

2.2 CHAIRMAN'S REPORT **AFR**

In this report, the Chairman of the Board of Directors reviews the Board's composition, the application of the principle of gender equality, the preparation and organisation of the Board's work, corporate governance procedures, the principles and rules by which the Board decides the

Corporate Officers' remuneration and benefits, and the company's internal control and risk management procedures. The Chairman's report was approved by the Board of Directors at its Meeting of 15 February 2017.

2.2.2 CHAIRMAN'S REPORT ON INTERNAL CONTROL PROCEDURES

INTRODUCTION

BACKGROUND

The purpose of this report is to describe the internal control procedures set up by the company. It covers TF1 SA as well as the subsidiaries over which it exercises exclusive or majority control.

TF1 monitors the harmonisation of the main financial procedures of the entire Group while respecting the specific characteristics of each business to preserve appropriate analysis and responsive decision-making. It also implements risk identification procedures across its scope of responsibility in order to establish appropriate procedures and controls for each business-critical cycle. TF1 group is particularly sensitive to internal control issues, particularly in the areas of accounting and finance, where the reliability of information is critically important.

This report is compiled from information and analyses performed in cooperation with the various contributors to internal control in TF1 and its subsidiaries, resulting in a factual description of the control environment and the procedures in place.

Preparation of this document was coordinated by the Internal Control Division. This report has been subjected to an approval process by the Finance and Purchasing Division (DGAFPA) and the Legal Affairs Division (DAJ). It was also sent to the Statutory Auditors and subsequently presented to the Audit Committee and to the Board for approval.

INTERNAL CONTROL OBJECTIVES AND PRINCIPLES

To analyse its internal control system and prepare its report on internal control procedures, TF1 has used since 2007 the internal control framework published on 22 January 2007 subsequent to the work carried out by the task force set up by the Autorité des Marchés Financiers (AMF – French stock exchange commission). The revision of the AMF reference framework took place in 2010, in particular in order to integrate the legal and regulatory changes in terms of risk management as well as the AMF recommendation regarding Audit Committees.

According to that framework, which is compatible with the standards of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) used by TF1 prior to the 2007 financial year, internal control is defined as a system to ensure:

- compliance with laws and regulations;

- enforcement of the instructions and policies of governance bodies;
- proper functioning of the company's internal processes, particularly those concerned with safeguarding assets;
- reliability of financial reporting (details of key controls can be found in the "Application Guide on the Control of Accounting and Financial Information Published by Issuers").

This system should also contribute to monitoring the activity, effectiveness of operations and efficient use of the company's resources. However, such policies and systems cannot provide absolute assurance that objectives will be met, or that the risks to which the Group may be exposed will be fully addressed.

TF1 group is committed to a process of continuously and dynamically adapting its internal control system to its activities and to changes in its business model and its strategic goals, with the ultimate aim of assessing the system's appropriateness and efficiency.

ENVIRONMENT AND GENERAL PRINCIPLES OF INTERNAL CONTROL

ORGANISATION AND OPERATING PROCEDURES

The basis for the general Internal Audit environment consists of the Group's corporate governance principles, its organisational structure, notably as regards operating procedures, and widespread dissemination of its values and rules.

Organisation

The organisation, composition and functioning of the Board of Directors and specialised committees which assist it (the Audit Committee, Remuneration Committee, Director Selection Committee and, since 2014, the Ethics and CSR Committee), as described in the section of the Chairman's report on corporate governance, comply with corporate governance rules and are conducive to effective internal control.

The Board, under the authority of its Chairman, determines the company's policies and, with the help of the Audit Committee, ensures that appropriate internal control systems are set up within the Group. Key decisions, such as the acquisition of programmes (sport events rights, contracts with major film studios, etc.) are subject to clear approval processes, with decisions being taken by Executive Management based on recommendations of the different ad hoc committees. The Board of Directors is kept regularly informed. Gilles Pélisson, as Chairman and CEO of TF1, has line and staff responsibility for implementing the strategy established by the Board of Directors for Group activities. Specifically, he arranges for internal control systems to be implemented within the Group. In this he is supported by the Executive Committee which comprises the senior executives of TF1 group and meets weekly, as well as the General Management Committee (CODG) which brings together the Directors of each Group division and function and meets monthly. These committees enable him to pass along the key internal control policies and to make executives accountable for implementing and monitoring the internal control systems in their area of responsibility.

Powers are delegated on the basis of guidelines set by the Group to achieve the twin objectives of making operational staff accountable and controlling commitments at the appropriate level. On the latter point, the company is organised in such a way as to allow for independent control by separating operational functions from those involving accounting recognition of operations.

Objectives

The three-year plan reflects the mid-term strategic policies and determines the budget for the coming year. It represents the commitments made by the managers of the various Group entities.

As such, this plan is also a key element of the internal control environment. It is aligned with the business model development objectives identified and defined by the Group with the agreement of the Board of Directors. It defines the objectives in terms of sales levels and costs, as well as the resources, entities and organisation to achieve those objectives.

The process of developing the three-year plan forms part of a structured approach aimed at ensuring that the Group's objectives are appropriate. The initiative is organised by the Group's Performance Management and Management Control Division and Strategy, Development and Transformation Division. The plans from the various TF1 group entities and companies must be approved by the Chairman and are subject to a validation process led by the Finance and Purchasing Division (DGAFA).

A summary of these plans is presented to the Chairman and CEO and to the TF1 Board. A document summarising the entire process of the TF1 group three-year plan is presented to the Board of Directors, which approves the budget.

A strong commitment to Ethics, Compliance and CSR with clearly stated rules and principles

Since October 2009, the Corporate Secretary has also been the Group Ethics Officer. An Ethics and CSR Committee, which reports to the Board of Directors was created on 24 July 2014, and has three Directors, two of whom are independent. The Committee reports on this work to the Board of Directors on a regular basis and on any difficulties that may be encountered in business practices. The Group's ethics policy resulted in the compilation of a Code of Ethics, supplemented by four Compliance Programmes (Competition law, Anti-Corruption, Conflicts of interest and Stock Exchange Law) with the aim of encouraging all employees to adopt a common set of basic ethical values.

The creation of these Ethics and Compliance standards and of an independent supervisory authority shows the importance placed on Business Ethics by TF1 Group. An initial plan for the rollout of this compliance programme was implemented in 2015. In particular, this plan included mapping the Group's ethical and compliance risks, thus giving rise to an employee training plan. In 2016, the Ethics and CSR Committee updated these standards to incorporate regulatory changes and compiled a "Practical Guide to Ethics", filled with examples and recommendations, to provide Group employees with practical guidance so that individuals are able to perform their duties in accordance with the Group's ethical values.

From a corporate and social perspective, the Group also upholds strong values and principles.

