REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

A. ORGANIZATION OF THE WORK OF THE BOARD AND THE SPECIALIZED COMMITTEES

Cap Gemini is a French joint-stock corporation (*société anonyme*), whose Board of Directors decided on July 24, 2002, based on a recommendation put forward on the initiative of the then Chairman and Chief Executive Officer, Serge Kampf, to separate the functions of Chairman and Chief Executive Officer further to the authorization granted to the Board by the General Shareholders' Meeting of April 25, 2002 and within the scope of the New Economic Regulations law (NRE).

A.1 The Board of Directors

The Board of Directors currently comprises 11 members:

- two of these directors, **Daniel Bernard and Thierry de Montbrial**, were appointed at the General Shareholders' Meeting of May 12, 2005,
- nine were reappointed at the General Shareholders' Meeting of May 11, 2006. The directors in question are:

  - **Yann Delabrière**
  - **Jean-René Fourtou**
  - **Paul Hermelin**
  - **Michel Jalabert**
  - **Serge Kampf**
  - **Phil Laskawy**
  - **Ruud van Ommeren**
  - **Terry Ozan**
  - **Bruno Roger**

The Shareholders' Meeting of May 11, 2006 also decided, in response to the proposal of the Board of Directors, to reduce the term of office of directors of the Company from six years to four years (applicable with immediate effect to current terms of office). The terms of office of the two directors appointed in 2005 will expire at the General Shareholders' Meeting called in the first-half of 2009 to approve the 2008 financial statements, and the terms of office of the nine directors reappointed in 2006 will expire at the General Shareholders' Meeting called in the first-half of 2010 to approve the 2009 financial statements. The average age of the 11 directors will then be 68 (it is currently 66) and three directors will be over 75. All outgoing Board members will be eligible for reelection. However, article 11, paragraph 4 of the Company's bylaws stipulates that not more than one-third of directors in office may be over 75 (rounded up to the nearest whole number if appropriate).

The principal role of the Board of Directors is to determine the key strategies of the Company and its subsidiaries, and to ensure that these strategies are implemented. The Board places particular emphasis on managing the Group's 85,000 employees and thousands of managers, reflecting Cap Gemini's business as a service provider. The Board meets at least six times a year. Meetings are convened by the Chairman in accordance with a timetable decided by the Board at the end of the previous year. However, this timetable may be amended during the year in response to unforeseen circumstances or at the request of more than one director. In 2007, the Board met six times, including one Board meeting convened in India where the Group employed approximately 17,000 people in 2006. This represented a total of 66 theoretical attendances for all directors combined; there were only four absences, giving an overall attendance rate of 94%.

These meetings last on average three hours. Approximately ten days before the meetings, each director is sent:

- a detailed agenda which has been approved by the Chairman in consultation with those directors who have submitted items for inclusion on the agenda and the members of Group Management responsible for preparing documentation concerning the items to be discussed;
- and, if the agenda includes items requiring specific analysis or prior consideration, supporting documentation prepared by members of Group Management, supplying detailed, relevant information to the directors in order that they may prepare their deliberations, provided that the transmission of this documentation carries no risk that sensitive information, or any information that should remain confidential prior to the Board meeting, is disclosed to anyone but the Board members;
- a summary report comparing the performance of the Cap Gemini share to that of various general and sector indexes and that of its main competitors; and
- a table giving a breakdown of the last known consensus.

For a number of years, the Company's Board of Directors has applied the main corporate governance guidelines now recommended as best practice. In particular, the Board has:

- prepared, adopted, amended and applied highly detailed internal rules of operation (see section A.3);
- set up four specialized Board committees – the Audit Committee, the Selection & Compensation Committee, the Ethics & Governance Committee and the Strategy & Investments Committee, each with a clearly defined role (see section A.4);
- indexed all attendance fees payable to directors (including non-voting directors) to attendance at Board and committee meetings (see section A.5);
- periodically reviewed the personal situations of each director in light of the definition of independence provided under French corporate governance guidelines (a director is independent when he/she has no relationship of any sort with the Company,

the Group or its Management, that is likely to impair his or her judgment) and the numerous criteria applied in the different countries in which the Group operates. Based on the aforementioned reviews, seven out of the eleven Board directors (64%) qualify as «independent» under French corporate governance guidelines: Daniel Bernard, Yann Delabrière, Jean-René Fourtou, Michel Jalabert, Phil Laskawy, Thierry de Montbrial and Ruud van Ommeren.

The Board has also implemented a self-assessment procedure. This involved commissioning one of the three non-voting directors (Pierre Hessler) to prepare and send a detailed questionnaire to each director about the composition, operation and efficiency of the Board and its committees. The completed questionnaires were then collated and analyzed and a summary presentation was submitted to the Board of Directors for discussion. The questionnaire was divided into the following three main sections:

- an overall assessment of the 11 directors themselves: competence, availability, contribution to deliberations, complementarity, assiduity, solidarity, independence, prestige, etc.
- individual directors' opinions of Board meetings: number, length and period of notice of meetings, pertinence of the agenda, quality of information, dialogue with Management, discussions between directors, decisions made and strategic options chosen, as well as the quality of the minutes taken; and an assessment of the level of influence that the Board has – or should have – on the decisions taken by Management as well as the impact of committee recommendations on Board decisions, etc.
- finally, a certain number of miscellaneous issues relating, for example, to the conditions for possible changes in the composition of the Board and/or its committees or to changing the terms of reference of the four specialized committees.

