude that the CSR Information, taken as a whole, is not presented fairly in accordance with the Guidelines.

## III – Reasonable assurance report on selected CSR Information

### Nature and scope of work

Regarding the information selected by the Company and identified by a √ sign, we performed the same types of procedure as those described in paragraph 2 above for the CSR Information that we considered to be the most important, but in a more in-depth manner, in particular with respect to the number of tests conducted.

The selected sample thus represents an average of 71% of the workforce and between 53% and 91% of environmental data identified by the √ sign.

We believe that these procedures enable us to express a reasonable assurance conclusion with respect to the information selected by the Company and identified by the √ sign.

### CONCLUSION

In our opinion, the information selected by the Company and identified by the √ sign has been prepared, in all material respects, in accordance with the Guidelines.

Paris La Défense and Annecy, 12 April 2018

Independent third party

**Mazars SAS**

| | |
|---|---|
| Bruno Pouget | Edwige Rey |
| *Partner* | *CSR & Sustainable Development Partner* |

## ANNEX

| CSR Information considered to be the most important | Representative sample of entities and countries |
|---|---|
| ▪ Workforce by age bracket and type of employment contract<br>▪ Average FTE workforce<br>▪ New hires<br>▪ Turnover rate for staff on permanent contracts | ▪ Sopra Steria Group<br>▪ Sopra Banking Software – France<br>▪ Sopra Banking Software – Belgium<br>▪ Sopra Steria España SAU<br>▪ Sopra Steria Ltd (UK)<br>▪ Sopra Steria Group SpA (Italy)<br>▪ Sopra Steria GmbH<br>▪ Sopra Steria India Ltd |
| ▪ Absence rate | ▪ Sopra Steria Group<br>▪ Sopra Banking Software – France |
| ▪ Number of hours and days of training<br>▪ Average number of training days per employee | ▪ Sopra Steria Group<br>▪ Sopra Steria España SAU<br>▪ Sopra Steria GmbH<br>▪ Sopra Banking Software – France |
| ▪ Percentage of employees with a disability | ▪ Sopra Steria Group<br>▪ Sopra Banking Software – France<br>▪ Cassiopae France |
| ▪ Energy consumption (offices and on-site datacentres)<br>▪ Energy consumption of datacentres (on-site and off-site)<br>▪ Greenhouse gas emissions from energy consumption (offices and on-site datacentres)<br>▪ Greenhouse gas emissions from energy consumption of datacentres (on-site and off-site) | ▪ France (Sopra Steria Group, Sopra Banking Software, CIMPA, Sopra HR Software)<br>▪ India (Sopra Steria India Ltd)<br>▪ United Kingdom (Sopra Steria Ltd, NHS SBS, SSCL, CIMPA)<br>▪ Germany (Sopra Steria GmbH, Sopra HR Software, Sopra Banking Software, CIMPA)<br>▪ Italy (Sopra Steria Group SpA, Sopra HR Software)<br>▪ Poland (Sopra Steria Polska) |
| ▪ Direct emissions (offices and on-site datacentres) | ▪ France (Sopra Steria Group, Sopra Banking Software, CIMPA, Sopra HR Software)<br>▪ India (Sopra Steria India Ltd)<br>▪ United Kingdom (Sopra Steria Ltd, NHS SBS, SSCL, CIMPA) |
| ▪ Greenhouse gas emissions - business travel | ▪ France (Sopra Steria Group, Sopra Banking Software, CIMPA, Sopra HR Software)<br>▪ Germany (Sopra Steria GmbH, Sopra HR Software, Sopra Banking Software, CIMPA)<br>▪ Italy (Sopra Steria Group SpA, Sopra HR Software)<br>▪ Poland (Sopra Steria Polska) |
| ▪ Water consumption | ▪ France (Sopra Steria Group, Sopra Banking Software, CIMPA, Sopra HR Software)<br>▪ India (Sopra Steria India Ltd)<br>▪ United Kingdom (Sopra Steria Ltd, NHS SBS, SSCL, CIMPA)<br>▪ Germany (Sopra Steria GmbH, Sopra HR Software, Sopra Banking Software, CIMPA)<br>▪ Poland (Sopra Steria Polska) |
| ▪ Green paper purchases | ▪ France (Sopra Steria Group, Sopra Banking Software, CIMPA, Sopra HR Software)<br>▪ United Kingdom (Sopra Steria Ltd, NHS SBS, SSCL, CIMPA)<br>▪ Germany (Sopra Steria GmbH, Sopra HR Software, Sopra Banking Software, CIMPA) |
| ▪ Quantity of WEEE generated | ▪ India (Sopra Steria India Ltd)<br>▪ United Kingdom (Sopra Steria Ltd, NHS SBS, SSCL, CIMPA)<br>▪ Germany (Sopra Steria GmbH, Sopra HR Software, Sopra Banking Software, CIMPA)<br>▪ Poland (Sopra Steria Polska) |
| ▪ Quantity of waste paper/cardboard | ▪ France (Sopra Steria Group, Sopra Banking Software, CIMPA, Sopra HR Software)<br>▪ United Kingdom (Sopra Steria Ltd, NHS SBS, SSCL, CIMPA)<br>▪ India (Sopra Steria India Ltd)<br>▪ Germany (Sopra Steria GmbH, Sopra HR Software, Sopra Banking Software, CIMPA) |

# 7. Annexes

## 7.10. Annex: Workforce-related indicators

### SUMMARY OF WORKFORCE-RELATED INDICATORS

Workforce-related indicators cover the workforce in all Group subsidiaries. They are set out by subject area, geographical region and year as at 31 December.

The information identified by the ✔ sign has been verified by the independent third party with a reasonable level of assurance.

Indicators are calculated excluding headcount acquired during the year under review, apart from indicators under "Workforce by geographical region", which include headcount acquired during the year. For reference, 2012 and 2013 figures include Sopra Group companies only; 2015 figures include the CIMPA workforce; 2016 figures include the workforce at Cassiopae, Active3D and LASCE Associates; and 2017 figures include the workforce at Gallit, Kentor and 2MoRO. Given that Sopra and Steria merged in 2015, indicators for that year include the workforce at both companies. This explains the significant increase in the workforce between 2014 and 2015.

Unless otherwise indicated, indicators are calculated on the basis of numbers of employees on permanent and temporary contracts and internship agreements. The following definitions are used:

- permanent contract: full-time or part-time employment contract entered into with an employee for an indefinite period;
- fixed-term contract: full-time or part-time employment contract entered into with an employee and expiring at the end of a specific period or on completion of a specific task lasting an estimated period.

In 2016, rules for calculating the "Number of days' training delivered" and "Average number of days' training per person" indicators were harmonised across all countries as follows: number of hours' training divided by 7 (compared with 8 for Spain and India in 2015).

In 2017, the rule for calculating the "Working conditions and organisation" indicator was changed. The 2016 and 2017 rates are now calculated in business days rather than calendar days (calendar days were used for 2014 and 2015).

### WORKFORCE

#### WORKFORCE BY GEOGRAPHICAL REGION (INCLUDING ACQUISITIONS) ✔

| Scope/Topic | 2017 | 2016 | 2015 |
|---|---|---|---|
| **GROUP** | **41,661** | **39,813** | **38,450** |
| France | 18,649 | 18,227 | 17,606 |
| International (excluding France) | 23,012 | 21,586 | 20,844 |
| o/w United Kingdom | 6,181 | 6,508 | 6,722 |
| o/w India | 5,200 | 4,909 | 4,743 |
| o/w Spain | 3,562 | 3,100 | 2,763 |
| o/w Germany | 2,370 | 2,141 | 2,109 |
| **Workforce: management-level staff *(cadres)*** | **38,626** | **36,628** | **35,570** |

**Note:**
*The notion of management-level staff* (cadres) *is specific to France. The number of management-level employees outside France is extrapolated based on figures for France.*

#### FULL-TIME EQUIVALENT WORKFORCE (EXCLUDING INTERNS) ✔

| Scope/Topic | 2017 | 2016 | 2015 |
|---|---|---|---|
| **GROUP** | **40,241** | **38,404** | **36,674** |
| France | 18,086 | 17,633 | 16,638 |
| International (excluding France) | 22,155 | 20,771 | 20,036 |
| o/w United Kingdom | 5,956 | 6,245 | |
| o/w India | 5,199 | 4,835 | 4,741 |
| o/w Spain | 3,511 | 3,057 | 2,707 |
| o/w Germany | 2,217 | 1,981 | |

## WORKFORCE BY CONTRACT TYPE ✔

| Scope/Topic | 2017 | 2016 | 2015 |
|---|---|---|---|
| **Permanent contracts** | | | |
| **GROUP** | *96.1%* | *96.5%* | *96.8%* |
| France | *96.3%* | *96.8%* | *97.4%* |
| International (excluding France) | *96.0%* | *96.3%* | *96.4%* |
| o/w United Kingdom | *96.4%* | *96.8%* | *96.0%* |
| o/w India | *98.6%* | *98.2%* | *97.7%* |
| o/w Spain | *91.8%* | *93.3%* | *96.1%* |
| o/w Germany | *95.1%* | *95.8%* | *95.6%* |
| **Fixed-term contracts** | | | |
| **GROUP** | *3.3%* | *2.9%* | *2.7%* |
| France | *3.4%* | *3.0%* | *2.3%* |
| International (excluding France) | *3.3%* | *2.8%* | *3.0%* |
| o/w United Kingdom | *3.6%* | *3.2%* | |
| o/w India | *1.4%* | *1.8%* | *2.3%* |
| o/w Spain | *7.9%* | *6.6%* | *3.5%* |
| o/w Germany | *1.6%* | *0 ,9%* | |
| **Internships** | | | |
| **GROUP** | *0.6%* | *0.6%* | *0.5%* |
| France | *0.3%* | *0.2%* | *0.3%* |
| International (excluding France) | *0.8%* | *0.9%* | *0.6%* |
| o/w United Kingdom | *0%* | *0%* | *0%* |
| o/w India | *0%* | *0.02%* | *0.0%* |
| o/w Spain | *0.3%* | *0.2%* | *0.4%* |
| o/w Germany | *3.3%* | *3.4%* | *3.0%* |

## AVERAGE LENGTH OF SERVICE OF EMPLOYEES ON PERMANENT CONTRACTS

| Scope/Topic | 2017 | 2016 | 2015 |
|---|---|---|---|
| **GROUP** | **7.3** | **7.5** | **7.6** |
| France | 8.0 | 8.0 | 8.0 |
| International (excluding France) | 6.8 | 7.1 | 7.3 |
| o/w United Kingdom | 10.8 | 11.1 | |
| o/w India | 4.3 | 4.2 | 4.1 |
| o/w Spain | 5.2 | 5.4 | 5.4 |
| o/w Germany | 8.2 | 8.6 | |

## AVERAGE AGE OF EMPLOYEES ON PERMANENT CONTRACTS

| Scope/Topic | 2017 | 2016 | 2015 |
|---|---|---|---|
| **GROUP** | **37.8** | **37.9** | **38.0** |
| France | 37.5 | 37.4 | 37.5 |
| International (excluding France) | 38.0 | 38.3 | 38.4 |
| o/w United Kingdom | 44.1 | 44 | |
| o/w India | 31.2 | 31.0 | 30.07 |
| o/w Spain | 37.4 | 37.3 | 37.4 |
| o/w Germany | 42.7 | 43.4 | |

## RECRUITMENT: ALL CONTRACT TYPES ✔

| Scope/Topic | 2017 | 2016 | 2015 |
|---|---|---|---|
| **GROUP** | **9,500** | **8,498** | **7,197** |
| France | 3,645 | 3,414 | 2,560 |
| International (excluding France) | 5,855 | 5,084 | 4,637 |
| o/w United Kingdom | 998 | 994 | |
| o/w India | 1,595 | 1,656 | 1,572 |
| o/w Spain | 1,151 | 936 | 807 |
| o/w Germany | 586 | 353 | |

## RECRUITMENT UNDER PERMANENT CONTRACTS

| Scope/Topic | 2017 | 2016 | 2015 |
|---|---|---|---|
| **GROUP** | **7,366** | | |
| France | 2,616 | | |
| International (excluding France) | 4,750 | | |
| o/w United Kingdom | 811 | | |
| o/w India | 1,356 | | |
| o/w Spain | 895 | | |
| o/w Germany | 466 | | |

## TURNOVER: EMPLOYEES ON PERMANENT CONTRACTS ✔

| Scope/Topic | 2017 | 2016 | 2015 |
|---|---|---|---|
| **GROUP** | *15.6%* | *15.5%* | *15.9%* |
| France | *14.5%* | *12.9%* | *12.5%* |
| International (excluding France) | *16%* | *17.7%* | *18.8%* |
| o/w United Kingdom | *20%* | *18.9%* | |
| o/w India | *18%* | *23.6%* | *30.5%* |
| o/w Spain | *15%* | *14.8%* | *11.8%* |
| o/w Germany | *11%* | *13.4%* | |

**Notes**

*Turnover = [Permanent contract staff leaving – Permanent contract staff leaving after less than six months]/Permanent contract workforce in service on last day of baseline period (excluding suspended staff)*

*114 dismissals in 2017, vs. 120 in 2016 (employees on permanent contracts).*

## TRAINING

### TRAINING (EXCLUDING INTERNS AND WORK-LINKED TRAINING STUDENTS) ✔

| Scope/Topic | 2017 | 2016 | 2015 |
|---|---|---|---|
| **Number of hours' training delivered during the financial year** | | | |
| France | 546,090 | 589,952 | 470,212 |
| India | 161,578 | 141,677 | 166,563 |
| Spain | 126,882 | 95,133 | 74,759 |
| Germany | 35,678 | 28,950 | |
| Norway | 94,358 | 79,187 | |
| Morocco | 11,476 | 7,256 | |

**Notes**

**Norway:** *The number of hours' training in 2016 has been amended following a data collection error.*

| Number of days' training delivered during the financial year | 2017 | 2016 | 2015 |
|---|---|---|---|
| France | 78,013 | 84,279 | 67,173 |
| India | 23,083 | 20,240 | 20,820 |
| Spain | 18,126 | 13,590 | 9,345 |
| Germany | 5,097 | 4,136 | |
| Norway | 13,480 | 11,312 | |
| Morocco | 1,639 | 1,037 | |

**Notes**

**India:** *In 2016, to harmonise the way in which training hours are counted, the total number of hours was divided by 7, as opposed to 8 in 2015 – i.e. 166,563/7 = 23,795 hours*

**Spain:** *In 2016, to harmonise the way in which training hours are counted, the total number of hours was divided by 7, as opposed to 8 in 2015 – i.e. 74,759/7 = 10,680 hours*

**Norway:** *The number of days' training in 2016 has been amended following a data collection error.*

| Average number of days' training per person | 2017 | 2016 | 2015 |
|---|---|---|---|
| France | 4.3 | 4.8 | 4.0 |
| India | 4.4 | 4.2 | 4.4 |
| Spain | 5.2 | 4.4 | 3.5 |
| Germany | 2.3 | 2.2 | |
| Norway | 10.3 | 9.6 | |
| Morocco | 5.8 | 4.6 | |

**Notes**

**Norway:** *The average number of days' training per person in 2016 has been amended following a data collection error.*

## LABOUR RELATIONS

| Scope/Topic | 2017 | 2016 |
|---|---|---|
| **Agreements signed in the year** | | |
| France | | |
| UES | 1 | 4 |
| Sopra Steria | 2 | 2 |
| Sopra Banking Software | 1 | 4 |
| I2S | 1 | 2 |
| Sopra HR Software | 0 | 2 |
| CIMPA | 2 | 5 |
| Cassiopae | 2 | |
| Germany | | |
| Sopra Steria | 17 | 27 |
| Sopra Banking Software | 1 | 4 |
| Sopra HR Software | 1 | 1 |
| CIMPA | 3 | 5 |
| Belgium | | |
| Sopra Steria | 2 | 1 |
| Sopra Banking Software | 0 | 0 |
| Sopra HR Software | | 0 |
| United Kingdom | | |
| Sopra Steria | 0 | 0 |
| Italy | | |
| Sopra Steria | 0 | 2 |
| **Number of collective bargaining agreements in force** | | |
| France | | |
| Employee & Economic Unit | 15 | 11 |
| Sopra Steria | 21 | 19 |
| Sopra Banking Software | 20 | 16 |
| I2S | 3 | 0 |
| Sopra HR Software | 13 | 10 |
| CIMPA | 12 | 15 |
| Cassiopae | 0 | |
| Germany | | |
| Sopra Steria | 55 | 42 |
| Sopra Banking Software | 15 | 15 |
| Sopra HR Software | 12 | 1 |
| CIMPA | 27 | 15 |
| Belgium | | |
| Sopra Steria | 9 | 7 |
| Italy | | |
| Sopra Steria | 2 | |
| United Kingdom | | |
| Sopra Steria | 12 | 15 |

## WORKING CONDITIONS AND ORGANISATION

| Scope/Topic | 2017 | 2016 | 2015 | Remarks |
|---|---|---|---|---|
| **France** | | | | |
| Frequency rate of workplace accidents in France | 1.68% | 2.29% | 1.46% | The 2016 and 2017 rates are now calculated in business days rather than calendar days (calendar days were used for 2014 and 2015). Method used to calculate frequency rate: (Number of lost-time work-related accidents x 1,000,000)/Total number of hours worked by total workforce in the year. |
| Severity rate of workplace accidents in France | 0.035% | 0.030% | 0.035% | The 2016 and 2017 rates are now calculated in business days rather than calendar days (calendar days were used for 2014 and 2015). Method used to calculate severity rate: (Number of calendar days' of lost time following a work-related accident x 1,000)/Total number of hours worked by total workforce in the year. Extensions of leave for work-related accidents that took place during Year Y-1 are not counted. |
| Absences | 2.1% | 2.7% | 3.3% | The 2016 and 2017 rates are now calculated in business days rather than calendar days (calendar days were used for 2014 and 2015). This rate is calculated based on the average full-time equivalent workforce. It takes into account absences for illness, workplace accidents and accidents while travelling. It is the ratio of the number of actual calendar days' absence and the number of work days theoretically available. |

### ORGANISATION OF WORK/PART-TIME – PERMANENT CONTRACT STAFF IN SERVICE FROM 1 JANUARY TO 31 DECEMBER

| Scope/Topic | 2017 | 2016 | 2015 |
|---|---|---|---|
| **Group** | *6.3%* | *6.6%* | *6.7%* |
| France | *6.2%* | *6.3%* | *6.1%* |
| International (excluding France) | *6.3%* | *6.8%* | *7.2%* |
| o/w United Kingdom | *13.0%* | *13.1%* | *13.9%* |
| o/w India | *0.2%* | *0.04%* | *0.04%* |
| o/w Spain | *6.9%* | *7.0%* | *6.5%* |
| o/w Germany | *9.4%* | *9.9%* | *11.1%* |

## EQUAL TREATMENT/DISABILITY

### PROPORTION OF EMPLOYEES WITH DISABILITIES ✔

| Scope/Topic | 2017 | 2016 | 2015 | Remarks |
|---|---|---|---|---|
| France | *2.46%* | *2.30%* | *2.05%* | Calculation method: Number of employees with disabilities recognised within the company (Disabled Worker Unit) plus 50%, in accordance with rules established by AGEFIPH + number of qualifying units from subcontracting to supported employment companies, divided by the relevant workforce. The workforce numbers used are calculated in accordance with rules established by AGEFIPH, an organisation that promotes employment for people with disabilities. |

### Proportion of women in the workforce

| Scope/Topic | 2017 | 2016 | 2015 |
|---|---|---|---|
| **Workforce: women** | | | |
| **GROUP** | **31%** | **31%** | **31%** |
| France | 27% | 27% | 26% |
| International (excluding France) | 34% | 34% | 31% |
| o/w United Kingdom | 43% | 44% | 46% |
| o/w India | 33% | 35% | 34% |
| o/w Spain | 27% | 26% | 28% |
| o/w Germany | 24% | 23% | 24% |
| **Recruitment of women** | | | |
| **GROUP** | **31%** | **30%** | |
| France | 27% | 26% | |
| International (excluding France) | 33% | 33% | |
| o/w United Kingdom | 46% | 44% | |
| o/w India | 34% | 38% | |
| o/w Spain | 26% | 17% | |
| o/w Germany | 27% | 22% | |

### Proportion of young and older employees (including interns)

#### WORKFORCE BY AGE BRACKET ✔

| Scope/Topic | 2017 | 2016 | 2015 |
|---|---|---|---|
| **GROUP** | | | |
| Under 25 | 9% | 9% | |
| Over 55 | 8% | 8% | |
| **France** | | | |
| Under 25 | 9% | 9% | |
| Over 55 | 7% | 7% | |
| **International (excluding France)** | | | |
| Under 25 | 9% | 8% | |
| Over 55 | 9% | 9% | |
| **o/w United Kingdom** | | | |
| Under 25 | 6% | 6% | |
| Over 55 | 20% | 19% | |
| **o/w India** | | | |
| Under 25 | 18% | 19% | |
| Over 55 | 0.3% | 0.2% | |
| **o/w Spain** | | | |
| Under 25 | 5% | 4% | |
| Over 55 | 2% | 2% | |
| **o/w Germany** | | | |
| Under 25 | 3% | 2% | |
| Over 55 | 15% | 15% | |

#### PROPORTION OF OLDER EMPLOYEES IN FRANCE (ALL CONTRACTS, EXCLUDING ACQUISITIONS)

| Scope/Topic | 2017 | 2016 | 2015 |
|---|---|---|---|
| Number of employees aged 45 and over | 4,666 | 4,277 | 3,960 |
| Employees aged 45 and over as % of workforce at 31 December | 25.4% | 23.9% | 23.4% |
| Number of employees aged 55 and over | 1,338 | 1,168 | 1,031 |
| Employees aged 55 and over as % of workforce at 31 December | 7.3% | 6.5% | 6.1% |

# 7.11. Annex: Environmental indicators

The information identified by the ✔ sign has been verified by the independent third party with a reasonable level of assurance.

## 7.11.1. PROTECTION OF ENERGY RESOURCES AND GREENHOUSE GAS EMISSIONS BY COUNTRY

| | | Protecting resources | | | | | |
|---|---|---|---|---|---|---|---|
| | | Offices and on-site datacentres ✔ | | | On-site and off-site datacentres ✔ | | |
| | | Energy consumption | | Renewable energy as % of total electricity consumption | Energy consumption | | Renewable energy as % of total electricity consumption |
| | Scope | Scope 1 | Scope 2 | Scope 2 | Scope 1 | Scopes 2 & 3 | Scopes 2 & 3 |
| | *Unit* | *MWh* | *MWh* | | *MWh* | *MWh* | |
| **TOTAL** | **2017** | **13,644** | **66,545** | *76%* | **314** | **33,769** | *61%* |
| | **2016** | **12,987** | **63,043** | *69%* | **367** | **35,403** | |
| | **2015** | **12,623** | **63,563** | *20.4%* | **555** | **35,208** | |
| **Africa*** | 2017 | 0 | 606 | *0%* | 0 | 0 | |
| | 2016 | 0 | *1,612* | *0%* | 0 | 0 | |
| | 2015 | 0 | *443* | *0%* | 0 | 0 | |
| **Germany and Austria** | 2017 | 0 | 1,992 | *86%* | 0 | 422 | *63%* |
| | 2016 | 0 | *2,177* | *96%* | 0 | 792 | |
| | 2015 | 0 | *2,337* | *93%* | 0 | 1,007 | |
| **Benelux** | 2017 | 2,196 | 2,394 | *38%* | 145 | 2,218 | *64%* |
| | 2016 | 1,129 | *2,274* | *51%* | 69 | 1,234 | |
| | 2015 | 1,030 | *2,333* | *51%* | 64 | *1,122* | |
| **Spain** | 2017 | 0 | 2,853 | *0%* | 0 | 0 | |
| | 2016 | 0 | *3,184* | *0%* | 0 | *0* | |
| | 2015 | 0 | *1,673* | *0%* | 0 | *0* | |
| **France** | 2017 | 1,938 | 26,434 | *80%* | 0 | 13,511 | *31%* |
| | 2016 | 5,390 | *26,489* | *75%* | 0 | 12,684 | |
| | 2015 | 2,935 | *28,318* | *0%* | 0 | 10,974 | |
| **India** | 2017 | 1,015 | 12,763 | *100%* | 144 | 1,995 | *100%* |
| | 2016 | 1,655 | *12,244* | *100%* | 277 | 1,792 | |
| | 2015 | 2,900 | *11,684* | *0%* | 467 | 2,206 | |
| **Italy** | 2017 | 131 | 606 | *0%* | 0 | 0 | |
| | 2016 | 132 | *802* | *0%* | 0 | 0 | |
| | 2015 | 157 | *723* | *0%* | 0 | *0* | |
| **Poland** | 2017 | 24 | 804 | *0%* | 24 | 27 | |
| | 2016 | 21 | *657* | *0%* | 21 | *567* | |
| | 2015 | 24 | *780* | *0%* | 24 | *361* | |
| **United Kingdom** | 2017 | 8,177 | 14,844 | *60%* | 0 | 11,412 | *79%* |
| | 2016 | 4,563 | *10,840* | *72%* | 0 | 14,298 | |
| | 2015 | 5,462 | *12,176* | *70%* | 0 | 14,595 | |
| **Singapore** | 2017 | 0 | 463 | *0%* | 0 | 0 | |
| | 2016 | 0 | *243* | *0%* | 0 | 0 | |
| | 2015 | 0 | *79* | *0%* | 0 | 0 | |
| **Scandinavia** | 2017 | 0 | 2,451 | *100%* | 0 | 3,753 | *88%* |
| | 2016 | 0 | *2,183* | *8%* | 0 | 3,598 | |
| | 2015 | 0 | *2,362* | *20%* | 0 | 3,841 | |
| **Switzerland** | 2017 | 163 | 335 | *100%* | 0 | 431 | *100%* |
| | 2016 | 97 | *339* | *100%* | 0 | 433 | |
| | 2015 | 116 | *653* | *99%* | 0 | 1,103 | |

* *Africa includes Algeria, Cameroon, Côte d'Ivoire, Gabon, Morocco and Tunisia.*

** *These figures do not take into account the reduction in emissions arising from "green" travel undertaken in Germany, totalling 36,653 $tCO_2e$ in 2017 and 35,316 $tCO_2e$ in 2016.*

*** *Data not disclosed in 2015 and 2016 reports.*

| Greenhouse gas emissions | | | | | | |
|---|---|---|---|---|---|---|
| Offices and on-site datacentres ✔ | | On-site and off-site datacentres ✔ | | (Business travel) ✔ | | Fugitive emissions |
| Greenhouse gas emissions | | Greenhouse gas emissions | | Air + Road + Rail + Hotel** | Air + Road + Rail | |
| Scope 1 | Scope 2 | Scope 1 | Scopes 2 & 3 | Scope 3 | Scope 3 | Scope 1 |
| *$tCO_2e$* | *$tCO_2e$* | *$tCO_2e$* | *$tCO_2e$* | *$tCO_2e$* | *$tCO_2e$* | *$tCO_2e$* |
| **1,821** | **6,191** | **68** | **1,854** | **38,133** | | **1,725** |
| **2,430** | **7,190** | **88** | **2,578** | **36,555** | **32,152** | |
| **2,237** | **15,723** | **132** | **3,829** | | **33,244** | |
| 0 | 377 | 0 | 0 | 461 | | 4.4 |
| 0 | 958 | 0 | 0 | 412 | 398 | 0 |
| 0 | 259 | 0 | 0 | | 440 | 0 |
| 0 | 325 | 0 | 114 | 9,046 | | 6.2 |
| 0 | 251 | 0 | 221 | 8,183 | 6,747 | |
| 0 | 358 | 0 | 0 | | 6,460 | |
| 404 | 293 | 27 | 145 | 1,208 | | 21 |
| 228 | 487 | 13.9 | 0 | 2,548 | 2,488 | 0 |
| 190 | 0 | 0 | 0 | | 2,533 | 0 |
| 0 | 1,140 | 0 | 0 | 2,182 | | 10.9 |
| 0 | 1,397 | 0 | 0 | 1,733 | 1,657 | |
| 0 | 484 | 0 | 0 | | 1,057 | |
| 112 | 757 | 0 | 434 | 16,342 | | 144 |
| 739 | 822 | 0 | 332 | 15,267 | 14,694 | |
| 284 | 2,195 | 0 | 644 | | 16,512 | |
| 256 | 0 | 36 | 0 | 2,582 | | 1355 |
| 417 | 0 | 69.9 | 0 | 2,687 | 1,508 | |
| 653 | 9,581 | 115 *** | 1,696 | | 1,526 | |
| 24 | 282 | 0 | 0 | 580 | | 4.8 |
| 27 | 348 | 0 | 0 | 508 | 440 | |
| *29* | 288 | 0 | 0 | | 279 | |
| 4 | 619 | 4 | 3 | 226 | | 0 |
| 4 | 509 | 4.28 | 493 | 151 | 115 | |
| *5* | 502 | 5*** | 282 | | 114 | |
| 981 | 2,317 | 0 | 957 | 4,443 | | 172.6 |
| 992 | 1,450 | 0 | 832 | 4,195 | 3,263 | |
| 1,067 | 1,844 | 0 | 1,037 | | 3,364 | |
| 0 | 0 | 0 | 0 | 89 | | 0 |
| 0 | 111 | 0 | 0 | 91 | 88 | |
| 0 | 40 | 0 | 0 | | 45 | |
| 0 | *74* | 0 | 201 | 704 | | 0 |
| 0 | 849 | 0 | 699 | 496 | 474 | 0 |
| 0 | 90 | 0 | 26 | | 653 | 0 |
| 39 | *6* | 0 | 0 | 270 | | 5.8 |
| 23 | 6 | 0 | 0 | 283 | 280 | |
| 9 | 23 | 0 | 144 | | 261 | |

## 7.11.2. PRESERVING RESOURCES: ENERGY CONSUMPTION ✔

| **Energy consumption ✔** *(MWh)* | | Scope 1 | | | Scope 2 | | | Scope 3 | | | Total Scopes 1, 2 and 3 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Year** | | **2017** | **2016** | **2015** | **2017** | **2016** | **2015** | **2017** | **2016** | **2015** | **2017** | **2016** | **2015** |
| **Offices** | Fuel oil, gas and biodiesel | 13,330 | 12,620 | 12,623 | | | | | | | | | |
| | District heating | | | | 3,803 | 47,091 | | | | | | | |
| | Electricity (mains) | | | | 45,707 | | | | | | | | |
| **Off-site datacentres** | Fuel oil, gas and biodiesel | 314 | 367 | | | | 63,563 | | | | | | |
| | Electricity (mains) | | | | 17,035 | 15,952 | | | | | | | |
| **(Off-site datacentres)** | Electricity (mains) | | | | | | | 16,421 | 19,451 | | | | |
| **TOTAL ENERGY** *(MWh)* | | **13,644** | **12,987** | **12,623** | **66,545** | **63,043** | **63,563** | **16,421** | **19,451** | **N/A** | **96,610** | **95,481** | **N/A** |
| **TOTAL ENERGY PER EMPLOYEE** *(MWh/employee)* | | | | | | | | | | | **2.4** | **2.6** | **N/A** |
| **2017/2016 change** | | | | | | | | | | | **Reduction of 8.2%** | | |

*Scope 1: combustion of fossil fuels (oil, fuel oil and gas) and biodiesel or coolants escaping from air conditioning systems.*
*Scope 2: consumption of electricity and district heating in offices and on-site datacentres.*
*Scope 3: electricity consumption in off-site datacentres.*
*The scope of calculated indicators includes all entities over which the Group has operational control (and therefore includes HS SBS and SSCL joint venture sites) but does not include Kentor, Galitt, Beamap, Cassiopae or 2MoRO. Joint venture sites are only included in 2017 data.*

## 7.11.3. PRESERVING RESOURCES: WASTE ELECTRICAL AND ELECTRONIC EQUIPMENT (WEEE) BY COUNTRY ✔

| **WEEE ✔** | Quantity *(in kg)* | | | o/w reused | | | o/w recycled | | | o/w incinerated | | | o/w sent to landfill | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2017** | **2016** | **2015** | **2017** | **2016** | **2015** | **2017** | **2016** | **2015** | **2017** | **2016** | **2015** | **2017** | **2016** | **2015** |
| **Germany/Austria** | 6,226 | 8,832 | 2,605 | *19.1%* | *9.7%* | *98.0%* | *79.8%* | *90.3%* | | *1.1%* | *0%* | | *0%* | *0%* | |
| **Benelux** | 4,741 | 1** | | *74.7%* | | | *18.6%* | *100%* | | *5.1%* | *0%* | | *1.6%* | *0%* | |
| **Denmark** | ** | 1,816 | 142 | *0%* | *47.4%* | | *0%* | *52.6%* | | *0%* | *0%* | | *0%* | *0%* | |
| **Spain** | 5,953 | 1,603 | 454 | *22.4%* | *66.7%* | | *66.5%* | *24.7%* | | *11.0%* | *8.4%* | | *0%* | *0.2%* | |
| **France** | 26,863 | 24,612 | 20,939 | *66.1%* | *55.9%* | *43.0%* | *27.6%* | *38.0%* | *56.0%* | *4.8%* | *5.8%* | | *1.6%* | *0%* | |
| **India** | 21,732 | 28,316 | 107,181 | *0%* | *16%* | *75.0%* | *100%* | *84.0%* | *25.0%* | *0%* | *0%* | | *0%* | *0%* | |
| **Italy** | ** | 838 | 627 | *0%* | *84.2%* | *80.0%* | *0%* | *15.8%* | | *0%* | *0%* | | *0%* | *0%* | |
| **Norway** | 1,048 | 1,685 | 1,317 | *69.1%* | *63.5%* | | *30.9%* | *36.5%* | | *0%* | *0%* | | *0%* | *0%* | |
| **Poland** | 673 | ** | 53 | *100%* | | *100%* | *0%* | | | *0%* | | | *0%* | | |
| **United Kingdom** | 15,066 | 7,327 | 25,674 | *39.2%* | *36.3%* | *100%* | *60.4%* | *62.8%* | | *0%* | *0.3%* | | *0.4%* | *0.7%* | |
| **Sweden** | 16 | ** | 566 | *100%* | | | *0%* | | | *0%* | | | *0%* | | |
| **Switzerland** | 291 | 681 | 688 | *99.6%* | *0%* | *0%* | *0.4%* | *100%* | | *0%* | *0%* | | *0%* | *0%* | |
| **TOTAL** | **82,609** | **75,712** | **16 0246*** | ***38%*** | ***33.7%*** | | ***58.2%*** | ***64.2%*** | | ***2.7%*** | ***2.1%*** | | ***0.7%*** | ***0.1%*** | |
| **TOTAL PER EMPLOYEE** *(kg/employee)* | **2.1** | **2.1** | **4.6** | | | | | | | | | | | | |

*The scope of calculated indicators includes all entities over which the Group has operational control (and therefore includes HS SBS and SSCL joint venture sites) but does not include Kentor, Galitt, Beamap, Cassiopae or 2MoRO. Joint venture sites are only included in 2017 data.*
* *Total of available data.*
** *WEEE stored on site.*

## 7.11.4. PRESERVING RESOURCES: PAPER AND CARDBOARD WASTE BY COUNTRY ✔

| Paper and cardboard waste ✔ | Quantity *(in kg)* | | | o/w recycled | | | o/w incinerated | | |
|---|---|---|---|---|---|---|---|---|---|
| | **2017** | **2016** | **2015** | **2017** | **2016** | **2015** | **2017** | **2016** | **2015** |
| **Germany/Austria** | 47,530 | 43,565 | 45,214 | *100%* | *98.0%* | *98.0%* | *0%* | *2.0%* | *2.0%* |
| **Benelux** | 58,745 | 80,569 | | *100%* | *75.0%* | | *0%* | *25.0%* | |
| **Denmark** | 1,580 | 1,580 | 827 | *100%* | *100%* | *100%* | *0%* | *0%* | |
| **Spain** | 11,440 | 9,938 | | *100%* | *100%* | | *0%* | *0%* | |
| **France** | 71,804 | 60,342 | 96,269 | *87.0%* | *83.9%* | *89.0%* | *13.0%* | *16.1%* | *13.0%* |
| **India** | 14,025 | 28,410 | 27,217 | *100.0%* | *100%* | *100%* | *0%* | *0%* | *0%* |
| **Italy** | 2,730 | | | *97.0%* | | | *3.0%* | | |
| **Norway** | 19,168 | 5,782 | 7,670 | *100%* | *100%* | *100%* | *0%* | *0%* | |
| **Poland** | 2,553 | | | *97.0%* | | | *3.0%* | | |
| **United Kingdom** | 200,382 | 131,839 | 146,900 | *100%* | *100%* | *100%* | *0%* | *0%* | |
| **Sweden** | 4,679 | | 802 | *97.0%* | | *100%* | *3.0%* | | |
| **Switzerland** | 560 | 3,700 | 3,549 | *100%* | *100%* | *99.0%* | *0%* | *0%* | |
| **TOTAL** | **435,196** | **365,725*** | **328,448*** | ***97%*** | ***92%*** | | ***3%*** | ***8%*** | |
| **TOTAL PER EMPLOYEE** *(kg/employee)* | **10.8** | **10.0** | **9.4** | | | | | | |

*The scope of calculated indicators includes all entities over which the Group has operational control (and therefore includes HS SBS and SSCL joint venture sites) but does not include Kentor, Galitt, Beamap, Cassiopae or 2MoRO. Joint venture sites are only included in 2017 data.*

## 7.11.5. PRESERVING RESOURCES: WATER CONSUMPTION BY COUNTRY ✔

| Water consumption ✔ | Quantity *(in $m^3$)* |
|---|---|
| **Africa*** | 2,829 |
| **Germany** | 6,054 |
| **Benelux**** | 2,717 |
| **Spain** | 8,349 |
| **France** | 55,760 |
| **India** | 136,948 |
| **Italy** | 2,585 |
| **Poland** | 3,106 |
| **United Kingdom** | 21,272 |
| **Scandinavia***** | 4,246 |
| **Singapore** | 356 |
| **Switzerland** | 258 |
| **TOTAL** | **244,480** |

* *Africa includes Algeria, Cameroon, Côte d'Ivoire, Gabon, Morocco and Tunisia.*
** *Benelux includes Belgium and Luxembourg.*
*The scope of calculated indicators includes all entities over which the Group has operational control but does not include Kentor, Galitt, Beamap, Cassiopae or 2MoRO. Joint venture sites are only included in 2017 data.*
*** *Scandinavia includes Sweden, Norway and Denmark.*

## 7.11.6. PURCHASES OF ENVIRONMENTALLY ACCREDITED PAPER BY COUNTRY ✔

| Purchases of environmentally accredited paper ✔ | Quantity *(in kg)* | % environmentally accredited paper | Quantity purchased per employee *(kg employee)* |
|---|---|---|---|
| **Germany/Austria** | 4,946 | *81%* | 2.11 |
| **Benelux** | 2,941 | *100%* | 2.81 |
| **Spain** | 8,208 | *70%* | 2.30 |
| **France** | 66,747 | *70%* | 3.69 |
| **India** | 7,897 | *100%* | 1.55 |
| **Italy** | 3,443 | *100%* | 4.05 |
| **Poland** | 646 | *100%* | 0.81 |
| **United Kingdom** | 13,942 | *84%* | 3.61 |
| **Scandinavia** | 1685 | *68%* | 1.23 |
| **Singapore** | 881 | *70%* | 7.53 |
| **Switzerland** | 1,073 | *89%* | 4.19 |
| **TOTAL** | **112,407** | *76%* | **3.01** |

* *Scandinavia includes Sweden, Norway and Denmark.*
*The scope of calculated indicators includes all entities over which the Group has operational control but does not include Kentor, Galitt, Beamap, Cassiopae, 2MoRO or the NHS SBS or SSCL joint venture sites.*

# 4 2017 CONSOLIDATED FINANCIAL STATEMENTS

# Consolidated statement of net income

| *(in millions of euros)* | Notes | 2017 | 2016 |
|---|---|---|---|
| **Revenue** | *4.1* | **3,845.4** | **3,741.3** |
| Staff costs | *5.1* | -2,330.7 | -2,257.3 |
| Purchases and external expenses | *4.2.1* | -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 | *4.2.2* | 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 | *5.4* | -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 | *4.2.3* | -25.1 | -27.6 |
| **Operating profit** | | **261.7** | **240.2** |
| *as % of revenue* | | *6.8%* | *6.4%* |
| Cost of net financial debt | *11.1.1* | -6.8 | -6.7 |
| Other financial income and expenses | *11.1.2* | -9.8 | -7.6 |
| Tax expense | *6.1* | -73.5 | -80.9 |
| Net profit from associates | *9.1* | 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 | *13.1.5* | 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)* | *Notes* | | |
| Basic earnings per share | *13.2* | 8.48 | 7.50 |
| Diluted earnings per share | *13.2* | 8.45 | 7.49 |

# Consolidated statement of comprehensive income

| *(in millions of euros)* | Notes | 2017 | 2016 |
|---|---|---|---|
| **Consolidated net profit** | | **173.3** | **155.8** |
| **Other comprehensive income:** | | | |
| Actuarial gains and losses on pension plans | *5.3* | 74.9 | -199.0 |
| Tax impact | | -13.4 | 32.1 |
| Related to associates | | 0.3 | 0.2 |
| **Subtotal of items recognised in equity and not reclassifiable to profit or loss** | | **61.7** | **-166.8** |
| Translation differences | *13.1.4* | -44.7 | -94.2 |
| Change in net investment hedges | | 2.9 | 24.3 |
| Tax impact on net investment hedges | | -1.5 | -8.4 |
| Change in cash flow hedges | | -0.4 | 3.3 |
| Tax impact on cash flow hedges | | 0.2 | -1.1 |
| Change in the value of available-for-sale securities | | -1.7 | - |
| Related to associates | | -10.2 | 2.0 |
| **Subtotal of items recognised in equity and reclassifiable to profit or loss** | | **-55.5** | **-74.1** |
| **Other comprehensive income, total net of tax** | | **6.2** | **-240.8** |
| **COMPREHENSIVE INCOME** | | **179.5** | **-85.1** |
| Non-controlling interests | | - | -6.0 |
| **Attributable to the Group** | | **179.5** | **-79.1** |

# Consolidated statement of financial position

| **Assets** *(in millions of euros)* | **Notes** | **31/12/2017** | **31/12/2016** |
|---|---|---|---|
| Goodwill | *8.1* | 1,590.6 | 1,557.0 |
| Intangible assets | *8.2* | 190.2 | 199.6 |
| Property, plant and equipment | *8.3* | 128.9 | 120.7 |
| Equity-accounted investments | *9.2* | 189.1 | 202.3 |
| Other non-current financial assets | *7.1* | 28.6 | 22.8 |
| Retirement benefits and similar obligations | *5.3* | 4.3 | 4.1 |
| Deferred tax assets | *6.3* | 115.4 | 144.8 |
| **Non-current assets** | | **2,247.1** | **2,251.3** |
| Trade accounts receivable | *7.2* | 1,137.8 | 1,132.7 |
| Other current assets | *7.3* | 256.4 | 231.1 |
| Cash and cash equivalents | *11.2* | 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)* | **Notes** | **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** | *13.1* | **1,240.0** | **1,103.1** |
| Non-current financial debt | *11.3* | 398.9 | 402.6 |
| Deferred tax liabilities | *6.3* | 16.8 | 15.9 |
| Retirement benefits and similar obligations | *5.3* | 378.1 | 468.6 |
| Non-current provisions | *10.1* | 56.2 | 49.7 |
| Other non-current liabilities | *7.4* | 65.2 | 86.4 |
| **Non-current liabilities** | | **915.3** | **1,023.3** |
| Current financial debt | *11.3* | 273.6 | 368.8 |
| Current provisions | *10.1* | 16.6 | 66.7 |
| Trade payables | | 268.8 | 285.9 |
| Other current liabilities | *7.5* | 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** |

# Consolidated statement of changes in equity

| *(in millions of euros)* | Share capital | Share premium | Treasury shares | Consolidated reserves and retained earnings | Other compre-hensive income | Total attributable to Group | Non-controlling interests | Total |
|---|---|---|---|---|---|---|---|---|
| **At 31/12/2015** | **20.4** | **528.3** | **-54.9** | **616.0** | **84.6** | **1,194.4** | **38.7** | **1,233.1** |
| Share capital transactions | 0.1 | 3.1 | - | -0.9 | - | 2.3 | - | 2.3 |
| Share-based payments | - | - | - | 9.7 | - | 9.7 | - | 9.7 |
| Transactions in treasury shares | - | - | 16.0 | -5.7 | - | 10.3 | - | 10.3 |
| Ordinary dividends | - | - | - | -34.0 | - | -34.0 | - | -34.0 |
| Put option on minority interests | - | - | - | -30.9 | - | -30.9 | -0.2 | -31.1 |
| Other movements | - | - | - | -3.0 | 0.9 | -2.1 | - | -2.1 |
| **Shareholder transactions** | **0.1** | **3.1** | **16.0** | **-64.9** | **0.9** | **-44.8** | **-0.1** | **-44.9** |
| Net profit for the period | - | - | - | 150.4 | - | 150.4 | 5.4 | 155.8 |
| Other comprehensive income | - | - | - | - | -229.5 | -229.5 | -11.3 | -240.8 |
| **Comprehensive income for the period** | **-** | **-** | **-** | **150.4** | **-229.5** | **-79.1** | **-6.0** | **-85.1** |
| **At 31/12/2016** | **20.5** | **531.4** | **-38.9** | **701.6** | **-144.0** | **1,070.6** | **32.5** | **1,103.1** |
| Share capital transactions | - | 0.1 | - | - | - | 0.1 | - | 0.1 |
| Share-based payments | - | - | - | 17.5 | - | 17.5 | 0.1 | 17.6 |
| Transactions in treasury shares | - | - | -1.5 | -8.2 | - | -9.8 | - | -9.8 |
| Ordinary dividends | - | - | - | -44.5 | - | -44.5 | - | -44.5 |
| Changes in scope | - | - | - | -0.2 | - | -0.2 | 1.7 | 1.5 |
| Put option on minority interests | - | - | - | -5.3 | - | -5.3 | -2.6 | -7.9 |
| Other movements | - | - | - | 0.3 | - | 0.2 | 0.1 | 0.3 |
| **Shareholder transactions** | **-** | **0.1** | **-1.5** | **-40.4** | **-** | **-41.8** | **-0.8** | **-42.7** |
| Net profit for the period | - | - | - | 171.4 | - | 171.4 | 1.8 | 173.3 |
| Other comprehensive income | - | - | - | - | 8.0 | 8.0 | -1.8 | 6.3 |
| **Comprehensive income for the period** | **-** | **-** | **-** | **171.4** | **8.0** | **179.5** | **-** | **179.5** |
| **AT 31/12/2017** | **20.5** | **531.5** | **-40.4** | **832.6** | **-136.0** | **1,208.2** | **31.8** | **1,240.0** |

# Consolidated cash flow statement

| *(in millions of euros)* | Notes | 2017 | 2016 |
|---|---|---|---|
| **Consolidated net profit (including non-controlling interests)** | | **173.3** | **155.8** |
| Net increase in depreciation, amortisation and provisions | | 44.6 | 69.8 |
| Unrealised gains and losses related to changes in fair value | | 6.5 | -2.1 |
| Share-based payment expense | *5.4* | 16.9 | 12.1 |
| Gains and losses on disposal | | -6.1 | 1.4 |
| Share of net profit/(loss) of equity-accounted companies | *9.1* | -1.7 | -10.8 |
| Cost of net financial debt | *11.1.1* | 6.8 | 6.7 |
| Dividends from non-consolidated securities | | - | -0.4 |
| Tax expense | *6.1* | 73.5 | 80.9 |
| **Cash from operations before change in working capital requirement (A)** | | **313.9** | **313.5** |
| Tax paid (B) | | -63.9 | -72.0 |
| Change in operating working capital requirement (C) | *12.2* | -12.4 | -17.0 |
| **Net cash from operating activities (D) = (A + B + C)** | | **237.6** | **224.5** |
| Purchase of tangible and intangible fixed assets | *12.3* | -62.3 | -46.8 |
| Proceeds from sale of tangible and intangible fixed assets | | - | 0.1 |
| Purchase of financial assets | | -0.3 | -0.1 |
| Proceeds from sale of financial assets | | 0.1 | 0.7 |
| Cash impact of changes in scope | | -77.0 | -103.1 |
| Dividends received (equity-accounted companies, non-consolidated securities) | | 2.8 | 3.1 |
| Proceeds from/(Payments on) loans and advances granted | | -2.9 | 0.8 |
| Net interest received | | 1.0 | 0.8 |
| **Net cash from/(used in) investing activities (E)** | | **-138.5** | **-144.5** |
| Proceeds on the exercise of stock options | | 0.1 | 2.3 |
| Purchase and sale of treasury shares | *12.3* | -1.3 | 10.3 |
| Dividends paid during the year | *12.3* | | |
| ■ dividends paid to shareholders of the parent company | | -44.5 | -34.0 |
| ■ dividends paid to minority interests of consolidated companies | | - | -0.4 |
| Proceeds from/(Payments on) borrowings | | -97.3 | 32.6 |
| Net interest paid | | -5.4 | -8.1 |
| Additional contributions related to defined-benefit pension plans | *12.3* | -21.0 | -21.0 |
| Other cash flows relating to financing activities | | -18.1 | -2.9 |
| **Net cash from/(used in) financing activities (F)** | | **-187.4** | **-21.3** |
| Impact of changes in foreign exchange rates (G) | | -17.5 | -14.5 |
| **NET CHANGE IN CASH AND CASH EQUIVALENTS (D + E + F + G)** | | **-105.8** | **44.2** |
| Opening cash position | | 261.7 | 217.5 |
| Closing cash position | *11.2* | 155.9 | 261.7 |

# Notes to the consolidated financial statements



The Group's consolidated financial statements for the year ended 31 December 2017 were approved by the Board of Directors at its meeting held on 11 April 2018.

# NOTE 1 ACCOUNTING POLICIES

The main accounting policies applied in the preparation of the consolidated financial statements are presented below. They have been applied consistently for all of the financial years presented.

## 1.1. Basis of preparation

The consolidated financial statements for the year ended 31 December 2017 have been prepared in accordance with International Financial Reporting Standards (IFRS) as published by the IASB and adopted by the European Union. Information on these standards is provided on the website of the European Commission: https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/financial-reporting_en.

## 1.2. Application of new standards and interpretations

### 1.2.1. New mandatory standards and interpretations

New standards, amendments to existing standards and interpretations required for accounting periods starting on or after 1 January 2017 had no material impact on the financial statements. These mainly included:

- *Recognition of Deferred Tax Assets for Unrealised Losses* (Amendment to IAS 12);
- *Disclosure Initiative – Reconciliation of Liabilities from Financing Activities* (Amendment to IAS 7);
- *Disclosure of Interests in Other Entities – Clarification of the Scope of the Standard* (Amendment to IFRS 12).

### 1.2.2. Standards and interpretations published by the IASB but not applied early

The Group has not opted for early application of standards, amendments and interpretations published by the IASB and adopted by the European Union, but whose mandatory effective date was later than 1 January 2017. These mainly include:

- IFRS 15 *Revenue from Contracts with Customers* and its amendments as well as IFRS 9 *Financial Instruments*, both of which must be applied for reporting periods beginning on or after 1 January 2018;
- IFRS 16 *Leases*, which must be applied for reporting periods beginning on or after 1 January 2019.

Furthermore, the Group has not opted for early application of standards, amendments and interpretations published by the IASB, but not yet adopted by the European Union at 31 December 2017. These include the following: *Prepayment Features with Negative Compensation* (Amendments to IFRS 9), *Classification and Measurement of Share-based Payment Transactions* (Amendments to IFRS 2), *Long-term Interests in Associates and Joint Ventures* (Amendments to IAS 28), as well as IFRIC 22 *Foreign Currency Transactions and Advance Consideration* and IFRIC 23 *Uncertainty over Income Tax Treatments*.

### 1.2.3. Application of IFRS 15 *Revenue from Contracts with Customers*

In September 2016 the Group launched a transition project with a view to adopting IFRS 15 *Revenue from Contracts with Customers* from 1 January 2018. The project mainly consists of:

- an initial diagnostic phase to identify and quantitatively assess any potential discrepancies caused by applying the new rules;
- followed by a second phase in which any changes found to be necessary are implemented.

In parallel, the Group has taken part in the discussions organised by Syntec Numérique (the French digital sector trade association) to identify the challenges posed by the application of the new standard and use them to draw conclusions and develop consistent practices together with other leading French companies active in the sector.

The diagnostic phase to identify potential discrepancies initially resulted in a mapping of 2016 revenue by category and type. For categories that may give rise to discrepancies, samples of client contracts and projects considered to be sufficiently representative and covering a very substantial portion of revenue were identified so as to be analysed. These samples consisted of contracts that were ongoing at 1 January 2017 and would continue beyond that date, along with any new contracts signed over the course of 2017. Contracts for licence sales as well as development and integration work, fixed-price contracts, services including a transition or transformation phase, and transactions in which the Group acted as a licence or equipment reseller on behalf of its clients were thus analysed using the methodology recommended by the standard.

IFRS 15 *Revenue from Contracts with Customers* provides the following five-step approach to analysing contracts with customers:

1. identify the contract(s) with a customer;
2. identify the performance obligations in the contract;
3. determine the transaction price;
4. allocate the transaction price to the performance obligations in the contract;
5. recognise revenue when (or as) the entity satisfies a performance obligation.

Occasional discrepancies with regard to the application of current standards were identified, affecting a limited number of contracts, during the assessment required by each of these steps.

In Step 2 under IFRS 15, the performance obligations included in a contract are considered distinct from one another if they are intrinsically distinct and if they are distinct specifically within the context of the contract in question. The application of these principles to the Group's contracts revealed the need to reconsider the distinctions between the performance obligations contained in contracts, which prompted the decision to group together certain of these obligations. In particular, services may be performed to secure the future execution of contracts. This is the case for transition activities relating to outsourcing or application management and the set-up phases of deliverables made available in SaaS mode in software development. As a general rule, these services do not constitute distinct performance obligations. The standard specifies the process to be applied and allows for the recognition of an asset in respect of their costs, which is then amortised over the duration of the performance obligations involved in these services. This entails an adjustment in the recognition of revenue relating to these contracts. The Group estimates that these changes will have a positive impact of around €3.7 million on *Revenue* and a positive impact of around €1.6 million on *Operating profit on business activity* as recognised in the 2017 income statement.

Steps 3 and 4 under IFRS 15 specify, respectively, the procedures used to determine the transaction price of a contract and those used to allocate this price to the different performance obligations in the contract. The transaction price includes the following components:

- elements of variable consideration granted to the customer such as discounts, penalties or bonuses according to how likely it is that they will be offered;
- financing arrangements included in the contract such as, for example, payment terms of more than one year, which require the

recognition of a distinct amount of financial income, presented separately from revenue;

- consideration payable to the customer that cannot be identified as distinct services provided by the customer under the contract;
- non-cash consideration.

The application of these principles to the analysis of contracts revealed the need, for a small number among them, to reconsider certain components of the transaction price or to allocate its components differently, which led mainly to the identification of additional discounts. These changes will have a negative impact of around €4.9 million on *Revenue* and a negative impact of around €1.3 million on *Operating profit on business activity* as recognised in the 2017 income statement.

Lastly, once a contract with a customer and its performance obligations have been identified and valued, the aim of Step 5 is to define and apply the method for recognising revenue under the contract. This depends on how the Group transfers control to the customer of the goods or services it provides. IFRS 15 diverges from the previous rules by setting specific criteria that make it possible to consider the continuous transfer of control of goods and services to the customer, and therefore to apply the percentage-of-completion method for revenue recognition. For the Group, this mainly involves fixed-price construction contracts in connection with integration activities and the development of new features or specific modules for certain clients of its software solutions. In the course of the analysis, the Group determined that these contracts did not meet the criteria for the application of the percentage-of-completion method for revenue recognition and that their revenue must therefore be recognised on final completion. Only a small number of contracts are affected and the Group estimates that these changes will have a positive impact of around €3.1 million on *Revenue* and a positive impact of around €0.6 million on *Operating profit on business activity* as recognised in the 2017 income statement.

The standard also changes the criteria distinguishing situations in which, for a distinct performance obligation, the Group acts as either a principal or an agent. The Group acts as a principal when it controls the services performed by a subcontractor or the goods purchased from a supplier before transferring control of them to its client. In all other cases, it acts as an agent. Revenue is recognised on a gross basis (and purchases are recognised as expenses for the entire amount) if the Group acts as a principal. When it acts as an agent, the amount of revenue is limited to the fees or commissions to which the Group is entitled under the terms of the contract, and which represent the margin made on this contract (revenue recognition on a net basis).

The application of these rules revealed the need, for certain of the Group's licence or equipment reseller contracts – a very marginal activity within the Group – to reconsider its position as a principal, determining instead that it acts as an agent, and therefore to reduce the amount of revenue and expenses recognised in the 2017 income statement by about €16.2 million without any impact on *Operating profit on business activity*.

Upon completing this diagnostic phase, the Group concluded that, taken as a whole, the impact of the adjustments identified by applying IFRS 15 will not be material either for consolidated *Revenue* or for consolidated *Operating profit on business activity*, with an estimated decrease of around €14.3 million in the former and an estimated increase of around €0.9 million in the latter.

Lastly, starting 1 January 2018 the Group will retrospectively apply IFRS 15 to the reporting periods of the 2017 financial year, which will be presented for comparison with those of the 2018 financial year.

#### 1.2.4. Application of IFRS 9 *Financial Instruments*

The application of IFRS 9 *Financial Instruments* is mandatory for annual periods beginning on or after 1 January 2018. Following its diagnostic analysis of the new rules and its assessment of their impact, the Group identified the changes described below.

The new model for the impairment of trade accounts receivable requires that provisions be based on statistical analysis of the credit risk from the initial recognition of the receivable. Given the specific types of clients served by the Group, which tend to have limited exposure to credit risk, and a policy calling for the recognition of provisions for all receivables in excess of a certain maturity, the Group has concluded that the application of this new rule will not have any material impact on its financial statements.

The new standard modifies the accounting treatment for refinancing operations given that the analysis would entail that they no longer be considered as repayments but instead as changes to previous contractual terms. The Group has determined that the application of IFRS 9 to changes made to its credit facilities prior to 1 January 2018 will not have any material impact on the valuation of its financial liabilities.

Lastly, IFRS 9 has changed the procedures for recognising the value of derivative financial instruments in the form of options used to hedge foreign currency and interest rate risk. Changes in time value will now be recognised under *Other comprehensive income* and time value at the date of the designation of the hedging relationship will be amortised over the period during which the instrument can have an impact on profit or loss. This amortisation expense will be recognised under *Other financial income and expenses*. The Group's current assessment is that this change will have no material impact on its financial statements.

The Group plans to apply IFRS 9 from 1 January 2018 using the modified retrospective method, adjusting its equity at the beginning of the period to reflect changes prior to 2018, since their cumulative effect is not considered to be material, without restating the comparative periods presented.

#### 1.2.5. Application of IFRS 16 *Leases*

IFRS 16 *Leases* will require the lessee to recognise an asset in respect of the right to use the leased item and a corresponding lease liability. The Group has launched a diagnostic analysis, impact assessment and implementation project for the new rules, including the identification of transition procedures.

## 1.3. Material estimates and accounting judgments

The preparation of financial statements entails the use of estimates and assumptions in measuring certain consolidated assets and liabilities as well as certain income statement items. Group management is also required to exercise judgment in the application of its accounting policies.

Such estimates and judgments, which are continually updated, are based both on historical information and on a reasonable anticipation of future events according to the circumstances. However, given the uncertainty implicit in assumptions as to future events, the related accounting estimates may differ from the ultimate actual results.

The main assumptions and estimates that may leave scope for material adjustments to the carrying amounts of assets and liabilities in the subsequent period are as follows:

- measurement of the recoverable amount of property, plant and equipment and intangible assets, and of goodwill in particular (see Note 8.1);
- measurement of retirement benefit obligations (see Note 5.3);
- revenue recognition (see Note 4.1);
- measurement of deferred tax assets (see Note 6.3);
- amounts payable to non-controlling interests (see Note 7.4);
- provisions for contingencies (see Note 10.1).

## 1.4. Format of the financial statements and foreign currency translation

### 1.4.1. Format of the financial statements

With regard to the presentation of its consolidated financial statements, Sopra Steria Group applies Recommendation 2013-03 of the French Accounting Standards Authority (*Autorité des Normes Comptables* – ANC) of 7 November 2013 on the format of the income statement, the cash flow statement and the statement of changes in equity.

The format of the income statement was adapted several years ago to improve the presentation of the Company's performance. A financial aggregate known as *Operating profit on business activity* was added before *Profit from recurring operations*. This is an indicator used internally by management to assess performance. It corresponds to *Profit from recurring operations* before:

- the expense relating to the costs and advantages granted to the recipients of stock option, free share and employee share ownership plans;
- the amortisation of allocated intangible assets.

*Operating profit* is then obtained by taking *Profit from recurring operations* and subtracting *Other operating income and expenses*. The latter contains any material items of operating income and expenses that are unusual, abnormal, infrequent or unpredictable, presented separately in order to give a clearer picture of performance based on ordinary activities.

Lastly, in the analysis of the change in its net financial debt, the Group splits out *EBITDA*. This figure corresponds to *Operating profit on business activity*, after adding back in the depreciation, amortisation and provisions included in the latter indicator.

### 1.4.2. Foreign currency translation

#### a. Functional and presentation currencies

Items included in the financial statements of each Group entity are measured using the currency of the primary economic environment in which that entity operates, i.e. its "functional currency".

The consolidated financial statements are presented in euros, the functional and presentation currency of the parent company Sopra Steria Group.

#### b. Translation of the financial statements of foreign subsidiaries

The accounts of all Group entities whose functional currency differs from the Group's presentation currency are translated into euros as follows:

- assets and liabilities are translated at the end-of-period exchange rate;
- income, expenses and cash flows are translated at the average exchange rate for the period;
- all resulting foreign exchange differences are recognised as a distinct equity component under *Other comprehensive income* and included in *Accumulated translation reserves* within equity (see Note 13.1.4).

In accordance with IAS 21 *The Effects of Changes in Foreign Exchange Rates*, translation gains and losses arising from the translation of net investments in foreign operations are recognised as a distinct component of equity. Translation gains and losses in respect of intercompany loans are considered an integral part of the Group's net investment in the foreign subsidiaries in question.

When a foreign operation is divested, the cumulative translation difference is recycled to profit or loss as part of the gain or loss arising on disposal.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the operation and, as such, are translated at the end-of-period exchange rate.

The Group does not own any consolidated entities operating in a hyperinflationary economy.

The applicable exchange rates for the translation of foreign currencies are as follows:

| | Average rate for the period | | Period-end rate | |
|---|---|---|---|---|
| **€1/Currency** | **2017** | **2016** | **31/12/2017** | **31/12/2016** |
| Danish krone | 7.4386 | 7.4452 | 7.4449 | 7.4344 |
| Norwegian krone | 9.3270 | 9.2906 | 9.8403 | 9.0863 |
| Swedish krona | 9.6351 | 9.4689 | 9.8438 | 9.5525 |
| Tunisian dinar | 2.7257 | 2.3751 | 2.9985 | 2.4263 |
| Moroccan dirham | 10.9562 | 10.8512 | 11.2234 | 10.6751 |
| US dollar | 1.1297 | 1.1069 | 1.1993 | 1.0541 |
| Canadian dollar | 1.4647 | 1.4659 | 1.5039 | 1.4188 |
| Singapore dollar | 1.5588 | 1.5275 | 1.6024 | 1.5234 |
| Swiss franc | 1.1117 | 1.0902 | 1.1702 | 1.0739 |
| Pound sterling | 0.8767 | 0.8195 | 0.8872 | 0.8562 |
| Brazilian real | 3.6054 | 3.8561 | 3.9729 | 3.4305 |
| Indian rupee | 73.5324 | 74.3717 | 76.6055 | 71.5935 |
| Chinese yuan | 7.6290 | 7.3522 | 7.8044 | 7.3202 |
| Polish zloty | 4.2570 | 4.3632 | 4.1770 | 4.4103 |

### c. Translation of foreign currency transactions

Transactions denominated in foreign currencies are translated to the functional currency at the exchange rate applying on the transaction date. Foreign exchange gains and losses arising on settlement, as well as those arising from the translation of monetary assets and liabilities that are denominated in foreign currencies at the end-of-period exchange rate, are recognised in profit or loss under *Other current operating income and expenses* for transactions hedged against foreign currency risk and under *Other financial income and expenses* for all other transactions.

# NOTE 2 SCOPE OF CONSOLIDATION

**Consolidation methods**

Sopra Steria Group SA is the consolidating company.

The companies over which Sopra Steria Group has exclusive control are fully consolidated. An investor controls an investee where that investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Consequently, an investor controls an investee if and only if all the following criteria are met:

- it has power over the investee;
- it is exposed, or has rights, to variable returns from its involvement with the investee;
- it has the ability to exercise its power over the investee in such a way as to affect the amount of returns it obtains.

Investments in entities over which the Group exerts significant influence (associates) are accounted for under the equity method. Significant influence is deemed to exist, unless clearly demonstrated not to be the case, when a parent company directly or indirectly holds 20% or more of the voting rights of the investee.

Intercompany transactions as well as balances and unrealised profits on transactions between Group companies are eliminated.

The accounts of all consolidated companies are prepared as at 31 December. Those accounts have, where applicable, been restated to ensure the consistency of accounting and measurement rules applied by the Group.

The scope of consolidation is presented in Note 17.

## 2.1. Main acquisitions

- **Cassiopae** – The entities of the Cassiopae group have been included in Sopra Steria Group's scope of consolidation since 1 April 2016. On 31 March 2017, an adjustment was made to the fair value of the assets acquired and liabilities assumed.

The final goodwill related to this acquisition was determined as follows:

| *(in millions of euros)* | Cassiopae |
|---|---|
| **Total assets acquired** | **63.9** |
| **Total liabilities assumed** | **-71.1** |
| **TOTAL NET ASSETS ACQUIRED/(NET LIABILITIES ASSUMED)** | **-7.2** |
| Minority interests | -2.2 |
| **PURCHASE PRICE** | **53.3** |
| **GOODWILL** | **58.4** |

In addition, the Group made an irrevocable commitment to the other shareholders of KSEOP (Cassiopae's holding company), through a shareholders' agreement, to acquire their shares, in the form of a put option on these shares for a period of eight years as from the acquisition date. This acquisition was concluded on 26 January 2017, giving Sopra Banking Software full ownership of KSEOP. The liability recognised at 31 December 2016 in respect of this put option (measured at the purchase price of 25% of KSEOP's capital, i.e. €26.5 million) has therefore been fully settled (see Note 7.3).

- **Kentor** – On 30 August 2017, via its Swedish subsidiary Sopra Steria AS, Sopra Steria acquired 100% of the share capital of Kentor, a Swedish group of companies, which until then had been wholly owned by the Norwegian group TeleComputing. Headquartered in Stockholm, Kentor provides services in the areas of consulting, systems integration and application management. Its acquisition strengthens Sopra Steria's position in Scandinavia (Other Europe).

The companies of the Kentor group have been consolidated in the Group's financial statements since 30 August 2017. They are all part of the Scandinavia cash-generating unit.

Based on the assets acquired and liabilities assumed, a value of €12.1 million was assigned to Kentor's client relationships. The definitive purchase price allocation period runs until 29 August 2018.

The provisional goodwill related to this acquisition was determined based on the following elements:

| *(in millions of euros)* | Kentor |
|---|---|
| **Total assets acquired** | **22.2** |
| **Total liabilities assumed** | **-29.5** |
| **TOTAL NET ASSETS ACQUIRED/(NET LIABILITIES ASSUMED)** | **-7.3** |
| Minority interests | - |
| **PURCHASE PRICE** | **23.1** |
| **GOODWILL** | **30.4** |

- **Galitt** – On 7 November 2017, Sopra Steria completed its acquisition of Galitt, a consulting and solutions development firm in the payment systems and secure transactions market.

Sopra Steria acquired 88.1% of the shares and voting rights in Tecfit, the holding company of Galitt. In addition, the Group has entered into an irrevocable commitment to acquire the remaining shares, in the form of a put option granted to the other Galitt shareholders.

At 31 December 2017, the liability recognised in respect of this put option was measured at €4.9 million.

Galitt has been consolidated in Sopra Steria's financial statements since 7 November 2017.

