



ACCORHOTELS

Feel Welcome

REGISTRATION DOCUMENT

AND ANNUAL FINANCIAL REPORT



2016

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Information disclosed in the Annual Financial Report is indicated in the contents by the pictogram

2016

REGISTRATION DOCUMENT AND ANNUAL FINANCIAL REPORT



RAFFLES

SOFITEL
LEGEND

SO
SOFITEL

SOFITEL

Fairmont

onefinestay

M
GALLERY

pullman

swissôtel

25h
twenty five hours hotels

NOVOTEL

Mercure

adagio

MAMA
SHELTER

ibis

ibis
STYLES

ibis
budget

JOE
&
JOE

hotelF1

AUTORITÉ
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AMF

The original French version of this translated Registration Document was filed with the *Autorité des Marchés Financiers* on March 31, 2017 in accordance with article 212-13 of the General Regulations of the *Autorité des Marchés Financiers*.

It may be used in connection with a financial transaction in conjunction with an Information Memorandum approved by the *Autorité des Marchés Financiers*.

This document was prepared by the issuer and is binding on its signatories.



I

CORPORATE PRESENTATION

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1.1 CORPORATE PROFILE

AccorHotels is a **world-leading travel & lifestyle group** and digital innovator offering unique experiences in more than **4,100 hotels, resorts and residences**, as well as in **over 3,000 of the finest private homes** around the globe. Benefiting from dual expertise as an investor and operator through its HotelServices and HotelInvest divisions, AccorHotels operates in **95 countries**.

Its portfolio comprises internationally acclaimed luxury brands including **Raffles, Fairmont, Sofitel Legend, SO Sofitel, Sofitel, onefinestay, MGallery by Sofitel, Pullman and Swissôtel**; the popular midscale and boutique brands of **25hours, Novotel, Mercure, Mama Shelter and Adagio**; the much-prized economy brands including **JO&JOE, ibis, ibis Styles, ibis budget** and the regional brands **Grand Mercure, The Sebel and hotelF1**.

AccorHotels provides innovative end-to-end services across the entire traveler experience, notably through the recent acquisition of John Paul, the world leader in concierge services.

With an unmatched collection of brands and a rich history spanning close to five decades, AccorHotels, along with its global team of nearly 250,000 dedicated women and men, has a purposeful and heartfelt mission: to make every guest Feel Welcome. Guests enjoy access to one of the world's most rewarding hotel loyalty programs – Le Club AccorHotels.

1.2 CORE BUSINESSES

1.2.1 HOTELS

All our brands, from luxury to economy, combine excellent service with a warm welcome and a multicultural, responsible approach.

A PORTFOLIO STRUCTURED TO MEET DEMAND, FROM LUXURY TO ECONOMY

Luxury and upscale

RAFFLES

For more than a century, travelers desiring elegance and sophistication have been succumbing to the charm of Raffles hotels, veritable oases of serenity and finesse located in the heart of the world's most beautiful destinations.

Network: 11 hotels, 1,927 rooms in 10 countries.



Fairmont invites travelers to experience timeless moments, imbued with local culture, in the heart of the world's most beautiful destinations. Whether for a luxurious retreat or an elegant getaway, every moment holds the promise of well-being.

Network: 74 hotels, 29,238 rooms in 22 countries.

BANYAN TREE

In days gone by, the banyan tree provided shelter to weary travelers. Symbolizing the relief and comfort provided by nature, Banyan Tree offers its guest a haven of peace and relaxation. With attentive yet discreet service and associates representing more than 50 nationalities, Banyan Tree Hotels & Resorts provide naturally-luxurious, ecological, culturally-sensitive experiences. Banyan Tree Hotels & Resorts has grown into one of the world's leading international operators in the hospitality and spa industry, and manages more than 30 resorts and hotels, 70 spas, 90 retail galleries and three championship golf courses in 28 countries. Banyan Tree has created hotels and resorts to suit the needs and lifestyle of its guest, all built on a foundation of sustainability.