A summary of the responses to this questionnaire was discussed at length during one of the Board's meetings and proposed improvements have been implemented. A fresh review of the operation of the Board and its committees and the quality of their work has been scheduled for 2008.

A.2 Non-voting directors

The Board of Directors is assisted by three non-voting directors:

- two of these non-voting directors are former directors who were appointed as non-voting directors in July 2002: **Pierre Hessler**, who replaced Phil Laskawy after Mr. Laskawy was appointed a director; and **Geoff Unwin**, replacing Chris van Breugel, who resigned as a non-voting director. The terms of office of these two non-voting directors were renewed at the General Shareholders' Meeting of May 11, 2006 which also decided, in response to the proposal of the Board of Directors, to reduce the term of office of non-voting directors of the Company from six years to two years. The terms of office of Pierre Hessler and Geoff Unwin will therefore expire at the forthcoming General Shareholders' Meeting.
- the third non-voting director, **Marcel Roulet**, was appointed as a non-voting director at the General Shareholders' Meeting of May 12, 2005 and his term of office, which was renewed for an additional two-year period by the 2007 General Shareholders' Meeting, will expire at the General Shareholders' Meeting called in the spring of 2009 to approve the 2008 financial statements.

All three non-voting directors attended all of the Board meetings held in 2007 (a combined total of 18 attendances).

A.3 Internal rules of operation

As provided for in article 16 of the Company's bylaws, internal rules of operation were drafted, discussed and adopted by the Board of Directors on July 24, 2002. This decision followed the resolution approved by the General Shareholders' Meeting of April 25, 2002, which authorized the separation of the functions of Chairman and Chief Executive Officer. On July 26, 2006, the Board made certain modifications and additions to the internal rules of operation, notably:

- the possibility of holding Board meetings using video conference or telecommunications facilities;
- the requirement for directors and non-voting directors to inform the French stock market authority (*Autorité des marchés financiers*), and the Company itself, of any transactions they may have carried out personally involving the Company's shares within five trading days of the execution of such transactions;
- an update to the rules governing share trading: notwithstanding the legal and regulatory provisions concerning insider trading, directors and non-voting directors must abstain from any direct, indirect or derivative transaction involving the Company's shares for a period of 15 trading days prior to the announcement of the Company's interim and full-year results, and for one trading day following such announcements; and
- a number of additional specifications to the general code of ethics.

These amended internal rules of operation:

- set out or provide additional details concerning the bases for exercising the various powers entrusted to the Board of Directors, the four specialized committees created by the Board, the Chairman and the Chief Executive Officer; As regards the role and powers of the Chief Executive Officer, the internal rules of operation stipulate that he must seek and obtain prior approval from the Board of Directors – or from its Chairman acting under delegated powers – for any decision which is of major strategic importance or which is liable to have a material effect on the financial position or commitments of the Company or on one of its principal subsidiaries. This applies in particular to:
  - the approval and updating of the three-year plan based on the strategy approved by the Board;
  - the contracting of strategic alliances;
  - significant changes to the structure of the Group or to its range of business activities;
  - significant internal restructuring operations;
  - financial transactions with a material impact – or a potential material impact – on the financial statements of the Company or the Group (in particular the issuance of shares or share equivalents);
  - acquisitions or disposals of assets individually worth more than €50 million;
  - increases or reductions in the capital of a major subsidiary;
  - specific authorizations concerning the granting of pledges, security and guarantees.
- list the main obligations under the code of ethics with which directors and non-voting directors of Cap Gemini S.A. undertake to comply throughout their term of office concerning, inter alia, the rules governing securities transactions.

A.4 Board committees

Almost eight years ago, following a recommendation by its Chairman, the Board of Directors decided on May 23, 2000 to set up three specialized committees (an Audit Committee, a Selection & Compensation Committee and a Strategy & Investments Committee). Each committee is tasked with studying in depth certain specific matters as well as reviewing and preparing the corresponding Board discussions, submitting proposals to the Board, and providing advice and recommendations to the Board on decisions taken. The initial appointment of directors and non-voting directors to these committees was decided by the Board of Directors at its meeting of September 13, 2000. Each committee elected its own chairman and has specific internal rules of operation that define its roles and responsibilities.

Following the appointment on May 12, 2005 of two new directors (Daniel Bernard and Thierry de Montbrial) and a new non-voting director (Marcel Roulet), on July 27, 2005 the Board of Directors decided, again on the initiative of the Chairman, to appoint a non-voting director and three or four directors to each of the three committees. The Chairman of the Board of Directors did not wish to be appointed to any of the three committees and allowed the committee Chairman to invite him to attend their various committee meetings at their discretion. At its meeting of July 26, 2006, the Board decided to set up a fourth committee called the Ethics & Governance Committee, whose terms of reference include Group corporate governance – previously included in the brief of the Selection & Compensation Committee. Serge Kampf was appointed to chair this new committee. The Board consequently adopted the new composition of the four committees as presented below. Lastly, at its meeting of February 14, 2007, the Board of Directors approved the internal rules of operation for each of the four committees. This consisted of an update to the rules already applying to the existing committees as well as a new set of internal rules of operation for the Ethics & Governance Committee.

