Corporate Governance Focus

Capgemini SE
France

Organizational Description

With more than 190,000 people, Capgemini is present in over 40 countries and celebrates its 50th Anniversary year in 2017. A global leader in consulting, technology and outsourcing services, the Group reported 2016 global revenues of EUR 12.5 billion. Together with its clients, Capgemini creates and delivers business, technology and digital solutions that fit their needs, enabling them to achieve innovation and competitiveness.

A deeply multicultural organization, Capgemini has developed its own way of working, the Collaborative Business ExperienceTM, and draws on Rightshore®, its worldwide delivery model.

Mission and Vision Statements

Our Vision: the business value of technology comes from and through people.

Capgemini understands that business value cannot be achieved through technology alone. It starts with people: experts working together to get to the heart of your individual business objectives and develop the most adapted solutions to fit these requirements. We believe this human-centered approach to technology is what makes the difference for your business.

Our Mission: with you, we create and deliver business and technology solutions that fit your needs and drive the results you want

Capgemini enables you to transform your organization and improve performance. We aim to empower you to respond more quickly and intuitively to changing market dynamics. By bolstering your ability to harness the right technology, we help you become more agile and competitive.

Collaboration is central to the way we do business. Our experts join forces with your people to form a cohesive team. More than just a promise, our capacity to collaborate has become a key client expectation. We call this approach the Collaborative Business Experience®. It shows in our every interaction and is our way of forging closer, more effective relationships.

Our vision is also to remain true to the seven values that permeate Capgemini's corporate fabric, since the time of their inception by the founder of the Group.

These seven core values are: Honesty, Boldness, Trust, Freedom, Team spirit, Modesty and Fun. They inspire and shape our corporate culture and professional conduct. They motivate us as a Group and as individuals. Intangible by nature, they lie at the heart of all our actions as an ethical and responsible company. They form the basis of Capgemini's reputation.

Board and Organizational Structure

The Board of Directors of Capgemini SE is composed of 16 members (since May 2017), including 3 members representing employees. The vast majority of directors are independent (62%), with an almost identical number of male and female directors (43% female). Apart from Mr Hermelin, Chairman and CEO, and the 3 members representing employees, all other members of the Board are non executive directors.

The Board of Directors regularly assesses its composition and the various areas of expertise and experience contributed by each of its members to ensure it achieves the best possible balance with regards to international development and the human diversity of the Group's employees, changes in its shareholding base and the various challenges facing Capgemini.

The Board of Directors represents shareholders; its principal role is to determine the key strategies of Capgemini SE and the Group it controls, to ensure that these strategies are implemented, to validate the legal and operational structure of the Group and the appointment of key managers and, more generally, to address any issues that arise in respect of the day-to-day operation of the Group.

The Board draws on the works of four Specialized Committees (Audit & Risk, Ethics & Governance, Compensation, Strategy & Investment).

Since 2012 Mr. Paul Hermelin carries out the duties of Chairman and Chief Executive Officer of the Company.

As part of the constant drive to improve governance within the Company, the position of Lead Independent Director was created in May 2014. The Lead Independent Director is entrusted with a number of prerogatives and specific duties to ensure the Company enjoys balanced and efficient governance.

Principles of Corporate Governance that help in Boardroom effectiveness

Capgemini SE applies and complies with the recommendations set out in the French "Corporate Governance Code" issued jointly by AFEP and MEDEF, French private business associations. This Code contains a set of recommendations to enable listed companies on Euronext Paris to improve their functioning and management in an atmosphere of enhanced transparency and thus respond to the expectations of investors and the public.

With the support of the Ethics & Governance Committee, the Lead Independent Director and the internal control and risk management systems, the Board of Directors manages its duties in accordance with the rules of good governance and in compliance with the Group's seven core values.

Code of Conduct

The Group Board of Directors launched Capgemini's Ethics & Compliance Program in 2009 to further strengthen the ethical culture that has been a core part of the Group since its creation in 1967.

As part of this program, the Group set up a global network of Ethics &

Compliance Officers and launched a Code of Business Ethics, Group Anti-Corruption Policy and Group Competition Laws Policy, to reassert the Group's Values in every country in which it operates. All employees are expected to comply with the principles embedded in these three fundamental documents, and to complete an online training course (e-learning) on each of them.

The managers of the Group's operating units are accountable for ethics and compliance in their respective units. The Chief Ethics & Compliance Officer is responsible for the Ethics & Compliance program across the entire Group. The Ethics & Governance Committee of the Board of Directors reviews the Ethics & Compliance program and its achievements annually.

In addition, the Board of Directors complies with a set of internal guidelines forming the Board's Charter, which contains a specific Code of Ethics for Directors.

The Company confidential Blue Book, created in 1989, provides a set of common guidelines, procedures and policies that govern daily operations. It contains:

- Group fundamental principles: its mission, expertise, main objectives, Values, Code of Business Ethics and collaboration principles;
- Group governance and organization;
- authorization and approval processes;
- sales and production rules and guidelines;
- risk management, pricing and contracting rules in presales activities;
- financial management, merger, acquisition, disposal and insurance rules and guidelines;
- human resources policies;
- marketing, communications, Group knowledge and IT management guidelines;
- procurement policies, including ethical purchasing and supplier selection; and
- environmental and community policies.