- In joining the United Nations' Global Compact in 2006, the Group demonstrated its determination to adopt and promote respect for the principles and values of human rights, environmental protection, labour standards and the fight against corruption. In 2010, TF1 became the first media group to be awarded the Diversity Label, an accreditation given to companies that take affirmative action to promote diversity and prevent discrimination. The award, which is based on stringent criteria and regularly monitored, constitutes formal recognition by an independent body – AFNOR Certification – that TF1's equality-promotion and anti-discrimination procedures are compliant and effective in the fields of hiring, career management, training, communication and relations with customers and service providers. TF1 published its third Diversity Annual Report in 2014, addressing trade unions, staff representatives and employees and assessing the effectiveness of Group efforts with indicators on four key priorities: disability, seniors, gender equality and ethnic diversity. In late 2012, an audit of compliance with Diversity Label specifications confirmed that TF1 had met its commitments. On this topic, TF1 group intends to pursue its active and voluntary approach, in particular, by signing the LGBT (Lesbian, Gay, Bisexual and Transgender) charter in partnership with the Autre Cercle association which is responsible for promoting said charter. TF1, the first media company to sign this charter, thus demonstrated its commitment to diversity and its desire to prevent all forms of discrimination.
- The industry in which TF1 operates is constantly changing, primarily as a result of technological advances. TF1 therefore seeks to maintain a high level of workforce skills through an ambitious programme of recruiting and ongoing training that helps employees keep abreast of operational requirements.
- Furthermore the Bouygues Management Institute regularly organises seminars in which TF1 executives participate. The objective is to encourage managers to reflect on their role, responsibilities and the respect of ethical principles in their daily work, and also to unite Group senior management around common values.

Group-wide system and standards

Aside from the various control processes in place, the Group makes a constant effort to continuously improve its internal control system, maintaining close alignment with its goals. Since 2007, TF1 group has followed an approach initiated by Bouygues for its main business lines, including TF1. The purpose is to build an internal control system based on the AMF reference framework and incorporating the best practices which, for the past several years, the Group has committed itself to follow in each of its businesses. This effort culminated in identifying and determining simple, measurable principles covering the company's key businesses.

The system is based around two main components:

- accounting and financial principles of internal control relating to the coordination, organisation and preparation of financial and accounting information; and
- general principles of internal control covering the five key elements of internal control specified in the AMF reference framework, encompassing all of the company's key processes.

This approach also involved establishing a structured organisation that enables representatives from each business line to meet regularly to organise the monitoring of the system and to adapt it in response to regulatory requirements or when significant complementary principles emerge from assessment campaigns. This common system is regularly supplemented with internal control principles specific to TF1's business and changes in its business model, strategic goals and operating environment.

Work to create and apply a common set of Internal Control principles is closely linked to work on risk mapping, with the two processes reinforcing each other. Since September 2014, Internal Audit, internal control and risk mapping have been brought together in the Audit and Internal Control Division (DACI), helping to improve risk control and management in the Group.

Assessing improvement

The internal control system is assessed every year across a broad spectrum that fully represents TF1 Group in terms of revenue and the issues and risks inherent in its activities.

The assessment campaigns are based on a rigorous and uniform self-assessment methodology. Within each entity, the person responsible for the process being analysed establishes and produces supporting arguments for his or her assessment of the application of internal control principles, and then submits it for approval by a person in a position to provide a critical perspective on the outcome (a line manager and/or business unit manager).

The assessment has several components, including a number scale from one to four, a description of operating procedures and a commentary on any discrepancies between operating procedures and best practice. The assessment is supplemented by proposed action plans to ensure that the annual assessment campaigns result in tangible improvements in the management and security of processes.

The consolidated results of these campaigns are distilled into an aggregate summary by topic, business area and operating entity that serves to alert Executive Management if a deficiency is detected in certain processes and to guide and prioritise action plans. The results are also regularly presented to the TF1 Audit Committee, which reports in turn to the Board.

The method, which is based on self-assessment, entails a decentralised organisation involving many participants who assess the application of the principles within their specific areas of expertise. This method facilitates a streamlined central organisation that consolidates and distils the results, monitors action plans, disseminates the methodology and coordinates the approach.

The aim of the assessment campaigns is to assess progress in the application of internal control principles over time and limit the subjectivity of self-assessments. For this reason, the decision on the annual scope of campaigns takes into account not only criteria relating to the representative/business critical nature of entities (with assessments weighted according to the genuine challenges facing each entity), but also a recurrence criterion. An entity that is covered by a campaign will be assessed over at least three years to ensure a dynamic perspective.

New businesses are incorporated in the assessment campaigns in a manner that reflects the gradual introduction of Group-wide processes,

tools and methods to control, steer and oversee activities within these entities. Internal control campaigns show whether these processes have been correctly implemented, in accordance with the deployment policy described above.

In 2016, the assessment campaign primarily focused on all internal control accounting and financial principles, information system management principles and those supporting fraud prevention. The self-assessment covered all entities generating revenue within TF1 group, apart from Newen.

Since 2012, TF1 has been using a system to manage internal control campaigns and monitor action plans. This system enables the Group to secure and systematise its approach as well as maintaining a history of all campaigns and associated plans. The system is used by all companies forming part of the Bouygues group.

INTERNAL DISSEMINATION OF INFORMATION

The Human Relations and CSR Division relies on the Internal Communication team and its various dissemination channels to ensure that staff receive information on the Group and its development.

An intranet portal, updated on a daily basis, helps employees understand the environment in which they and the Group operate. It enables them to obtain information on the Group (organisation, programmes, events, etc.) and material about the audiovisual sector published in the press, and also find out about opportunities for promotion and training, common operating procedures, and the intranet sites of the other companies in TF1 group or its parent company. It also features portals for each function (Legal, Human Relations, Finance, etc.) designed to improve networking and the dissemination of information. This portal is also linked to the company's HR portal which is designed to support employees and managers in their activities and career paths (training, holidays, performance appraisal interviews etc.)

An in-house video channel, broadcast on TV and PC, is updated on a daily basis and includes news slots and short programmes covering the whole range of Group news. The content, which is produced by the internal communication team, is scheduled to appear on the intranet and video channel so as to reach the maximum number of employees.

In addition, a dedicated forum for sharing information about trade fairs, exhibitions and events was created in June 2015.

Lastly, other ways of passing on and sharing information on trends, topical issues and strategy pertaining to all or part of the Group are one-off conventions and seminars for staff within a given business area or subsidiary and meetings of the Group's 150 senior executives following each quarterly meeting of TF1 group's Board of Directors.

TF1 SA's Technological and IT Division (DTSI), through its Central IT Division (DCSI), together with the line and staff divisions, determines the information systems needed to generate information and manage operations securely and efficiently.

TF1 uses both proprietary and off-the-peg software. The latter are subject to rigorous analysis, monitoring and operation to ensure their availability, integrity, security and compliance with legal obligations.

Work on applications for accounting and financial information is carried out in close cooperation with the Accounting, Tax, Treasury and Finance Division, the Financial Communication and Investor Relations Department and the Performance Management and Management Control Division.

Risk identification and management

In 2007 a working group composed of representatives of TF1's principal businesses started developing proposals to improve the organisation and systems for risk management and monitoring across all the businesses of TF1 group. In 2008 the first stage – identifying and characterising the major risks based on a methodology defined in collaboration with the Bouygues group – was conducted through a series of interviews with some 100 Group managers.

Since 2009, this initiative has resulted in the development of a risk ranking system and an operational overview of the principal risks to which TF1 group is exposed.

Risk identification

Based on the work of the operational committees that meet regularly within the Group's various entities, the Group risk map lists the main events that could have an adverse impact on the achievement of objectives over the plan's timeframe.