These committees are tasked with reviewing and preparing Board discussions on specific matters that are subsequently discussed at full Board meetings in line with the Board's principle of collegiate responsibility. The committees should under no circumstances usurp the power of the Board which has sole decision-making power, nor undermine the collegiate solidarity of the Board of Directors which remains collectively responsible for the duties entrusted to them by law and by the General Shareholders' Meeting.

4.a Audit Committee

This committee assesses the appropriateness and the consistency of the accounting policies and methods used in the preparation of the full-year and interim financial statements, and checks the internal reporting and control procedures used to ensure the accuracy of financial information. The committee also assesses the various engagements conducted by the Statutory Auditors and gives its opinion on whether they should be reappointed.

The composition of this committee is currently as follows:

- Three directors: **Yann Delabrière** (Chairman), **Michel Jalabert and Phil Laskawy**
- One non-voting director: **Marcel Roulet**

This committee met six times in 2007, with an attendance rate of 92% (22 out of 24 attendances). At the beginning of 2007, it reviewed the financial statements of the Group and the parent company for the year ended December 31, 2006 as well as the accounting treatment of significant events that took place during that year. In the middle of the year, the Committee reviewed the Group's interim financial statements at June 30, 2007 and also focused on provisions set aside on certain major accounts and the process of integrating Kanbay into the Group. It also interviewed:

- Philippe Christelle, Internal Audit Director, on working methods, terms of reference and the findings of work carried out;
- François Hucher, Production and Quality Director, on operations and developments at production centers and the role of the «flying squads» who perform audits on risk-sensitive projects;
- Lucia Sinapi-Thomas, Corporate Finance and Risk Management Director, on risk management in the pre-sale phase of major commercial proposals, potential strategic partnership arrangements, framework client or supplier contracts with certain specific characteristics, etc. The Committee also held a special meeting at which it interviewed the Statutory Auditors and was briefed on a number of technical accounting issues that require improvement, and on recommendations for further enhancing the efficiency of the Group's control procedures. Finally, the Committee reviewed the conditions for renewing the terms of office of the two Statutory Auditors (PricewaterhouseCoopers and KPMG) which expire on April 17, 2008 and submitted recommendations to the Board on this matter.

4.b Selection & Compensation Committee

This Committee is tasked with monitoring the human resources policies applied by Group companies to executive managerial posts (executive selection, changes in theoretical and actual compensation policy, setting objectives to determine the variable portion of compensation, stock option allocation criteria, career and succession planning, etc.) and making sure that these policies are both consistent – while complying with particular local requirements – and closely aligned with individual and collective performances in the Business Unit to which the manager concerned belongs. It is consulted prior to any decisions concerning the appointment or replacement of Executive Committee members and strategic Business Unit managers. The committee drafts and presents recommendations to the Board concerning the proposals made by the Chief Executive Officer in relation to the fixed and variable compensation of executive managers, the Chairman's proposals on the compensation and performance assessment of the Chief Executive Officer, and its own proposals on the compensation and performance assessment of the Chairman. The committee also reviews the various types of employee incentive schemes (stock options, Group savings schemes, etc.) and submits proposals on this issue to the Board of Directors.

The composition of this committee is currently as follows:

- Four directors: **Ruud van Ommeren** (Chairman), **Michel Jalabert, Thierry de Montbrial and Terry Ozan**
- One non-voting director: **Pierre Hessler**

This committee met seven times in 2007, with an attendance rate of 91% (32 out of 35 attendances).

Besides matters relating to the general compensation policy applied by the Group in 2007, the committee reviewed compensation paid in 2006 (setting the variable portion) and 2007 (revising the fixed portion and setting individual objectives used at year-end to calculate the variable portion) to the Chairman of the Board of Directors, the Chief Executive Officer and the Group's key senior executives, for whom half of the variable portion of executive compensation is based on the percentage of attainment of quantified objectives set out in the Group budgets (consolidated revenues, operating income, cost of corporate functions, etc.), and the other half on the degree to which a certain number of personal objectives have been achieved.

The committee reviewed, and occasionally modified or completed, and submitted for final approval by the Board of Directors, the list of the beneficiaries of the 2,332,500 stock options granted on April 1, 2007 and October 1, 2007 to 893 Group employees. It recommended to the Board, above and beyond regulatory requirements, that the granting of stock options at October 1, 2007 to members of the Group Management Board be accompanied by a requirement that the grantees retain in their possession 20% of the share options exercised in registered form for a four-year period beginning on October 1, 2011. The Board of Directors accepted this proposal.

As in previous years, the committee interviewed the directors of the Group's strategic Business Units, who presented the key members of their management teams and their three-year business plans as well as programmed and emergency succession plan options.

Lastly, the committee reviewed the various share-based compensation plans that might be made accessible to all Capgemini Group employees (stock options exercisable on the basis of collective or individual performance, performance-based bonus share issues, regular equity warrants and equity warrants reserved for certain categories of employees or managers, multinational share-based compensation schemes, etc.). It presented its findings and recommendations on this matter at the first meeting of the Board of Directors held in 2008.