These policies, procedures and guidelines comprise the reference standards that all entities are required to implement, while complying with national legal requirements and specificities. Assessment of compliance with these guidelines is an integral part of the Group's Internal Audit process.

Stakeholder Management

Capgemini's business objectives and shared standards are designed to benefit not only shareholders and employees, but also every other participant in the value chain. It is the Group's firm belief that these objectives can only be achieved through mutual respect and cooperation.

Since Serge Kampf founded the Capgemini Group in 1967, ethics have been fundamental to the way Capgemini does business. Capgemini continues to use ethics to build trust with its clients, shareholders, team members, suppliers and other stakeholders:

- clients: offering the business and technology solutions and the expertise that fit their needs, and delivering the results they expect
- shareholders: remaining accountable for achieving profitable and sustainable growth, and providing accurate business and financial information in a transparent and timely manner
- team members: paying attention to their career development and wellbeing, offering challenging objectives and fair rewards, and ensuring a diverse workforce and work environment
- alliances, partners, and suppliers: conducting business on a fair and ethical two-way basis with and acting in compliance with our sustainable procurement principles
- communities in which the Group operates and lives near: acting in a socially responsible manner, minimizing the impact of our business activity on the environment through an ongoing drive towards sustainability

System of Internal Controls and Financial Performance Reporting

The Group's internal control and risk management systems seek to create and protect the Group's value, assets and reputation, and identify and measure the major risks to which the Group is exposed, anticipate and foresee changes in these risks and finally implement risk prevention and transfer measures.

The Group has defined and implemented an internal control system that seeks to ensure:

- compliance of all management acts with relevant laws and regulations;
- compliance with the Group's seven core values and guidelines set by the Board of Directors and/or Group Management;
- application by the subsidiaries of instructions communicated;
- the smooth functioning of the Group's internal control processes safeguarding assets; and
- the reliability of accounting and financial information.

The Group Audit & Risk Committee of the Capgemini SE Board of Directors is responsible for monitoring the efficiency of risk management and internal control systems (including financial performance reporting). The Audit & Risk Committee will therefore be required to review all systems implemented by Group Management. These reviews encompass the overall consistency of the system, the priority risks identified, new or emerging risks and actions plans for priority risks.

Group management has delegated to a Risk Committee, created in 2016, the definition and implementation of the various activities relating to the risk management process within the Group. The Risk Committee, chaired by the Group Chief Financial Officer, is responsible for the effective implementation of the risk management and internal control system within the Group. It reports to the Audit & Risk Committee of the Board of Directors on all issues concerning these systems.

Whistle Blower Policy and the Monitoring Mechanism

Capgemini's Code of Business Ethics which encapsulates the Group's ethical culture and has the collective and individual support of the members of the Board of Directors, the Group Executive Committee and the Vice-President community, includes a dedicated procedure for requesting advice and raising concerns:

- An employee faced with a question or issue involving ethics or compliance should discuss the matter first with his/her local manager.

- If the issue is not resolved by the manager, or if the employee is not comfortable discussing the matter with his/her manager or if other procedures for dealing with individual grievances are not applicable, the employee may use the employees' dedicated Raising Concern Procedure (RCP). Employees may in this way seek advice and guidance on appropriate action from their local Ethics & Compliance Officer, or even directly from the Chief Ethics & Compliance Officer in Paris.

CSR Plan, budget and major community development projects

Capgemini CSR principles

At Capgemini, the principles of corporate responsibility and sustainability go beyond legal compliance and philanthropy. They are embedded in our business, processes and ways of working. Our leadership in corporate responsibility and sustainable excellence is driven by a bold and influential approach that encompasses:

- Values & Ethics: it is about who we are and the way we do business. Built on the foundation of the seven Group core values (Honesty, Boldness, Trust, Freedom, Team Spirit/Solidarity, Modesty and Fun), our Code of Ethics supports our corporate culture and permeates all our business practices, procurement behaviors and employee welfare policies.

- Diversity and inclusion: we are committed to being an employer of choice for people who wish to develop in an open, diverse and inclusive environment. Our priority is to promote the professional development and well-being of our employees by ensuring that both our business practices and our facilities empower excellence. We have a culture whereby we respect and value the diversity and creativity of all our people and we strive to ensure that both are recognized and promoted at all levels in the organization.

- Community Engagement: we work with communities in which we live and work to support their development and empowerment. As a major global employer, we work locally, nationally and internationally with authorities, non-governmental organizations (NGOs) and other engaged stakeholders on their development priorities, with a strong focus on education at all levels, from elementary school to higher and professional education. The Group encourages the active involvement of each of our team members in our communities.

- Environmental Sustainability: we recognize that, even though we do not manufacture physical products, the business services we provide have an impact on the environment. We work hard to reduce this impact by saving energy and reducing waste, as well as by optimizing business travel. We also work to raise our employee awareness of the critical issues related to the environment. Furthermore, we look to embed sustainability considerations into our service offerings in collaboration with our clients.