These risks are regularly monitored through half-yearly committees involving the main Group entities and quarterly functional committees. The purpose of these committees is to identify emerging risks relating to the Group's mid- and long-term goals approved by its Board of Directors, to systematically review all risks identified during previous years, to update residual risks and to remove any risks that no longer apply.

All of these risks are described and scenarios are prepared by their business owners, who also assess their likelihood of occurrence. Potential financial impacts are assessed so that risks can be prioritised, and specific risk mitigation measures are identified. These measures are reported separately according to whether they are designed to lessen the likelihood of a risk occurring or to mitigate its impact.

Risk Committees also monitor progress in relation to resources put in place to mitigate risk and propose additional action plans as necessary.

These committees are decentralised to ensure that responsibility for action plans lies as close as possible to the risks in question. The Audit and Internal Control Division coordinates the committees and ensures that a uniform methodology is applied and all risks are covered.

The main risks and the systems designed to control them are described in section 1.5 of this report, which also describes the Group's policies concerning insurance. Financial market risks (interest rate and foreign exchange risk, etc.) are also covered in note 8 of the consolidated financial statements of this document.

How the risks are managed

The risk management system has three main components:

- a systematic approach to managing operational and functional risks identified and regularly updated under the Group risk mapping process, as it applies to each entity. Entities are responsible for describing, owning and coordinating risk mitigation measures and action plans in relation to internal control and risk mapping;
- a business continuity approach initiated in 2004. This policy is specifically aimed at identifying major risks that could affect day-to-day business. The goal is to develop a system for crisis management purposes and to define the required processes. The initial work on this programme led to the creation of the "Réagir" programme, which seeks to devise and regularly update plans for restoring business-critical processes after an incident. In 2015, extensive tests were conducted with recovery of the TF1 channel from the back-up site, production of a TV newscast and significant advertising slot changes; In 2016, an internal crisis management audit identified measures for improving the system;
- an information systems security approach. For the past several years, the Central IT Division has been working to formalise a Data Security Policy (PSI) to lay down common security standards for the Group. This effort continues on a daily basis as the constant technology advances are factored into security principles and rules. In 2014, security efforts focused more specifically on access control (network and workstations) and on the backup plan for financial IS, HR and advertising invoicing. In 2015, a wide-scale audit of broadcasting continuity and the security of IT operations and TV infrastructures was conducted. Short-term improvement initiatives were implemented (capacity for physical isolation of the master control unit in the event of an attack, speeding up the process for managing obsolete technologies, etc.) and medium-term initiatives were launched (oversight of IS security, data encryption). A plan was implemented to educate all employees about what to do in the event of receiving suspect emails. In 2016, some major achievements included increased security through the classification of sensitive data, the encryption of laptop computers and notebooks used by sensitive groups and the encryption and authentication of certain emails.

In 2016, TF1 looked into setting up an SOC (Security Operation Cockpit) and, after consulting the market, selected a service provider. The SOC has been operational since October 2016. The objective is to permanently monitor our Information Systems so as to easily identify malfunctions in our applications and hardware and take necessary measures to counter cyber attacks.

The SOC, and its operator, are also in charge of observing the web and the dark web to identify traces of cyber threats targeting TF1 and also sharing databases of information on cybercrime trends and updates with various customers.

The main business risks that TF1 has identified and seeks to cover on a constant basis are those linked to major processes, i.e. acquisition and compliance control of audiovisual content, and control of broadcasting and other vital activities.

Purchasing processes

TF1 signs contracts for the purchase of broadcasting rights to secure programming for future years. These contracts are legally and economically complex and involve substantial sums. Investment projects are launched based on the channels' editorial policies and the requirements arising from an analysis of programme inventory; they are subject to an investment authorisation procedure for each type of programme.

Furthermore, and where possible, framework agreements are signed ahead of the purchasing process in order to control the costs of certain programmes and to ensure supply. The Group centralises and shares its multi-channel rights (freeview, DTT, cable and satellite, video and new media including VOD and replay as much as possible.).

Sports rights are acquired by the division responsible for sports, usually through calls for tender launched by the rights-holders (federations, rights agencies, etc.). These calls for tender, generally open to all broadcasters, respect European and national regulations (French Sports Code). For the most significant projects, the Board of Directors forms an ad hoc committee responsible for approving the proposals.

TF1 Acquisitions de droits Economic Interest Group, which encompasses all of the Group's channels, and the Programmes and Acquisitions Division (DPA), which is responsible for acquiring rights and optimising their circulation within the Group, buys rights to feature films and series and sells unused rights to third parties in order to optimise inventory management.

The Group calls on a broad range of producers. Acquisition decisions are based on the artistic quality of programmes and on the editorial policy of the Group's channels, in accordance with principles of pluralism laid down in the Group's Diversity Charter.

Acquisitions are signed off by ad hoc committees that bring together all the decision-makers, on the basis of predefined objective criteria:

- the Rights Acquisition Division presents an overview of the project characteristics: unit price, number of broadcasts, rights transformation procedures, programming slots in the grids of the ordering parties, rights use period, sub-licensing (where applicable), territory, secondary use, and payment conditions;
- the Artistic Division checks that the programme complies with editorial policy;
- the Programming Division checks that the rights are aligned with the programming schedules of the Group's various channels, as well as with each channel's audience and inventory management targets;
- the Finance and Purchasing Division approves inclusion of the acquisition within the forecast programming cost and investment budget of the Programme Unit, the forecast profitability of the acquisition and the level of inventory, and checks that the purchase price is in line with market prices and that performance clauses have been included.

Commitments are ultimately signed off by either the Group Chairman and CEO or the Chief Executive Officer of the ordering channel, in accordance with delegations of power in place.

Control of programming and advertising compliance

Programmes broadcast by the Group's channels are subject to control by the CSA under agreements signed by the channels. Consequently, TF1 has set up a Programme Compliance Division which controls programmes before they are aired on these channels. This effort, which in some cases relies on collaboration with the Legal Affairs Division, also helps to minimise the legal risks inherent in broadcasting television programmes.

Furthermore, programmes targeting children are submitted to psychologists who are responsible for previewing the most sensitive ones.

Dedicated teams at TF1 Publicité preview all advertising spots for the channels on which they sell space (TF1, TMC, NT1, HD1 and LCI). They also ensure that all the spots have been filed for review and approval for broadcast with the French advertising self-regulatory organisation (ARPP). TF1 Publicité ensures that laws and regulations covering the broadcasting of advertising on the various media are respected and that the advertising complies with regulations and the editorial policy of each medium. Staff at each of the broadcasters sees that the maximum daily and hourly broadcast time for advertising is respected.

Control of broadcasting and other vital company activities

TF1's Technological and IT Division (DTSI) is responsible for making the programmes assigned to it as well as for programme broadcasting and the broadcast network. It is also in charge of designing, implementing and maintaining technical and information systems, and for managing real estate, logistics and general services.

The DTSI guarantees broadcasting continuity by assuring that the necessary human and technical resources are available and deployed as needed.

For several years, the DTSI has also been responsible for managing the identification, control and prevention of major risks that could affect service continuity, in terms of signal broadcasting as well as the company's activity, premises and IT systems. As such, it analyses and manages risks on an operational basis, for example through the "Réagir" Committee.