Sofitel and its Ambassadors bring French elegance to the world through a collection of prestigious hotels, offering their guests and partners personalized service that combines an emotional experience, outstanding performance and excellence. The Sofitel family comprises three labels that all share the same DNA.

- Sofitel Legend, an iconic AccorHotels brand;
- Sofitel hotels & resorts, combining local culture and French *art de vivre*;
- Sofitel SO, the ideal experience for international, cosmopolitan travelers.

Network: 120 hotels, 30,318 rooms in 41 countries.

Guests: 45% business – 55% leisure.



With MGallery by Sofitel, AccorHotels offers charming locations with their own exciting story. These boutique hotels, boasting the best of French hospitality, will inspire travelers who are curious about the world around them.

Network: 88 hotels, 8,916 rooms in 24 countries.

Guests: 40% business – 60% leisure.

pullman

With Pullman Hotels & Resorts, AccorHotels welcomes a new generation of upscale hotels. The cosmopolitan brand offers ultra-connected travelers an experience that combines efficiency and comfort.

Network: 119 hotels, 35,217 rooms in 32 countries.

Guests: 55% business – 45% leisure.

swissôtel

Blending impeccable service with a resolutely contemporary atmosphere, Swissôtel offers a luxurious stay in the purest and warmest tradition of Swiss hospitality.

Network: 31 hotels, 11,993 rooms in 16 countries.

Guests: 53% business – 47% leisure.

GRAND MERCURE

Grand Mercure blends local culture with a universal sense of hospitality. In Asia, the Middle East and Latin America, the brand's distinctive personality in each country ensures that guests feel at home. Its hotels are cultural gems in magnificent locations.

Network: 41 hotels, 9,120 rooms in 11 countries.

Guests: 53% business – 47% leisure.

THE SEBEL

Independence takes on a whole new meaning at The Sebel Hotels and Apartments, with elegant apartments, spacious design and personalized service. Thanks to this upscale collection of hotels and apartments, travelers looking for autonomy and unparalleled hospitality in a calm and relaxing environment are in for an unforgettable experience.

Network: 26 hotels, 1,776 rooms in 3 countries.

Guests: 51% business – 49% leisure.

25h

twenty five hours hotels

25hours hotels stand out for their lively blend of contemporary services, high energy, pleasant surprises and touch of adventure, all within the safety of a familiar setting.

Network: 9 hotels, 1,882 rooms in 3 countries.

Midscale

NOVOTEL

Novotel is suited to everyone: from families to solo travelers, traveling for business or leisure. In these hotels, everything has been designed to make you feel perfectly at home. And the teams, famous for their attention to detail, are always ready to help. This unique approach to hospitality, underpinned by simplicity and elegance, is appreciated across the world.

Within the Novotel family, Suite Novotel offers midscale travelers a warm welcome, 30-square-meter suites and innovative services including free massages, the loan of a vehicle and a gourmet shop. Everything is designed to allow business and leisure guests to enjoy complete autonomy and freedom during their stay.

Network: 480 hotels, 93,147 rooms in 59 countries.

Guests: 53% business – 47% leisure.

Mercure

In Mercure hotels, every stay is unique. Run by passionate hoteliers, Mercure hotels have a strong local feel that is in tune with the location and people. Mercure does everything it can to provide you with a high-quality and immensely enjoyable experience. (Re)discover Mercure and enjoy a local hotel experience.

Network: 747 hotels, 95,894 rooms in 55 countries.

Guests: 59% business – 41% leisure.

MAMA SHELTER

More than just a place to eat and sleep, Mama is an urban kibbutz, a living space for sharing experiences and meeting new people. Mama feels like a mother's love – a warm embrace, a comfortable haven, generous and unique dishes concocted by top chefs. Just like a mother, Mama's overriding aim is to take care of you.

Network: 6 hotels, 677 rooms in 3 countries.