4.c Ethics & Governance Committee

This committee is tasked with verifying that the Group's seven core values are correctly applied and adhered to, defended and promoted by the Group's corporate officers, senior management and employees in all of its activities and in all subsidiaries under its control, in all internal and external communications – including advertising – and in all other acts undertaken in the Group's name. It is also briefed with overseeing the application of best corporate governance practice within Cap Gemini S.A.. The Ethics & Governance Committee is responsible for all matters relating to the selection, evaluation, independence and compensation of directors and non-voting directors, validating and updating succession plans put forward for the Group's senior management – including the Chairman and the Chief Executive Officer – and proposing to the Board of Directors any changes it considers relevant to its operations and composition (co-opting new directors, limiting their number, etc.) or to the corporate governance rules currently in force within the Group (for example, switching back to a traditional legal form combining the functions of Chairman and Chief Executive Officer, etc.).

The Ethics & Governance Committee currently comprises five directors: **Serge Kampf** (Chairman), **Daniel Bernard, Paul Hermelin, Phil Laskawy and Bruno Roger** (no non-voting directors currently sit on this committee). The committee met three times in 2007, with an attendance rate of 87% (13 out of 15 attendances): It reviewed the various corporate governance scenarios open to the Group without issuing any specific recommendations, and proposed that in the second half of 2007 the Board should discard the formula for allocating attendance fees adopted on July 26, 2006. This proposal was not accepted by the Board (see section A.5 below). It also debated several matters concerning the ethical considerations that guide all actions undertaken by the Group and interviewed Philippe Christelle, the Internal Audit Director, who presented a special report dealing with the ethical framework in which the Group operates, incentive and control procedures as well as the scope of the Internal Audit Department in this area. The committee also heard a presentation from the Group's General Secretary, Alain Donzeaud, on Corporate Social Responsibility which covers the following areas: measuring and enhancing employee relations throughout the Company; procedures implemented to check on compliance with ethical rules and behavior by Group managers (with suggestions concerning whistleblowing measures that have been partially adopted by the committee); and the impact that Corporate Social Responsibility has – or could have – on the Group's businesses, on the current chain of command and on its medium- and long-term development prospects, etc.

4.d Strategy & Investments Committee

This committee reviews and recommends or prioritizes the various strategic options that the Group may adopt to ensure its continued growth, profitability and independence; calibrates the investment required to implement each of these possible strategies; ensures that it has the necessary resources to oversee the subsequent implementation by Management of the strategy decided by the Board of Directors; assesses potential or strategically important alliances or acquisitions; and more generally, deliberates on any issue considered relevant to the Group's future and to guaranteeing operating and financial stability. The composition of this committee is currently as follows:

- Five directors: **René Fourtou** (Chairman), **Daniel Bernard, Paul Hermelin, Thierry de Montbrial and Bruno Roger**
- One non-voting director: **Geoff Unwin**

This committee met three times in 2007, with an attendance rate of 94% (17 out of 18 attendances). It devoted the bulk of its time to preparing, analyzing and following up on a summary document sent to each director which:

- recaps the six major strategic decisions taken between 2002 and 2006: organizing the Group around four disciplines (Consulting Services, Technology Services, Outsourcing Services and Local Professional Services); boosting the share of Outsourcing Services in the business mix; expanding market share in the Business Process Outsourcing sector; strengthening Local Professional Services (reflected in the acquisition of Transiciel); continuing as a worldwide player and resisting any temptation to pull out of the North American market; and developing and rolling out an offshore industrial production model;
- provides information on short- and long-term trends in our markets and changes in our competitors' positions;
- analyzes the key challenges facing our Group: these are split into structural challenges affecting the Group's operational organization and cyclical challenges that need to be dealt with by means of objectives and action plans; and
- offers a series of pointers concerning acquisition-led growth.

The committee sought out the opinion and reservations of each director individually concerning the aforementioned document. Based on an analysis of this feedback it was able to update and flesh out the original document and report back to the Board with a number of suggestions.

During 2007, the committee also carried out in-depth analyses of a number of potential acquisitions and defined the Group's bargaining position in the event that it enters into negotiations.

A.5 Compensation of directors

In partial consideration of the directors' increasing workload and responsibilities, and for the time spent preparing for and actively participating in Board and committee meetings, the Company was authorized by the General Shareholders' Meeting of May 11, 2006 to pay attendance fees to directors within an overall ceiling of €700,000 per year. In July 2006, further to the Selection & Compensation Committee's proposal, the Board of Directors decided to implement a new formula for allocating attendance fees based on the following principles:

- the elimination of the fixed portion that was attributed based on position as director, non-voting director or committee member (except for the chairmen of the specialized committees and the Chairman of the Board of Directors, who continue to receive a fixed fee of €20,000 per annum in view of their special responsibilities and the heavy workload required to discharge their duties);
- the payment of a standard fee of €3,000 per attendance at official meetings of the Board or one of the four specialized committees. This fixed fee may be adjusted downwards in the event that as a result of circumstances, an exceptional number of meetings leads aggregate attendance fees to exceed the €700,000 threshold;
- the payment of attendance fees twice yearly on June 30 and December 31, as opposed to once per annum as was previously the case.

A number of ideas were put forward at the Board of Directors' meeting of February 14, 2007. As compensation for directors and non-voting directors now lies within the remit of the Ethics & Governance Committee, the Board tasked that committee with analyzing the appropriateness of this formula for allocating attendance fees. At its meeting of June 13, 2007, the committee debated this issue at length and considered a number of possible amendments to the basis of allocation. Finally, it proposed an alternative formula that (i) reintroduced an annual fixed portion calculated differently for voting and non-voting directors; (ii) limited the number of meetings of each specialized committee to four per year (barring exceptional circumstances); and (iii) provided for a per meeting fee – uprated by 50% for members of the Audit Committee. The Board of Directors considered this proposal at its meeting of July 26, 2007 and opted to stick with the formula it had approved in July 2006. In accordance with said formula, the total amount of attendance fees paid to directors and non-voting directors in respect of 2007 amounted to €592,000 (€323,000 for the first half of the year, and €269,000 for the second half), i.e., 85% of the maximum authorized ceiling.