The "Réagir" Committee monitors and prevents major risks associated with the Group's key processes. It maintains and upgrades procedures based on the principle of continuous improvement in the security of people, assets, infrastructure, systems and data. It also updates and regularly tests plans for rapid resumption of activities that may be discontinued as the result of an exceptional event such as a signal outage or the inaccessibility of the TF1 building.

An external, secure back-up site has been operational since 2001 for broadcasting programmes, producing TV newscasts (TF1) and organising advertising slots for the TF1 channel.

In 2006 this back-up facility was improved when a digital process similar to that used at the main broadcasting facility was installed at

a new external site. This installation and the associated procedures make it possible, if necessary, to switch over from the main site with no noticeable interruption of programmes. In 2008 all back-up resources were amalgamated at this single new external site.

As part of the major revamp of the TMC and NT1 broadcasting facilities in Monaco in December 2014, a real-time, high-availability back-up system using technologies similar to those in Monaco and those used by the other Group channels was installed at the TF1 back-up site. Thus, TV viewers should not be affected by the temporary unavailability of the Monaco site.

The company's vital functions are included in the security plan through a business resumption process, in particular for the departments concerned with broadcasting, space selling, accounting, treasury, payroll and IT operations. Procedures are tested periodically so that the system can be adjusted if necessary.

The team in charge of this project also extended the range of risk factors to include health risks that could hamper normal operations. These risks have been quantified, their impact assessed, and the associated safety procedures tested. In 2009 the skills, procedures and preventive measures needed to address the threat of H1N1 flu were marshalled under the "Réagir" programme.

Furthermore, a website and a toll-free telephone number enable employees to be informed in real time in case of an emergency and to keep in touch with the company where necessary.

Faced with increased cyber and terrorism risks, TF1 now employs the services of a specialist television broadcasting company so that the TF1 channel can continue to be broadcast from a third party site with no interruption, in the event of its main broadcasting system being subject to a cyber attack. Should an attack reach, damage or destroy TF1's infrastructures, the service provider could broadcast the channel independently, following the scheduling planned by TF1 staff, for 24 to 48 hours (apart from some live broadcasts).

CONTROL ACTIVITIES

In addition to the risk management mechanism, TF1 group deploys a number of processes and systems that contribute to implementing Executive Management policies and enable goals to be achieved.

The Group pays particular attention to financial, legal and human resources processes by focusing on the assignments carried out by TF1 SA's functional divisions. Each division supervises and assists TF1 entities in its fields of expertise. The divisions also disseminate cross-functional procedures and ensure compliance with them, while helping to approve specific procedures for the Group's business lines.

Finance and Purchasing Division (DGAFa)

The DGAFa comprises the Group's financial departments and performs a control function through cross-Group procedures, methods and principles that it implements throughout the Group.

Audit and Internal Control Division (DACI)

TF1 group's Internal Audit Division conducts financial, operational and organisational audits in the Group's entities. Excluded from its remit are audits of the reliability, security and operation of the information systems, which are performed by the Bouygues group's Central Audit Department.

All of these audits are conducted according to an annual plan approved by Executive Management and TF1 group's Audit Committee. Progress in the plan and the principal conclusions and recommendations of audits already carried out are presented at the quarterly Meetings of the Audit Committee.

Audits are performed according to a strict methodology aimed at Meeting the standards of the *IFACI (Institut Français de l'Audit et du Contrôle Interne)*. The audit report is prepared containing recommendations that are systematically incorporated in an action plan drawn up by the entity audited, and monitored by the Audit Department.

In addition to carrying out the annual audit plan approved by Executive Management and the Audit Committee, the DACI is responsible for Internal Control and Risk Management. It alerts Executive Management to risks and seeks to give it the means to prioritise action plans. The DACI sees that all risks have been identified and notified to the Executive Management and that the relevance of the major risks presented to the Audit Committee and the Board of Directors is clear. It consolidates the main results of the internal control campaigns and provides a summary to the Group's governance bodies. It also ensures that uniform methods are used throughout the Group.

Accounting, Tax, Treasury and Finance Division (DCFTF)

The DCFTF is responsible for applying the Group's accounting principles across all TF1 group entities. It includes the TF1 SA Accounting Departments and those of its main subsidiaries, shared Accounting Departments (including in particular accounts payable) and the Consolidation Department. It also provides functional supervision to some of its subsidiaries' accounting staff. The DCFTF is responsible for ensuring that parent company and consolidated financial statements provide a true and fair view of the activity of Group companies and comply with existing standards and regulations. It ensures that the processes used to collect and process financial information are reliable and that accounting methods are appropriate and stable. It ensures that this information is supplied in the correct format and in a sufficiently timely manner for effective use.

The DCFTF is also in charge of processing and monitoring invoices received from Group suppliers, as well as payments issued by Group entities, in accordance with payment deadlines and internal Group payment authorization procedures, in particular, the separation of authorization, validation and payment functions (see below).

The DCFTF is also responsible for all tax and regulatory reporting requirements for Group entities. It ensures the reliability of the information reported and the resulting tax calculations, as well as settlement within the deadlines set.

It helps to coordinate and constantly update the teams by drafting and disseminating accounting, taxation and internal control rules, procedures and methods applicable throughout the Group.

Its Treasury and Finance unit is responsible for monitoring all the financial resources of TF1 group.

It manages the company's funding requirements and ensures that the Group has permanent, diversified and sufficient sources of financing to meet its needs. It does this by:

- conducting analyses and regular updates of cash forecasts, which it reports to Executive Management;
- maintaining appropriate lines of back-up financing with an average of two to three years' maturity, by establishing or renewing bilateral lines of credit with banks, while optimising financing costs.

Finance and Treasury is also responsible for centralised management of the Group's cash and for cash movements between the subsidiaries both in France and abroad, with the exception of a few entities over which TF1 does not have exclusive or majority control. In this capacity, it handles:

- management of bank accounts and optimisation of payment instruments;
- management of the Group's cash pool in euros and foreign currencies;
- consolidation and global management of interest rate and exchange rate risks;
- delegation of powers to a limited number of employees who alone are authorised by Executive Management to handle a limited number of financial operations for all Group companies, based on authorisation thresholds and procedures.

Finance and Treasury additionally oversees the terms for the issuance of bank guarantees and maintains best practices in terms of financial security and information systems. It ensures compliance with the basic rules of prudent management adopted by the Group, particularly in the areas of:

- internal security (two signatures for payments, etc.);
- external security (secure cheques, payment by promissory note, etc.);
- liquidity (confirmed credit lines, cash investment, etc.);
- quality of counterparties;
- legal documentation on credit agreements;
- assessment and hedging, where appropriate, of interest rate and currency risks.

In addition, Treasury and Finance, with the support of the Investor Relations Department (see below) and in conjunction with the Strategy, Development and Transformation Division, prepares a dossier every year for Standard and Poor's, the credit rating agency that rates TF1 group. This dossier contains market information and data about the medium-term financial performances of Group entities as validated by the Board of Directors in the three-year plan, updated based on the year-end financial statement.