At 31 December 2017, the identification of assets acquired and liabilities assumed was still in progress. The definitive purchase price allocation period runs until 6 November 2018.

The provisional goodwill related to this acquisition was determined based on the following elements:

| *(in millions of euros)* | Galitt |
|---|---|
| **Total assets acquired** | **23.9** |
| **Total liabilities assumed** | **-10.3** |
| **TOTAL NET ASSETS ACQUIRED/(NET LIABILITIES ASSUMED)** | **13.7** |
| Minority interests | - |
| **PURCHASE PRICE** | **46.7** |
| **GOODWILL** | **33.1** |

Galitt was part of the France cash-generating unit at 31 December 2017.

- **Other acquisitions** – In July 2017, the Group acquired the French aviation software developer 2MoRO. The value assigned to the assets acquired and liabilities assumed was negative €0.5 million and the goodwill arising on the acquisition was €1.8 million.

The costs charged to profit and loss for these acquisitions, included in *Other operating income and expenses*, were not material.

**Business combinations**

The Group applies IFRS 3 *Business Combinations* to the identified assets acquired and liabilities assumed as a result of business combinations. The acquisition of an asset or a group of assets that does not constitute a business is recognised under the standards applicable to those assets.

All business combinations are recognised by applying the acquisition method, which consists in:

- the measurement and recognition at fair value of the identifiable assets acquired and liabilities assumed. The Group identifies and allocates these items on the basis of contract provisions, economic conditions, and its accounting and management policies and procedures;
- the measurement of any non-controlling interest in the acquiree either at its fair value or based on its share of the fair value of the identifiable assets acquired and liabilities assumed;
- the measurement and recognition at the acquisition date of the difference (referred to as goodwill) between:
  - the purchase price of the acquiree plus the amount of any non-controlling interests in the acquiree, and
  - the net amount of the identifiable assets acquired and liabilities assumed.

The decision on how to measure non-controlling interests is made on an acquisition-by-acquisition basis and leads to the recognition of either full goodwill (should the fair value method be used) or partial goodwill (should a share of the fair value of the identifiable assets acquired and liabilities assumed be used).

The acquisition date is the date on which the Group effectively obtains control of the acquiree.

The purchase price of the acquiree is the fair value, at the acquisition date, of the elements of consideration transferred to the seller in exchange for control of the acquiree, to the exclusion of any consideration for a transaction separate from the business combination.

If the initial accounting for a business combination can only be determined provisionally for the reporting period in which the combination takes place, the acquirer recognises the combination using provisional amounts. The acquirer must then recognise adjustments to those provisional amounts as the accounting for the business combination is completed within 12 months of the acquisition date.

## 2.2. Other changes in scope

In October 2017, the Group sold its 40% stake in Diamis, which had been accounted for under the equity method, generating capital gains of €3.7 million. These capital gains were recorded under *Other operating income and expenses* (see Note 4.2.3).

No other material changes in scope took place during the financial year.

# NOTE 3 SEGMENT INFORMATION

## 3.1. Results by reporting unit

### a. France

| *(in millions of euros)* | 2017 | | 2016 | |
|---|---|---|---|---|
| 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%* |

### b. United Kingdom

| *(in millions of euros)* | 2017 | | 2016 | |
|---|---|---|---|---|
| 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%* |

### c. Other Europe

| *(in millions of euros)* | 2017 | | 2016 | |
|---|---|---|---|---|
| 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%* |

### d. Sopra Banking Software

| *(in millions of euros)* | 2017 | | 2016 | |
|---|---|---|---|---|
| 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%* |

### e. Other Solutions

| *(in millions of euros)* | 2017 | | 2016 | |
|---|---|---|---|---|
| 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%* |

### f. Not allocated

| *(in millions of euros)* | 2017 | 2016 |
|---|---|---|
| Revenue | - | - |
| Operating profit on business activity | - | - |
| Profit from recurring operations | - | - |
| Operating profit | 3.7 | 0.3 |

### g. Group

| *(in millions of euros)* | 2017 | | 2016 | |
|---|---|---|---|---|
| Revenue | 3,845.4 | | 3,741.3 | |
| Operating profit on business activity | 329.8 | *8.6%* | 301.1 | *8.0%* |
| Profit from recurring operations | 286.8 | *7.5%* | 267.8 | *7.2%* |
| Operating profit | 261.7 | *6.8%* | 240.2 | *6.4%* |

Under IFRS 8, segment information is based on internal management data used by the Chief Executive Officer, the company officer with ultimate responsibility for the Group's operational decisions.

The Group organisational structure reflects both its businesses and the geographic distribution of its activities.

The segments presented correspond to five reporting units:

- the France reporting unit, comprising the Consulting, Systems Integration, IT Infrastructure Management and Cybersecurity activities in this geographic area;
- the United Kingdom reporting unit, comprising the Consulting, Systems Integration, IT Infrastructure Management, Cybersecurity and Business Process Services activities in this geographic area;
- the Other Europe reporting unit, comprising the Consulting, Systems Integration, IT Infrastructure Management and Cybersecurity activities in European countries other than France and those in the United Kingdom (Germany, Norway, Sweden, Denmark, Spain, Italy, Belgium, Luxembourg and Switzerland);
- the Sopra Banking Software reporting unit, comprising the core banking solutions businesses;
- the Other Solutions reporting unit, comprising the Human Resources and Property Management solutions businesses.

## 3.2. Revenue by geographic area

| *(in millions of euros)* | France | United Kingdom | Other European countries | Other countries | Total |
|---|---|---|---|---|---|
| Financial year 2016 | 1,839.1 | 968.9 | 855.9 | 77.4 | 3,741.3 |
| **Financial year 2017** | **1,943.8** | **861.1** | **949.3** | **91.1** | **3,845.4** |

## 3.3. Non-current assets by geographic area

| *(in millions of euros)* | France | United Kingdom | Other European countries | Other countries | Total |
|---|---|---|---|---|---|
| Goodwill | 704.6 | 587.0 | 296.6 | 2.4 | **1,590.6** |
| Intangible assets | 88.6 | 78.7 | 22.7 | 0.3 | **190.2** |
| Property, plant and equipment | 75.5 | 18.9 | 23.8 | 10.7 | **128.9** |

# NOTE 4 OPERATING PROFIT

## 4.1. Revenue

| *(in millions of euros)* | 2017 | | 2016 | |
|---|---|---|---|---|
| France | 1,597.0 | *41.5%* | 1,528.1 | *40.8%* |
| United Kingdom | 801.7 | *20.8%* | 927.9 | *24.8%* |
| Other Europe | 827.6 | *21.5%* | 728.1 | *19.5%* |
| Sopra Banking Software | 402.2 | *10.5%* | 350.9 | *9.4%* |
| Other Solutions | 216.9 | *5.6%* | 206.4 | *5.5%* |
| **TOTAL REVENUE** | **3,845.4** | ***100.0%*** | **3,741.3** | ***100.0%*** |

### Revenue recognition

#### a. Services in Consulting, Systems Integration, Application and Infrastructure Management, and Outsourcing

***Production, consulting and assistance services provided on a time and materials basis***

These services are recognised when performed, which generally means when invoiced.

Operations are reviewed at each balance sheet date:

- services already performed but not yet, or only partially, invoiced are assigned a value on the basis of the contractual billing rates and billable time or units of work. They give rise to revenue recognition, with a corresponding entry to *Accrued income* reflected in the balance sheet as part of *Trade accounts receivable*;
- services already billed but not yet entirely performed are deducted from invoiced revenue and included in the balance sheet as *Deferred income* within *Other current liabilities*.

***Services covered by fixed-price contracts***

Fixed-price contracts are characterised by commitments relating to the price, the end result and the deadline. Services performed under such contracts are recognised as follows using the percentage-of-completion method:

- revenue and profit generated by a contract are recognised on the basis of a technical assessment, in line with the Group's quality procedures, of the contract's degree of completion. During performance of a project, this assessment is generally based on 90% of the contract amount with the remaining 10% deferred until completion upon receipt in operational condition;
- the amount of revenue recognised at each balance sheet date is based on the difference between 90% of the contract value and the amount required to cover the total number of man-days remaining to be performed. This amount is included in the balance sheet as *Accrued income* within *Trade accounts receivable*. Payments on account received are deducted from the amount of *Trade accounts receivable*, which are therefore stated in the balance sheet at their net amount.

Moreover, costs incurred in the start-up phase of a contract may be recognised in the balance sheet as work-in-progress when they relate to future activities of the contract and provided it is probable that they will generate future economic benefits. These capitalised transition costs are reported in the balance sheet under *Trade accounts receivable*.

Should a contract become loss-making, losses at completion are systematically recorded in *Provisions for contingencies and losses*.

#### b. Services relating to the Group's Software and Solutions operations

Services provided within the scope of the Group's Software and Solutions operations (Banking, Property Management and Human Resources) include:

- the right of use under licence of the software and solutions provided;
- maintenance;
- ancillary services: installation, configuration, adjustments, training, etc.

***In general, separate contracts are entered into with clients for licences and maintenance on the one hand and ancillary services on the other hand***

In this situation, the various elements comprising the contracts are accounted for as follows:

- the licence fee is recognised when delivery takes place, which is considered to be the case when all contractual obligations have been fulfilled, i.e. when any remaining services to be provided are non-material and not liable to endanger the client's acceptance of goods supplied or services rendered;
- maintenance is generally billed in advance and is recognised on a pro rata basis;
- ancillary services are usually provided on a time and materials basis and are recognised when performed, which generally means when invoiced. They are sometimes performed within the scope of fixed-price contracts in which case they are recognised using the percentage-of-completion method described in Section a.

***Sometimes, contracts comprising multiple elements (licence, maintenance, ancillary services, etc.) may be negotiated for a fixed price***

In this situation, the amount of revenue attributable to the licence is obtained by calculating the difference between the total contract amount and the fair value of its other components, e.g. maintenance and ancillary services. The fair value of the other components is determined when possible by reference to the prices invoiced to customers based on their best estimates, as the component is sold separately (based on a price list) or is sold at a sale price determined by the management. The residual amount attributed to the licence is recognised at the time of delivery.

***In fairly rare instances, ancillary services may be considered essential to the operation of a software package***

This may be the case for very complex projects, the completion of which may be subject to particular risks. The project is then examined as a whole and is the focus of specific monitoring by the Industrial Department. Such projects are recognised using the percentage-of-completion method described in Section a.

## 4.2. Other operating income and expenses included in Operating profit

Aside from the staff costs split out in Note 5, *Operating profit* mainly includes the following items:

### 4.2.1. External expenses and purchases included in *Operating profit on business activity*

| *(in millions of euros)* | 2017 | | 2016 | |
|---|---|---|---|---|
| Project subcontracting purchases | -597.5 | *52.2%* | -556.8 | *49.8%* |
| Purchases held in inventory of equipment and supplies | -19.0 | *1.7%* | -22.0 | *2.0%* |
| Goods purchases and changes in inventory | -57.1 | *5.0%* | -70.4 | *6.3%* |
| Leases and charges | -92.3 | *8.1%* | -103.0 | *9.2%* |
| Maintenance and repairs | -64.3 | *5.6%* | -68.8 | *6.2%* |
| Subcontracting | -16.3 | *1.4%* | -19.0 | *1.7%* |
| Remuneration of intermediaries and fees | -66.4 | *5.8%* | -61.1 | *5.5%* |
| Advertising and public relations | -24.6 | *2.2%* | -15.7 | *1.4%* |
| Travel and entertainment | -110.7 | *9.7%* | -104.1 | *9.3%* |
| Telecommunications | -28.8 | *2.5%* | -35.0 | *3.1%* |
| Other expenses | -67.1 | *5.9%* | -62.0 | *5.5%* |
| **TOTAL** | **-1,144.1** | ***100%*** | **-1,118.0** | ***100%*** |

### 4.2.2. Other current operating income and expenses included in *Operating profit on business activity*

Other current operating income and expense totalling €12.5 million (€16.5 million in 2016) mainly included net foreign exchange gains of €8.0 million (€6.6 million in 2016), which covers the foreign exchange impact of other components of *Operating profit on business activity*. It also includes reversals of provisions used of €1.6 million (€3.8 million in 2016) and rental income from sublet premises of €0.9 million (€4.7 million in 2016).

### 4.2.3. Other operating income and expenses included in *Operating profit*

| *(in millions of euros)* | 2017 | 2016 |
|---|---|---|
| Expenses arising from business combinations (fees, commissions, etc.) | -1.3 | -1.3 |
| Net restructuring and reorganisation costs | -23.0 | -22.9 |
| ▪ *of which integration and reorganisation of activities* | *-1.5* | *-5.2* |
| ▪ *of which separation costs* | *-21.5* | *-17.7* |
| Other operating expenses | -4.8 | -4.3 |
| **Total other operating expenses** | **-29.1** | **-28.4** |
| Other operating income | 4.0 | 0.8 |
| **Total other operating income** | **4.0** | **0.8** |
| **TOTAL** | **-25.1** | **-27.6** |

In 2017, the Group continued to work on restructuring and reorganising its activities. Costs arising from resource adjustments were mainly incurred in France (€5.3 million for the IT Infrastructure Management business), in the United Kingdom (€4.5 million) and in the Other Europe segment (€6.4 million, including €4.3 million in Germany, €0.7 million in Sweden and €0.6 million in Spain). The solutions businesses were also concerned, with €2.7 million of these expenses for Sopra Banking Software and €2.3 million for Sopra HR Software.

Costs arising from business reorganisations declined, as the reorganisation of IT platforms is almost complete. They were limited to expenses relating to the reorganisation of premises, in particular premises remaining vacant. They also included income of €1.1 million arising from the sale of buildings in India, previously recognised under *Non-current assets classified as held for sale* (see Note 8.4).

Other operating expenses chiefly consisted of non-recurring impairment losses on application assets that had become obsolete in the new business organisation and a non-recurring provision for client risk in the United Kingdom. Other operating income consisted primarily of the capital gains realised on the sale of the stake in Diamis (see Note 2.2).

In 2016, net restructuring and reorganisation costs consisted of costs arising from resource adjustments, incurred in France (€3.9 million for the IT Infrastructure Management business), in the United Kingdom (€3.2 million) and in the Other Europe segment (including €3.8 million in Germany and €2.9 million in Spain). Costs arising from business reorganisations amounted to €5.2 million, mainly relating to the reorganisation of IT platforms in France and for the Other Solutions segment. Lastly, other operating expenses chiefly consisted of non-recurring impairment losses on application assets that had become obsolete in the new business organisation.

# NOTE 5 EMPLOYEE BENEFITS

## 5.1. Staff costs

| *(in millions of euros)* | 2017 | 2016 |
|---|---|---|
| Salaries | -1,744.5 | -1,695.5 |
| Employee-related expenses | -548.1 | -537.8 |
| Net expense for post-employment and similar benefit obligations | -38.1 | -24.0 |
| **TOTAL** | **-2,330.7** | **-2,257.3** |

The Group recognises the amount of short-term employee benefits, as well as the contributions due in respect of its pension plans, under *Staff costs*. As the Group has no commitments beyond these contributions, no provisions were recognised for these plans.

The principles applicable to post-employment benefit expenses and similar items are presented in Note 5.3.2 for other long-term employee benefits and Note 5.3.1 for post-employment benefits.

## 5.2. Workforce

| *Workforce at period-end* | 2017 | 2016 |
|---|---|---|
| France | 18,649 | 18,227 |
| International | 23,012 | 21,586 |
| **TOTAL** | **41,661** | **39,813** |

| *Average workforce* | 2017 | 2016 |
|---|---|---|
| France | 18,086 | 17,894 |
| International | 22,155 | 21,009 |
| **TOTAL** | **40,241** | **38,903** |

## 5.3. Retirement benefits and similar obligations

Retirement benefits and similar obligations are broken down as follows:

| *(in millions of euros)* | 31/12/2017 | 31/12/2016 |
|---|---|---|
| Post-employment benefit assets | -4.3 | -4.1 |
| Post-employment benefit liabilities | 363.2 | 450.5 |
| **Net post-employment benefits** | **358.9** | **446.3** |
| Other long-term employee benefits | 14.9 | 18.1 |
| **TOTAL** | **373.8** | **464.5** |

### 5.3.1. Post-employment benefits

Post-employment benefits arise mainly from the Group's obligations towards its employees to provide retirement benefits in France (31.2% of the Group's total obligations) and defined-benefit pension plans in the United Kingdom (56.2% of the Group's total obligations), Germany (11.8%) and other European countries (chiefly Belgium and Norway for the remainder). At 31 December 2017 they totalled €358.9 million, versus €446.3 million at 31 December 2016.

In the **United Kingdom**, the Group has five defined-benefit pension plans. The obligations under each plan are asset-funded. Three of these plans are closed to all new employees and the vesting of future benefits has ceased. For each plan, the benefits payable are primarily based on the plan member's final salary and, in certain cases, the member's average salary and any incidental benefits. Each plan holds its assets in a trust fund for employees and is supervised by the regulating body defined in UK pensions legislation. The plan trustees are corporate trustees whose directors include representatives of the plan members and independent members. External consultants are hired by the trustees to manage the plans on a day-to-day basis and deal with legal, investment policy and actuarial matters. Under UK law, the plans must be assessed every three years. This assessment is used as a basis to determine the contributions payable by the employer to the funds.

The risks associated with these plans are as follows:

- asset management;
- inflation, to which pension benefits are indexed, although this risk is limited by the use of inflation-indexed financial instruments;
- interest rates insofar as the future cash outflows are discounted, although this risk is limited by the use of interest rate hedging instruments;
- changes in demographic assumptions and mortality tables.

These plans distinguish between active members who still vest benefits, members who are still working but whose benefits have been frozen, and retired members. These three member categories represent 3.4%, 61.5% and 35.1% of the total obligations, respectively.

Projected benefit outflows by the funds, which had a total of €1,685.7 million in assets at 31 December 2017, are as follows, in millions of pounds sterling, over the next ten years:

- less than two years: £160.1 million;
- two to five years: £273.8 million;
- five to ten years: £513.1 million.

These outflows correspond to benefits provided and estimates for transfers of obligations (and the related assets), at the request of recipients, to external asset managers.

Assets covering obligations came to €1,484.1 million at 31 December 2017.

These plans include the payment of contributions to compensate for the deficit existing in the funds (contributions less mandatory expenses and deductions) and to fund the current service cost for the period. In 2017, over 12 months, this paid contribution totalled €25.8 million, including €19.9 million to fund the deficit (€20.8 million including other related disbursements). The contribution to be paid in 2018 is expected to amount to £23.1 million, including £18.5 million to fund the deficit.

**In France**, the Group's defined-benefit obligations cover the payment of retirement benefits *(indemnités de départ en retraite)*. The Group recognises provisions for its commitments to employees, principally in accordance with the terms of voluntary and compulsory retirement under the Syntec collective bargaining agreement.

The resulting liability fluctuates according to demographic assumptions such as mortality tables (public statistics) and the discount rate (Bloomberg eurozone index).

This plan is exposed to interest rate risk, inflation risk and the risk of changes in demographic assumptions.

In **Germany**, there are four plans, two of which are material (€36.2 million). Since these plans are not funded, they are covered by a provision. The purpose of the main plan is to pay a minimum pension equal to 14.1% of the salary paid up to the social security ceiling and 35.2% beyond that ceiling. This plan only involves employees who entered into service prior to 1 January 1986, and pension entitlements have been frozen since 30 September 1996. This plan is exposed to interest rate risk, inflation risk and the risk of changes in demographic assumptions.

There are also plans in Poland, Cameroon, Norway and Belgium. The plans in the latter two countries are funded and serve to pay an annuity to plan members on retirement. The plans in Poland and Cameroon cover benefits payable on retirement. These plans are grouped together under "Other" and the Belgian plan is the main contributor to this item.

### a. Change in net liabilities arising from the main post-employment benefit obligations in 2017

| *(in millions of euros)* | Defined-benefit pension funds – United Kingdom | Lump-sum retirement benefits – France | Defined-benefit pension funds – Germany | Other | Total |
|---|---|---|---|---|---|
| **CALCULATION ASSUMPTIONS FOR ACTUARIAL LIABILITIES** | | | | | |
| Discount rate | *2.55%* | *1.77%* | *1.02% to 1.53%* | *0.70% to 2.60%* | |
| Inflation rate | *2.11%* | *0.20%* | N/A | N/A | |
| Rate of salary increase | *3.11%* | *2% to 2.5%* | *2% to 2.50%* | *2% to 2.70%* | |
| Age at retirement | variable | 65 yrs | 60 to 65 yrs | variable | |
| **AMOUNTS RECOGNISED IN THE BALANCE SHEET** | | | | | |
| Present value of the obligation at 31/12/2017 | 1,685.7 | 114.1 | 42.2 | 18.2 | 1,860.3 |
| Fair value of plan assets at 31/12/2017 | 1,484.1 | 2.0 | - | 15.3 | 1,501.4 |
| **Net liabilities on the balance sheet at 31/12/2017** | **201.6** | **112.0** | **42.2** | **3.0** | **358.9** |
| **NET LIABILITY COST COMPONENTS** | | | | | |
| Current service cost | 5.0 | 8.2 | 0.2 | 0.4 | 13.8 |
| Past service cost | - | - | - | - | - |
| Losses (gains) on plan settlements | - | - | - | - | - |
| Interest on obligation | 45.3 | 1.9 | 0.6 | 0.2 | 48.1 |
| Interest on plan assets | -37.9 | - | - | -0.2 | -38.2 |
| **Total expenses recognised in the income statement** | **12.4** | **10.0** | **0.8** | **0.4** | **23.7** |
| Effect of net liability remeasurements | -70.9 | -3.2 | -0.2 | -0.6 | -74.9 |
| ■ of which return on plan assets (excluding amounts included in interest income) | -108.4 | - | - | 0.6 | -107.8 |
| ■ of which experience adjustments | 8.5 | -1.2 | -0.6 | -1.2 | 5.4 |
| ■ of which impact of changes in demographic assumptions | -3.5 | -1.7 | - | 0.3 | -4.9 |
| ■ of which impact of changes in financial assumptions | 32.5 | -0.2 | 0.4 | -0.2 | 32.5 |
| **Total expenses recognised directly in equity** | **-70.9** | **-3.2** | **-0.2** | **-0.6** | **-74.9** |
| **CHANGES IN NET LIABILITIES** | | | | | |
| **Net liability at 1 January 2017** | **295.2** | **104.7** | **42.8** | **3.5** | **446.3** |
| Changes in scope | - | 2.3 | - | - | 2.3 |
| Net expense recognised in the income statement | 12.4 | **10.0** | 0.8 | 0.4 | 23.7 |
| Net expense recognised in equity | -70.9 | -3.2 | -0.2 | -0.6 | -74.9 |
| Contributions | -25.8 | -1.7 | -1.3 | -0.5 | -29.3 |
| ■ of which employer contributions | -25.8 | -1.7 | -1.3 | -0.5 | -29.3 |
| ■ of which employee contributions | - | - | - | - | - |
| Exchange differences | -9.3 | - | - | - | -9.3 |
| Other movements | - | - | - | 0.1 | 0.1 |
| **NET LIABILITY AT 31 DECEMBER 2017** | **201.6** | **112.0** | **42.2** | **3.0** | **358.9** |

For reference, in 2016 net liabilities arising from the main post-employment benefit obligations changed as follows:

| *(in millions of euros)* | Defined-benefit pension funds – United Kingdom | Lump-sum retirement benefits – France | Defined-benefit pension funds – Germany | Other | Total |
|---|---|---|---|---|---|
| **CALCULATION ASSUMPTIONS FOR ACTUARIAL LIABILITIES** | | | | | |
| Discount rate | *2.68%* | *1.74%* | *1.04% to 2.03%* | *0.50% to 2.60%* | |
| Inflation rate | *2.19%* | *0.20%* | N/A | N/A | |
| Rate of salary increase | *3.19%* | *2% to 2.50%* | *2% to 2.50%* | *2% to 3.00%* | |
| Age at retirement | variable | 65 yrs | 60 to 65 yrs | variable | |
| **AMOUNTS RECOGNISED IN THE BALANCE SHEET** | | | | | |
| Present value of the obligation at 31/12/2016 | 1,758.4 | 106.9 | 42.8 | 20.5 | 1,928.7 |
| Fair value of plan assets at 31/12/2016 | 1,463.2 | 2.2 | - | 17.0 | 1,482.4 |
| **Net liabilities on the balance sheet at 31/12/2016** | **295.2** | **104.7** | **42.8** | **3.5** | **446.3** |
| **NET LIABILITY COST COMPONENTS** | | | | | |
| Current service cost | 4.2 | 7.1 | 0.2 | 0.3 | 11.8 |
| Past service cost | -0.8 | - | - | - | -0.8 |
| Losses (gains) on plan settlements | - | - | - | - | - |
| Interest on obligation | 54.9 | 2.2 | 0.8 | 0.4 | 58.2 |
| Interest on plan assets | -50.1 | -0.1 | - | -0.3 | -50.5 |
| **Total expenses recognised in the income statement** | **8.2** | **9.2** | **1.0** | **0.4** | **18.7** |
| Effect of net liability remeasurements | 188.5 | 6.8 | 2.9 | 0.7 | 199.0 |
| ■ of which return on plan assets (excluding amounts included in interest income) | -212.2 | - | - | -0.4 | -212.6 |
| ■ of which experience adjustments | -16.1 | -3.0 | 0.5 | -0.2 | -18.8 |
| ■ of which impact of changes in demographic assumptions | -1.1 | 0.4 | - | 0.2 | -0.5 |
| ■ of which impact of changes in financial assumptions | 417.9 | 9.3 | 2.4 | 1.2 | 430.9 |
| **Total expenses recognised directly in equity** | **188.5** | **6.8** | **2.9** | **0.7** | **199.0** |
| **CHANGES IN NET LIABILITIES** | | | | | |
| **Net liability at 31 December 2015** | **151.9** | **87.7** | **40.1** | **2.9** | **282.6** |
| Changes in scope | - | 2.5 | - | - | 2.5 |
| Net expense recognised in the income statement | 8.2 | 9.2 | 1.0 | 0.4 | 18.7 |
| Net expense recognised in equity | 188.5 | 6.8 | 2.9 | 0.7 | 199.0 |
| Contributions | -24.3 | -1.5 | -1.2 | -0.5 | -27.5 |
| ■ of which employer contributions | -24.3 | -1.5 | -1.2 | -0.5 | -27.5 |
| ■ of which employee contributions | - | - | - | - | - |
| Exchange differences | -29.1 | - | - | - | -29.1 |
| Other movements | - | - | - | - | - |
| **NET LIABILITY AT 31 DECEMBER 2016** | **295.2** | **104.7** | **42.8** | **3.5** | **446.3** |

### b. Change in pension assets and liabilities in the United Kingdom

In the United Kingdom, net liabilities arising from defined-benefit pension plans reflect the net value of benefit obligations and the plan assets covering them. These assets and liabilities changed as follows:

| *(in millions of euros)* | 31/12/2017 | 31/12/2016 |
|---|---|---|
| **Present value of the obligation at the beginning of the period** | **1,758.5** | **1,607.1** |
| Changes in scope | - | - |
| Translation adjustments | -61.4 | -246.5 |
| Current service cost | 5.0 | 4.2 |
| Past service cost | - | -0.8 |
| Interest | 45.3 | 54.9 |
| Employee contributions | - | - |
| Effect of obligation remeasurements | 30.9 | 393.1 |
| ■ of which experience adjustments | 8.5 | -16.1 |
| ■ of which impact of changes in demographic assumptions | -3.5 | -1.1 |
| ■ of which impact of changes in financial assumptions | 25.9 | 410.4 |
| Plan amendments | - | - |
| Transfers | - | - |
| Benefits provided | -92.6 | -53.6 |
| **PRESENT VALUE OF THE OBLIGATION AT THE END OF THE PERIOD** | **1,685.7** | **1,758.4** |
| **Fair value of plan assets at the beginning of the period** | **1,463.2** | **1,455.2** |
| Changes in scope | - | - |
| Translation adjustments | -52.1 | -217.4 |
| Interest | 37.9 | 50.1 |
| Effects of plan asset remeasurements | 101.8 | 204.6 |
| ■ of which return on plan assets (excluding amounts included in interest income) | 108.4 | 212.2 |
| ■ of which impact of changes in financial assumptions | -6.6 | -7.6 |
| Employer contributions | 25.8 | 24.3 |
| Employee contributions | - | - |
| Transfers | - | - |
| Benefits provided | -92.6 | -53.6 |
| **FAIR VALUE OF PLAN ASSETS AT THE END OF THE PERIOD** | **1,484.1** | **1,463.2** |

The reduction in net liabilities is mainly due to the improvement in the return on plan assets, the reduction of obligations in local currency and the drop in the pound-to-euro exchange rate.

UK pension fund assets fall into four investment categories:

| *(in millions of euros)* | 31/12/2017 | 31/12/2016 |
|---|---|---|
| Shares | 459.0 | 482.9 |
| Bonds | 717.4 | 689.2 |
| Infrastructure and property assets | 241.3 | 226.8 |
| Other assets | 66.4 | 64.4 |
| **TOTAL** | **1,484.1** | **1,463.2** |

At 31 December 2017, other assets comprised financial liabilities of €72.3 million from hedging instruments and related cash and cash equivalents amounting to €138.7 million.

The discount rate used for employee obligations is based on the return on AA bonds in line with the life of the liabilities rounded to the nearest hundredth. In the United Kingdom, the benchmark used is the Mercer yield curve.

A 0.25-point decrease in the discount rate would increase the benefit obligation by €85.8 million. A 10% reduction in the value of the assets would reduce their amount by €148.4 million. These sensitivity estimates are determined all other things being equal.

At 31 December 2017, one plan was in a net asset position, totalling €4.2 million. This asset is deemed recoverable through a future decrease in contributions.

### c. Change in pension assets and liabilities in France

| (in millions of euros) | Lump-sum retirement benefits in France at 31/12/2017 | Lump-sum retirement benefits in France at 31/12/2016 |
|---|---|---|
| **Present value of the obligation at the beginning of the period** | **106.9** | **89.8** |
| Changes in scope | 2.3 | 2.5 |
| Current service cost | 8.2 | 7.1 |
| Past service cost | - | - |
| Interest | 1.9 | 2.2 |
| Employee contributions | - | - |
| Effect of obligation remeasurements | -3.2 | 6.8 |
| ■ of which experience adjustments | -1.2 | -3.0 |
| ■ of which impact of changes in demographic assumptions | -1.7 | 0.4 |
| ■ of which impact of changes in financial assumptions | -0.2 | 9.3 |
| Plan amendments | - | - |
| Transfers | - | - |
| Benefits provided | -1.9 | -1.5 |
| **PRESENT VALUE OF THE OBLIGATION AT THE END OF THE PERIOD** | **114.1** | **106.9** |
| **Fair value of plan assets at the beginning of the period** | **2.2** | **2.1** |
| Changes in scope | - | - |
| Translation adjustments | - | - |
| Interest | - | 0.1 |
| Effects of plan asset remeasurements | - | - |
| ■ of which return on plan assets (excluding amounts included in interest income) | - | - |
| ■ of which impact of changes in financial assumptions | - | - |
| Employer contributions | - | - |
| Employee contributions | - | - |
| Transfers | - | - |
| Benefits provided | -0.2 | - |
| **FAIR VALUE OF PLAN ASSETS AT THE END OF THE PERIOD** | **2.0** | **2.2** |

For retirement benefit payment liabilities in France, a 0.50-point increase or decrease in the discount rate would decrease the benefit obligation by €7.4 million or increase it by €8.1 million, respectively.

The retirement benefit obligation in France breaks down as follows by maturity:

| *(in millions of euros)* | 31/12/2017 | 31/12/2016 |
|---|---|---|
| **Present value of theoretical benefits to be paid by the employer:** | | |
| ■ less than 1 year | 1.9 | 1.6 |
| ■ 1 to 5 years | 10.4 | 8.5 |
| ■ 5 to 10 years | 28.6 | 24.6 |
| ■ 10 to 20 years | 49.2 | 45.6 |
| ■ more than 20 years | 23.9 | 26.7 |
| **TOTAL COMMITMENT** | **114.1** | **106.9** |

Defined-benefit plans are paid for either directly by the Group, which provisions the costs of benefits to be granted, or via pension funds to which the Group contributes. In both cases, the Group recognises a pension liability corresponding to the present value of future payments, which is estimated by taking into consideration relevant internal and external factors as well as the laws and regulations specific to each Group entity.

Certain post-employment benefit plans comprise assets intended to settle the obligations. They are administered by pension funds that are legally separate from the entities making up the Group. The assets held by these funds are mainly shares or bonds. Their fair value is generally calculated using their market value.

Obligations in respect of post-employment defined-benefit plans are measured annually using the actuarial valuation method known as the projected unit credit method, which stipulates that each period of service gives rise to an additional unit of benefit entitlement, and measures each unit separately to obtain the final obligation. These calculations include assumptions of life expectancy, employee turnover and projected future salaries.

The present value of retirement obligations is determined by discounting future cash outflows using the rate for market yields on high-quality corporate bonds of the currency used to pay the benefit and a term consistent with the estimated average term of the relevant post-employment obligation.

The expense representing the current service cost for the period is recognised in *Staff costs*.

The effects of plan amendments, recognised through past service cost (cost of service in prior periods modified by the introduction of changes or new benefit plans), are recorded immediately in *Staff costs* in the income statement when they occur.

The gains or losses recognised in the event of defined-benefit plan curtailments or settlements are recorded in the income statement when the event occurs under *Other operating income* or *Other operating expenses*, respectively.

An interest cost is recognised in the income statement under *Other financial expenses* and corresponds to the cost of unwinding the discount of the retirement benefit obligations net of plan assets.

The actuarial calculation of defined-benefit retirement obligations includes uncertainties which may affect the value of financial assets and obligations towards employees. The actuarial gains and losses arising from the effects of demographical assumption changes, the effects of financial assumption changes and the difference between the discount rate and the actual return rate of the plan assets, less their management and administration costs, are recognised directly in equity under *Other comprehensive income*, and are not reclassifiable to profit or loss.

### 5.3.2. Other long-term employee benefits

Other long-term employee benefits include the portion available in more than one year of employee profit-sharing liabilities allocated to a frozen current account for five years in France, benefits relating to length of service in Germany and India, pre-pension obligations in Germany and Belgium, and severance benefits in Italy and India. These liabilities consist mainly of €2.5 million for France (versus €6.6 million at 31 December 2016) and €8.9 million for India (versus €8.2 million at 31 December 2016).

The remaining long-term employee benefits primarily consist of:

- long-term paid leave such as long-service or sabbatical leave;
- jubilee or other long-service benefits;
- incentives and bonuses payable 12 months or more after the end of the period in which the employees render the related service;
- profit-sharing liabilities. These are recognised at the present value of the obligation at the balance sheet date. For the year in which this profit-sharing is appropriated, the difference between the present value of the profit-sharing and the nominal value that will be paid to employees at the close of the lock-up period is recognised as a financial liability and balanced by an additional staff expense. It is then reversed as a deduction against financial expenses over the following five years;
- deferred compensation paid 12 months or more after the end of the period in which it is earned.

All expenses relating to other long-term benefits, including changes in actuarial assumptions, are recognised immediately in the income statement under *Staff costs* in respect of the service cost and under *Other financial income and expenses* in respect of the cost of unwinding the discount.

## 5.4. Share-based payments and related items

The cost of the benefits granted to employees under stock option, free performance share and employee share ownership plans, which amounted to €21.2 million in 2017 (€12.1 million in 2016), is charged to *Profit from recurring operations*.

It consists of a charge of €16.9 million corresponding to the benefits granted to employees (including €12.1 million in respect of the We Share 2017 employee share ownership plan and €4.8 million in respect of free performance share plans), social security payments of €3.9 million relating to these plans and management costs of €0.4 million.

### 5.4.1. Exercise of share subscription options

No expenses were recognised in 2017 in respect of share subscription option plans.

There are no options remaining to be exercised under the plans in force at 31 December 2017.

In 2017, 5,000 options were exercised under Plan 7 approved by the General Meeting of 10 May 2011 (grant date: 20 October 2011).

### 5.4.2. Free performance share award plans

Expenses related to free share plans totalled €4.8 million (compared with €2.1 million in 2016).

Information on the rules of the various free share award plans is set out below:

| | **Former Steria plans** | | **Sopra Steria plans** | |
|---|---|---|---|---|
| | **Plan 12** | **Plan 13** | **June 2016 plan** | **February 2017 plan** |
| Date granted by General Management and/or the Board of Directors | 17 September 2013 | 15 October 2014 | 24 June 2016 | 24 February 2017* |
| Number of shares that may be granted in Steria shares (former Steria plans) or Sopra Steria Group shares (former Sopra plan) | 151,900 | 79,500 | 88,500 | 109,000* |
| *Exchange ratio between Sopra Steria and Steria shares: Number of Steria shares for 1 Sopra Steria share* | *4* | *4* | *Not applicable* | *Not applicable* |
| Performance measurement period | 1 January 2013 to 31 December 2015 | 1 January 2015 to 31 December 2016 | 1 January 2016 to 31 December 2018 | 1 January 2017 to 31 December 2019 |
| Vesting period | 3 years (French grantees)<br>4 years (other grantees) | 3 years (French grantees)<br>4 years (other grantees) | 24 June 2016 to 31 March 2019 inclusive | 24 February 2017 to 31 March 2020 inclusive* |
| Mandatory holding period following the grant of shares | 2 years (French grantees)<br>None (other grantees) | 2 years (French grantees)<br>None (other grantees) | None | None |
| | 1) Average revenue growth in 2013, 2014 and 2015 | 1) Change in Sopra Steria Group's consolidated revenue in 2015 and 2016 | 1) Consolidated revenue growth in 2016, 2017 and 2018 | 1) Consolidated revenue growth in 2017, 2018 and 2019 |
| | 2) Average operating margin in 2013, 2014 and 2015 | 2) Level of the Group's operating profit on business activity in 2015 and 2016 | 2) Level of consolidated operating profit on business activity in 2016, 2017 and 2018 | 2) Level of consolidated operating profit on business activity in 2017, 2018 and 2019 |
| | | | 3) Level of consolidated free cash flow in 2016, 2017 and 2018 | 3) Level of consolidated free cash flow in 2017, 2018 and 2019 |
| Performance conditions stipulated in the plan | Criteria are applied separately according to the type of grantee | | | |
| Number of potential shares that could have been granted as at 1 January 2017 | 25,392 | 59,100 | 88,500 | - |
| Number of shares granted in 2017 | 23,364 | 20,200 | - | - |

| | Former Steria plans | | Sopra Steria plans | |
|---|---|---|---|---|
| | Plan 12 | Plan 13 | June 2016 plan | February 2017 plan |
| Number of shares cancelled in 2017 | 2,028 | 6,400 | 19,690 | 22,060 |
| Number of shares vested at 31 December 2017 | - | - | - | - |
| Number of potential shares that could have been granted as at 31 December 2017 | - | 32,500 | 68,810 | 86,940 |
| ***Equivalent in Sopra Steria Group shares*** | **-** | ***8,125*** | ***68,810*** | ***86,940*** |
| Share price | 12.69 | 15.30 | 97.63 | 112.85* |
| Risk-free rate | *1.29%/0.97%* | *0.32%/0.15%* | - | - |
| Dividends paid | *2.5%* | *2.5%* | *2.5%* | *2.5%* |
| Volatility | N/A | N/A | N/A | N/A |
| **(Expense)/Income recognised in the income statement for the financial year in millions of euros** | **-** | **0.2** | **2.1** | **2.4** |

* *Including 5,000 shares granted following the Board of Directors' decision at its meeting on 25 October 2017. The share price at that date was €157.*

Furthermore, two additional plans have been set up in the United Kingdom, known as share incentive plans, which are not included in the table above and represent an expense of €0.8 million.

At the Combined General Meeting of 13 June 2017, an overall limit of 3% of the share capital (i.e. 615,953 shares on the basis of the share capital at 31 December 2016) was set for all employee and company officer shareholding programmes (share subscription and share purchase options, BSAAR redeemable equity warrants, free shares, and share capital increases reserved for employees enrolled in the company savings plan).

The Group implemented a new free share plan on 24 February 2017, which was supplemented by decision of the Board of Directors on 25 October 2017. This plan is in addition to the one approved on 24 June 2016 and described in Note 5.4.2 to the consolidated financial statements in Chapter 4 of the 2016 annual financial report. Grants of awards under this plan are subject to performance conditions tied to revenue growth, operating profit on business activity and free cash flow for financial years 2017, 2018 and 2019; they are also conditional on continuing employment. Originally, a total of 109,000 shares could potentially vest in awards granted under this plan. At 31 December 2017, there were 86,940 shares that could potentially vest.

Awards of free Sopra Steria Group shares are granted to some staff members, subject to their continued employment within the Group at the grant date, and either subject or not subject to conditions relating to the Group's performance. The benefit granted under free share award plans constitutes additional compensation and is measured and recognised in the financial statements.

At the end of each reporting period, the Group reviews, based on non-market performance conditions, its estimates of the number of shares that will eventually vest. The impact of this re-estimate is recorded in the income statement as an offset against equity.

The value of free shares in awards granted to employees to compensate them for services rendered is measured by reference to the fair value of the equity instrument at the grant date. This fair value is based on the share price at this same date. Non-market vesting conditions must not be taken into account when estimating the fair value of the shares at the grant date. When these equity instruments are subject to conditions of non-transferability, the cost of non-transferability is taken into account in their fair value. Where appropriate, the inability to collect dividends is also taken into account in the fair value calculation. Finally, the expense recognised on a cumulative basis also takes into account the estimated number of shares that will be definitively vested.

The expense reflecting share-based payments made to employees under free share plans is recognised on a straight-line basis in profit or loss over the vesting period, under *Expenses related to stock options and similar items*, which enters into the calculation of *Profit from recurring operations*. Since this is an equity-settled plan, the double-entry for this expense is recognised in equity under the *Consolidated reserves and other reserves* heading.

#### 5.4.3. Employee share ownership plan

As part of its Sopra Steria 2020 corporate plan, the Group set up the We Share employee share ownership programme. Under this programme, employees who met certain conditions were able to purchase Sopra Steria Group shares from 30 March to 11 April 2017 inclusive.

The main features of the programme were as follows:

- open to all eligible employees;
- contributions invested mainly via the FCPE (mutual fund) in Sopra Steria Group shares (performance follows changes in the share price as it increases or decreases);
- matching employer contribution of one free Sopra Steria Group share for each share purchased;
- investment starting at the price of one share with a maximum investment of €3,000;
- employees are entitled to any dividends attached to their shares;
- tax advantages through the Group Savings Plan (*Plan d'Épargne Groupe* or PEG in French);
- no withdrawals for five years except in certain cases.

When the subscription period ended, 107,547 shares had been subscribed for by employees and matched by employer contributions of the same number of shares. Sopra Steria Group made the matching contributions using treasury shares, which were either existing shares or shares bought back in advance under a share buyback programme authorised by the shareholders at the General Meeting of 22 June 2016.

The fair value of the free shares granted as a matching contribution was measured by reference to the average closing price during the subscription period extending from 30 March to 11 April 2017 (€132.26), with a 20% discount for the compulsory holding period.

An IFRS 2 expense of €12.1 million was charged to *Profit from recurring operations*.

## 5.5. Compensation of senior management (related parties)

| *(in millions of euros)* | 31/12/2017 | 31/12/2016 |
|---|---|---|
| Short-term employee benefits | 2.5 | 2.6 |
| Post-employment benefits | - | - |
| Other long-term employee benefits | - | - |
| Termination benefits | - | - |
| Equity compensation benefits | 0.3 | 0.2 |
| **TOTAL** | **2.8** | **2.8** |

The compensation information provided in the table above relates to the Chairman of the Board of Directors, the Chief Executive Officer and all directors holding a salaried position within the Group.

*Post-employment benefits* correspond to retirement benefits established in accordance with collective bargaining agreements (see Note 5.3.1). There are no commitments in favour of executive managers with respect to post-employment benefits or other long-term employee benefits.

# NOTE 6 CORPORATE INCOME TAX

## 6.1. Tax expense

| *(in millions of euros)* | 2017 | 2016 |
|---|---|---|
| Current tax | -56.9 | -60.4 |
| Deferred tax | -16.6 | -20.5 |
| **TOTAL** | **-73.5** | **-80.9** |

**a. Current tax**

The Group determines its current tax expense by applying the tax laws in force in countries where its subsidiaries and associates conduct their business and generate taxable revenues. The tax laws applied are those enacted or substantively enacted at the end of the reporting period.

**b. Deferred tax**

Deferred tax is recognised on all temporary differences between the tax base and the carrying amount of assets and liabilities on consolidation.

Deferred tax assets are only recognised if it is probable that they will be recovered as a result of taxable profit expected in future periods over a reasonable time horizon.

They are reviewed at the end of each reporting period.

Tax assets and liabilities are measured based on the tax rates enacted or substantively enacted applicable to the reporting period during which the asset will be realised or the liability settled. Their effect is recognised in profit or loss as *Deferred tax* unless it relates to items recorded under *Other comprehensive income*; in the latter case, the effect is also included among gains and losses recognised directly in equity.

Deferred tax assets and liabilities, regardless of their expiry date, are offset when:

- the Group has the legal right to settle current tax amounts on a net basis; and
- the deferred tax assets and liabilities relate to the same tax entity.

## 6.2. Reconciliation of theoretical and effective tax expense

| *(in millions of euros)* | 2017 | 2016 |
|---|---|---|
| **Net profit** | **173.3** | **155.8** |
| Adjustment for: | | |
| ■ Net profit from associates | 1.7 | 10.8 |
| ■ Tax expense | -73.5 | -80.9 |
| **Profit before tax** | **245.1** | **225.9** |
| **Theoretical tax rate** | ***34.43%*** | ***34.43%*** |
| **Theoretical tax expense** | **-84.4** | **-77.8** |
| **Reconciliation** | | |
| Permanent differences | -3.7 | -2.0 |
| Impact of uncapitalised losses for the year | -1.2 | -1.0 |
| Use/Capitalisation of previously uncapitalised loss carryforwards | 1.5 | 2.8 |
| Impact of tax credits | 21.0 | 15.4 |
| Tax rate differences | 8.0 | 9.1 |
| Prior year tax adjustments | -1.4 | -1.5 |
| CVAE (net of tax) | -14.2 | -14.4 |
| Tax reassessment | 2.0 | -9.6 |
| Contribution on dividends paid | -1.5 | -1.0 |
| Other tax | 0.4 | -0.9 |
| **Actual tax expense** | **-73.5** | **-80.9** |
| **Effective tax rate** | ***30.00%*** | ***35.82%*** |

The reconciliation between the theoretical tax charge and the effective tax charge is conducted using the tax rate for the current year in France for the Group's parent company. The latter consists of the corporate tax rate of 33.33%, to which is added the *contribution sociale de solidarité des sociétés* of 1.1%, a corporate social solidarity contribution also known as the C3S.

The *cotisation sur la valeur ajoutée des entreprises* or CVAE, a contribution based on the value added by the business, which is a component of the *contribution économique territoriale* or CET, the regional economic contribution in France, is recognised as part of the corporate income tax expense.

The Group operates in many countries with differing tax legislation and taxation rates. Within each country, taxation rates may also vary depending on the tax policies implemented by local governments and can lead to differences between the current and deferred taxation rates, as is the case mainly in France, the United Kingdom and Belgium. Local weighted average taxation rates applicable to Group companies can therefore vary from year to year depending on the relative level of taxable profit. These movements are reflected in *Tax rate differences*.

Other tax mainly includes the impact in France of the claim filed to obtain tax relief by way of the refund of the 3% contribution on dividends paid in 2015, 2016 and 2017 for a total of €3.8 million, including €0.2 million in respect of interest on overdue payments. This item also reflects the exceptional surtax assessed on corporate income tax paid, approved in France for the 2017 financial year, which had a negative impact of €0.9 million. Other tax also includes unrecovered withholdings.

Lastly, *Tax reassessment* reflects movements in provisions for taxes to cover tax risks in France, which had a positive impact on permanent differences and tax expense of €2.0 million.

# 6.3. Deferred tax assets and liabilities

## 6.3.1. Change in net deferred tax

| *(in millions of euros)* | 01/01/2017 | Change through profit and loss | Change through other comprehensive income | Scope effect | Currency translation effect | Other | 31/12/2017 |
|---|---|---|---|---|---|---|---|
| **Deferred tax arising from:** | | | | | | | |
| Intangible assets | -35.5 | -1.4 | - | 0.2 | 0.7 | - | -35.9 |
| Property, plant and equipment | 2.4 | -0.3 | - | - | -0.2 | 0.9 | 2.9 |
| Non-current financial assets | 0.3 | -0.1 | - | - | 0.1 | -0.9 | -0.6 |
| Inventories, services in progress and outstanding invoices | -5.3 | 1.5 | - | - | - | 0.2 | -3.6 |
| Other current assets | 0.6 | 1.3 | - | - | - | - | 1.9 |
| Derivatives | -3.0 | 2.3 | 0.2 | - | 0.1 | - | -0.3 |
| ■ with impact on the income statement | -2.1 | 2.3 | - | - | 0.1 | - | 0.3 |
| ■ with impact on other comprehensive income | -0.9 | - | 0.2 | - | - | - | -0.6 |
| Financial debt | 0.6 | -0.5 | - | - | - | 0.1 | 0.2 |
| Retirement benefit obligations | 94.4 | 0.5 | -13.6 | 0.7 | -1.6 | - | 80.4 |
| ■ with impact on the income statement | 10.5 | 0.5 | - | 0.7 | 0.7 | 2.7 | 15.1 |
| ■ with impact on other comprehensive income | 83.9 | - | -13.6 | - | -2.3 | -2.7 | 65.3 |
| Provisions | 8.1 | -3.7 | - | - | -0.1 | - | 4.3 |
| Other current liabilities | 4.4 | -3.5 | - | -0.4 | -0.4 | - | 0.1 |
| Tax loss carryforwards | 62.0 | -12.8 | - | 0.1 | -0.1 | - | 49.3 |
| **Net deferred tax asset/(liability)** | **129.1** | **-16.6** | **-13.4** | **0.7** | **-1.4** | **0.3** | **98.7** |
| Deferred tax included in assets held for sale | -0.2 | - | - | - | - | 0.2 | - |
| **Net deferred tax asset/(liability) reported in the balance sheet** | **128.9** | **-16.6** | **-13.4** | **0.7** | **-1.4** | **0.5** | **98.7** |
| **Of which:** | | | | | | | |
| Deferred tax recognised in profit or loss | 45.9 | -16.6 | - | 0.7 | 0.8 | 3.2 | 34.0 |
| Deferred tax recognised in equity (other comprehensive income) | 83.0 | - | -13.4 | - | -2.2 | -2.7 | 64.7 |
| ■ of which, reclassifiable to profit or loss | -0.9 | - | 0.2 | - | - | - | -0.6 |
| ■ of which, not reclassifiable to profit or loss (retirement benefit obligations) | 83.9 | - | -13.6 | - | -2.3 | -2.7 | 65.3 |

## 6.3.2. Deferred tax assets not recognised by the Group

| *(in millions of euros)* | 31/12/2017 | 31/12/2016 |
|---|---|---|
| Tax losses carried forward | 33.3 | 39.2 |
| Temporary differences | - | - |
| **TOTAL** | **33.3** | **39.2** |

#### 6.3.3. Change in tax loss carryforwards

| *(in millions of euros)* | France | United Kingdom | Germany | Scandinavia | Other countries | Total |
|---|---|---|---|---|---|---|
| **31 December 2016** | **238.3** | **4.8** | **20.1** | **36.6** | **26.0** | **325.9** |
| Changes in scope | - | - | - | 0.6 | -5.9 | -5.3 |
| Created | - | 0.3 | - | 2.1 | 3.2 | 5.6 |
| Used | -27.4 | - | -16.0 | -0.8 | -2.1 | -46.3 |
| Expired | -8.5 | - | - | - | - | -8.5 |
| Translation adjustments | - | -0.2 | - | -0.8 | -1.5 | -2.4 |
| Other movements | -5.5 | - | -3.8 | - | -0.7 | -9.9 |
| **31 DECEMBER 2017** | **196.9** | **5.0** | **0.3** | **37.8** | **19.1** | **259.1** |
| Deferred tax basis – activated | 140.3 | - | 0.3 | - | 3.5 | 144.1 |
| Deferred tax basis – non-activated | 56.6 | 5.0 | - | 37.8 | 15.6 | 115.0 |
| Deferred tax – activated | 48.3 | - | - | - | 0.9 | 49.3 |
| Deferred tax – non-activated | 19.5 | 1.0 | - | 8.3 | 4.5 | 33.3 |

In France, a portion of the non-activated tax losses, i.e. €17.3 million in deferred taxes (based on a tax rate of 34.43%), consisted of the tax loss carryforwards prior to 1 January 2014 originating from Steria. The authorities' decision to disallow their transfer to Sopra Steria is being challenged through litigation. The other portion of €2.2 million in France originated from the losses inherited from recently acquired companies.

In Scandinavia, the tax loss carryforwards of the companies established in Sweden and Denmark did not lead to the recognition of any deferred tax assets.

# NOTE 7 COMPONENTS OF THE WORKING CAPITAL REQUIREMENT AND OTHER FINANCIAL ASSETS AND LIABILITIES

These items include non-current financial assets, trade accounts receivable, other current assets, other non-current liabilities, trade accounts payable and other current liabilities.

## 7.1. Other non-current financial assets

| *(in millions of euros)* | 31/12/2017 | 31/12/2016 |
|---|---|---|
| Available-for-sale assets | 13.9 | 9.6 |
| Other loans and receivables | 10.4 | 8.5 |
| Derivatives | 4.3 | 4.8 |
| **TOTAL** | **28.6** | **22.8** |

The Group classifies its financial assets into the following categories:

- financial assets at fair value through profit or loss;
- held-to-maturity investments;
- loans and receivables; and
- available-for-sale assets.

Classification depends on the purposes for which financial assets were acquired. Management determines the appropriate classification at the time of initial recognition and performs a reassessment at each interim or annual reporting date.

The financial assets recognised by the Group consist of the items described below:

**a. Assets measured at fair value through profit or loss**

This category comprises both financial assets held for trading (i.e. acquired with a view to resale in the near term) and those designated upon initial recognition as at fair value through profit or loss. Changes in the fair value of assets of this category are recognised in profit or loss.

These assets are mostly marketable securities and other cash equivalents.

**b. Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They comprise the financial assets arising when the Group transfers funds, or provides goods and services, to an individual or entity. Loans and receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

The Group distinguishes between:

- long-term loans and receivables classified as non-current financial assets;
- short-term trade accounts receivable and other equivalent receivables. Short-term trade accounts receivable continue to be measured at the nominal amount originally invoiced, which usually equates to the fair value of the consideration to be received.

**c. Available-for-sale assets**

Available-for-sale assets are non-derivative financial assets not falling into any other category, whether or not the Group intends to dispose of them.

Changes in the fair value of these assets are recognised directly in equity with the exception of impairment losses, which are recognised in profit or loss and considered final. Equity instruments whose fair value cannot be reliably measured (assets not quoted on an active market or for which there is no active market) are recognised at cost.

The Group has included in this category its investments in unconsolidated entities over which it exercises no control or significant influence, and listed bonds for which there is not considered to be an active market.

**d. Impairment of financial assets**

At each balance sheet date, the Group assesses whether or not there exists objective evidence that a financial asset or group of financial assets may be impaired.

Loans and receivables are impaired when their estimated recoverable amount is less than their net carrying amount. For trade accounts receivable, impairment losses are recognised on an individual basis to reflect any problems of recovery. These write-downs are charged to profit and loss as part of *Operating profit on business activity* and reversed in the event of an improvement in the recoverable amount.

Available-for-sale assets must be measured at fair value. Unrealised gains are recorded in *Other comprehensive income*, as are unrealised losses, unless they relate to impairment. Changes in fair value are recognised under *Other comprehensive income*. If these assets are considered to be impaired, the impairment losses are charged to profit and loss and are deemed final. The recoverable amount of these assets is estimated based on criteria such as the Group's share of an entity's net assets and its outlook on growth and profitability. Impairment losses are recognised directly in profit or loss as part of *Other financial income and expenses* and cannot subsequently be reversed.

### 7.1.1. Available-for-sale assets

| *(in millions of euros)* | Gross value | Impairment | Carrying amount |
|---|---|---|---|
| **31 December 2016** | **9.6** | **-** | **9.6** |
| Changes in scope | 0.3 | 0.1 | 0.3 |
| Increase | 6.6 | - | 6.6 |
| Decrease | -0.1 | - | -0.1 |
| Other movements | -2.4 | - | -2.4 |
| Translation adjustments | - | - | - |
| **31 DECEMBER 2017** | **13.9** | **0.1** | **13.9** |

The measurement of the fair value of available-for-sale assets is based on the following assumptions:

- quoted data (Level 1): 90%;
- observable data (Level 2): 0%;
- internal models (Level 3): 10%.

On 30 June 2017, the Group converted its CS Communication & Systèmes bonds into shares, thereby giving it access to 11.39% of the company's share capital. The carrying amount of the bonds was €8.0 million, and that of the shares obtained through conversion was €14.5 million, thereby generating income of €6.5 million recognised under *Other financial income and expenses* (see Note 11.1.2).

At 31 December 2017, the value of the CS Communication & Systèmes shares was €12.8 million.

### 7.1.2. Other loans and receivables

| *(in millions of euros)* | 31/12/2017 | 31/12/2016 |
|---|---|---|
| Loans | 0.1 | 0.1 |
| CIR and CICE tax credit receivables* | - | 1.1 |
| Other non-current receivables | 2.2 | 1.8 |
| Deposits and other non-current financial assets | 8.2 | 5.9 |
| Provisions for loans, deposits and other non-current financial assets | -0.1 | -0.4 |
| **TOTAL** | **10.4** | **8.5** |

* *CIR : R&D Tax credit ; CICE : competitivences and jobs tax credit.*

R&D tax credit receivables classified as *Other loans and receivables* are those which will be used or redeemed after more than one year. During the 2016 financial year, they were reclassified to *Other current assets*.

Deposits and other non-current financial assets mainly include guarantees given for leased premises and receivables relating to equity investments.

*Other non-current receivables* mainly consist of advances paid by the NHS SBS entity to new customers of its platform to facilitate their migration.

These deposits and other receivables are held at their nominal value, given that the effect of discounting is not material.

## 7.2. Trade accounts receivable

| *(in millions of euros)* | 31/12/2017 | 31/12/2016 |
|---|---|---|
| Trade accounts receivable – gross value | 666.1 | 674.1 |
| Accrued income | 483.1 | 468.4 |
| Impairment of trade accounts receivable | -11.4 | -9.8 |
| **TOTAL** | **1,137.8** | **1,132.7** |

In December 2017, the Group completed the sale of trade accounts receivable in France for a total value of €56.8 million, compared with €25.0 million in December 2016. In 2017, the sale of receivables were made with recourse in the amount of €19.8 million and without recourse in the amount of €37.0 million. Only receivables sold without recourse were removed from the balance sheet. In 2016, as the sale was made with recourse, the receivables were not removed from the balance sheet.

*Net trade accounts receivable*, expressed in terms of months of revenue, corresponded to about 2.0 months of revenue at 31 December 2017, versus 2.2 months at 31 December 2016. This ratio is calculated by comparing *Net trade accounts receivable* with the revenue generated in the final quarter of the reporting period. *Net trade accounts receivable* is obtained by eliminating VAT from the *Trade accounts receivable* balance and subtracting the deferred income balance appearing under liabilities.

Accrued income is comprised essentially of work performed in respect of fixed-price projects recognised using the percentage-of-completion method (see Note 4.1.a) and also includes the transition costs. These consist of costs relating to services in progress initiated during the start-up phase of certain major contracts, and correspond to activities that will generate future economic benefits.

### 7.2.1. Aged trade accounts receivable

| | | | Of which: past due, with the following breakdown | | | |
|---|---|---|---|---|---|---|
| *(in millions of euros)* | Carrying amount | Of which: not past due at the balance sheet date | Less than 30 days | Between 30 and 90 days | Between 90 and 120 days | More than 120 days |
| Trade accounts receivable | 666.1 | 427.9 | 140.5 | 40.1 | 12.4 | 45.2 |

### 7.2.2. Statement of changes in provisions for trade accounts receivable

| *(in millions of euros)* | 31/12/2017 | 31/12/2016 |
|---|---|---|
| **Provisions for trade accounts receivable at 1 January** | **9.8** | **9.2** |
| Changes in scope | 0.1 | 0.6 |
| Additions net of reversals | 2.9 | -0.8 |
| Reclassification | -1.4 | 1.0 |
| Translation adjustments | - | -0.2 |
| **PROVISIONS FOR TRADE ACCOUNTS RECEIVABLE AT PERIOD-END** | **11.4** | **9.8** |

## 7.3. Other current assets

| *(in millions of euros)* | 31/12/2017 | 31/12/2016 |
|---|---|---|
| Inventories and work in progress | 3.2 | 0.2 |
| Advances and payments on account | 3.9 | 6.9 |
| Staff and social security | 6.1 | 5.5 |
| Tax receivables (other than corporate income tax) | 94.8 | 82.5 |
| Corporate income tax | 77.7 | 73.2 |
| Loans, guarantees and other financial receivables maturing in less than one year | 3.4 | 3.2 |
| Other receivables | 14.7 | 10.3 |
| Impairment of other receivables | -0.8 | -1.1 |
| Prepaid expenses | 50.2 | 41.2 |
| Derivatives | 3.3 | 9.2 |
| **TOTAL** | **256.4** | **231.1** |

Tax receivables include those relating to the CIR (R&D tax credit) and the CICE (competitiveness and jobs tax credit) in France.

In France, the Group sold tax receivables arising from the entirety of the 2017 CICE and a portion of the CIR (for a total amount of €47.5 million). These transactions were deconsolidated, thus resulting in the derecognition of the assigned receivables. In 2016, the Group had sold the entirety of its tax receivables arising from the CICE in respect of that year as well as a portion of those arising from the CIR for €58.2 million and these transactions were also deconsolidated, thus resulting in the derecognition of the assigned receivables.

The United Kingdom accounted for €31.0 million of prepaid expenses, of which €13.5 million related to royalties paid by SSCL to the Cabinet Office.

## 7.4. Other non-current liabilities

| *(in millions of euros)* | 31/12/2017 | 31/12/2016 |
|---|---|---|
| Put options granted | 58.4 | 79.0 |
| Employee profit-sharing during the financial year | - | - |
| Other liabilities – portion due in more than one year | 3.6 | 3.1 |
| Derivatives | 3.2 | 4.3 |
| **TOTAL** | **65.2** | **86.4** |

Under the agreement signed with the UK government to transform its back-office functions, the Group granted the Cabinet Office a put option to sell the shares it holds in the joint venture SSCL that was set up for this purpose. This right may be exercised between 1 January 2022 and 31 December 2023. At 31 December 2017, the Group recognised a non-current liability for this put option in the amount of €53.5 million (versus €52.5 million at 31 December 2016).

In connection with the acquisition of Cassiopae (see Note 2.1), the Group had issued put options to the other shareholders in this subgroup. Accordingly, the Group recognised a non-current liability of €26.5 million at 31 December 2016 corresponding to the price to be paid. On 26 January 2017, Sopra Banking Software acquired full ownership of KSEOP, after purchasing the shares held by the other shareholders.

Lastly, the Group entered into an irrevocable commitment to acquire the shares held by minority shareholders in Tecfit, the holding company of the recently acquired company Galitt, by way of a put option granted to these shareholders (see Note 2). At 31 December 2017, the liability recognised in respect of this put option was measured at €4.9 million.

At 31 December 2017, derivatives consisted of interest rate and foreign currency hedges (see Notes 11.5.3 and 11.5.4).

**Put options granted to non-controlling interests**

When non-controlling interests have an option to sell their investment to the Group, a financial liability is recorded in other non-current liabilities for the present value of the option's estimated exercise price. The offset of the financial liability generated by these commitments is deducted from:

- the corresponding amount of non-controlling interests initially; and
- the Group's share of consolidated reserves for the remainder.

Subsequent changes in this put option arising from changes in estimates or relating to the unwinding of discount are offset against the corresponding non-controlling interests and the remainder is deducted from the Group's share of consolidated reserves.

## 7.5. Other current liabilities

| *(in millions of euros)* | 31/12/2017 | 31/12/2016 |
|---|---|---|
| Fixed asset liabilities – portion due in less than one year | 2.7 | 3.7 |
| Advances and payments on account received for orders | 3.3 | 3.1 |
| Employee-related liabilities | 438.1 | 416.8 |
| Tax-related liabilities | 243.6 | 227.9 |
| Corporate income tax | 108.4 | 111.3 |
| Deferred income | 272.9 | 248.4 |
| Other liabilities | 19.2 | 25.6 |
| Derivatives | 1.4 | 0.3 |
| **TOTAL** | **1,089.6** | **1,037.1** |

Deferred income mainly corresponds to services invoiced but not yet performed, based on their stage of completion (see Note 4.1).

Other liabilities include in particular the Group's commitment to buy back its own shares to be used in connection with its free share plans for €9.0 million.

# NOTE 8 PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

## 8.1. Goodwill

### 8.1.1. Statement of changes in goodwill

Movements during the 2017 financial year were as follows:

| *(in millions of euros)* | Gross value | Impairment | Carrying amount |
|---|---|---|---|
| **31 December 2015** | **1,671.9** | **85.0** | **1,586.9** |
| **Acquisitions** | | | |
| Cassiopae (including Cassiopae MEA) | 57.0 | - | 57.0 |
| Other acquisitions | 8.8 | - | 8.8 |
| **Translation adjustments** | **-100.4** | **-4.7** | **-95.7** |
| **31 December 2016** | **1,637.3** | **80.3** | **1,557.0** |
| **Acquisitions** | | | |
| Kentor | 30.4 | - | 30.4 |
| Galitt | 33.1 | - | 33.1 |
| 2MoRO | 1.8 | - | 1.8 |
| Adjustments for business combinations | 1.4 | - | 1.4 |
| **Translation adjustments** | **-34.1** | **-1.0** | **-33.1** |
| **31 DECEMBER 2017** | **1,669.9** | **79.3** | **1,590.6** |

The decrease of €33.1 million in translation adjustments mainly results from changes in the value of the euro against the following currencies:

| *(in millions of euros)* | 31/12/2017 | 31/12/2016 |
|---|---|---|
| GBP | -20.8 | -101.3 |
| NOK-SEK | -8.5 | 5.2 |
| Other currencies | -3.8 | 0.3 |
| **TOTAL** | **-33.1** | **-95.7** |

### 8.1.2. Breakdown of goodwill by CGU

The net carrying amounts of goodwill by CGU are as follows:

| *(in millions of euros)* | 31/12/2017 | 31/12/2016 |
|---|---|---|
| France | 491.1 | 458.8 |
| United Kingdom | 575.0 | 593.5 |
| Other Europe (1) | 288.3 | 269.5 |
| Sopra Banking Software | 223.6 | 222.7 |
| Sopra HR Software | 12.5 | 12.5 |
| **TOTAL** | **1,590.6** | **1,557.0** |

*(1) "Other Europe" comprises the following CGUs, which are tested separately: Germany, Scandinavia, Spain, Italy, Switzerland, Belgium and Luxembourg.*

For each business combination, the Group may elect to recognise under its balance sheet assets either partial goodwill (corresponding only to its percentage of ownership interest) or full goodwill (also including the goodwill corresponding to minority interests) according to the method for business combinations presented in Note 2.1. This decision is made on an acquisition-by-acquisition basis.

Should the calculation of goodwill result in a negative difference (bargain purchase), the Group recognises the resulting gain entirely in profit or loss.

Goodwill is allocated to cash-generating units for the purposes of impairment tests as set out in Note 8.1.3. Such tests are performed when there is an indication of impairment, and in any event at the balance sheet date of 31 December.

### 8.1.3. Impairment testing

The Group performed impairment tests as at 31 December 2017.

These tests were performed using the following parameters:

| | Discount rate | | Perpetual growth rate | |
|---|---|---|---|---|
| | 31/12/2017 | 31/12/2016 | 31/12/2017 | 31/12/2016 |
| France | *7.7%* | *8.3%* | *2.0%* | *2.0%* |
| United Kingdom | *8.5%* | *9.0%* | *2.0%* | *2.0%* |
| Other Europe | *7.1-9.0%* | *7.3-9.6%* | *2.0%* | *2.0%* |
| Sopra Banking Software | *7.7%* | *8.3%* | *2.0%* | *2.0%* |
| Sopra HR Software | *7.7%* | *8.3%* | *2.0%* | *2.0%* |

The Group tested 0.5-point changes in these assumptions. A 0.5-point decrease in the perpetual growth rate, a 0.5-point increase in the discount rate, or both, would not lead to any recognition of impairment.