B. INTERNAL CONTROL PROCEDURES IMPLEMENTED

The main events in 2007 were the rolling out of the Group's global strategic plan, known as «I^3» (Industrialization, Innovation, Intimacy), and the ongoing implementation of the program to transform the finance function (the "Green Project").

Within the scope of the "Industrialization" phase of the I^3 strategic plan, which is aimed at improving the management of the increasing proportion of our services delivered from delocalized production centers (mainly in India), the Group has devised and begun to implement a new operating structure. Production center teams are now fully integrated into the same structure as our "onshore" teams, particularly as regards performance measurement. By providing global project coordination, this new operating model delivers better estimates of business development budgets, and more effective resource allocation, project tracking procedures and risk assessment.

As regards the Green Project, the following actions were implemented in 2007:

- the Group's main accounting principles and methods, as well as key requirements with regard to internal control were set out in a manual entitled "TransFORM" and sent to all operating managers, project leaders, sales staff and other non-financial managers to ensure that the Group's accounting rules and obligations are known and understood right across the Group.

This information forms the basis for one of the modules taught at Capgemini University, and may also be consulted on the intranet via e-learning tools.

- transfer of part of the accounting function of our US subsidiary to a shared service center located in India, mirroring similar steps taken for the UK accounting function in 2006, and part of the French and Dutch accounting functions which were transferred to another shared services center in Krakow, Poland in 2005 and 2006;
- roll out of the single integrated management system in several Group subsidiaries (notably, Sogeti in Spain, Belgium and Luxembourg). The system has gradually been deployed across the Group on a country-by-country basis since 2005 and comprises key functional components, including procurement management;
- completion of the program aimed at shortening accounts closing deadlines launched at the end of 2005 and successfully implemented for the June 30, 2007, and the full-year 2007 accounts closing.

B.1 Objectives and principles of Group internal control procedures

Cap Gemini's internal control procedures are designed to create a general internal control environment that is tailored to the Group's specific business activities.

As defined by the committee set up by the French stock market authority to devise a blueprint for internal control in French companies subject to the requirements of the Financial Security law, internal control is a process that is developed and implemented by the Group with a view to ensuring:

- compliance with relevant laws and regulations;
- respect for the Group's core values and guidelines set out by Group Management;
- the correct application of instructions;
- the smooth functioning of the Group's internal control processes (particularly asset safeguarding procedures); and
- the reliability of the Group's financial information.

Internal control enhances operating effectiveness, the efficient use of resources and risk management, and plays a key role in the day-to-day management of the Group's different businesses. Irrespective of their quality and the success of their application by Group employees, internal control procedures cannot provide an absolute guarantee against risk, any more than they can guarantee that the Group's performance objectives are met.

Internal control procedures concern two levels of the Group's organization:

- Group Management has prepared, drafted, approved and distributed a set of rules and procedures known as the Blue Book which are binding throughout Cap Gemini S.A. and its subsidiaries. A copy of the Blue Book has been issued to each Group employee and compliance is mandatory irrespective of function, position or Business Unit. It outlines the overall security framework within which the Group's activities must be conducted, and describes the tools and methods to be deployed in order to exercise the necessary degree of control and reduce the risks identified in each of the Group's main functions.
- Individual Business Units supplement the Blue Book with specific instructions designed to bring Group internal control procedures into line with the relevant laws, regulations and customary practices in their country of operation, and to provide more effective control over specific local risks.

The Capgemini Group has had a central Internal Audit function for over 30 years. This department currently comprises a multidisciplinary team of 18 auditors reporting directly to both the Group's Chairman and its Chief Executive Officer. Internal Audit is tasked with reviewing the internal control procedures set up in the Strategic Business Units (SBU) and in the Business Units to ensure that they comply with the principles and rules laid down by the Group, and with the procedures devised by the individual Business Units to avoid or mitigate the risks to which they are exposed locally. Each Strategic Business Unit is audited in line with a bi-annual program that the Chairman and/or the Chief Executive have the power to modify in the event of a contingency (delays, major divergence from budgetary commitments, etc.). In 2007, the Internal Audit team performed 43 engagements in entities belonging to all of the Strategic Business Units and representing more than half of the Group's revenues. Each engagement represented an average of 32 field audit days and gave rise to a compulsory action plan to be implemented by the entity's management without delay in order to resolve the issues raised in the course of the audit. At the request of Group Management, in 2007 the Internal Audit Department also performed four special engagements to review specific situations.

At least once a year, the Internal Audit Director must report to the Audit Committee on the Department's work (particularly the preparation and processing of financial and accounting information) and to the Ethics & Governance Committee on compliance with the Group's ethical guidelines. However, the Internal Audit Director may at any moment draw up a special report for the Chairman or the Chief Executive Officer on any matter that he considers should be brought to their attention.

B.2 General organization of internal control

Internal control is the responsibility of Group Management and the central functions that report directly to it. It is based on a decentralized operating structure and a series of specific procedures.