Financial Support & Purchasing Division (DAFA)

The Financial Support & Purchasing Division, set up when the Purchasing and Finance Division was reorganised in March 2016, combines all the non-governing duties of the DGAF: Financial Communication and Investor Relations on the one hand, Ex-rights Purchasing on the other,

as well as the Skills, Tools & Projects Centre, the Missions Department as well as the Copyright Receipts and Repayments Management Unit.

All of these operations fall within the remit of the functional support that the Group Finance Division offers to all Operational Divisions.

Skills, Tools & Projects Centre

The DGAFA has a Skills, Tools & Projects Centre within its Financial Support & Purchasing Division that is responsible for coordinating its information system, which mainly consists of the financial modules of the SAP package, and for supporting the ongoing transformation of the DGAFA's operating processes and methods by improving these tools:

- a Projects Unit to operate, maintain and develop all the applications making up the Finance-Purchasing information system, including SAP, and coordinating the definition of the IT master plan for Finance-Purchasing, as well as monitoring its implementation;
- an SAP Transactional Data Management Unit (CRT), in charge of managing the Financial Information System repository databases, approving access rights, and strengthening the internal control over accounting and finance activities in the use of these applications.

Support and Performance Unit

The DGAFA also has a cross-functional structure in place, reporting to the DAFA, whose main remit is to measure the efficiency and improvement of the Group's financial processes. This structure is responsible for supporting employees through the ongoing transformation of all DGAFA entity operating processes and methods.

The Financial Communication and Investor Relations Department

Through press releases, press conferences on financial statements or other financial information, news published on the Group's website (www.groupe-tf1.fr/en) and regular Meetings with financial analysts, the Financial Communication and Investor Relations Department ensures that the market and the financial community are kept continuously and comprehensively abreast of the company's latest news and financial position.

This department is always listening to shareholders, investors and analysts.

Financial disclosures are disseminated in strict compliance with market operating rules and the principle of fair treatment for investors.

This department is also in charge of coordinating the registration document and relations with the Corporate Finance Division of the AMF, France's securities regulator.

The Financial Communication and Investor Relations Department also supports the Finance and Treasury Division with its yearly preparation of a dossier for Standard and Poor's, the credit rating agency that rates TF1 group.

Group Purchasing Division (excluding audiovisual rights)

Through the standardisation of its purchasing processes and resulting purchasing contracts, TF1 optimises and secures its procurement (tangible, intangible and services) and the financial terms and conditions

for their purchase and guarantees the continuity and quality of service through insurance taken out by its suppliers.

It relies as much as possible on framework contracts and suppliers approved at TF1 group level, as this cross-functional approach provides economies of scale and ensures more efficient management of the purchasing processes and relations with suppliers.

The TF1 Purchasing Division is tasked with optimising the performance of purchasing processes cross-functionally, in line with the Purchasing Charter drawn up by the Bouygues group and through a TF1 group purchasing policy based on six key components:

- a clear and objective purchasing process: supplier offers are reviewed on the basis of the comprehensible and objective criteria established in each individual specification in calls for tender. Purchasing decisions are documented and clearly justified;
- global management of supplier relations: the Purchasing Department is the unique entry point for suppliers, excluding audiovisual rights, at TF1 group;
- a Responsible Purchasing policy: CSR criteria form an integral part of the supplier assessment and selection process. Consequently, TF1 incorporates a CSR questionnaire into each call for tender and has its main suppliers assessed by an independent body (Ecovadis). In this regard, since January 2012, TF1 group has been a signatory of the Responsible Supplier Relations Charter, comprising ten commitments aimed at building balanced and sustainable relationships between the major companies that are signatories of the charter and their suppliers. By signing this charter, TF1 is demonstrating its desire to apply the best practices described and to establish a climate of mutual trust with its suppliers. In addition, TF1 includes clauses on sustainable development and diversity in its purchasing contracts and its general terms and conditions of purchase, and encourages increased use of the sheltered sector. Lastly, in 2016, the Purchasing Division rewrote its Purchasing and CSR Policy which can be consulted on the TF1 Corporate website: "Our Responsible purchasing commitments"; this was an opportunity to reiterate the main principles of the Group's responsible purchasing policy;
- ethics: the purchasing policy is secure and TF1 is mindful of any conflicts of interest that may arise during calls for tender. Particular attention is paid to the reciprocal respect of contractual commitments with our suppliers in line with the "Responsible Supplier Relations" label and charter;
- the implementation of framework contracts at TF1 group level, notably through the formation of technical partnerships with strategic suppliers;
- securing supply, assessing economic dependency risks and social risks, and validating the respect of prevailing regulations, insurance policies, etc.

Group Performance Management and Management Control Division (DPPOG)

Based on the Board-approved budget, the DPPOG ensures that the short-term milestones under the Group's objectives are met, notably through:

- a monthly consolidated dashboard, which distils and annotates, at Group level, key financial and operational items for the different Group entities, along with events whose current or future impacts are explained.

This dashboard is based on monthly reports prepared by each structure and business, including a financial statement, an end-of-year forecast and performance indicators. Each entity or group of entities presents its own dashboard to the DPPCG in Meetings scheduled according to a calendar established at the beginning of each year. After controlling, validating and analysing the presentations, the DPPCG generates a consolidated Group dashboard, which it presents to Executive Management with comments, at a set time every month.

Since 2015, within the context of month-end closings, the DPPCG and the Accounting, Tax, Treasury and Finance Division have jointly ensured that all income and expense items for the period are properly attributed, either by having teams share information or during Meetings on the closing options. Furthermore, the fact that the source of the financial information generated by the management reporting process and the source of the information produced by the accounting system are shared in an ERP tool means that the data produced is consistent. An audit is, however, still carried out at each closing;

- two updates to adjust estimates of year-end results and to re-orient action plans in line with the objectives set;
- rolling forecasting to make updates of the impact that events and ongoing projects will have on end-of-year financial statements;
- monthly operational indicators reflecting short-term management objectives for the various businesses and designed to support action plans. This set of indicators constitutes the Group's Management cockpit used to measure performance. This approach promotes a common and shared understanding of challenges and circumstances and the development of cross-cutting solutions. It has been introduced in most subsidiaries. These indicators can be used to track all existing dimensions of performance at all levels of operational responsibility;
- a weekly dashboard analysing the actual and short-term forecast programming margin of the TF1 – TMC – NT1 – HD1 – LCI channels (since September 2016). Margins are also studied and analysed, on a regular basis, by broadcast, time of day or hourly slot so that action plans can be devised.

Strategy, Development and Transformation Division (DSDT)

TF1 group's Strategy, Development and Transformation Division is responsible for conducting strategic studies and making acquisitions, for compiling business plans, monitoring the Group's financial investments and managing the "OneTransfo" transformation plan in conjunction with Executive Management and members of the Executive Committee.

Monitoring

Trends analysis data is used in strategic studies and enables structural projects to be linked to changes experienced within our environment – mainstream, brands/advertisers/agencies, production and media players, operators, digital players.

Transformation plan

The "OneTransfo" plan launched in March 2016 by Gilles Pélisson focuses on two areas. The first, "Preparing for the future" aims to develop revenue from existing business as well as sourcing new revenue streams. The second, "Reinventing ourselves", must enable the Group to become simpler and more agile. The plan breaks down into six initiatives each of which comprises 24 projects led by operational managers and

their teams, under the guidance of their respective Executive Committee members.