Additional testing was performed to measure sensitivity to key assumptions (such as the discount rate, perpetual growth rate, operating margin and revenue growth rate) for each cash-generating unit.

The Group performed tests using the following hypotheses:

- an increase of 2 points in the discount rate; or
- a decrease of 2 points in the perpetual growth rate (no perpetual growth); or
- the combination of an increase of 2 points in the discount rate and a decrease of 2 points in the perpetual growth rate; or
- a decrease of 2 points in the projected operating margin; or
- a decrease of 2 points in the projected growth rate.

With the exception of the United Kingdom cash-generating unit, the Group would not recognise an impairment in any of these situations, all other things being equal. Tests performed on the United Kingdom cash-generating unit were all satisfactory, except for the 2-point decrease in the operating margin. Accordingly, the Group might be required to write down its assets in the United Kingdom in the event of a decrease in the operating margin greater than 1.5%, all other things being equal. With respect to the other cash-generating units, management believes that there is no reasonably possible change that could make the carrying amount of a cash-generating unit exceed its recoverable amount, given their value in use.

IAS 36 *Impairment of Assets* requires that an entity assess at each reporting date whether there is any indication that an asset may be impaired. If so, the asset's recoverable amount must be estimated.

Irrespective of whether there is any indication of impairment, an entity must also:

- test intangible assets with indefinite useful lives annually;
- test the impairment of goodwill acquired in a business combination.

In practice, impairment testing is above all relevant to goodwill, which constitutes the majority of Sopra Steria Group's consolidated non-current assets.

Impairment testing is performed at the level of the cash-generating units (CGUs) to which assets are allocated. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

The Group's segmentation into CGUs is consistent with the operating structure of its businesses, its management and reporting system, and its segment reporting (see Note 3). Impairment testing involves comparing CGUs' carrying amounts with their recoverable amounts. A CGU's recoverable amount is the higher of its fair (generally market) value less costs of disposal and its value in use.

The value in use of a CGU is determined using the discounted cash flow (DCF) method:

- cash flows for an explicit forecast period of five years, with the first year of the period based on the budget;
- cash flows beyond the five-year explicit period are calculated using a perpetual growth rate reflecting the anticipated rate of real long-term economic growth adjusted for long-term inflation forecasts.

The discount rate is based on the weighted average cost of capital. This is compared with the estimates produced by financial analysts. The final discount rate used for each CGU is derived from this comparison and falls between the weighted average cost of capital and the average of analyst estimates.

Perpetual growth rates are based on an average of analyst estimates.

Impairment losses are recognised to the extent of any excess of a CGU's carrying amount over its recoverable amount. Impairment losses are first allocated against goodwill and are charged to profit or loss as part of *Other operating income and expenses*.

Reversal of impairment losses for goodwill arising on fully consolidated investments is prohibited.

## 8.2. Other intangible assets

| *(in millions of euros)* | Gross value | Amortisation | 31/12/2017 | 31/12/2016 |
|---|---|---|---|---|
| Enterprise software/Technology | 76.8 | 37.2 | 39.6 | 48.5 |
| Client relations | 162.7 | 52.8 | 109.8 | 118.5 |
| Favourable contracts | 0.9 | 0.5 | 0.4 | 0.5 |
| Order backlog | 0.5 | 0.5 | - | - |
| Brands | 12.6 | 0.9 | 11.7 | 12.2 |
| Software acquired and other intangible assets | 172.1 | 143.4 | 28.7 | 19.9 |
| **TOTAL** | **425.5** | **235.3** | **190.2** | **199.6** |

Other intangible assets comprise technologies, client relationships, favourable contracts, order backlogs and brands allocated as part of the purchase price allocation process for a business combination.

Expenses relating to the amortisation of allocated intangible assets enter into the calculation of *Profit from recurring operations*.

Changes in *Intangible assets* are set out in the table below:

| *(in millions of euros)* | Gross value | Amortisation | Carrying amount |
|---|---|---|---|
| **31 December 2015** | **407.9** | **194.0** | **214.0** |
| Changes in scope | 0.3 | -0.3 | 0.6 |
| Allocated intangible assets | 32.4 | - | 32.4 |
| Acquisitions | 6.4 | - | 6.4 |
| Disposals – scrapping | -11.3 | -11.1 | -0.2 |
| Translation adjustments | -29.7 | -12.6 | -17.0 |
| Amortisation charge | - | 36.6 | -36.6 |
| **31 December 2016** | **406.1** | **206.6** | **199.6** |
| Changes in scope | 1.7 | 1.7 | - |
| Allocated intangible assets | 12.1 | - | 12.1 |
| Acquisitions | 16.9 | - | 16.9 |
| Disposals – scrapping | -1.2 | -1.1 | -0.1 |
| Other movements | -2.6 | -1.1 | -1.5 |
| Translation adjustments | -7.5 | -3.5 | -4.1 |
| Amortisation charge | - | 32.7 | -32.7 |
| **31 DECEMBER 2017** | **425.5** | **235.3** | **190.2** |

Allocated intangible assets recognised in respect of new acquisitions during the 2017 financial year are described in Note 2.1. They consist of client relationships valued at €12.1 million recognised among the acquired assets of Kentor in Sweden.

In 2017, Sopra Banking Software acquired source code for €8.0 million and incurred costs arising from adjustments to its solution platforms. These costs were capitalised and amounted to €2.4 million. They were all recognised as part of the costs for acquiring the software. No other significant development expenditures for software and solutions (Banking, Human Resources and Property Management) have been recognised under intangible assets.

In 2016, on the acquisition of Cassiopae, the Group had recognised €29.3 million of allocated intangible assets, of which €9.7 million was attributable to acquired enterprise software, €3.6 million to the Cassiopae brand and €16.0 million to client relationships.

Other acquisitions in 2016 had resulted in the recognition of an enterprise software product for €3.0 million.

### a. Assets acquired separately

These are software assets recorded at cost. They are amortised using the straight-line method over one to ten years, depending on their estimated useful lives.

### b. Assets acquired in connection with business combinations

These are software assets, client relationships, brands and distributor relationships measured at fair value as part of a purchase price allocation for entities acquired in business combinations. They are amortised using the straight-line method over three to fifteen years, depending on their estimated useful lives. Acquired brands whose useful lives cannot be estimated are not amortised.

### c. Internally generated assets

Pursuant to IAS 38 *Intangible Assets*:

- research and development costs are expensed in the year in which they are incurred;
- software development costs are capitalised if all of the following can be demonstrated:
  - the technical feasibility of completing the intangible asset for use or sale,
  - the intent to complete the intangible asset and use or sell it,
  - the ability to use or sell the intangible asset,
  - generation of probable future economic benefits,
  - the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset,
  - the ability to reliably measure the expenditure attributable to the intangible asset during its development.

## 8.3. Property, plant and equipment

| *(in millions of euros)* | Land and buildings | Office furniture, fixtures and sundry equipment | IT equipment | Total |
|---|---|---|---|---|
| **GROSS VALUE** | | | | |
| **31 December 2015** | **45.7** | **173.9** | **154.1** | **373.7** |
| Changes in scope | - | 1.9 | 0.4 | 2.3 |
| Acquisitions | 0.3 | 15.5 | 21.0 | 36.8 |
| Disposals – scrapping | -0.8 | -8.1 | -25.2 | -34.0 |
| Other movements | - | 0.2 | -0.1 | 0.1 |
| Translation adjustments | -2.3 | -2.2 | -6.3 | -10.8 |
| **31 December 2016** | **43.0** | **181.3** | **143.8** | **368.1** |
| Changes in scope | - | 1.0 | 1.6 | 2.6 |
| Acquisitions | 0.8 | 22.1 | 21.6 | 44.5 |
| Disposals – scrapping | -0.5 | -13.3 | -8.1 | -21.9 |
| Other movements | 0.3 | 3.3 | -2.0 | 1.6 |
| Translation adjustments | -1.3 | -1.7 | -3.5 | -6.6 |
| **31 DECEMBER 2017** | **42.3** | **192.6** | **153.5** | **388.4** |
| **DEPRECIATION** | | | | |
| **31 December 2015** | **32.0** | **106.2** | **117.0** | **255.3** |
| Changes in scope | - | 1.2 | 0.3 | 1.6 |
| Charges | 1.3 | 13.8 | 17.2 | 32.3 |
| Disposals – scrapping | -0.8 | -7.7 | -25.0 | -33.4 |
| Other movements | - | 0.4 | -0.4 | - |
| Translation adjustments | -1.6 | -1.6 | -5.2 | -8.3 |
| **31 December 2016** | **31.0** | **112.5** | **104.0** | **247.4** |
| Changes in scope | - | 0.5 | 1.1 | 1.6 |
| Charges | 1.3 | 15.8 | 19.5 | 36.6 |
| Disposals – scrapping | -0.5 | -13.1 | -7.7 | -21.3 |
| Other movements | 0.2 | 2.4 | -2.6 | - |
| Translation adjustments | -0.7 | -1.3 | -2.8 | -4.9 |
| **31 DECEMBER 2017** | **31.2** | **116.7** | **111.5** | **259.5** |
| **NET VALUE** | | | | |
| **31 December 2015** | **13.7** | **67.7** | **37.0** | **118.5** |
| **31 December 2016** | **12.1** | **68.8** | **39.8** | **120.7** |
| **31 DECEMBER 2017** | **11.1** | **75.9** | **42.0** | **128.9** |

The Group's investments in property, plant and equipment (€44.5 million) mainly consist of €16.2 million for office equipment in France and abroad and €21.6 million for IT hardware (€5.9 million of which is in the form of finance leases).

Property, plant and equipment essentially comprises land and buildings, fixtures, office furniture and equipment and IT equipment.

Property, plant and equipment is measured at acquisition cost (excluding any borrowing costs) less accumulated depreciation and any impairment losses. No amounts have been remeasured.

Depreciation is based on the straight-line method in accordance with the expected useful economic lives of each fixed asset category as follows:

- buildings: 25 to 30 years;
- fixtures and fittings: 4 to 10 years;
- IT hardware and equipment: 3 to 8 years;
- vehicles: 4 to 5 years;
- office furniture and equipment: 4 to 10 years.

Depreciation is applied against assets' acquisition cost after deducting any residual value. Assets' residual values and expected useful lives are reviewed at each balance sheet date.

Finance leases relating to IT investments are presented in the balance sheet in the following amounts:

| *(in millions of euros)* | **31/12/2017** | **31/12/2016** |
|---|---|---|
| Gross value | 36.9 | 34.9 |
| Depreciation | -22.9 | -19.5 |
| **NET VALUE** | **14.0** | **15.4** |

**Leases**

Leases of tangible fixed assets under which the Group takes on substantially all the risks and rewards incidental to ownership of the assets are treated as finance leases. They are recognised at the lower of the leased asset's fair value and the present value of the minimum lease payments.

Assets acquired under finance leases are depreciated over the shorter of their estimated useful lives or the applicable lease terms:

- property leases: built assets are depreciated on a straight-line basis over twenty-five years;
- IT equipment leases: hardware is depreciated on a straight-line basis over four years, the most common lease term.

In contrast, leases under which the lessor retains substantially all the risks and rewards incidental to ownership are treated as operating leases. Payments under such leases are expensed on a straight-line basis over the lease term, and no fixed asset is recognised.

## 8.4. Non-current assets classified as held for sale

In 2017, the Group completed the sale of a portion of its premises in India, which had been classified as non-current assets held for sale. This sale's impact on profit and loss came to €1.1 million, and was recognised under *Other operating income and expenses* included in *Operating profit.*

**a. A non-current asset classified as held for sale is:**

- an asset whose carrying amount will be recovered principally through a sale transaction rather than through continuing use;
- available for immediate sale in its present condition (subject only to terms that are usual and customary for sales of such assets);
- whose sale is highly probable.

For the sale to be considered highly probable:

- the appropriate level of management must be committed to a plan to sell the asset;
- an active programme to locate a buyer and complete the plan must have been initiated;
- the sale is expected to be completed within one year (this period may be extended if there is evidence that the entity remains committed to its plan to sell the asset);
- it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn;
- the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value.

**b. A discontinued operation is a component of an entity that either has been disposed of or is classified as held for sale, and:**

- represents a separate major line of business or geographical area of operations;
- or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations.

Once an asset is classified in non-current assets held for sale or discontinued operations, it is no longer depreciated.

In the balance sheet, these assets are carried at the lower of carrying amount and fair value less costs to sell. They are presented separately in assets and liabilities, with no offsetting.

The Group separates the results of discontinued operations from continuing operations and presents them separately in the income statement. This includes the post-tax profit or loss of these operations and, where applicable, the result of their fair value measurement. The Group discloses this information for prior periods in comparison to the current period. The same applies for the cash flows arising from discontinued operations.

# NOTE 9 EQUITY-ACCOUNTED INVESTMENTS

## 9.1. Net profit from associates

| *(in millions of euros)* | 31/12/2017 | % held at 31/12/2017 | 31/12/2016 | % held at 31/12/2016 |
|---|---|---|---|---|
| Share of net profit of Axway Software | 1.4 | *32.59%* | 10.4 | *32.89%* |
| Share of net profit of Diamis | 0.2 | *40.00%* | 0.4 | *40.00%* |
| **TOTAL** | **1.7** | | **10.8** | |

Profit generated by Diamis corresponds to nine months of activity, as this entity's shares were sold in October 2017 (see Note 9.2).

## 9.2. Carrying amount of investments in associates

| *(in millions of euros)* | 31/12/2017 | 31/12/2016 |
|---|---|---|
| Axway Software | 189.1 | 200.2 |
| Diamis | - | 2.1 |
| **TOTAL** | **189.1** | **202.3** |

In October 2017, the Group sold its 40% stake in Diamis (see Note 2.2), which had been accounted for under the equity method, generating capital gains of €3.7 million. These capital gains were recorded under *Other operating income and expenses* (see Note 4.2.3).

The following table shows changes in the investment in Axway Software:

| *(in millions of euros)* | Gross value | Impairment | Carrying amount |
|---|---|---|---|
| **31 December 2015** | **152.7** | **-** | **152.7** |
| Changes in scope | - | - | - |
| Share capital transactions | 1.1 | - | 1.1 |
| Dividends paid | -2.7 | - | -2.7 |
| Net profit | 10.4 | - | 10.4 |
| Translation adjustments | 2.0 | - | 2.0 |
| Changes in shareholding | 36.2 | - | 36.2 |
| Other movements | 0.5 | - | 0.5 |
| **31 December 2016** | **200.2** | **-** | **200.2** |
| Changes in scope | - | - | - |
| Share capital transactions | 1.0 | - | 1.0 |
| Dividends paid | -2.8 | - | -2.8 |
| Net profit | 1.4 | - | 1.4 |
| Translation adjustments | -10.2 | - | -10.2 |
| Changes in shareholding | -1.1 | - | -1.1 |
| Other movements | 0.5 | - | 0.5 |
| **31 DECEMBER 2017** | **189.1** | **-** | **189.1** |

At 31 December 2017, the Axway Software shares held by Sopra Steria Group represented 32.59% of the share capital, compared with 32.89% at 31 December 2016. Their recoverable amount is estimated as follows:

| *(in millions of euros)* | 31/12/2017 | 31/12/2016 |
|---|---|---|
| Market value (Category 1) | 157.6 | 211.5 |
| Market value less costs to sell | 154.5 | 207.3 |
| Value in use | 198.3 | 224.3 |
| Discounted cash flow calculation parameters: | - | - |
| ■ discount rate | *9.6%* | *10.3%* |
| ■ perpetual growth rate | *2.2%* | *2.3%* |
| **RECOVERABLE AMOUNT** | **198.3** | **224.3** |

Their value in use, the higher of the two values used to determine the recoverable amount, supports the carrying amount of the equity-accounted Axway Software shares at 31 December 2017.

A 0.3-point increase in the discount rate, all other things being equal, would cause the carrying amount to exceed the recoverable amount. A 0.5-point decrease in the perpetual growth rate, all other things being equal, would have the same effect. This test is based on the judgement of management and takes into account the uncertainties inherent in the transformation of Axway's business model.

### SUMMARY FINANCIAL INFORMATION RELATING TO THE AXWAY SOFTWARE GROUP

| *(in millions of euros)* | 31/12/2017 | 31/12/2016 |
|---|---|---|
| Assets | 551.1 | 557.8 |
| Equity | 344.1 | 374.8 |
| Liabilities excluding equity | 207.0 | 183.0 |
| Revenue | 299.8 | 301.1 |
| Net profit | 4.4 | 31.5 |

**Recognition and impairment of investments in associates**

Investments in associates are initially recognised at acquisition cost, and their value is then adjusted to reflect changes in the Group's share of their net assets. The remainder of this share appears under *Equity-accounted investments* on the asset side of the balance sheet. Its change over the financial year is stated in the income statement under *Net profit from associates*.

Equity-accounted shares in a company constitute a single asset and must be tested for impairment in accordance with IAS 36 *Impairment of Assets*.

Goodwill on associates is included in the value of equity-accounted investments, the value of which is measured inclusive of goodwill. As such, goodwill on associates must not be tested for impairment separately.

At each balance sheet date, where there is an indication of impairment of an investment in an associate, the parent company must carry out an impairment test consisting of comparing the carrying amount of the relevant equity-accounted investment with its recoverable amount.

Under IAS 36, the recoverable amount of an investment in an associate is the higher of its value in use, calculated on the basis of future cash flows, and the fair value of the investment less costs of disposal. Where an associate's shares are listed, fair value less costs of disposal is equal to market price less costs to sell: in the absence of any firm sale agreement, this is the price at which the shares are currently trading.

Any impairment losses are charged to profit and loss as *Other operating income and expenses*.

Where there is an improvement in the recoverable amount of an equity-accounted investment such that the impairment loss may be written back, the full amount of the impairment loss, including the portion relating to goodwill, must be written back.

# NOTE 10 PROVISIONS AND CONTINGENT LIABILITIES

## 10.1. Current and non-current provisions

| *(in millions of euros)* | 01/01/2017 | Changes in scope | Charges | Reversals (used) | Reversals (not used) | Other | Translation adjustments | 31/12/2017 | Non-current portion | Current portion |
|---|---|---|---|---|---|---|---|---|---|---|
| Provisions for disputes | 20.6 | 0.2 | 1.0 | -8.9 | -1.0 | -6.1 | -0.2 | 5.5 | 1.0 | 4.5 |
| Provisions for guarantees | 0.5 | - | - | -0.1 | -0.1 | - | - | 0.3 | 0.2 | 0.1 |
| Provisions for losses on contracts | 8.9 | 1.4 | 0.9 | -9.0 | - | -1.2 | -0.2 | 0.7 | - | 0.7 |
| Provisions for taxes | 31.1 | - | 0.8 | -2.8 | - | - | - | 29.1 | 29.1 | - |
| Provisions for restructuring | 18.3 | - | 3.6 | -10.5 | -0.5 | - | - | 11.0 | 3.3 | 7.6 |
| Other provisions for contingencies | 37.1 | 0.1 | 9.7 | -14.5 | -12.5 | 7.4 | -1.0 | 26.2 | 22.6 | 3.6 |
| **TOTAL** | **116.4** | **1.7** | **16.0** | **-45.8** | **-14.1** | **-** | **-1.4** | **72.8** | **56.2** | **16.6** |

Provisions for disputes cover disputes before employment tribunals and severance benefits (€4.5 million at 31 December 2017, versus €5.4 million at 31 December 2016) as well as amounts in excess of insurance franchises and client risks provisioned in respect of commercial disputes (€1.0 million at 31 December 2017, versus €15.2 million at 31 December 2016).

Provisions for taxes mainly relate to tax risks in France, and in particular the R&D tax credit and withholdings applied by foreign clients.

Provisions for restructuring correspond to residual costs under the transformation programme within the original scope of Steria in France (€1.7 million), the cost of one-off restructuring measures in Germany (€2.8 million) and Sopra Steria integration costs mainly relating to facilities (€5.5 million in France).

Other provisions for contingencies mainly cover costs relating to premises (€7.5 million, including €7.1 million in restoration costs, mostly in the United Kingdom), clients and projects (€11.1 million, including €8.2 million in the United Kingdom and €2.9 million in Germany), contractual risks (€4.1 million), and tax and employee risks (€2.1 million).

Present obligations resulting from past events involving third parties are recognised in provisions only when it is probable that such obligations will give rise to an outflow of resources to third parties, without consideration from the latter that is at least equivalent and if the outflow of resources can be reliably measured.

Since provisions are estimated based on future risks and expenses, such amounts include an element of uncertainty and may be adjusted in subsequent periods. The impact of discounting provisions is taken into account if significant.

In the specific case of restructuring, an obligation is recognised as soon as the restructuring has been publicly announced and a detailed plan presented or the plan implementation has commenced. This cost mainly corresponds to severance payments, early retirement, costs related to notice periods not worked, training costs for departing employees and other costs relating to site closures. A provision is recognised for the rent and related costs to be paid, net of estimated sub-leasing income, in respect of any property if the asset is sub-leased or vacant and is not intended to be used in connection with main activities.

Scrapped assets and impairment of inventories and other assets directly related to the restructuring measures are also recognised in restructuring costs.

## 10.2. Contingent liabilities

The only contingent liabilities recognised arose as a result of the Sopra-Steria business combination in 2014.

At 31 December 2017, they totalled €12.2 million, or €12.2 million after tax. Reflecting tax, employee and contractual risks, they mainly relate to India (€6.8 million after tax), and to France for the remainder.

To the extent that a liability is not probable or may not be reliably estimated, a contingent liability is disclosed by the Group among its commitments given. By exception, in connection with business combinations, the Group may recognise contingent liabilities on the balance sheet if they result from a present obligation arising from past events and their fair value can be reliably estimated, even where it is not probable that an outflow of resources will be necessary to extinguish the obligation.

# NOTE 11 FINANCING AND FINANCIAL RISK MANAGEMENT

## 11.1. Financial income and expenses

### 11.1.1. Cost of net financial debt

| *(in millions of euros)* | 2017 | 2016 |
|---|---|---|
| Interest income | 6.7 | 9.6 |
| **Income from cash and cash equivalents** | **6.7** | **9.6** |
| Interest expenses | -11.8 | -14.3 |
| Gains and losses on hedges of gross financial debt | -1.6 | -2.1 |
| **Cost of gross financial debt** | **-13.4** | **-16.3** |
| **COST OF NET FINANCIAL DEBT** | **-6.8** | **-6.7** |

The decrease of €2.9 million in financial income is attributable in part to the decline in average investments outstanding in India (€102.7 million in 2017, versus €122.4 million in 2016) following the repatriation of cash in the form of a dividend distribution and in part to the decline in the return on cash investments in Indian rupees.

The cost of gross financial debt fell by €2.9 million, mainly as a result of the decline in benchmark indexes and borrowing requirements.

The average amount of debt outstanding in respect of bank borrowings, bonds and NEU CP (Negotiable EUropean Commercial Paper, the new name for commercial paper) was €912 million in 2017, versus €923 million in 2016. The average borrowing rate after hedging was 1.47% in 2017, compared with 1.77% in 2016.

The cost of net financial debt was stable at €6.8 million.

### 11.1.2. Other financial income and expenses

| *(in millions of euros)* | 2017 | 2016 |
|---|---|---|
| **Foreign exchange gains and losses** | **-1.9** | **2.7** |
| **Other financial income** | **7.2** | **1.8** |
| Discounts granted | -0.6 | -0.8 |
| Net interest expense on retirement benefit obligations | -9.9 | -7.7 |
| Interest on employee profit-sharing liability | -0.3 | -0.7 |
| Expense on unwinding of discounted non-current liabilities | -0.8 | -0.8 |
| Change in the value of derivatives | -1.5 | -0.6 |
| Other financial expenses | -1.9 | -1.6 |
| **Total other financial expenses** | **-15.1** | **-12.1** |
| **TOTAL OTHER FINANCIAL INCOME AND EXPENSES** | **-9.8** | **-7.6** |

The €2.2 million increase in *Other financial income and expenses* derived from foreign exchange gains and losses for €4.6 million and from the rise in the net interest expense on retirement benefit obligations for €2.2 million, offset by the €5.4 million increase in other income, which included a gain of €6.5 million arising on the conversion into shares of convertible bonds issued by CS Communication & Systèmes.

The net interest expense on retirement benefit obligations is detailed in Note 5.3 "Post-employment and similar benefit obligations".

## 11.2. Cash and cash equivalents

| *(in millions of euros)* | 31/12/2017 | 31/12/2016 |
|---|---|---|
| Investment securities | 84.2 | 112.8 |
| Cash | 78.2 | 152.6 |
| **Cash and cash equivalents** | **162.4** | **265.4** |
| Current bank overdrafts | -6.5 | -3.7 |
| **TOTAL** | **155.9** | **261.7** |

Net cash and cash equivalents include available liquid funds (cash at bank and in hand), liquid marketable securities that meet the definition of cash equivalents, bills of exchange presented for collection and falling due before the balance sheet date and temporary bank overdrafts.

Net debt, as presented in Note 11.3, is more representative of the Group's financial position.

Marketable securities and other short-term investments include money-market holdings, short-term deposits and advances under the liquidity provider's agreement. The risk of a change in value on these investments is negligible.

Of the €162.4 million in cash and cash equivalents (excluding current bank overdrafts) at 31 December 2017, €21.9 million was held by the parent company and €140.5 million by the subsidiaries. Among the subsidiaries, Indian entities contributed €86.8 million to net cash and cash equivalents at 31 December 2017 (€114.1 million at 31 December 2016), a decline mainly due to the dividend distribution carried out by the Indian entity. If that cash held by the Indian entity is repatriated in the form of dividends, a withholding tax will apply, for which a provision has been recognised.

*Cash and cash equivalents* comprise cash, bank demand deposits, other highly liquid investments with maturities not exceeding three months, and bank overdrafts. Bank overdrafts are included in current liabilities as part of *Financial debt – short-term portion.*

Cash equivalents are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash, and that are subject to an insignificant risk of changes in value, with the exception for foreign exchange impacts.

UCITS classified by the AMF (France's financial markets regulator) as belonging to the money market and short-term money market categories are, for practical purposes, presumed to automatically meet all four quoted eligibility criteria. Other cash UCITS cannot be presumed to be eligible for classification as cash equivalents: an analysis must be carried out to establish whether or not the four quoted criteria are met.

Cash equivalents are recognised at fair value; changes in fair value are charged to profit and loss under *Cost of net financial debt.*

## 11.3. Financial debt – Net financial debt

| *(in millions of euros)* | Current | Non-current | 31/12/2017 | 31/12/2016 |
|---|---|---|---|---|
| Bonds | 6.4 | 181.1 | 187.6 | 190.0 |
| Bank borrowings | 23.8 | 211.1 | 234.9 | 235.2 |
| Finance lease liabilities | 6.4 | 6.7 | 13.2 | 14.7 |
| Other sundry financial debt | 230.5 | - | 230.5 | 327.8 |
| Current bank overdrafts | 6.5 | - | 6.5 | 3.7 |
| **FINANCIAL DEBT** | **273.6** | **398.9** | **672.5** | **771.4** |
| Investment securities | -84.2 | - | -84.2 | -112.8 |
| Cash | -78.2 | - | -78.2 | -152.6 |
| **NET FINANCIAL DEBT** | **111.2** | **398.9** | **510.1** | **506.0** |

Financial debt essentially comprises:

- bond debt and bank borrowings: initially recognised at fair value net of transaction costs incurred. Borrowings are subsequently recognised at amortised cost; any difference between the capital amounts borrowed (net of transaction costs) and the amounts repayable is recognised in profit or loss over the duration of the borrowings using the effective interest method;
- NEU CP short-term negotiable securities (previously referred to as commercial paper), which have a maturity of less than 12 months and are thus recognised at amortised cost;
- liabilities on finance leases: a liability is recognised at the inception of each lease is based on the present value of future lease payments, discounted using the interest rates implicit in each lease;
- bank overdraft facilities.

Financial debt repayable within 12 months of the balance sheet date is classified as current liabilities.

### 11.3.1. Bonds

The Group has a bond issued by Groupe Steria to institutional investors in 2013, in the amount of €180 million, maturing in July 2019, and with a fixed annual coupon of 4.25%. Upon the acquisition of Steria, this liability was revalued at fair value at the takeover date, with a resulting revaluation gain of €13.0 million. This amount will be amortised over the period to July 2019 as a reduction to interest expense. At 31 December 2017, the amount remaining to amortise is €4.3 million (€7.0 million at 31 December 2016).

### 11.3.2. Bank borrowings

In 2014, the Group took out a €1,200 million five-year borrowing facility with two options to extend the expiry date by one year. This facility comprised a €200 million amortising tranche, an £80 million amortising tranche and a €900 million multi-currency revolving credit line. In 2017, following the exercise of the first one-year extension option, the expiry date was postponed to 6 July 2022. The second one-year extension option is available to be exercised in 2018. At 31 December 2017, the outstanding amount drawn on the loan is from the two amortising tranches (€144 million and £57.6 million after contractual amortisations for the period). The €900 million multi-currency revolving credit facility is undrawn. Furthermore, the Group arranged a €30 million two-year bilateral bank term loan drawn down in April 2017.

### 11.3.3. Finance lease liabilities

The outstanding amount of liabilities on finance leases came to €13.2 million at 31 December 2017, versus €14.7 million at 31 December 2016. The €1.5 million decrease in the outstanding amount derived from the arrangement of €5.9 million in new lease agreements and the €7.4 million in amortisation on previous leases. Depending on the type of asset financed, the term of these finance leases is either three or four years.

| | 31/12/2017 | | | 31/12/2016 |
|---|---|---|---|---|
| *(in millions of euros)* | Minimum payments for finance leases | Future financial expense | Present value of future lease payments | Present value of future lease payments |
| Less than one year | 6.5 | - | 6.4 | 6.4 |
| One to five years | 6.7 | - | 6.7 | 8.3 |
| More than five years | - | - | - | - |
| **TOTAL** | **13.2** | **-** | **13.2** | **14.7** |

**Leases**

Leases of tangible fixed assets under which the Group takes on substantially all the risks and rewards incidental to ownership of the assets are treated as finance leases. These leases give rise to the recognition of a financial liability corresponding to the present value of the minimum lease payments.

Each lease payment is apportioned between the finance charge and the reduction of the outstanding liability so as to produce a constant periodic rate of interest on the remaining balance of the liability.

The corresponding contractual lease commitments, net of finance costs, are included within *Financial debt*. The corresponding finance costs are recognised over the lease term in profit or loss, under *Cost of financial debt*.

In contrast, leases under which the lessor retains substantially all the risks and rewards incidental to ownership are treated as operating leases. These leases are not recorded as either assets or liabilities, specifically including via financial liabilities, and no financial expense is recognised.

### 11.3.4. Other financial debt

In 2015, the Group arranged an unrated multi-currency NEU CP (previously referred to as commercial paper) programme of short-term negotiable securities that was not underwritten, in a maximum amount of €700 million. This programme has been presented in documentation available on the Banque de France's website, which was last updated on 30 June 2017. The average amount outstanding under the NEU CP programme was €458.2 million in 2017, compared with €443.9 million in 2016, and was very active throughout 2017. The Group benefited from the fall in short-term euro rates as well as investor interest in maturities of 6 to 12 months. The outstanding amount under the NEU CP programme at 31 December 2017, is €210.6 million (€302.7 million at 31 December 2016). The NEU CPs are included in *Other sundry financial debt*.

In December 2017, as part of its efforts to diversify its borrowings, the Group arranged an NEU MTN programme of medium-term negotiable securities that was not underwritten, with a maximum amount of €300 million. As is the case for the earlier NEU CP programme, the NEU MTN programme is presented in documentation available on the Banque de France's website. At 31 December 2017, no NEU MTNs had been issued.

At 31 December 2017, the impact of the sale of trade accounts receivable with recourse in France for an amount of €19.8 million (€25.0 million at 31 December 2016) was recognised in *Other sundry financial debt* (see Note 7.2).

## 11.4. Derivatives reported in the balance sheet

| | 31/12/2017 | | Breakdown by class of financial instrument | | | | | |
|---|---|---|---|---|---|---|---|---|
| *(in millions of euros)* | Carrying amount | Fair value | Assets and liabilities at fair value through profit and loss | Available-for-sale assets | Loans, receivables and other debt | Financial liabilities at amortised cost | Derivatives | Other items not considered as financial instruments |
| Non-current financial assets | 28.6 | 28.6 | - | 13.9 | 10.4 | - | 4.3 | - |
| Trade accounts receivable | 1,137.8 | 1,137.8 | - | - | 1,137.8 | - | - | - |
| Other current assets | 256.4 | 256.4 | - | - | 175.4 | - | 3.3 | 77.7 |
| Cash and cash equivalents | 162.4 | 162.4 | 162.4 | - | - | - | - | - |
| **FINANCIAL ASSETS** | **1,585.2** | **1,585.2** | **162.4** | **13.9** | **1,323.6** | **-** | **7.6** | **77.7** |
| Financial debt – long-term portion | 398.9 | 398.9 | - | - | - | 398.9 | - | - |
| Other non-current liabilities | 65.2 | 65.2 | - | - | 62.0 | - | 3.2 | - |
| Financial debt – short-term portion | 273.6 | 273.6 | - | - | - | 273.6 | - | - |
| Trade payables | 268.8 | 268.8 | - | - | 268.8 | - | - | - |
| Other current liabilities | 1,089.6 | 1,089.6 | - | - | 979.8 | - | 1.4 | 108.4 |
| **FINANCIAL LIABILITIES** | **2,096.1** | **2,096.1** | **-** | **-** | **1,310.6** | **672.5** | **4.6** | **108.4** |

Items measured at fair value through profit or loss, and derivative hedging instruments, are valued by reference to quoted interbank interest rates (Euribor, etc.) and to foreign exchange rates set daily by the European Central Bank. All financial instruments in this category are financial assets and liabilities classified as such upon first recognition.

Available-for-sale assets are recognised at fair value in the balance sheet.

Financial debt is recognised at amortised cost using their effective interest rate. Hedging instruments may be put in place to hedge against fluctuations in interest rates by swapping part of the Group's floating rate debt for fixed rate debt.

The Group has entered into and continues to implement transactions designed to hedge its exposure to foreign currency risk through the use of derivatives, including exchange-traded futures and options as well as over-the-counter instruments with top-tier counterparties, as part of its overall risk management policy and due to the substantial scale of its production activities in India and Poland.

Derivative financial instruments are recognised at fair value in the consolidated balance sheet.

Changes in the fair value of derivatives not qualifying for hedge accounting are recognised directly in the income statement for the period.

Income tax receivables and liabilities are not financial instruments.

The profit and loss impact of these financial instruments is as follows:

| | 31/12/2017 | Breakdown by category of instrument | | | | |
|---|---|---|---|---|---|---|
| *(in millions of euros)* | Profit or loss impact | Fair value through profit or loss | Available-for-sale assets | Loans, receivables and other debt | Liabilities at amortised cost | Derivatives |
| Total interest income | 6.7 | - | - | 6.7 | - | - |
| Total interest expense | -11.8 | - | - | - | -11.8 | - |
| Remeasurement | -1.6 | - | - | - | - | -1.6 |
| **NET GAINS OR LOSSES** | **-6.8** | **-** | **-** | **6.7** | **-11.8** | **-1.6** |

The Group uses derivative instruments such as currency forwards, swaps and options to hedge its exposure to interest rate risk and fluctuations in foreign currencies. Derivative instruments are recognised at fair value.

Any gains or losses resulting from fair value movements in derivatives not designated as hedging instruments are recognised directly in profit or loss as *Other financial income and expenses*.

The fair value of currency forwards is calculated by reference to current rates for contracts with similar maturity profiles. The fair value of interest rate swaps is determined by reference to the market value of similar instruments.

For hedge accounting purposes, hedges are classified as either:

- fair value hedges, which hedge exposure to changes in the fair value of a recognised asset or liability or a firm commitment (except foreign currency risk);
- cash flow hedges, which hedge exposure to fluctuations in cash flows attributable either to a specific risk associated with a recognised asset or liability or a highly probable future transaction or foreign currency risk on a firm commitment;
- hedges of a net investment in a foreign operation.

Hedging instruments that satisfy hedge accounting criteria are recognised as follows:

**a. Fair value hedges**

Changes in the fair value of a derivative designated as a fair value hedge are recognised in profit or loss (*Other operating income and expenses* or *Other financial income and expenses* according to the type of hedged item). The ineffective portion of the hedges is recognised immediately in profit or loss as part of *Other financial income* or *Other financial expenses*. Fair value gains and losses on the hedged item attributable to the hedged risk adjust the carrying amount of the hedged item and are also recognised in profit or loss.

**b. Cash flow hedges**

The gain or loss corresponding to the effective portion of the hedging instrument is recognised directly in equity, while the ineffective portion is taken to profit or loss, in *Other financial income and expense*.

Gains and losses recognised directly in equity are released to profit or loss in the period during which the hedged transaction impacts profit or loss.

If the Group does not expect the realisation of the forecast transaction or commitment, the gains and losses previously recognised directly in equity will be released to profit or loss. If the hedging instrument matures, is sold, cancelled or exercised and is not replaced or renewed or if its designation as a hedging instrument is revoked, amounts previously recognised in equity will be held in equity until realisation of the forecast transaction or firm commitment.

**c. Hedges of a net investment**

Hedges of a net investment in a foreign operation, including hedges of monetary items recognised as part of a net investment, are recognised in the same way as cash flow hedges.

The gain or loss corresponding to the effective portion of the hedging instrument is recognised directly in equity, while the ineffective portion is taken to profit or loss.

On the disposal of the foreign operation, cumulative gains and losses recognised directly in equity are released to profit or loss.

## 11.5. Management of risk factors

### 11.5.1. Liquidity risk

The Group's policy is to have borrowing facilities at its disposal that are much larger than its needs and to manage cash centrally at Group level where permitted under the local legislation. Moreover, subsidiaries' cash surpluses or borrowing requirements are managed centrally, being invested or met by the Sopra Steria Group parent company, which carries the bulk of the Group's borrowings and bank credit lines.

As part of its efforts to diversify its borrowings, the Group launched a €300 million NEU MTN programme in December 2017 to supplement its €700 million NEU CP programme and also arranged a €30 million bilateral two-year term loan drawn down in April 2017.

At 31 December 2017, the Group had lines of credit totalling €1.5 billion, 30% of which was drawn down.

These lines of credit break down as shown below:

| | Amount authorised at 31/12/2017 | | Drawdown at 31/12/2017 | | Drawdown rate | Repayment terms | Interest rate at 31/12/2017 |
|---|---|---|---|---|---|---|---|
| | in €m | in £m | in €m | in £m | | | |
| **AVAILABLE LINES OF CREDIT** | | | | | | | |
| **Bond** | **180.0** | **-** | **180.0** | **-** | ***100%*** | **Repayable on maturity in 2019** | ***2.60%*** |
| **Syndicated loan** | | | | | | | |
| Tranche A | 144.0 | - | 144.0 | - | *100%* | Amortising until maturity in 2022 | *1.00%* |
| Tranche B | - | 57.6 | | 57.6 | *100%* | Amortising until maturity in 2022 | *1.52%* |
| Multi-currency revolving credit facility | 900.0 | - | - | - | *0%* | | |
| **Finance leases** | **13.2** | **-** | **13.2** | **-** | *100%* | **Amortising until maturity in 2021** | *0.47%* |
| **Other** | **49.6** | **-** | **49.6** | **-** | *100%* | **2018 and 2019** | *0.40%* |
| **Overdraft** | **164.0** | **-** | **5.9** | **-** | *4%* | **N/A** | *0.58%* |
| **Total lines of credit authorised per currency** | **1,450.8** | **57.6** | **392.7** | **57.6** | | | |
| **TOTAL LINES OF CREDIT AUTHORISED (EURO EQUIVALENT)** | | **1515.7** | | **457.7** | ***30%*** | | ***1.57%*** |
| **OTHER TYPES OF FINANCING USED** | | | | | | | |
| **NEU CP (commercial paper)** | **N/A** | **N/A** | **210.6** | **-** | **N/A** | **2018** | *-0.01%* |
| **Other** | | | **4.3** | **-** | **N/A** | | **N/A** |
| **Total financing per currency** | | | **607.6** | **57.6** | | | |
| **TOTAL FINANCING (EURO EQUIVALENT)** | | | | **672.5** | | | ***1.07%*** |

Interest rates payable on the syndicated loan equal the interbank rate of the currency concerned at the time of drawdown (minimum 0%), plus a margin set for a period of six months based on the leverage ratio.

The coupon payable on the bonds issued on 12 April 2013 has a fixed nominal rate of 4.25% and an effective rate of 2.60%, recognised at fair value upon consolidation.

The syndicated loan and bond issue are subject to terms and conditions, which include financial covenants.

There are two financial ratios calculated every six months using the consolidated financial statements on a 12-month rolling basis:

- the leverage ratio, equal to net financial debt/pro forma EBITDA;
- the interest coverage ratio, equal to pro forma EBITDA/cost of net financial debt.

The leverage ratio must not exceed 3.0 at any reporting date. The interest coverage ratio must not fall below 5.0.

Net financial debt is defined on a consolidated basis as all loans and related borrowings (excluding intercompany liabilities), less available cash and cash equivalents.

Pro forma EBITDA is calculated by adding back the non-cash expenses of depreciation, amortisation and provisions to the consolidated operating profit on business activity (see Note 1.4.1). It is calculated on a 12-month rolling basis and is therefore restated so as to be presented in the financial statements on a like-for-like basis over 12 months.

At 31 December 2017, the net financial debt/pro forma EBITDA ratio covenant was met, with the ratio coming in at 1.44 compared with a covenant of 3.0. It is calculated as follows:

| *(in millions of euros)* | 31/12/2017 | 31/12/2016 |
|---|---|---|
| Short-term borrowings (< 1 year) | 273.6 | 368.7 |
| Long-term borrowings (> 1 year) | 398.9 | 402.7 |
| Cash and cash equivalents | -162.4 | -265.4 |
| Other financial guarantees | - | - |
| **Net financial debt (including financial guarantees)** | **510.1** | **506.0** |
| **Pro forma EBITDA** | **354.1** | **344.8** |
| **Net financial debt/pro forma EBITDA ratio** | **1.44** | **1.47** |

For the interest coverage ratio, pro forma EBITDA is as defined above and the cost of net financial debt is also calculated on a rolling 12-month basis.

At 31 December 2017, the pro forma EBITDA to cost of net financial debt covenant, requiring a ratio of at least 5.0, was met, with the ratio coming in at 52.18. It is calculated as follows:

| *(in millions of euros)* | 31/12/2017 | 31/12/2016 |
|---|---|---|
| **Pro forma EBITDA** | **354.1** | **344.8** |
| **Cost of net financial debt** | **6.8** | **6.7** |
| **Pro forma EBITDA/cost of net financial debt ratio** | **52.18** | **51.38** |

In addition to satisfying the financial ratio prerequisites described above, the Group's two main financing agreements also contain:

- certain performance requirements that are entirely customary for this type of financing;
- clauses relating to events of default such as payment default, inaccurate tax returns, cross-default, bankruptcy, or the occurrence of an event having a material adverse effect;
- clauses stipulating early repayment in full in the event that there is a change of control in ownership of the Company.

The bank loan agreement also stipulates a number of circumstances in which the loan must be repaid in advance, in whole or in part as applicable, or renegotiated with the banks:

- early repayment if all or a substantial number of the Company's assets are sold;
- repayment using proceeds from asset disposals (beyond a specified threshold);
- repayment of a sum equal to each new borrowing taken out by the Company (beyond a specified threshold);
- renegotiation of the financing terms and conditions in the event of financial market disruption (i.e. market disruption clause). This clause is only applicable if a minimum number of banks are unable to obtain refinancing on the capital market as of the date on which the financing is requested, given interest rate fluctuations. The purpose of this clause is to find a replacement rate.

At 31 December 2017, the maturity schedule for the Group's financial debt was as follows:

| *(in millions of euros)* | Carrying amount | Total contractual flows | Less than 1 year | 1 to 2 years | 2 to 3 years | 3 to 4 years | 4 to 5 years | More than 5 years |
|---|---|---|---|---|---|---|---|---|
| Bonds | 187.6 | 194.8 | 11.2 | 183.7 | - | - | - | - |
| Bank borrowings | 234.9 | 254.2 | 28.5 | 55.5 | 26.2 | 14.4 | 129.6 | - |
| NEU CP (commercial paper) | 210.6 | 210.6 | 210.6 | - | - | - | - | - |
| Finance lease liabilities | 13.2 | 13.2 | 6.5 | 4.6 | 1.8 | 0.3 | - | - |
| Other sundry financial debt | 19.9 | 19.9 | 19.9 | - | - | - | - | - |
| Current bank overdrafts | 6.5 | 6.5 | 6.5 | - | - | - | - | - |
| **Financial debt** | **672.5** | **699.2** | **283.0** | **243.8** | **28.0** | **14.7** | **129.6** | **-** |
| Investment securities | -84.2 | -84.2 | -84.2 | - | - | - | - | - |
| Cash | -78.2 | -78.2 | -78.2 | - | - | - | - | - |
| **CONSOLIDATED NET FINANCIAL DEBT** | **510.1** | **536.8** | **120.7** | **243.8** | **28.0** | **14.7** | **129.6** | **-** |

A breakdown of the Group's gross borrowings at 31 December 2017, by type of debt and currency, is shown below:

| | Currency of origin | | | |
|---|---|---|---|---|
| *(in millions of euros)* | Euro | Pound sterling | Other | Total |
| Bonds | 187.6 | - | - | 187.6 |
| Bank borrowings | 153.6 | 57.5 | - | 211.1 |
| Short-term bank borrowings (< 1 year) | 16.4 | 7.4 | - | 23.8 |
| Borrowings and interest related to finance leases | 13.2 | - | - | 13.2 |
| NEU CP (commercial paper) | 210.6 | - | - | 210.6 |
| Other sundry financial debt | 19.9 | - | - | 19.9 |
| Bank overdrafts (cash liabilities) | 6.5 | - | - | 6.5 |
| **GROSS FINANCIAL DEBT** | **607.6** | **64.9** | **-** | **672.5** |

At 31 December 2017, the analysis of the Group's portfolio of investment securities was as follows:

| *(in millions of euros)* | Short-term investments | Advances under the liquidity agreement | Total portfolio of investment securities |
|---|---|---|---|
| Net asset value | 84.2 | 2.5 | 86.7 |
| **NET POSITION** | **84.2** | **2.5** | **86.7** |

Short-term investments are managed by the Group's Finance Department, and comply with internally defined principles of prudence.

At constant exchange rates relative to 31 December 2017, and taking into account short-term investments held at that date, a 50 basis point decrease in floating rates would reduce annual financial income by €0.4 million.

### 11.5.2. 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 majority of the Group's financial investments relate to the subsidiaries in India and, from time to time, the Sopra Steria Group parent company. Financial investments are carried out either via short-term bank deposits with banks mainly belonging to the banking syndicate, or via money market instruments managed by leading financial institutions, which are themselves subsidiaries of banks mainly belonging to the syndicate. These investments are subject to approval by the Group, and comply with internally defined principles of prudence.

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

### 11.5.3. Interest rate risk

The Group's aim is to protect itself against interest rate fluctuations by hedging part of its floating rate debt and investing its cash over periods of less than three months.

The derivative financial instruments used to hedge the debt are interest rate swap contracts or options, which may or may not be eligible for hedge accounting.

The eligible counterparties for interest rate hedging and investments are leading financial institutions which belong to the Sopra Steria banking syndicate. These financial instruments are managed by the Group Finance Department.

All of the Group's interest rate hedges have been put in place through the parent company (Sopra Steria Group).

The total amount of gross borrowings subject to interest rate risk is €471.8 million. Interest rate hedges in force at 31 December 2017, reduced this exposure to €121.8 million. The Group has anticipated the refinancing of its €180 million Euro PP bond debt due to mature in July 2019 by setting up swaption contracts for €100 million.

The Group has taken out a number of interest rate swaps, a breakdown of which is given below:

| | Fair value | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 31/12/2017 | | | | | Maturity | | |
| *(in millions of euros)* | Non-current assets | Current assets | Non-current liabilities | Current liabilities | Notional amount* | < 1 year | 1 to 5 years | > 5 years |
| Swaps (cash flow hedge) in euros | - | - | 0.5 | - | 50.0 | - | 50.0 | - |
| Swaps (cash flow hedge) in foreign currency | - | - | - | - | - | - | - | - |
| Options eligible for hedge accounting in euros | 0.6 | - | 0.3 | - | 300.0 | - | 300.0 | - |
| Options eligible for hedge accounting in foreign currency | - | - | - | - | - | - | - | - |
| Swaps not eligible for hedge accounting in euros | - | - | - | - | 15.0 | 15.0 | - | - |
| Options not eligible for hedge accounting in euros | - | - | 0.2 | - | 110.0 | 10.0 | 100.0 | - |
| **TOTAL INTEREST RATE HEDGES** | **0.6** | **-** | **1.1** | **-** | **475.0** | **25.0** | **450.0** | **-** |

* *Excluding the notional amount of the swaption.*

The remeasurement of these financial instruments in equity is recognised in *Other comprehensive income*.

The remeasurement of these financial instruments in profit or loss is recognised in *Other financial income and expenses*.

The profit or loss and equity impacts of the Group's interest rate hedging instruments are broken down as follows:

| | Balance sheet amounts | | | | | Changes in fair value | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 31/12/2016 | Changes in fair value | Changes in scope | Other changes | 31/12/2017 | Equity impact | Profit or loss impact | | |
| *(in millions of euros)* | | | | | | | Ineffective portion of cash flow hedges | Fair value hedges | Trading |
| Swaps (cash flow hedge) in euros | -1.2 | 0.6 | - | - | -0.5 | 0.6 | - | - | - |
| Swaps (cash flow hedge) in foreign currency | - | - | - | - | - | - | - | - | - |
| Options eligible for hedge accounting in euros | -0.6 | -0.1 | - | 1.0 | 0.3 | 0.8 | -0.9 | - | - |
| Options eligible for hedge accounting in foreign currency | - | - | - | - | - | - | - | - | - |
| Swaps not eligible for hedge accounting in euros | - | - | - | - | - | - | - | - | - |
| Options not eligible for hedge accounting in foreign currency | - | -0.2 | - | - | -0.2 | - | - | - | -0.2 |
| **TOTAL PRE-TAX IMPACT** | **-1.8** | **0.3** | **-** | **1.0** | **-0.5** | **1.4** | **-0.9** | **-** | **-0.3** |

The sensitivity of the interest rate derivatives portfolio to a plus or minus 50 basis point change in the euro yield curves at 31 December 2017, is as follows:

| | -50 bp | | +50 bp | |
|---|---|---|---|---|
| *(in millions of euros)* | Equity impact | P&L impact (hedge ineffectiveness) | Equity impact | P&L impact (hedge ineffectiveness) |
| Swaps (cash flow hedge) in euros | -0.4 | - | 0.4 | - |
| Swaps (cash flow hedge) in foreign currency | - | - | - | - |
| Swaps not eligible for hedge accounting | - | - | - | - |
| Options eligible for hedge accounting in euros | -1.1 | -0.8 | 4.9 | -0.8 |
| Options eligible for hedge accounting in foreign currency | - | - | - | - |
| Options not eligible for hedge accounting in foreign currency | - | -0.1 | - | 0.7 |
| **TOTAL** | **-1.6** | **-0.9** | **5.3** | **-0.1** |
| *i.e.* | | *-2.5* | | *5.2* |

The Group's residual exposure to interest rate risk is as follows:

| *(in millions of euros)* | Rate | 31/12/2017 | Less than 1 year | 1 to 2 years | 2 to 3 years | 3 to 4 years | 4 to 5 years | More than 5 years |
|---|---|---|---|---|---|---|---|---|
| | Fixed rate | - | - | - | - | - | - | - |
| Investment securities | Floating rate | 86.7 | 86.7 | - | - | - | - | - |
| | Floating rate | 75.7 | 75.7 | - | - | - | - | - |
| Cash | Floating rate | - | - | - | - | - | - | - |
| | **Fixed rate** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| | **Floating rate** | **162.4** | **162.4** | **-** | **-** | **-** | **-** | **-** |
| **Financial assets** | **Total financial assets** | **162.4** | **162.4** | **-** | **-** | **-** | **-** | **-** |
| Bonds | Fixed rate | -187.6 | -6.4 | -181.1 | - | - | - | - |
| Bank borrowings | Floating rate | -234.9 | -23.8 | -51.1 | -22.2 | -10.6 | -127.2 | - |
| NEU CP (commercial paper) | Floating rate | -210.6 | -210.6 | - | - | - | - | - |
| | Fixed rate | -13.2 | -6.4 | -4.6 | -1.8 | -0.3 | - | - |
| Finance lease liabilities | Floating rate | - | - | - | - | - | - | - |
| | Fixed rate | - | - | - | - | - | - | - |
| Other financial debt | Floating rate | -19.9 | -19.9 | - | - | - | - | - |
| | Fixed rate | - | - | - | - | - | - | - |
| Current bank overdrafts | Floating rate | -6.5 | -6.5 | - | - | - | - | - |
| | **Fixed rate** | **-200.7** | **-12.9** | **-185.7** | **-1.8** | **-0.3** | **-** | **-** |
| | **Floating rate** | **-471.8** | **-260.7** | **-51.1** | **-22.2** | **-10.6** | **-127.2** | **-** |
| **Financial liabilities (gross exposure before hedging)** | **Total financial liabilities** | **-672.5** | **-273.6** | **-236.9** | **-24.0** | **-10.9** | **-127.2** | **-** |
| | **FIXED RATE** | **-200.7** | **-12.9** | **-185.7** | **-1.8** | **-0.3** | **-** | **-** |
| **NET EXPOSURE BEFORE HEDGING** | **FLOATING RATE** | **-309.4** | **-98.3** | **-51.1** | **-22.2** | **-10.6** | **-127.2** | **-** |
| | Fixed-rate payer swaps in euros | 50.0 | - | 50.0 | - | - | - | - |
| | Fixed-rate payer swaps in foreign currency | - | - | - | - | - | - | - |
| **Interest rate hedging instruments** | Fixed-rate payer options | 300.0 | - | - | - | 200.0 | 100.0 | - |
| | **FIXED RATE** | **-550.7** | **-12.9** | **-235.7** | **-1.8** | **-200.3** | **-100.0** | **-** |
| **GROSS EXPOSURE AFTER HEDGING** | **FLOATING RATE** | **-121.8** | **-260.7** | **-1.1** | **-22.2** | **189.4** | **-27.2** | **-** |
| | **FIXED RATE** | **-550.7** | **-12.9** | **-235.7** | **-1.8** | **-200.3** | **-100.0** | **-** |
| **NET EXPOSURE AFTER HEDGING** | **FLOATING RATE** | **40.6** | **-98.3** | **-1.1** | **-22.2** | **189.4** | **-27.2** | **-** |

The fair value of interest rate hedging derivatives is measured using the following assumptions:

- level 1: quoted data: 0%;
- level 2: observable data: 100%;
- level 3: internal models: 0%.

### 11.5.4. Foreign currency risk

The Group is subject to three main types of risks linked to fluctuations in exchange rates:

- translation risk in the various financial statements making up the Group's consolidated financial statements for business conducted in countries with a functional currency other than the euro;
- transactional risk linked to purchases and sales of services, where the transaction currency is different from that of the country in which the service is recognised;
- financial foreign currency risk arising from the Group's foreign-currency borrowings (risk arising from changes in the value of the financial debt denominated in sterling).

As part of its general risk management policy, the Group systematically hedges against transactional foreign currency risks that constitute material risks for the Group as a whole.

Centralised management of foreign currency transaction risk is in place with the Group's main entities (apart from India). Sopra Steria Group acts as the centralising entity, granting exchange rate guarantees to subsidiaries and, after netting internal exposures, hedges the residual exposure through the use of derivatives.

Foreign currency risk hedging mainly relates to transactional exposures involving the Group's production platforms in India and Poland and certain commercial contracts denominated in US dollars. Changes in fair value corresponding to these hedges are taken to profit or loss for invoiced items and to equity for future cash flows.

The remeasurement through profit or loss of these financial instruments hedging balance sheet items is balanced by the revaluation of foreign currency receivables over the period.

The Group's Finance Department provides this hedging 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.

The Group's policy is not to conduct speculative transactions on financial markets.

Finally, the structure of the Group's borrowing, part of which is denominated in sterling, provides a natural, if only partial, hedge against currency translation risk on net assets, recognised directly in the balance sheet. Similarly, in connection with the Kentor acquisition, the Group entered into a hedging arrangement for the Swedish krona to cover its financing requirements for this entity.

The balance sheet value of the Group's foreign currency hedges, and applicable notional amounts hedged, are as follows:

| | Fair value 31/12/2017 | | | | | Maturity | | |
|---|---|---|---|---|---|---|---|---|
| *(in millions of euros)* | Non-current assets | Current assets | Non-current liabilities | Current liabilities | Notional amount | < 1 year | 1 to 5 years | > 5 years |
| **Fair value hedges** | | | | | | | | |
| Foreign currency forwards | - | 1,9 | - | 0,1 | 46,6 | 46,6 | - | - |
| Foreign currency options | - | 0,2 | - | - | 11,3 | 11,3 | - | - |
| **Cash flow hedges** | | | | | | | | |
| Foreign currency forwards | 2,0 | 0,9 | 0,4 | 1,2 | 77,0 | 20,4 | 56,6 | - |
| Foreign currency options | 0,1 | 0,4 | 0,1 | 0,1 | 17,8 | 12,8 | 5,1 | - |
| **Instruments not designated for hedging*** | **-** | **-** | **-** | **-** | **5,3** | **5,3** | **-** | **-** |
| **TOTAL FOREIGN CURRENCY HEDGES** | **2,1** | **3,4** | **0,6** | **1,5** | **158,0** | **96,3** | **61,7** | **-** |

* *The Group hedges the transactional foreign exchange risk but chooses in certain cases not to apply hedge accounting.*

The fair value of these financial instruments is adjusted by crediting or debiting *Other current operating income and expenses*, with the exception of the time value and the impact of financial instruments not eligible for hedge accounting, which are recognised in *Other financial income and expenses*.

The profit or loss and equity impacts of the Group's foreign currency hedges are broken down as follows:

| | Balance sheet amounts | | | | | Changes in fair value | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Profit or loss impact | | |
| *(in millions of euros)* | 31/12/2016 | Change in fair value | Changes in scope | Other changes | 31/12/2017 | Equity impact | Ineffective portion of cash flow hedges | Fair value hedges | Trading |
| **Fair value hedges** | | | | | | | | | |
| Foreign currency forwards | 5.1 | -3.4 | - | - | 1.8 | - | - | -3.4 | - |
| Foreign currency options | 2.2 | -1.6 | - | -0.4 | 0.2 | - | - | -1.6 | - |
| **Cash flow hedges** | | | | | | | | | |
| Foreign currency forwards | 3.3 | -2.0 | - | - | 1.3 | -2.0 | - | - | - |
| Foreign currency options | 0.4 | -0.2 | - | 0.1 | 0.2 | - | -0.2 | - | - |
| **Instruments not designated for hedging** | **-** | **-0.1** | **-** | **0.1** | **-** | **-** | **-** | **-** | **-0.1** |
| **TOTAL PRE-TAX IMPACT** | **11.1** | **-7.3** | **-** | **-0.3** | **3.5** | **-2.0** | **-0.2** | **-5.0** | **-0.1** |

Exposure to foreign exchange risk is as follows:

## COMMERCIAL TRANSACTIONS

| *(in millions of euros)* | GBP | EUR | USD | MAD | TND | Other | Total |
|---|---|---|---|---|---|---|---|
| Assets | 42.5 | 32.9 | 4.4 | 2.7 | - | 0.2 | 82.7 |
| Liabilities | 2.0 | 4.9 | 0.2 | 8.6 | 10.6 | 0.9 | 27.3 |
| Foreign currency commitments | - | - | - | - | - | - | - |
| **Net position before hedging** | **40.5** | **28.0** | **4.2** | **-5.9** | **-10.6** | **-0.7** | **55.4** |
| Hedging instruments | 85.7 | 54.1 | 7.5 | - | - | - | 147.3 |
| **NET POSITION AFTER HEDGING** | **-45.1** | **-26.2** | **-3.3** | **-5.9** | **-10.6** | **-0.7** | **-91.9** |

## FINANCING

| *(in millions of euros)* | GBP | EUR | USD | MAD | TND | Other | Total |
|---|---|---|---|---|---|---|---|
| Assets | 90.2 | - | - | 3.1 | 7.1 | 0.6 | 100.9 |
| Liabilities | 89.5 | - | - | - | - | - | 89.5 |
| Foreign currency commitments | - | - | - | - | - | - | - |
| **Net position before hedging** | **0.6** | **-** | **-** | **3.1** | **7.1** | **0.6** | **11.4** |
| Hedging instruments* | 167.2 | - | - | - | - | -19.9 | 147.3 |
| **NET POSITION AFTER HEDGING** | **-166.6** | **-** | **-** | **3.1** | **7.1** | **20.5** | **-136.0** |

* *Hedge of net investment in foreign currency.*

## TOTAL (MARKET POSITIONS + FINANCING)

| *(in millions of euros)* | GBP | EUR | USD | MAD | TND | Other | Total |
|---|---|---|---|---|---|---|---|
| Assets | 132.7 | 32.9 | 4.4 | 5.8 | 7.1 | 0.8 | 183.6 |
| Liabilities | 91.5 | 4.9 | 0.2 | 8.6 | 10.6 | 0.9 | 116.8 |
| Foreign currency commitments | - | - | - | - | - | - | - |
| **Net position before hedging** | **41.2** | **28.0** | **4.2** | **-2.8** | **-3.5** | **-0.1** | **66.8** |
| Hedging instruments | 252.9 | 54.1 | 7.5 | - | - | -19.9 | 294.6 |
| **NET POSITION AFTER HEDGING** | **-211.8** | **-26.2** | **-3.3** | **-2.8** | **-3.5** | **19.8** | **-227.8** |

## SENSITIVITY ANALYSIS

| *(in millions of euros)* | GBP | EUR | USD | MAD | TND | Other | Total |
|---|---|---|---|---|---|---|---|
| Currency change assumption (appreciation) | 5% | 5% | 5% | 5% | 5% | 5% | |
| **NET IMPACT ON PROFIT** | **0.4** | **0.3** | **0.1** | **-0.1** | **-0.2** | **-** | **0.4** |
| **EQUITY IMPACT** | **-11.0** | **-1.6** | **-0.3** | **-** | **-** | **1.0** | **-11.8** |

### 11.5.5. Equity risk

The Group does not hold any investments in equities or any equity interests in listed companies other than Axway Software shares accounted for under the equity method (see Note 9) and the shares in CS Communication et Systèmes (see Note 7.1.1).

At 31 December 2017, the value of treasury shares recognised as a deduction against consolidated equity for the year was €40.4 million.

Given the limited number of treasury shares held (1.56% of the share capital), the Group is not materially exposed to equity risk. Furthermore, since the value of treasury shares is deducted from equity, changes in the share price have no impact on the consolidated income statement.

# NOTE 12 CASH FLOWS

## 12.1. Change in net financial debt

| *(in millions of euros)* | 31/12/2016 | Proceeds from/ (Payments on) borrowings | Changes in scope | Translation adjustments | Other movements | 31/12/2017 |
|---|---|---|---|---|---|---|
| Bonds excluding accrued interest | 187.0 | -2.7 | - | - | - | 184.3 |
| Bank borrowings excluding accrued interest | 240.5 | 1.3 | - | -2.9 | - | 238.9 |
| Finance lease liabilities excluding accrued interest | 14.7 | -1.6 | - | - | - | 13.2 |
| Other sundry financial debt excluding current accounts and accrued interest | 327.8 | -94.4 | 0.4 | -3.3 | - | 230.5 |
| **Financial debt in the cash flow statement** | **770.0** | **-97.3** | **0.4** | **-6.2** | **-** | **666.8** |
| Current accounts | - | -18.1 | 18.6 | -0.6 | - | - |
| Accrued interest on financial debt | -2.2 | 1.4 | - | - | - | -0.8 |
| **Financial debt excluding current bank overdrafts** | **767.7** | **-114.0** | **19.0** | **-6.8** | **-** | **666.1** |
| Current bank overdrafts | -3.7 | 5.0 | - | -7.7 | - | -6.5 |
| Investment securities | 112.8 | -22.1 | - | -6.5 | - | 84.2 |
| Cash | 152.6 | -85.7 | 14.5 | -3.3 | - | 78.2 |
| **Net cash in the cash flow statement** | **261.7** | **-102.8** | **14.5** | **-17.5** | **-** | **155.9** |
| **NET FINANCIAL DEBT** | **506.0** | **-11.1** | **4.5** | **10.7** | **-** | **510.1** |
| **i.e. change in net financial debt** | | | | | **4.1** | |

*Net cash from operating activities* derives from *Operating profit on business activity*, after deducting the depreciation, amortisation and the provisions it includes, which gives *EBITDA*, and other non-cash items adjusted for tax paid, restructuring and integration costs, and the change in the working capital requirement. It differs from *Net cash from operating activities* as shown in the consolidated cash flow statement presented in the financial statements on page 134, in that this caption includes the cash impact of *Other financial income and expenses* (see Note 11.1.2).

*Free cash flow* is defined as net cash from operating activities adjusted for the impact of purchases (net of disposals) of property, plant and equipment and intangible assets during the period, all financial income and expenses payable or receivable, and additional contributions paid to cover any deficits in certain defined-benefit pension plans.

Adjusted for net cash generated by financing activities and the impact of exchange rate fluctuations on net debt, this explains the change in net financial debt.

| *(in millions of euros)* | 31/12/2017 | 31/12/2016 |
|---|---|---|
| **Operating profit on business activity** | **329.8** | **301.1** |
| Depreciation, amortisation and provisions (excluding allocated intangible assets) | 19.6 | 42.9 |
| **EBITDA** | **349.4** | **344.0** |
| Non-cash items | 1.3 | -1.5 |
| Tax paid | -63.9 | -72.0 |
| Impairment of current assets | -2.9 | 0.6 |
| Change in operating WCR | -12.4 | -17.0 |
| Reorganisation and restructuring costs | -29.6 | -29.6 |
| **Net cash from operating activities** | **241.9** | **224.5** |
| Payments relating to investments in tangible and intangible fixed assets | -62.3 | -46.8 |
| Receipts relating to disposals of tangible and intangible fixed assets | - | 0.1 |
| **Net change from investment activities involving tangible and intangible fixed assets** | **-62.3** | **-46.7** |
| Net interest | -10.3 | -6.2 |
| Additional contributions related to defined-benefit pension plans | -21.0 | -21.0 |
| **Free cash flow** | **148.4** | **150.6** |
| Impact of changes in scope | -96.0 | -120.6 |
| Impact of payments relating to non-current financial assets | -5.2 | -0.4 |
| Impact of receipts relating to non-current financial assets | 2.3 | 1.8 |
| Dividends paid | -44.5 | -34.4 |
| Dividends received | 2.8 | 3.1 |
| Capital increases | 0.1 | 2.3 |
| Purchase and sale of treasury shares | -1.3 | 10.3 |
| Other cash flows relating to investing activities | - | -0.2 |
| **Net cash flow** | **6.6** | **12.5** |
| Impact of changes in foreign exchange rates | -10.7 | 12.3 |
| **CHANGE IN NET FINANCIAL DEBT** | **-4.1** | **24.8** |
| Cash and cash equivalents – beginning of period | 261.7 | 217.5 |
| Non-current financial debt – beginning of period | -402.6 | -437.8 |
| Current financial debt – beginning of period | -365.1 | -310.5 |
| **Net financial debt at the beginning of the period** | **-506.0** | **-530.8** |
| Cash and cash equivalents – end of period | 155.9 | 261.7 |
| Non-current financial debt – end of period | -398.9 | -402.6 |
| Current financial debt – end of period | -267.1 | -365.1 |
| **Net financial debt at the end of the period** | **-510.1** | **-506.0** |
| **CHANGE IN NET FINANCIAL DEBT** | **-4.1** | **24.8** |

*Free cash flow* amounted to an inflow of €111.4 million, excluding the sale of trade accounts receivable for a value of €37.0 million, in a deconsolidated transaction resulting in the derecognition of the assigned receivables (see Note 7.2), thus corresponding to total *Free cash flow* of €148.4 million, slightly lower than the level the previous year (€150.6 million), when it included a non-recurring positive impact of around €20 million. This change is mainly due to a weaker than anticipated improvement in the average client payment term and this despite a slight improvement in *EBITDA*, a decrease in tax-related outflows and stable reorganisation and restructuring costs. It is also worth noting that the adverse impact of the postponed migration for an SSCL client is estimated at €15 million for the year and made a negative contribution to the change in operating WCR.