2.a Central bodies involved in internal control

The respective roles of central bodies involved in internal control are as follows:

The Executive Committee, composed of nine members (see page 162 of the Registration Document), assists the Chief Executive Officer with the day-to-day management of the Group. It implements the broad strategies decided on by the Board of Directors, determines annual and rolling three-year budgetary targets and oversees their implementation, and, if necessary, takes corrective action to remedy any failures to deliver those objectives. In addition, it monitors the appropriateness of the Group's organization in light of changes in its business environment.

- The Group Management Board is composed of the nine members of the Executive Committee plus a variable number of other senior Group managers – currently six (see page 162 and 163 of the Registration Document). Its main brief is to contribute to the deliberations of the Executive Committee on any matter of general interest submitted to it, assist in the implementation of decisions taken and act as the Steering Committee for the I^3 program launched in October 2006.

- The Group Finance Department is tasked with preparing budgets and monitoring performance, management control, operational reporting, accounting, consolidation and accounting standards, treasury management, taxation, mergers and acquisitions and financial communications, etc.

The department is currently headed up by the Deputy Chief Executive Officer (also Chief Financial Officer), and also handles procurement, internal information systems and risk management during the upstream phase of commercial propositions. It also exercises control over the Production and Quality Department which is tasked with designing and disseminating in-house production methodologies, providing certification for certain categories of employees (project leaders and architects, etc.) and performing audits of risk-sensitive projects conducted by specialized teams known as "flying squads" (103 audits of this type were carried out in 2007).

- The General Secretariat has responsibility for:
  - Legal affairs, covering two departments: one dealing with problems encountered in international operations and all legal matters related to the Group's operating activities; and the other concerned with the functioning of the Group's governing bodies (the Board of Directors, specialized committees, Shareholders' Meetings, etc.) and any changes made to the Group's general legal structure.
  - The Human Resources Department, which is tasked with coordinating policies implemented in its sphere of competence by the Group's subsidiaries and monitoring the performance of managers with high potential.
  - Capgemini University, which provides Group managers and employees with the additional training they require (in new technologies, assuming commercial functions, enhancing ability to handle large-scale projects, personal leadership development, etc.) and also forms a natural and convivial meeting point.

- The Strategy Department, whose main role is to provide input and documentation for the deliberations on strategic issues by Group Management, the Board of Directors and its Strategy & Investments Committee.

- The Marketing and Communications Department, which is responsible for defining the guiding principles of the Group's internal and external marketing and communications strategies and ensuring they are applied by the operating subsidiaries.

- The Sales and Alliances Department, which is in charge of coordinating the Groups' sales policy, monitoring the management of major accounts and relations with the Group's key partners.

These bodies are supplemented by two ad hoc committees composed of the Chief Executive Officer, the Chief Financial Officer, the Director for International Legal Affairs and the General Secretary. Their task is to review and approve – within the scope of the restrictions placed on the powers of the Chief Executive Officer:

- together with the Director of Risk Management and the Director of Sales and Alliances: major business proposals to be prepared or up for discussion, offers of strategic alliances and master contracts with clients or suppliers with certain specific criteria (Group Review Board);
- together with the Strategy Director, the M&A Director and the appropriate Business Unit director: plans for acquisitions and divestments up for discussion, selection or negotiation (M&A Committee).

2.b Control within a decentralized operating structure

The Group's operations are based on a decentralized model consisting of basic operating entities (Business Units or BUs) grouped together into Strategic Business Units (SBUs).The BUs are deliberately kept small enough to allow their managers to form strong relationships with their staff. Each BU has management and performance measurement tools that allow the BU manager to remain in close contact with staff and clients and to contribute fully to the Group's results and development. BU managers are fully responsible for meeting quantifiable targets relating to financial performance (growth, profitability, etc.), business development, management quality and client satisfaction.

The seven main SBUs each have substantial management autonomy. Two of these units are each responsible for the worldwide management of one of the Group's four disciplines: one for Outsourcing Services and the other for Local Professional Services (Sogeti). The Group's other two disciplines (Consulting Services and Technology Services) are organized into three major geographic SBUs: North America, Western Europe (the UK, France, Spain and Portugal – but also Morocco, Argentina and Brazil) and Continental Europe (the Nordic countries, Benelux, Germany, Switzerland, Austria, Italy and the other central and eastern European countries) within which Asia-Pacific (excluding India) has been provisionally classified. The sixth SBU comprises the Group's Indian staff (excluding those working in financial services) while the seventh, which was set up in 2007, has worldwide responsibility for Group financial services.

2.c Specific procedures:

The aim of specific procedures is to ensure efficient and traceable decision-making. The key processes mainly concern:

- **the delegation of decision-making powers and authorization**: the decision-making process applied within the Group is based

on rules concerning the delegation of powers. These rules are regularly updated, comply with the principle of subsidiarity and define three levels of decision-making depending on the issues involved, corresponding to the three levels of Capgemini's organization:
- the BU, for everything within its scope of responsibility;
- the SBU, for everything that concerns the BUs under its authority;
- finally, the Group (Group Management, Executive Committee, etc.), for everything outside the scope of responsibility of a single SBU, for decisions which, by their nature, must be taken at Group level (acquisitions, divestments, etc.) or for other major operations whose financial impacts exceed well-defined materiality thresholds.