The weekly "OneTransfo" Committee Meeting steers the progress made by the individual initiatives. Feedback is given on a regular basis to management bodies and an internal communication tool relays key messages to employees.

Business plan

Strategic planning is based on an analysis of market developments, usages and the competitive environment, as well as the risk mapping approach.

The DSP performs strategy and competition monitoring, tracking long-term trends in the media, internet and telecoms sectors, and within this setting prepares scenarios of changes to TF1 group activities.

Once the strategic priorities are signed off in July every year and Group Executive Management has aligned itself with these priorities, strategic guidance memos are prepared and sent to all Group entities, which use them to develop their three-year plans, including the budget for the first year.

A three-year plan is prepared by each company and/or entity, with proactive support from Management, guaranteeing consistent and uniform preparation of the business plan.

The first year of the strategic plan is the budget and represents a firm commitment to senior Group management on the part of the heads of the various entities. The Group Finance and Purchasing Division is responsible for tracking the implementation of this budget.

The plan is approved by the Board of Directors on a yearly basis.

Throughout the year, Management supports all the businesses in their long-term thinking so as to ensure that the plan that has been constructed is actually implemented.

Governance

The strategy committee meets on a monthly basis and reviews key business indicators and strategic, partnership, development and transformation issues.

Monthly Commitment Committees drive rapid decision-making on acquisitions, monitor the progress of ongoing issues and steer negotiations entered into by specific teams.

The Commitment Committee brings together Executive Management, the Executive Vice President, Finance and Purchasing, the Legal Affairs Director, the Vice President, Strategy, Development and Transformation, the Vice President, Innovation and Digital, the Executive Vice President, Content, as well as the Executive Vice President, Advertising & Diversification.

Managing holdings

An Equity Investment Division, reporting to the Strategy, Development and Transformation Division, monitors holdings on a regular basis, with support from financial, legal and operational divisions.

Twice a year, an Investment Committee reports on historical and new holdings in line with strategic priorities (digital and production), those relating to open innovation and to "media for equity" investments. It also ensures optimum economic collaboration between these holdings and the Group's operational entities.

Human Resources and CSR Division (DGARGH & CSR)

The Human Resources and CSR Division plays a key role in the selection, hiring, and development of human resources necessary for the efficient functioning of the various TF1 group entities.

It monitors compliance with the French Labour Code and changes in labour policy in conjunction with the various employee representative bodies. It also coordinates the Group's professional training, which has the objective of developing the technical, interpersonal and managerial skills required in the exercise of each employee's responsibilities. TF1 cares about developing the skills of its staff and encourages job mobility between Group companies and divisions.

Within the framework of the management cycle, the Human Resources Division, together with operational and functional departments, plans human resources needs. These needs are formalised and are an integral part of the three-year financial and strategic planning process fixed by Executive Management. Replacement tables for the top 50 senior executives are regularly updated. Any request to hire or promote a permanent employee is subject to a formal approval procedure.

To disseminate best practices in the field of diversity to all TF1 group companies and employees, two training programmes were launched. The first, introduced in 2010, was aimed at the 400 key managers; the other, which was started in 2011, was for 400 journalists, technicians and programme advisers who contribute to ensuring that diversity is well represented on-screen. These two programmes were completed in 2012, with a total of more than a thousand employees receiving training. Both new hires and promoted staff now have the benefit of these programmes. Finally, the second three-year disability agreement (2011-2013), accredited by DIRRECTE, included the ambitious target of recruiting 27 employees with disabilities onto either permanent contracts or fixed-term contracts of more than six months. This target was exceeded and a third three-year agreement (2014-2017) was signed in June 2014.

General Counsel's Department and Legal Affairs Division

The General Counsel's Department of the Group leads and coordinates the following two functions:

- the General Counsel's Department, directly responsible for:
 - monitoring relations with external bodies and authorities (such as the French broadcasting regulatory authority (CSA), the French Competition Authority, government and parliament, and the European Commission) in conjunction with the Institutional Relations and Regulatory Affairs Division,
 - monitoring laws, rules and decrees concerning the audiovisual sector,
 - monitoring compliance with regulatory requirements (in connection with production-related obligations, CSA reporting, the French Competition Authority, business combinations, abuse of dominant position and cartels, etc.),
 - managing the relationship with interbranch organisations in the audiovisual sector (SACD, USPA, etc.) and major branch-level agreements (broadcasting, production),

- major business combination transactions which contributed to the Group's structure, with the competent authorities (notably the takeover of TMC and NT1),
- providing support to all Group pay channels in their contractual relations with the main pay-per-view distributors and ISPs and dealing with administrative procedures with the French broadcasting regulatory authority (CSA) and the French Competition Authority,
- monitoring compliance with the Code of Ethics and the observance of personal and professional ethics and compliance,
- relations with the Group's Ethics and CSR Committee;
- the Legal Affairs Division (DAJ), responsible for:
 - determining the contractual policy and supervising its enforcement within the Group, and in general, monitoring the negotiations of the main acquisition, distribution and sales contracts for the Group for compliance with governance guidelines,
 - monitoring the various aspects of company law (including secretarial work requirements for Board Meetings and General Meetings) and legal aspects of business developments within the Group,
 - legal affairs and the monitoring of court proceedings and litigation. Legal risks and litigation are closely coordinated with the Finance and Purchasing Division (DGAFA) to ensure that they are properly reflected in the financial statements,
 - the management of intellectual property rights (rights, brands and domain names), protection against piracy,
 - protection of personal data and its free movement, so as to be in a position to comply with the new European legal framework coming into force in May 2018.
 - risk management, insurance and property matters. the Legal Affairs Division ensures that the terms and conditions of coverage are appropriate and that premiums and deductibles are in line with the risks to which the Group is exposed.

For several years, the General Counsel's Department and Legal Affairs Division have been involved in a process to secure and control commitments. This is manifested, for example, by the definition of a Group contractual policy and standard contract models for all recurring commitments. Furthermore, the Legal Affairs Division pays particular attention to optimising and conserving the insurance policies signed by TF1 and its subsidiaries so as to be covered against potential risks, in partnership with brokers acting for leading companies.

The Legal Affairs Division also monitors and participates in implementing a consistent policy of delegation of powers. In particular, the subsidiaries over which TF1 exercises exclusive control are granted delegations based on guidelines established at Group level. With regard to subsidiaries with joint control, internal control is organised based on TF1 group's expertise and in compliance with shareholder agreements.

MONITORING SYSTEMS

Internal control systems must themselves be monitored continuously by corporate management and by means of ad hoc assessments carried out by bodies with no direct authority over or responsibility for the activities in question.

Audit Committee

Formed in 2003 the Audit Committee is composed of at least three directors. TF1 Executive Directors and employee representatives are barred from sitting on the committee in order to ensure its independence.

Before submitting presentations to the Board of Directors, the committee examines the quarterly, half-yearly and annual financial statements and receives a presentation of the conclusions of the Statutory Auditors. It takes this opportunity to ensure the appropriateness and the consistency of the accounting methods adopted to draw up the financial statements and verify the rules of procedure for the collection and control of the information used.