Net financial debt at 31 December 2017 was nearly stable compared with its level a year earlier, amounting to €510.1 million, which equates to 1.44x 2017 pro forma EBITDA, versus 1.47x at 31 December 2016 (see Note 11.5.1).

The impact of changes in scope on the change in net financial debt breaks down as follows:

| *(in millions of euros)* | 31/12/2017 | 31/12/2016 |
|---|---|---|
| Cost of acquisitions paid (excluding earnouts) | -97.6 | -102.8 |
| Net debt/net cash of acquired companies | -4.5 | -17.8 |
| Earnouts | - | - |
| Earnouts paid in respect of prior acquisitions | - | - |
| Disposal price for shares sold in consolidated equity investments | 6.1 | - |
| **TOTAL** | **-96.0** | **-120.6** |

In 2017, changes in scope consisted primarily of the acquisitions of Kentor and Galitt (see Note 2.1). In 2016, these items mainly reflected the acquisition of the Cassiopae group.

## 12.2. Reconciliation of the working capital requirement with the statement of cash flows

The impact of the components of the working capital requirement shown on the balance sheet on cash generation can be broken down as follows:

| *(in millions of euros)* | 31/12/2017 | 31/12/2016 | Net change | Of which items not included in working capital | Of which working capital items | Change in working capital items without cash impact | | Impact on statement of cash flows |
|---|---|---|---|---|---|---|---|---|
| | | | | | | *Foreign exchange* | *Other* | |
| Other non-current financial assets | 6.5 | 7.3 | -0.8 | -0.5 | -0.4 | -0.1 | -2.0 | -1.7 |
| ■ other loans and receivables | 2.2 | 2.5 | -0.4 | - | -0.4 | -0.1 | -2.0 | -1.7 |
| ■ other non-current financial assets | 4.3 | 4.8 | -0.5 | -0.5 | - | - | - | - |
| **Non-current assets** | ***6.5*** | ***7.3*** | ***-0.8*** | ***-0.5*** | ***-0.4*** | ***-0.1*** | ***-2.0*** | ***-1.7*** |
| Trade accounts receivable | 1,137.8 | 1,132.7 | 5.1 | - | 5.1 | -14.1 | 35.2 | 16.0 |
| ■ trade accounts receivable | 654.7 | 664.3 | -9.6 | - | -9.6 | -6.0 | 28.4 | 32.0 |
| ■ accrued income | 483.1 | 468.4 | 14.7 | - | 14.7 | -8.1 | 6.8 | -16.0 |
| Other current receivables | 256.4 | 231.1 | 25.4 | -1.1 | 26.5 | -1.4 | 0.6 | -27.3 |
| **Current assets** | ***1,394.2*** | ***1,363.8*** | ***30.4*** | ***-1.1*** | ***31.6*** | ***-15.5*** | ***35.8*** | ***-11.2*** |
| Non-current assets classified as held for sale | - | 4.4 | -4.4 | -4.4 | - | - | - | - |
| **Total assets** | **1,400.7** | **1,375.5** | **25.2** | **-6.0** | **31.2** | **-15.5** | **33.8** | **-12.9** |
| Retirement and other employee benefit obligations – liabilities | -14.9 | -18.1 | 3.2 | - | 3.2 | 0.6 | -2.1 | -4.8 |
| ■ other long-term employee benefits | -14.9 | -18.1 | 3.2 | - | 3.2 | 0.6 | -2.1 | -4.8 |
| Other non-current liabilities | -65.2 | -86.4 | 21.2 | 1.1 | 20.1 | 1.9 | 25.4 | 7.1 |
| **Non-current liabilities** | ***-80.1*** | ***-104.6*** | ***24.4*** | ***1.1*** | ***23.4*** | ***2.4*** | ***23.2*** | 2.3 |
| Trade payables | -268.8 | -285.9 | 17.1 | - | 17.1 | -0.8 | -21.2 | -39.1 |
| Advances and payments on account received for orders | -3.3 | -3.1 | -0.3 | - | -0.3 | 0.1 | - | 0.3 |
| Deferred income on client projects | -272.9 | -248.4 | -24.5 | - | -24.5 | 3.0 | -3.7 | 23.8 |
| Other current liabilities | -813.4 | -785.6 | -27.7 | 2.9 | -30.7 | 7.6 | -25.1 | 13.1 |
| **Current liabilities** | ***-1,358.4*** | ***-1,323.0*** | ***-35.4*** | ***2.9*** | ***-38.3*** | ***9.9*** | ***-50.0*** | -1.8 |
| Liabilities related to non-current assets classified as held for sale | - | -0.1 | 0.1 | 0.1 | - | - | - | - |
| **Total liabilities** | **-1,438.5** | **-1,427.6** | **-10.9** | **4.0** | **-14.9** | **12.3** | **-26.8** | **0.5** |
| **TOTAL WCR** | **-37.8** | **-52.1** | **14.3** | **-1.9** | **16.2** | **-3.2** | **7.1** | **-12.4** |

## 12.3. Other cash flows

Aside from the impact of changes in scope, cash flows from investing activities chiefly consisted of purchases of €45.3 million in property, plant and equipment (€40.1 million in 2016) and €16.9 million in intangible assets (€6.7 million in 2016), more than half of which were carried out in France (see Notes 8.2 and 8.3).

In addition to new borrowings and repayments of existing borrowings (see Note 12.1), net cash generated by financing activities reflects the amounts raised from shareholders via capital increases. These correspond to the exercise of share subscription options. It also includes the negative impact of €0.9 million from treasury share transactions under the We Share employee share ownership plan (positive impact of €9.8 million in 2016 due to the disposal of shares purchased in prior years and not bought back on the market at the time of the transaction), the payment of a €2.20 dividend per share (€1.70 per share in 2016), for a total amount of €44.5 million (€34.4 million in 2016) and the additional contributions in the amount of €21.0 million made to curtail the deficit of the defined-benefit pension plans (the same amount as in 2016), €20.8 million of which was allocated to the UK plans (€20.9 million in 2016).

# NOTE 13 EQUITY AND EARNINGS PER SHARE

## 13.1. Equity

The consolidated statement of changes in equity is presented on page 133.

All of the Sopra Steria Group shares held by the parent company or any of its subsidiaries are recognised at their acquisition cost, deducted from consolidated equity.

### 13.1.1. Changes in the share capital

At 31 December 2017, Sopra Steria Group had a share capital of €20,547,701, compared with €20,531,795 at 31 December 2016. It is represented by 20,547,701 fully paid-up shares with a par value of €1 each.

Movements during the 2017 financial year were as follows:

- the creation and distribution of 10,906 free shares under the performance-linked free share plans put in place by Steria Group;
- the exercise of share subscription options leading to the creation of 5,000 shares corresponding to a capital increase of €0.1 million and an issue premium of €2.2 million.

### 13.1.2. Transactions in treasury shares

At 31 December 2017, the value of treasury shares recognised as a deduction from consolidated equity was €40.4 million, consisting of 319,992 shares, including 307,278 shares held by UK trusts falling within the consolidation scope and 12,714 shares acquired under the liquidity agreement.

### 13.1.3. Dividends

At Sopra Steria Group's General Meeting of 13 June 2017, the shareholders resolved to distribute an ordinary dividend of €45.2 million in respect of financial year 2016, equating to €2.20 per share. The dividend was paid on 5 July 2017 for a total of €44.5 million, net of the dividend on treasury shares. The dividend paid in respect of the previous year was €34.8 million, equating to €1.70 per share.

Upon approval of the financial statements for the year ended 31 December 2017, it is proposed that the shareholders agree to distribute an ordinary dividend of €2.40 per share, representing a total of €49.3 million.

### 13.1.4. Accumulated translation reserves

In line with the principles described in Note 1.4.2.b, accumulated translation reserves include the gains or losses arising on translation from the functional currencies of the Group's entities to the presentation currency as well as the currency hedging effects of net investments in foreign operations. Movements are recorded in *Other comprehensive income*. Accumulated translation reserves also reflect the translation effects of gains or losses on disposals of foreign operations.

At 31 December 2017, accumulated translation reserves by currency were as follows:

| *(in millions of euros)* | 31/12/2017 | 31/12/2016 |
|---|---|---|
| Swiss franc | 4.2 | 8.4 |
| Pound sterling | -72.0 | -53.7 |
| Indian rupee | 8.2 | 17.3 |
| Norwegian krone | -18.1 | -8.8 |
| Polish zloty | -0.1 | -0.4 |
| Singapore dollar | 0.1 | 0.4 |
| Tunisian dinar | -1.5 | -0.7 |
| US dollar | 3.4 | 1.0 |
| Other currencies | 1.0 | 13.5 |
| **ACCUMULATED TRANSLATION RESERVES (GROUP SHARE)** | **-74.9** | **-22.9** |

The "Other currencies" category mainly includes the accumulated translation reserves of associates, and chiefly Axway Software, in the amount of €4.0 million (€14.3 million at 31 December 2016).

#### 13.1.5. Non-controlling interests

The contributions to the income statement and balance sheet of entities in which there are non-controlling interests come mainly from joint ventures formed with the UK authorities in the United Kingdom region: NHS SBS, 50%-owned by the UK Department of Health, and SSCL, 25%-owned by the Cabinet Office. The Group has 50% and 75% control, respectively. They also relate to the companies of the newly acquired Galitt group.

In relation to SSCL, the Group granted the Cabinet Office an option to sell the shares it holds in the company.

Similarly, the Group has entered into an irrevocable commitment to acquire the remaining shares, in the form of a put option granted to the other Galitt shareholders.

Due to the accounting treatment of the put option granted in respect of SSCL and Galitt shares, the amount of non-controlling interests on the balance sheet mainly relates to the UK Department of Health's share in the net assets of NHS SBS, i.e. €31.0 million.

In the income statement, the amounts attributable to non-controlling interests came to €0.1 million for SSCL, €1.0 million for NHS SBS and negative €0.2 million for Sopra Steria Wenhao, the Group's 51%-owned Chinese subsidiary.

Summary financial information for SSCL and NHS SBS is as follows:

| | 31/12/2017 | |
|---|---|---|
| *(in millions of euros)* | **SSCL** | **NHS SBS** |
| Non-current assets | 19.3 | 33.4 |
| Current assets | 160.9 | 53.4 |
| Non-current liabilities | 57.6 | 9.9 |
| Current liabilities | 71.6 | 14.9 |
| Revenue | 197.1 | 83.5 |
| Net profit | 4.1 | 2.1 |

Non-controlling interests arise where a portion of equity ownership in a subsidiary is not attributable directly or indirectly to the parent company.

When non-controlling interests have an option to sell their investment to the Group, a financial liability is recorded in other non-current liabilities (see Note 7.4) for the present value of the option's estimated exercise price. The offset of the financial liability generated by these commitments is deducted from:

- the corresponding amount of non-controlling interests initially; and
- the Group's share of consolidated reserves for the remainder.

Subsequent changes in this put option arising from changes in estimates or relating to the unwinding of discount are offset against the corresponding non-controlling interests and the remainder is deducted from the Group's share of consolidated reserves.

#### 13.1.6. Capital management objectives, policy and procedures

The company's capital is uniquely comprised of the items disclosed in the balance sheet. There are no financial liabilities considered to be components of capital and, conversely, there are no equity components not considered to be part of the company's capital.

The company is not subject to any external constraints on its capital.

Treasury shares are detailed in Note 13.1.2.

The only diluting instruments are the free shares awards granted under Steria's (and now Sopra Steria's) legacy performance-linked free share plans (see Note 5.4.2).

## 13.2. Earnings per share

| | 2017 | 2016 |
|---|---|---|
| Net profit attributable to the Group in millions of euros (a) | 171.4 | 150.4 |
| Weighted average number of ordinary shares in issue (b) | 20,537,507 | 20,476,389 |
| Weighted average number of treasury shares (c) | 322,883 | 431,474 |
| Weighted average number of shares in issue excluding treasury shares (d) = (b) - (c) | 20,214,624 | 20,044,915 |
| **BASIC EARNINGS PER SHARE IN EUROS (A/D)** | **8.48** | **7.50** |

| | 2017 | 2016 |
|---|---|---|
| Net profit attributable to the Group in millions of euros (a) | 171.4 | 150.4 |
| Weighted average number of shares in issue excluding treasury shares (d) | 20,214,624 | 20,044,915 |
| Dilutive effect of instruments that give rise to potential ordinary shares (e) | 65,707 | 48,066 |
| Theoretical weighted average number of equity instruments (f) = (d) + (e) | 20,280,331 | 20,092,981 |
| **DILUTED EARNINGS PER SHARE IN EUROS (A/F)** | **8.45** | **7.49** |

The method used to calculate earnings per share is set out below.

Treasury shares are detailed in Note 13.1.2.

The potentially dilutive instruments are presented in Note 5.4.

Earnings per share as stated in the income statement are calculated on the basis of the Group's share in the net profit as follows:

- basic earnings per share are based on the weighted average number of shares in issue during the financial year, calculated according to the dates when the funds arising from cash share issues were received and, in respect of shares issued for contributions in kind via equity, the date on which the corresponding new Group companies were consolidated for the first time;
- diluted earnings per share are calculated by adjusting the Group's share of net profit and the weighted average number of shares outstanding for the diluting effect of share subscription option plans in force at the end of the financial year and free share plans. The treasury stock method is applied on the basis of the average share price for the year.

# NOTE 14 RELATED-PARTY TRANSACTIONS

## 14.1. Transactions with equity-accounted associates and non-consolidated entities

| *(in millions of euros)* | 31/12/2017 | 31/12/2016 |
|---|---|---|
| **Transactions between Sopra Steria Group and the Axway Software group** | | |
| Sales of goods and services | 0.5 | 2.9 |
| Purchases of goods and services | -1.6 | -2.1 |
| Operating receivables | - | 0.1 |
| Operating payables | -0.4 | -0.9 |
| Financial income | - | - |
| Financial receivables (current account) | - | - |
| **Transactions between Sopra Steria Group subsidiaries and the Axway Software group** | | |
| Sales of goods and services | 4.5 | 4.2 |
| Purchases of goods and services | -1.5 | -4.4 |
| Operating receivables | 0.5 | 0.4 |
| Operating payables | - | -3.2 |
| Financial income | - | - |
| Financial receivables (current account) | - | - |
| **Transactions between Sopra Steria Group and holding company Sopra GMT** | | |
| Sales of goods and services | 0.1 | 0.1 |
| Purchases of goods and services | -1.4 | -1.1 |
| Operating receivables | 0.1 | - |
| Operating payables | -0.1 | -0.3 |
| Financial income | - | - |
| Financial receivables (current account) | - | - |

## 14.2. Subsidiaries and associated entities

Transactions and balances between Sopra Steria Group and its subsidiaries were eliminated in full on consolidation, since all of the subsidiaries are fully consolidated.

Non-consolidated equity investments are included under *Available-for-sale financial assets* (see Note 7.1).

# NOTE 15 OFF BALANCE SHEET COMMITMENTS

## 15.1. Contractual obligations

Contractual obligations consist of operating lease agreements with the following face values and maturities:

| *Contractual obligations (in millions of euros)* | Payments due by period | | | | |
|---|---|---|---|---|---|
| | **Less than one year** | **One to five years** | **More than five years** | **31/12/2017** | **31/12/2016** |
| Leases of immovable property | 69.5 | 204.1 | 64.9 | 338.5 | 322.2 |
| Leases of movable property | 8.8 | 16.4 | 0.1 | 25.3 | 25.9 |
| **TOTAL** | **78.4** | **220.4** | **65.0** | **363.8** | **348.1** |

## 15.2. Commitments given related to current operations

| *(in millions of euros)* | **31/12/2017** | **31/12/2016** |
|---|---|---|
| Bank guarantees for project completion | 59.0 | 64.1 |
| Parent company guarantee of commitments entered into by subsidiaries | - | - |
| Other guarantees | 11.6 | 11.5 |
| **TOTAL** | **70.6** | **75.5** |

With respect to the information technology service contracts it enters into with its clients, the Group may, following formal requests by its clients, provide bank guarantees in respect of the performance of obligations under the contracts signed with clients. The amount of these guarantees was €59.0 million at 31 December 2017 (€64.1 million at 31 December 2016). To date, no use has ever been made of any such guarantee.

## 15.3. Commitments received

| *(in millions of euros)* | **31/12/2017** | **31/12/2016** |
|---|---|---|
| Unused credit lines | 900.0 | 900.0 |
| Unused current bank overdrafts | 157.5 | 160.3 |
| **TOTAL** | **1,057.5** | **1,060.3** |

As part of a cash pooling arrangement set up in 2012, between the entities of the Group and BMG (Bank Mendes Gans), Sopra Steria Group acts as guarantor for the amounts borrowed by its subsidiaries.

# NOTE 16 SUBSEQUENT EVENTS

No post-balance sheet events with a material impact on the financial statements have taken place since 31 December 2017. On 8 January 2018, the Group announced its plan to acquire BLUECARAT, a German IT services company.

## NOTE 17 LIST OF GROUP COMPANIES

| Company | Country | % control | % held | Consolidation method |
|---|---|---|---|---|
| **France** | | | | |
| Sopra Steria Group | France | - | - | Parent company |
| Sopra Steria Infrastructure & Security Services | France | *100.00%* | *100.00%* | FC |
| Sopra Steria Services | France | *100.00%* | *100.00%* | FC |
| XYZ 12 2016 | France | *100.00%* | *100.00%* | FC |
| Cimpa SAS | France | *100.00%* | *100.00%* | FC |
| Cimpa GmbH | Germany | *100.00%* | *100.00%* | FC |
| Cimpa Ltd | United Kingdom | *100.00%* | *100.00%* | FC |
| Cimpa PLM España SL | Spain | *100.00%* | *100.00%* | FC |
| Beamap SAS | France | *100.00%* | *100.00%* | FC |
| Sopra Steria Polska | Poland | *100.00%* | *100.00%* | FC |
| Steria Medshore SAS | Morocco | *100.00%* | *100.00%* | FC |
| Sopra Steria Group – Morocco branch | Morocco | *100.00%* | *100.00%* | FC |
| 2MoRO Solutions | France | *100.00%* | *100.00%* | FC |
| 2MoRO SAS | France | *100.00%* | *100.00%* | FC |
| 2MoRO Inc. | Canada | *37.00%* | *37.00%* | NC |
| Galitt | France | *88.13%* | *87.82%* | FC |
| Tecfit | France | *88.13%* | *88.13%* | FC |
| Eurocis | France | *33.00%* | *33.00%* | NC |
| **United Kingdom** | | | | |
| Sopra Group Holding Ltd | United Kingdom | *100.00%* | *100.00%* | FC |
| Sopra Group Ltd | United Kingdom | *100.00%* | *100.00%* | FC |
| Sopra Steria Holdings Ltd | United Kingdom | *100.00%* | *100.00%* | FC |
| Sopra Steria Ltd | United Kingdom | *100.00%* | *100.00%* | FC |
| Sopra Steria Services Ltd | United Kingdom | *100.00%* | *100.00%* | FC |
| Caboodle Solutions Ltd | United Kingdom | *100.00%* | *100.00%* | FC |
| ASL Information Services Limited | United Kingdom | *100.00%* | *100.00%* | FC |
| Druid Group Ltd | United Kingdom | *100.00%* | *100.00%* | FC |
| OSI Group Holdings Limited | United Kingdom | *100.00%* | *100.00%* | FC |
| Xansa Trustee Company Limited | United Kingdom | *100.00%* | *100.00%* | FC |
| FI Group Limited | United Kingdom | *100.00%* | *100.00%* | FC |
| Druid Quest Limited | United Kingdom | *100.00%* | *100.00%* | FC |
| OSI Group Limited | United Kingdom | *100.00%* | *100.00%* | FC |
| Steria BSP Ltd | United Kingdom | *100.00%* | *100.00%* | FC |
| NHS Shared Employee Services Limited | United Kingdom | *100.00%* | *75.50%* | FC |
| NHS Shared Business Services Ltd | United Kingdom | *50.00%* | *50.00%* | FC |
| Sopra Steria Recruitment Ltd | United Kingdom | *100.00%* | *100.00%* | FC |
| Steria UK Ltd | United Kingdom | *100.00%* | *100.00%* | FC |
| Steria UK Corporate Ltd | United Kingdom | *100.00%* | *100.00%* | FC |
| Shared Services Connected Ltd SSCL | United Kingdom | *75.00%* | *75.00%* | FC |
| First Banking Systems | United Kingdom | *100.00%* | *100.00%* | FC |
| Firth Solutions Ltd | United Kingdom | *100.00%* | *100.00%* | FC |
| FI Academy Ltd | United Kingdom | *100.00%* | *100.00%* | FC |
| FI Kernel Ltd | United Kingdom | *100.00%* | *100.00%* | FC |
| Steria Employee Trustee Company Ltd | United Kingdom | *100.00%* | *100.00%* | FC |
| Druid Quest – Trust No. 6 | United Kingdom | *100.00%* | *100.00%* | FC |
| Steria Employee Trustee Company Ltd | United Kingdom | *100.00%* | *100.00%* | FC |

*FC: Fully consolidated.*

*EM: Equity method.*

*NC: Non-consolidated (non-consolidated companies are not considered significant).*

| Company | Country | % control | % held | Consolidation method |
|---|---|---|---|---|
| Xansa 2004 Employee Benefit Trust | United Kingdom | 100.00% | 100.00% | FC |
| Zansa Ltd | United Kingdom | 100.00% | 100.00% | FC |
| Xansa Cyprus (No. 1) Ltd | Cyprus | 100.00% | 100.00% | FC |
| Xansa Cyprus (No. 2) Ltd | Cyprus | 100.00% | 100.00% | FC |
| Xansa India Sez DP Ltd | India | 100.00% | 100.00% | FC |
| Steria India Ltd | India | 100.00% | 100.00% | FC |
| Sopra Steria Asia Pte Ltd | Singapore | 100.00% | 100.00% | FC |
| Steria Malaysia | Malaysia | 100.00% | 100.00% | NC |
| Steria Hong Kong | Hong Kong | 100.00% | 100.00% | NC |
| Sopra Steria Wenhao | China | 51.00% | 51.00% | FC |
| Xansa Inc. | United States | 100.00% | 100.00% | FC |
| Xansa Holdings Inc. | United States | 100.00% | 100.00% | FC |
| Xansa Inc. | Canada | 100.00% | 100.00% | FC |
| **Other Europe** | | | | |
| Sopra Steria AG | Germany | 100.00% | 100.00% | FC |
| ISS Software GmbH | Germany | 100.00% | 100.00% | FC |
| Sopra Steria GmbH | Austria | 100.00% | 100.00% | FC |
| Sopra Steria Services GmbH | Germany | 100.00% | 100.00% | FC |
| Sopra Steria Benelux | Belgium | 100.00% | 100.00% | FC |
| Sopra Steria Benelux – Luxembourg branch | Luxembourg | 100.00% | 100.00% | FC |
| Sopra Steria Benelux – Netherlands branch | Netherlands | 100.00% | 100.00% | FC |
| Sopra Steria PSF Luxembourg | Luxembourg | 100.00% | 100.00% | FC |
| Sopra Steria AG | Switzerland | 100.00% | 100.00% | FC |
| Sopra Steria Group SpA | Italy | 100.00% | 100.00% | FC |
| Sopra Steria España SAU | Spain | 100.00% | 100.00% | FC |
| Sopra Steria Euskadi SL | Spain | 100.00% | 100.00% | FC |
| Sopra Group Catalunya SA | Spain | 100.00% | 100.00% | FC |
| S2Com Consulting | United States | 62.00% | 62.00% | NC |
| Sopra Steria A/S | Denmark | 100.00% | 100.00% | FC |
| Sopra Steria AS | Norway | 100.00% | 100.00% | FC |
| The Solid Group | Norway | 100.00% | 100.00% | FC |
| Sopra Steria AB | Sweden | 100.00% | 100.00% | FC |
| Kentor AB | Sweden | 100.00% | 100.00% | FC |
| Kentor East AB | Sweden | 100.00% | 100.00% | FC |
| Kentor Holding AB | Sweden | 100.00% | 100.00% | FC |
| Kentor IT AB | Sweden | 100.00% | 100.00% | FC |
| Kentor OOO | Russia | 100.00% | 100.00% | FC |
| **Sopra banking software** | | | | |
| Sopra Banking Software | France | 100.00% | 100.00% | FC |
| KSEOP Holding SAS | France | 100.00% | 100.00% | FC |
| Cassiopae SAS | France | 100.00% | 100.00% | FC |
| Cassiopae SAS – South Korea branch | South Korea | 100.00% | 100.00% | FC |
| ITI SAS | France | 100.00% | 100.00% | FC |
| Cassiopae Real Estate SA | France | 100.00% | 100.00% | FC |
| Cassiopae Real Estate Paris SAS | France | 100.00% | 100.00% | FC |
| Sopra Financial Solutions Iberia SL | Spain | 100.00% | 100.00% | FC |
| SBS 123 Ltd | United Kingdom | 100.00% | 100.00% | FC |
| Field Solutions Investment Ltd | United Kingdom | 100.00% | 100.00% | FC |
| Cassiopae Ltd | United Kingdom | 100.00% | 100.00% | FC |
| Sopra Banking Software Belgium | Belgium | 100.00% | 100.00% | FC |
| Sopra Banking Software – Iceland branch | Iceland | 100.00% | 100.00% | FC |

*FC: Fully consolidated.*

*EM: Equity method.*

*NC: Non-consolidated (non-consolidated companies are not considered significant).*

| Company | Country | % control | % held | Consolidation method |
|---|---|---|---|---|
| Sopra Banking Software Luxembourg | Luxembourg | *100.00%* | *100.00%* | FC |
| Sopra Banking Software Netherlands BV | Netherlands | *100.00%* | *100.00%* | FC |
| Sopra Banking Software GmbH | Germany | *100.00%* | *100.00%* | FC |
| Cassiopae GmbH | Germany | *100.00%* | *100.00%* | FC |
| Cassiopae Solutions Private Ltd | India | *99.90%* | *99.90%* | FC |
| Sopra Banking Software Singapore Pte Ltd | Singapore | *100.00%* | *100.00%* | FC |
| Beijing Sopra Science and Technology Ltd | China | *100.00%* | *100.00%* | FC |
| Sopra Banking Software Morocco | Morocco | *100.00%* | *100.00%* | FC |
| Banking Software Morocco | Morocco | *100.00%* | *100.00%* | NC |
| Cassiopae MEA | Tunisia | *100.00%* | *100.00%* | FC |
| Sopra Software Cameroun | Cameroon | *95.00%* | *95.00%* | FC |
| Cassiopae US Inc. | United States | *100.00%* | *100.00%* | FC |
| Cassiopae Software Ltda | Brazil | *100.00%* | *100.00%* | FC |
| Sopra Banking Gabon | Gabon | *100.00%* | *100.00%* | NC |
| Sopra Banking Côte d'Ivoire | Côte d'Ivoire | *100.00%* | *100.00%* | NC |
| Delta Development Systems | Algeria | *70.00%* | *70.00%* | NC |
| **Other solutions** | | | | |
| Sopra HR Software | France | *100.00%* | *100.00%* | FC |
| Sopra HR Software Ltd | United Kingdom | *100.00%* | *100.00%* | FC |
| Sopra HR Software SPRL | Belgium | *100.00%* | *100.00%* | FC |
| Sopra HR Software Sarl | Luxembourg | *100.00%* | *100.00%* | FC |
| Sopra HR Software GmbH | Germany | *100.00%* | *100.00%* | FC |
| Sopra HR Software Sarl | Switzerland | *100.00%* | *100.00%* | FC |
| Sopra HR Software Srl | Italy | *100.00%* | *100.00%* | FC |
| Sopra HR Software SL | Spain | *100.00%* | *100.00%* | FC |
| Sopra HR Software Sarl | Tunisia | *100.00%* | *100.00%* | FC |
| Sopra HR Software Sarl | Morocco | *100.00%* | *100.00%* | FC |
| **Axway** | **France** | ***32.59%*** | ***32.59%*** | **EM** |

*FC: Fully consolidated.*
*EM: Equity method.*
*NC: Non-consolidated (non-consolidated companies are not considered significant).*

The Group does not directly or indirectly control any special-purpose entities.

## NOTE 18 STATUTORY AUDITORS' FEES

| *(in millions of euros excl. VAT)* | Mazars network 2017 | Mazars network 2016 | Nexia network 2017 | Nexia network 2016 |
|---|---|---|---|---|
| **Certification of the parent company and consolidated financial statements Sopra Steria Group** | **0.7** | **0.5** | **0.3** | **0.4** |
| Fully consolidated subsidiaries | 1.2 | 1.3 | 0.6 | 0.6 |
| **Subtotal** | **1.9** | **1.8** | **0.9** | **0.9** |
| **Services other than the certification of the accounts** | | | | |
| Sopra Steria Group | 0.1 | 0.2 | - | - |
| Fully consolidated subsidiaries | 0.2 | 0.1 | 0.1 | - |
| **Subtotal** | **0.2** | **0.3** | **0.1** | **-** |
| **TOTAL STATUTORYAAUDITORS' FEES** | **2.2** | **2.1** | **1.0** | **0.9** |

# Statutory Auditors' report on the consolidated financial statements

To the General Meeting of Sopra Steria Group,

## 1. Opinion

In accordance with our appointment as Statutory Auditors by the shareholders at your General Meetings, we have audited the attached consolidated financial statements of Sopra Steria Group for the financial year ended 31 December 2017.

We certify that the consolidated financial statements are, with respect to IFRS as adopted in the European Union, true and fair and provide an accurate view of the results of your Company's operations for the year under review and of the financial position and assets and liabilities, at the end of the year, of the group formed by the persons and entities included in the consolidation.

The above opinion is in keeping with the contents of our report to the Audit Committee.

## 2. Basis of our opinion

### 2.1 AUDIT FRAME OF REFERENCE

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

The responsibilities incumbent on us under these standards are set out in the section of this report entitled "Responsibilities of the Statutory Auditors relating to the audit of the consolidated financial statements".

### 2.2 INDEPENDENCE

We performed our audit in accordance with the independence rules applicable to us for the period from 1 January 2017 to the date our report was issued, and in particular we have not provided any services prohibited by Article 5, paragraph 1 of Regulation (EU) No. 537/2014 or by the French Code of Ethics for Statutory Auditors.

## 3. Justification of our assessments – Key audit matters

In accordance with the requirements of Article L. 823-9 and R.823-7 of the French Commercial Code relating to the justification of our assessments, we bring to your attention the key audit matters relating to the risks of material misstatement which, according to our professional judgment, were most significant for the audit of the consolidated financial statements for the year, as well as our responses to these risks.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole and the formation of our opinion as expressed above. We do not express an opinion on elements of the consolidated financial statements taken in isolation.

### 3.1 REVENUE RECOGNITION ON FIXED-PRICE CONTRACTS

(Note 4.1 to the consolidated financial statements)

#### 3.1.1 Risk identified

Sopra Steria Group, a European leader in digital transformation, offers high tech solutions comprising consulting and systems integration, development of industry- and technology-specific solutions, IT infrastructure management, cybersecurity and business process services (BPS).

The Group's revenue to 31 December 2017 totalled €3.8 billion, a significant portion of which related to fixed-price contracts. Fixed-price contracts are characterised by commitments relating to the price, the end result and the deadline.

As stated in Note 4.1 to the consolidated financial statements, "Services covered by fixed-price contracts", services corresponding to contracts of this kind are recognised using the percentage-of-completion method. This method requires an estimate by management of figures on completion and the level of completion of the contract, it being specified that the amount of revenue recognised at each balance sheet date is based on the difference between the contract value and the amount required to cover the total number of man-days remaining to be performed.

We considered the recognition of income on fixed-price contacts as a key audit matter due to its significance in the Group's financial statements and the level of judgment and estimation required by management to determine the revenue and income on completion from these contracts.

#### 3.1.2 Our response

We familiarised ourselves with the internal control procedures implemented by the Group and tested the key controls relating to determining income from fixed-price contracts.

For a sample of contracts deemed material due to their financial impact and risk profile:

- we reconciled contractual data, including any contractual changes resulting from additional requests and contractual claims, with management and accounting data;
- we talked to management and project managers in order to assess the reasonable nature of the estimates made by management and corroborate the estimated amount allocated to cover the total number of man-days remaining to be performed, particularly in comparison with prior estimates and by reviewing correspondence with the client and assessing whether this has been translated correctly into the accounts. In performing this work we drew on experience acquired in previous years relating to similar contracts;
- for contracts subject to claims, we talked to the Group's legal department and reviewed correspondence with the client in order to assess the estimates made by management.

We also used substantive checks on a sample of trade accounts receivable and accrued income in order to assess management's estimates relating to the prospect of recovering these receivables.

## 3.2 VALUATION AND IMPAIRMENT OF GOODWILL

(Note 8.1 to the consolidated financial statements)

### 3.2.1 Risk identified

As at 31 December 2017, the net value of goodwill in the Group's consolidated financial statements was €1,590.6 million, equal to 42% of total assets.

As set in out in Notes 8.1.2 and 8.1.3 to the consolidated financial statements, goodwill is allocated to cash-generating units for the purposes of impairment tests. The Group's segmentation into CGUs is consistent with the operating structure of its businesses, its management and reporting system, and its segment reporting. Such tests are performed each time there is an indication of impairment, and in any event at the balance sheet date of 31 December. These tests consist of comparing the CGU's net carrying amount with its recoverable amount, which corresponds to the higher of its fair value less costs of disposal and its value in use. An impairment loss is recognised whenever the recoverable amount of goodwill is lower than the net carrying amount.

To determine the value in use of the CGU, management uses primarily the discounted cash flow method (or DCF method), which involves the use of key assumptions relating to each asset category, including in particular the rate of perpetual growth and the discount rate based on the weighted average cost of capital.

Determining the recoverable value of goodwill, which represents a particularly significant amount relative to total assets, is based primarily on management's judgment as regards in particular the rate of perpetual growth used to forecast cash flows and the discount rate applied. We therefore considered the valuation of goodwill and implementation of impairment testing to be a key audit matter.

### 3.2.2 Our response

Our work consisted primarily of:

- reviewing the compliance of the methodology used by the Group with applicable accounting standards;
- assessing whether the allocation of assets to CGUs is exhaustive and complies with applicable accounting standards;
- assessing the reasonable nature of assumptions used to determine future cash flows in relation to operating data, with regard to the business and financial context for the Group's operations, and their consistency with the most recent estimates presented to the Board of Directors within the framework of budgetary processes;
- assessing, with the help of our valuation experts, the consistency of the perpetual growth rate and the weighted average unit cost of capital in all components;
- analysing the sensitivity of the value in use determined by management to a change in the main assumptions made.

Lastly, we verified that Note 8.1 to the consolidated financial statements provided appropriate information.

## 3.3 POST-EMPLOYMENT BENEFIT LIABILITIES

(Note 5.3 to the consolidated financial statements)

### 3.3.1 Risk identified

Post-employment benefits arise mainly from the Group's obligations towards its employees to provide retirement benefits in France and defined-benefit pension plans in the United Kingdom, Germany and other European countries (Belgium, Norway). The actuarial value of accumulated benefits as at 31 December 2017 was €373.8 million.

The net liability in respect of retirement benefits and similar obligations was calculated at the balance sheet date based on the most recent valuations available. As these liabilities are covered by plan assets with a fair value of €1,501.4 million, net liabilities as at 31 December 2017 totalled €358.9 million. The most significant plan assets concern the United Kingdom and France.

Valuing pension scheme assets and liabilities, as well as the actuarial cost for the year, requires a high level of judgment by management to determine appropriate assumptions to be made such as the discount rate and the rate of inflation, future pay rises, staff turnover and mortality tables.

The change in some of these assumptions may have a material impact on determining net liabilities recognised as well as on the Group's profit.

In view of the amounts represented by these liabilities and associated plan assets, as well as the technical skill required to evaluate these amounts, we considered this type of liability relating to post-employment benefits to be a key audit matter.

### 3.3.2 Our response

We familiarised ourselves with the process for valuing post-employment benefit liabilities implemented by the Group. A review of actuarial assumptions was performed by means of:

- assessing discount rates and rates of inflation in order to evaluate their consistency with market conditions;
- assessing the reasonable nature of assumptions relating to pay rises, staff turnover and mortality in order to evaluate their consistency with the specific characteristics of each pension scheme and, if applicable, with national and sector benchmarks;
- a review of calculations made by the Group's external actuaries, in particular those supporting the sensitivity of debt to changes in the discount rate.

As regards plan assets, we also assessed whether the assumptions made by management to value these assets and the documentation provided by management to justify the recognition of net plan assets were appropriate.

Lastly, we verified the appropriateness of the information provided in Note 5.3.1 to the consolidated financial statements.

## 4. Verification of information relating to the Group provided in the Management Report

We also performed the specific procedures in accordance with professional standards applicable in France and required by law in relation to the information on the Group contained in the Management Report of the Board of Directors.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

## 5. Information resulting from other legal and regulatory requirements

Mazars was appointed Statutory Auditor of Sopra Steria Group by the shareholders at the General Meeting of 1 June 2000 and Auditeurs et Conseil Associés – ACA Nexia by the shareholders at the General Meeting of 30 June 1986.

As at 31 December 2017, Mazars was in its 18th consecutive year as Statutory Auditor, and Auditeurs et Conseil Associés – ACA Nexia was in its 32nd consecutive year as Statutory Auditor, respectively 18 years and 28 years since the company's shares were first listed for trading on a regulated market.

## 6. Responsibility of management and persons charged with governance in relation to the consolidated financial statements

It is management's responsibility to prepare consolidated financial statements that give a true and fair view in accordance with IFRS as adopted by the European Union, as well as to implement the internal controls it deems necessary to prepare consolidated financial statements that are free of material misstatement, whether due to fraud or error.

On preparing the consolidated financial statements, it is up to management to assess the company's ability to continue as a going concern, and to present in the financial statements, if applicable, any necessary information relating to the continuity of operations and apply the going concern assumption unless it is planned that the company will be liquidated or cease trading.

It is the responsibility of the Audit Committee to monitor the process of preparing financial information and monitor the effectiveness of internal control and risk management systems, as well as, if applicable, as regards procedures relating to the preparation and processing of accounting and financial information.

The consolidated financial statements have been approved by the Board of Directors.

## 7. Responsibilities of the Statutory Auditors relating to the audit of the consolidated financial statements

### 7.1 AUDIT AIM AND APPROACH

It is our responsibility to prepare a report on the consolidated financial statements. Our aim is to obtain reasonable assurance that the consolidated financial statements taken as a whole are free of material misstatement. Reasonable assurance corresponds to a high level of assurance, although this does not guarantee that an audit performed in accordance with professional standards systematically allows for all material misstatements to be detected. Misstatements may be due to fraud or error and are considered material when it can reasonably be expected that they may, taken individually or combined, influence the financial decisions of users made on the basis of the financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code, our assignment of certifying the financial statements does not consist of guaranteeing the viability or quality of your company's management.

Within the framework of an audit performed in accordance with professional standards applicable in France, the Statutory Auditor uses its professional judgment throughout the audit process. In addition:

- it identifies and assesses the risk of the consolidated financial statements containing material misstatements, whether due to fraud or error, defines and implements audit procedures in the light of these risks, and collects evidence that it deems sufficient and appropriate to form a basis for its opinion. The risk of failure to detect a material misstatement due to fraud is higher than in the case of a material misstatement due to error, as fraud may involve collusion, falsification, deliberate omissions, false statements or circumvention of internal control procedures;
- it familiarises itself with internal controls relevant for the audit in order to define appropriate audit procedures under the circumstances, and not with the aim of expressing an opinion on the effectiveness of internal control procedures;
- it assesses the appropriateness of accounting policies used and the reasonable nature of accounting estimates made by management, as well as associated information provided in the consolidated financial statements;
- it assesses the appropriateness of management's application of the going concern principle and, depending on the evidence collected, whether or not any material uncertainty exists relating to events or circumstances that may call into question the company's ability to continue as a going concern. This assessment relies on evidence collected up to the date of its report, noting that subsequent circumstances or events may call into question the continuity of operations. If it concludes that a material uncertainty exists, it shall draw readers' attention to the information provided in the consolidated financial statements relating to this uncertainty or, if this information is not provided or is not relevant, it shall give a qualified certification or refuse to certify the financial statements;

- it assesses the overall presentation of the consolidated financial statements and evaluates whether the consolidated financial statements reflect underlying transactions and events in a way that gives a true and fair view;
- as regards financial information from persons or entities within the scope of consolidation, it collects information that it deems sufficient and appropriate to express an opinion on the consolidated financial statements. It is responsible for the management, supervision and performing of the audit of the consolidated financial statements as well as the opinion expressed on these financial statements.

## 7.2 REPORT TO THE AUDIT COMMITTEE

We send a report to the Audit Committee setting out in particular the scope of our audit work and the programme of works carried out, as well as the conclusions of our work. We also bring to its attention, if applicable, any significant weaknesses in internal control procedures that we have identified as regards procedures relating to the preparation and treatment of accounting and financial information.

The information provided in the report to the Audit Committee includes risks of material misstatement which we deem to have been the most significant for our audit of the consolidated financial statements for the financial year and which therefore constitute key audit matters which it is our duty to describe in this report.

We also provide the Audit Committee with the declaration required by Article 6 of Regulation (EU) No. 537-2014 attesting to our independence with the meaning of applicable regulations in France as set out in particular by Articles L.822-10 to L.822-14 of the French Commercial Code and in the French Code of Ethics for Statutory Auditors. If applicable, we shall discuss with the Audit Committee the risks to our independence and safeguarding measures implemented.

The Statutory Auditors

*Paris and Courbevoie, 12 April 2018*

| **Auditeurs & Conseils Associés ACA Nexia** | **Mazars** |
| --- | --- |
| Olivier Juramie | Bruno Pouget |

# 5 PARENT COMPANY FINANCIAL STATEMENTS

# Balance sheet

| **Assets** *(in thousands of euros)* | **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** |
| Stocks and work in progress | 1,512 | 33 |
| Trade accounts receivable | 408,105 | 425,973 |
| Other receivables, prepayments and accrued income | 226,705 | 190,965 |
| Cash and cash equivalents | 40,081 | 107,716 |
| **Current assets** | **676,403** | **724,687** |
| Debt issuance costs | 368 | 622 |
| Translation adjustments – Asset | 10,509 | 7,173 |
| **TOTAL ASSETS** | **2,762,960** | **2,676,579** |

| **Liabilities and equity** *(in thousands of euros)* | **2017** | **2016** |
|---|---|---|
| Share capital | 20,548 | 20,532 |
| Share premium | 531,477 | 531,381 |
| Reserves | 259,727 | 162,856 |
| Net profit/(loss) for the year | 141,770 | 142,022 |
| **Equity** | **953,522** | **856,791** |
| **Provisions** | **115,976** | **105,676** |
| Financial debt | 870,557 | 961,732 |
| Trade payables | 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** |

# 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** |

# NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

## 1. Significant events

### 1.1. We Share 2017 employee share ownership plan

On 19 January 2017, the Board of Directors decided to implement an employee share ownership plan reserved for employees of the Company and its majority-owned subsidiaries in France that are enrolled in the Group savings plan (PEG) as well as employees of the Company's subsidiaries in Belgium, Denmark, Germany, Italy, Luxembourg, Morocco, the Netherlands, Norway, Poland, Singapore, Spain, Sweden, Switzerland and India that are enrolled in the international Group savings plan (PEGI).

In the United Kingdom, a share incentive plan (SIP) has been put in place under the specific legal conditions.

Employees were able to acquire Sopra Steria shares under a "conventional" purchase model and receive a matching employer contribution of one free share per share purchased, up to a maximum gross value of €3,000.

The offer of Sopra Steria shares to Group employees was carried out via the transfer of existing treasury shares, bought back in advance by Sopra Steria under a share buyback programme authorised by the shareholders at the General Meeting of 22 June 2016.

Excluding the SIP, this Offer will involve 215,094 shares in the Company, corresponding to 107,547 shares purchased by employees and 107,547 free shares awarded as the employer's matching contribution.

Sopra Steria Group employees subscribed for 60,896 shares and received 60,896 shares as the employer's matching contribution.

In the Company's full-year financial statements, the impact of this plan was as follows:

- on balance sheet assets:
  - a reduction in *Other financial investments* in the amount of €7.490 million,
  - an increase in *Cash and cash equivalents* of €6.360 million. This change corresponds to the selling price of shares subscribed for by employees, net of the purchase price of treasury shares used to support the plan;
- in the income statement:
  - a financial income item in the amount of €2.710 million, corresponding to the difference between the subscription price of the shares offered to employees and their acquisition cost;
  - a staff cost relating to the employer's matching contribution of €6.265 million.

## 1.2. Financing

### 1.2.1 EXTENSION OF THE EXPIRY DATE OF THE SYNDICATED LOAN

In 2017, following the exercise of the initial one-year extension option, the expiry date was postponed to 30 September 2022, with a further one-year extension option (see Note 3.5.1) available to be exercised in 2018.

### 1.2.2 DIVERSIFICATION OF BORROWINGS

As part of its efforts to diversify the Group's borrowings, the Company launched a €300 million NEU MTN programme in December 2017 to supplement its €700 million NEU CP programme. This programme has been presented in documentation available on the Banque de France's website, which was last updated on 30 June 2017.

In addition, the Group arranged a €30 million two-year bilateral bank term loan drawn down in April 2017.

## 1.3. Acquisitions during the year

Over the course of the year, the Company acquired:

- 88.13% of the shares of Tecfit for €46.708 million;
- 8.00% of the shares of La FoncièreNumérique for €80 thousand;
- 11.39% of the shares of CS Communication & Systèmes SA through the conversion of the convertible bonds held by the Company since July 2014.

In order to streamline the legal structure of its Property Solutions business, Sopra Steria Group acquired the following entities from its indirect subsidiary KSEOP Holdings at 31 December 2017:

- Cassiopae Real Estate Paris SAS for €12.921 million;
- SA Ingénierie Topographie Informatique (ITI), Cassiopae Real Estate's holding company, for €16.266 million.

# 2. Accounting principles and policies

The financial statements for the period under review were prepared and are presented in accordance with the accounting methods in force within the Group and in compliance with the principles laid down in Articles 121-1 and 121-5 et seq. of France's 2014 national chart of accounts *(plan comptable général)*.

Accounting conventions have been applied in accordance with the provisions of the French Commercial Code and ANC Regulation 2016-07 on the revision of the national chart of accounts applicable at the period-end.

Generally accepted accounting principles were applied on a prudent basis and in accordance with the following underlying assumptions:

- going concern basis;
- consistency of accounting methods from one year to the next;
- accrual basis; and
- in accordance with general guidelines for the preparation and presentation of annual financial statements.

No changes were made to accounting policies during the periods under review, with the exception of the application of ANC Regulation 2015-05, as set out below.

## 2.1. Software development costs

All research and development costs are charged to the income statement in the year they are incurred.

Development costs for software and solutions may be capitalised if all of the following can be demonstrated:

- the technical feasibility of completing the intangible asset for use or sale;
- the intent to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- the manner in which the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- the ability to reliably measure the expenditure attributable to the intangible asset during its development.

No development costs for software and solutions were recognised under intangible assets, since the conditions described above were not satisfied in their entirety.

The only research and development costs recognised are from the accounts of companies acquired and subsequently merged.

Intangible assets also include development costs for fundamentally important computer applications used for the specific needs of companies formerly belonging to the Steria group. These development costs are amortised over their expected useful lives, subject to a maximum of seven years.

## 2.2. Acquired software

Software is recognised at purchase cost. It is amortised on a straight-line basis over one to ten years.

## 2.3. Goodwill

Goodwill consists of acquired assets of a business that cannot be shown in any other balance sheet item. As such, it is calculated by deducting from the total value of a business those elements of that business that can be recognised separately in the balance sheet.

Sopra Steria Group conducts goodwill impairment tests every year.

The duration of use of goodwill is presumed to be unlimited.

The Company writes down the value of an asset if its current value (the higher of market value and value in use) is less than its carrying amount.

Goodwill is allocated to a group of assets so that it can be tested at a level of relevance that enables its performance to be tracked.

Previously recognised write-downs are definitive and may not be reversed.

## 2.4. Technical losses due to a merger

After allocation, technical losses arising from a merger are recognised in a specific account by the relevant asset category to facilitate their monitoring over time in the following categories:

- "Merger loss on intangible assets"
- "Merger loss on property, plant and equipment"
- "Merger loss on financial assets"
- "Merger loss on current assets"

The technical merger loss is depreciated using the same rules and under the same terms as the assets to which it is allocated.

Each share of the merger loss allocated to an underlying asset is written down when the current value of the underlying asset becomes less than its carrying amount, plus the share of the merger loss allocated. The impairment loss is charged firstly to the share of the technical merger loss.

Goodwill impairment therefore also includes impairment losses charged to the part of the technical merger loss allocated to goodwill.

## 2.5. Property, plant and equipment

Property, plant and equipment is recognised in the balance sheet at purchase cost.

Depreciation is calculated using the straight-line method over the useful lives assigned to each category of fixed assets.

| | |
|---|---|
| Buildings | 25 years |
| Fixtures and fittings | 10 years |
| Hardware and equipment | 3 to 5 years |
| Vehicles | 5 years |
| Office furniture and equipment | 5 to 10 years |

## 2.6. Equity interests

Equity interests are recognised at cost.

At each year-end, an impairment loss is recognised whenever the carrying amount exceeds the value in use. When the carrying amount is greater than the proportionate share of net assets, the value in use is determined on the basis of discounted future cash flows derived from the one- to five-year business plans drawn up by management less any debt of the entity concerned.

## 2.7. Revenue

### 2.7.1. CONSULTING AND SYSTEMS INTEGRATION

**Technical assistance, consulting, training and projects provided on a time and materials basis**

These services are recognised when performed, which generally means when invoiced.

Operations are reviewed at each balance sheet date:

- services already performed but not yet, or only partially, invoiced are measured on the basis of the contractual billing rates and billable time. They give rise to revenue recognition, with a corresponding entry to *Accrued income* reflected in the balance sheet as part of *Trade accounts receivable*;
- services already billed but not yet entirely performed are deducted from invoiced revenue and included in the balance sheet as *Deferred income* within *Other liabilities, accruals and deferred income*.

**Services covered by fixed-price contracts**

Fixed-price contracts are characterised by commitments relating to the price, the end result and the deadline. Services performed under such contracts are usually recognised as follows using the percentage-of-completion method:

- revenue and profit generated by a contract are recognised on the basis of a technical assessment, in line with the Group's quality procedures, of the contract's degree of completion. During performance of a project, this assessment is generally based on 90% of the contract amount with the remaining 10% deferred until completion;
- the amount of revenue recognised at each balance sheet date is based on the difference between 90% of the contract value and the amount required to cover the total number of man-days remaining to be performed. This amount is included in the balance sheet as *Accrued income* within *Trade accounts receivable*. Payments on account received are included under *Other liabilities, accruals and deferred income*.

Moreover, costs incurred in the start-up phase of a contract may be recognised in the balance sheet as work-in-progress when they relate to future activities of the contract and provided it is probable that they will generate future economic benefits.

Should a contract become loss-making, losses at completion are systematically recorded in *Provisions for contingencies and losses*.

### 2.7.2. SOFTWARE AND SOLUTIONS

Services provided within the scope of Software and Solutions operations include:

- the right of use under licence of the software and solutions provided;
- maintenance;
- ancillary services: installation, configuration, adjustments, training, etc.

**In general, separate contracts are entered into with clients for licences and maintenance on the one hand and ancillary services on the other hand.**

In this situation, the various elements comprising the contracts are accounted for as follows:

- the licence fee is recognised when delivery takes place, which is considered to be the case when all contractual obligations have been fulfilled, i.e. when any remaining services to be provided are non-material and not liable to endanger the client's acceptance of goods supplied or services rendered;
- maintenance is generally billed in advance and is recognised on a pro rata basis;
- ancillary services are usually provided on a time and materials basis and are recognised when performed, which generally means when invoiced. They are sometimes performed within the scope of fixed-price contracts, in which case they are recognised using the percentage-of-completion method described above.

**Sometimes, contracts comprising multiple elements (licence, maintenance, ancillary services, etc.) may be negotiated for a fixed price.**

In this situation, the amount of revenue attributable to the licence is obtained by calculating the difference between the total contract amount and the fair value of its other components, e.g. maintenance and ancillary services. The fair value of the other components is determined when possible by reference to the prices invoiced to customers based on their best estimates, as the component is sold separately (based on a price list) or is sold at a sale price determined by the management. The residual amount attributed to the licence is recognised at the time of delivery.

**In fairly rare instances, ancillary services may be considered essential to the operation of a software package.**

This may be the case for very complex projects, the completion of which may be subject to particular risks. The project is then examined as a whole and is the focus of specific monitoring by the Industrial Department. Such projects are recognised using the percentage-of-completion method described above.

## 2.8. Inventories and work in progress

Costs incurred in the start-up phase of a contract may be deferred over the term of the contract and recognised in the balance sheet as work in progress when they relate to future activities of the contract and provided it is probable that they will generate future economic benefits.

Work in progress is recognised at its direct production cost and does not include administrative or commercial costs.

## 2.9. Trade accounts receivable

Trade accounts receivable are recognised using the methods specified above.

A separate estimate is made for trade accounts receivable at the end of the financial year and an impairment loss is recognised in the event of a risk of non-recovery, particularly when linked to collective proceedings. Doubtful debts for which legal proceedings have not been instigated are treated as accrued credit notes.

## 2.10. Retirement benefits

Sopra Steria Group sets aside provisions for all of its retirement benefit commitments in accordance with the retirement clauses of the Syntec collective bargaining agreement.

Sopra Steria Group's obligation towards its employees is determined on an actuarial basis, using the projected unit credit method: the employer's present obligation is recognised in proportion to the probable length of service of the employees, taking into account actuarial assumptions such as the level of future salary, life expectancy and staff turnover. Changes in actuarial assumptions that affect the valuation of the obligation are recognised as actuarial gains and losses. Actuarial gains and losses representing more than 10% of the amount of obligations are recognised and amortised over the expected average working lives of the employees participating in the plan.

## 2.11. Foreign currency transactions

Foreign currency income and expense items are recorded at their euro equivalent at the transaction date.

Foreign currency receivables and payables are recorded in the balance sheet at their euro equivalent determined using the closing exchange rate. Any gains or losses arising on the retranslation of foreign currency receivables and payables are recorded in the balance sheet under *Translation adjustments*.

A provision for contingencies and losses is recognised in respect of foreign currency translation losses in the amount of such losses, unless the term of the transactions is sufficiently close. In this case, the unrealised gains and losses are considered to form part of the overall foreign exchange position and the charge to the provision is restricted to the amount by which losses exceed gains.

## 2.12. Financial instruments

All of the foreign exchange and interest rate positions are taken using listed financial instruments traded over the counter or through organised markets with minimal counterparty risk. Gains and losses on financial instruments accounted for as hedges are recognised symmetrically with the items hedged. The fair value of financial instruments, which is not recognised in the Company's financial statements in accordance with accounting principles generally accepted in France, is estimated on the basis of quoted prices in active markets or values provided by banks.

Gains or losses arising on derivatives used to hedge forecast transactions with separately identifiable risks are deferred and taken into account in the valuation of the transaction in question, which occurs when it is settled.

The application of ANC Regulation 2015-05 of 2 July 2015 relating to forward financial instruments and hedges has not had any material impact on the presentation of the financial statements.

## 2.13. Provisions for contingencies and losses

Provisions for contingencies and losses are set aside to cover probable outflows of resources to third parties, without consideration for the Company. They may include, inter alia, provisions to cover the following:

- commercial risks (estimated costs of guarantee expenses, "losses on completion" on some long-term contracts);

- employee-related costs (restructuring costs, post-employment benefits covering pension obligations, supplementary pensions and similar benefits, performance-based free share plan);
- costs related to business premises (unoccupied premises, renovations);
- financial risks such as the risk of foreign exchange losses;
- risks of tax adjustments linked to tax audits.

It should be noted that provisions recognised on a prudent basis in no way prejudice the future outcome of current disputes.

## 2.14. Consolidated financial statements

The Company prepares consolidated financial statements. The Group consists of Sopra Steria Group (the parent company) and its subsidiaries as well as the Group's share in associates.

# 3. Notes to the balance sheet

## 3.1. Non-current assets

### 3.1.1. INTANGIBLE ASSETS

| *(in thousands of euros)* | Research and development costs | Concessions, patents and similar rights | Goodwill | Total |
|---|---|---|---|---|
| **GROSS VALUE** | | | | |
| **At 1 January 2017** | **3,525** | **44,047** | **145,572** | **193,144** |
| Acquisitions | - | 1,012 | 206 | 1,218 |
| Disposals | - | - | - | - |
| Inter-account transfers | - | - | - | - |
| **At 31 December 2017** | **3,525** | **45,059** | **145,778** | **194,362** |
| **AMORTISATION** | | | | |
| **At 1 January 2017** | **3,525** | **30,292** | **54,241** | **88,058** |
| Charges | - | 4,547 | - | 4,547 |
| Reversals | - | - | - | - |
| **At 31 December 2017** | **3,525** | **34,839** | **54,241** | **92,605** |
| **NET VALUE** | | | | |
| **At 1 January 2017** | **-** | **13,755** | **91,331** | **105,086** |
| **At 31 December 2017** | **-** | **10,220** | **91,537** | **101,757** |

Intangible assets comprise:

- research and development costs;
- software acquired or contributed;
- goodwill acquired or contributed during mergers.

Research and development costs for software and solutions, which totalled €11.843 million in 2017, are recognised as expenses.

Software acquisitions mainly relate to workstation software as well as development and industrialisation tools.

### 3.1.2. PROPERTY, PLANT AND EQUIPMENT

| *(in thousands of euros)* | Land | Buildings | Technical installations | Sundry fittings | Vehicles | Office furniture and equipment | Other property, plant and equipment | Fixed assets in progress | Total |
|---|---|---|---|---|---|---|---|---|---|
| **GROSS VALUE** | | | | | | | | | |
| **At 1 January 2017** | **323** | **6,829** | **3,812** | **68,327** | **87** | **36,724** | **14** | **98** | **116,214** |
| Acquisitions | - | - | 1,045 | 7,002 | - | 2,416 | - | 4,540 | 15,003 |
| Disposals | - | - | -430 | -5,190 | - | -1,925 | - | - | -7,545 |
| **At 31 December 2017** | **323** | **6,829** | **4,427** | **70,139** | **87** | **37,215** | **14** | **4,638** | **123,672** |
| **DEPRECIATION** | | | | | | | | | |
| **At 1 January 2017** | **137** | **5,912** | **2,086** | **35,796** | **39** | **23,387** | **-** | **-** | **67,357** |
| Charges | 9 | 108 | 1,122 | 7,513 | 17 | 2,538 | - | - | 11,307 |
| Reversals | - | - | -430 | -5,190 | - | -1,925 | - | - | -7,545 |
| **At 31 December 2017** | **146** | **6,020** | **2,778** | **38,119** | **56** | **24,000** | **-** | **-** | **71,119** |
| **NET VALUE** | | | | | | | | | |
| **At 1 January 2017** | **186** | **917** | **1,726** | **32,531** | **48** | **13,337** | **14** | **98** | **48,857** |
| **At 31 December 2017** | **177** | **809** | **1,649** | **32,020** | **31** | **13,215** | **14** | **4,638** | **52,553** |

Property, plant and equipment consists of:

- land and buildings: Sopra Steria Group owns three buildings at the Annecy-le-Vieux site;
- office furniture, fixtures and equipment: this refers to equipment on premises leased by Sopra Steria Group in major French cities.

Some computer hardware is acquired on three or four-year leases and is not included under *Property, plant and equipment* in the parent company financial statements.

All properties other than the buildings at the Annecy-le-Vieux site are leased.

### 3.1.3. FINANCIAL INVESTMENTS

| *(in thousands of euros)* | Equity interests and long-term investment securities | Receivables in respect of equity interests | Loans and other financial investments | Total |
|---|---|---|---|---|
| **GROSS VALUE** | | | | |
| **At 1 January 2017** | **1,242,910** | **-** | **564,795** | **1,807,705** |
| Acquisitions/Increases | 105,570 | 3,420 | 38,891 | 147,881 |
| Disposals/Decreases | -2,338 | - | -26,018 | -28,356 |
| Inter-account transfers | - | - | - | - |
| **At 31 December 2017** | **1,346,142** | **3,420** | **577,668** | **1,927,230** |
| **IMPAIRMENT** | | | | |
| **At 1 January 2017** | **17,551** | **-** | **-** | **17,551** |
| Charges | 1,743 | - | - | 1,743 |
| Reversals | -13,434 | - | - | -13,434 |
| **At 31 December 2017** | **5,860** | **-** | **-** | **5,860** |
| **NET VALUE** | | | | |
| **At 1 January 2017** | **1,225,359** | **-** | **564,795** | **1,790,154** |
| **At 31 December 2017** | **1,340,282** | **3,420** | **577,668** | **1,921,370** |

Details concerning equity interests are provided in the list of subsidiaries and other equity interests presented in Note 5.9.

### a. Breakdown of changes in the gross amounts recognised for equity interests and related receivables:

Increases:

| Securities concerned *(in thousands of euros)* | Transaction | Amount |
|---|---|---|
| Sopra Steria AB (Sweden) | Recapitalisation | 20,239 |
| Sopra Steria A/S (Denmark) | Recapitalisation | 2,690 |
| Tecfit | Purchase of shares | 46,708 |
| Cassiopae RE Paris | Purchase of shares | 12,921 |
| Cassiopae ITI | Purchase of shares | 16,266 |
| La FoncièreNumérique | Purchase of shares | 80 |
| La FoncièreNumérique | Loan | 3,420 |
| CS Communication & Systèmes | Purchase of shares via conversion of convertible bonds | 6,467 |
| CS Communication & Systèmes | Capitalised interest on bonds until the conversion date | 199 |
| **TOTAL** | | **108,990** |

In June 2017, the Company converted its CS Communication & Systèmes bonds into shares. This conversion generated a capital gain for accounting purposes of €6.467 million. The value used for the original cost of CS Communication & Systèmes shares is the market price of the share on the conversion date, 30 June 2017.

Decreases:

| Securities concerned *(in thousands of euros)* | Transaction | Amount |
|---|---|---|
| Diamis | Disposal of shares | 1,295 |
| Intest SA | Disposal of shares | 59 |
| CS Communication & Systèmes | Reimbursement of capitalised interest on bonds | 984 |
| **TOTAL** | | **2,338** |

### b. Impairment of equity interests

In accordance with CRC Regulation 2002-10, issued by the *Comité de la Réglementation Comptable* (the French accounting regulation committee), on the depreciation, amortisation and impairment of fixed assets, the following changes in impairment charges were recognised in financial year 2017:

| *(in thousands of euros)* | At 1 January 2017 | Charges | Reversals | At 31 December 2017 |
|---|---|---|---|---|
| Steria Medshore (Morocco) | 982 | 24 | - | 1,006 |
| Sopra Steria AB (Sweden) | 13,434 | - | 13,434 | - |
| Sopra Steria A/S (Denmark) | 3,135 | - | - | 3,135 |
| CS Communication & Systèmes | - | 1,717 | - | 1,717 |
| Other | 2 | - | - | 2 |
| **TOTAL** | **17,551** | **1,741** | **13,434** | **5,860** |

In Sweden, Sopra Steria AB's prospects for generating profits improved due to its acquisition of Kentor, thus warranting the complete reversal of the related provision for impairment of equity interests.

The impairment of the investment in CS Communication & Systèmes arises from the difference between the share price at the acquisition date and at the balance sheet date.

### c. Loans and other financial investments

**At the balance sheet date, this item comprises primarily:**

- loans to UK subsidiaries in the amount of £80 million;
- liquidity agreement (shares and cash) in the amount of €3.363 million;
- treasury shares in the amount of €1.595 million;
- financial assets merger loss in the amount of €481.747 million.

During the year, this item reflected the impact of the increase of £20.000 million in the outstanding balance of loans to UK subsidiaries and of the We Share 2017 plan, for which the following movements were recorded:

- repurchase of 116,529 treasury shares on the market, for a total value of €14.716 million;
- sale of 107,547 shares subscribed for by employees, for a total value of €11.065 million;
- employer matching contribution represented by 107,547 free shares, for a total value of €11.065 million.

## 3.2. Other assets

### 3.2.1. TRADE ACCOUNTS RECEIVABLE

| *(in thousands of euros)* | 2017 | 2016 |
|---|---|---|
| Non-Group clients and related accounts | 245,318 | 261,647 |
| Accrued income | 143,285 | 148,264 |
| Group clients | 19,487 | 16,062 |
| Doubtful debtors | 544 | 535 |
| Provision for doubtful debtors | -529 | -535 |
| **TOTAL** | **408,105** | **425,973** |

Trade accounts receivable are recognised as assets and are stated at their carrying amount.

Accrued income is essentially comprised of production recognised for fixed-price projects using the percentage-of-completion method. Invoices are generally prepared for these contracts upon completion of the services rendered, which are covered over the lifespan of the projects through payments on account.

In December 2017, the Company sold a portion of its trade accounts receivable. These sales were made without recourse in the amount of €36.984 million and with recourse in the amount of €19.836 million. At 31 December 2016, the Company had also sold a portion of its trade accounts receivable with recourse in the amount of €25.000 million.

### 3.2.2. OTHER RECEIVABLES, PREPAYMENTS AND ACCRUED INCOME

| *(in thousands of euros)* | 2017 | 2016 |
|---|---|---|
| Staff costs and related accounts | 165 | 294 |
| Social security | 231 | 280 |
| State and local authorities | | |
| ■ Corporate income tax | 5,510 | 4,836 |
| ■ VAT | 18,084 | 17,351 |
| ■ Other tax | 41,213 | 41,413 |
| Group and associates | 146,971 | 112,315 |
| Impairment of current accounts | -48 | -48 |
| Other receivables | 9,850 | 8,501 |
| Prepaid expenses | 4,906 | 6,023 |
| **TOTAL** | **226,882** | **190,965** |

The *Other tax* item includes in particular tax credits not used at 31 December 2017. It mainly consists of research tax credit receivables totalling €34.101 million.

The *Corporate income tax* item in the amount of €5.510 million consists of:

- a corporation tax instalment payment surplus of €1.743 million;
- accrued income in respect of the refund of the 3% contribution on dividends paid in financial years 2015, 2016 and 2017 in the total amount of €3.767 million.

*Group and associates* increased by nearly €34 million. This increase is mainly due to the current account advance to the Sopra Banking Software subsidiary, allowing it to complete the acquisition of the Cassiopae group.

Prepaid expenses relate to services invoiced in 2017 and attributable to subsequent years. They mainly concern costs associated with hardware and software maintenance contracts and leases of movable and immovable property.

### 3.2.3. DEBT ISSUANCE COSTS AND TRANSLATION ADJUSTMENTS – ASSET

| *(in thousands of euros)* | 2017 | 2016 |
|---|---|---|
| Debt issuance costs | 368 | 622 |
| Translation adjustments – Asset | 10,509 | 7,173 |
| **TOTAL** | **10,700** | **7,795** |

*Translation adjustments – Asset* amounted to €10.332 million at end-December 2017, compared with €7.173 million at end-2016. This change relates mainly to the depreciation of the British pound (down 3.6%), which had a negative impact on receivables denominated in sterling, in particular the £80 million loan granted to UK subsidiaries.

Debt issuance expenses consist of costs to negotiate and arrange the bond issue carried out on 12 April 2013 for an initial amount of €1.672 million. These costs are amortised over the term of the debt in proportion to the interest accrued.