Guests: 8% business – 92% leisure.

adagio adagio access

You're new in town but you already feel at home. Your apartment is spacious and has everything you need including a kitchen, and our hotel services make life easy for you with 24/7 reception, housekeeping and a breakfast buffet. The chain features two product ranges:

- Adagio, standard aparthotels;
- Adagio access, the economy range;

Network: 101 aparthotels, 11,490 apartments in 11 countries.

Guests: 59% business – 41% leisure.

Economy

ibis

Some people say you can't put a price on comfort. ibis hotels prove otherwise, offering guests comfort at unbeatable prices, with modern rooms, innovative bed linen, cozy and stylish living spaces and 24-hour reception services. Welcome to Europe's leading low-cost hotel chain.

Network: 1,088 hotels, 138,741 rooms in 65 countries.

Guests: 57% business – 43% leisure.

ibis STYLES

Creativity, design and fun are the watchwords for ibis Styles. Upbeat and trendy, this multi-style brand offers a unique blend of comfort and design, as well as services like Wi-Fi and family rooms. Everything is in place to cater to the needs of the modern traveler at an all-inclusive price.

Network: 367 hotels, 36,144 rooms in 30 countries.

Guests: 52% business – 48% leisure.

ibis budget

Ibis budget provides a clever, cozy and low-cost offer, with rooms for one, two or three people, fun living spaces, XL showers, and all-you-can-eat breakfast buffets. The leading low-cost hotel skillfully blends simplicity and quality.

Network: 570 hotels, 55,516 rooms in 17 countries.

Guests: 52% business – 48% leisure.

JO& JOE

JO&JOE is a living space with a unique design open to all millennials, be they locals or travelers. Lively, accessible and reassuring, these open houses are all about freedom, offering guests vibrant spaces where they can live as they choose.

2020 ambition: 50 open houses, 15,000 rooms in 10 countries.

hotelF1

hotelF1 offers fully renovated Duo and Trio rooms featuring a contemporary design as well as new reception and breakfast areas. More dynamic than ever, hotelF1 has established itself as an unconventional brand that meets the expectations of cost-conscious consumers.

Network: 246 hotels, 19,150 rooms in 1 country.

For various contractual reasons, 9 hotels representing 1,286 rooms are still operated under the Formule 1 brand.

1.2.2 LUXURY PRIVATE RENTALS AND CONCIERGE SERVICES

We give our guests more than conventional hospitality, offering them the fresh experience of staying in a luxury private homes or remaining by their side through premium concierge services.

onefinestay

onefinestay is practiced in the art of hospitality for stays in the finest homes. Owners receive additional income by renting their property in their absence. In return, onefinestay guests have the opportunity to see cities in a different light.

Network: 2,500 properties, 6 cities in 4 countries.

SQUARE break.

Squarebreak is a new way to vacation, offering experience the privacy and comfort of exceptional properties with flawless hotel services. In private properties carefully selected for their charm and authenticity, guests enjoy hotel services as well as a range of incredible additional services tailored to their every desire. Outstanding service makes for an unforgettable experience. Ask. Enjoy!

Network: 500 properties, 35 destinations in 3 countries.

OASIS

Oasis has 1,500 properties in 18 destinations in Latin America, the United States and Europe, and pioneered the "Home meets Hotel" concept, a category of accommodation that offers visitors to major world cities the authenticity of a private rental with flawless organization and service as well as immersion in local life. Oasis offers personalized end-to-end services to leisure and corporate guests alike, including on-the-ground concierge service and access to members' club venues.

JOHN PAUL

John Paul is the world leader in concierge services. An expert in customer relations, John Paul revolutionizes loyalty by reconnecting brands with their customers and companies with their employees, living up to its reputation as the "augmented concierge".

24/7 worldwide, more than 1,000 employees, 1,000,000 requests each year.

A GLOBAL PRESENCE IN EVERY MARKET SEGMENT

AccorHotels operates worldwide, with a unique portfolio of 4,144 hotels (583,161 rooms) as of December 31, 2016 and a presence in every market segment.