Further to the publication of the decree implementing Article 225 of the Grenelle 2 Act, since 2012 the Audit Committee has been informed of the findings of the independent third party organisation in relation to CSR data. In addition, it notes the findings of Internal Audits and signs off the Internal Audit annual work plan.

Interest rate and foreign exchange hedging policies are also presented to the Audit Committee, along with TF1 group's medium-term financing strategy (available credit lines, funding sources in financial markets, etc.).

The Audit Committee is also advised of information pertaining to the perception of the Group by the financial markets. This information is provided to the committee in the form of a summary of investors' expectations towards the Group, a description of TF1 group's share price performance and the average level of revenue and profit expected by financial analysts for the current quarter and year (the consensus of analysts).

The Audit Committee is provided with regular updates on the deployment of the internal control system, the results of assessment campaigns, major risks identified by the risk mapping process and progress against action plans to address these risks.

The Statutory Auditors' role is to ensure the fair presentation of the company's results and both its financial and asset positions in accordance with accounting rules and principles. In so doing, they are made aware of the organisation and operation of the information systems and internal control procedures with regard to accounting and financial information, which they take into account in their audit activity.

Internal Audit

Internal Audit is an analysis, control and information tool for Executive Management, managers and the Audit Committee, making it possible to identify risks and to manage and control them more effectively.

As part of its duties, Internal Audit verifies the application of internal control principles and rules, in collaboration with Internal Control, and in addition to the latter's assessments. It thereby contributes to raising employee awareness on internal control principles.

In addition, Internal Audit actively monitors best practices in control implemented within the Group.

PUBLISHED ACCOUNTING AND FINANCIAL INFORMATION CONTROL PROCESSES

TF1 is particularly sensitive to internal control issues, particularly in the areas of accounting and finance, where the reliability of information is critically important.

This chapter summarises the principal control processes contributing to the preparation of accounting and financial information.

FINANCIAL INFORMATION SYSTEMS

The Central IT Division (DCSI) works closely with the DGafa, notably through the Skills, Tools & Projects Centre, to deploy and supervise TF1 group's major financial information systems, notably the accounting, management, treasury and consolidation tools. It also deploys business applications in certain entities.

In the areas of finance and accounting, TF1 operates specific internally developed systems as well as packaged software. The latter are subject to rigorous analysis, monitoring and operation to ensure their availability, integrity, security and compliance with legal obligations.

In the broad framework of its Data Security Policy (PSI), the Group has set up systems integrating technical firewalls against attacks from outside (notably an anti-virus emergency plan and regular anti-hacking tests).

In addition, TF1 group implements on a yearly basis a process to make the key technical, legal, financial and human resources managers aware of data security and the systems they will need to use.

Finally, the increasing use of advanced information technologies makes corporate data protection and confidentiality crucial. The Eticnet guidelines take this factor into consideration; its dissemination and regular updating help to strengthen the process of making employees accountable.

The Group's SAP ERP tool is aimed at facilitating and streamlining the preparation of information while optimising processes in the areas of human resources, finance, and purchasing.

This ERP is based on the principle of a unique record of operations necessary for financial information and guarantees the control of commitments and payments through:

- systematic and centralised control by the Skills, Tools & Projects Centre (CRT team):
 - of access to SAP on the basis of an end-user role incompatibility matrix. This control is applied every time an access creation or modification request is made or when employees leave/change,
 - validation cycles for purchase orders, based on internal control rules established within the context of the Core Finance Model;
- the creation and management of centralised databases (suppliers, items) by the Skills, Tools & Projects Centre;
- the approval cycle for commitments, pre-defined in the IT application and limited to authorised persons;
- the recording of invoices reflecting the commitments duly approved by the system using an incoming invoice scanning and video coding platform and management of reconciliation between invoices and approved orders.

This management tool was rounded out with a system for pooling the management of supplier invoices. This is ensuring a stricter separation of the tasks of checking invoices received, processing their payment, and approving their payment.

This management tool is complemented and/or fed by several applications that respond to different business needs of the Group, such as the system dedicated to the processes for monitoring contracts on the acquisition and management of broadcasting rights. The Core Finance Model and internal control rules are applied in these business tools in the same way as in the ERP.

Payments made by Group entities are issued from SAP and are subject to multiple validations, with a double signature required according to the signing authority established and updated on a regular basis. All the Group's means of payment are subject to security procedures, including post-clearing checks, which were recently reviewed and reinforced. These are supplemented by daily bank account checks and by formal monthly bank reconciliations.

PROCESS FOR PREPARING AND CONSOLIDATING FINANCIAL STATEMENTS

The Accounting, Tax, Treasury and Finance Division (DCFTF) has a mission of monitoring and co-ordination, regularly disseminating information to the Group's accounting staff on developments in the rules and methods for generating the parent company and consolidated financial statements of TF1 group.

The tools and processes up-stream of the closing of the financial statements guarantee that events are accounted for correctly and according to principles of reality, comprehensiveness, and correct accounting representation.

The accounting choices made are validated by the Statutory Auditors prior to quarterly closings and are presented to the Audit Committee.

Process for closing TF1's financial statements

Each quarter, all Group companies prepare interim financial statements under IFRS using a structured process and a predetermined timetable.

The SAP package has a data management system that enables user entities to track performance at any time. The system draws in particular on information on accounts receivable, accounts payable and inventory that is either fed in by operational systems higher up the processing chain or input directly into SAP by operational staff. As part of the procedure for closing TF1's financial statements, book entries are jointly analysed and validated by the Accounting and Management Control Departments. Management data used for reporting are periodically compared with accounting system data.

The Accounting, Tax, Treasury and Finance Division (DCFTF) monitors the process used to assess assets in the Group's financial statements. In the case of goodwill and securities recorded on the balance sheet, it identifies impairment indicators for intangible assets and, where necessary, writes down the assets concerned. This is done whenever necessary and at least once a year, based on information provided by the Strategy, Development and Transformation Division and various operational entities, using the impairment test procedure described in the notes to the Group's financial statements. The value of other assets, such as audiovisual rights, is assessed using criteria which are also described in the notes to the Group's financial statements. This process and its results are validated together with the Statutory Auditors and presented to the Audit Committee.

Provisions for litigation and other risks are established based on a risk analysis conducted in consultation with the Finance and Purchasing Division (DGAF), the General Counsel's Department, the Legal Affairs Division, the Human Resources and CSR Division and the relevant operational and functional divisions.

All items in the balance sheet and income statement are rigorously analysed by comparing them with the year-earlier period. Changes are commented upon, and those comments provide insights into the companies' businesses.

At year-end closing, off-balance sheet commitments (guarantees given and received by the Group, reciprocal commitments such as rental, lease and image transmission contracts) are subject to stringent procedures governing establishment, authorisation, monitoring and assessment in every Group entity. Commitments made to secure programming are described in the notes in the sections that deal with the relevant balance sheet items. They are covered by specific negotiation and authorisation procedures involving the Programmes and Acquisitions Division (DPA), the Broadcasting Division and the DGAF, and are also subject to assessment procedures carried out by the DPA under the DGAF's supervision.

Month-end closings are also conducted in SAP to secure and supplement the management data prepared within the context of Group reporting.