### 3.2.4. IMPAIRMENT OF CURRENT ASSETS

| *(in thousands of euros)* | At 1 January 2017 | Charges | Reversals | At 31 December 2017 |
|---|---|---|---|---|
| Impairment of trade receivables | 535 | 7 | 13 | 529 |
| Impairment of current accounts | 48 | - | - | 48 |
| **TOTAL** | **583** | **7** | **13** | **577** |

## 3.3. Equity

### 3.3.1. STATEMENT OF CHANGES IN EQUITY

| *(in thousands of euros)* | Capital | Issue, merger and contribution premiums | Legal reserve | Discretionary reserves | Retained earnings | Net profit for the year | Total |
|---|---|---|---|---|---|---|---|
| **At 1 January 2017** | **20,532** | **531,381** | **2,045** | **160,603** | **208** | **142,022** | **856,791** |
| Appropriation of 2016 earnings and dividends | - | - | 9 | 97,051 | -178 | -142,022 | -45,140 |
| Exercise of share subscription options | 5 | 211 | - | - | - | - | 216 |
| Free share awards to employees | 11 | - | - | -11 | - | - | - |
| Merger surplus[(1)] | - | -115 | - | - | - | - | -115 |
| Profit for the year | - | - | - | - | - | 141,770 | 141,770 |
| **AT 31 DECEMBER 2017** | **20,548** | **531,477** | **2,054** | **257,643** | **30** | **141,770** | **953,522** |

*(1) Adjustment to the earnout payment for the acquisition of Active3D.*

The amount of dividends paid in 2017, in respect of 2016 profit, was €2.20 per share, for a total amount of €45.139 million.

### 3.3.2. SHARE CAPITAL

At 31 December 2017, Sopra Steria Group had a share capital of €20,547,701, compared with €20,531,795 at 31 December 2016. It is represented by 20,547,701 fully paid-up shares with a par value of €1 each.

Movements during the 2017 financial year were as follows:

- delivery of 10,906 free shares under the free share award plans;
- exercise of share subscription options during the year: 5,000 shares were created, corresponding to a capital increase of €5 thousand and an issue premium of €211 thousand.

In accordance with the decision made at the Combined General Meeting of 27 June 2014 pursuant to Article L. 225-123 of the French Commercial Code arising from the Act of 29 March 2014, dual voting rights were introduced on 7 July 2014 for all fully paid-up shares held in registered form in the same shareholder's name for at least two years.

At 31 December 2017, the total number of voting rights that could be exercised at Ordinary and Extraordinary General Meetings was 26,677,398, while the total number of theoretical voting rights at that date was 26,690,112.

Sopra Steria Group held a total of 12,714 treasury shares at 31 December 2017. At the balance sheet date, reserves not available for distribution amounted to €1.594 million.

### 3.3.3. EXERCISE OF SHARE SUBSCRIPTION OPTIONS

No share subscription option plans remained in force at 31 December 2017.

During the year, the last option to subscribe for 5,000 shares was exercised.

The impact on equity is described in Note 3.3.2.

### 3.3.4. FREE PERFORMANCE SHARE AWARD PLANS

| | Plans added following the Sopra-Steria merger *(in Steria shares)* | | Sopra Steria plan | |
|---|---|---|---|---|
| | **Plan 12**[1] | **Plan 13**[2] | **2016 LTI plan**[3] | **2017 LTI plan**[3] |
| Date of General Meeting | 15/05/2012 | 22/05/2014 | 22/06/2016 | 22/06/2016 |
| Grant date | 17/09/2013 | 15/10/2014 | 24/06/2016 | 24/02/2017<br>25/10/2017 |
| Total number of shares in awards granted unconditionally | 151,900 | 79,500 | 88,500 | 109,000 |
| Number of shares granted to: | | | | |
| ■ company officers | - | - | 3,000 | 3,000 |
| ■ top ten employee grantees | 50,500 | 21,800 | 19,000 | 20,000 |
| Vesting date | | | | |
| ■ France | 17/09/2016 | 15/10/2017 | 31/03/2019 | 31/03/2020 |
| ■ other countries | 17/09/2017 | 15/10/2018 | 31/03/2019 | 31/03/2020 |
| Holding period expiry date | | | | |
| ■ France | 17/07/2018 | 15/10/2019 | | |
| ■ Spain | | | | |
| ■ other countries | (4) | (4) | | |
| Number of potential shares that could have been granted as at 1 January 2017 | 25,392 | 59,100 | 88,500 | |
| Granted in 2017 | 23,364 | 20,200 | - | - |
| Awards cancelled in 2017 | 2,028 | 6,400 | 19,690 | 22,060 |
| Vested at 31/12/2017 | 60,770 | 20,200 | - | - |
| **SHARES REMAINING AT 31 DECEMBER 2017** | **-** | **32,500** | **68,810** | **86,940** |
| **EQUIVALENT IN SOPRA STERIA SHARES REMAINING AT 31/12/2017 FOLLOWING THE MERGER**[5] | **-** | **8,125** | **68,810** | **86,940** |

*(1) Plan with conditional grant depending on continued employment and performance requirements as measured by changes in operating margin and consolidated revenue over a three-year period.*

*(2) Plan with conditional grant depending on continued employment and performance requirements as measured by changes in operating profit on business activity and consolidated revenue over a two-year period.*

*(3) Plan with conditional grant depending on continued employment and performance requirements as measured by changes over three years in operating profit on business activity, consolidated revenue and consolidated free cash flow.*

*(4) No holding period.*

*(5) The adjustment of the number of Steria shares to Sopra Steria shares is calculated based on an exchange ratio of one Sopra Steria share for every four Steria shares, rounded up to the nearest whole number, for each grantee.*

## 3.4. Provisions for contingencies and losses

| *(in thousands of euros)* | At 1 January 2017 | Additions for the year | Reversals for the year | | At 31 December 2017 |
|---|---|---|---|---|---|
| | | | Used | Not used | |
| Provisions for retirement benefits | 57,888 | 6,487 | 1,181 | - | 63,194 |
| Provisions for restructuring[1] | 8,637 | - | 2,927 | - | 5,710 |
| Provisions for commercial disputes[2] | 2,700 | 98 | 150 | 850 | 1,798 |
| Provisions for employee disputes | 3,518 | 397 | 1,079 | 299 | 2,537 |
| Provisions for foreign exchange losses | 7,172 | 10,332 | 7,172 | - | 10,332 |
| Provisions for taxes[3] | 24,817 | 765 | 2,769 | - | 22,813 |
| Provision for site restoration | - | - | - | - | - |
| Provisions for contingencies on subsidiaries | - | - | - | - | - |
| Other provisions for contingencies[4] | 943 | 9,592 | - | 943 | 9,592 |
| **TOTAL** | **105,675** | **27,671** | **15,278** | **2,092** | **115,976** |

*(1) Provisions for restructuring mainly relate to costs related to vacant premises.*

*(2) Provisions for commercial disputes mainly correspond to contractual risks.*

*(3) Additions to provisions for taxes correspond to readjustments of the estimated risks associated with tax audits.*

*(4) During the year, the Company announced its intention to purchase the shares due to vest under the LTI plans. This provision corresponds to the costs for the likely outflow of resources under the LTI plans for all Group employees.*

### 3.4.1. PROVISIONS FOR RETIREMENT BENEFITS

Sopra Steria Group recognises provisions for its commitments to employees in accordance with the terms of voluntary and compulsory retirement under the Syntec collective bargaining agreement, as amended in 2004 following the French pension reform act of 21 August 2003. Provisions for retirement benefits are recognised on an actuarial basis as described in Note 2.9.

Assumptions referring to mortality rates are based on published statistical data.

Turnover tables are based on five-year age brackets and are updated at each balance sheet date to reflect separation data for the last five years.

The discount rate used to calculate the present obligation is the yield on high-quality corporate bonds (rated AA or higher) denominated in the payment currency and with a maturity close to the average estimated term of the retirement obligation concerned.

The Group uses the 20-year Bloomberg rate for the eurozone as the benchmark for discounting its retirement benefit obligations. At 31 December, this rate stood at 1.77%.

The total retirement benefit obligation amounted to €63.194 million.

## 3.5. Liabilities

### 3.5.1. FINANCIAL DEBT

| *(in thousands of euros)* | At 1 January 2017 | Increase | Decrease | At 31 December 2017 |
|---|---|---|---|---|
| Syndicated loan | 234,750 | - | 25,829 | 208,921 |
| NEU CP programme | 302,700 | - | 92,100 | 210,600 |
| Other financial debt | 226,070 | 35,578 | 600 | 261,048 |
| Employee profit-sharing | 13,662 | - | 8,390 | 5,272 |
| Bond | 180,000 | - | - | 180,000 |
| Accrued interest on financial debt | 4,550 | 166 | - | 4,716 |
| **TOTAL** | **961,732** | **35,744** | **126,919** | **870,557** |

In 2014, the Group took out a €1,200 million five-year borrowing facility with two options to extend the expiry date by one year. This facility comprises a €200 million amortising tranche, an £80 million amortising tranche and a €900 million multi-currency revolving credit line. In 2017, following the exercise of the initial one-year extension option, the expiry date was postponed to 6 July 2022, with another one-year extension option remaining to be exercised. At 31 December 2017, the outstanding amount drawn on the loan is from the two amortising tranches (€144 million and £57.6 million after contractual amortisations for the period). The €900 million multi-currency revolving credit facility is undrawn.

Details on the NEU CP programme:

In 2015, the Company, within the framework of the Group's finance policy, arranged an unrated multi-currency NEU CP (previously referred to as commercial paper) programme of short-term negotiable securities that was not underwritten, the maximum amount of which was increased to €700 million. This programme has been presented in documentation available on the Banque de France's website, which was last updated on 30 June 2017. The average amount outstanding under the NEU CP programme was €458.2 million in 2017, compared with €443.9 million in 2016 and was very active throughout 2017. The Company benefited from the fall in short-term euro rates as well as investor interest in maturities of 6 to 12 months. The outstanding amount under the NEU CP programme at 31 December 2017, is €210.6 million (€302.7 million at 31 December 2016). The NEU CPs are included in liabilities in the balance sheet under *Financial debt*.

In December 2017, as part of its efforts to diversify its borrowings, the Company arranged an NEU MTN programme of medium-term negotiable securities that was not underwritten, with a maximum amount of €300 million. As is the case for the earlier NEU CP programme, the NEU MTN programme is presented in documentation available on the Banque de France's website. At 31 December 2017, no NEU MTNs had been issued.

The *Other financial debt* item includes:

- bank overdrafts in the amount of €230.779 million relating to the management of a notional cash pooling arrangement. These amounts correspond to the debit positions of subsidiaries taking part in the cash pooling arrangement;
- a €30.000 million medium-term bank loan taken out in April 2017 and repayable at maturity in April 2019.

The bond issue in the original amount of €180 million has the following characteristics:

- subscription date: 12 April 2013;
- coupon rate: 4.25%;
- redemption date: 12 July 2019.

The terms and conditions to which the syndicated loan and bond issue are subject include a commitment to comply with certain financial covenants.

There are two financial ratios calculated every six months using the consolidated financial statements on a 12-month rolling basis:

- the leverage ratio, equal to net financial debt/pro forma EBITDA;
- the interest coverage ratio, equal to pro forma EBITDA/cost of net financial debt.

The leverage ratio must not exceed 3.0 at any reporting date. The interest coverage ratio must not fall below 5.0.

Net financial debt is defined on a consolidated basis as all loans and related borrowings (excluding intercompany liabilities), less available cash and cash equivalents.

Pro forma EBITDA is consolidated operating profit on business activity adding back depreciation, amortisation and provisions included in operating profit on business activity. It is calculated on a 12-month rolling basis and is therefore restated so as to be presented in the financial statements on a like-for-like basis over 12 months. Accordingly, pro forma EBITDA for 2017 was restated in order to present the result for entities acquired over the 12-month period.

At 31 December 2017, the net financial debt/pro forma EBITDA ratio covenant was met, with the ratio coming in at 1.44 compared with a covenant of 3.0. It is calculated as follows:

| *(in thousands of euros)* | 31/12/2017 | 31/12/2016 |
|---|---|---|
| Short-term borrowings (< 1 year) | 273,600 | 368,700 |
| Long-term borrowings (> 1 year) | 398,900 | 402,700 |
| Cash and cash equivalents | -162,398 | -265,400 |
| Other financial guarantees | - | - |
| **Net financial debt (including financial guarantees)** | **510,102** | **506,000** |
| **EBITDA** | **354,091** | **344,832** |
| **Net financial debt/pro forma EBITDA ratio** | **1.44** | **1.47** |

For the interest coverage ratio, pro forma EBITDA is as defined above and the cost of net financial debt is also calculated on a rolling 12-month basis.

At 31 December 2017, the covenant for pro forma EBITDA/cost of net financial debt, requiring a ratio of at least 5.0, was also met, with the ratio coming in at 52.18. It is calculated as follows:

| *(in thousands of euros)* | 31/12/2017 | 31/12/2016 |
|---|---|---|
| **EBITDA** | **354,091** | **344,832** |
| **Cost of net financial debt** | **6,786** | **6,712** |
| **Pro forma EBITDA/cost of net financial debt ratio** | **52.18** | **51.38** |

## 3.5.2. FINANCIAL INSTRUMENTS

### a. Interest rate hedge

Within the framework of the Group's policy, the Company's aim is to protect itself against interest rate fluctuations by hedging part of its floating rate debt and investing its cash over periods of less than three months. The Company does not conduct speculative transactions on financial markets.

The derivative financial instruments used to hedge the debt are interest rate swap contracts or options, which may or may not be eligible for hedge accounting.

The eligible counterparties for interest rate hedging and investments are leading financial institutions which belong to the Sopra Steria banking syndicate. These financial instruments are managed by the Group Finance Department.

For transactions qualifying as hedges, the underlying hedged risk consists of a group of floating-rate financial liabilities. At 31 December 2017, floating-rate financial liabilities include mainly the euro-denominated tranche of the 2014 syndicated loan (€144 million) and the NEU CPs (€210 million). The Company has anticipated the refinancing of its €180 million bond due to mature in July 2019 by setting up a €100 million swaption contract.

| | Fair value | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 31/12/2017 | | | | Maturity | | | |
| *(in thousands of euros)* | Non-current assets | Current assets | Non-current liabilities | Current liabilities | Notional amount | < 1 year | from 1 to 5 years | > 5 years |
| Swap (cash flow hedge) in euros | - | - | 510.5 | - | 50,000.0 | - | 50,000.0 | - |
| Swap (cash flow hedge) in foreign currency | - | - | - | - | - | - | - | - |
| Options eligible for hedge accounting in euros | 635.6 | - | 347.9 | - | 300,000.0 | - | 200,000.0 | 100,000.0 |
| Options eligible for hedge accounting in foreign currency | - | - | - | - | - | - | - | - |
| Swaps not eligible for hedge accounting in euros | - | - | - | 47.7 | 15,000.0 | 15,000.0 | - | - |
| Options not eligible for hedge accounting in euros | - | - | 225.0 | - | 110,000.0 | 10,000.0 | 100,000.0 | - |
| **TOTAL INTEREST RATE HEDGES** | **635.6** | **-** | **1,083.5** | **47.7** | **475,000.0** | **25,000.0** | **350,000.0** | **100,000.0** |

Transactions not qualifying as hedges relate to contracts for swaps and options not written on an underlying at 31 December 2017.

At 31 December 2017, the fair value of interest rate instruments was negative €0.495 million.

The portfolio's sensitivity in the event of a change in interest rates is:

- a decrease of €2.5 million in the event of a drop of 50 basis points in interest rates;
- an increase of €5.2 million in the event of a rise of 50 basis points in interest rates.

**b. Foreign exchange hedge**

Sopra Steria Group is subject to three main types of risks linked to fluctuations in exchange rates:

- currency translation risk associated with the repatriation of dividends of subsidiaries whose base currency is not the euro;
- transactional risk associated with (i) purchases and sales of services in foreign currencies and (ii) internal foreign currency forwards granted to subsidiaries in connection with the centralised management of foreign currency risk;
- financial foreign currency risk arising from foreign-currency borrowings (risk arising from changes in the value of the financial debt denominated in pounds sterling).

| *(in thousands of euros)* | Nominal value | Fair value |
|---|---|---|
| Foreign exchange hedge[(1)] | 72,876 | 177 |
| Interest rate hedge[(2)] | 475,000 | -508 |

*(1) Including internal foreign currency forwards.*

*(2) Excluding swaption contracts.*

**Details on transactional risk:**

As part of the Group's general risk management policy, Sopra Steria Group systematically hedges against transactional foreign currency risks that constitute material risks.

In addition, centralised management of foreign exchange transaction risk is in place with the Group's main entities (apart from India). Sopra Steria Group acts as the centralising entity, granting exchange rate guarantees to subsidiaries in pounds sterling, US dollars and Polish zlotys. After netting internal exposures, Sopra Steria Group hedges the residual exposure through the use of derivatives.

Changes in fair value corresponding to these hedges are taken to profit or loss for invoiced items and to equity for future cash flows.

The remeasurement through profit or loss of these financial instruments hedging balance sheet items is balanced by the revaluation of foreign currency receivables over the period.

At 31 December 2017, the fair value of foreign exchange instruments was €177 thousand.

The portfolio's sensitivity in the event of a change in interest rates is:

- an increase of €0.9 million in the event of a 5% fall in the euro;
- a decrease of €0.9 million in the event of a 5% rise in the euro.

**Details on foreign currency risk**

Sopra Steria Group SA grants loans in sterling to UK subsidiaries whose outstanding balance is £80 million, financed by an equivalent debt in sterling.

This debt provides a partial coverage of the assets comprised of shares in the UK subsidiaries, which amounted to £148 million at 31 December 2017.

## 3.5.3. TRADE ACCOUNTS PAYABLE

| *(in thousands of euros)* | 2017 | 2016 |
|---|---|---|
| Non-Group suppliers and related accounts | 37,241 | 39,601 |
| Accrued expenses | 48,010 | 44,930 |
| Group suppliers (including accrued expenses) | 28,901 | 34,772 |
| **TOTAL** | **114,152** | **119,303** |

## 3.5.4. TAX AND SOCIAL SECURITY PAYABLES

| *(in thousands of euros)* | 2017 | 2016 |
|---|---|---|
| Staff costs and related accounts | 105,078 | 98,663 |
| Social security | 113,571 | 107,714 |
| State and local authorities | | |
| ■ Corporate income tax | - | - |
| ■ VAT | 104,835 | 103,943 |
| ■ Other tax | 4,904 | 5,131 |
| **TOTAL** | **328,388** | **315,451** |

### 3.5.5. OTHER LIABILITIES, ACCRUALS AND DEFERRED INCOME

| *(in thousands of euros)* | 2017 | 2016 |
|---|---|---|
| Liabilities in respect of fixed assets | 31,281 | 3,287 |
| Group and associates | 203,456 | 172,885 |
| Other liabilities | 31,226 | 24,372 |
| Deferred income | 105,144 | 108,799 |
| **TOTAL** | **371,107** | **309,343** |

Deferred income comprises the portion of interim billings issued in advance on fixed-price and maintenance contracts.

At 31 December 2017, the *Fixed asset liabilities* item includes the purchase price for the ITI and Cassiopae RE Paris shares in the total amount of €29.187 million. This liability will be settled in January 2018.

### 3.5.6. TRANSLATION ADJUSTMENTS – LIABILITY

| *(in thousands of euros)* | 2017 | 2016 |
|---|---|---|
| Translation adjustments – Liability | 9,258 | 8,283 |
| **TOTAL** | **9,258** | **8,283** |

# 4. Notes to the income statement

## 4.1. Revenue

Revenue breaks down as follows by vertical market:

| | 2017 | 2016 |
|---|---|---|
| Services | 25.1% | 25.7% |
| Manufacturing | 23.5% | 22.8% |
| Finance | 19.9% | 20.6% |
| Public Sector | 19.9% | 19.3% |
| Telecoms & Media | 9.1% | 9.0% |
| Retail | 2.6% | 2.6% |
| **TOTAL** | **100.0%** | **100.0%** |

Of the €1,457 million of revenue generated in 2017, €74 million derived from international operations.

## 4.2. Compensation of directors and company officers

Directors' fees paid in 2017 in respect of financial year 2016 amounted to €500k.

Compensation paid in 2017 to company officers totalled €1.332 million.

## 4.3. French tax credit for competitiveness and jobs (CICE)

In respect of the 2017 financial year, Sopra Steria Group recorded a CICE tax credit of €21.419 million, recognised as a deduction against staff costs.

Sopra Steria Group sold its 2017 CICE tax credit receivables amounting to €27.215 million, including all such receivables relating to tax-consolidated entities.

Of this amount, €24.389 million had already been financed at the balance sheet date. The remaining balance of €2.826 million is recognised under *Other receivables* and will be collected in the first quarter of 2018.

The CICE is used in accordance with regulations in force (Article 244 quater C of the French General Tax Code).

## 4.4. Financial income and expenses

| *(in thousands of euros)* | 2017 | 2016 |
|---|---|---|
| Dividends received from equity interests | 34,205 | 19,871 |
| Interest on bank borrowings and similar charges | -10,878 | -11,692 |
| Interest on employee profit-sharing | -440 | -946 |
| Discounting of the pension provision | -1,119 | -1,325 |
| Interest received and paid on Group current accounts | 2,054 | 1,160 |
| Positive and negative foreign exchange impact (including provision) | 586 | 26,580 |
| Impairment of equity interests | 11,693 | 645 |
| Other financial income and expenses | 10,775 | 4,569 |
| **FINANCIAL ITEMS** | **46,876** | **38,862** |

The detail of dividends received is listed in the table of subsidiaries and other equity interests (see Note 5.9).

Foreign exchange gains and losses mainly arise from transactions carried out in pounds sterling during the year.

The change in impairment of equity interests is detailed in Note 3.1.3.b.

*Other financial income and expenses* includes in particular a capital gain of €6.467 million arising on the conversion into shares of the CS Communication & Systèmes convertible bonds.

## 4.5. Exceptional income and expenses

| *(in thousands of euros)* | Expenses | Income |
|---|---|---|
| Scrapping of property, plant and equipment | -710 | - |
| Disposal of financial investments | -1,355 | 6,220 |
| Gains or losses on treasury share transactions | -11,121 | 14,191 |
| Provision for taxes | -765 | 2,769 |
| Expenses related to vacant premises | | |
| ■ actual expenses/income for the year | -3,792 | - |
| ■ additions to/reversals of provisions | - | 2,927 |
| Other | -3,371 | 2,159 |
| **EXCEPTIONAL ITEMS** | **-21,114** | **28,266** |

The main movements in exceptional income and expenses were:

- capital gains on the sale of Diamis and Intest shares;
- a capital gain on the sale of treasury shares in connection with the We Share 2017 plan in the amount of €2.710 million.

## 4.6. Employee profit-sharing

The amount of legally prescribed employee profit-sharing was nil in 2017, due to the fact that net taxable profit was less than 5% of equity.

## 4.7. Incentives

Incentives for 2017 were provisioned in the amount of €12.918 million.

Additional incentives in respect of 2016 were paid in 2017 in the amount of €3.633 million.

## 4.8. Corporate income tax

### 4.8.1. TAX CONSOLIDATION

Sopra Steria Group and its subsidiaries Sopra Banking Software, Sopra HR Software, Sopra I2S, Beamap, CIMPA and Sopra Steria Services have opted to file as a tax consolidation group as from financial year 2013. Each of the companies computes and recognises its own income tax charge as if it were taxed separately.

The tax saving arising from application of the Group tax regime, equal to the difference between the sum of tax paid to the parent company by consolidated companies and tax calculated on Group earnings and actually payable to the French Treasury, will accrue to the parent company.

However, given the provisions laid down in Article 2 of these agreements, tax savings recognised by the parent company during the financial year, arising from the use of tax losses and net long-term capital losses reported by consolidated companies, are only temporary, since they will be taken into account by consolidated companies when the latter determine their taxes for subsequent financial years.

In 2017, Sopra Steria Group recognised a tax expense of €1.554 million, including tax consolidation gains in the amount of €5.790 million.

### 4.8.2. RESEARCH TAX CREDIT

Sopra Steria Group recognised an R&D tax credit of €14.616 million in 2017.

### 4.8.3. BREAKDOWN OF TAX BETWEEN RECURRING AND EXCEPTIONAL OPERATIONS

Corporate income tax is broken down as follows:

| *(in thousands of euros)* | 2017 | 2016 |
|---|---|---|
| Tax on recurring operations | 8,689 | 14,611 |
| Tax on exceptional operations | 1,434 | -721 |
| Impact of tax consolidation | -8,568 | -11,059 |
| Tax charge from tax reassessments | - | 185 |
| Research tax credit | -14,904 | -8,695 |
| Other tax expenses | -2,424 | 2,868 |
| Other tax credits | -540 | -557 |
| **TOTAL** | **-16,314** | **-3,368** |

*Other tax expenses* includes in particular the accrued income relating to the request for the refund of the 3% contribution on dividends paid from 2015 to 2017.

### 4.8.4. DEFERRED AND UNREALISED TAX ITEMS

| | Basis | | | |
|---|---|---|---|---|
| | 2016 | | 2017 | |
| *(in thousands of euros)* | Assets | Liabilities | Assets | Liabilities |
| **I. CERTAIN OR CONTINGENT DIFFERENCES** | | | | |
| Temporary non-deductible expenses | | | | |
| To be deducted the following year | | | | |
| ■ employee profit-sharing | - | - | - | - |
| ■ organic tax | 2,175 | - | 2,255 | - |
| To be deducted thereafter | | | | |
| ■ provision for post-employment benefits | 57,887 | - | 63,194 | - |
| ■ provision for foreign exchange losses | 7,173 | - | 10,332 | - |
| ■ other | 8,950 | - | 6,210 | - |
| Temporary non-taxable income | | | | |
| ■ capital gains on mergers/conversions | - | - | - | 6,467 |
| ■ deferred long-term capital gains | - | - | - | - |
| Deducted expenses (or taxed income) for tax purposes that has not been recognised | | | | |
| ■ foreign currency translation losses | - | 7,173 | - | 10,332 |
| ■ foreign currency translation gains | 8,283 | - | 9,082 | - |
| ■ deferred charges | - | - | - | - |
| Other | - | - | - | - |
| **TOTAL** | **84,468** | **7,173** | **91,073** | **16,799** |
| **II. ITEMS TO BE OFFSET** | | | | |
| Losses that may be carried forward for tax offset | 91,227 | - | 41,974 | - |
| Long-term capital losses | - | - | - | - |
| **III. CONTINGENT TAX ITEMS** | | | | |
| Capital gains on non-depreciable assets contributed on merger | - | 148,729 | - | 148,729 |
| Special reserve for construction profits | - | - | - | - |

# 5. Other information

## 5.1. Maturities of receivables and payables at the balance sheet date

### 5.1.1. RECEIVABLES

| *(in thousands of euros)* | Gross amount | Up to 1 year | More than 1 year |
|---|---|---|---|
| **Non-current assets** | | | |
| Receivables related to equity interests | 3,420 | - | 3,420 |
| Other financial investments | 91,815 | - | 91,815 |
| **Current assets** | | | |
| Doubtful debts and disputes | 544 | - | 544 |
| Other trade receivables | 408,090 | 408,090 | - |
| Staff costs and related accounts | 165 | 165 | - |
| Social security | 231 | 231 | - |
| State and local authorities | | | |
| ■ Corporate income tax | 5,510 | 5,510 | - |
| ■ VAT | 18,084 | 18,084 | - |
| ■ Other tax | 41,213 | 41,213 | - |
| Group and associates | 146,971 | 146,971 | - |
| Other receivables | 9,850 | 9,850 | - |
| Prepaid expenses | 4,906 | 4,436 | 470 |
| **TOTAL** | **730,799** | **634,550** | **96,249** |

### 5.1.2. LIABILITIES

| *(in thousands of euros)* | Gross amount | Up to 1 year | More than 1 year and within 5 years | More than 5 years |
|---|---|---|---|---|
| Bank borrowings | | | | |
| ■ 2 years maximum at origin | 30,000 | - | 30,000 | - |
| ■ more than 2 years at origin | 208,921 | 23,213 | 185,708 | - |
| Bond | 180,000 | - | 180,000 | - |
| Other financial debt | 451,637 | 449,197 | 2,318 | 122 |
| Trade payables | 114,152 | 114,152 | - | - |
| Staff costs and related accounts | 105,078 | 105,078 | - | - |
| Social security | 113,571 | 113,571 | - | - |
| State and local authorities | | | | |
| ■ corporate income tax | - | - | - | - |
| ■ VAT | 104,835 | 104,835 | - | - |
| ■ other tax | 4,904 | 4,904 | - | - |
| Liabilities in respect of fixed assets | 31,281 | 31,281 | - | - |
| Group and associates | 203,456 | 203,456 | - | - |
| Other liabilities | 31,226 | 31,226 | - | - |
| Deferred income | 105,144 | 105,144 | - | - |
| **TOTAL** | **1,684,205** | **1,286,057** | **398,026** | **122** |

## 5.2. Information on finance leases

### 5.2.1. ASSETS HELD UNDER FINANCE LEASES

| *(in thousands of euros)* | Original value | Depreciation charge for the period | Depreciation charge accumulated | Net value |
|---|---|---|---|---|
| IT equipment | 28,987 | 6,774 | 14,960 | 14,027 |

### 5.2.2. FINANCE LEASE COMMITMENTS

| *(in thousands of euros)* | Actual lease payments for the period | Actual lease payments accumulated | Lease payments remaining less than 1 year | Lease payments remaining from 1 to 5 years | Lease payments remaining Total payable | Residual purchase price |
|---|---|---|---|---|---|---|
| IT equipment | 7,077 | 15,633 | 6,371 | 7,020 | 13,391 | 290 |

## 5.3. Off balance sheet commitments

### 5.3.1. OFF BALANCE SHEET COMMITMENTS GIVEN

| *(in thousands of euros)* | 31/12/2017 |
|---|---|
| Endorsements and bank guarantees | 45,786 |
| Counter-guarantee on non-bank guarantees covering contracts(1) | 241,658 |
| Bank counter-guarantee | - |
| Nominal value of future equipment operating lease payments | 1,912 |
| Nominal value of future real estate operating lease payments | 174,137 |
| Nominal value of future finance lease payments | 13,681 |
| Foreign exchange hedge(2) | 72,710 |
| Interest rate hedge | 475,000 |
| **TOTAL COMMITMENTS GIVEN** | **1,024,884** |

*(1) With respect to the information technology service contracts it enters into with its clients, the Group may, following formal requests by its clients, provide parent company guarantees to its subsidiaries in respect of the performance of their obligations under the contracts signed directly with their clients. To date, no use has ever been made of any such guarantee.*

*(2) Including internal foreign exchange contracts.*

### 5.3.2. OFF BALANCE SHEET COMMITMENTS RECEIVED

| *(in thousands of euros)* | 31/12/2017 |
|---|---|
| Endorsements and other bank guarantees | - |
| Cash facilities (overdrafts): | |
| ■ authorised | 164,000 |
| ■ utilised (balance sheet) | - |
| ■ not utilised (off balance sheet) | 164,000 |
| Medium-term loan: | |
| ■ authorised | 1,138,921 |
| ■ utilised (balance sheet) | 238,921 |
| ■ not utilised (off balance sheet) | 900,000 |
| Nominal value of future real estate sub-lease payments | 67,205 |
| Net carrying amount of leased assets | 14,027 |
| Foreign exchange hedge(1) | 72,710 |
| Interest rate hedge | 475,000 |
| **TOTAL COMMITMENTS RECEIVED** | **1,692,942** |

*(1) Including internal foreign exchange contracts.*

**Other off balance sheet commitments:**

As part of a cash pooling arrangement put in place in 2012 between certain Group entities and BMG (Bank Mendes Gans), the Company stood as guarantor for amounts borrowed by its subsidiaries.

Sopra Steria Group also acts as guarantor for the amount of the contribution payable by its UK subsidiaries in respect of pension plans in the event that those subsidiaries should default. Similarly, it acts as guarantor for the put option granted to the UK Cabinet Office to acquire the 25% participation not yet held in SSCL, in the event that the Sopra Steria Ltd subsidiary should default.

## 5.4. Retirement benefit obligations

### 5.4.1. AMOUNTS RECOGNISED IN THE BALANCE SHEET:

| *(in thousands of euros)* | 31/12/2017 |
|---|---|
| Present value of the obligation financed (with corridor) | 67,575 |
| Fair value of plan assets | - |
| Difference | - |
| **Present value of the obligation financed** | **67,575** |
| Unrecognised actuarial losses (difference) | -3,749 |
| Intercompany transfers and partial transfers of assets | - |
| Unrecognised past service cost | -632 |
| **Net liability on the balance sheet (provision after charge for the year)** | **63,194** |
| **Balance sheet amounts** | **-** |
| Liabilities | 63,194 |
| Assets | - |
| **NET OBLIGATION IN THE BALANCE SHEET** | **63,194** |

### 5.4.2. AMOUNTS RECOGNISED IN THE INCOME STATEMENT:

| *(in thousands of euros)* | 31/12/2017 |
|---|---|
| Current service cost | 5,141 |
| Interest on obligation | 1,119 |
| Net actuarial losses recognised for the period | 6 |
| Past service cost | 220 |
| Losses/(gains) on curtailments and settlements | - |
| **Total recognised under** *Operating expenses* | **6,486** |
| Actual return on plan assets | - |
| **Net liability at the beginning of the period (with corridor)** | **57,888** |
| Net expense recognised in the income statement | 5,306 |
| Contributions | - |
| Intercompany transfers and partial transfers of assets | - |
| **NET LIABILITY AT THE END OF THE PERIOD** | **63,194** |

The calculation assumptions for this obligation were as follows:

- each employee is entitled to retirement benefits;
- the amount payable is calculated as set out in the collective bargaining agreement covering the category of employees in question;
- voluntary retirement age: 65;
- salary increase rate: 2.5%;
- discount rate: 1.77%.

## 5.5. Accrued income and expenses

| *(in thousands of euros)* | **31/12/2017** |
|---|---|
| **ACCRUED INCOME** | |
| Trade accounts payable – Credit notes to be received | 673 |
| Trade accounts receivable | 151,490 |
| Tax and social security receivables | 3,997 |
| Other receivables | - |
| Cash | 5 |
| **TOTAL** | **156,165** |
| **ACCRUED EXPENSES** | |
| Accrued interest on financial debt | 4,717 |
| Trade accounts payable | 64,397 |
| Trade accounts receivable – Credit notes to be issued | 15,363 |
| Tax and social security payables | 147,591 |
| Other liabilities | - |
| **TOTAL** | **232,068** |

## 5.6. Workforce

The average workforce for 2017 consisted of 12,968 employees.

The workforce at 31 December 2017 comprised 13,238 employees.

## 5.7. Exceptional events and legal disputes

There were employee and contractual risks and disputes at the balance sheet date that are not provisioned in the balance sheet because they constitute contingent liabilities. Uncertainties remain as to their amount and the timing of the outflow of resources.

Furthermore, there are no exceptional events or legal disputes that may have a material effect on the Company's financial position, revenue, assets or net profit.

## 5.8. Post balance sheet events

None.

## 5.9. Schedule of subsidiaries and equity interests

| *Company (in thousands of euros)* | Share capital | Other shareholders' equity | % of capital held | Carrying amount of shares held: Gross | Carrying amount of shares held: Net | Loans and advances granted by the Company | Amount of guarantees and securities given | Revenue excluding VAT | Profit or loss | Dividends received by the Company |
|---|---|---|---|---|---|---|---|---|---|---|
| **Subsidiaries** | | | | | | | | | | |
| Sopra Banking Software (France) | 161,867 | -14,500 | 100 | 154,442 | 154,442 | 142,065 | 28,000 | 230,713 | 18,373 | - |
| Sopra HR Software (France) | 13,110 | 25,805 | 100 | 3,171 | 3,171 | - | 7,100 | 161,732 | 14,913 | 7,997 |
| Sopra Steria Holdings Ltd (United Kingdom) | 20,111 | 188,463 | 100 | 388,506 | 388,506 | - | - | - | -6,522 | - |
| Sopra Steria Group SpA (Italy) | 3,660 | 745 | 100 | 12,503 | 12,503 | 1,402 | - | 65,859 | 1,098 | - |
| Sopra Steria España SAU (Spain) | 24,000 | 46,469 | 100 | 116,747 | 116,747 | - | - | 174,162 | 7,021 | 2,700 |
| Beamap (France) | 10 | 671 | 100 | 2,775 | 2,775 | - | - | 2,540 | 242 | 200 |
| Sopra Steria AB (Sweden) | 711 | 17,908 | 100 | 13,434 | 13,434 | - | - | 6,433 | -1,875 | - |
| Sopra Steria AG (Switzerland) | 3,935 | 15,981 | 99 | 37,561 | 37,561 | - | 4,273 | 45,216 | 2,544 | 2,825 |
| Sopra Steria A/S (Denmark) | 1,343 | 1,407 | 100 | 12,220 | 9,086 | - | 537 | 12,796 | 221 | - |
| Sopra Steria Benelux (Belgium) | 9,138 | 2,081 | 99 | 45,756 | 45,756 | - | 93,777 | 69,648 | -38 | 370 |
| Sopra Steria AS (Norway) | 2,032 | 12,199 | 100 | 126,303 | 126,303 | - | 6,097 | 199,470 | 12,632 | 8,143 |
| Sopra Steria AG (Germany) | 10,000 | 27,873 | 100 | 183,153 | 183,153 | - | 16,000 | 232,056 | 16,143 | 2,004 |
| Sopra Steria Asia (Singapore) | 1,248 | 5,038 | 100 | 3,590 | 3,590 | - | 14,082 | 11,071 | 1,113 | 470 |
| Sopra Steria Infrastructure & Security Services (France) | 26,155 | 12,278 | 100 | 39,617 | 39,617 | - | - | 221,722 | -3,616 | - |
| Steria Medshore SAS (Morocco) | 624 | 1,059 | 100 | 2,688 | 1,683 | 1,121 | - | 209 | 59 | - |
| Sopra Steria Polska Sp. Z.0.0. (Poland) | 4,413 | 2,266 | 100 | 10,800 | 10,800 | - | 235 | 23,746 | 1,397 | 1,731 |
| Sopra Steria UK Corporate Ltd (United Kingdom) | 20,100 | 158,834 | 100 | 389,600 | 389,600 | - | - | - | 25,244 | - |
| CIMPA (France) | 152 | 25,115 | 100 | 100,000 | 100,000 | - | - | 102,801 | 4,641 | 5,000 |
| Tecfit (France) | 835 | 9,346 | 88 | 46,709 | 46,709 | - | - | -1,240 | 1,606 | - |
| Sopra Steria Services (France) | 10 | -4 | 100 | 10 | 10 | - | - | - | -1 | - |
| XYZ 12 2016 (France) | 10 | -3 | 100 | 10 | 10 | - | - | - | -1 | - |
| Cassiopae RE Paris (France) | 4,030 | 2,161 | 100 | 12,921 | 12,921 | - | - | - | 184 | - |
| SA ITI (France) | 481 | 1,179 | 100 | 16,266 | 16,266 | - | - | - | -7 | - |
| S2Com Consulting (USA) | 8 | 62 | 62 | 5 | 5 | - | - | 8 | -9 | - |
| **EQUITY INTERESTS** | | | | | | | | | | |
| La FoncièreNumérique | N/A | N/A | 8 | 80 | 80 | 3,420 | - | N/A | N/A | - |
| CS Communication & Systèmes | N/A | N/A | 11 | 14,495 | 12,778 | - | - | N/A | N/A | - |
| Axway Software | 42,420 | 193,911 | 33 | 73,859 | 73,859 | - | - | 162,090 | 16,983 | 2,765 |

Where applicable, euro figures were converted from local currencies using the period-end exchange rates.

# 5.10. Summary of results for the last five financial years

| *(in thousands of euros)* | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| **Financial position of the Group at the year-end** | | | | | |
| ■ Share capital | 20,548 | 20,532 | 20,447 | 20,372 | 11,920 |
| ■ Number of shares issued | 20,548 | 20,532 | 20,447 | 20,372 | 11,920 |
| ■ Number of bonds convertible into shares | - | - | - | - | - |
| **Results of operations for the year** | | | | | |
| ■ Revenue excluding VAT | 1,456,888 | 1,393,280 | 1,289,104 | 1,447,462 | 853,281 |
| ■ Profit before tax, depreciation, amortisation and provisions | 140,168 | 169,579 | 39,930 | -108,916 | 56,399 |
| ■ Corporate income tax | -16,314 | -3,368 | -8,286 | -18,678 | 5,313 |
| ■ Profit after tax, depreciation, amortisation and provisions | 141,770 | 142,022 | 33,358 | -118,714 | 40,947 |
| ■ Amount of profit distributed as dividends | 49,314 | 45,170 | 34,759 | 38,706 | 22,647 |
| **Earnings per share** | | | | | |
| ■ Profit after tax but before depreciation, amortisation and provisions | 7.62 | 8.42 | 2.36 | -4.43 | 4.29 |
| ■ Profit after tax, depreciation, amortisation and provisions | 6.90 | 6.92 | 1.63 | -5.83 | 3.44 |
| ■ Dividend paid per share | 2.40 | 2.20 | 1.70 | 1.90 | 1.90 |
| **Employee data** | | | | | |
| ■ Number of employees | 13,238 | 13,086 | 12,793 | 15,213 | 8,901 |
| ■ Total payroll | 593,410 | 575,237 | 580,995 | 699,464 | 382,987 |
| ■ Amount paid in respect of social security benefits (social security, social bodies, etc.) | 296,846 | 264,663 | 258,907 | 309,484 | 170,862 |

# Statutory Auditors' report on the parent company financial statements

To the General Meeting of Sopra Steria Group,

## 1. Opinion

In accordance with our appointment as Statutory Auditors by the shareholders at your General Meetings, we have audited the attached parent company financial statements of Sopra Steria Group for the financial year ended 31 December 2017.

In our opinion, the parent company financial statements give a true and fair view of the financial position and the assets and liabilities of the Company as of 31 December 2016 and of the results of its operations for the financial year then ended, in accordance with French accounting principles.

The above opinion is in keeping with the contents of our report to the Audit Committee.

## 2. Basis of our opinion

### 2.1 AUDIT FRAME OF REFERENCE

We performed our assignment in accordance with the professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

The responsibilities incumbent on us under these standards are set out in the section of this report entitled "Responsibilities of the Statutory Auditors relating to the audit of the parent company financial statements".

### 2.2 INDEPENDENCE

We performed our audit in accordance with the independence rules applicable to us for the period from 1 January 2017 to the date our report was issued, and in particular we have not provided any services prohibited by Article 5, paragraph 1 of Regulation (EU) No. 537/2014 or by the French Code of Ethics for Statutory Auditors.

**Observations**

Without prejudice to the opinion expressed above, we draw your attention to the paragraph in Note 2.12 to the parent company financial statements on the first year of application of ANC Regulation 2015-05 concerning financial futures and hedging transactions.

## 3. Justification of our assessments – Key audit matters

In accordance with the requirements of Article L. 823-9 and R. 823-7 of the French Commercial Code relating to the justification of our assessments, we bring to your attention the key audit matters relating to the risks of material misstatement which, according to our professional judgment, were most significant for the audit of the parent company financial statements for the year, as well as our responses to these risks.

These assessments were made as part of our audit of the parent company financial statements taken as a whole and the formation of our opinion as expressed above. We do not express an opinion on elements of the parent company financial statements taken in isolation.

### 3.1 REVENUE RECOGNITION ON FIXED-PRICE CONTRACTS

(Note 2.7 to the parent company financial statements)

**Risk identified**

Sopra Steria Group, a leader in digital transformation, offers high-tech solutions comprising consulting and systems integration, development of industry- and technology-specific solutions, IT infrastructure management, cybersecurity and business process services (BPS).

At 31 December 2017, the Company's revenue totalled €1.46 billion, a significant portion of which related to fixed-price contracts. Fixed-price contracts are characterised by commitments relating to the price, the end result and the deadline.

As stated in Note 2.7 to the parent company financial statements, "Services covered by fixed-price contracts", services corresponding to contracts of this kind are recognised using the percentage-of-completion method. This method requires an estimate by management of figures on completion and the level of completion of the contract, it being specified that the amount of revenue recognised at each balance sheet date is based on the difference between the contract value and the amount required to cover the total number of man-days remaining to be performed.

We considered the recognition of income on fixed-price contacts as a key matter of our audit due to its significance in Sopra Steria Group's financial statements and the level of judgment and estimation required by management to determine revenues and income on completion from these contracts.

**Our response**

We familiarised ourselves with the internal control procedures implemented by the Company and tested the key controls relating to determining income from fixed-price contracts.

For a sample of contracts deemed material due to their financial impact and risk profile:

- we reconciled contractual data, including any contractual changes resulting from additional requests and contractual claims, with management and accounting data;
- we talked to management and project managers in order to assess the reasonable nature of the estimates made by management and corroborate the estimated amount allocated to cover the total number of man-days remaining to be performed, particularly in comparison with prior estimates and by reviewing correspondence with the client and assessing whether this has been translated correctly into the accounts. In performing this work we drew on experience acquired in previous years relating to similar contracts;

- for contracts subject to claims, we talked to the Company's legal department and reviewed correspondence with the client in order to assess the estimates made by management.

We also used substantive checks on a sample of trade accounts receivable and accrued income in order to assess management's estimates relating to the prospect of recovering these receivables.

## 3.2 VALUATION AND IMPAIRMENT OF FINANCIAL INVESTMENTS

(Notes 2.6 and 3.1.3 to the parent company financial statements)

**Risk identified**

Financial investments are reported in the balance sheet at 31 December 2017 for a net amount of €1,921.4 million, representing 69.5% of the total balance sheet.

As presented in Note 2.6 to the parent company financial statements, equity interests are recognised at acquisition cost and impaired when, at the balance sheet date, their value in use is less than their carrying amount.

The estimation of the value in use of these securities requires the management to exercise judgment in selecting the items to be considered depending on the investments concerned, items that may correspond to historical items (equity) or to forecast items (discounted future cash flows taking into account profitability prospects and economic conditions in the countries under consideration).

We considered that the valuation of financial investments is a key matter of our audit because of their significant importance in the Company's parent company financial statements and the judgment exercised by management in determining their value in use.

**Our response**

To assess the reasonableness of the estimate of the value in use of equity interests, based on the information provided to us, our work consisted in particular of:

- verifying, for valuations based on historical elements, that the retained equity is consistent with the accounts of entities that have been the subject of an audit or analytical procedures and assess the appropriateness of any adjustments made to this equity.

For valuations based on forecast items:

- obtain cash flow forecasts for the entities concerned prepared by the operational departments, and assess their consistency with the forecast data derived from the latest strategic plans, prepared under the supervision of their general management for each of these activities and approved, where applicable, by the Board of Directors;
- assessing the consistency of the assumptions used, in particular, the growth rate of projected flows, with the market analyses and consensus observed, and verify the discount rate applied in its various components;
- comparing the forecasts used for previous periods with the corresponding achievements in order to assess the achievement of past objectives.

Beyond the assessment of values in use of equity interests, our work also involved:

- assessing the recoverability of loans to subsidiaries compared with the analyses carried out on the equity interests;
- verifying the recognition of a provision for risks in the case where a company is committed to bear the losses of a subsidiary with negative equity.

Lastly, we verified the appropriateness of the information provided in Notes 2.6 and 3.1.3 to the parent company financial statements.

## PROVISIONS FOR RETIREMENT BENEFITS

(Notes 2.10 and 3.4 to the parent company financial statements)

**Risk identified**

Sopra Steria Group recognises provisions for its commitments to employees concerning retirement benefits in accordance with the terms of voluntary and compulsory retirement under the Syntec collective bargaining agreement. The related provision is evaluated recognised on an actuarial basis based on the projected unit credit method described in Note 2.10 to the parent company financial statements. The actuarial value of accumulated benefits as at 31 December 2017 was €63.2 million.

Valuing these commitments, as well as the actuarial cost for the year, requires a high level of judgment by management to determine appropriate assumptions to be made such as the discount rate, future pay rises, staff turnover and mortality tables.

The change in some of these assumptions may have a material impact on determining the amount of the provision recognised.

In view of the amounts represented by these commitments, we considered the provisions for retirement benefits to be a key matter of our audit.

**Our response**

We familiarised ourselves with the process for valuing the provision for retirement benefits applied by Sopra Steria Group. A review of actuarial assumptions was performed to take into account any changes over the year or ad hoc impacts by means of:

- assessing the discount rate in order to evaluate their consistency with market conditions and duration;
- assessing the reasonable nature of assumptions relating to pay rises, staff turnover and mortality;
- a review of calculations supporting the sensitivity of date to changes in the discount rate.

Lastly, we verified the appropriateness of the information provided in Notes 2.10 and 3.4 to the parent company financial statements.

## 4. Verification of the Management Report and other documents addressed to shareholders

We also performed the other specific verifications required by law in accordance with professional practice standards applicable in France.

### INFORMATION GIVEN IN THE MANAGEMENT REPORT AND IN THE OTHER DOCUMENTS ADDRESSED TO SHAREHOLDERS WITH RESPECT TO THE FINANCIAL POSITION AND THE PARENT COMPANY FINANCIAL STATEMENTS

We have no matters to report regarding the fair presentation and consistency with the parent company financial statements of the information given in the Management Report of the Board of Directors and in the other documents addressed to shareholders with respect to the financial position and the parent company financial statements.

### INFORMATION RELATING TO CORPORATE GOVERNANCE

We attest to the existence, in the report of the Board of Directors on corporate governance, of the information required by Articles L. 225-37-3 and L. 225-37-4 of the French Commercial Code.

Concerning the information given in accordance with the requirements of Article L. 225-37-3 of the French Commercial Code relating to remuneration and benefits granted to the company officers and any other commitments made to them, we have verified its consistency with the financial statements, or with the underlying information used to prepare those financial statements and, where applicable, with the information obtained by your Company from companies controlling your Company or controlled by it. Based on this work, we attest to the accuracy and fair presentation of that information.

Concerning the information relating to the elements that your company considered likely to have an impact in the event of a public takeover bid or exchange pursuant to the provisions of Article L. 225-37-5 of the French Commercial Code, we verified their compliance with the source documents which were provided to us. Based on this work, we have no comments to make on this information.

### OTHER INFORMATION

Pursuant to the law, we have verified that the Management Report contains the applicable disclosures as to ownership and control, and the identity of the holders of share capital and voting rights.

## 5. Information resulting from other legal and regulatory requirements

### 5.1 APPOINTMENT OF STATUTORY AUDITORS

Mazars was appointed Statutory Auditor of Sopra Steria Group by the shareholders at the General Meeting of 1 June 2000, and Auditeurs et Conseil Associés – ACA Nexia by the shareholders at the General Meeting of 30 June 1986.

As at 31 December 2017, Mazars was in its 18th consecutive year as Statutory Auditor and Auditeurs et Conseil Associés – ACA Nexia was in its 32nd consecutive year as Statutory Auditor, respectively 18 years and 28 years since the company's shares were first listed for trading on a regulated market.

## 6. Responsibility of management and persons charged with governance in relation to the parent company financial statements

It is management's responsibility to prepare parent company financial statements that give a true and fair view in accordance with French accounting principles, as well as to implement the internal controls it deems necessary to prepare parent company financial statements that are free of material misstatement, whether due to fraud or error.

On preparing the parent company financial statements, it is up to management to assess the company's ability to continue as a going concern, and to present in the financial statements, if applicable, any necessary information relating to the continuity of operations and apply the going concern assumption unless it is planned that the company will be liquidated or cease trading.

It is the responsibility of the Audit Committee to monitor the process of preparing financial information and monitor the effectiveness of internal control and risk management systems, as well as, if applicable, as regards procedures relating to the preparation and processing of accounting and financial information.

The parent company financial statements have been approved by the Board of Directors.

## 7. Responsibilities of the Statutory Auditors relating to the audit of the parent company financial statements

### 7.1 AUDIT AIM AND APPROACH

It is our responsibility to prepare a report on the parent company financial statements. Our aim is to obtain reasonable assurance that the parent company financial statements taken as a whole are free of material misstatement. Reasonable assurance corresponds to a high level of assurance, although this does not guarantee that an audit performed in accordance with professional standards systematically allows for all material misstatements to be detected. Misstatements may be due to fraud or error and are considered material when it can reasonably be expected that they may, taken individually or combined, influence the financial decisions of users made on the basis of the financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code, our assignment of certifying the financial statements does not consist of guaranteeing the viability or quality of your company's management.

Within the framework of an audit performed in accordance with professional standards applicable in France, the Statutory Auditor uses its professional judgment throughout the audit process. In addition:

- it identifies and assesses the risk of the parent company financial statements containing material misstatements, whether due to fraud or error, defines and implements audit procedures in the light of these risks, and collects evidence that it deems sufficient and appropriate to form a basis for its opinion. The risk of failure to detect a material misstatement due to fraud is higher than in the case of a material misstatement due to error, as fraud may involve collusion, falsification, deliberate omissions, false statements or circumvention of internal control procedures;
- it familiarises itself with internal controls relevant for the audit in order to define appropriate audit procedures under the circumstances, and not with the aim of expressing an opinion on the effectiveness of internal control procedures;
- it assesses the appropriateness of accounting policies used and the reasonable nature of accounting estimates made by management, as well as associated information provided in the parent company financial statements;
- it assesses the appropriateness of management's application of the going concern principle and, depending on the evidence collected, whether or not any material uncertainty exists relating to events or circumstances that may call into question the company's ability to continue as a going concern. This assessment relies on evidence collected up to the date of its report, noting that subsequent circumstances or events may call into question the continuity of operations. If it concludes that a material uncertainty exists, it shall draw readers' attention to the information provided in the parent company financial statements relating to this uncertainty or, if this information is not provided or is not relevant, it shall give a qualified certification or refuse to certify the financial statements;
- it assesses the overall presentation of the parent company financial statements and evaluates whether the parent company financial statements reflect underlying transactions and events in a way that gives a true and fair view.

### 7.2 REPORT TO THE AUDIT COMMITTEE

We send a report to the Audit Committee setting out in particular the scope of our audit work and the programme of works carried out, as well as the conclusions of our work. We also bring to its attention, if applicable, any significant weaknesses in internal control procedures that we have identified as regards procedures relating to the preparation and treatment of accounting and financial information.

The information provided in the report to the Audit Committee includes risks of material misstatement which we deem to have been the most significant for our audit of the parent company financial statements for the financial year and which therefore constitute key matters of our audit which it is our duty to describe in this report.

We also provide the Audit Committee with the declaration required by Article 6 of Regulation (EU) No. 537-2014 attesting to our independence with the meaning of applicable regulations in France as set out in particular by Articles L.822-10 to L.822-14 of the French Commercial Code and in the French Code of Ethics for Statutory Auditors. If applicable, we shall discuss with the Audit Committee the risks to our independence and safeguarding measures implemented.

The Statutory Auditors

*Paris and Courbevoie, 12 April 2018*

| **Auditeurs & Conseils Associés ACA Nexia** | **Mazars** |
|---|---|
| Olivier Juramie | Bruno Pouget |

# Statutory Auditors' special report on related-party agreements and commitments

To the General Meeting of Sopra Steria Group,

In our capacity as Statutory Auditors of your Company, we hereby submit to you our report on related-party agreements and commitments.

We are required to inform you, on the basis of the information provided to us, of the principal terms and conditions as well as the grounds for the benefit to the Company of those agreements and commitments brought to our attention or that we may have discovered in the course of our audit. We are not required to express an opinion on their usefulness and appropriateness or ascertain whether any other such agreements and commitments exist. In accordance with the terms of Article R. 225-31 of the French Commercial Code, it is your responsibility to assess the benefit of entering into such agreements when they are submitted for your approval.

Where applicable, it is also our responsibility to provide you with the information required by Article R. 225-31 of the French Commercial Code in relation to the implementation during the year of agreements and commitments already approved by the shareholders at a General Meeting.

We have carried out the procedures we deemed necessary in accordance with the professional guidelines of the Compagnie Nationale des Commissaires aux Comptes (CNCC, the French national institute of statutory auditors) relating to this engagement. These procedures consisted in verifying that the information given to us was consistent with the underlying documents.

## 1. AGREEMENTS AND COMMITMENTS SUBMITTED FOR APPROVAL AT THE GENERAL MEETING

We hereby inform you that we were not informed of any agreements or commitments authorised during the financial year ended to be submitted for approval at the General Meeting subject to the provisions of Article L. 225-38 of the French Commercial Code.

## 2. AGREEMENTS AND COMMITMENTS ALREADY APPROVED AT A GENERAL MEETING

### Agreements and commitments approved during previous years that remained in force during the year

In accordance with Article R. 225-30 of the French Commercial Code, we have been informed that the following agreements and commitments approved by the shareholders in previous financial years remained in force during the year.

#### 2.1. Tripartite framework agreements for assistance entered into between your Company, Sopra GMT (a shareholder in your Company) and Axway Software (an investee of your Company)

Under this agreement, Sopra GMT carried out services for your Company relating to strategic decision-making, coordination of the general policy between your Company and Axway Software, and the development of synergies between these two companies, and performs various strategy-related, consulting and assistance services particularly with respect to finance and control.

This agreement has an unspecified term and will end, in the event of termination, with prior notice of 12 months.

The charging of services to Sopra Steria Group is performed on the basis of actual costs plus a mark-up of 7% (excluding expenses relating to Sopra GMT's administration of its investments, estimated at around 5% of the company's total expenses).

Sopra Steria Group charges Sopra GMT fees for the provision of premises and IT resources as well as various administrative and accounting services.

Under this agreement, Sopra GMT charged your Company a net amount of €1,276,323 with respect to financial year 2017.

At its meeting on 24 February 2017, your Company's Board of Directors confirmed that this agreement still met the criteria under which it was authorised, and indicated that it would maintain the previously granted authorisation.

- Persons concerned:

| Name | Functions |
|---|---|
| Pierre Pasquier | Chairman of the Board of Directors of Sopra Steria Group<br>Chairman and CEO of Sopra GMT |
| François Odin | Vice-Chairman of the Board of Directors of Sopra Steria Group<br>Chief Operating Officer and Director of Sopra GMT |
| Éric Pasquier | Director of Sopra Steria Group<br>Chief Operating Officer and Director of Sopra GMT |

### 2.2. Provision of premises agreement entered into by your Company and Axway Software, an investee of your Company

Your Company charges Axway Software for services provided under a provision of premises agreement.

For financial year 2017, your Company recognised a net income of €248,448 under this agreement.

At its meeting on 24 February 2017, your Company's Board of Directors confirmed that this agreement still met the criteria under which it was authorised, and indicated that it would maintain the previously granted authorisation.

- Persons concerned:

| Name | Functions |
|---|---|
| Pierre Pasquier | Chairman of the Board of Directors of Sopra Steria Group<br>Chairman of the Board of Directors of Axway Software |
| Kathleen Clark Bracco | Permanent representative of Sopra GMT on the Board of Directors of Sopra Steria Group<br>Vice-Chairman of the Board of Directors of Axway Software |
| Hervé Saint-Sauveur | Director of Sopra Steria Group<br>Director of Axway Software |
| Emma Fernández | Director of Sopra Steria Group<br>Director of Axway Software |

### 2.3. Agreement entered into with Éric Hayat Conseil

This agreement relates to the provision to senior management of advisory and assistance services, particularly in relation to strategic deals connected with business development, in return for compensation calculated on the basis of €2,500 (excluding taxes) per day.

For the financial year ended 31 December 2017, your Company recognised an expense of €231,250 under this agreement.

At its meeting on 24 February 2017, your Company's Board of Directors confirmed that this agreement still met the criteria under which it was authorised, and indicated that it would maintain the previously granted authorisation.

Person concerned: Éric Hayat, Chairman of Éric Hayat Conseil and Vice-Chairman of the Board of Directors of Sopra Steria Group.

*Courbevoie and Paris, 12 April 2018*

| Auditeurs & Conseils Associes ACA Nexia | Mazars |
|---|---|
| Olivier Juramie | Bruno Pouget |

# 6 SOPRA STERIA GROUP AND THE STOCK MARKET

# 1. General information

The Group was listed on the Paris Stock Exchange on 27 March 1990.

At 31 December 2017, Sopra Steria Group had a share capital of €20,547,701 comprising 20,547,701 shares with a nominal value of €1.

Shares held in registered form for more than two years carry double voting rights; all other shares carry single voting rights. At 31 December 2017, 6,142,411 shares (representing 29.9% of the share capital) had double voting rights.

### Codes and classification of the Sopra Steria Group share

ISIN/Euronext code: FR0000050809

Ticker symbol: SOP

Market: Euronext Paris

CFI: ESEUFB

*(E = Equities, S = Shares, E = Enhanced voting, U = Free, F = Fully paid, B = Bearer)*

Instrument type: Stock

Compartment: A (Large Cap)

### Characteristics of the Sopra Steria Group share

Industry: 9000, Technology

Supersector: 9500, Technology

Sector: 9530, Software & Computer Services

Subsector: 9533, Computer Services

Eligible for Share Savings Plan

Eligible for Deferred Settlement Service

### Main tickers for the Sopra Steria Group share

Euronext: SOP

Bloomberg: SOP:FP

Reuters: SOPR.PA

### Main indices including the Sopra Steria Group share

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

# 2. Share ownership structure

| Shareholders | At 31/12/2017 Shares | % of capital | % of theoretical voting rights | % of exercisable voting rights | At 31/12/2016 Shares | % of capital | % of theoretical voting rights | % of exercisable voting rights | At 31/12/2015 Shares | % of capital | % of theoretical voting rights | % of exercisable voting rights |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Sopra GMT[1] | 4,034,409 | 19.6% | 28.8% | 28.8% | 4,034,409 | 19.7% | 28.4% | 28.5% | 4,034,409 | 19.7% | 29.5% | 29.8% |
| Pasquier family | 119,338 | 0.6% | 0.9% | 0.9% | 119,538 | 0.6% | 0.9% | 0.9% | 119,538 | 0.6% | 1.0% | 1.0% |
| Odin family | 231,609 | 1.1% | 1.7% | 1.7% | 234,870 | 1.1% | 1.8% | 1.8% | 241,800 | 1.2% | 1.9% | 2.0% |
| Management | 257,563 | 1.3% | 1.7% | 1.7% | 265,997 | 1.3% | 1.9% | 1.9% | 497,172 | 2.4% | 3.8% | 3.8% |
| o/w Sopra Développement[2] | 1 | 0.0% | 0.0% | 0.0% | 1 | 0.0% | 0.0% | 0.0% | 1 | 0.0% | 0.0% | 0.0% |
| o/w SEI[3] | 33,828 | 0.2% | 0.3% | 0.3% | 33,828 | 0.2% | 0.3% | 0.3% | 258,828 | 1.3% | 2.1% | 2.1% |
| o/w managers[4] | 223,734 | 1.1% | 1.5% | 1.5% | 232,168 | 1.1% | 1.6% | 1.6% | 238,343 | 1.2% | 1.7% | 1.7% |
| *Agreement between Sopra GMT, Pasquier and Odin families, and management* | **4,642,919** | *22.6%* | *33.2%* | *33.2%* | **4,654,814** | *22.7%* | *32.9%* | *33.1%* | **4,892,919** | *23.9%* | *36.1%* | *36.6%* |
| Soderi | 1 | 0.0% | 0.0% | 0.0% | 1 | 0.0% | 0.0% | 0.0% | 1 | 0.0% | 0.0% | 0.0% |
| *Agreement between Sopra GMT and Soderi* | **4,034,410** | *19.6%* | *28.8%* | *28.8%* | **4,034,410** | *19.7%* | *28.4%* | *28.5%* | **4,034,410** | *19.7%* | *29.5%* | *29.8%* |
| **Total agreements** | **4,642,920** | *22.6%* | *33.2%* | *33.2%* | **4,654,815** | *22.7%* | *32.9%* | *33.1%* | **4,892,920** | *23.9%* | *36.1%* | *36.6%* |
| Shares managed on behalf of employees | 1,435,882 | 7.0% | 7.4% | 7.4% | 1,563,582 | 7.6% | 8.6% | 8.6% | 1,581,990 | 7.7% | 6.5% | 6.6% |
| o/w mutual funds (FCPE), We Share employee share ownership plan and SIP Trust[5] | 1,161,049 | 5.7% | 6.4% | 6.4% | 1,270,911 | 6.2% | 7.4% | 7.5% | 1,264,412 | 6.2% | 5.2% | 5.3% |
| o/w other UK trusts[6] | 274,833 | 1.3% | 1.0% | 1.0% | 292,671 | 1.4% | 1.1% | 1.1% | 317,578 | 1.6% | 1.3% | 1.3% |
| Free float | 14,456,185 | 70.4% | 59.4% | 59.4% | 14,201,324 | 69.2% | 58.1% | 58.3% | 13,663,313 | 66.8% | 56.2% | 56.9% |
| Treasury shares | 12,714 | 0.1% | 0.0% | 0.0% | 112,074 | 0.5% | 0.4% | 0.0% | 308,500 | 1.5% | 1.2% | 0.0% |
| **TOTAL** | **20,547,701** | 100.0% | 100.0% | 100.0% | **20,531,795** | 100.0% | 100.0% | 100.0% | **20,446,723** | 100.0% | 100.0% | 100.0% |

*(1) Sopra GMT, a French "société anonyme", is a holding company for Sopra Steria Group and Axway Software.*
*(2) Sopra Développement is a company formed by a group of senior managers whose corporate purpose is to hold shares in Sopra Steria Group and Axway Software.*
*(3) Sopra Executive Investments SEI is a company formed by a group of senior managers whose corporate purpose is to hold shares in Sopra Steria Group.*
*(4) These are the managers or former managers who signed the shareholders' agreement with Sopra GMT, the Pasquier and Odin families, SEI and Sopra Développement.*
*(5) SIP Trust is a UK trust that manages shares purchased by employees under a share incentive plan.*
*(6) The other UK trusts are trusts whose assets may benefit employees in the United Kingdom and India, notably via employee share ownership.*

Sopra GMT's ownership structure is as follows:

| Sopra GMT ownership structure — Shareholders | 31/12/2017 Shares | % of capital | 31/12/2016 Shares | % of capital | 31/12/2015 Shares | % of capital |
|---|---|---|---|---|---|---|
| Pierre Pasquier family | 318,050 | 68.44% | 318,050 | 68.61% | 318,050 | 68.95% |
| François Odin family | 132,050 | 28.41% | 132,050 | 28.49% | 132,050 | 28.63% |
| Sopra Steria Group management (active and retired) | 14,624 | 3.15% | 13,474 | 2.90% | 11,174 | 2.42% |
| **TOTAL** | **464,724** | 100.00% | **463,574** | 100.00% | **461,274** | 100.00% |

# 3. Employee share ownership

At 31 December 2017, under Group employee savings plans, employees of the Company and of related companies within the meaning of Article L. 225-180 of the French Commercial Code held a total of 1,044,365 Sopra Steria Group shares and 1,527,703 voting rights, representing 5.1% of the share capital and 5.7% of voting rights.

This employee share ownership is mainly a result of the 2014 merger with Groupe Steria and the tendering by the FCPE Groupe Steriactions mutual fund of all of its Groupe Steria shares to the public exchange offer.

From 2016, this plan was supplemented by an annual employee share ownership plan enabling employees who participated in this offer to acquire 215,094 shares, representing 1.05% of the share capital (including the matching employer contribution), in 2017.

After taking into account shares acquired by employees under a share incentive plan in the UK managed by the SIP Trust, and those held by other UK trusts for which employees in the UK and India may be eligible, in particular through employee shareholding, all holdings managed on behalf of employees at 31 December 2017 represented 7.0% of the share capital and 7.4% of the voting rights.

# 4. Voting rights

In accordance with the decision made at the Combined General Meeting of 27 June 2014, double voting rights were introduced on 7 July 2014 for all fully paid-up shares held in registered form in the same shareholder's name for at least two years.

At 31 December 2017, the total number of voting rights that could be exercised was 26,677,398 and the total number of theoretical voting rights was 26,690,112.

# 5. Threshold crossings

In 2017, the following crossings of statutory shareholding thresholds were declared to and published by the Autorité des Marchés Financiers:

| Threshold crossing(s) Date | AMF Declaration | Shareholder(s) having crossed the threshold(s) | Crossing of threshold(s) in capital | Crossing of threshold(s) in voting rights | Type | Number of shares | % of capital held | Number of voting rights | % of voting rights held |
|---|---|---|---|---|---|---|---|---|---|
| 10/03/2017 | 217C1565 | Amundi AM | | *5%* | Decrease | 822,887 | *4.01%* | 1,322,598 | *4.99%* |

Amundi AM provides services in connection with managed investments on behalf of employees representing 5.7% of the share capital of Sopra Steria Group at 31 December 2017.

# 6. Shareholders' agreements

## 6.1. Agreement between Sopra GMT, the Pasquier and Odin families, and the management

A shareholders' agreement constituting an action in concert was concluded, for a two-year term, on 7 December 2009 between the Pasquier and Odin family groups, Sopra GMT, Sopra Développement and a group of senior managers. It is automatically renewable for subsequent terms of two years.