Hotel portfolio by region and brand at December 31, 2016

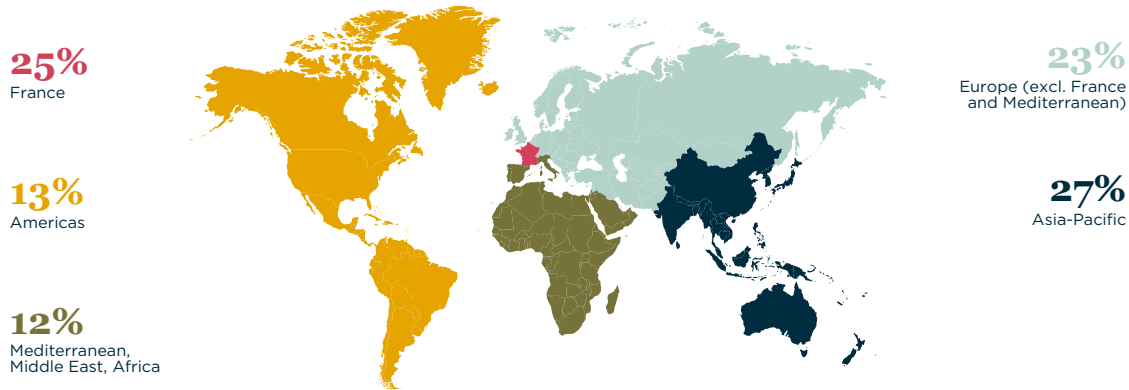
Brand	France		Europe (excl. France and Mediterranean)		Asia-Pacific		Americas		Mediterranean, Middle East and Africa		Total	
	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms
Raffles	1	149	0	0	6	1,041	0	0	4	737	11	1,927
Fairmont	1	602	6	1,444	10	3,230	42	18,747	15	5,215	74	29,238
Sofitel	11	1,509	18	4,449	48	13,910	15	3,475	28	6,975	120*	30,318
Pullman	13	3,652	14	3,483	69	20,880	7	2,108	16	5,094	119	35,217
MGallery	26	1,884	11	1,429	31	3,332	2	219	18	2,052	88	8,916
Swissôtel	0	0	10	2,398	13	5,643	3	1,281	5	2,671	31	11,993
Grand Mercure	0	0	0	0	35	7,516	4	1,052	2	552	41	9,120
The Sebel	0	0	0	0	26	1,776	0	0	0	0	26	1,776
Luxury and upscale	52	7,796	59	13,203	238	57,328	73	26,882	88	23,296	510	128,505
Novotel	110	15,225	113	22,282	133	33,054	32	6,521	60	12,137	448	89,219
Novotel Suites	20	2,297	8	1,158	0	0	0	0	4	473	32	3,928
Mercure	240	23,413	260	34,202	106	18,581	67	9,790	74	9,908	747	95,894
adagio	29	3,358	13	1,605	0	0	7	839	5	783	54	6,585
Midscale	399	44,293	394	59,247	239	51,635	106	17,150	143	23,301	1,281	195,626
Multi-brand	5	371	1	30	22	2,903	2	385	5	885	35	4,574
ibis	384	33,869	274	37,955	153	26,819	148	21,919	129	18,179	1,088	138,741
ibis Styles	176	12,600	81	8,058	68	10,410	14	1,877	28	3,199	367	36,144
ibis budget	336	26,017	145	16,449	34	4,160	28	6,253	27	2,637	570	55,516
adagio access	44	4,479	2	270	0	0	1	156	0	0	47	4,905
hotelF1	237	17,864	0	0	0	0	0	0	0	0	237	17,864
Formule 1	0	0	0	0	9	1,286	0	0	0	0	9	1,286
Economy	1,177	94,829	502	62,732	264	42,675	191	30,205	184	24,015	2,318	254,456
TOTAL	1,633	147,289	956	135,212	763	154,541	372	74,622	420	71,497	4,144	583,161

* 121 hotels are marketed through the TARS reservation system.