Consolidation process

The Consolidation Department consolidates the financial statements of all TF1 group companies at each quarterly closing on the basis of a pre-defined scope, schedule and instructions communicated to the Group's organisations and units and the Statutory Auditors.

TF1 group financial statements are prepared in accordance with IFRS, as adopted by the European Union. Depending on local standards and tax regulations, a parallel treatment of certain transactions is provided in the parent company financial statements of certain Group subsidiaries.

The consolidation tool used throughout TF1 group is SAP-BFC, an application used by a large number of listed companies. SAP-BFC allows for rigorous analysis and control of the financial statement preparation process, which is governed by standard procedures.

PROCESS FOR VALIDATING THE FINANCIAL STATEMENTS

The quarterly consolidated financial statements are presented to the Chairman and CEO by the Finance and Purchasing Division (DGAF).

At 31 December of each year, the financial statements of TF1 and all its subsidiaries are subject to an external audit by the Statutory Auditors. The consolidated financial statements for interim periods are given limited review based on a review of the financial statements of the Group's main subsidiaries.

Before presentation to the Board of Directors, the Audit Committee reviews the consolidated financial statements and receives a presentation of the conclusions of the Statutory Auditors. Subsequently, the Group's financial statements are presented to and approved by the Board of Directors.

In addition, the Audit Committee reviews the proposed announcement of the quarterly results prior to validation by the Board of Directors and release.

PROCESS FOR MANAGING FINANCIAL DISCLOSURES

Besides the Chairman and CEO, only duly authorised persons may communicate financial information to the market. These include the Executive Vice President, Group Finance and Purchasing, the Corporate Communication Division and staff of the Financial Communication & Investor Relations Department.

This department helps the operational divisions to prepare the business and financial reports of TF1 and its subsidiaries that are presented to the Board of Directors, according to a structured process and in compliance with financial disclosure requirements.

Prior to distribution, the documents are inspected and approved by the Legal Affairs, Human Resources and CSR, Communication and Finance and Purchasing Divisions. Quarterly press releases are approved by the Audit Committee and the Board of Directors.

The Financial Communication & Investor Relations Department distributes and communicates financial information on TF1 group and its strategy through, for example:

- management reports of the Board of Directors;
- registration documents and quarterly and half-yearly financial reports;
- financial press releases;
- presentations for financial analysts and investors.

Before being submitted to the French Financial Markets Authority, in compliance with its General Regulation, the Group registration document is checked by the Statutory Auditors, who make sure that the Group's financial statements and information on the financial position are consistent with historical financial information.

Corporate Social Responsibility information contained in the document is also reviewed by an independent third party organisation, in accordance with the implementation decree of Article 225 of the Grenelle 2 Act.

Each subject to be communicated is accompanied by an explanation approved by Executive Management, updated regularly and acting as a support to relations with the various stakeholders in the market.

To guarantee investors equal access to information, the various communications products are also made available in English and distributed through the following channels:

- information for an outside audience is put on line on the www.groupe-tf1.fr/en website upon publication. However, anyone wishing to receive

information by post may request it from the Financial Communication & Investor Relations Department, which will send it free of charge;

- regulated information is disseminated in accordance with the European Directive on "Transparency" via a primary information provider that relays information to press agencies and media companies;
- meetings with analysts are broadcast live and in full on the Internet or by telephone, with no access restrictions. A recording of these meetings is posted on the Group's website;
- two people from TF1 group generally attend meetings held abroad and talks with market participants to ensure that accurate information is delivered with strictly equal access. Any documents presented at these Meetings are published promptly on the www.groupe-tf1.fr/en website.

CONCLUSION AND OUTLOOK

Throughout 2016, TF1 group continued to reorganise its processes to make them more efficient and flexible and achieve greater cross-functionality among the Group's entities.

The Group conducted a new campaign in 2016 to assess the application of internal control principles across a broader representative scope. The attendance rate was very satisfactory, and the campaign confirmed that there were no major internal control shortcomings or problems. The Group also continued the effort to update and enhance its internal control system by identifying best practices for its various businesses and proprietary risks.

TF1 also pursued its risk mapping activities in 2016 by updating, reassessing and prioritising the risks identified in previous years. New risks that could potentially affect the Group's ability to achieve its medium-term strategic goals were taken on Board, and the management of action plans was incorporated into the company's management cycle.

The Audit Committee was regularly informed of these activities.

All these objectives will be pursued with a view to maintaining a dynamic vision of internal control, based above all on the skills, sense of responsibility and involvement of all Group employees.

5.4 STATUTORY AUDITORS' REPORT, PREPARED IN ACCORDANCE WITH ARTICLE L. 225-235 OF THE FRENCH COMMERCIAL CODE ("CODE DE COMMERCE"), ON THE REPORT BY THE CHAIRMAN OF THE BOARD OF DIRECTORS OF TÉLÉVISION FRANÇAISE 1 S.A.

This is a free translation into English of a report issued in French and provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with French law and professional auditing standards applicable in France.

Year ended December 31, 2016

To the Shareholders,

In our capacity as Statutory Auditors of Télévision Française 1 SA, and in accordance with Article L. 225-235 of the French Commercial Code (*Code de Commerce*), we hereby report on the report prepared by the Chairman of your company, in accordance with Article L. 225-37 of the French Commercial Code, for the year ended December 31, 2016.

It is the Chairman's responsibility to prepare and submit to the Board of Directors for approval, a report on the internal control and risk management procedures implemented by the company and other disclosures required by Article L. 225-37 of the French Commercial Code (*Code de Commerce*), particularly in terms of corporate governance measures.

It is our responsibility:

- to report to you on the information provided in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of accounting and financial information; and
- to attest that this report provides the other disclosures required by Article L. 225-37 of the French Commercial Code (*Code de Commerce*), it being specified that we are not responsible for verifying the fair presentation of the disclosures.

We conducted our work in accordance with the professional standards applicable in France.

INFORMATION ON THE INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES RELATING TO THE PREPARATION AND PROCESSING OF THE ACCOUNTING AND FINANCIAL INFORMATION

The professional standards require that we perform the necessary procedures to assess the fairness of the information provided in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information. Our procedures consisted mainly in:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information on which the information presented in the Chairman's report is based and existing documentation;
- obtaining an understanding of the work involved in the preparation of this information and of the existing documentation;
- determining whether any significant weaknesses in the internal control procedures relating to the preparation and processing of accounting and financial information, which we identified during our engagement, have been properly disclosed in the Chairman's report.

On the basis of our work, we have nothing to report on the information in respect of the Company's internal control and risk management procedures relating to the preparation and processing of the accounting and financial information contained in the report prepared by the Chairman of the Board of Directors, in accordance with Article L. 225-37 of the French Commercial Code (*Code de Commerce*).

OTHER DISCLOSURES

We hereby attest that the Board of Directors' Chairman's report includes the other disclosures required by Article L. 225-37 of the French Commercial Code (*Code de Commerce*).

The Statutory Auditors

Paris-La Défense and Courbevoie, February 16, 2017

KPMG Audit IS
Stéphanie Ortega
Partner

Mazars
Guillaume Potel
Partner

Bruno Perrin
Partner

ERNST & YOUNG Audit
Laurent Vitse
Partner