This agreement includes the following main provisions:

- an undertaking by the parties to act in concert so as to implement shared strategies and, in general, to approve any significant decisions;
- an undertaking by the parties to act in concert in connection with the appointment of the members of Sopra Steria Group's management bodies and the renewal of these appointments, by which the senior managers agree to facilitate the appointment of any individuals proposed by the Pasquier and Odin family groups and Sopra GMT;
- an undertaking by the parties to act in concert in order to ensure that they always jointly hold at least 30% of the capital and voting rights of Sopra Steria Group;
- an undertaking by the parties to act in concert in connection with any proposed acquisition or disposal corresponding to more than 0.20% of the capital or voting rights of Sopra Steria Group;
- an undertaking by the parties to act in concert in order to adopt a shared strategy in the event of any takeover bid relating to Sopra Steria Group shares;
- a pre-emptive right to the benefit of the Pasquier and Odin family groups and Sopra GMT in the event of any disposal (i) by a senior manager of Sopra Steria Group shares (right of first refusal for Sopra GMT, right of second refusal for the Pasquier family group, right of third refusal for the Odin family group and right of fourth refusal for Sopra Développement) or (ii) by Sopra Développement of Sopra Steria Group shares (right of first refusal for Sopra GMT, right of second refusal for the Pasquier family group and right of third refusal for the Odin family group). The exercise price for the pre-emptive right shall be equal to (i) the price agreed between the transferor and the transferee in the event of an off-market transfer, (ii) the average share price over the ten trading days preceding the announcement of the disposal in the event of a sale on the market, or (iii) the value determined for the shares in the context of the transaction, in all other cases.

The senior managers shall refrain from carrying out any transaction likely to entail the filing of a mandatory takeover bid.

A rider to this agreement was signed on 14 December 2012, extending the agreement to include Sopra Executive Investments (SEI), a company created by a group of Sopra Group senior managers. The main provisions of the agreement remain unchanged, with SEI granted a pre-emptive right having the same ranking as that of Sopra Développement.

## 6.2. Agreement between Sopra GMT and Soderi

Soderi is the company owned by Sopra Steria Group's employee shareholders from the former Steria. For many years, Soderi has overseen the structures that manage these employees' holdings. The chairman of the Supervisory Board of the FCPE Groupe Steriactions and the chairman of the UK-based Sopra Steria Employee Trust are members of Soderi's Board of Directors.

On 9 June 2014, Sopra GMT and Soderi entered into a shareholders' agreement under which they declare that they are acting in concert vis-à-vis Sopra Steria Group.

This shareholders' agreement was entered into for five years with effect from the date of clearing and settlement of Sopra Group's public exchange offer on Groupe Steria shares (thus 12 August 2014) and may be tacitly renewed for successive periods of three years, unless terminated by either of the parties.

The shareholders' agreement mainly provides for the following undertakings:

- an undertaking by Sopra GMT not to exercise its double voting right at a General Meeting of Shareholders to approve a resolution not put forward or authorised by the Board of Directors;
- an undertaking by both parties not to propose at a General Meeting of Shareholders draft resolutions not authorised by the Board of Directors, unless a takeover bid for Sopra Steria Group is filed;
- an undertaking by Sopra GMT to confer with the representative of Soderi on the Board of Directors prior to any deliberation concerning certain important decisions (such as major deals affecting ownership, the Group's activities or the annual presentation of the strategic plan to the Board of Directors).

The agreement also includes other stipulations, particularly concerning employee shareholding, with the aim of:

- encouraging employees to invest in the Group's success through the most suitable mechanisms (investment and/or share ownership) to be discussed by the Board of Directors as and when the Group's financial performance permits; and
- working to define a new vehicle to bring together employee shareholders in the Group.

# 7. Control

## 7.1. Breakdown of voting rights

At 31 December 2017:

- the Group of shareholders acting in concert through the agreements referenced above, within which Sopra GMT, the Group's holding company, is the main shareholder, held 33.2% of theoretical voting rights;
- the holdings managed on behalf of employees represented 7.4% of theoretical voting rights.

The average percentage of voting rights attaching to shares held by shareholders present or represented at Sopra Steria Group General Meetings since 2010 was approximately 83% in 2015, 87% in 2016 and 81% in 2017.

## 7.2. Members of the Board of Directors

The group of shareholders acting in concert held eight out of a total of nineteen seats on the Board of Directors at 31 December 2017 and at the date of this report: four Directors representing Sopra GMT, including the Chairman of the Board of Directors; one Director representing Soderi under the agreement between Sopra GMT and Soderi; and two other Directors who are also members of Soderi's Board of Directors. Lastly, one Director represents the management under agreement with the founders.

No other shareholders are specifically represented on the Board of Directors.

## 7.3. Measures to govern the control exercised by Sopra GMT

Various measures are in place to govern the effective control exercised by Sopra GMT:

- the undertaking given by Sopra GMT under the shareholders' agreement with Soderi not to exercise the double voting right attaching to its Sopra Steria Group shares to approve resolutions not adopted or authorised by the Board of Directors of Sopra Steria Group;
- the separation of the functions of Chairman of the Board of Directors and Chief Executive Officer;
- the adoption of the AFEP-MEDEF code as the Company's corporate governance code;
- the presence on the Board of Directors of seven Independent Directors, meeting all the independence criteria laid down in the AFEP-MEDEF code, two Directors from outside the group of shareholders acting in concert and two Directors representing the employees;
- the composition of the specialist committees, which include a majority of Independent Directors (Audit Committee and Compensation Committee) or, at the very least, Directors from outside the group of shareholders acting in concert (Nomination, Ethics and Governance Committee);
- periodic assessment by the Board of Directors of its ability to meet the shareholders' expectations.

# 8. Share buyback programme

## 8.1. Implementation of the share buyback programme in 2017

This description of the implementation of the share buyback programme is given pursuant to Article L. 225-211 of the French Commercial Code.

Through Resolution 12 of the Combined General Meeting of 13 June 2017, the shareholders renewed the authorisation granted to the Board of Directors to buy back the Company's shares as set out in Article L. 225-209 of the French Commercial Code and the AMF's General Regulation, for an 18-month period expiring 12 December 2018.

During the year ended 31 December 2017, this share buyback programme was used as follows:

### 8.1.1. IMPLEMENTATION OF LIQUIDITY AGREEMENT

At 31 December 2016, 5,500 shares were allocated to the liquidity agreement.

Between 1 January 2017 and 31 December 2017, Sopra Steria Group bought back 252,561 shares under the liquidity agreement at an average price of €139.12 and sold 252,561 shares at an average price of €139.26.

At 31 December 2017, 5,500 shares were still held by the Company for the purposes of the liquidity agreement. Their unit cost is €155.67.

### 8.1.2. SHARES ALLOCATED FOR EMPLOYEES

At 31 December 2016, 106,574 shares were allocated in order to *"award or sell shares in the Company to employees and/or company officers of the Group, in order to cover share option plans and/or free share plans (or similar plans) for the benefit of Group employees and/or company officers as well as all allotments of shares in connection with a company or Group savings plan (or similar plan), in connection with company profit-sharing and/or all other forms of share allotment to the Group's employees and/or company officers"* (second bullet point of Resolution 16 adopted at the General Meeting of 25 June 2015).

In 2016, the Company implemented a Group employee share ownership plan through the disposal of shares.

During financial year 2017, the Company acquired 111,185 shares at a price of €127.41. 107,547 shares were sold to employees at €128.08 per share and 107,547 shares were awarded to them free of charge as part of the matching employer contribution in a ratio of one share contributed per share acquired.

Furthermore, in 2017, as part of the Share Incentive Plan (SIP) employee share ownership plan implemented by Sopra Steria Group in the United Kingdom, 795 shares were transferred free of charge to UK employees participating in the SIP in a ratio of one free share per share acquired. In addition, 5,344 shares were transferred free of charge from Trust SSET to Sopra Steria Group as part of the matching employer contribution under the employee share ownership plan for India.

Including these items, the Company held 7,214 shares allocated for this purpose at 31 December 2017. Their cost price is €102.89.

At 31 December 2017, Sopra Steria Group held 12,714 treasury shares, representing 0.06% of the share capital.

## 8.2. Description of the 2018 share buyback programme

### 8.2.1. LEGAL FRAMEWORK

This description is provided in accordance with the provisions of Articles 241-2 et seq. of the General Regulation of the French securities regulator (Autorité des Marchés Financiers – AMF) as well as European Regulation 596/2014 of 16 April 2014 ("MAR" regulation) and in accordance with the terms of Article 221-3 of the AMF General Regulation.

This programme will be submitted for approval at the General Meeting of 12 June 2018.

#### a. Number of shares and share of capital held by the Company

At 31 March 2018, the Company's capital was made up of 20,547,701 shares.

At that date, the Company held 226,827 treasury shares, representing 1.10% of the share capital.

#### b. Breakdown by purpose of treasury shares held by the Company

At 31 March 2018, the treasury shares held by the Company broke down by purpose as follows:

- implementation of liquidity agreement: 4,800 shares;
- award or sale to employees and/or company officers of the Group, coverage of share option plans and/or free share plans (or similar plans) for the benefit of Group employees and/or company officers as well as all allotments of shares in connection with a company or Group savings plan (or similar plan), in connection with company profit-sharing and/or all other forms of share allotment to the Group's employees and/or company officers: 222,027 shares.

#### c. Objectives of the new share buyback programme

The objectives of the new share buyback programme to be submitted to shareholders at the General Meeting of 12 June 2018 are:

- to obtain market-making services from an investment services provider acting independently under the terms of a liquidity agreement entered into in compliance with the code of conduct of AMAFI (the French association of financial market professionals) recognised by the AMF;
- to award, sell or transfer shares in the Company to employees and/or company officers of the Group, in order to cover share purchase plans and/or free share plans (or equivalent plans) as well as any allotments of shares under a company or Group savings plan (or equivalent plan) in connection with a profit-sharing mechanism, and/or all other forms of share allotment to the Group's employees and/or company officers;
- to retain the shares bought back in order to exchange them or present them as consideration at a later date for a merger, spin-off or contribution of assets and, more generally, for external growth transactions. Shares bought back for such purposes are not to exceed, in any event, 5% of the number of shares making up the Company's share capital;
- to deliver the shares bought back, upon the exercise of rights attaching to securities giving access to the Company's share capital through redemption, conversion, exchange, tender of warrants or any other means, as well as to execute any transaction covering the Company's obligations relating to those securities;
- to retire the shares thus repurchased, by way of a capital reduction;
- to implement any market practice that may come to be accepted by the AMF, and in general, to perform any operation that complies with regulations in force.

#### d. Maximum proportion of share capital, maximum number and characteristics of capital stock

The maximum proportion of share capital that may be bought back is equal to 10% of Sopra Steria Group's capital on the buyback day.

At 31 December 2017, the share capital was €20,547,701 divided into 20,547,701 shares, each with a par value of €1. On this basis, Sopra Steria Group would be authorised to acquire 10% of its share capital at most, i.e. 2,054,770 shares, not including shares already held.

This limit will be assessed on the date of the buybacks to take account of any capital increase or reduction operations that might occur during the programme period.

#### e. Maximum purchase price

The maximum purchase price per share is €250.

#### f. Buyback procedure details

The purchase, sale or transfer by the Company of its own shares may be conducted at any time (except during the period of an operation affecting our shares) and by any method, including over the counter, in blocks of shares or through the use of derivative financial instruments, on one or more occasions, in the proportions and during the periods determined at the discretion of the Board of Directors.

#### g. Duration of buyback programme

The programme will run for 18 months as from approval of the resolution presented at the General Meeting of 12 June 2018, i.e. until 11 December 2019.

# 9. Changes in share capital

At 31 December 2017, Sopra Steria Group had share capital of €20,547,701 comprising 20,547,701 shares with a par value of €1 each. The following table shows changes in the share capital over the past five years:

| Year | Description | Amount of capital post-operation | Nominal value | Number of shares | | Contributions | |
|---|---|---|---|---|---|---|---|
| | | | | Created | Total | Nominal value | Premiums or reserves |
| 2011 | Capital increase through the exercise of options | €47,415,780 | €4 | 9,300 | 11,863,245 | €37,200 | €265,050 |
| 2011 | Capital reduction not motivated by losses | €11,863,245 | €1 | 0 | 11,863,245 | -€35,589,735 | €35,589,735 |
| 2011 | Capital increase through the exercise of options | €11,893,486 | €1 | 30,241 | 11,893,486 | €30,241 | €962,041 |
| 2012 | None | €11,893,486 | €1 | | | | |
| 2013 | Capital increase through the exercise of options | €11,919,583 | €1 | 26,097 | 11,919,583 | €26,097 | €811,966 |
| 2014 | Capital increase during the first phase of Sopra's public exchange offer for Steria | €18,531,485 | €1 | 6,611,902 | 18,531,485 | €6,611,902 | €517,976,403 |
| 2014 | Capital increase during the second phase of Sopra's public exchange offer for Steria | €19,429,720 | €1 | 898,235 | 19,429,720 | €898,235 | €66,128,061 |
| 2014 | Capital increase through the exercise of options | €19,456,285 | €1 | 26,565 | 19,456,285 | €26,565 | €1,450,489 |
| 2014 | Capital increase through the issuance of free shares for employees | €19,585,300 | €1 | 129,015 | 19,585,300 | €129,015 | -€129,015 |
| 2014 | Capital increase at the time of the merger-absorption of Steria by Sopra | €20,371,789 | €1 | 786,489 | 20,371,789 | €786,489 | €58,941,611 |
| 2015 | Capital increase through the exercise of options | €20,434,841 | €1 | 63,052 | 20,434,841 | €63,052 | €2,216,615.26 |
| 2015 | Capital increase through the issuance of free shares for employees | €20,446,723 | €1 | 11,882 | 20,446,723 | €11,882 | -€11,882 |
| 2016 | Capital increase through the issuance of free shares for employees | €20,468,033 | €1 | 21,310 | 20,468,033 | €21,310 | -€21,310 |
| 2016 | Capital increase through the exercise of options | €20,531,795 | €1 | 63,762 | 20,531,795 | €63,762 | €3,727,171.08 |
| 2017 | Capital increase through the issuance of free shares for employees | €20,542,701 | €1 | 10,906 | 20,542,701 | €10,906 | -€10,906 |
| 2017 | Capital increase through the exercise of options | €20,547,701 | €1 | 5,000 | 20,547,701 | €5,000 | €211,100 |

# 10. Securities with an equity component – potential dilution

There are no other securities with an equity component other than those mentioned in Note 13 to the consolidated financial statements (page 185) and Note 3.3 to the parent company financial statements (page 207).

At 31 December 2017, 8,125 free shares remained to be allocated under the 2014 Steria free share award plan (PAGA); the resulting dilution on the basis of the share capital at 31 December 2017 would have been 0.04%. In addition, a long-term incentive plan was granted for 2016 and 2017 for a maximum of 157,750 shares, i.e. 0.77% of the share capital.

# 11. Information on transactions in securities by Directors or persons mentioned in Article L. 621-18-2 of the French Monetary and Financial Code

Pursuant to Article 223-26 of the AMF's General Regulation, transactions relating to Sopra Steria Group shares in 2017 and referred to in Article L. 621-18-2 of the French Monetary and Financial Code were as follows:

| Category(1) | Name | Function | Description(2) | Transaction date | Number of shares | Unit price | Transaction amount |
|---|---|---|---|---|---|---|---|
| a | Jean-Bernard Rampini | Director | G | 28/08/2017 | 2,000 | €144.00 | €288,000.00 |
| a | Fanny Rampini | Person related to Director Jean-Bernard Rampini | D | 21/09/2017 | 400 | €156.00 | €62,400 |

*(1) Category a: members of the Board of Directors and the Chief Executive Officer.*

*(2) Description: A: Acquisition; D: Disposal; S: Subscription; E: Exchange; G: Gift; SO: Exercise of stock options.*

# 12. Authorisations to issue securities granted to the Board of Directors at the Combined General Meetings of 22 June 2016 and 13 June 2017

## 12.1. Issue with pre-emptive subscription rights

| Securities transaction concerned | Date of GM and resolution | Duration of delegation (Expiry) | Maximum issue amount | Maximum amount of capital increase | Use during the year |
|---|---|---|---|---|---|
| Capital increase (ordinary shares and other securities giving access to the share capital) | 22 June 2016 Resolution 14 | 26 months (August 2018) | Nominal amount of €600 million, if securities giving access to the share capital are to be issued | €7 million | Not used |
| Capital increase (ordinary shares and other securities giving access to the share capital) in the event of oversubscription in accordance with Resolution 14 | 22 June 2016 Resolution 18 | 26 months (August 2018) | 15% of the amount of the capital increase under Resolution 14, up to a maximum of €600 million | 15% of the amount of the capital increase under Resolution 14, up to a maximum of €7 million | Not used |
| Capital increase through the capitalisation of reserves or the issue of new shares | 22 June 2016 Resolution 21 | 26 months (August 2018) | All available reserves | All available reserves | Not used |
| Issue of share subscription warrants to be granted to shareholders free of charge in the event of a takeover bid ("Breton" warrants) | 13 June 2017 Resolution 13 | 18 months (December 2018) | Number of shares representing the share capital | 100% of the share capital | Not used |

## 12.2. Issue without pre-emptive subscription rights

| Securities transaction concerned | Resolution | Duration of delegation (Expiry) | Maximum issue amount | Maximum amount of capital increase | Use during the year |
|---|---|---|---|---|---|
| Capital increase (ordinary shares and other securities giving access to the share capital) | 22 June 2016 Resolution 15 | 26 months (August 2018) | Nominal amount of €600 million, if securities giving access to the share capital are to be issued | €4 million | Not used |
| Capital increase by way of a private placement offering provided for under Article L. 411-2 of the French Monetary and Financial Code | 22 June 2016 Resolution 16 | 26 months (August 2018) | Nominal amount of €600 million, if securities giving access to the share capital are to be issued | 20% of the capital, up to a maximum of €4 million | Not used |
| Capital increase (ordinary shares and other securities giving access to the share capital) in the event of oversubscription in accordance with Resolution 15 or 16 | 22 June 2016 Resolution 18 | 26 months (August 2018) | 15% of the amount of the capital increase under Resolution 15 or 16, up to a maximum of €600 million | 15% of the amount of the capital increase under Resolution 15 or 16, up to a maximum of €4 million | Not used |
| Capital increase as consideration for securities tendered in the event of contributions in kind | 22 June 2016 Resolution 19 | 26 months (August 2018) | 10% of the share capital, up to a maximum of €600 million | 10% of the share capital, up to a maximum of €4 million | Not used |
| Capital increase as consideration for securities tendered in the event of a public exchange offer | 22 June 2016 Resolution 20 | 26 months (August 2018) | Nominal amount of €600 million, if securities giving access to the share capital are to be issued | €4 million | Not used |

## 12.3. Authorisations for issues reserved for employees and company officers without pre-emptive subscription rights

| | Date of GM and resolution | Expiry date | Authorised percentage | Authorised percentage for executive company officers | Use during the year |
|---|---|---|---|---|---|
| Capital increase for employees enrolled in a company savings plan | 13 June 2017 Resolution 14 | 26 months (August 2019) | 3%(1) | | Not used |
| Share subscription options | 22 June 2016 Resolution 24 | 38 months (August 2019) | 3%(1) | *0.6%* | Not used |
| Free shares | 22 June 2016 Resolution 25 | 38 months (August 2019) | 3%(1) | *0.15%* | 109,000 shares |

*(1) This upper limit, calculated on the basis of the share capital at the date of the authorisation, is cumulative for all issues reserved for employees and company officers.*

# 13. Information required by Act 2006-387 of 31 March 2006 relating to public takeover offers

Pursuant to Article L. 225-100-3 of the French Commercial Code, the elements mentioned in this article are detailed below:

1 The Company's ownership structure is presented in Chapter 6, Section 2 of this document (page 231).

2 There are no restrictions in the Articles of Association:

- on the exercise of voting rights; shares held in registered form for at least two years have double voting rights (Article 29 of the Articles of Association);
- on transfers of shares: shares are freely tradable, other than as specified by applicable laws or regulations (Article 11 of the Articles of Association).

The Company has not been informed of any clauses of agreements pursuant to Article L. 233-11 of the French Commercial Code other than those set out in Section 6 of this chapter (page 231).

3 Any direct or indirect interests in the capital of the Company of which the latter has been informed pursuant to Articles L. 233-7 and L. 233-12 of the French Commercial Code are presented in Section 2 of this chapter (page 229).

4 There are no holders of securities conferring special controlling rights.

5 There is no control mechanism provided under an employee share ownership scheme.

6 Agreements between shareholders of which the Company is aware and which may give rise to restrictions on share transfers and voting rights are presented in Chapter 6, Sections 2 and 6 of this document, pages 229 and 231, respectively.

7 The regulations applicable to the appointment and replacement of the members of the Board of Directors are set forth in Article 14 of the Articles of Association. The regulations relating to the amendment of the Company's Articles of Association are contained within Article 33 of the Articles of Association, which states that *"only shareholders voting at an Extraordinary General Meeting shall be authorised to amend any and all provisions of the Articles of Association"*.

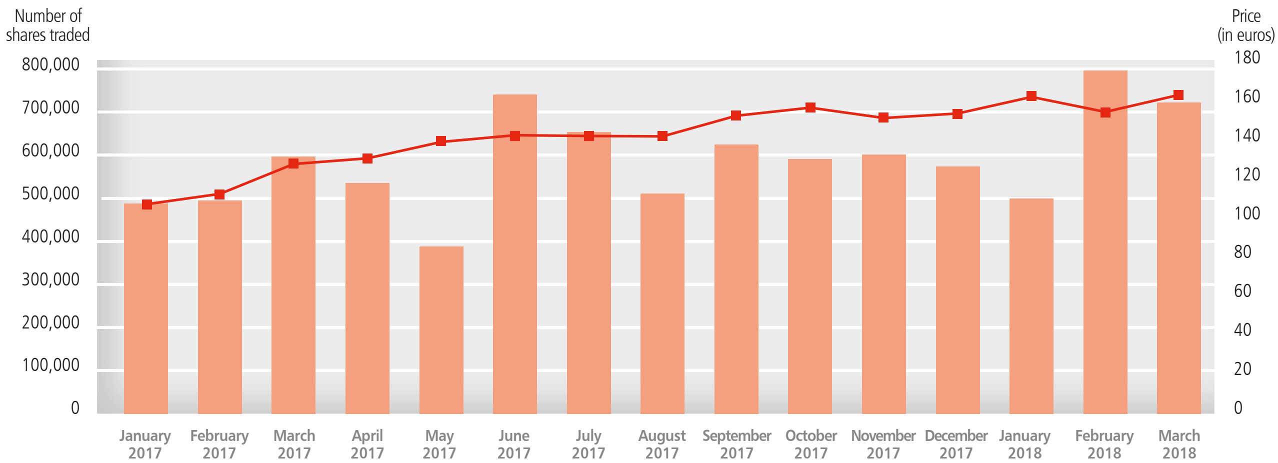
8 The powers of the Board of Directors are described in Article 17 of the Articles of Association. *"The Board of Directors determines the overall business strategy of the Company and supervises its implementation. Subject to the powers expressly conferred by law to shareholders' meetings and within the limits of the corporate objects, the Board of Directors may consider any matter relating to the proper operation of the Company and shall resolve matters that concern the Company by its decisions."*

In addition, the Board of Directors was granted delegated powers at the Combined General Meetings of 22 June 2016 (through Resolutions 13 to 25) and 13 June 2017 (through Resolutions 13 and 14).

9 Agreements concluded by the Company that might be amended or cease to apply in the event of a change of control the Company mainly concern the syndicated loan agreement signed in July 2014 and amended in July 2016 and the Euro PP bond issued by Groupe Steria in April 2013.

10 There are no agreements providing for indemnities payable to members of the Board of Directors or employees if they resign or are dismissed without just cause or if their position is terminated due to a takeover bid.

# 14. Monthly share prices and trading volumes on Euronext Paris



# 15. Share price performance

| Month | Number of trading days | Price (in euros) High | Low | Average closing price | Trading volumes Number of shares traded | Capital *(in millions of euros)* |
|---|---|---|---|---|---|---|
| January 2017 | 22 | 111.20 | 105.00 | 108.10 | 487,641 | 52.81 |
| February 2017 | 20 | 120.40 | 106.20 | 113.53 | 495,379 | 56.32 |
| March 2017 | 23 | 134.15 | 119.00 | 129.14 | 596,783 | 76.36 |
| April 2017 | 18 | 139.70 | 125.75 | 132.09 | 536,023 | 70.86 |
| May 2017 | 22 | 142.90 | 136.90 | 140.64 | 388,656 | 54.48 |
| June 2017 | 22 | 150.45 | 138.40 | 144.16 | 741,233 | 107.22 |
| July 2017 | 21 | 149.90 | 135.60 | 143.76 | 654,164 | 93.92 |
| August 2017 | 23 | 148.85 | 137.95 | 143.55 | 511,172 | 73.41 |
| September 2017 | 21 | 162.35 | 143.80 | 154.34 | 625,411 | 96.94 |
| October 2017 | 22 | 164.95 | 155.60 | 158.54 | 591,726 | 93.86 |
| November 2017 | 22 | 164.10 | 145.75 | 153.14 | 601,147 | 92.08 |
| December 2017 | 19 | 160.60 | 148.45 | 155.51 | 574,368 | 89.26 |
| January 2018 | 22 | 168.50 | 154.50 | 164.15 | 499,789 | 82.07 |
| February 2018 | 20 | 168.50 | 145.80 | 156.31 | 796,878 | 124.71 |
| March 2018 | 21 | 171.10 | 153.30 | 165.24 | 722,357 | 118.90 |

*(Source: Euronext Paris)*

# 16. Dividend per share

| Financial year | Number of shares bearing a dividend | Dividend per share |
|---|---|---|
| 2013 | 11,908,183 | €1.90 |
| 2014 | 20,062,614 | €1.90 |
| 2015 | 20,324,093 | €1.70 |
| 2016 | 20,517,903 | €2.20 |

At its meeting on 16 February 2018, the Board of Directors of Sopra Steria Group resolved to propose the distribution of a dividend of €2.40 per share at the General Meeting of 12 June 2018.

Dividends not collected before the five-year prescription period expires are paid to the French state.

# 7 ADDITIONAL INFORMATION

# 1. Sopra Steria Group at a glance

**Corporate name: Sopra Steria Group**

Until 2 September 2014, the name of the Company was "Sopra Group". As a result of the successful public exchange offer made by Sopra Group for the shares of Groupe Steria SCA (see press release dated 6 August 2014), the Board of Directors met on 3 September 2014, with Pierre Pasquier presiding, and recorded the entry into effect of several resolutions conditionally adopted at the General Meeting of 27 June 2014.

Among the consequences of the implementation of these resolutions was the change in the corporate name from "Sopra Group" to "Sopra Steria Group".

**Registered office:** PAE Les Glaisins, Annecy-le-Vieux, 74940 Annecy – France

**Head office:** 9 bis, rue de Presbourg, 75116 Paris – France

**Legal form:** French *société anonyme* with a Board of Directors.

**Date of incorporation:** 5 January 1968, with a term of fifty years as from 25 January 1968, renewed at the General Meeting of 19 June 2012 for a subsequent term of ninety-nine years.

**Corporate purpose:** "The Company's purpose is:

To engage, in France and elsewhere, in consulting, expertise, research and training with regard to corporate organisation and information processing, in computer analysis and programming and in the performance of customised work.

The design and creation of automation and management systems, including the purchase and assembly of components and equipment, and appropriate software.

The creation or acquisition of and the operation of other businesses or establishments of a similar type.

And, generally, all commercial or financial transactions, movable or immovable, directly or indirectly related to said corporate purpose or in partnership or in association with other companies or persons" (Article 2 of the Articles of Association).

**Commercial registration:** 326 820 065 RCS Annecy

Place where legal documents may be consulted: registered office.

**Financial year:** from 1 January to 31 December of each year.

**Appropriation of earnings according to the Articles of Association:**

"An amount of at least five per cent shall be deducted from the profit for the financial year, reduced by prior losses, if any, in order to constitute the statutory reserve fund. Such deduction shall cease to be mandatory when the amount in the statutory reserve fund is equal to one-tenth of the share capital.

Profit available for distribution comprises the profit for the year less any losses carried forward and amounts allocated to reserves, pursuant to the law and the Articles of Association, plus retained earnings.

The General Meeting may deduct from this profit all amounts that it deems appropriate for allocation to all optional, ordinary or extraordinary reserves, or to retained earnings.

The balance, if any, is apportioned at the General Meeting between all shareholders in proportion to the number of shares that they own.

The General Meeting may also decide to distribute amounts deducted from the reserves at its disposal, expressly indicating the reserve items from which the deductions are made. However, dividends shall first be withdrawn from the profits for the financial year." (Excerpt from Article 37 of the Articles of Association).

# 2. Board of Directors

## ARTICLE 14 OF THE ARTICLES OF ASSOCIATION – BOARD OF DIRECTORS

The Company is administered by a Board of Directors comprising a minimum of three members and a maximum of eighteen, subject to the exception provided for by law in the event of a merger.

The term of office of Directors is six years, expiring at the end of the Ordinary General Meeting convened to approve the accounts for the financial year then ended and held in the year in which their term of office comes to an end.

Exceptionally, the General Meeting may decide to shorten the first term of office of a Director to 1 year, 2 years, 3 years, 4 years or 5 years in order to align his/her term of office with that of the other Directors in office at the time of the appointment.

### 1. Directors appointed at the General Meeting

During the life of the Company, Directors are appointed, reappointed or dismissed by the shareholders in Ordinary General Meetings.

No one can be appointed a Director if, having exceeded the age of seventy-five years, his/her appointment results in more than one-third of Board members exceeding this age. Once this limit is exceeded, the oldest Director is deemed to have resigned from office.

Directors may be natural or legal persons. When a legal person is appointed as Director, the latter names a permanent representative who is subject to the same conditions, obligations and liabilities as all other Board members, without prejudice to the joint and several liability of the legal person thus represented.

In the event of one or more vacancies on the Board of Directors, between two General Meetings, the Board may make temporary appointments, in accordance with the requirements of Article L. 225-24 of the French Commercial Code. A Director appointed to replace another Director performs his/her duties for the remainder of the term of office of the individual previously serving in this position.

An employee of the Company may only be appointed as a Director if his/her employment contract corresponds to an actual post. The number of Directors tied to the Company by an employment contract cannot exceed one-third of the Directors in office.

Each Director must own at least one share.

### 2. Director representing the employees

In accordance with legislative provisions, whenever the number of members of the Board of Directors appointed by the General Meeting pursuant to Articles L. 225-17 and L. 225-18 of the French Commercial

Code and in accordance with these Articles of Association is less than or equal to twelve, a Director representing the employees is nominated by the Company's works council.

Whenever this number is greater than 12, a second Director representing the employees is nominated by the Company's works council. If this number should fall to 12 or below, the second Director representing the employees shall continue to serve for his/her full term of office.

The Director or Directors representing the employees are not required to hold shares in the Company for the duration of their term of office.

Exceptionally, the first Director(s) representing the employees will be appointed for a term of four years, expiring at the end of the General Meeting convened to approve the financial statements for the year ended 31 December 2017.

The provisions of this Article 14-2 shall cease to apply whenever, at the end of a financial year, the Company no longer fulfils the prerequisites for appointing Directors representing the employees; however, any Director representing the employees appointed under the terms of this article shall remain as such for his or her full term of office.

Further to the provisions set out in paragraph 2 of Article L. 225-29 of the French Commercial Code, should the Company body designated in these Articles of Association fail to nominate a Director representing the employees pursuant to the law and this article, the decisions of the Board of Directors shall still be deemed to be valid.

## ARTICLE 15 OF THE ARTICLES OF ASSOCIATION – ORGANISATION OF THE BOARD OF DIRECTORS

The Board of Directors elects from among its members a Chairman, who must be a natural person in order for the appointment to be valid. The Board determines the Chairman's compensation.

The Chairman shall be appointed for a term that may not exceed his/her term of office as Director. The Chairman may be reappointed. The Board may remove the Chairman from office at any time.

No one over the age of 85 may be appointed Chairman. If the Chairman in office exceeds this age, he/she shall automatically be deemed to have resigned.

The Board may appoint one or two Vice-Chairmen from among the Directors.

It can also appoint a secretary who need not be a Director or shareholder.

In the event of the Chairman's absence, Board meetings shall be chaired by any person specifically delegated for this purpose by the Chairman. In the absence of this individual, the Board meeting shall be chaired by one of the Vice-Chairmen.

## ARTICLE 16 OF THE ARTICLES OF ASSOCIATION – DELIBERATIONS OF THE BOARD OF DIRECTORS

The Board of Directors meets as often as the Company's interests require it to do so, at the request of its Chairman. The Chief Executive Officer, or if the Board has not met for more than two months, at least one-third of the Directors, may request the Chairman, who is bound by such request, to convene a meeting of the Board of Directors on the basis of a predetermined agenda.

Convening notices are issued by any and all means including verbally.

Board meetings shall take place at the registered office or in any other place specified in the convening notice.

The Board can only validly conduct business in the presence of at least half the Directors. Decisions are taken on the basis of a majority of votes of members present or represented.

In the event of a tie, the Chairman of the Board of Directors shall have the casting vote. If the Chairman of the Board of Directors is not present, the individual chairing the meeting in his/her absence shall have no casting vote in the event of a tie.

An attendance sheet is signed by the Directors taking part in the Board meeting, either in person or by proxy.

Internal rules and regulations shall be defined for the Board of Directors.

These internal rules and regulations may include a provision whereby Directors who participate in the meeting by videoconference or any other means of telecommunication that enables them to be identified as required by law, shall be considered to be present for the purpose of calculating the quorum and majority.

This provision shall not apply for the adoption of any of the following decisions:

- approving the annual financial statements and the consolidated financial statements, and preparing the management report and the group management report.

The deliberations of the Board of Directors are recorded in the form of minutes, which are prepared in accordance with the legal provisions in force and signed by the person having chaired the meeting and by at least one Director. In the absence of the person having chaired the meeting, the minutes shall be signed by at least two Directors.

Copies or extracts of these minutes shall be certified by the Chairman of the Board of Directors, the Chief Executive Officer, a Director temporarily appointed to act as Chairman or an agent authorised for such purpose.

## ARTICLE 17 OF THE ARTICLES OF ASSOCIATION – POWERS OF THE BOARD OF DIRECTORS

The Board of Directors shall establish the Company's business policies and ensure they are carried out. Subject to the powers expressly reserved to shareholders' meetings and within the limits of the corporate objects, the Board of Directors may consider any matter relating to the proper operation of the Company and shall resolve matters that concern the Company by its decisions.

In its relations with third parties, the Company shall be bound by the acts of the Board of Directors that exceed the scope of the corporate objects, unless the Company proves that the third party was aware, or that in light of the circumstances could not have been unaware, that the act was not within said corporate objects. However, the mere publication of the Articles of Association shall not constitute such proof.

The Board of Directors undertakes all the checks and verifications it deems necessary. Each Director is entitled to receive all the documents and information necessary to carry out his/her duties.

The Board may grant all agents of its choice all delegations of powers, within the limits of the powers it holds pursuant to law and these Articles of Association.

The Board may create committees charged with studying matters that the Board or the Chairman submits for their opinion and review.

Under a delegation of powers granted at an Extraordinary General Meeting, the Board of Directors may amend the Company's Articles of Association to ensure compliance with legal and regulatory requirements, subject to ratification at the following Extraordinary General Meeting.

## ARTICLE 18 OF THE ARTICLES OF ASSOCIATION – POWERS OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

The Chairman of the Board of Directors organises and directs the work of the Board of Directors, on which he/she reports to the General Meeting. He/she ensures the smooth running of the Company's management bodies and, in particular, that the Directors are able to carry out their duties.

## ARTICLE 2 OF THE BOARD OF DIRECTORS' INTERNAL RULES AND REGULATIONS – ROLE OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

### 1. Organising and directing the work of the Board of Directors

The Chairman of the Board of Directors organises and directs the work of the Board of Directors.

The Chairman of the Board of Directors sets the schedule and agenda for meetings of the Board of Directors.

### 2. Operations of the Company's management bodies, governance of the Company and control of Executive Management

The Chairman of the Board of Directors ensures the smooth running of the Company's management bodies, namely its Board of Directors and the Board's standing committees, the relations of these bodies with Executive Management and the implementation of best practices in corporate governance.

The Chairman of the Board of Directors makes sure that Directors are able to carry out their duties, and that they have adequate information.

The Chairman of the Board of Directors ensures open lines of communication at all times between the Board of Directors and Executive Management. As such, the Chairman also keeps abreast of, and must be informed of, the Group's circumstances and any decisions being considered whenever they are likely to have a significant impact on the conduct of business activities. To this end, the Chairman is kept informed of developments throughout the preparation of planned operations subject to prior approval by the Board of Directors and may offer comments on such plans.

He/she may draw on the expertise of the Board committees and their chairmen and enjoys unrestricted access to Executive Management.

### 3. Relations with shareholders

The Chairman provides information to shareholders at their General Meetings about the manner in which the work of the Board of Directors is prepared and organised as well as the internal control procedures put in place by the Group.

The Chairman presides over General Meetings.

In collaboration with the Chief Executive Officer, the Chairman ensures the appropriate management of the Company's relations with its major shareholders.

### 4. Support provided to Executive Management

In agreement with the Chief Executive Officer, the Chairman of the Board of Directors may take part in actions to address any issues of interest to the Company or the Group, notably those relating to business activities, strategic decisions or projects (in particular involving investments or divestments), partnership agreements and relations with employee representative bodies, risks and financial disclosures.

In agreement with the Chief Executive Officer, he/she may also take part in any meetings.

### 5. Representation of the Company and the Group

The Chairman of the Board of Directors represents the Board in its relations with third parties, apart from exceptional circumstances or in the case of specific assignments conferred upon individual directors. In coordination with the Chief Executive Officer, the Chairman of the Board of Directors makes every effort to promote the values and image of the Group in all circumstances. In agreement with the Chief Executive Officer, the Chairman of the Board of Directors may represent the Group in its high-level relations, particularly with major partners or clients and government authorities, on the domestic and international fronts, and in terms of both internal and external communications.

In the absence of the Chairman of the Board of Directors, Board meetings shall be chaired by the individual delegated for this purpose by the Chairman and, in the absence of this individual, by one of the two Vice-Chairmen.

If the Chairman of the Board of Directors is not present, the individual chairing the meeting shall not have the casting vote in the event of a tie.

***Conditions for the exercise of the Chairman of the Board of Directors' prerogative powers***

The duties assumed by the Chairman of the Board of Directors require the Chairman to devote his/her time to the Company. The initiatives undertaken and the actions carried out by the Chairman in the performance of his/her duties are taken into consideration by the Board of Directors in determining the Chairman's compensation.

The Chairman of the Board of Directors fulfils his/her responsibilities in recognition of those assumed by the Chief Executive Officer and the Board of Directors.

## ARTICLE 20 OF THE ARTICLES OF ASSOCIATION – COMPENSATION OF SENIOR EXECUTIVES

1. The General Meeting may grant the directors a fixed annual sum of directors' fees, the amount of which shall be booked as operating expenses. Such amount shall be maintained until a new decision is adopted. The Board of Directors shall determine the allocation thereof among the directors.
2. The Board of Directors determines the compensation of the Chairman of the Board of Directors, the Chief Executive Officer and any Deputy Chief Executive Officers, if appointed. Such compensation may be fixed and/or variable.
3. For assignments or mandates entrusted to Directors, the Board of Directors may also award exceptional payments that will be submitted for shareholder approval at an Ordinary General Meeting.

Directors may not receive from the Company compensation, whether permanent or not, other than that set out in the previous paragraphs, unless they are tied to the Company by an employment contract under conditions authorised by law.

## ARTICLE 21 OF THE ARTICLES OF ASSOCIATION – MULTIPLE OFFICES

An individual shall not simultaneously hold more than five offices as a Director or a member of the Supervisory Board of *sociétés anonymes* that have their registered offices in France.

By exception to the foregoing provisions and for the purposes of applying this article, offices held by a person as a Director or member of the Supervisory Board of a company that is controlled, within the meaning of Article L. 233-16 of the French Commercial Code, by the company in which that person is a Director shall not be taken into account for these purposes.

Pursuant to the above provisions, the positions of Directors of companies whose shares are not traded on a regulated market or are controlled, within the meaning of Article L. 233-16 of the French Commercial Code, by the same company only count as one position, provided the number of such positions held does not exceed five.

An individual may not simultaneously hold more than one position as Chief Executive Officer, member of a management board or sole Chief Executive Officer of *sociétés anonymes* that have their registered offices in France. In derogation of the foregoing, a second position as Chief Executive Officer, member of a management board or sole Chief Executive Officer may be held in a company that is controlled, within the meaning of Article L. 233-16 of the French Commercial Code, by the company of which he or she is Chief Executive Officer. Another position as Chief Executive Officer, member of a management board or sole Chief Executive Officer may be held in a company if the shares of neither of these two companies are admitted to trading on a regulated market.

Without prejudice to the conditions above or to other legal requirements, an individual shall not simultaneously hold more than five offices as a Chief Executive Officer, member of a management board, sole executive officer, Director or member of the Supervisory Board of *sociétés anonymes* having their registered offices in France. For the purposes of this Article, where a Director acts as Chief Executive Officer, this shall count as a single office.

This number shall be reduced to three for offices held within companies, even where registered outside France, whose shares are traded on a regulated market for persons acting as Chief Executive Officer, member of a management board, Director or sole executive officer in a company whose shares are traded on a regulated market and which employs at least 5,000 permanent employees in the company and its direct or indirect subsidiaries, and whose registered offices are located in France, or at least 10,000 employees in the company and its direct or indirect subsidiaries, and whose registered offices are located in France and elsewhere.

For the purposes of applying this latter limit, positions as Director or member of the Supervisory Board held by the Chief Executive Officer, member of a management board, Director or sole executive officer of companies whose main business is the acquisition and management of investment holdings, within the meaning of Article L. 233-2 of the French Commercial Code, shall be disregarded for these purposes.

Any individual in breach of the provisions concerning multiple offices shall resign one of the positions within three months of his appointment or, in the event of a derogation, from the position at issue within three months of the event that causes the person to cease complying with the conditions set by law. On expiry of the three-month period, the person is automatically dismissed and must return the compensation received, although the validity of the deliberations in which he or she took part is not called into question.

# 3. Executive Management

## ARTICLE 19 OF THE ARTICLES OF ASSOCIATION – EXECUTIVE MANAGEMENT

### 1. Operating procedures

Responsibility for the Executive Management of the Company is assumed by either the Chairman of the Board of Directors or by another natural person appointed by the Board of Directors and holding the title of Chief Executive Officer.

The Board of Directors chooses one or other of the aforementioned methods of executive management.

The decision of the Board of Directors relating to the choice of management method is taken on the basis of a majority of Directors present or represented. Shareholders and third parties are informed of this choice in the conditions provided for by the regulations in force.

The choice made by the Board of Directors applies for an unlimited period.

### 2. Executive Management

The Chief Executive Officer is a natural person who may or may not be a Director.

The term of office of the Chief Executive Officer is determined by the Board of Directors at the time of his/her appointment. However, if the Chief Executive Officer is also a Director, his/her term of office as Chief Executive Officer may not exceed that as Director.

No one over the age of 77 may be appointed as Chief Executive Officer. Once the Chief Executive Officer has reached this age limit, he/she is deemed to have resigned from office.

The Chief Executive Officer may be dismissed at any time by the Board of Directors. In the event of unfair dismissal, he/she may be entitled to damages, except when he/she also serves as Chairman of the Board of Directors.

The Chief Executive Officer is vested with the broadest powers to act in all circumstances on behalf of the Company. He/she exercises his/her powers within the limits of the corporate purpose and subject to those expressly granted to General Meetings and the Board of Directors by the law.

He/she represents the Company in its dealings with third parties. The Company is bound even by the actions of the Chief Executive Officer falling outside the scope of the corporate purpose, unless it can prove that the third party knew that such action exceeded the corporate purpose or that it could not ignore it in the circumstances, it being excluded that publication of the Articles of Association alone constitutes such proof.

### 3. Deputy Chief Executive Officers

On a proposal from the Chief Executive Officer, whether this position is held by the same person serving as Chairman of the Board of Directors or by another person, the Board may appoint one or more natural persons to assist the Chief Executive Officer, with the title of Deputy Chief Executive Officer.

The Board of Directors may appoint as many as five Deputy Chief Executive Officers, who may or may not be selected from among its members.

The age limit is set at 65 years. Once a Deputy Chief Executive Officer has reached this age limit, he/she is deemed to have resigned from office.

Deputy Chief Executive Officers may be dismissed at any time by the Board of Directors on a proposal from the Chief Executive Officer. In the event of unfair dismissal, Deputy Chief Executive Officers may be entitled to damages.

When the Chief Executive Officer ceases to carry out or is prevented from carrying out his/her duties, the Deputy Chief Executive Officers retain their duties and remits until the appointment of a new Chief Executive Officer, unless decided otherwise by the Board of Directors.

In agreement with the Chief Executive Officer, the Board of Directors determines the scope and duration of the powers conferred on the Deputy Chief Executive Officers. In their dealings with third parties, the Deputy Chief Executive Officers have the same powers as the Chief Executive Officer.

## ARTICLE 3 OF THE BOARD OF DIRECTORS' INTERNAL RULES AND REGULATIONS – ROLE OF THE CHIEF EXECUTIVE OFFICER

The Chief Executive Officer has authority over the entire Group. He/she directs, administers and coordinates all of its activities. Together with the Chairman, he/she develops the Group's strategy, which is subject to the approval of the Board of Directors, and ensures its implementation.

The Chief Executive Officer is vested with the broadest powers to act in all circumstances on behalf of the Company. He/she represents the Company in its dealings with third parties. He/she chairs the Group's Executive Committee.

The Chief Executive Officer exercises his/her powers within the limits of the corporate purpose, all applicable laws, the Articles of Association and these internal rules and regulations.

The Chief Executive Officer is also responsible for providing the Board of Directors and all its committees with any information they may require and for implementing all decisions taken by the Board.

**Conditions for the exercise of the Chief Executive Officer's prerogative powers**

The Chief Executive Officer works closely with the Chairman of the Board of Directors to ensure open lines of communication at all times between the Board of Directors and Executive Management. He/she also keeps the Chairman informed of the Group's circumstances and any decisions being considered whenever they are likely to have a significant impact on the conduct of business activities.

The types of decisions identified in this section require the prior authorisation of the Board of Directors, or of the Chairman whenever the Board delegates its powers to him/her in this respect, under the conditions defined by the Board. The Chairman must report to the Board of Directors on any authorisations given by him/her in connection with these delegations. These decisions are prepared and discussed in advance by the Chief Executive Officer and the Chairman of the Board of Directors.

Under the aforementioned conditions, the decisions requiring prior approval by the Board of Directors are those that are highly strategic in nature or that are likely to have a significant impact on the financial position or commitments of the Company or any of its subsidiaries, and in particular decisions falling into two main categories, as listed below:

- decisions relating to strategy implementation:
  - adaptation of the Group's business model,
  - the acquisition or disposal of companies or businesses, for transactions in amounts greater than €10 million,
  - any investment or divestment decision in an amount greater than €10 million,
  - entering into strategic alliances;
- decisions relating to organisational matters:
  - the appointment or dismissal of any member of the management team (Executive Committee members),
  - any significant change in the organisation.

# 4. General Meetings

## ARTICLE 25 OF THE ARTICLES OF ASSOCIATION – GENERAL MEETINGS

General Meetings are convened and held under the conditions laid down by the law.

The decisions collectively made by the shareholders shall be taken in General Meetings characterised either as Ordinary General Meetings, Extraordinary General Meetings or Special General Meetings depending on the nature of the decision to be taken.

Special General Meetings are called for the holders of shares of a given category to decide upon any changes to the rights attached to shares in this category.

The decisions taken by General Meetings are binding for all the shareholders, including absentee and dissenting shareholders and those lacking legal capacity.

## ARTICLE 26 OF THE ARTICLES OF ASSOCIATION – VENUE AND PROCEDURE FOR CONVENING GENERAL MEETINGS

General Meetings shall be convened by the Board of Directors. Failing this, they may also be convened by the Statutory Auditors or by a court-appointed agent, in accordance with the law.

General Meetings shall take place at the registered office or in any other place specified in the convening notice.

General Meetings shall be convened by means of a notice published either in a journal authorised to publish legal announcements in the area where the registered office is located, or in the Bulletin des annonces légales obligatoires (BALO, the French journal of official legal announcements), at least two weeks before the General Meeting.

However, if all the shares are registered, these announcements are not mandatory, and the General Meeting may be convened by giving notice to each shareholder by registered letter, at the Company's expense.

At least 35 days before each shareholders' meeting, the Company shall publish in the "Bulletin des Annonces Légales Obligatoires" the notice required by Article R. 225-73 of the French Commercial Code.

Shareholders who have held registered shares for at least one month on the date a convening notice is published shall be invited to attend the General Meeting by ordinary letter.

However, they may give the Company a written authorisation to send these notifications by electronic mail instead of by letter. In this case, they must communicate their electronic address to the Company. They may, at any time, by registered letter, request that the Company send notifications by letter instead.

Shareholders may also ask to be notified of any General Meeting by registered letter if they have forwarded to the Company the amount necessary to cover the cost of sending such a letter.

When business cannot be conducted at a General Meeting because of the lack of the required quorum, a second General Meeting, and an adjourned second General Meeting, if necessary, shall be convened with at least six days' notice, in the same way as the first.

The notice and the letters inviting the shareholders to this second General Meeting shall feature the date and agenda of the first General Meeting. If the Meeting is postponed by court decision, the court may set an alternative date.

The notice and letters convening the Meeting must contain all the information required by law.

## ARTICLE 27 OF THE ARTICLES OF ASSOCIATION – AGENDA

The agenda for the General Meeting is decided by the person(s) convening the Meeting.

One or more shareholders representing at least the portion of share capital required by law and acting in accordance with legal requirements and time periods, may request that specific items of business or draft resolutions be added to the General Meeting's agenda.

The works council may also request the inclusion of proposed resolutions in the agenda.

Items of business not appearing on the agenda may not be considered at the General Meeting. However, the General Meeting can in all circumstances dismiss and replace one or more Directors.

## ARTICLE 28 OF THE ARTICLES OF ASSOCIATION – ACCESS TO GENERAL MEETINGS – POWERS – COMPOSITION

The General Meeting shall be composed of all shareholders, regardless of the number of shares they hold, who attend the Meeting either in person or by proxy.

All shareholders have the right to participate in General Meetings provided they furnish proof, in accordance with legal and regulatory requirements, that their shares are registered on accounts in their names or on their behalf in the name of their registered intermediary, or on the registered share accounts kept by the Company, or on the bearer share accounts kept by an authorised intermediary.

Any shareholder may be represented by his/her spouse, the partner with whom he/she has entered into a pacte civil de solidarité (PACS, the French civil union contract), another shareholder or any other private individual or legal entity of his/her choice. If a shareholder does not name a proxy holder in a proxy form submitted, the Chairman of the General Meeting shall vote in favour of proposed resolutions submitted for approval by the Board of Directors, and against any other proposed resolutions. For any other vote, the shareholder shall choose a proxy holder who agrees to vote as directed by the shareholder.

The legal representatives of legally incapable shareholders and the persons representing legal entities that hold shares in the Company may attend General Meetings whether they are shareholders or not.

If so decided by the Board of Directors when convening the Meeting, shareholders may also take part by videoconference or any other means of telecommunication, including the Internet, which permits them to be identified as provided by the law.

Shareholders who participate in a General Meeting by videoconference or other means of telecommunication that enables them to be identified in a manner and in accordance with procedures in compliance with regulatory provisions shall be deemed present for the purposes of calculating the quorum and majority.

All shareholders may vote by mail by filling in a form addressed to the Company, under the conditions established by law and in regulations; to be taken into account, this form must reach the Company at least three days before the date of the General Meeting.

Two works council members, appointed by the works council as laid down by law, may attend General Meetings. At their request, they shall be heard during deliberations on all matters requiring a unanimous vote of the shareholders.

## ARTICLE 29 OF THE ARTICLES OF ASSOCIATION – VOTING RIGHTS

The voting right attached to capital shares or dividend shares shall be proportional to the portion of the capital they represent. With the same par value, each share shall entitle the holder to the same number of votes, with a minimum of one vote.

However, double voting rights are allocated to all fully paid-up shares that are proved to have been registered in the name of the same holder for at least two years up to that time. In the event of a capital increase by capitalisation of reserves, earnings or issue premiums, double voting rights shall be allocated upon issuance to registered shares freely granted to a shareholder in proportion to existing shares for which this shareholder was entitled to benefit from this right.

## ARTICLE 30 OF THE ARTICLES OF ASSOCIATION – RIGHTS TO SHAREHOLDER INFORMATION – DISCLOSURE OBLIGATIONS

All shareholders are entitled to receive all the information necessary for them to take an informed decision relating to the management and situation of the Company.

The documentation required and its availability to shareholders is established by law and in regulations.

Any shareholder who holds more than 3% or more than 4% of the Company's capital shall inform the Company in the same manner and based on the same methods of calculation as required with respect to legal thresholds.

## ARTICLE 31 OF THE ARTICLES OF ASSOCIATION – ATTENDANCE SHEET – OFFICERS – MINUTES

The attendance sheet, duly initialled by the shareholders present and by proxy holders and including the names of shareholders attending the General Meeting using a means of telecommunication, accompanied by the authorisations granted to proxy holders, and, where appropriate, voting forms, shall be certified as accurate by the officers of the Meeting.

The General Meeting shall be chaired by the Chairman of the Board of Directors or, in the Chairman's absence, by a Vice-Chairman or by a Director specifically delegated for this purpose by the Board. Failing this, the Meeting shall elect its own Chairman.

The duties of vote-teller shall be performed by the two shareholders, present and accepting such duties, who hold the largest number of shares, either on their own behalf or as proxy holders.

The officers of the Meeting thus appointed shall designate a secretary, who is not required to be a shareholder.

The minutes are drawn up and copies or extracts of these minutes are delivered and certified in accordance with the law.

## ARTICLE 32 OF THE ARTICLES OF ASSOCIATION – ORDINARY GENERAL MEETINGS

An Ordinary General Meeting is a meeting called to take decisions which do not amend the Articles of Association.

This type of General Meeting shall be held at least once a year, within the time period required by law and regulations, to approve the financial statements for the previous year.

Ordinary General Meetings are only able to validly conduct business, when convened for the first time, if the shareholders attending the Meeting, represented by proxy or having voted by mail represent at least one-fifth of the total voting rights. No quorum is required when Ordinary General Meetings are convened for the second time.

The Meeting issues decisions by simple majority of the votes of the shareholders present or represented by proxy holders, including the votes of shareholders who have voted by mail.

## ARTICLE 33 OF THE ARTICLES OF ASSOCIATION – EXTRAORDINARY GENERAL MEETINGS

The Extraordinary General Meeting alone shall be authorised to amend the Articles of Association. However, it may not increase shareholders' commitments, except in the case of transactions resulting from a duly completed regrouping of shares.

Extraordinary General Meetings are only able to validly conduct business, when convened for the first time, if the shareholders attending the Meeting or represented by proxy or having voted by mail represent at least one-quarter of the total voting rights, and one-fifth of the total voting rights when convened for the second time. If this latter quorum is not attained, the second meeting may be postponed to a date no later than two months after the date for which the second meeting was originally convened. For this postponed meeting, a quorum of one-fifth of the shares with voting rights shall also be required.

The Meeting issues decisions by a majority of two-thirds of the votes of the shareholders present or represented by proxy holders, including the votes of shareholders who have voted by mail, except as otherwise provided by law.

### ARTICLE 34 OF THE ARTICLES OF ASSOCIATION – SPECIAL GENERAL MEETINGS

When there are several categories of shares, no changes may be made to the rights of a given category of shares unless approved by an Extraordinary General Meeting open to all shareholders and also by a Special General Meeting of the holders of the category of shares in question.

Special General Meetings are only able to validly conduct business, when convened for the first time, if the shareholders attending the Meeting or represented by proxy represent at least one-third of the total voting rights, and one-fifth of the total voting rights when convened for the second time.

In all other respects, Special General Meetings are convened and conduct business in the same way as Extraordinary General Meetings.

### ARTICLE 35 OF THE ARTICLES OF ASSOCIATION – ORDINARY GENERAL MEETINGS

In the event of the issuance of bonds, the holders of these bonds are considered as a group, in accordance with legal requirements, for the defence of their shared interests.

This group is represented by one or more representatives elected at a general meeting of bondholders.

Should there be more than one group of bondholders, they may not transact business at the same general meeting.

# 5. Person responsible for the Registration Document and information on the auditing of the Company's financial statements

## 5.1. Person responsible for the Registration Document

**Name and position of the person responsible for the Registration Document**

Vincent Paris, Chief Executive Officer

## 5.2. Information relating to the Statutory Auditors

### 5.2.1. PRINCIPAL STATUTORY AUDITORS AND SUBSTITUTE AUDITORS

**Principal Statutory Auditors**

- Auditeurs et Conseils Associés – 31, rue Henri-Rochefort, 75017 Paris.
  Represented by Olivier Juramie.
  Term of office expires at the General Meeting convened to approve the 2021 financial statements.
  First appointed: June 1986.
- Cabinet Mazars(1) – 61, rue Henri-Regnault, Tour Exaltis, 92400 Courbevoie.
  Represented by Bruno Pouget.
  Term of office expires at the General Meeting convened to approve the 2017 financial statements.
  First appointed: June 2000.

**Substitute Auditors**

- Pimpaneau & Associés – 31, rue Henri-Rochefort – 75017 Paris.
  Term of office expires at the General Meeting convened to approve the 2021 financial statements.
- Jean-Louis Simon – 61, rue Henri-Regnault, Tour Exaltis, 92400 Courbevoie.
  Term of office expires at the General Meeting convened to approve the 2017 financial statements.

*(1) At the General Meeting of 12 June 2018, the shareholders will be asked to vote on the reappointment of Mazars as joint Principal Statutory Auditor for a period of six years, expiring at the end of the General Meeting held in 2024 to approve the financial statements for the year ending 31 December 2023 (Resolution 10).*

# 6. Provisional reporting timetable

| Publication date | Event | Meeting date |
|---|---|---|
| 19 February 2018 before market open | 2017 annual revenue and earnings | 19 February 2018 |
| 26 April 2018 before market open | Q1 2018 revenue | - |
| | Annual General Meeting | 12 June 2018 |
| 27 July 2018 before market open | 2018 interim revenue and earnings | 27 July 2018 |
| 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.

# 7. Inventory of regulatory disclosures in 2017 (1)

### 7.1. Press releases for ongoing disclosure obligation

- 27/11/2017 Sopra Steria Group: Financial calendar 2018.
- 07/11/2017 Sopra Steria finalises its acquisition of Galitt.
- 25/09/2017 Xavier Hürstel joins Sopra Steria's Executive Committee as Chief Transformation & People Management Officer.
- 22/09/2017 Sopra Steria Group, Winner of the 2017 Transparency Prize.
- 18/09/2017 Didier Descombes joins Sopra Steria's Executive Committee as Chief Strategy & Development Officer – Financial Services.
- 31/08/2017 Sopra Steria: Proposed acquisition of Galitt.
- 30/08/2017 Sopra Steria finalises its acquisition of Kentor.
- 28/07/2017 2017 half-year results.
- 29/06/2017 Sopra Steria: conversion of CS Communication et Systèmes convertible bonds.
- 26/06/2017 Sopra Steria: proposed acquisition of Kentor.
- 13/06/2017 Combined General Meeting of Wednesday, 13 June 2017.
- 14/03/2017 Sopra Steria: Launch of an employee shareholding plan.
- 27/02/2017 2016 full-year results.
- 24/02/2017 Publication of information relating to the compensation of the executive company officers in line with the recommendations of the AFEP-MEDEF Code.
- 27/01/2017 Sopra Steria raises its stake in Cassiopae to 100%.

### 7.2. Registration Document including the Annual Financial Report and updates

- 13/04/2017 Publication of the 2016 Registration Document including the Annual Financial Report.

### 7.3. Interim financial report

- 6/09/2017 Publication of the 2017 Half-Year Financial Report.

### 7.4. Quarterly financial reporting

- 26/10/2017 Q3 2017 revenue.
- 27/04/2017 Q1 2017 revenue.

### 7.5. Monthly disclosures of total voting rights and shares

- 12 monthly disclosure forms.
- 25/04/2017 Filing of the date of publication of the meeting notice in the BALO of the General Meeting of 13 June 2017.

### 7.6. Descriptions of share buyback programmes and reports on the liquidity agreement

**Liquidity agreement**

- 04/07/2017 Half-yearly report on the liquidity contract with Oddo Corporate Finance.
- 03/01/2017 Half-yearly report on the liquidity contract with Oddo Corporate Finance.

**Treasury share transactions**

- 19/12/2017 Weekly disclosure of transactions in own shares for the period from 11 to 15 December 2017.
- 27/11/2017 Weekly disclosure of transactions in own shares for the period from 13 to 17 November 2017.
- 23/10/2017 Weekly disclosure of transactions in own shares for the period from 16 to 20 October 2017.
- 18/09/2017 Weekly disclosure of transactions in own shares for the period from 11 to 15 September 2017.
- 28/08/2017 Weekly disclosure of transactions in own shares for the period from 14 to 18 August 2017.
- 21/07/2017 Weekly disclosure of transactions in own shares for the period from 17 to 21 July 2017.
- 20/06/2017 Weekly disclosure of transactions in own shares for the period from 12 to 16 June 2017.
- 22/05/2017 Weekly disclosure of transactions in own shares for the period from 15 to 19 May 2017.

*(1) All of this information is made available online on the Group's website www.soprasteria.com (Investors section).*

- 16/05/2017 Weekly disclosure of transactions in own shares for the period from 8 to 11 May 2017.
- 16/05/2017 Weekly disclosure of transactions in own shares for the period from 1 to 5 May 2017.
- 24/04/2017 Weekly disclosure of transactions in own shares for the period from 17 to 21 April 2017.
- 18/04/2017 Weekly disclosure of transactions in own shares for the period from 10 to 13 April 2017.
- 11/04/2017 Weekly disclosure of transactions in own shares for the period from 3 to 7 April 2017
- 27/03/2017 Weekly disclosure of transactions in own shares for the period from 20 to 24 March 2017.
- 20/03/2017 Weekly disclosure of transactions in own shares for the period from 13 to 17 March 2017.
- 06/03/2017 Weekly disclosure of transactions in own shares for the period from 28 February to 3 March 2017.
- 15/02/2017 Weekly disclosure of transactions in treasury shares for the month of December 2017.
- 17/01/2017 Weekly disclosure of transactions in treasury shares for the month of January 2017.

### 7.7. Reports on the manner in which the work of the Board of Directors is prepared and organised, and on internal control procedures

- 13/04/2017 Included in the 2016 Registration Document.

### 7.8. Fees paid to the Statutory Auditors

- 13/04/2017 Included in the 2016 Registration Document.

### 7.9. Announcements of information provided or made available with regard to meetings of the shareholders

- 03/05/2017 Announcement of availability of documents and preparatory information for the Combined General Meeting of 13 June 2017.

### 7.10. Announcements specifying the procedures used to make prospectuses available

- 13/04/2017 Sopra Steria Group: Publication of the 2016 Registration Document.
- 06/09/2017 Sopra Steria Group: Publication of the 2017 Half-Year Financial Report.

# 8. Documents on display

The legal documents relating to the Company – in particular its Articles of Association, financial statements and reports presented to its General Meetings by the Board of Directors and the Statutory Auditors – may be requested from the Communications Department at 9 bis rue de Presbourg, 75116 Paris, France. All published financial information is available on the Group's website: www.soprasteria.com.

# 8 GENERAL MEETING OF 12 JUNE 2018

# Agenda

## Requiring the approval of the Ordinary General Meeting

1. Approval of the individual financial statements for the financial year ended 31 December 2017; approval of non-deductible expenses.
2. Approval of the consolidated financial statements for the financial year ended 31 December 2017.
3. Appropriation of earnings and determination of the dividend.
4. Approval of agreements governed by Article L. 225-38 et seq. of the French Commercial Code.
5. Approval of items of compensation paid or alloted in respect of financial year 2017 to Pierre Pasquier, Chairman.
6. Approval of items of compensation paid or alloted in respect of financial year 2017 to Vincent Paris, Chief Executive Officer.
7. Approval of the principles and criteria for the determination, distribution and allocation of items of compensation for the Chairman.
8. Approval of the principles and criteria for the determination, distribution and allocation of items of compensation for the Chief Executive Officer.
9. Setting of directors' fees at €500,000.
10. Reappointment of a Principal Statutory Auditor.
11. Authorisation granted to the Board of Directors, for a period of 18 months, to allow the Company to buy back its own shares pursuant to Article L. 225-209 of the French Commercial Code.

## Requiring the approval of the Extraordinary General Meeting

12. Authorisation for the Board of Directors, for a period of 26 months, to retire any shares that the Company may have acquired under the terms of share buyback programmes and to reduce the share capital accordingly.
13. Delegation of powers to the Board of Directors, for a period of 26 months, to decide to increase the share capital, with preemptive rights for existing shareholders, by issuing ordinary shares and/or securities giving access to equity and/or entitling the holder to an allotment of debt securities issued by the Company, up to a maximum of 40% of the share capital.
14. Delegation of powers to the Board of Directors, for a period of 26 months, to decide to increase the share capital, without preemptive rights for existing shareholders, by issuing ordinary shares and/or securities giving access to equity and/or entitling the holder to an allotment of debt securities issued by the Company, in the context of public offerings, up to a maximum of 20% of the share capital, falling to 10% of the share capital in the absence of priority rights.
15. Delegation of powers to the Board of Directors, for a period of 26 months, to decide to increase the share capital, without preemptive rights for existing shareholders, by issuing ordinary shares and/or securities giving access to equity and/or entitling the holder to an allotment of debt securities issued by the Company, by way of a private placement as provided for in paragraph II, Article L. 411-2 of the French Monetary and Financial Code, up to a maximum of 10% of the share capital.
16. Determination of the issue price of ordinary shares and/or securities giving access to equity and/or giving the right to an allotment of the Company's debt securities for up to a maximum of 10% of the share capital a year in the context of an increase in the share capital without preemptive subscription rights for existing shareholders.
17. Delegation of powers to the Board of Directors, for a period of 26 months, to decide, with or without preemptive rights for existing shareholders, to increase the number of ordinary shares and/or securities giving access to equity and/or entitling the holder to an allotment of debt securities to be issued by the Company, up to a maximum of 15% of the initial issue.
18. Delegation of powers to the Board of Directors, for a period of 26 months, to issue ordinary shares and/or securities giving access to equity and/or entitling the holder to an allotment of debt securities issued by the Company, without preemptive rights for existing shareholders, in return for contributions in kind, up to a maximum of 10% of the share capital.
19. Delegation of powers to the Board of Directors, for a period of 26 months, to issue ordinary shares and/or securities giving access to equity and/or entitling the holder to an allotment of debt securities issued by the Company, without preemptive rights for existing shareholders, in return for shares tendered to a public exchange offer, up to a maximum of 10% of the share capital.
20. Delegation of powers to the Board of Directors, for a period of 26 months, to decide to increase the share capital by capitalising premiums, reserves, earnings or other amounts that may be capitalised.
21. Delegation to be given to the Board of Directors, for a period of 18 months, to issue share subscription warrants to be allotted to the shareholders free of charge in the event of a takeover bid, up to a nominal amount equal to the amount of the share capital.
22. Delegation of powers to the Board of Directors, for a period of 26 months, to decide to increase the share capital, without preemptive subscription rights for existing shareholders, via issues to persons employed by the Company or by a company of the Group, subject to enrolment in a company savings plan, up to a maximum of 3% of the share capital.
23. Authorisation for the Board of Directors, for a period of 38 months, to allot free shares to employees and officers of the Company and companies in the same Group, up to a maximum of 3% of the share capital.
24. Amendment to the stipulations of Article 14 of the Articles of Association concerning Directors' terms of office and the introduction of procedures for staggering Directors' terms of office.
25. Change in the age limit associated with the position of Chairman of the Board of Directors and corresponding amendment to Article 15 of the Articles of Association.
26. Appointment of Jean-Bernard Rampini as a Non-Voting Director for a term of two years.