AccorHotels is the largest hotel group in **Europe**, with a network of 2,589 hotels and 282,501 rooms, representing 48% of its room base at December 31, 2015. In other regions, its expertise is deployed through 763 hotels (27% of the room base) in the **Asia-Pacific** region, 372 hotels (13% of the room base) in the **Americas** region, and 420 hotels (12% of the room base) in the **Mediterranean, Africa and the Middle East**.

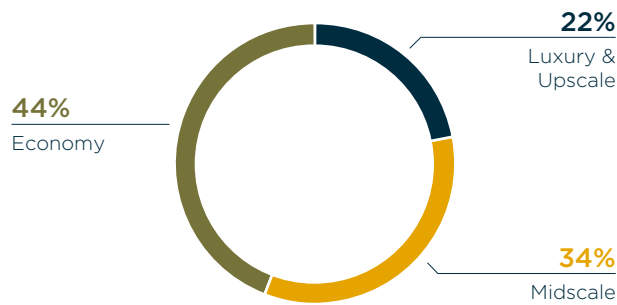
Hotel portfolio by region at December 31, 2016

(% based on number of rooms)



Hotel portfolio by segment at December 31, 2016

(% based on number of rooms)



DIFFERENTIATED OPERATING STRUCTURES

AccorHotels hotels are affiliated with the Group *via* four main operating structures – franchise agreements, management contracts, leases and ownership. As part of the Group’s organization into the HotelInvest and HotelServices businesses, all of the owned and leased hotels are integrated into the HotelInvest portfolio and are operated by HotelServices under management contracts.

Franchise agreements: Franchised hotels are operated by their owners. AccorHotels provides various services to its franchisees, such as the use of its brands, first and foremost, and access to the Group’s centralized booking system. The other services offered to hotel owners include access to the centralized purchasing system and to Académie AccorHotels for employee training. AccorHotels is remunerated for these services *via* fees, including trademark fees and sales and marketing fees, as well as through the invoicing of additional services, where applicable.

Management contracts: Hotels under management contracts are similar to franchised hotels in that the personnel is employed directly by the hotel (except for the managing director who is an AccorHotels employee). AccorHotels only records the fees paid by the owner and not the hotel’s revenue. However, these hotels are managed by AccorHotels. The fees received include the trademark and sales and marketing fees paid by franchisees, as well as a management fee corresponding to a percentage of EBITDAR and, in some cases, an incentive fee subject to performance criteria.

Leases: The income statement of leased hotels are fully consolidated by AccorHotels, which pays rent to the owner. The rent can either be fixed or variable. Fixed rent corresponds to a percentage of asset value, while variable rent is usually indexed to the hotel’s revenue. For some hotels, particularly in South America, the rent paid by AccorHotels corresponds to a percentage of the hotel’s EBITDAR.

Ownership: Owned hotels are fully consolidated. AccorHotels records all of the operating income and expenses in its accounts for owned and leased hotels.

AccorHotels’ strategy is to choose the operating structure of its hotels in accordance with:

- their positioning (luxury and upscale, midscale or economy);
- the size of the country and type of economy (developed or emerging);
- their location (large, mid-size or small city);
- their return on capital employed;
- their earnings volatility;
- their EBIT margin.

In mature markets, the Group prefers asset-light operating structures based on:

- management contracts in the luxury segment;
- management contracts or franchise agreements in the upscale segment;
- management contracts and/or franchise agreements in the midscale segment;
- franchise agreements in the economy segment in Europe.

In emerging markets, the Group focuses on:

- management contracts in the luxury and upscale segments;
- joint ventures with local partners in some countries, like India, and management contracts in the midscale segment;
- all types of operating structures in the economy segments, depending on the brand and the location in key cities.

As of December 31, 2016, 71% of the room base was operated under arrangements that limited earnings volatility, such as management contracts and franchise agreements.