This process has been formalized in an authorization matrix which requires both prior consultation and the provision of sufficient information to the parties involved. Recommendations submitted to the final decision-maker must include the views of all interested parties as well as a balanced assessment of the advantages and drawbacks of each of the possible solutions.

- **a framework of general policies and procedures**: the Blue Book sets out the main principles and basic guidelines underpinning the Group's internal control procedures, and covers specific issues relating to the following areas:
  - the internal organizational structure;
  - human resources management;
  - finance function organization and procedures;
  - procurement organization and controls;
  - the Group's information and communication systems;
  - business knowledge management, sharing and protection;
  - production of services in a multinational context;
  - project management (sales, technical and financial aspects).

- **the project risk control process**: the Group has finalized a formal process designed to identify and control risks associated with the delivery of information systems projects ordered by clients, from pre-sale to acceptance and payment by the client of the last invoice for the project. This process differentiates between:
  - pre-sale controls;
  - technical controls during the project execution phase; and
  - business control.

- **pre-sale controls**: projects are increasingly complex, both in terms of size and technical specifications, especially in outsourcing (long-term commitments, sometimes involving transfers of assets, staff and the related obligations). As a result, identifying and measuring the risks involved is essential at all stages of the selling process, not only for new contracts but also for extensions or renewals of existing contracts. This risk analysis is based in particular on:
  - a reporting tool consolidating all commercial opportunities at Group level. Data concerning commercial opportunities are entered as and when identified, and are kept up to date throughout the sale process;
  - the validation, at the various organizational levels of the Group's operational structure and at the different stages of the selling process (from qualification of an opportunity as investment-worthy from a Group perspective to the contract signing, via the submission of service proposals, often in several stages), of the main characteristics of the opportunity, in particular as regards technical, financial and legal matters. As described above, the decision to commit the Group to commercial opportunities meeting pre-defined criteria concerning size and complexity, is the sole prerogative of the Group Review Board.

- **production quality and control**: the Group has approved policies for monitoring contract performance that are applied throughout the life of the project to ensure that it runs smoothly. Key features of these policies include:
  - clear definition of the roles and responsibilities of each person regarding execution and supervision throughout the entire production process, in particular as regards the choice of project leader, client relationship management, billing, estimation of costs to completion, joint oversight arrangements with the client, etc.;
  - use of proprietary production methodologies in all of the Business Units;
  - global access to the expertise available through Capgemini's Applications Development Centers;
  - the monthly Group-wide identification of all risk-sensitive projects in the execution phase, and the implementation of action plans aimed at eliminating or containing such risks;
  - commissioning of "quality audits" carried out independently of the teams in charge of a given project to identify additional risks in cases where actual performance appears to diverge from forecasts or from commitments undertaken;
  - measurement of client satisfaction via OTACE (On Time Above Client Expectations) surveys.

- **business control**: depending on its size, each Business Unit has one or more business controllers, whose tasks include:
  - financial oversight for each project, and primarily monitoring budgeted against actual project production costs. Progress reports and management indicators are built into the monitoring process, which relies mainly on the periodic analysis of the estimated costs to completion and their accounting impact;
  - ongoing control over compliance with contractual commitments – particularly billing and payment milestones.

- **oversight of compliance with the rules governing share trading**: the Group instructs all employees to refrain from carrying out any transactions involving the Company's shares during certain periods of the year. Employees are reminded of these restrictions in writing before the start of each such period.

B.3 Procedures concerning the preparation and processing of financial and accounting information

These procedures are used to ensure the application of and compliance with Group accounting rules relating to the preparation of budgets and forecasts, financial reporting, consolidation, management control and financial communications.
At the end of 2007, the Group Finance Department sent out a

questionnaire to all subsidiaries dealing with the application of general internal control principles and procedures concerning the processing of reported financial and accounting information. The feedback from this questionnaire – which was prepared in line with recommended AMF guidelines – will be used to make improvements in areas deemed most risk-sensitive.

3.a Financial and accounting structure

The operational control aspects of the Group's financial functions are decentralized, with a structure that parallels that of its Business Units. However, in order to safeguard the impartiality required in determining accounting results, the financial controllers of the Strategic Business Units (SBUs) report to the Chief Financial Officer. They are responsible for ensuring that high quality financial and accounting information for the SBU is reported to the parent company on a timely basis.
Each Business Unit has one dedicated financial controller (reporting to the corresponding SBU's financial controller) who is responsible for ensuring that the results of the BU's activities are accurately reported in the accounts in accordance with Group accounting rules and methods. To this effect, the financial controller makes sure that services are billed and paid for, checks profit estimates for ongoing projects and assesses their accounting impact, and ensures the quality of the information contained in the financial reports and accounting packages used as the basis for preparing the Group's consolidated financial statements. For disciplines organized on a geographical basis, the major regions have a Legal Financial Director whose duties and responsibilities include the following: ensuring that all financial staff in the region are well-versed in the Group's accounting policies and methods; checking for compliance with local taxation and statutory reporting requirements; maintaining an effective internal control environment; liaising with shared service centers and the Statutory Auditors; setting accounts closing and financial reporting timetables; signing off on the consolidation packages of the subsidiaries with lines of reporting to him or her, signing the representation letter and; bringing any and all matters that he or she sees fit to the attention of the Chief Financial Officer.