## Requiring the approval of the Ordinary General Meeting

**27. to 37.** Reappointment of Directors;

**38. to 39.** Appointment of new Directors;

**40.** Powers granted to carry out all legal formalities.

We hereby inform you that the vote on the resolutions submitted for approval at the Extraordinary General Meeting requires a quorum representing at least one-quarter of the total number of voting shares and a majority of two-thirds of the votes of shareholders present or represented by proxy holders. The vote on resolutions submitted for approval at the Ordinary General Meeting requires a quorum of at least one-fifth of the total number of voting shares and a majority of the votes of shareholders present or represented by proxy holders. However, as an exception to the foregoing, the vote on Resolution 20 and 21, even though it is on the agenda of the Extraordinary General Meeting, requires a quorum of one-fifth of the total number of voting shares and a majority of the votes of shareholders present or represented.

# 1. Summary of resolutions

## 1.1. Ordinary General Meeting

### 1.1.1. APPROVAL OF THE INDIVIDUAL FINANCIAL STATEMENTS OF THE COMPANY AND THE CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP (RESOLUTIONS 1 AND 2)

The Board of Directors submits for your approval:

- the Company's individual financial statements and the Group's consolidated financial statements for the year ended 31 December 2017, included as Chapter 5 (pages 197 to 226) and 4 (pages 129 to 196) of the 2017 Registration Document;
- the list of non-tax-deductible expenses totalling €445,035 and the corresponding tax charge. These expenses consist of rental or lease payments and depreciation in respect of the Company's vehicle fleet.

Correlation tables (on pages 290 to 295) will help you quickly refer to information found in the various Board reports.

The Statutory Auditors' reports on the Company's individual financial statements and the Group's consolidated financial statements can be found on pages 221 to 224 and 193 to 196 of the 2017 Registration Document..

### 1.1.2. PROPOSED APPROPRIATION OF EARNINGS (RESOLUTION 3)

Sopra Steria Group SA generated net profit of €141.8 million, giving consolidated Group net profit (attributable to owners of the parent) of €171.4 million.

The Board of Directors proposes payment of a dividend of €2.40 per share, totalling €49.3 million. This amount would be adjusted if there were any change in the number of shares with dividend rights.

The balance would be allocated to optional reserves.

In accordance with tax regulations in force, the dividend paid to individual shareholders resident in France for tax purposes shall be subject to a single mandatory flat-rate withholding tax of 30% (subject to income tax reporting requirements) in respect of income tax (12.8%) and social security contributions (17.2%).

When filing their tax returns, shareholders may opt either to continue to pay the one-off flat-rate withholding tax or to subject this dividend to the sliding income tax scale after deducting the flat-rate withholding tax (not subject to income tax reporting requirements) already paid and after applying tax relief equal to 40% of the gross amount received (Article 158-3-2° of the French General Tax Code) and deducting a fraction of the "CSG" general social security contribution (equating to 6.8%).

The ex-dividend date would therefore be 3 July 2018, before market opening. The dividend will be paid on 5 July 2018.

### 1.1.3. RELATED-PARTY AGREEMENTS (RESOLUTION 4)

No agreements are being submitted for approval at the General Meeting.

Shareholders will be asked at the General Meeting to approve the Statutory Auditors' special report on the continued application of agreements already approved by the shareholders. This report can be found on pages 225 to 226 of the Registration Document.

Related-party agreements remaining in force are reviewed annually by the Board of Directors, which decides whether the authorisation previously granted should be maintained.

#### Framework agreement for assistance with Sopra GMT

The tripartite framework agreement for assistance entered into with Sopra GMT (the holding company that takes an active role in managing the Group) was put in place when Axway Software, in which Sopra Steria Group owns a 32.59% stake, was spun off and listed. At that time, three highly experienced employees of Sopra Steria Group were transferred to that company, with the intention that their activities would continue to be split between Sopra Steria Group and Axway Software with the aim of pooling resources and developing synergies.

The costs rebilled by Sopra GMT mainly comprise the portion of payroll and related personnel costs allocated to the services performed by Sopra Steria Group and, where applicable, the external expenses incurred by Sopra GMT under the same conditions, which are rebilled on a cost-plus basis including a 7% margin.

Sopra Steria Group in turn charges Sopra GMT fees for the provision of premises, IT resources and various administrative and accounting services.

#### Agreement with Éric Hayat Conseil

The agreement with Éric Hayat Conseil followed an agreement entered into under the same conditions by Groupe Steria. It concerns the supply of consulting and assistance services to executive management in connection with strategic business development deals. It provides the group with support in the large retail sector and ensures that the Board of Directors has members facing the same strategic and commercial positioning challenges as those faced by the Group.

#### Agreement with Axway Software

After Axway Software brought together its Paris-based workforce at new premises, the agreements in force now concern only the arm's length provision by Sopra Steria Group of premises in Annecy.

## 1.1.4. APPROVAL OF ITEMS OF COMPENSATION PAID OR ALLOTTED TO EXECUTIVE COMPANY OFFICERS IN RESPECT OF FINANCIAL YEAR 2017 (RESOLUTIONS 5 AND 6)

### a. Approval of items of compensation paid or allotted to Pierre Pasquier, Chairman, in respect of financial year 2017 (Resolution 5)

You are asked to approve the items of compensation paid or allotted to Pierre Pasquier, Chairman of the Board of Directors, in respect of financial year 2017, as set out in the following table:

| Items of compensation | Amount | Comments |
|---|---|---|
| Annual fixed compensation | €500,000 | |
| Annual variable compensation | Not applicable | There are no plans to apply annual variable compensation. |
| Variable deferred compensation | Not applicable | There are no plans to apply variable deferred compensation. |
| Multi-year variable compensation | Not applicable | There is no system for multi-year variable compensation. |
| Exceptional compensation | Not applicable | No exceptional compensation. |
| Share options, performance shares and any other long-term items of compensation | Not applicable | Pierre Pasquier has never been awarded any share subscription options or performance shares, or any other long-term items of compensation; he is not eligible to receive it. |
| Directors' fees | €20,527 | Directors' fees are allotted in full to participants at meetings of the Board of Directors and its subcommittees in proportion to their actual attendance at those meetings. |
| Valuation of all benefits in kind | €8,550 | Company car. |
| Severance pay | Not applicable | No such commitment exists. |
| Non-compete payment | Not applicable | No such commitment exists. |
| Supplementary pension plan | Not applicable | No supplementary pension plan has been put in place. |

**b. Approval of items of compensation paid or allotted to Vincent Paris, Chief Executive Officer, in respect of financial year 2017 (Resolution 6)**

You are asked to approve the items of compensation paid or allotted to Vincent Paris, Chief Executive Officer, in respect of financial year 2017

| Items of compensation | Amount | Comments |
|---|---|---|
| Annual fixed compensation | €500,000 | The fixed annual component of compensation paid to Vincent Paris was increased to €500,000 with effect from 1 January 2017. |
| Annual variable compensation | €190,000 | See §2.4.1 of Chapter 2, "Corporate governance", pages 69 to 73.<br>The variable component of his compensation equates to 63% of the target amount.<br>The quantitative target relating to the Group's operating profit on business activity resulted in the vesting of 50% of the maximum amount.<br>The qualitative targets identified in connection with the Group's strategy and reflecting the short-term achievement of the quantitative target were considered as 100% achieved for the first three of these targets and 60% achieved for the fourth.<br>The criteria were applied as planned at the beginning of the year. |
| Variable deferred compensation | Not applicable | There are no plans to apply variable deferred compensation. |
| Multi-year variable compensation | Not applicable | There is no system for multi-year variable compensation. |
| Exceptional compensation | Not applicable | No exceptional compensation. |
| Share options, performance shares and any other long-term items of compensation | €312,930 | At its meeting of 24 February 2017, the Board of Directors decided to put in place a long-term incentive plan for the Group's senior managers relating to performance over three years.<br>It granted 3,000 rights (0.01% of the share capital) to Vincent Paris, out of a total of 104,000 rights covered by this plan.<br>Strict performance conditions will be measured over three financial years (the year of allotment and the two following years) against targets for organic consolidated revenue growth, operating profit on business activity (expressed as a percentage of revenue) and free cash flow. These targets are at least equal to any guidance disclosed to the market.<br>The Board of Directors also decided that Vincent Paris must retain at least 50% of vested shares allocated to him under this plan throughout his entire term of office as Chief Executive Officer. Vincent Paris has agreed not to engage in any hedging transactions with respect to performance shares held until the expiry of this plan. |
| Directors' fees | Not applicable | |
| Valuation of all benefits in kind | €11,471 | Company car; GSC. |
| Severance pay | Not applicable | No such commitment exists. |
| Non-compete payment | Not applicable | No such commitment exists. |
| Supplementary pension plan | Not applicable | No supplementary pension plan has been put in place. |

See also Section 2, "Role and compensation of executive company officers", in Chapter 2 of this Registration Document (pages 68 to 74).

## 1.1.5. APPROVAL OF THE PRINCIPLES AND CRITERIA FOR THE DETERMINATION, DISTRIBUTION AND ALLOCATION OF ITEMS OF COMPENSATION FOR EXECUTIVE COMPANY OFFICERS (RESOLUTIONS 7 AND 8)

As required by Article L. 225-37-2 of the French Commercial Code, we submit for your approval the principles and guidelines used to determine, structure and grant the fixed and variable components of total compensation and benefits of any kind to be received by the Chairman of the Board of Directors and the Chief Executive Officer respectively, as well as by any Deputy Chief Executive Officers who might be appointed, for their service in these positions. These principles and criteria have been approved by the Board of Directors at the recommendation of the Compensation Committee and are set out in Section 2.4.2 of Chapter 2, pages 73 and 74 of this Registration Document.

The compensation policy they constitute has already been submitted to the shareholders for approval at the General Meeting of 13 June 2017 (under Resolutions 8 and 9, adopted with 81.6% and 85.6% of votes respectively).

Moreover, the amounts resulting from the application of these principles and criteria will also be submitted to the shareholders for approval at the General Meeting convened to approve the financial statements for the financial year ending 31 December 2018, to be held in 2019.

## 1.1.6. DETERMINATION OF DIRECTORS' FEES (RESOLUTION 9)

It is proposed that the amount of directors' fees for the current financial year be set at €500,000. This amount, unchanged since 2015, is allotted in full to the members of the Board of Directors (both voting and non-voting) on the basis of actual attendance at meetings of the Board and its subcommittees.

### 1.1.7 REAPPOINTMENT OF A PRINCIPAL STATUTORY AUDITOR (RESOLUTION 10)

In accordance with the recommendations put forward by the Audit Committee, which is tasked with overseeing the procedure for selecting the Statutory Auditors, the Board of Directors proposes that Mazars be reappointed as joint Principal Statutory Auditor for a period of six years, expiring at the end of the General Meeting held in 2024 to approve the financial statements for the year ending 31 December 2023.

The Board of Directors, taking note of the withdrawal of the requirement to appoint one or more Substitute Statutory Auditors for companies where the Principal Statutory Auditor is a legal entity, and of associated amendments to the Articles of Association approved by the shareholders at the General Meeting of 13 June 2017, does not propose to appoint a new joint Substitute Statutory Auditor. In the event of incapacity of the Principal Statutory Auditor, auditing of Sopra Steria Group will be conducted by another representative of Mazars.

### 1.1.8. BUYBACK BY SOPRA STERIA GROUP OF ITS OWN SHARES (RESOLUTION 11)

You are asked to renew the authorisation granted to the Board of Directors at the General Meeting of 13 June 2017 permitting the Company to buy back its own shares, in accordance with applicable laws and regulations (Articles L. 225-209 et seq. of the French Commercial Code).

Under this authorisation, the number of shares bought back shall not exceed 10% of the share capital; as an, indication, this would equate to 2,054,770 shares on the basis of the current share capital. The maximum price per share that can be paid for the shares bought back is set at €250; this price may be adjusted as a result of an increase or decrease in the number of shares representing the share capital, in particular due to capitalisation of reserves, free share awards or reverse stock splits.

Shares may be bought back for the following purposes:

- to obtain market-making services from an investment services provider acting independently under the terms of a liquidity agreement entered into in compliance with the code of conduct of AMAFI (the French association of financial market professionals) recognised by the AMF;
- to allot or transfer the shares thus bought back to employees or company officers of the Group in keeping with any form of allocation authorised by law;
- to retain the shares bought back in order to exchange them or present them as consideration at a later date for a merger, spin-off or contribution of assets and, more generally, for external growth transactions. Shares bought back for such purposes are not to exceed, in any event, 5% of the number of shares making up the Company's share capital;
- to cede the shares in the Company, upon the exercise of the rights attached to securities giving access to the Company's share capital through redemption, conversion, exchange, presentation of warrants or any other means;
- to retire the shares thus bought back by reducing the share capital, provided that the shareholders at the General Meeting approve the corresponding resolution;
- to implement any market practice that may come to be accepted by the AMF, and in general, to perform any operation that complies with regulations in force.

This authorisation would supersede the previous authorisation given at the General Meeting of 13 June 2017 and would be granted for a period of 18 months with effect from this General Meeting. It would not be usable during a public tender offer for the Company's shares.

For information, the use made of the previous authorisation is discussed in Chapter 6, Section 8 of this Registration Document (pages 232 to 233).

## 1.2. Extraordinary General Meeting

### 1.2.1. POTENTIAL RETIREMENT OF TREASURY SHARES (RESOLUTION 12)

The shareholders at the General Meeting are asked to authorise the Board of Directors to retire some or all shares under the Company's share buyback programme, up to a maximum of 10% of the share capital, in accordance with the law.

This authorisation would be granted for a period of 26 months.

This authorisation would supersede the previous authorisation granted at the General Meeting of 22 June 2016.

### 1.2.2. FINANCIAL DELEGATIONS GRANTED TO THE BOARD OF DIRECTORS (RESOLUTIONS 13 TO 23)

Chapter 6, Section 12 (pages 235 to 236) of this Registration Document sets out all currently valid delegations and the extent to which they were used by the Board of Directors in financial year 2017. It is proposed that these delegations be renewed.

An amendment has been introduced to the planned system: powers delegated to the Board of Directors to decide to increase the share capital would not be usable during a public tender offer for the Company's shares, unless authorised in advance by the shareholders voting at a General Meeting, with the exception of those delegated under Resolution 20 concerning warrant rights (*bons d'offre*).

**a. Increase in the share capital through the issuance of shares and other securities, with or without preemptive rights for existing shareholders**

| | Type of delegation | Resolutions | Limit per resolution | Overall limit* |
|---|---|---|---|---|
| **Capital increase with pre-emptive subscription rights** | Issue of shares and other securities giving access to the share capital and overallotment option | 13, 17 | 40% | A1 = 40% |
| **Capital increase without pre-emptive subscription rights** | Issue of shares and other securities giving access to the share capital by way of a public offering, with the possibility of a priority subscription right and overallotment option | 14, 17 | 20% with priority subscription right<br>10% without priority subscription right | |
| | Issue of shares and other securities giving access to the share capital by way of private placement (Article L. 411-2 II of the French Monetary and Financial Code) and overallotment option | 15, 17 | 10% | |
| | Consideration for contributions in kind | 18 | 10% | A2 = 10% |
| | Consideration for securities contributed in the event of a public exchange offer initiated by the Company | 19 | 10% | |

** Limits shared by all (A1) or a portion (A2) of the delegations.*

*Limits expressed as a percentage of the share capital.*

**Increases in the share capital where shares are not issued in return for external contributions (Resolutions 13 to 17)**

Such increases in the share capital would be subject to the following limits:

- 40% of the share capital, where the transaction consists of the immediate or future issuance of Sopra Steria Group shares [Limit A1], together with a sublimit of 20% of the share capital for increases in capital without preemptive rights for existing shareholders but with a priority subscription right and a sublimit of 10% of the share capital for increases in capital without preemptive rights for existing shareholders and without a priority subscription right [Limit A2];
- €1,200 million if the transaction consists of the issuance of debt instruments that entitle the holder to hold Sopra Steria Group shares in the future [Limit TC].

These delegations of power granted to the Board of Directors would not be usable during a public tender offer for the Company's shares, unless authorised in advance by the shareholders voting at a General Meeting.

Resolution 13, if adopted, authorises one or more increases in the share capital for existing shareholders, with preemptive subscription rights.

Resolutions 14 and 15 would allow the Company's share capital to be opened up to new shareholders (without preemptive rights for existing shareholders) through a public offering, or to qualified investors or a restricted group of investors (through a private placement as provided for by Article L. 411-2 of the French Monetary and Financial Code). However, if Resolution 14 is used, the option of introducing a priority subscription right for existing shareholders would be left to the discretion of the Board of Directors.

The issue price determined pursuant to Resolutions 14 and 15 would be at least equal to the weighted average price over the last three trading days, subject to a maximum discount of 5%.

However, for up to a maximum of 10% of the shares making up the share capital, the Board of Directors may set the issue price (Resolution 16), which may not be more than 5% below the lower of the following:

(i) the weighted average share price on the regulated market of Euronext Paris over a maximum period of six months preceding the date on which the issue price is set;

(ii) the average share price weighted by volumes on the regulated market of Euronext Paris on the trading day preceding the date on which the issue price is set;

(iii) the average share price on the regulated market of Euronext Paris weighted by intraday volumes recorded on the date on which the issue price is set; or

(iv) the last known closing share price before the date on which the issue price is set.

Resolution 17 delegates powers to the Board of Directors to attach a gross-up clause (overallotment option) to any such transaction. Such a clause would become usable if the Board noted that the issue was oversubscribed, subject to the aforementioned aggregate limits and, in any event, subject to a maximum of 15% of the amount of the initial offering, in accordance with the law.

These delegations of powers would be granted for a period of 26 months and would supersede the previous such delegations of powers granted on 22 June 2016.

#### Increases in the share capital where shares are issued in return for contributions (Resolutions 18 and 19)

The delegations of power laid down in Resolutions 18 and 19 would enable the Board of Directors to decide to increase the share capital, without preemptive subscription rights for existing shareholders, by issuing shares in return for contributions in kind or in the context of a public exchange offer.

However, the Board of Directors would only be able to act within the following limits:

- 10% of the share capital (legal limit) – as an indication, this would equate to €2,054,770 based on the current share capital – in return for contributions in kind (Resolution 18);
- 10% of the share capital in return for contributions of shares of another company whose shares are admitted to trading on a regulated market, in the context of a public exchange offer (Resolution 19).

These delegations of power granted to the Board of Directors would not be usable during a public tender offer for the Company's shares, unless authorised in advance by the shareholders voting at a General Meeting.

These delegations of powers would be granted for a period of 26 months and would supersede the previous such delegations of powers granted on 22 June 2016.

### b. Other increases in the share capital (Resolutions 20 and 21)

Through Resolution 20, you are asked to delegate powers to the Board of Directors to increase the share capital on one more occasions by capitalising reserves, issue premiums or other amounts that may be capitalised, limited to the amount of such reserves, premiums and other amounts.

Such increases in the share capital could be carried out either by issuing new shares, which would be allotted to shareholders in proportion to their existing shareholdings, or by increasing the par value of existing shares.

This delegation of powers would be granted for a period of 26 months and would supersede the previous such delegation of powers granted on 22 June 2016. It would not be usable during a public tender offer for the Company's shares, unless authorised in advance by the shareholders voting at a General Meeting.

Through Resolution 21, you are asked to grant to the Board of Directors, in the event of a takeover bid for the Company, the option of issuing share subscription warrants to be allotted to the shareholders free of charge (known as *bons d'offre*).

The amount of the capital increase would be limited to the amount of the share capital; as an indication, this would equate to €20,547,701 on the basis of the current share capital. The maximum number of warrants to be issued could not exceed the number of shares representing the share capital; as an indication, this would equate to 20,547,701 shares on the basis of the current share capital.

This delegation of powers would be granted for a period of 18 months and would supersede the previous such delegation of powers granted on 13 June 2017. It would be usable during a public tender offer for the Company's shares, without any need for prior authorisation at a General Meeting.

### c. Authorisations requested for the purpose of giving Group employees and/or corporate officers a stake in the share capital (Resolutions 22 and 23)

| | Type of delegation | Resolution | Limit | Overall limit |
|---|---|---|---|---|
| Capital increase reserved for employees and company officers | Issue of shares and other securities reserved for employees who are members of an employee savings plan | 22 | 3% | 3% |
| | Awards of free shares to employees and company officers | 23 | 3% (0.15% for the Company's Chief Executive Officer) | |

*Limits expressed as a percentage of the share capital.*

The purpose of Resolutions 22 and 23 is to enable the Board of Directors, as the case may be, to give employees of the Company and the Group a stake in the development of Sopra Steria and to align the interests of officers of the Company with those of the shareholders by:

- carrying out an increase in the share capital reserved for employees enrolled in a company or Group savings plan (in accordance with Article L. 225-129-6 of the French Commercial Code) (Resolution 22);
- allotting free shares (Resolution 23), with the proviso that:
  - the shares allotted will be treasury shares or new shares,
  - in accordance with the recommendations set out in the AFEP-MEDEF Code, free shares intended for the Chief Executive Officer of the Company would be limited to 5% of the maximum total number of free shares that could be allotted, or 0.15% of the share capital, and would be subject to stringent performance conditions, where applicable, at least equivalent to guidance disclosed to the market,
  - under the compensation policy, the Chairman of the Board of Directors is not eligible to receive free shares,
  - shares allotted to employees may not be subject to the performance conditions for up to a maximum of 10% of the maximum total number of free shares that could be allotted.

These authorisations would be subject to an aggregate limit of 3% of the share capital; as an indication, this would equate to €616,431 (616,431 shares) on the basis of the current share capital.

The authorisation provided for in Resolution 22 would be granted for a period of 26 months and would supersede the previous such delegation of powers granted on 22 June 2016.

The authorisation provided for in Resolution 23 would be granted for a period of 26 months and would supersede the previous such delegation of powers granted on 22 June 2016.

The previous delegation of authority was not used. Until now, the We Share employee share ownership plans have been based solely on the sale of treasury shares or the use of treasury shares to satisfy share awards for the employer's matching contributions, due to the preference indicated by the Board of Directors for transactions that would not result in dilution of shareholder interests.

The authorisation provided for in Resolution 23 would be granted for a period of 38 months and would supersede the previous such delegation of powers granted on 22 June 2016.

Three plans have been set up pursuant to the previous delegation of authority (in 2016, 2017 and 2018), details of which are provided on page 71 of this Registration Document.

For these three plans:

- the granting of shares is subject to continued employment at the end of the vesting period. However, this condition may be waived in whole or in part on an exceptional basis;
- strict performance conditions will be measured over three financial years (the year of allotment and the two following years) against targets for organic consolidated revenue growth, operating profit on business activity (expressed as a percentage of revenue) and free cash flow. These targets are at least equal to any guidance disclosed to the market;
- the Board of Directors also decided that Vincent Paris must retain at least 50% of the vested shares allocated to him under these plans throughout his entire term of office as Chief Executive Officer. Vincent Paris has agreed not to engage in any hedging transactions with respect to performance shares held until the expiry of this plan.

### 1.2.3. AMENDMENTS TO THE ARTICLES OF ASSOCIATION (RESOLUTIONS 24 AND 25)

The shareholders at the General Meeting are asked to approve two amendments to the Articles of Association.

#### a. Amendment to Article 14 of the Articles of Association

Directors' terms of office currently last six years. All current directorships will expire at the close of the General Meeting of 12 June 2018. It is proposed that Directors' terms of office be staggered so that the Board of Directors is renewed gradually, in accordance with Recommendation 13.2 of the AFEP-MEDEF Code.

To this end, it is proposed that the Articles of Association stipulate that "Directors' terms of office last six years. By exception, upon their first appointment following 1 January 2018, Directors' terms of office may be set at 1, 2, 3, 4 or 5 years such that directorships are renewed on a staggered basis every two years."

As such, the shareholders would be asked to approve the appointment of Directors every two years.

A table comparing the relevant Articles before and after the proposed amendments can be found at the end of this chapter.

#### b. Amendment to Article 15 of the Articles of Association

Since 19 June 2012, the roles of Chairman and Chief Executive Officer have been separated. In this governance structure, the Chairman is responsible for a number of duties. The Chairman determines the agenda of and organises Board meetings, while also taking care of running the Board. He guides the implementation of the Group's strategy and all related matters, including mergers or acquisitions. He oversees investor relations activities. He assists Executive Management by contributing to certain operational assignments.

Within the framework of these duties, the Chairman's main priorities over the last five years have been: carrying out the merger with the Steria Group, managing integration between Sopra Group and Steria Group, implementing and assisting a solid new management team, relaunching the strategic review process, defining strategic directions and M&A policy, and renewal of the Board of Directors.

As regards the last point, this renewal was made necessary by the term of office of all directors coming to an end in June 2018, as well as the desire to adapt the constitution of the Board of Directors to allow it to conduct the Group's strategic actions over the long term in a climate of major change and increasingly quickly. The principles for renewing the Board of Directors have been set as follows: reducing the size of the Board, respecting the provisions of the agreement drawn up at the time of the merger between Sopra Group and Steria Group, as a high a proportion of independent Board members as possible and maintaining in-depth knowledge of the company within the Board. In order to respect these principles it was decided that the Board of Directors would be renewed in two stages, at the 2018 General Meeting and at the 2020 General Meeting.

In this regard, the provisions of the Articles of Association concerning the age limit for the Chairman mean that he cannot conduct the renewal of the Board in two stages effectively and confidently, and in the interests of the company.

Furthermore, in his role of steering the Group's strategy and M&A policy, the Chairman offers essential advantages for the Group, namely his credibility as founder of Sopra Group, his strategic vision supported by his knowledge of the sector and environment, and his extensive experience obtained from his previous executive roles and previous M&A successes. These strengths will be particularly useful over the next six years with regard to three key elements of the Group's strategy: developing consulting services within the Group, the success of the Sopra Banking Software model, and the Group's medium-term positioning within its sector.

For these two reasons, it is proposed to shareholders at the General Meeting that the Chairman be able to see his six-year term of office through to its end in 2024, and therefore that the age limit be increased from 85 to 89.

A table comparing the relevant Articles before and after the proposed amendments can be found at the end of this chapter.

## 1.3. Ordinary General Meeting

### 1.3.1. RENEWAL OF THE BOARD OF DIRECTORS

The principles set out in Chapter 2 Corporate Governance and in particular the expertise deemed necessary for the effectiveness of the Board of Directors, remain unchanged.

Several members of the Board of Directors have indicated that they are not standing for reappointment:

- François Odin, Vice-Chairman, first appointed in 1968;
- Emma Fernández, Independent Director, co-opted in 2017;
- Gérard Jean, Independent Director and Chairman of the Compensation Committee, first appointed in 2003;
- Jean Mounet, first appointed in 2012;

- Hervé Saint-Sauveur, Independent Director and Chairman of the Audit Committee, first appointed in 2003;
- Christian Bret, non-voting member, appointed for a one-year term at the General Meeting of 13 June 2017.

The Chairman and the Board of Directors as a whole have formally noted these intentions and warmly thanked each Director for his or her contribution.

After taking this situation into account, the principles guiding the future composition of the Board of Directors are as follows:

- a reduction in the size of the Board of Directors;
- compliance with the provisions of the shareholders' agreement between Sopra GMT and Soderi;
- as high a proportion of Independent Directors as possible;
- paying attention to diversity;
- continued in-depth knowledge of the Company within the Board of Directors.

Staggering Directors' terms of office will make it possible to transition from the current to the next Board of Directors in two stages, at the 2018 and 2020 General Meetings. It should be noted that Directors' terms of office will continue to be immediately renewable for six years upon expiry, regardless of the duration of their initial term of office.

#### a. Reduction in the size of the Board of Directors

It is common for Boards of Directors to increase in size following a merger. Such expansion brings with it many disadvantages. It often means Board meetings take longer and each Director has less time to speak. A 13-member Board (excluding Directors representing the employees and one Non-Voting Director) would achieve the right balance between the required level of expertise and diversity on the one hand and optimal functioning on the other.

#### b. Compliance with the provisions of the shareholders' agreement between Sopra GMT and Soderi

This agreement was entered into for an initial period of five years with effect from August 2014. In particular, it provides that the Board of Directors will include Directors originating from Steria, including a representative of Soderi. One of the key aspects of the negotiations that resulted in the tie-up between Sopra Group and Groupe Steria was governance. Beyond its symbolic importance, this emphasis on governance has unquestionably contributed to the successful integration of the two companies.

The composition of the Board of Directors proposed to the shareholders at the General Meeting would include two Directors originating from Steria, appointed for a term of two years, including the representative of Soderi, and one Director appointed for a term of six years. The Board of Directors would also include a Non-Voting Director originating from Steria.

#### c. As high a proportion of Independent Directors as possible

Sopra Steria Group is under the de facto control of Sopra GMT, the holding company that takes an active role in managing the Group, through which the founders' family groups hold the bulk of their shareholdings. In this context, the minimum proportion of Independent Directors required by the AFEP-MEDEF Code is one-third. However, the Company is keen to make as much room as possible for Independent Directors and, in particular, to ensure that at least one Independent Director sits, alongside representatives of the holding company, on the Board of Directors of Axway Software, in which Sopra Steria Group held a 32.59% stake at 31 December 2017.

The Company is keen to comply with the recommendations set out in the AFEP-MEDEF Code as regards the proportion of Independent Directors sitting on Board committees. By exception, the Nomination, Ethics and Governance Committee would consist of an equal proportion of Independent Directors and other Directors. This situation is a result of both the control exercised by the holding company and the personality, experience and qualifications of the Directors considered for membership of this committee, which carries out an annual review of the succession plan for executive company officers.

Under the proposal presented at the General Meeting, Directors considered independent by the Board of Directors would make up 54% of the new Board of Directors.

The seven future Directors considered independent by the Board of Directors are Sylvie Rémond, Marie-Hélène Rigal-Drogery, Jessica Scale, Jean-Luc Placet, Jean-François Sammarcelli, and newly appointed Directors Michael Gollner and Javier Monzón.

The Board of Directors considers that Michael Gollner's membership on the Board of Directors of Axway Software does not prevent him from being qualified as independent (see Chapter 2, "Corporate governance", Section 1.1.5, page 51).

#### d. Paying attention to diversity

Apart from the increase in the percentage of female Board members (currently 46%), the candidates proposed for the latest appointments are all nationals and/or residents of countries that are important markets for the Group (United Kingdom, Spain).

#### e. Continued in-depth knowledge of the Company within the Board of Directors

For reasons explained in the report on corporate governance, in-depth knowledge of the company, the challenges it faces and its operation is always considered the primary area of expertise needed on the Board of Directors.

However, this requirement must not be allowed to prevent the Board of Directors from changing. It is therefore proposed that two new Directors join the Board: Javier Monzón, who has in-depth knowledge of the company's industry sector in Europe, and Michael Gollner, who has a detailed understanding of Axway Software and skills useful to the Audit Committee.

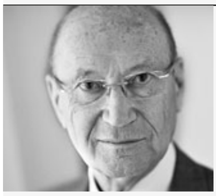
*A detailed overview of the candidates proposed for appointment to the Board of Directors is set out below.*

## PROPOSED REAPPOINTMENTS

### PIERRE PASQUIER

**Current position: Chairman of the Board of Directors**

Number of shares in the Company owned personally: **108,113** (1)



- Member of the Nomination, Ethics and Governance Committee

**Business address:**
Sopra Steria Group – 9 bis, rue de Presbourg
75116 Paris – France

**Nationality:** French **Age:** 82

**Date of first appointment:** 1968
(date Sopra was founded)

**Attendance rate (current term of office):** 100%

**Proposed term of office:** 6 years

| Main positions and appointments currently held | Listed company |
|---|---|
| ■ Chairman of the Board of Directors of Sopra Steria Group | ✔ |
| ■ Chairman of the Board of Directors of Axway Software | ✔ |
| ■ Chairman and CEO of Sopra GMT | |
| ■ Executive company officer, Director or permanent representative of Sopra GMT at Sopra Steria Group subsidiaries (direct and indirect) | |
| ■ Company officer of Axway Software's foreign subsidiaries (direct and indirect) | |

**Other directorships and offices held during the last 5 years**

- *Not applicable*

**Biography and experience**

Pierre Pasquier has served as Chairman of the Board of Directors since the company, which he co-founded, was established in 1968.

He is a graduate of the University of Rennes (mathematics, 1962).

Pierre Pasquier served as Chairman and Chief Executive Officer of Sopra Group until 20 August 2012, when the roles of Chairman and Chief Executive Officer were separated.

Pierre Pasquier is Chairman and Chief Executive Officer of Sopra GMT, the holding company for Sopra Steria Group and Axway Software.

Pierre Pasquier has served as Chairman of the Board of Directors of Axway Software, a subsidiary of Sopra Steria Group listed on the stock exchange in June 2011, since the company was formed.

Pierre Pasquier has over 50 years' experience in IT services and corporate management.

*(1) The Pasquier family group holds 68.44% of the share capital of Sopra GMT (the holding company that takes an active role in managing Sopra Steria Group and Axway Software). Shares held directly or indirectly through Sopra GMT by the Chairman in a personal capacity or by the Chairman's family group make up more than 10% of the Company's share capital. See Chapter 6, Section 2 of this report (page 229).*

## ÉRIC PASQUIER

**Current position: Director**

Number of shares in the Company owned personally: **503** [(1)]

**Business address:**
Sopra Banking Software – 9 bis, rue de Presbourg
75116 Paris – France

**Nationality:** French **Age:** 47

**Date of first appointment:** 27/06/2014
**Attendance rate (current term of office):** 100%
**Proposed term of office:** 6 years

| Main positions and appointments currently held | Listed company |
|---|---|
| ■ Chief Executive Officer of Sopra Banking Software | |
| ■ Managing Director and member of the Board of Directors of Sopra GMT | |
| ■ Director or company officer of subsidiaries (direct and indirect) of Sopra Steria Group | |
| **Other directorships and offices held during the last 5 years** | |
| ■ *Not applicable* | |

**Biography and experience**

Éric Pasquier has been a member of the Board of Directors of Sopra Steria Group since 2014 and is Managing Director of Sopra GMT, the holding company that takes an active role in managing Sopra Steria Group and Axway Software.

After completing his engineering studies at EPITA, he joined Sopra Steria Group in 1999, handling the operational management of major IT projects.

In 2004, he became head of the Group's operations in Spain to define its delivery model there, which would later be rolled out across the entire Group. Éric Pasquier was then appointed Managing Director of the Spanish subsidiaries, where he oversaw their growth and profitability in a difficult economic context.

In 2014, he became Deputy Chief Executive Officer of Sopra Banking Software, and then its CEO in 2016. Since 2014, Éric Pasquier has supported major banking clients in Europe, the Middle East and Africa through their digital transformation, while overseeing the rollout of Sopra Banking Software's project.

## SOPRA GMT

## KATHLEEN CLARK BRACCO

**Permanent representative of Sopra GMT**

**Current position: Chairman of the Nomination, Ethics and Governance Committee**

Number of shares in the Company held by Sopra GMT: **4,034,409**

■ Member of the Compensation Committee

**Business address:**
Sopra Steria Group – 9 bis, rue de Presbourg
75116 Paris – France

**Nationality:** American **Age:** 50

**Date of first appointment:** 27/06/2014
**Attendance rate (current term of office):** 100%
**Proposed term of office:** 6 years

| Main positions and appointments currently held by Kathleen Clark Bracco | Listed company |
|---|---|
| ■ Director of Corporate Development of Sopra Steria Group | ✔ |
| ■ Vice-Chairman of the Board of Directors of Axway Software | ✔ |
| ■ Director with responsibility for Sopra GMT | |
| ■ Director or permanent representative of Sopra GMT at Sopra Steria Group subsidiaries | |
| **Other directorships and offices held during the last 5 years** | |
| ■ Director of Sopra Group – (19/06/2012 – 15/07/2014) | ✔ |

**Biography and experience**

Kathleen Clark Bracco is Director of Corporate Development for Sopra Steria Group.

A graduate of the University of California, Irvine (literature, 1994) and the University of California, San Jose (English, 1989), Kathleen Clark Bracco began her career in teaching in the United States.

She headed up Group Investor Relations for over 12 years.

Kathleen Clark Bracco has been a member of the Board of Directors of Axway Software since 28 April 2011 and has served as Deputy Chairman of the Board of Directors since 24 October 2013.

She has been Deputy Director of Sopra GMT since 1 January 2012 and permanent representative of Sopra GMT since 27 June 2014.

*(1) The Pasquier family group holds 68.44% of the share capital of Sopra GMT (the holding company that takes an active role in managing Sopra Steria Group and Axway Software). Shares held directly or indirectly through Sopra GMT by the Chairman in a personal capacity or by the Chairman's family group make up more than 10% of the Company's share capital. See Section 2 of Chapter 6 "Share ownership structure" of this report (page 229).*

## ASTRID ANCIAUX

**Current position: Director**

Number of shares in the Company owned personally: **1,083**

**Business address:**
Sopra Steria Benelux, le Triomphe, avenue Arnaud Fraiteur 15/23
1050 Brussels – Belgium

**Nationality:** Belgian **Age:** 53

**Date of first appointment:** 27/06/2014
**Attendance rate (current term of office):** 100%
**Proposed term of office:** 2 years

| Main positions and appointments currently held | Listed company |
|---|---|
| ■ Chief Finance Officer of Sopra Steria Benelux | |
| ■ Director or company officer of subsidiaries (direct and indirect) of Sopra Steria Group | |
| ■ Chairman of the Supervisory Board of the Steriactions company mutual fund (FCPE) | |
| ■ Director of Soderi | |
| **Other directorships and offices held during the last 5 years** | |
| ■ *Not applicable* | |

**Biography and experience**

Currently Finance Director of Sopra Steria Benelux with over 30 years of experience, Astrid Anciaux has been a member of the Board of Directors since 3 September 2014, the date of Sopra Steria Group's successful public exchange offer for Groupe Steria SCA.

After studying at EPHEC (École des Hautes Études Commerciales) in Brussels, she gained professional experience at an accounting firm before joining the finance department at Steriabel, Steria's first Belgian subsidiary, in 1987.

Astrid Anciaux also chairs the Supervisory Board of the Steriactions employee investment fund and is a member of the Board of Directors of Soderi.

## ÉRIC HAYAT

**Current position: Vice-Chairman of the Board of Directors**

Number of shares in the Company owned personally: **36,745**

- Member of the Compensation Committee
- Member of the Nomination, Ethics and Governance Committee

**Business address:**
Sopra Steria Group – 9 bis, rue de Presbourg
75116 Paris – France

**Nationality:** French **Age:** 77

**Date of first appointment:** 27/06/2014
**Attendance rate (current term of office):** 100%
**Proposed term of office:** 6 years

| Main positions and appointments currently held | Listed company |
|---|---|
| ■ President of Éric Hayat Conseil | |
| ■ Chairman of the public interest group Modernisation des Déclarations Sociales (MDS GIP) | |
| **Other directorships and offices held during the last 5 years** | |
| ■ Director of Rexecode | |
| ■ Member of the Supervisory Board and then Chairman of the Board of Directors of Groupe Steria SA | ✔ |

**Biography and experience**

Éric Hayat has been Deputy Chairman of the Board of Directors of Sopra Steria Group since 3 September 2014, the date of Sopra Steria Group's successful public exchange offer for Groupe Steria SCA. Éric Hayat was co-founder and then Deputy CEO of Steria SA. Mr Hayat holds an engineering degree from the École Nationale Supérieure de l'Aéronautique.

He was previously Chairman of Syntec Informatique (1991-1997), and of Fédération Syntec (1997-2003), and then a member of the Executive Board of the French employers' union MEDEF (1997-2005).

## JEAN-BERNARD RAMPINI

**Current position: Director (proposed appointment as a Non-Voting Director)**

Number of shares in the Company owned personally: **4,849**

**Business address:**
Sopra Steria Group – 9 bis, rue de Presbourg
75116 Paris – France

**Nationality:** French **Age:** 61

**Date of first appointment:** 27/06/2014

**Attendance rate (current term of office):** 100%

**Proposed term of office:** 2 years

| Main positions and appointments currently held | Listed company |
|---|---|
| ■ Innovation Executive Manager, Sopra Steria Group | |
| ■ Chairman of the Board of Directors of Soderi | |
| ■ Founder and Director of Fondation Sopra Steria Group - Institut de France | |
| **Other directorships and offices held during the last 5 years** | |
| ■ *Not applicable* | |

**Biography and experience**

An alumnus of the École Supérieure d'Électronique-Informatique-Automatique, Jean-Bernard Rampini is currently Innovation Executive Manager at Sopra Steria Group and Chairman of the Board of Directors of Soderi. He is also the founder and a Director of the Sopra Steria – Institut de France Foundation.

Jean-Bernard Rampini has been with Sopra Steria Group for over 37 years. He became Chief Operating Officer at Steria after having led and developed Steria's Transport and Manufacturing vertical markets for over 20 years, both in France and abroad, as Deputy Director and *then Director* of Steria's Transport and Industry business unit, and Chief Executive Officer of Steria's Singapore subsidiary. He qualified as an independent director certified by IFA-Sciences Po in 2017.

## SOLFRID SKILBRIGT

**Current position: Director**

Number of shares in the Company owned personally: **948**

**Business address:**
Sopra Steria Group Biskop Gunnerus' gate 14A
0185 Oslo – Norway

**Nationality:** Norwegian **Age:** 59

**Date of cooption:** 21/04/2015

**Attendance rate (current term of office):** 100%

**Proposed term of office:** 2 years

| Main positions and appointments currently held | Listed company |
|---|---|
| ■ Director of HR & Strategy at Sopra Steria Group Scandinavia | |
| ■ Director of Soderi | |
| ■ Director of the French-Norwegian Chamber of Commerce | |
| **Other directorships and offices held during the last 5 years** | |
| ■ *Not applicable* | |

**Biography and experience**

Solfrid Skilbrigt currently oversees Sopra Steria's Human Resources, Strategy, Marketing and Communications department in Scandinavia. She has a Masters of Management from the Norwegian Business School specialising in knowledge management, change management, information management and business intelligence. She has been with Steria Group since 2001, holding a variety of positions in human resources in Scandinavia, as well as at the same time taking charge of social and environmental responsibility at Group level, until the tie-up with Sopra in 2015. From 1986 to 2001, she worked for the Bull group in Norway as Business Director, head of the infrastructure unit and Human Resources Director.

## JEAN-LUC PLACET

**Current position: Independent Director**

Number of shares in the Company owned personally: **100**

- Member of the Compensation Committee
- Member of the Nomination, Ethics and Governance Committee

**Business address:**
PwC, 63 Rue de Villiers
92208 Neuilly-sur-Seine, France

**Nationality:** French **Age:** 66

**Date of first appointment:** 19/06/2012
**Attendance rate (current term of office):** 96%
**Proposed term of office:** 4 years

| Main positions and appointments currently held | Listed company |
|---|---|
| ■ PwC Partner | |
| ■ Chairman of IDRH SA | |
| ■ Chairman of EPIDE | |
| ■ Member of the Statutory Committee of MEDEF | |
| **Other directorships and offices held during the last 5 years** | |
| ■ Member of the Conseil Économique, Social et Environnemental | |
| ■ Chairman of Fédération Syntec | |
| ■ Member of the Statutory Committee of MEDEF | |

**Biography and experience**

Jean-Luc Placet is a partner at PwC and Chairman of IDRH SA. After graduating from the ESSEC business school, he began his career with Saint-Gobain's marketing department and then L'Expansion magazine before joining IDRH in 1981. As Chairman and Chief Executive Officer of IDRH from 1992 to 2016, he helped a number of government ministries (notably including infrastructure and finance) and French multinationals (including Lafarge, Michelin, BNP Paribas and France Télécom) run projects in the areas of strategic analysis, organisation, management and human resources. He is also Chairman of EPIDE and a member of the Statutory Committee of MEDEF.

## SYLVIE RÉMOND

**Current position: Director**

Number of shares in the Company owned personally: **2**

**Business address:**
Société Générale
75886 Paris Cedex 18 – France

**Nationality:** French **Age:** 54

**Date of cooption:** 17/03/2015
**Attendance rate (current term of office):** 96%
**Proposed term of office:** 2 years

| Main positions and appointments currently held | Listed company |
|---|---|
| ■ Co-Head of Coverage and Investment Banking at Société Générale Corporate & Investment Banking | |
| ■ Director, SGBT Luxembourg (Société Générale group) | |
| ■ Director of Rosbank, Russia (Société Générale group) | ✔ |
| ■ Director of KB Financial Group Czech Republic (Société Générale group) | |
| ■ Director, ALD SA, France (a subsidiary of Société Générale Group) | ✔ |
| **Other directorships and offices held during the last 5 years** | |
| ■ Director of Oseo Banque | |

**Biography and experience**

Sylvie Rémond is currently Co-Head of Coverage and Investment Banking at Société Générale. After graduating from the ESC business school in Rouen, she joined Société Générale in 1985 and held a number of positions, first within the Personal Customers business and then in Large Corporates. In 1992, she joined the acquisition finance team within the structured finance business. In 2000, she was *placed* in charge of the team responsible for syndicated corporate and acquisition finance. She joined the Risk department in 2004 as Head of Credit Risk, Corporate and Investment Banking and was appointed Deputy Group Risk Director in January 2010, a position she held until January 2015.

## MARIE-HÉLÈNE RIGAL-DROGERYS

**Current position: Independent Director**

Number of shares in the Company owned personally: **100**

- Member of the Audit Committee

**Business address:**
Ecole Normale Supérieure de Lyon
15 Parvis René Descartes
BP 7000, 69342 Lyon Cedex 07, France

**Nationality:** French **Age:** 48

**Date of first appointment:** 27/06/2014
**Attendance rate (current term of office)**: 100%
**Proposed term of office:** 6 years

| Main positions and appointments currently held | Listed company |
|---|---|
| Advisor to the President on Campus Policy, École Normale Supérieure de Lyon | |
| Expert member of the Advisory Board, Institut Mines-Télécom (IMT) Albi-Carmaux | |

**Other directorships and offices held during the last 5 years**

- Consultant and Partner of ASK Partners

**Biography and experience**

Currently serving as advisor to the President on Campus Policy at the École Normale Supérieure de Lyon, Marie-Hélène Rigal-Drogerys was a consulting partner with ASK Partners. With a PhD in mathematics, she began her career as a lecturer and researcher at the University of Montpellier and then at École Normale Supérieure de Lyon. She then joined Mazars as Senior Manager, where she notably managed Sopra Group's financial audit. Since 2009, she has worked in strategic and organisational consulting.

## JEAN-FRANÇOIS SAMMARCELLI

**Current position: Independent Director**

Number of shares in the Company owned personally: **100**

**Business address:**
Sopra Steria Group – 9 bis, rue de Presbourg
75116 Paris – France

**Nationality:** French **Age:** 67

**Date of cooption:** 15/04/2010
**Attendance rate (current term of office):** 77%
Period 19/06/2012 – 1/09/2014: 50%
Period 1/09/2014 – 8/03/2018: 93%
**Proposed term of office:** 4 years

| Main positions and appointments currently held | Listed company |
|---|---|
| Chairman of the Supervisory Board, NextStage | ✔ |
| Director of RiverBank, Luxembourg | |
| Director of Crédit du Nord | |
| Director of Boursorama | |
| Director of Sogeprom | |
| Member of the Supervisory Board of Société Générale Marocaine de Banques | |
| Director of Société Générale Monaco | |
| Non-Voting Director of Ortec Expansion | |

**Other directorships and offices held during the last 5 years**

- Advisor to the Chairman of Société Générale
- Chairman of the Board of Directors of Crédit du Nord
- Director of Banque Tarneaud
- Director of Amundi Group
- Permanent representative of SG FSH on the Board of Directors of Franfinance

**Biography and experience**

Jean-François Sammarcelli is a graduate of the École Polytechnique and spent his entire career at Société Générale. In particular, he served as Deputy Chief Executive Officer and Head of Retail Banking in France from 2010 to 2014, his last positions before his retirement in 2015. He also was Chairman of the Board of Directors of Crédit du Nord and has been a Director of Banque Tarneaud and Amundi Group.

## JESSICA SCALE

**Current position: Independent Director**

Number of shares in the Company owned personally: **10**

**Business address:**
Sopra Steria Group – 9 bis, rue de Presbourg
75116 Paris – France

**Nationality:** French and British **Age:** 55

**Date of first appointment:** 22/06/2016
**Attendance rate (current term of office):** 100%
**Proposed term of office:** 2 years

| Main positions and appointments currently held | Listed company |
|---|---|
| ■ Chairman of Digitfit | |
| ■ Independent consultant specialising in the challenges posed by the digital transformation | |

**Other directorships and offices held during the last 5 years**

- *Not applicable*

**Biography and experience**

Jessica Scale is currently Chair of DigitFit, *a* hub that provides executive consulting services in the area of digitisation, and an independent consultant specialising in the challenges posed by the digital transformation. A graduate of Sciences Po Paris and holder of a PhD in political science, she has taught at Sciences Po Paris since 1990. Having begun her career in strategy consulting (at Bossard and PwC), she held a number of operational management positions at tech companies (including IBM Global Services, Unisys and Logica). She has also written a number of books on strategy, communication and marketing.

## PROPOSED APPOINTMENTS

## MICHAEL GOLLNER

**New appointment (Independent Director)**

Number of shares in the Company owned personally: **None**

**Business address:**
21 Poland Street
London W1F 8QG - United Kingdom

**Nationality:** American and British **Age:** 59

**Date of first appointment:** 12/06/2018
**Proposed term of office:** 4 years

| Main positions and appointments currently held | Listed company |
|---|---|
| ■ Director of Axway Software | ✔ |
| ■ Executive Chairman of Madison Sports Group | |
| ■ Managing Partner of Operating Capital Partners | |
| ■ Director of Get Healthy Inc., The Idea Village | |

**Other directorships and offices held during the last 5 years**

- *Not applicable*

**Biography and experience**

Michael Gollner has been a member of the Board of Directors of Axway Software since 24 May 2012. Since 2013, he has been Executive Chairman of Madison Sports Group, promoter of the Six Day Series professional cycling events. He is also Managing Partner of Operating Capital Partners, an investment firm that he founded in 2008. He previously served as Managing Director – Europe for Citigroup Venture Capital (and then its successor, Court Square Capital) from 1999 to 2008.

Before that he had worked for several investment banks: Marine Midland Bank from 1985 to 1987, Goldman Sachs International from 1989 to 1994 and Lehman Brothers International from 1994 to 1999.

Michael Gollner is a graduate of Tulane University in New Orleans and holds an MBA from the Wharton School as well as an MA in International Studies from the University of Pennsylvania.

## JAVIER MONZÓN

**New appointment (Independent Director)**

Number of shares in the Company owned personally: **None**

**Business address:**
Sopra Steria Group – 9 bis, rue de Presbourg
75116 Paris – France

**Nationality:** Spanish **Age:** 62

**Date of first appointment:** 12/06/2018
**Proposed term of office:** 4 years

| Main positions and appointments currently held | Listed company |
|---|---|
| ■ Vice-Chairman of the Board of Directors of Prisa Group, Spain | ✔ |
| ■ Director of Ferroglobe, United Kingdom | |
| ■ Member of the Board of Banco Santander in Spain and Senior Advisor to the Chairman of Santander Group, Spain | |
| ■ Director of ACS Servicios y Concesiones, Spain | |
| ■ Member of the Advisory Board of Trident Cybersecurity and Member of the Board of 4IQ, United States | |
| ■ Chairman of the Executive Committee of Fundación CyD, Spain | |
| ■ Member of the Board of Endeavor, Spain | |
| ■ Member of the International Advisory Council of The Brookings Institution, United States | |
| **Other directorships and offices held during the last 5 years** | |
| ■ Chairman and Chief Executive Officer of Indra, Spain | ✔ |
| ■ Director of ACS, Spain | ✔ |
| ■ Member of the Supervisory Board of Lagardère, France | ✔ |
| ■ Vice-Chairman of the Board of Universidad Carlos III de Madrid, Spain | |

**Biography and experience**

Javier Monzón is an economist. His professional career has been focused on finance and management of large companies. He served as Corporate Banking Director of Cajamadrid, a large Spanish savings bank, and a Partner at Arthur Andersen in charge of Corporate Finance Consulting Services in Spain. He next served as Chief Financial Officer and Executive Vice President of Telefónica in charge of strategic business development, as well as Chairman of Telefónica International. From 1993 to 2005, he was Chairman and Chief Executive Officer of Indra, Spain's largest IT company with projects in over 100 countries and more than 50 international subsidiaries. The company has a strong presence in Europe and Latin America, as well as in the United States, Asia and the Middle East. He also served as a member of the Supervisory Board of Lagardère.

He is currently Vice-Chairman of the Board of Directors and Chairman of the Appointments, Compensation and Governance Committee of Prisa Group in Spain, Senior Independent Director and Chairman of the Corporate Governance Committee of Ferroglobe in the United Kingdom, Member of the Board and Chairman of the Risk Committee of Banco Santander in Spain, and Senior Advisor to the Chairman of Santander Group, as well as an investor and advisor at several technology companies in Europe and the United States.

In addition to his executive management roles, Javier Monzón has been closely involved in non-profit organisations focusing on education, innovation and entrepreneurship. He was Vice-Chairman of the Board of Universidad Carlos III de Madrid in Spain, and is currently Chairman of the Executive Committee of Fundación CyD, a member of the Board of Endeavor in Spain, and a member of the International Advisory Council of The Brookings Institution in the United States.

## COMPARATIVE TABLE – AMENDMENTS TO THE ARTICLES OF ASSOCIATION

| Current wording | New wording |
|---|---|
| **ARTICLE 14 – BOARD OF DIRECTORS** | |
| The Company is administered by a Board of Directors comprising a minimum of three members and a maximum of eighteen, subject to the exception provided for by law in the event of a merger. | The Company is administered by a Board of Directors comprising a minimum of three members and a maximum of eighteen, subject to the exception provided for by law in the event of a merger. |
| | **The Directors representing the employees are not taken into account when determining the minimum and maximum number of Directors.** |
| | ***1. Term of office of Directors appointed at the General Meeting and Directors representing the employees*** |
| **The term of office of Directors is six years, expiring at the end of the Ordinary General Meeting convened to approve the accounts for the financial year then ended and held in the year in which their term of office comes to an end.** | **Directors' terms last six years. By exception, upon their first appointment following 1 January 2018, Directors' terms of office may be set at 1, 2, 3, 4 or 5 years such that directorships are renewed on a staggered basis every two years.** |
| **Exceptionally, the General Meeting may decide to shorten the first term of office of a Director to 1 year, 2 years, 3 years, 4 years or 5 years in order to align his/her term of office with that of the other Directors in office at the time of the appointment.** | **In the year of expiry, Directors' terms of office shall expire at the close of the Ordinary General Meeting convened to approve the financial statements for the previous financial year. They are immediately eligible for reappointment.** |
| ***1. Directors appointed at the General Meeting*** | ***2. Directors appointed at the General Meeting*** |
| **During the life of the Company,** Directors are appointed, reappointed or dismissed by the shareholders at Ordinary General Meetings. | Directors are appointed, reappointed or dismissed by the shareholders at Ordinary General Meetings. |
| No one can be appointed a Director if, having exceeded the age of seventy-five years, **his/her appointment results in more than one-third of Board members exceeding this age.** Once this limit is exceeded, the oldest Director is deemed to have resigned from office. | No one can be appointed a Director if, having exceeded the age of seventy-five years, **his/her appointment results in more than one-third of the Directors exceeding this age.** Once this limit is exceeded, the oldest Director is deemed to have resigned from office. |
| Directors may be natural or legal persons. When a legal person is appointed as Director, the latter names a permanent representative who is subject to the same conditions, obligations and liabilities as all other Board members, without prejudice to the joint and several liability of the legal person thus represented. | Directors may be natural or legal persons. When a legal person is appointed as Director, the latter names a permanent representative who is subject to the same conditions, obligations and liabilities as all other Board members, without prejudice to the joint and several liability of the legal person thus represented. |
| In the event of one or more vacancies on the Board of Directors, between two General Meetings, the Board may make temporary appointments, in accordance with the requirements of Article L. 225-24 of the French Commercial Code. A Director appointed to replace another Director performs his/her duties for the remainder of the term of office of the individual previously serving in this position. | In the event of one or more vacancies on the Board of Directors, between two General Meetings, the Board may make temporary appointments, in accordance with the requirements of Article L. 225-24 of the French Commercial Code. A Director appointed to replace another Director performs his/her duties for the remainder of the term of office of the individual previously serving in this position. |
| **An employee of the Company may be appointed Director only if his or her employment contract corresponds to actual employment. The number of Directors who hold an employment contract with the Company shall not exceed one-third of the Directors in office.** | |
| Each Director must own at least one share. | Each Director must own at least one share **in the Company.** |
| ***2. Director representing the employees*** | ***3. Director representing the employees*** |
| **In accordance with legislative provisions,** whenever the number of members of the Board of Directors appointed by the General Meeting pursuant to Articles L. 225-17 and L. 225-18 of the French Commercial Code and in accordance with these Articles of Association is less than or equal to twelve, a Director representing the employees is nominated by the Company's works council. | **In accordance with the provisions of the French Commercial Code relating to Directors representing employees,** whenever the number of Directors appointed at the General Meeting pursuant to Articles L. 225-17 and L. 225-18 of the French Commercial Code and in accordance with these Articles of Association is less than or equal to twelve, a Director representing the employees is nominated by the Company's works council. |
| Whenever this number is greater than 12, a second Director representing the employees is nominated by the Company's works council. If this number should fall to 12 or below, the second Director representing the employees shall continue to serve for his/her full term of office. | Whenever this number is greater than 12, a second Director representing the employees is nominated by the Company's works council. If this number should fall to 12 or below, the second Director representing the employees shall continue to serve for his/her full term of office. |
| The Director or Directors representing the employees are not required to hold shares in the Company for the **duration of their term of office.** | The Director or Directors representing the employees are not required to hold shares in the Company. |

| Current wording | New wording |
|---|---|
| **Exceptionally, the first Director(s) representing the employees will be appointed for a term of four years, expiring at the end of the General Meeting convened to approve the financial statements for the year ended 31 December 2017.** | |
| **The provisions of this Article 14-2 shall cease to apply whenever, at the end of a financial year, the Company no longer fulfils the prerequisites for appointing Directors representing the employees; however, any Director representing the employees appointed under the terms of this article shall remain as such for his or her full term of office.** | **Provisions of the Articles of Association relating to Directors representing the employees shall cease to apply, with no impact on directorships still in force, when, at the end of a financial year, the Company no longer fulfils the prerequisites for their appointment.** |
| Further to the provisions set out in paragraph 2 of Article L. 225-29 of the French Commercial Code, **should the Company body designated in these Articles of Association fail to nominate a Director representing the employees pursuant to the law and this article,** the decisions of the Board of Directors shall still be deemed to be valid. | Further to the provisions set out in paragraph 2 of Article L. 225-29 of the French Commercial Code, should the Company body designated in these Articles of Association fail to nominate a Director representing the employees, the decisions of the Board of Directors shall still be deemed to be valid. |
| **ARTICLE 15 – ORGANISATION OF THE BOARD OF DIRECTORS** | |
| The Board of Directors elects from among its members a Chairman, who must be a natural person in order for the appointment to be valid. The Board determines the Chairman's compensation. | The Board of Directors elects from among its members a Chairman, who must be a natural person in order for the appointment to be valid. The Board determines the Chairman's compensation. |
| The Chairman shall be appointed for a term that may not exceed his/her term of office as Director. The Chairman may be reappointed. The Board may remove the Chairman from office at any time. | The Chairman shall be appointed for a term that may not exceed his/her term of office as Director. The Chairman may be reappointed. The Board may remove the Chairman from office at any time. |
| No person over the age of **85 may be appointed Chairman**. If the Chairman in office exceeds this age, he/she shall automatically be deemed to have resigned. | No one over the age of **89 may be appointed Chairman.** If the Chairman in office exceeds this age, he/she shall automatically be deemed to have resigned. |
| The Board may appoint one or two Vice-Chairmen from among the Directors. | The Board may appoint one or two Vice-Chairmen from among the Directors. |
| It can also appoint a secretary who need not be a Director or shareholder. | It can also appoint a secretary who need not be a Director or shareholder. |
| In the event of the Chairman's absence, Board meetings shall be chaired by any person specifically delegated for this purpose by the Chairman. In the absence of this individual, the Board meeting shall be chaired by one of the Vice-Chairmen. | In the event of the Chairman's absence, Board meetings shall be chaired by any person specifically delegated for this purpose by the Chairman. In the absence of this individual, the Board meeting shall be chaired by one of the Vice-Chairmen. |

# 2. Proposed resolutions

## Resolutions falling within the powers of the Ordinary General Meeting

### Resolution 1

***(Approval of the individual financial statements for the financial year ended 31 December 2017; approval of non-deductible expenses)***

The shareholders at the General Meeting, having reviewed the reports of the Board of Directors and the Statutory Auditors' reports, approve the individual financial statements for the year ended 31 December 2017, as presented at the General Meeting, showing a profit of €141,769,921.49.

The shareholders at the General Meeting also approve the transactions reflected in these financial statements and/or summarised in the aforementioned reports.

The shareholders at the General Meeting also approve the expenses incurred during the year that are not deductible for tax purposes, covered by Article 39-4 of the French General Tax Code, amounting to €445,035, and the corresponding tax charge of €148,345.

### Resolution 2

***(Approval of the consolidated financial statements for the financial year ended 31 December 2017)***

The shareholders at the General Meeting, having reviewed the reports of the Board of Directors, including the report on Group management and the Statutory Auditors' reports, approve the consolidated financial statements for the year ended 31 December 2017, which show a consolidated net profit (attributable to the Group) of €171,439,316, as well as the transactions reflected in these consolidated financial statements and/or summarised in the reports.

### Resolution 3

***(Appropriation of earnings and determination of the dividend)***

The shareholders at the General Meeting note that the profit available for distribution, determined as shown below, amounts to:

| | |
|---|---|
| Profit for the period | €141,769,921.49 |
| Transfer to the legal reserve | -€1,590.60 |
| Prior unappropriated retained earnings | €30,562.40 |
| **DISTRIBUTABLE PROFIT** | **€141,798,893.29** |

and agree, after acknowledging the consolidated net profit attributable to owners of the parent amounting to €171,439,316, to appropriate this profit as follows:

| | |
|---|---|
| Dividend | €49,314,482.40 |
| Discretionary reserves | €92,484,410.89 |
| **TOTAL** | **€141,798,893.29** |

The legal reserve thus amounts to €2,054,770.10, i.e. 10% of the share capital.

The dividend per share is €2.40, giving a total dividend of €49,314,482.40 based on the number of shares making up the share capital at 31 December 2017, namely 20,547,701 shares. In the event of a change in the number of shares carrying dividend rights, the amount of the total dividend will be adjusted accordingly and the amount allocated to discretionary reserves will be determined on the basis of the total dividend actually paid out.

The dividend will be paid on 5 July 2018.

The following amounts were effectively distributed as dividends in respect of the previous three financial years:

| | 2014 | 2015 | 2016 |
|---|---|---|---|
| Dividend paid | €1.90 | €1.70 | €2.20 |
| Number of shares | 20,062,614 | 20,324,093 | 20,517,903 |
| Dividend* | €38,118,966.60 | €34,550,958.10 | €45,139,386.60 |

* *The dividend payment entitles individual shareholders resident in France for tax purposes to a 40% deduction on the gross amount of the dividend for the calculation of income tax (Article 158-3-2° of the French General Tax Code).*

## Resolution 4

***(Approval of agreements governed by Article L. 225-38 et seq. of the French Commercial Code)***

The shareholders at the General Meeting, having reviewed the Report of the Board of Directors and the Statutory Auditors' special report on agreements governed by Article L. 225-38 et seq. of the French Commercial Code, acknowledge the absence of any new agreements of this type subject to approval at this Meeting and approve the conclusions of the aforementioned report.

## Resolution 5

***(Opinion on items of compensation paid or alloted in respect of financial year 2017 to Pierre Pasquier, Chairman)***

The shareholders at the General Meeting, having been consulted pursuant to Article L. 225-100 of the French Commercial Code, and having reviewed the Report of the Board of Directors, approve the fixed, variable and exceptional items of compensation making up the total compensation and benefits of any kind paid or allotted to Pierre Pasquier in his capacity as Chairman in respect of financial year 2017.

## Resolution 6

***(Opinion on items of compensation paid or alloted in respect of financial year 2017 to Vincent Paris, Chief Executive Officer)***

The shareholders at the General Meeting, having been consulted pursuant to Article L. 225-100 of the French Commercial Code, and having reviewed the Report of the Board of Directors, approve the fixed, variable and exceptional items of compensation making up the total compensation and benefits of any kind paid or alloted to Vincent Paris in his capacity as Chief Executive Officer in respect of financial year 2017.

## Resolution 7

***(Approval of the principles and criteria for the determination, distribution and allocation of items of compensation for the Chairman)***

The shareholders at the General Meeting, having reviewed the Report of the Board of Directors, approve the principles and criteria for the determination, distribution and allocation of items of fixed, variable and exceptional compensation forming the total compensation and all benefits of any kind attributable to the Chairman.

## Resolution 8

***(Approval of the principles and criteria for the determination, distribution and allocation of items of compensation for the Chief Executive Officer)***

The shareholders at the General Meeting, having reviewed the Report of the Board of Directors, approve the principles and criteria for the determination, distribution and allocation of items of fixed, variable and exceptional compensation forming the total compensation and all benefits of any kind attributable to the Chief Executive Officer and, where applicable, to any Deputy CEO that may be appointed.

## Resolution 9

***(Setting of directors' fees at €500,000)***

The shareholders at the General Meeting set at €500,000 the total amount of directors' fees to be allocated between the members of the Board of Directors for the current financial year.

## Resolution 10

***(Reappointment of a Principal Statutory Auditor)***

The shareholders at the General Meeting, having reviewed the Report of the Board of Directors, agree to reappoint Mazars, 61 Rue Henri Regnault, Tour Exaltis, 92400 Courbevoie as Principal Statutory Auditor for a period of six years, expiring at the close of the General Meeting held to approve the financial statements for the year ending 31 December 2023.

## Resolution 11

***(Authorisation granted to the Board of Directors, for a period of 18 months, to allow the Company to buy back its own shares pursuant to Article L. 225-209 of the French Commercial Code)***

The shareholders at the General Meeting, in accordance with the provisions of Articles L. 225-209 et seq. of the French Commercial Code, EU regulations on market abuse, and Title IV, Book II of the General Regulation of the Autorité des Marchés Financiers (AMF, the French securities regulator) as well as its implementing instructions:

- authorise the Board of Directors, with the ability to subdelegate this power as provided by law and by the Company's Articles of Association, to buy back shares in the Company or arrange to have shares in the Company bought back, on one or more occasions and as and when it sees fit, up to a maximum of 10% of the total number of shares representing the Company's share capital at the time of the buyback;
- agree that shares may be bought back for the following purposes:
  - to obtain market-making services from an investment services provider acting independently under the terms of a liquidity agreement entered into in compliance with the code of conduct of AMAFI (the French association of financial market professionals) recognised by the AMF,
  - to award, sell or transfer shares in the Company to employees and/or company officers of the Group, in order to cover share purchase plans and/or free share plans (or equivalent plans) as well as any allotments of shares under a company or Group savings plan (or equivalent plan) in connection with a profit- sharing mechanism, and/or all other forms of share allotment to the Group's employees and/or company officers,
  - to retain the shares bought back in order to exchange them or present them as consideration at a later date for a merger, spin-off or contribution of assets and, more generally, for external growth transactions. Shares bought back for such purposes are not to exceed, in any event, 5% of the number of shares making up the Company's share capital,
  - to deliver the shares bought back, upon the exercise of rights attaching to securities giving access to the Company's share capital through redemption, conversion, exchange, tender of warrants or any other means, as well as to execute any transaction covering the Company's obligations relating to those securities,
  - to retire shares bought back by reducing the share capital, pursuant to Resolution 12, subject to that resolution being approved at this General Meeting,
  - to implement any market practice that may come to be accepted by the AMF, and in general, to perform any operation that complies with regulations in force;
- agree that the maximum price per share paid for shares bought back be set at €250; in the event of any transactions in the share capital, including in particular capitalisation of reserves, free share awards and/or stock splits or reverse stock splits, this price shall be adjusted proportionately;
- agree that shares may be bought back by any means, such as on the stock market or over the counter, including block purchases or through the use of derivatives, at any time, subject to compliance with regulations in force;
- grant all powers to the Board of Directors, including the ability to subdelegate these powers, in order to implement this authorisation, to determine the terms and conditions of share buybacks, to make the necessary adjustments, to place any stock market orders, to enter into any and all agreements, to carry out all formalities and file all declarations with the AMF, and generally to take any and all other actions required;

- agree that this delegation of powers to the Board of Directors is to be valid for a period of 18 months with effect from the date of this General Meeting. Unless authorised in advance by the shareholders, the Board of Directors may not make use of this delegation once a third party has filed a tender offer proposal for the Company's shares, and until the end of the offer period;
- acknowledge that this authorisation supersedes, in relation to the unused portion, any previous authorisation having the same purpose.