Capgemini continues to innovate, striving to identify opportunities to embed sustainability into the services it provides to its clients, helping them to adapt to a rapidly changing world.

Illustration – Promoting responsible employment – Initiative in India

As approximately 40% of our recruits are young graduates, thereby creating more than 20,000 employment positions in this category every year, we strongly recognize the importance of education. For this reason, we run several initiatives aiming at better bridging education and our business activities, through specific recruitment & placement programs, engaging in mentoring projects and training initiatives.

In India for instance, an important channel of employment generation at the entry level is called our "Train & Hire Program". This initiative focuses on identifying specific technologies, providing training at our cost to the students identified and then hiring them. This not only creates fresh employment, but also creates value through education on skills in demand in the industry.

Board's role in driving leadership for Excellence and Innovation

While technologies and platforms evolve almost daily, Capgemini's strategy is still guided by the core ideas developed by its founder, Serge Kampf: a spirit of conquest and a passion for entrepreneurship. Each year, Capgemini is recognized as a global business and IT innovator by its industry partners and peers, and leading independent research companies worldwide.

In terms of governance, the Company is also committed to continuous improvement, ensuring it enjoys balanced and efficient governance, tailored to Capgemini's specific requirements and in line with best governance practices.

The Board of Directors' principal role is to determine the strategy of the Group and ensure it is implemented, including by validating the appointment of the key Group managers that will lead the vision and direction of the Group to achieve its overall ambitions.

The Board of Directors, assisted by the work of its Ethics & Governance Committee, selects and appoints the executive corporate officers of the Group. It prepares and updates their succession plans.

The Board also reviews the Group's talent pool, such talents capable of becoming executive corporate officers, and particularly members of the Executive Committee. The Ethics & Governance Committee is consulted in advance of any appointment to the Executive Committee.

To ensure that the Board is in a position to fully play its role, regular meetings are organized between directors and members of the Executive Committee.

The Board of Directors also drives the leadership for excellence and innovation through its implication in the compensation of key managers and other retention tools: it sets the compensation of executive corporate officers, is informed of the compensation policies applicable to senior managers, grants performance shares and regularly implements employee stock ownership plans.

Innovative CG Initiatives

Capgemini's constant drive to improve governance in a fast changing environment (whether business or regulatory) can be illustrated by a few recent initiatives to improve the Board's efficiency and governance standards, all stemming from the results of assessments of the Board of the Directors.

Assessment of the Board of Directors

The Board of Directors of Capgemini SE carries out an assessment of the activities and effective functioning of the Board and its Committees on a yearly basis. These assessments are either carried out by the Lead

Independent Director or by an external service provider. External assessments of the Board are carried out every three years, in line with the recommendations of the French Code of Governance. This exercise also enables the assessment of the effective contribution of each director individually. The main findings from each assessment, the resulting priorities set by the Board and a follow-up on actions implemented are presented to the shareholders by the Lead Independent Directors during General Meetings and described fully in the annual report/registration document of the Company.

Directors training

One of the priorities for 2017 resulting from the assessment of the Board in 2016 is on-going training for members of the Board, by extending their knowledge of the Group, its businesses and its competitive environment, including through sessions with external advisors.

First of all, Capgemini ensures that directors joining the Board receive training in the specific aspects of the Group, its businesses and activity sectors, particularly through meetings with the various members of General Management.

In addition, the Board members meet regularly with the members of the Group Executive Board during Board and Committee meetings. The directors are also invited to the Group *Rencontres* gatherings, a two-yearly event bringing together, over three days, 400 of the Group's key managers and emerging talent. In addition, each year a Board meeting dedicated to strategy is held "off-premises" in the form of a seminar and invites key managers of the Group to contribute to Board discussions. These seminars also enable directors to constantly refine their understanding of the challenges facing the Group through themed-based presentations and site visits. In 2016, this seminar was held in San Francisco at one of the Group's innovation centers. This seminar was also an opportunity for members of the Board to meet with several of the Group's leading Cloud and Digital partners.

Risk monitoring

The duties of the Audit Committee were changed in December 2016 to strengthen risk management and include the impacts of the European statutory audit reform. The Committee was renamed as Audit & Risk Committee. These changes followed the wish expressed by directors during the assessment of the Board's activities in 2015 to improve risk monitoring.

In addition to ensuring the existence and efficiency of internal control systems and internal audit, the Audit & Risk Committee now also reviews the major risks to which the Group may be exposed at least once a year, in particular through a review of the risk mapping prepared by the Group Management Risk Committee. A Board meeting is devoted to risk monitoring each year, to w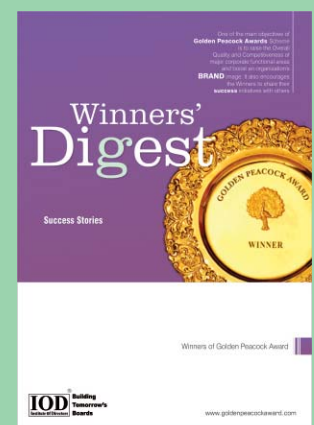hich the Audit & Risk Committee presents a report.