All financial staff are required to apply the Group's accounting procedures and policies contained in the TransFORM manual, which sets out:

- the essential rules of internal control;
- what information must be reported, when, and how often;
- management rules and procedures;
- accounting policies, rules and methods;
- performance indicators.

3.b Budgets, forecasting, financial reporting and consolidation:

In order to exercise effective control over their operations, the Group requires Business Units to submit weekly, monthly, quarterly, half-yearly and annual reports of all budget, forecast, operational and accounting information required for the general management of the Group.

- **budget and forecasting process**: budgets form the basic building blocks in the management control process. They are debated back and forth between the different Group managers and their superiors and are drawn up based on these discussions, past performance, the Group's chosen strategic priorities and available information concerning expected market trends. They set quantified targets for the SBUs and their component BUs. The budget preparing process is a key moment in the relationship between the different levels of the Group's management and makes it possible to create a substantial link between the variable portion of the compensation paid to BU managers to the attainment of BU and corresponding SBU budget targets. Finally, a forecast income statement (for a rolling 7-month period, i.e., for the current month and following six months) is prepared by all of the managers concerned. Variances from budget are analyzed so that any corrective action plans that may be needed can be drawn up as quickly as possible.

- **operational reporting process**: reporting of information is organized by Business Unit forming an SBU and by discipline. It allows revenues and costs to be analyzed on a monthly basis either by type or function, and performance indicators to be updated and measured against budget, the latest forecasts and prior-year figures. Balance sheet items are analyzed on a quarterly basis. A monthly management report is prepared for each SBU jointly by the manager and financial controller. This report gives a detailed breakdown of actual performance, forecasts for the following six months and actions taken in the event of material variances between actual and budget figures. It is escalated to Group Management.

Reconciliations are performed systematically to ensure that financial information derived from the operational reporting system is perfectly consistent with the consolidated financial information provided by the legal entities within the Group.

- **consolidation process**: at each yearly or half-yearly closing, the scope of consolidation is updated at Group level by the Finance Department and validated by the Legal Affairs Department. Written instructions are issued providing the schedule for period-end tasks (particularly the reconciliation of intragroup transaction balances), highlighting current accounting issues requiring specific attention, and describing the control procedures applied during the preparation of the consolidated financial statements. The consolidation process is based on accounting packages, which must be signed off by the person responsible for preparing them. Income statements, balance sheets and other key management indicators required for subsequent analysis are stored in a single database maintained at Group level. Access to this information system is strictly controlled.

3.c Financial information

- **controlling financial information**: the interim and annual financial statements are subject to specific controls regarding financial information and its presentation. These include:
  - a systematic review carried out with the assistance of the Legal Affairs Department of all material operations and transactions occurring during the period;
  - a procedure to identify, collate and report off-balance sheet commitments and any other information liable to have significant repercussions on the financial position of the Group or one of its subsidiaries at the period-end;
  - a review of the tax position of each of the Group's legal entities;
  - a review of the value of intangible assets;
  - a detailed analysis of the statement of cash flows.

The controls described above carried out by the Group Finance Department are supplemented by the work of two independent bodies tasked with carrying out checks on the internal control environment and verifying the quality of the financial statements: the Internal Audit function and the Statutory Auditors.

- Internal Audit: based on its program covering the Group's Business Units, drawn up in agreement with the Chairman and its Chief Executive Officer (as it reports to both directly), the Internal Audit function is responsible for carrying out controls to ensure that procedures relating to the safeguarding of assets, the valuation of work in-progress, the actual amount of trade accounts receivable, and the proper recognition of liabilities, are applied in each Business Unit in accordance with the rules and methods established by the Group. In particular, the Internal Audit function is required to pay special attention to revenue recognition methods and to controlling the percentage-of-completion of projects, so as to ensure that projects are accounted for on the basis of rigorous, up-to-date technical assessments. The Internal Audit brief also includes a review of the procedures and controls in place within the BU concerned to ensure the security and validity of transactions and accounting entries.
- the Statutory Auditors, whose attest engagements involve performing an ongoing review of internal control procedures with an impact on the preparation and quality of the financial statements.

- **communicating financial information**: this is subject to rigorous internal control, with a particular focus on three key media used to report financial information:
  - the Annual Report (and the appended Registration Document);
  - financial press releases;
  - meetings with analysts and investors.

- The Annual Report: this has been the cornerstone in the Group's financial communications strategy for the past 33 years (the first edition contained the 1975 financial statements). The preparation of the report, its content, illustrations, design and distribution are therefore subject to particular attention on the part of Group Management and, above all, the Chairman. All the sections of the Group's Annual Report are written internally by staff and managers of the Group: they are each responsible for designing and setting out a chapter of the Annual Report on their own specific area of competence, within the general framework proposed by the Communications Department. The Registration Document, which is appended to the Annual Report, combines all the information that must be provided pursuant to legal and regulatory requirements and is drawn up under the responsibility of the Finance Department.

- Financial press releases are only published further to the formal approval of the Board of Directors or the Chairman, and they must therefore be submitted sufficiently in advance to allow time for such approval. Financial press releases are published outside the trading hours of the Paris stock exchange, except in exceptional circumstances.

- Meetings with analysts and investors are subject to specific preparation, and their content is presented to the Board of Directors or the Chairman prior to such meetings. This preparatory work is then used as a framework for comments and explanations provided by the Chief Executive Officer and/or the Chief Financial Officer during the meetings.