# Requiring the approval of the Extraordinary General Meeting

## Resolution 12

***(Authorisation for the Board of Directors, for a period of 26 months, to retire any shares the Company may have bought back under the terms of share buyback programmes and to reduce the share capital accordingly)***

The shareholders at the General Meeting, , having reviewed the Report of the Board of Directors and the special report of the Statutory Auditors:

- authorise the Board of Directors to retire, in accordance with the provisions of Article L. 225-209 of the French Commercial Code, on one or more occasions, at its sole discretion, some or all treasury shares held by the Company bought back under any authorisation granted to the Board of Directors on the basis of that same article, up to a maximum of 10% of the share capital in any 24-month period;
- decides to reduce the Company's share capital as a consequence of the retirement of these shares, to the extent decided, where applicable, by the Board of Directors under the aforementioned conditions;
- confers all powers upon the Board of Directors in order to perform the transaction(s) authorised under this resolution, and in particular to charge against additional paid-in capital or other distributable reserves of its choosing the difference between the redemption value of the retired shares and their nominal value, amend the Articles of Association accordingly and carry out all legally required formalities;
- agree that this authorisation is to be valid for a period of 26 months with effect from the date of this General Meeting;
- acknowledge that this authorisation supersedes, in relation to the unused portion, any previous authorisation having the same purpose.

## Resolution 13

***(Delegation of powers to the Board of Directors, for a period of 26 months, to decide to increase the share capital, with preemptive subscription rights for existing shareholders, by issuing ordinary shares and/or securities giving access to equity and/or entitling the holder to an allotment of debt securities issued by the Company, up to a maximum of 40% of the share capital)***

The shareholders at the General Meeting, in accordance with the provisions of the French Commercial Code, and in particular its Articles L. 225-129, L. 225-129-2, L. 228-91 and L. 228-92, having reviewed the Report of the Board of Directors and the Statutory Auditors' special report:

- delegate powers to the Board of Directors, including the ability to subdelegate those powers under the conditions laid down in law and in the Company's Articles of Association, to decide to issue, on one or more occasions, in the amounts and at the times it sees fit, with preemptive subscription rights for existing shareholders, in France or abroad, in euros, (i) ordinary shares in the Company, (ii) equity securities giving immediate and/or future access by any means to other equity securities and/or entitling the holder to an allotment of debt securities issued by the Company, or (iii) securities that are debt securities that give or are liable to give immediate or future access to equity securities of the Company to be issued, free of charge or for a fee, which securities may also be denominated in foreign currency or in units of account determined by reference to more than one currency and may be paid up in cash on subscription, including by offsetting payment against liquid claims due;
- agree that the total amount of increases in the share capital (involving both primary and secondary securities) that may thus be undertaken immediately and/or in the future may not exceed 40% of the total nominal share capital (or the equivalent thereof in foreign currency or in units of account determined by reference to more than one currency), it being understood that (i) this is an aggregate limit against which the amount of any increases in the share capital that might, as the case may be, be undertaken pursuant to delegated powers covered by this resolution and by Resolutions 14, 15, 16, 17, 18 and 19 below, subject to their approval at this General Meeting, shall count, and (ii) the additional amount of any shares to be issued, in accordance with the law, to protect the rights of holders of securities giving access to equity, shall be added thereto (hereinafter "**Limit A1**");
- further agree that the amount of debt securities (including both primary and secondary securities) that may, as the case may be, be issued under this delegation may not exceed €2 billion (or the equivalent thereof in foreign currency or in units of account determined by reference to more than one currency), it being understood that (i) this is an aggregate limit against which the amount of any debt securities that might, as the case may be, be issued pursuant to delegated powers covered by this resolution and by Resolutions 14, 15, 16, 17, 18 and 19 below, subject to their adoption at this General Meeting, shall count, (ii) the amount of any above-par redemption premium shall be added thereto and (iii) this amount shall be independent of and separate from the amount of any debt securities whose issuance might be decided upon or authorised by the Board of Directors in accordance with the provisions of Articles L. 228-36-A, L. 228-40 and L. 228-92, paragraph 3 of the French Commercial Code (hereinafter "**Limit TC**");
- formally note that existing shareholders have preemptive rights to subscribe for shares and/or securities issued under the terms of this resolution, in proportion to the total value of their shares;
- formally note that, if an issue is oversubscribed, the Board of Directors may make use of Resolution 17 with the effect of increasing the number of securities to be issued, subject to the shareholders at the General Meeting adopting that resolution;
- agree that, in accordance with the provisions of Article L. 225-134 of the French Commercial Code, the Board of Directors may introduce a right to subscribe for new shares as of right on the basis of existing shares and to subscribe for excess new shares, and that, in such cases, where an increase in the share capital as defined above is not fully subscribed by way of subscriptions for new shares as of right on the basis of existing shares as well as, if applicable, subscriptions for excess new shares, the Board of Directors may make use of one or other of the following powers, in whichever order it sees fit:
  - the power to limit the increase in capital to the amount of subscriptions as provided for in Article L. 225-134 I-1° of the French Commercial Code,
  - the power to freely distribute some or all of any unsubscribed shares between shareholders,
  - the power to offer some or all of any unsubscribed shares to the public;

- formally note that this delegation of powers automatically entails the express waiver by the shareholders, in favour of the holders of any securities that might be issued under this delegation of powers, of their preemptive right to subscribe for any shares to which those securities may confer entitlement;
- grant all powers to the Board of Directors, including the ability to subdelegate those powers under the conditions laid down in law and in the Company's Articles of Association, in particular to:
  - determine the characteristics of securities to be issued and the proposed amount of any subscriptions and, in particular, determine their issue prices, dates and periods, and the terms and conditions of subscription, payment, delivery and vesting of securities, as well as all other terms of their issue, in accordance with applicable legal and regulatory limits,
  - carry out and, as the case may be, postpone the planned issues,
  - determine, and make any adjustments needed to protect, the rights of holders of securities giving access to equity,
  - charge any costs incurred in increasing the share capital, together with costs in connection with the admission to trading of the Company's shares on a regulated market, against the premiums pertaining to such transactions, and deduct from the total to be charged the amount required to bring the legal reserve up to one-tenth of the new share capital after each issue,
  - certify the completion of any increase(s) in the share capital and amend the Articles of Association accordingly, and, more generally, take any necessary steps, enter into any agreement, request any authorisation and complete any formalities required for the issuance, listing and financial servicing of securities issued under the terms of this delegation of powers and for the exercise of any associated rights, and take any and all other action required to successfully complete the planned issues;
- agree that in the event of an issue of debt securities, the Board of Directors shall have all powers, which it may further delegate within the limits provided by law and the Company's Articles of Association, in particular to decide on said securities' terms, conditions and characteristics and notably their subordination or not, and to set their interest rate, duration, fixed or variable redemption price with or without a premium, and the methods of amortisation depending on market conditions and the terms on which these securities will confer entitlement to the Company's ordinary shares;
- agree that this delegation of powers to the Board of Directors is to be valid for a period of 26 months with effect from the date of this General Meeting. Unless authorised in advance by the shareholders at the General Meeting, the Board of Directors may not make use of this delegation once a third party has filed a tender offer proposal for the Company's shares, and until the end of the offer period;
- acknowledge that this delegation of powers supersedes, in relation to the unused portion, any previous delegation of powers having the same purpose.

### Resolution 14

***(Delegation of powers to the Board of Directors, for a period of 26 months, to decide to increase the share capital, without preemptive subscription rights for existing shareholders, by issuing ordinary shares and/or securities giving access to equity and/or entitling the holder to an allotment of debt securities issued by the Company, as part of public offerings, up to a maximum of 20% of the share capital, falling to 10% of the share capital in the absence of priority rights)***

The shareholders at the General Meeting, in accordance with the provisions of the French Commercial Code, and in particular its Articles L. 225-129, L. 225-129-2, L. 225-135, L. 225-136, L. 228-91 and L. 228-92, having reviewed the Report of the Board of Directors and the Statutory Auditors' special report:

- delegate powers to the Board of Directors, including the ability to subdelegate those powers under the conditions laid down in law and in the Company's Articles of Association, to decide to issue, on one or more occasions, in the amounts and at the times it sees fit, without preemptive subscription rights for existing shareholders, in France or abroad, in euros, by way of a public offering, (i) ordinary shares in the Company, (ii) equity securities giving immediate and/or future access by any means to other equity securities and/or entitling the holder to an allotment of debt securities issued by the Company, or (iii) securities that are debt securities that give or are liable to give immediate or future access to equity securities of the Company to be issued, which securities may also be denominated in foreign currency or in units of account determined by reference to more than one currency and may be paid up in cash on subscription, including by offsetting payment against liquid claims due; offerings to the public decided upon by virtue of this delegation may be combined, in a single issue or in more than one issue carried out simultaneously, with offerings referred to in the second paragraph of Article L. 411-2 of the French Monetary and Financial Code, decided upon pursuant to Resolution 15, subject to the shareholders at the General Meeting adopting that resolution;
- agree to withdraw preemptive subscription rights for existing shareholders in respect of ordinary shares and securities to be issued via a public offering under the terms laid down in this delegation, and further delegate to the Board of Directors, pursuant to the provisions of Article L. 225-135 of the French Commercial Code, the power to grant shareholders, in respect of some or all of any shares or securities issued, a priority right, either strictly on the basis of existing holdings and/or without such limitation, to subscribe for them, within such timescale and in accordance with such terms and conditions as it shall determine, with the proviso that such priority shall not give rise to the creation of negotiable rights;
- agree that the total amount of increases in the share capital that may be undertaken immediately and/or in the future under this delegation of powers may not exceed 20% of the share capital (or the equivalent thereof in foreign currency or in units of account determined by reference to more than one currency), it being understood that (i) in the absence of priority rights, the corresponding increase in the share capital shall be limited to 10% of the share capital, (ii) this limit of 10% of the share capital is an aggregate limit that applies to the delegations of power referred to in this resolution and in Resolutions 15, 16, 17, 18 and 19 below, subject to their being approved at this General Meeting, and (iii) this amount shall count against Limit A1 referred to in Resolution 13 above, to which shall be added, as the case may be, the additional amount of any shares to be issued to protect, in accordance with the law or any applicable contractual arrangement, the rights of holders of securities giving access to the Company's equity (hereinafter "**Limit A2**");
- further agree that the amount of any debt securities that might, as the case may be, be issued under the terms of this delegation may not exceed Limit TC referred to in Resolution 13 above;
- agree that the issue price of shares shall be equal to the weighted average share price on the regulated market of Euronext Paris over the last three trading days preceding the date on which the subscription price is set, less a maximum discount of 5%, after correcting this average, as the case may be, to take account of any difference in vesting dates, the issue price of securities that give access to equity shall be such that the amount immediately received by the Company, plus any amount likely to be received by

it at a later date, shall, for each ordinary share issued as a result of the issuance of those securities, be at least equal to the issue price of the shares defined above;

- formally note that, if an issue is oversubscribed, the Board of Directors may make use of Resolution 17 with the effect of increasing the number of securities to be issued without preemptive subscription rights for existing holders, subject to the shareholders at the General Meeting adopting that resolution;
- formally note that the Board of Directors shall be required to prepare an additional report setting out the final terms of the issue and including an assessment of its actual impact on shareholders;
- agree that, if an issue as defined above is not fully subscribed, the Board of Directors may make use of the following powers:
  - the power to limit the increase in capital to the amount of subscriptions as provided for in Article L. 225-134 I-1° of the French Commercial Code,
  - the power to freely distribute some or all of any unsubscribed shares,
  - the power to offer some or all of any unsubscribed shares to the public;
- formally note that this delegation of powers automatically entails the express waiver by the shareholders, in favour of the holders of any securities that might be issued under this delegation of powers, of their preemptive right to subscribe for any shares to which those securities may confer entitlement;
- grant all powers to the Board of Directors, including the ability to subdelegate those powers under the conditions laid down in law and in the Company's Articles of Association, in particular to:
  - determine the characteristics of securities to be issued and the proposed amount of any subscriptions and, in particular, determine their issue prices, dates and periods, and the terms and conditions of subscription, payment, delivery and vesting of securities, as well as all other terms of their issue, in accordance with applicable legal and regulatory limits,
  - carry out and, as the case may be, postpone the planned issues,
  - determine, and make any adjustments needed to protect, the rights of holders of securities giving access to equity,
  - charge any costs incurred in increasing the share capital, together with costs in connection with the admission to trading of the Company's shares on a regulated market, against the premiums pertaining to such transactions, and deduct from the total to be charged the amount required to bring the legal reserve up to one tenth of the new share capital after each issue,
  - certify the completion of any increase(s) in the share capital and amend the Articles of Association accordingly, and, more generally, take any necessary steps, enter into any agreement, request any authorisation and complete any formalities required for the issuance, listing and financial servicing of securities issued under the terms of this delegation of powers and for the exercise of any associated rights, and take any and all other action required to successfully complete the planned issues;
- agree that in the event of an issue of debt securities, the Board of Directors shall have all powers, which it may further delegate within the limits provided by law and the Company's Articles of Association, in particular to decide on said securities' terms, conditions and characteristics and notably their subordination or not, and to set their interest rate, duration, fixed or variable redemption price with or without a premium, and the methods of amortisation depending on market conditions and the terms on which these securities will confer entitlement to the Company's ordinary shares;
- agree that this delegation of powers to the Board of Directors is to be valid for a period of 26 months with effect from the date of this General Meeting. Unless authorised in advance by the shareholders at the General Meeting, the Board of Directors may not make use of this delegation once a third party has filed a tender offer proposal for the Company's shares, and until the end of the offer period;
- acknowledge that this delegation of powers supersedes, in relation to the unused portion, any previous delegation of powers having the same purpose.

### Resolution 15

***(Delegation of powers to the Board of Directors, for a period of 26 months, to decide to increase the share capital, without preemptive subscription rights for existing shareholders, by issuing ordinary shares and/or securities giving access to equity and/or entitling the holder to an allotment of debt securities issued by the Company, by way of a private placement as provided for in paragraph II, Article L. 411-2 of the French Monetary and Financial Code, up to a maximum of 10% of the share capital)***

The shareholders at the General Meeting, in accordance with the provisions of the French Commercial Code, and in particular its Articles L. 225-129, L. 225-129-2, L. 225-135, L. 225-136, L. 228-91 and L. 228-92 and the second paragraph of Article L. 411-2 of the French Monetary and Financial Code, having reviewed the Report of the Board of Directors and the Statutory Auditors' special report:

- delegate powers to the Board of Directors, including the ability to subdelegate those powers under the conditions laid down in law and in the Company's Articles of Association, to decide to issue, on one or more occasions, in the amounts and at the times it sees fit, without preemptive subscription rights for existing shareholders, in France or abroad, in euros, by way of a private placement as defined in paragraph II, Article L. 411-2 of the French Monetary and Financial Code, (i) shares in the Company, (ii) equity securities giving immediate and/or future access by any means to other equity securities and/or entitling the holder to an allotment of debt securities issued by the Company, or (iii) securities that are debt securities that give or are liable to give immediate or future access to equity securities of the Company to be issued, which securities may also be denominated in foreign currency or in units of account determined by reference to more than one currency and may be paid up in cash on subscription, including by offsetting payment against liquid claims due; offerings referred to in the second paragraph of Article L. 411-2 of the French Monetary and Financial Code and decided upon by virtue of this resolution may be combined, in a single issue or in more than one issue carried out simultaneously, with public offerings decided upon pursuant to Resolution 14 above, subject to the shareholders at the General Meeting adopting that resolution;
- decide to withdraw preemptive rights for existing shareholders to subscribe for shares or securities to be issued by way of a private placement under the conditions laid down in this delegation of powers and to reserve such subscription for the persons identified in paragraph II, Article L. 411-2 of the French Monetary and Financial Code, and in particular for qualified investors or a restricted group of investors;
- agree that the issue price of shares shall be equal to the weighted average share price on the regulated market of Euronext Paris over the last three trading days preceding the date on which the subscription price for the increase in share capital is set, less a maximum discount of 5%, after correcting this average, as the case may be, to take account of any difference in vesting dates, the issue price of securities that give access to equity shall be such that the amount immediately received by the Company, plus any amount likely to be received by it at a later date, shall, for each ordinary share issued as a result of the issuance of those securities, be at least equal to the issue price defined above;

- formally note that, if an issue is oversubscribed, the Board of Directors may make use of Resolution 17 with the effect of increasing the number of securities to be issued without preemptive subscription rights for existing holders, subject to the shareholders at the General Meeting adopting that resolution;
- formally note that the Board of Directors shall be required to prepare an additional report setting out the final terms of the issue and including an assessment of its actual impact on shareholders;
- agree that, if an issue as defined above is not fully subscribed, the Board of Directors may make use of the following powers:
  - the power to limit the increase in capital to the amount of subscriptions as provided for in Article L. 225-134 I-1° of the French Commercial Code,
  - the power to freely distribute some or all of any unsubscribed shares,
  - the power to offer some or all of any unsubscribed shares to the public;
- agree that any increases in the share capital that might be carried out under this delegation of powers shall be limited to 10% of the share capital in any one year (with such share capital to be determined at the date on which the Board of Directors makes use of this delegation of powers) and that, in any event, the overall amount of any such increases in the share capital and, as the case may be, any issues of debt securities, shall together remain within Limit TC and Limit A2 referred to in Resolutions 13 and 14 above;
- formally note that this delegation of powers automatically entails the express waiver by the shareholders, in favour of the holders of any securities that might be issued under this delegation of powers, of their preemptive right to subscribe for any shares to which those securities may confer entitlement;
- grant all powers to the Board of Directors, including the ability to subdelegate those powers under the conditions laid down in law and in the Company's Articles of Association, in particular to:
  - determine the characteristics of securities to be issued and the proposed amount of any subscriptions and, in particular, determine their issue prices, dates and periods, and the terms and conditions of subscription, payment, delivery and vesting of securities, as well as all other terms of their issue, in accordance with applicable legal and regulatory limits,
  - carry out and, as the case may be, postpone the planned issues,
  - determine, and make any adjustments needed to protect, the rights of holders of securities giving access to equity,
  - charge any costs incurred in increasing the share capital, together with costs in connection with the admission to trading of the Company's shares on a regulated market, against the premiums pertaining to such transactions, and deduct from the total to be charged the amount required to bring the legal reserve up to one-tenth of the new share capital after each issue,
  - certify the completion of any increase(s) in the share capital and amend the Articles of Association accordingly, and, more generally, take any necessary steps, enter into any agreement, request any authorisation and complete any formalities required for the issuance, listing and financial servicing of securities issued under the terms of this delegation of powers and for the exercise of any associated rights, and take any and all other action required to successfully complete the planned issues;
- agree that in the event of an issue of debt securities, the Board of Directors shall have all powers, which it may further delegate within the limits provided by law and the Company's Articles of Association, in particular to decide on said securities' terms, conditions and characteristics and notably their subordination or not, and to set their interest rate, duration, fixed or variable redemption price with or without a premium, and the methods of amortisation depending on market conditions and the terms on which these securities will confer entitlement to the Company's ordinary shares;
- agree that this delegation of powers to the Board of Directors is to be valid for a period of 26 months with effect from the date of this General Meeting. Unless authorised in advance by the shareholders at the General Meeting, the Board of Directors may not make use of this delegation once a third party has filed a tender offer proposal for the Company's shares, and until the end of the offer period;
- acknowledge that this delegation of powers supersedes, in relation to the unused portion, any previous delegation of powers having the same purpose.

### Resolution 16

***(Delegation of powers to the Board of Directors to determine the issue price of ordinary shares and/or securities giving access to equity and/or giving the right to an allotment of the Company's debt securities for up to a maximum of 10% of the share capital a year in the context of an increase in the share capital without preemptive subscription rights for existing shareholders)***

The shareholders at the General Meeting, having reviewed the Report of the Board of Directors and the special report of the Statutory Auditors, in accordance with the provisions of the French Commercial Code, and in particular the second subparagraph, paragraph 1 of Article L. 225-136, for each of the issues decided upon pursuant to Resolutions 14 and 15 above, authorise the Board of Directors, including the option to further delegate such power, and within the conditions laid down in law and in the Company's Articles of Association, to depart from the procedures for setting the issue price laid down in the aforementioned resolutions and to set the issue price as follows:

- the issue price of ordinary shares shall be at least equal to the lower of the following: (i) the weighted average share price on the regulated market of Euronext Paris over a maximum period of six months preceding the date on which the issue price is set, (ii) the average share price weighted by volumes on the regulated market of Euronext Paris on the trading day preceding the date on which the issue price is set, (iii) the average share price on the regulated market of Euronext Paris weighted by intraday volumes recorded on the date on which the issue price is set, or (iv) the last known closing share price before the date on which the issue price is set, less, in each of these four cases, a maximum discount of 5%;
- the issue price of securities that give access to equity shall be such that the amount immediately received by the Company, plus any amount likely to be received by it at a later date, shall, for each ordinary share issued as a result of the issuance of those securities, be at least equal to the amount laid down in the paragraph above.

At the date of each issue, the total number of shares and securities issued pursuant to this resolution during the 12 months preceding such issue shall not exceed 10% of the shares making up the Company's share capital at that date.

The shareholders at the General Meeting agree that the Board of Directors shall have all powers to implement this resolution under the terms laid down in the resolution under which the initial issue is decided upon.

### Resolution 17

***(Delegation of powers to the Board of Directors, for a period of 26 months, to decide, with or without preemptive subscription rights for existing shareholders, to increase the number of ordinary shares and/or securities giving access to equity and/or entitling the holder to an allotment of debt securities to be issued by the Company, up to a maximum of 15% of the initial issue)***

The shareholders at the General Meeting, having reviewed the Report of the Board of Directors and the special report of the Statutory Auditors, in accordance with Articles L. 225-135-1 and R. 225-118 of the French Commercial Code:

- delegate powers to the Board of Directors, including the ability to subdelegate those powers under the conditions laid down in law and in the Company's Articles of Association, to decide, if each of the issues decided upon pursuant to Resolutions 13, 14 and 15 above is oversubscribed, to increase the number of ordinary shares or securities to be issued, up to the maximum amounts laid down in the resolution in question, at the same price as that used for the initial issue, during a period of 30 days with effect from the expiry of the subscription period for the initial issue and, in any event, up to a maximum of 15% of the amount of that issue;
- agree that the Board of Directors shall have all powers to implement this resolution under the terms laid down in the resolution under which the initial issue is decided upon;
- agree that this delegation of powers to the Board of Directors is to be valid for a period of 26 months with effect from the date of this General Meeting. Unless authorised in advance by the shareholders at the General Meeting, the Board of Directors may not make use of this delegation once a third party has filed a tender offer proposal for the Company's shares, and until the end of the offer period;
- acknowledge that this delegation of powers supersedes, in relation to the unused portion, any previous delegation of powers having the same purpose.

### Resolution 18

***(Delegation of powers to the Board of Directors, for a period of 26 months, to issue ordinary shares and/or securities giving access to equity and/or entitling the holder to an allotment of debt securities issued by the Company, without preemptive subscription rights for existing shareholders, in return for contributions in kind, up to a maximum of 10% of the share capital)***

The shareholders at the General Meeting, in accordance with the provisions of the French Commercial Code, and in particular paragraph 6 of its Article L. 225-147, having reviewed the Report of the Board of Directors and the Statutory Auditors' special report:

- delegate powers to the Board of Directors, including the ability to subdelegate those powers under the conditions laid down in law and in the Company's Articles of Association, to decide, pursuant to the report by the capital contributions auditor referred to in the first and second paragraphs of Article L. 225-147 of the French Commercial Code, to issue (i) ordinary shares in the Company, (ii) equity securities giving immediate or future access by any means to other equity securities of the Company and/or entitling the holder to an allotment of debt securities issued by the Company, or (iii) securities that are debt securities issued by the Company that give or are liable to give immediate or future access to securities of the Company to be issued in exchange for contributions in kind consisting of equity securities or securities giving access to the equity of another company, granted to the Company when the provisions of Article L. 225-148 of the French Commercial Code do not apply;
- agree to withdraw, as necessary, the preemptive right of existing shareholders to subscribe for shares and securities to be issued under this delegation of powers, which may only be issued in exchange for contributions in kind;
- agree that any increases in the share capital that might be carried out under this delegation of powers shall be limited to a total of 10% of the share capital, which shall be determined at the time the issue is undertaken and, in any event, within Limit TC and Limit A2 referred to in Resolutions 13 and 14 above;
- grant all powers to the Board of Directors, including the ability to subdelegate those powers under the conditions laid down in law and in the Company's Articles of Association, to put this delegation of powers into effect, in particular so as to:
  - approve the valuation of contributions and ratify the report of the capital contributions auditor and, with regard to such contributions, record their execution, deduct any fees, costs and charges from premiums, determine the number, form and characteristics of securities to be issued, certify the completion of increases in the share capital and amend the Articles of Association accordingly, list the securities to be issued, make any applicable deductions from paid-in premium accounts, in particular of the amounts needed to bring the amount of the legal reserve to one-tenth of the new share capital after each issue, and of any costs incurred in undertaking such issues,
  - determine, and make any adjustments needed to protect, the rights of holders of securities giving access to equity,
  - take all necessary steps, enter into all agreements, require all authorisations, complete all formalities and take any and all other action required to successfully complete the planned issues;
- agree that in the event of an issue of debt securities, the Board of Directors shall have all powers, which it may further delegate within the limits provided by law and the Company's Articles of Association, in particular to decide on said securities' terms, conditions and characteristics and notably their subordination or not, and to set their interest rate, duration, fixed or variable redemption price with or without a premium, and the methods of amortisation depending on market conditions and the terms on which these securities will confer entitlement to the Company's ordinary shares;
- agree that this delegation of powers to the Board of Directors is to be valid for a period of 26 months with effect from the date of this General Meeting. Unless authorised in advance by the shareholders at the General Meeting, the Board of Directors may not make use of this delegation once a third party has filed a tender offer proposal for the Company's shares, and until the end of the offer period;
- acknowledge that this delegation of powers supersedes, in relation to the unused portion, any previous delegation of powers having the same purpose.

### Resolution 19

***(Delegation of powers to the Board of Directors, for a period of 26 months, to issue ordinary shares and/or securities giving access to equity and/or entitling the holder to an allotment of debt securities issued by the Company, without preemptive subscription rights for existing shareholders, in return for shares tendered to a public exchange offer, up to a maximum of 10% of the share capital)***

The shareholders at the General Meeting, in accordance with the provisions of the French Commercial Code, and in particular its Articles L. 225-129 to L. 225-129-6, L. 225-148, L. 228-91 and L. 228-92, having reviewed the Report of the Board of Directors and the Statutory Auditors' special report:

- delegate powers to the Board of Directors, including the ability to subdelegate those powers under the conditions laid down in law and in the Company's Articles of Association, to decide, in such proportions and at such times as it sees fit, to issue (i) ordinary shares in the Company, (ii) equity securities giving immediate or future access by any means to other equity securities of the

Company and/or entitling the holder to an allotment of debt securities issued by the Company, or (iii) securities that are debt securities issued by the Company that give or are liable to give immediate or future access to securities of the Company to be issued, in exchange for securities tendered to a public exchange offer initiated by the Company in France or abroad, in accordance with local rules (including any transaction that has the same effect as, or may be considered equivalent to, a public exchange offer) for the securities of a company whose shares are admitted to trading on one of the regulated markets referred to in the aforementioned Article L. 225-148;

- agree that the nominal amount of any increases in the share capital that may be undertaken by issuing shares or securities shall be confined to Limit A2 referred to in Resolution 14 above, or, where debt securities are issued, to Limit TC referred to in Resolution 13 above;
- agree to withdraw the preemptive right of existing shareholders to subscribe for shares and securities to be issued under this delegation of powers, which may only be issued in exchange for securities tendered to a public offering having an exchange component initiated by the Company;
- formally note that this delegation of powers automatically entails the waiver by the shareholders, in favour of the holders of any securities that might be issued under this delegation of powers, of their preemptive right to subscribe for any shares to which those securities may confer entitlement;
- grant all powers to the Board of Directors, including the ability to subdelegate those powers under the conditions laid down in law and in the Company's Articles of Association, to put this delegation of powers into effect, in particular so as to:
  - determine the conditions, amounts and terms of any issue, as well as the exchange ratio and the amount of any balancing cash payment, note the number of securities tendered for exchange, determine the prices, dates, periods, terms and conditions of subscription, payment, delivery and vesting of securities, together with all other terms of issue, in accordance with legal and regulatory limits in force,
  - recognise in balance sheet liabilities, under a "Transfer premium" account over which all shareholders shall have rights, the difference between the issue price of new ordinary shares and their par value,
  - determine, and make any adjustments needed to protect, the rights of holders of securities giving access to equity,
  - charge any costs incurred in increasing the share capital, together with costs in connection with the admission to trading of the Company's shares on a regulated market, against the premiums pertaining to such transactions, and deduct from the total to be charged the amount required to bring the legal reserve up to one-tenth of the new share capital after each issue,
  - certify the completion of any increase(s) in the share capital and amend the Articles of Association accordingly, and, more generally, take any necessary steps, enter into any agreement, request any authorisation and complete any formalities required for the issuance, listing and financial servicing of securities issued under the terms of this delegation of powers and for the exercise of any associated rights, and take any and all other action required to successfully complete the planned issues;
- agree that, in the event of an issue of debt securities, the Board of Directors shall have all powers, including the ability to subdelegate those powers under the conditions laid down in law and in this resolution, to decide on the terms, conditions and characteristics of such issues, and in particular whether or not they are subordinated (and, as the case may be, their subordination level), to determine their interest rate, cases of mandatory or optional suspension or non-payment of interest, their currency of issue, duration (whether or not fixed), fixed or variable redemption price with or without a premium, and terms of amortisation depending on market conditions and the terms under which those securities will confer entitlement to shares in the Company;
- agree that this delegation of powers to the Board of Directors is to be valid for a period of 26 months with effect from the date of this General Meeting. Unless authorised in advance by the shareholders at the General Meeting, the Board of Directors may not make use of this delegation once a third party has filed a tender offer proposal for the Company's shares, and until the end of the offer period;
- acknowledge that this delegation of powers supersedes, in relation to the unused portion, any previous delegation of powers having the same purpose.

## Resolution 20

***(Delegation of powers to the Board of Directors, for a period of 26 months, to decide to increase the share capital by capitalising premiums, reserves, earnings or other amounts that may be capitalised)***

The shareholders at the General Meeting, in accordance with the provisions of the French Commercial Code, and in particular its Articles L. 225-128, L. 225-129, L. 225-129-2 and L. 225-130, having reviewed the Report of the Board of Directors and the Statutory Auditors' special report:

- delegate powers to the Board of Directors, including the ability to subdelegate those powers under the conditions laid down in law and in the Articles of Association, to decide to carry out one or more increases in the share capital by successively or simultaneously capitalising some or all premiums, reserves, earnings or other amounts that may be capitalised in accordance with the law and the Articles of Association, by issuing and allotting new free ordinary shares to the shareholders, increasing the par value of existing shares, or a combination of these two methods;
- agree that fractional rights shall be neither tradable nor transferable, and that the corresponding free ordinary shares shall be sold; the proceeds of such sales will be allotted to the rights holders under the terms and conditions set out in applicable law and regulations;
- agree that the total amount of any increases in the share capital that might be undertaken, together with the amount of capital required to protect the rights of holders of securities giving access to the Company's equity, in accordance with the law and any applicable contractual arrangement, may not exceed the amount of any reserves, premiums, earnings or other amounts that may be capitalised, referred to above, at the date of the increase in the share capital, with Limit A1, Limit A2 and Limit TC referred to in Resolutions 13 and 14 above not being applicable;
- grant all powers to the Board of Directors, in particular to:
  - determine the amount and nature of sums to be capitalised, determine the number of new ordinary shares to be issued and/or the amount by which the par value of existing ordinary shares shall be increased and determine the vesting date of new ordinary shares, and, as the case may be, the method of disposal of any fractional shares,
  - charge any costs incurred in increasing the share capital, together with costs in connection with the admission to trading of the Company's shares on a regulated market, against the premiums pertaining to such transactions, and deduct from the total to be charged the amount required to bring the legal reserve up to one-tenth of the new share capital after each issue,

- certify the completion of any increase(s) in the share capital thus decided upon and amend the Articles of Association accordingly, and, more generally, take any necessary steps, enter into any agreement, request any authorisation and complete any formalities required for the issuance, listing and financial servicing of securities issued under the terms of this delegation of powers and for the exercise of any associated rights, and take any and all other action required to successfully complete the planned transactions;

- agree that this delegation of powers to the Board of Directors is to be valid for a period of 26 months with effect from the date of this General Meeting. Unless authorised in advance by the shareholders at the General Meeting, the Board of Directors may not make use of this delegation once a third party has filed a tender offer proposal for the Company's shares, and until the end of the offer period;
- acknowledge that this delegation of powers supersedes, in relation to the unused portion, any previous delegation of powers having the same purpose.

## Resolution 21

***(Delegation to be given to the Board of Directors, for a period of 18 months, to issue share subscription warrants to be allotted to the shareholders free of charge in the event of a takeover bid, up to a nominal amount equal to the amount of the share capital)***

The shareholders at the General Meeting, in accordance with the provisions of the French Commercial Code, and in particular its Articles L. 233-32-II and L. 233-33, having reviewed the Report of the Board of Directors and the Statutory Auditors' special report:

- delegate to the Board of Directors the authority to carry out, within the existing legal and regulatory limits, during a tender offer for the Company's shares, one or more issues of warrants entitling the holder to subscribe for one or more Company shares on preferential terms, and to freely grant said warrants to all shareholders of the Company who are in this capacity before the tender offer expires. These warrants will automatically lapse as soon as the tender offer or any other potential competing offer fails, lapses or is withdrawn;
- agree that the maximum nominal amount of the capital increase that may result from the exercise of these subscription warrants shall not be allowed to exceed the amount of the share capital at the date of the issue of these warrants, and that the maximum number of subscription warrants that may be issued shall not be allowed to exceed the number of shares constituting the share capital when the warrants are issued, with Limit A1, Limit A2 and Limit TC referred to Resolution 13 and 14 above not being applicable;
- acknowledge that this resolution automatically entails the waiver by the shareholders of their preemptive right to subscribe for the ordinary shares in the Company to which the subscription warrants issued pursuant to this resolution may confer entitlement;
- agree that the Board of Directors will have all powers, including the ability to subdelegate these powers under the conditions laid down by law and by the Company's Articles of Association, in particular to determine the terms for the exercise of these subscription warrants, which must be relative to the terms of the offer or of any potential competing offer, as well as the other characteristics of these warrants, including the exercise price and methods for setting this price, in addition to, generally speaking, the characteristics and terms of any issue it decides to carry out on the basis of this delegation of powers, which it may defer or waive; to set the terms of any capital increase resulting from the exercise of these subscription warrants; to record the execution of any capital increase so brought about; to make the corresponding amendments to the Articles of Association; and more generally to make any appropriate arrangements, request any authorisations, carry out any formalities and take the necessary steps to ensure the success of the planned issues;
- agree that this delegation of powers to the Board of Directors is to be valid for a period of 18 months with effect from the date of this General Meeting;
- acknowledge that this delegation of powers supersedes, in relation to the unused portion, any previous delegation of powers having the same purpose.

## Resolution 22

***(Delegation of powers to the Board of Directors, for a period of 26 months, to decide to increase the share capital, without preemptive subscription rights for existing shareholders, via issues to persons employed by the Company or by a company of the Group, subject to enrolment in a company savings plan, up to a maximum of 3% of the share capital)***

The shareholders at the General Meeting, in accordance with the provisions of Articles L. 3332-18 et seq. of the French Labour Code as well as the provisions of the French Commercial Code, in particular its Articles L. 225-129-2, L. 225-129-6 and L. 225-138-1, the shareholders at the General Meeting, having reviewed the Report of the Board of Directors and the Statutory Auditors' special report:

- delegate powers to the Board of Directors, including the ability to subdelegate this power under the conditions laid down in law and in the Company's Articles of Association, to decide on the issuance, on one or more occasions, in the amounts and at the times it sees fit, of (i) ordinary shares or (ii) equity securities giving immediate or future access by any means to other equity securities of the Company, reserved for employees enrolled in a savings plan offered by the Company or by any related French or foreign company or group as defined in Article L. 225-180 of the French Commercial Code (the "**Recipients**"), under the conditions laid down in Article L. 3332-19 of the French Labour Code;
- agree to exclude, in favour of the Recipients, the preemptive right of existing shareholders to subscribe for the ordinary shares or other securities that may be issued under this delegation of powers;
- agree that this delegation of powers shall not give access to a total number of shares representing more than 3% of the Company's share capital (as assessed at the date when the Board of Directors makes use of this delegation of powers), it being specified that (i) any issue or allotment carried out pursuant to Resolution 23 below, subject to it being adopted by the General Meeting, will count towards this 3% limit such that the issues or allotments carried out pursuant to Resolutions 22 and 23, taken together, will be subject to an overall limit of 3%, and (ii) this is in addition to any additional number of shares to be issued to protect the rights of holders of securities giving access to the Company's share capital, in accordance with the law or any applicable contractual agreement;
- agree that if the subscriptions obtained do not absorb the entirety of an issue of securities, the capital increase will be limited to the amount of subscriptions received;
- agree that the subscription price will be set in compliance with laws and regulations and agree to set the maximum discount for the subscription price of an issue offered in connection with an employee savings plan, which is the case for the securities issued under this delegation of powers, at 5% of the average price of the Company's shares on the regulated market of Euronext Paris over the 20 trading days preceding the date of the decision setting the opening date of the subscription period. However, the shareholders at the General Meeting expressly authorise the Board of Directors to reduce the aforementioned discount, within legal and regulatory limits;
- agree that the Board of Directors may provide for the allotment of ordinary shares, whether to be issued or already issued, or of securities giving access to the Company's share capital, whether to be issued or already issued, to the Recipients free of charge,

in lieu of all or a portion of the employer contribution and/or the discount applied to the subscription price, within the limits set forth in Articles L. 3332-11 and L. 3332-21 of the French Labour Code, it being specified that the maximum aggregate nominal amount of capital increases that may be carried out in line with these allotments will count towards the limit of 3% of the Company's share capital referred to above;

- formally note that, with regard to shares to be issued in lieu of some or all of the employer contribution and/or the discount applied to the subscription price, the Board of Directors may decide to increase the share capital accordingly by capitalising reserves, earnings, issue premiums or other amounts that may be capitalised in favour of the Recipients, thus entailing (i) the corresponding waiver by the shareholders of that portion of reserves, earnings, premiums or other amounts thus capitalised and (ii) the automatic waiver by the shareholders of their preemptive subscription right. The corresponding capital increase shall be deemed to have been completed upon final allotment of the shares in question to the Recipients;
- consequently grant all powers to the Board of Directors, with the option to subdelegate these powers under the conditions laid down by law and by the Company's Articles of Association, to put this authorisation into effect, subject to the limits and conditions set out above, in particular so as to:
  - determine the characteristics of securities to be issued and the proposed amount of any subscriptions and, in particular, determine their issue prices, dates and periods, and the terms and conditions of subscription, payment, delivery and vesting of securities, in accordance with applicable legal and regulatory limits,
  - determine, if necessary, the nature of the securities to be allotted free of charge, as well as the terms and conditions of their allotment,
  - determine whether shares are allotted free of charge in the case of shares to be issued or existing shares, and (i) where new shares are issued, check that there are sufficient reserves and, upon each allotment, transfer to a reserve not available for distribution the amounts needed to pay up the new shares to be issued, increase the share capital by capitalising reserves, earnings, premiums or other amounts that may be capitalised, determine the type and amount of any reserves, earnings or premiums to be capitalised in consideration of the aforementioned shares, certify the completion of increases in the share capital, determine the vesting date of newly issued shares (which may be retrospective), amend the Articles of Association accordingly, and (ii) where existing shares are allotted, acquire the necessary shares under the conditions laid down in law, and take any and all action required to successfully complete the transactions,
  - draw up the list of companies whose employees will be recipients of the issues carried out under this delegation of powers,
  - determine whether subscriptions may be made directly by the recipients or only through UCITS mutual funds,
  - charge any costs incurred in connection with capital increases against the premiums pertaining to those capital increases and deduct from the total to be charged the amount required to bring the legal reserve up to one-tenth of the new share capital after each capital increase,
  - record the completion of capital increases up to the value of shares actually subscribed or of other securities issued under the terms of this authorisation,
  - enter into any agreements and, either directly or via an agent, complete all procedures and formalities, including formalities subsequent to capital increases and consequential amendments to the Articles of Association and, more generally, take all necessary steps,
  - in general terms, enter into any agreement, including in particular agreements to ensure that planned issues are successfully completed, take any steps and complete any formalities required for the issuance, listing and management of securities issued under the terms of this authorisation and for the exercise of any associated rights;
- agree that this delegation of powers to the Board of Directors is to be valid for a period of 26 months with effect from the date of this General Meeting. Unless authorised in advance by the shareholders at the General Meeting, the Board of Directors may not make use of this delegation once a third party has filed a tender offer proposal for the Company's shares, and until the end of the offer period;
- acknowledge that this delegation of powers supersedes, in relation to the unused portion, any previous delegation of powers having the same purpose.

### Resolution 23

***(Authorisation for the Board of Directors, for a period of 38 months, to allot free shares to employees and officers of the Company and companies in the same Group, up to a maximum of 3% of the share capital)***

The shareholders at the General Meeting, having reviewed the Report of the Board of Directors and the Statutory Auditors' special report, and in accordance with the provisions of Articles L. 225-197-1 et seq. of the French Commercial Code:

- authorise the Board of Directors to carry out one or more free share issues, at its discretion, either of existing shares in the Company or of shares to be issued in the future, for eligible employees or officers (as defined in Article L. 225-197-1 II, Paragraph 1 of the French Commercial Code) of the Company and any affiliated companies under the conditions laid down in Article L. 225-197-2 of the French Commercial Code, or for certain categories of those employees or officers;
- agree that this authorisation shall not give access to a total number of shares representing more than 3% of the Company's share capital (as assessed at the date of the award decision by the Board of Directors), it being specified that (i) any issue or allotment carried out pursuant to Resolution 22, subject to that resolution being approved at this General Meeting, will count towards this 3% limit such that the issues or allotments carried out pursuant to Resolutions 22 and 23, taken together, will be subject to an overall limit of 3%, and (ii) this is in addition to any additional number of shares to be issued to protect the rights of holders of securities giving access to the Company's share capital, in accordance with the law or any applicable contractual agreement;
- agree that the number of shares that may be allotted to the Chief Executive Officer of the Company shall not represent more than 5% of the 3% limit laid down in the previous paragraph;
- decide (a) that shares will be finally allotted to their recipients upon expiry of a vesting period whose duration shall be determined by the Board of Directors; this duration may not, however, be less than one year with effect from the date of the decision to allot the shares in question and (b) the recipients shall be required, if the Board of Directors deems worthwhile or necessary, to retain the shares in question for the duration(s) determined by the Board of Directors, with the proviso that the combined duration of any vesting and lock-in periods may not be less than two years. However, the General Meeting authorises the Board of Directors not to impose any lock-in period for the shares in question where the vesting period in respect of all or part of one or more allotments is not less than two years;

- agree that, where the recipient is disabled and falls into the second or third categories set out in Article L. 341-4 of the French Social Security Code, the shares in question shall be definitively allotted to that recipient before the remaining term of the vesting period has expired, and shall be immediately transferable;
- formally note that, with regard to shares to be issued in the future, (i) this authorisation shall entail, upon expiry of the vesting period, an increase in the share capital by capitalising reserves, earnings, issue premiums or other amounts that may be capitalised in favour of the recipients of those shares and the corresponding waiver by the shareholders of that portion of reserves, earnings, premiums or other amounts thus capitalised, and (ii) this authorisation shall automatically entail the waiver by shareholders, in favour of the recipients of the aforementioned shares, of their preemptive subscription rights. The corresponding capital increase shall be deemed to have been completed upon final allotment of the shares in question to the Recipients;
- accordingly, confer all powers upon the Board of Directors, within the limits set out above, to put this resolution into effect and, in particular to:
  - determine the identity of the recipients of shares to be allotted and the number of shares to be allotted to each,
  - to rule on requirements for continued shareholding, applicable under the law as the case may be, with regard to eligible officers of the company, in accordance with the final subparagraph of paragraph II, Article L. 225-197-1 of the French Commercial Code,
  - set the dates and terms governing the allotment of the shares in question, including in particular the period at the end of which the shares will be finally allotted as well as, where applicable, the required lock-in period,
  - and, in particular, determine conditions relating to the performance of the Company, the Group or entities belonging to the Group that shall apply to allotments of shares to executive officers of the Company and, as the case may be, those that would apply to allotments of shares to employees, as well as the criteria by which shares shall be allotted; where shares are allotted without reference to any performance conditions, they may not be awarded to the Chief Executive Officer of the Company and may not exceed 10% of the total allotments authorised by the shareholders at the General Meeting,
  - determine whether free shares to be allotted are existing shares or shares to be issued in the future and, (i) where new shares are issued, check that there are sufficient reserves and, upon each allotment, transfer to a reserve not available for distribution the amounts needed to pay up the new shares to be issued, increase the share capital by capitalising reserves, earnings, premiums or other amounts that may be capitalised, determine the type and amount of any reserves, earnings or premiums to be capitalised in consideration of the aforementioned shares, certify completion of increases in the share capital, determine the vesting date of newly issued shares (which may be retrospective), amend the Articles of Association accordingly and (ii) where existing shares are allotted, acquire the necessary shares under the conditions laid down in law, and take any and all action required to complete the transactions,
  - allow the option, where applicable, during the vesting period, to adjust the number of free shares allotted in accordance with any transactions affecting the Company's equity, so as to protect the rights of recipients; any shares allotted pursuant to such adjustments shall, however, be deemed to have been allotted on the same date as the initially allotted shares,
  - more generally, including the ability to subdelegate this power, under the conditions laid down in law and in the Articles of Association, take any steps and complete any formalities required for the issuance, listing and financial servicing of securities issued under the terms of this delegation of powers and for the exercise of any associated rights, and make all necessary arrangements and enter into any agreements to successfully complete the planned allotments;
- agree that this authorisation granted to the Board of Directors is to be valid for a period of 38 months with effect from the date of this General Meeting. Unless authorised in advance by the shareholders at the General Meeting, the Board of Directors may not make use of this delegation once a third party has filed a tender offer proposal for the Company's shares, and until the end of the offer period;
- acknowledge that this authorisation supersedes, in relation to the unused portion, any previous authorisation having the same purpose.

### Resolution 24

***(Amendment to Article 14 of the Articles of Association concerning Directors' terms of office and introduction of procedures for staggering Directors' terms of office)***

The shareholders at the General Meeting, having reviewed the Report of the Board of Directors, decide to amend Article 14 of the Company's Articles of Association as follows:

***"Article 14 – Board of Directors***

*The Company is administered by a Board of Directors comprising a minimum of three members and a maximum of eighteen, subject to the exception provided for by law in the event of a merger.*

*The Directors representing the employees are not taken into account when determining the minimum and maximum number of Directors.*

*1 – Term of office of Directors appointed at the General Meeting and Directors representing the employees*

*Directors' terms last six years. By exception, upon their first appointment following 1 January 2018, Directors' terms of office may be set at 1, 2, 3, 4 or 5 years such that directorships are renewed on a staggered basis every two years.*

*In the year of expiry, Directors' terms of office shall expire at the close of the Ordinary General Meeting convened to approve the financial statements for the previous financial year. They are immediately eligible for reappointment.*

*2 – Directors appointed at the General Meeting*

*Directors are appointed, reappointed or dismissed by the shareholders at Ordinary General Meetings.*

*No one can be appointed a Director if, having exceeded the age of seventy-five years, his/her appointment results in more than one-third of Board members exceeding this age. Once this limit is exceeded, the oldest Director is deemed to have resigned from office.*

*Directors may be natural or legal persons. When a legal person is appointed as Director, the latter names a permanent representative who is subject to the same conditions, obligations and liabilities as all other Board members, without prejudice to the joint and several liability of the legal person thus represented.*

*In the event of one or more vacancies on the Board of Directors, between two General Meetings, the Board may make temporary appointments, in accordance with the requirements of Article L. 225-24 of the French Commercial Code. A Director appointed to replace another Director performs his/her duties for the remainder of the term of office of the individual previously serving in this position.*

*Each Director must own at least one share in the Company.*

*3 – Director representing the employees*

*In accordance with the provisions of the French Commercial Code relating to Directors representing employees, whenever the number of Directors appointed at the General Meeting pursuant to Articles L. 225-17 and L. 225-18 of the French Commercial Code and in accordance with these Articles of Association is less than or equal to twelve, a Director representing the employees is nominated by the Company's works council.*

*Whenever this number is greater than 12, a second Director representing the employees is nominated by the Company's works council. If this number should fall to 12 or below, the second Director representing the employees shall continue to serve for his/her full term of office.*

*The Director or Directors representing the employees are not required to hold shares in the Company.*

*Provisions of the Articles of Association relating to Directors representing the employees shall cease to apply, with no impact on directorships still in force, when, at the end of a financial year, the Company no longer fulfils the prerequisites for their appointment.*

*Further to the provisions set out in paragraph 2 of Article L. 225-29 of the French Commercial Code, should the Company body designated in these Articles of Association fail to nominate a Director representing the employees, the decisions of the Board of Directors shall still be deemed to be valid."*

### Resolution 25

***(Change in the age limit associated with the position of Chairman of the Board of Directors and corresponding amendment to Article 15 of the Articles of Association)***

The shareholders at the General Meeting, having reviewed the Report of the Board of Directors, agree to set the age limit associated with the position of Chairman of the Board of Directors at 89 years and to amend the third paragraph of Article 15 of the Articles of Association, entitled "Organisation of the Board", accordingly so that it henceforth reads as follows: "No one over the age of eighty-nine may be appointed Chairman. If the Chairman in office exceeds this age, he/she shall automatically be deemed to have resigned."

The remaining paragraphs of Article 15 of the Articles of Association shall remain unchanged.

### Resolution 26

***(Appointment of Jean-Bernard Rampini as a Non-Voting Director for a term of two years)***

The shareholders at the General Meeting, having examined the report of the Board of Directors, appoint Jean-Bernard Rampini as a Non-Voting Director, with effect from today and for a period of two years expiring at the end of the General Meeting to approve the financial statements for the year ending 31 December 2019.

## Requiring the approval of the Ordinary General Meeting

### Resolution 27

***(Reappointment of Pierre Pasquier as a Director)***

The shareholders at the General Meeting, having examined the Report of the Board of Directors, agree to reappoint Pierre Pasquier as a Director for a term of six years, in accordance with Article 14 of the Company's Articles of Association as amended by Resolution 24 approved at this General Meeting, expiring at the close of the General Meeting convened to approve the financial statements for the year ending 31 December 2023.

### Resolution 28

***(Reappointment of Éric Pasquier as a Director)***

The shareholders at the General Meeting, having examined the Report of the Board of Directors, agree to reappoint Éric Pasquier as a Director for a term of six years, in accordance with Article 14 of the Company's Articles of Association as amended by Resolution 24 approved at this General Meeting, expiring at the close of the General Meeting convened to approve the financial statements for the year ending 31 December 2023.

### Resolution 29

***(Reappointment of Sopra GMT as a Director)***

The shareholders at the General Meeting, having examined the Report of the Board of Directors, agree to reappoint as a Director Sopra GMT, a *société anonyme* with share capital of €7,435,584 having its registered office at PAE Les Glaisins, Annecy-Le-Vieux, 74940 Annecy, registered in the Annecy commercial and companies register under number 348 940 263, represented by Kathleen Clark Bracco, for a term of six years, in accordance with Article 14 of the Company's Articles of Association as amended by Resolution 24 approved at this General Meeting, expiring at the close of the General Meeting convened to approve the financial statements for the year ending 31 December 2023.

### Resolution 30

***(Reappointment of Astrid Anciaux as a Director)***

The shareholders at the General Meeting, having examined the Report of the Board of Directors, agree to reappoint Astrid Anciaux as a Director for a term of two years, in accordance with Article 14 of the Company's Articles of Association as amended by Resolution 24 approved at this General Meeting, expiring at the close of the General Meeting convened to approve the financial statements for the year ending 31 December 2019.

## Resolution 31

***(Reappointment of Éric Hayat as a Director)***

The shareholders at the General Meeting, having examined the Report of the Board of Directors, agree to reappoint Éric Hayat as a Director for a term of six years, in accordance with Article 14 of the Company's Articles of Association as amended by Resolution 24 approved at this General Meeting, expiring at the close of the General Meeting convened to approve the financial statements for the year ending 31 December 2023.

## Resolution 32

***(Reappointment of Solfrid Skilbrigt as a Director)***

The shareholders at the General Meeting, having examined the Report of the Board of Directors, agree to reappoint Solfrid Skilbrigt as a Director for a term of two years, in accordance with Article 14 of the Company's Articles of Association as amended by Resolution 24 approved at this General Meeting, expiring at the close of the General Meeting convened to approve the financial statements for the year ending 31 December 2019.

## Resolution 33

***(Reappointment of Jean-Luc Placet as a Director)***

The shareholders at the General Meeting, having examined the Report of the Board of Directors, agree to reappoint Jean-Luc Placet as a Director for a term of four years, in accordance with Article 14 of the Company's Articles of Association as amended by Resolution 24 approved at this General Meeting, expiring at the close of the General Meeting convened to approve the financial statements for the year ending 31 December 2021.

## Resolution 34

***(Reappointment of Sylvie Rémond as a Director)***

The shareholders at the General Meeting, having examined the Report of the Board of Directors, agree to reappoint Sylvie Rémond as a Director for a term of two years, in accordance with Article 14 of the Company's Articles of Association as amended by Resolution 24 approved at this General Meeting, expiring at the close of the General Meeting convened to approve the financial statements for the year ending 31 December 2019.

## Resolution 35

***(Reappointment of Marie-Hélène Rigal-Drogerys as a Director)***

The shareholders at the General Meeting, having examined the Report of the Board of Directors, agree to reappoint Marie-Hélène Rigal-Drogerys as a Director for a term of six years, in accordance with Article 14 of the Company's Articles of Association as amended by Resolution 24 approved at this General Meeting, expiring at the close of the General Meeting convened to approve the financial statements for the year ending 31 December 2023.

## Resolution 36

***(Reappointment of Jean-François Sammarcelli as a Director)***

The shareholders at the General Meeting, having examined the Report of the Board of Directors, agree to reappoint Jean-François Sammarcelli as a Director for a term of four years, in accordance with Article 14 of the Company's Articles of Association as amended by Resolution 24 approved at this General Meeting, expiring at the close of the General Meeting convened to approve the financial statements for the year ending 31 December 2021.

## Resolution 37

***(Reappointment of Jessica Scale as a Director)***

The shareholders at the General Meeting, having examined the Report of the Board of Directors, agree to reappoint Jessica Scale as a Director for a term of two years, in accordance with Article 14 of the Company's Articles of Association as amended by Resolution 24 approved at this General Meeting, expiring at the close of the General Meeting convened to approve the financial statements for the year ending 31 December 2019.

## Resolution 38

***(Appointment of Javier Monzón as a new Director)***

The shareholders at the General Meeting, having examined the Report of the Board of Directors, agree to appoint Javier Monzón as a new Director for a term of four years, in accordance with Article 14 of the Company's Articles of Association as amended by Resolution 24 approved at this General Meeting, expiring at the close of the General Meeting convened to approve the financial statements for the year ending 31 December 2021.

## Resolution 39

***(Appointment of Michael Gollner as a new Director)***

The shareholders at the General Meeting, having examined the Report of the Board of Directors, agree to appoint Michael Gollner as a new Director for a term of four years, in accordance with Article 14 of the Company's Articles of Association as amended by Resolution 24 approved at this General Meeting, expiring at the close of the General Meeting convened to approve the financial statements for the year ending 31 December 2021.

## Resolution 40

***(Powers granted to carry out all legal formalities)***

The shareholders at the General Meeting give all powers to the bearer of an original or copy of the minutes of this Meeting to carry out all legally required formalities.

# 3. Special reports of the Board of Directors

## SPECIAL REPORT OF THE BOARD OF DIRECTORS ON FREE SHARE ALLOTMENTS – FINANCIAL YEAR ENDED 31 DECEMBER 2017

In accordance with the provisions of Article L. 225-197-4 of the French Commercial Code, we are pleased to present our report on transactions carried out pursuant to the provisions of Articles L. 225-197-1 to L. 225-197-3 of the aforementioned Code relating to allotments of free shares.

### 1) Allotments of free shares in 2017

You are reminded that Resolution 25 of the Extraordinary General Meeting of 22 June 2016 authorised the Board of Directors to proceed with allotments of free shares to employees and officers of the Company or the Group to which it belongs, under the following terms and conditions:

- recipients: employees and/or eligible company officers (as defined in Article L. 225-197-1-II of the French Commercial Code) of the Company or of any related companies as defined in Article L. 225-197-2 of the French Commercial Code, or certain categories of such individuals;
- maximum number of shares: the maximum number of shares shall not exceed 3% of the share capital at the date of the award decision, with a sub-limit of 5% of that 3% limit for awards to executive officers of the Company, it being understood that this 3% limit is an overall limit covering all issues to employees and company officers for which authorisation is given to the Board;
- validity of the authorisation: 38 months, i.e. until 22 August 2019. This authorisation supersedes the previous one having the same purpose.

Under this authorisation, the Board of Directors agreed to award, under the terms of decisions dated 24 February 2017 and 25 October 2017, 109,000 free performance shares to certain employees and officers of the company and related companies, as defined in Article L. 225-197-2 of the French Commercial Code, designated by it. This award is subject to continued employment and performance conditions based on three performance criteria (organic revenue growth, operating profit on business activity expressed as a proportion of revenue, and free cash flow) assessed in respect of financial years 2017, 2018 and 2019.

Under this plan, 3,000 rights to free performance shares were awarded to an executive officer of the Company (Vincent Paris, Chief Executive Officer).

### 2) Vesting of free shares in 2017

The following decisions were made by the Chief Executive Officer, acting on the authority of the Board of Directors:

- decision of the Chief Executive Officer of 18 September 2017 making use of the authorisation given by the Board of Directors on 27 July 2017 to vest free shares under the free performance share plan put in place by Steria Group on 17 September 2013: vesting of 5,856 free shares with a par value of €1 each to 42 non-French recipients, by creating new shares and increasing the share capital by €5,856, charged to reserves;
- decision of the Chief Executive Officer of 16 October 2017 making use of the authorisation given by the Board of Directors on 27 July 2017 to vest free shares under the free performance share plan put in place by Steria Group on 15 October 2014: vesting of 5,050 free shares with a par value of €1 each to 18 French recipients, by creating new shares and increasing the share capital by €5,050, charged to reserves.

It should be noted that performance shares did not vest to any officer of the Company in connection with his or her corporate office.

The number of free performance shares vested by the Company in 2017 to the ten employees, other than company officers, to whom the most free shares were awarded, is as follows:

| | Number of shares | Unit value (market price at grant date) |
|---|---|---|
| Steria plan of 17 September 2013 | 3,496 | €159.40 |
| Steria plan of 15 October 2014 | 3,525 | €159.30 |

## SPECIAL REPORT OF THE BOARD OF DIRECTORS ON ALLOTMENTS OF SHARE SUBSCRIPTION AND/OR PURCHASE OPTIONS - FINANCIAL YEAR ENDED 31 DECEMBER 2017

In accordance with the provisions of Article L. 225-184 of the French Commercial Code, we are pleased to present our report on transactions undertaken pursuant to the provisions of Articles L. 225-177 to L. 225-186 of the aforementioned Code relating to share subscription and/or purchase options.

### 1) Options allotted in 2017

You are reminded that Resolution 24 of the Extraordinary General Meeting of 22 June 2016 authorised the Board of Directors to proceed with allotments of options to subscribe for and/or purchase shares in the Company to employees and officers of the Company or the Group to which it belongs, under the following terms and conditions:

- recipients: employees and/or officers of the Company or of any related companies or groups as defined in Article L. 225-180 of the French Commercial Code;
- maximum number of shares: the maximum number of shares to which these options would give access shall not exceed 3% of the share capital at the date of the grant decision, it being specified that:
  - this 3% limit is an overall limit applicable to all shares issued to employees and company officers for which authorisation is given to the Board,
  - company officers may not receive more than 20% of all options issued by the Board of Directors;
- subscription/purchase price: the subscription price is set at the average of the listed share price over the 20 trading days preceding the grant decision; the purchase price shall not be less than 80% of the average purchase price of treasury shares held by the Company;
- validity of the plan: 8 years maximum;
- validity of the authorisation: 38 months, i.e. until 22 August 2019. This authorisation supersedes the previous one having the same purpose.

No share subscription or purchase options were granted in 2017 by the Company, by any related companies as laid down in Article L. 225-180 of the French Commercial Code or by any controlled companies as defined in Article L. 233-16 of the aforementioned Code.

### 2) Share subscription options exercised in 2017

#### 2.1) Options exercised in 2017 by officers of the Company

No shares were subscribed for or purchased by officers of the Company in 2017 via the exercise of options granted by the Company, by any related companies as laid down in Article L. 225-180 of the French Commercial Code or by any controlled companies as defined in Article L. 233-16 of the aforementioned Code.

#### 2.2) Options exercised in 2017 by employees of the Company

In 2017, 5,000 share subscription options were exercised, resulting in subscriptions for 5,000 newly issued shares for a total amount of €216,100.00, giving an average subscription price of €43.22 per share, resulting in a €5,000 increase in the share capital and an issue premium of €211,100.00.

No shares were subscribed for or purchased by employees who were not officers of the Company in 2017 via the exercise of options granted by related companies or groups as laid down in Article L. 225-180 of the French Commercial Code.

The Board of Directors

# Statement by the person responsible for the Registration Document

I declare, having taken all reasonable care to ensure that such is the case, that the information contained in this Registration Document is, to the best of my knowledge, in accordance with the facts and contains no omission likely to affect its import.

I hereby declare that, to the best of my knowledge, the financial statements have been prepared in accordance with applicable accounting standards and provide a true and fair view of the assets, liabilities, financial position and results of operations of the parent company and of all entities included in the scope of consolidation. Relevant information in the Management Report, detailed in the cross-reference table on pages 296 and 297 entitled "Information regarding the Management Report", provides a true and fair presentation of the development of the businesses, results of operations and financial positions of the parent company and of all entities included in the scope of consolidation, as well as a description of the main risks and uncertainties to which these companies are exposed.

I have obtained a letter from the Statutory Auditors certifying that they have verified, in accordance with professional standards and doctrine applicable in France, the financial and accounting information provided in this Registration Document and that they have read the document as a whole.

The reports of the Statutory Auditors on the consolidated and individual company financial statements for the year ended 31 December 2017 provided in this Registration Document are included on pages 212 and 241, respectively.

Historical financial information for 2015 and 2016 is included in this Registration Document, excerpted from pages 117 to 218 of the 2015 Registration Document and pages 143 to 243 of the 2016 Registration Document, respectively. The reports of the Statutory Auditors on this historical financial information are included on page 185 of the 2015 Registration Document and on page 212 of the 2016 Registration Document.

Paris, 12 April 2018

**Vincent Paris**

**Chief Executive Officer**

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# Glossary

## Acronyms

- API: Application programming interface
- BPS: Business process services
- CNIL: *Commission nationale de l'informatique et des libertés*/French data protection authority
- COP21: 2015 Paris climate change conference
- DLP: Data loss prevention
- DRM: Digital rights management
- GAFA: Google, Apple, Facebook, Amazon
- GDPR: General Data Protection Regulation
- LPM: *Loi programmation militaire*/Act on Military Programming (Act no. 2013-1168 of 18 December 2013)
- NIS: Network information system
- PaaS: Platform as a service
- PLM: Product lifecycle management
- SaaS: Software as a service
- SOC: Security operations centre
- UX: User experience

## Alternative performance indicators

- **Restated revenue:** revenue for the prior year, expressed on the basis of the scope and exchange rates for the current year.
- **Organic revenue growth:** increase in revenue between the period under review and restated revenue for the same period in the prior financial year.
- **EBITDA:** this measure is equal to consolidated operating profit on business activity, adding back depreciation and amortisation and current provisions (excluding allocated intangible assets).
- **Operating profit on business activity:** this measure is equal to profit from recurring operations adjusted to exclude the expense relating to the cost of services rendered by the grantees of stock options and free shares and additions to amortisation of allocated intangible assets.
- **Profit from recurring operations:** this measure is equal to operating profit before other operating income and expenses, which includes any particularly significant items of operating income and expenses that are unusual, abnormal, infrequent or not predictive, presented separately to give a clearer picture of performance based on ordinary activities.
- **Recurring net earnings per share:** this measure is equal to basic net earnings per share before taking into account other operating income and expenses net of tax.
- **Free cash flow:** defined as net cash from operating activities (as described in the consolidated cash flow statement), less investments (net of disposals) in tangible and intangible fixed assets, adjusted for net interest and less additional contributions to address any deficits in defined-benefit pension plans.

## Corporate responsibility

- **Sustainable Development Goals (SDGs) defined by the United Nations:** The Sustainable Development Goals (SDGs) defined by the United Nations are 17 global goals that States undertake to achieve over the next 15 years (2015-2030). They cover a many different areas, from protecting the planet to building a more peaceful world and ensuring that everyone can live in security and dignity. These goals are part of a development programme to prioritize support for the most vulnerable, especially children and women.

  https://data.unicef.org/children-sustainable-development-goals
- **Materiality matrix:** The materiality analysis helps identify and prioritize the most relevant issues for the company and its stakeholders, and is presented in the form of a matrix, which plots the priorities according to their importance for the Company (x-axis) and for their stakeholders (y-axis).
- **Materiality:** The degree of materiality determined reflects how the issue is able to influence the Company's strategy, reputation, or financial health.
- **Greenhouse gas (GHG):** Greenhouse gases are gaseous components that absorb infrared radiation emitted from the earth's surface and contribute to the greenhouse effect. The increase in their concentration in the Earth's atmosphere is one of the factors causing global warming.
- **Science Based Targets initiative (SBTi):** Science Based Targets initiative is an internationally recognised initiative offering mathematical models for identifying the environmental footprint of activities so as to be able to set ambitious greenhouse gas emissions reduction targets.
- **Colibry (COlLaboratIve moBility gets RealitY):** a platform for developing innovative, operational solutions that respond to the urban mobility challenges faced by smart cities, businesses and citizens.
- **Demeter:** stands for *Démonstrateur des EngageMEnts TErritoriaux pour la Réduction des émissions* – "Regional emissions reduction commitments demonstrator"

- **COMMUTE (Collaborative Mobility Management for Urban Traffic and Emission reduction):** the Commute project aims to implement a collaborative management system for employee mobility to help relieve urban traffic congestion.
- **CDP:** a not-for-profit charity that runs the global disclosure system for investors, companies, cities, countries and regions to manage their environmental impacts.
- **Task Force for Climate-related Financial Disclosure (TCFD):** a task force focused on financial information related to the climate, created as part of the G20 Financial Stability Board. It is one of the most important developments in the area of climate reporting by businesses.
- **Climate Disclosure Standards Board (CDSB):** the Climate Disclosure Standards Board (CDSB) is an international consortium of businesses and environmental NGOs that works in particular with the TCFD on these issues.
- **Scope 1 (of the GHG Protocol):** covers direct greenhouse gas emissions arising from the combustion of fossil fuels (heating oil, diesel, biodiesel and gas) and the escape of coolants from air conditioning systems in offices and on-site datacentres.
- **Scope 2 (of the GHG Protocol):** covers indirect greenhouse gas emissions associated with consumption of grid electricity and district heating in offices and on-site datacentres.
- **Scope 3 (of the GHG Protocol):** covers indirect greenhouse gas emissions associated with consumption of mains power in off-site datacentres and business travel.
- **Location-based:** a method for calculating greenhouse gas emissions based on emissions factors for the geographical regions covered.
- **Market-based:** a method for calculating greenhouse gas emissions based on emissions factors specific to the energy source used.

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