On July 12, 2016, AccorHotels announced its plans to turn HotelInvest into a subsidiary in order to strengthen its financial resources and accelerate its growth. The conversion of HotelInvest into subsidiary will result in its divestment at the end of the first half of 2017, with the majority of its capital opened up to third-party investors.

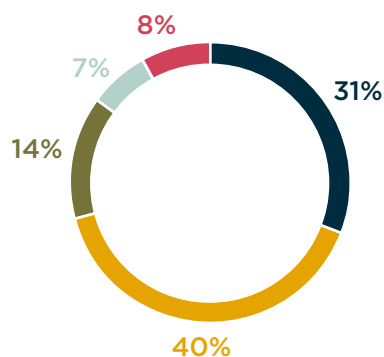
Hotel portfolio by operating structure and brand at December 31, 2016

Brand	Owned		Fixed lease		Variable lease		Managed		Franchised		Total	
	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms
Raffles	0	0	0	0	0	0	11	1,927	0	0	11	1,927
Fairmont	1	593	1	769	0	0	71	27,618	1	258	74	29,238
Sofitel	16	2,681	4	1,199	4	569	93	24,673	3	1,196	120*	30,318
Pullman	5	1,119	5	1,219	6	2,149	81	23,968	22	6,762	119	35,217
MGallery	2	219	5	578	3	432	34	3,841	44	3,846	88	8,916
Swissôtel	0	0	3	2,123	2	468	22	8,129	4	1,273	31	11,993
Grand Mercure	0	0	0	0	0	0	26	8,024	15	1,096	41	9,120
The Sebel	0	0	0	0	0	0	12	1,074	14	702	26	1,776
Luxury and upscale	24	4,612	18	5,888	15	3,618	350	99,254	103	15,133	510	128,505
Novotel	49	10,595	34	6,975	87	15,235	166	40,176	112	16,238	448	89,219
Novotel Suites	1	118	6	971	11	1,396	5	637	9	806	32	3,928
Mercure	31	5,381	42	6,897	51	8,057	194	31,177	429	44,382	747	95,894
adagio	2	207	9	992	7	1,068	32	3,881	4	437	54	6,585
Midscale	83	16,301	91	15,835	156	25,756	397	75,871	554	61,863	1,281	195,626
Multi-brand	1	62	1	51	0	0	20	2,966	13	1,495	35	4,574
ibis	107	16,387	83	11,380	175	27,307	168	31,376	555	52,291	1,088	138,741
ibis Styles	6	734	12	1,027	10	2,000	58	10,061	281	22,322	367	36,144
ibis budget	65	6,970	78	8,636	72	10,128	43	6,269	312	23,513	570	55,516
adagio access	0	0	5	467	2	316	40	4,122	0	0	47	4,905
hotelF1	20	1,455	0	0	158	12,579	0	0	59	3,830	237	17,864
Formule 1	0	0	0	0	0	0	9	1,286	0	0	9	1,286
Economy	198	25,546	178	21,510	417	52,330	318	53,114	1,207	101,956	2,318	254,456
TOTAL	306	46,521	288	43,284	588	81,704	1,085	231,205	1,877	180,447	4,144	583,161

* 121 hotels are marketed through the TARS reservation system.

Hotel portfolio by operating structure at December 31, 2016

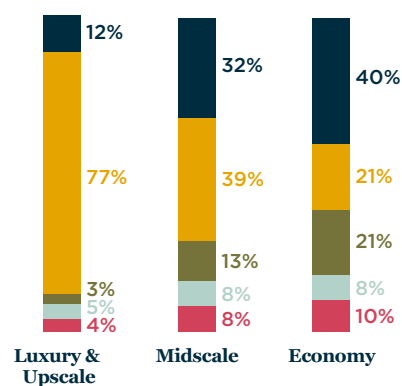
(% based on number of rooms)



- Franchised
- Managed
- Variable lease
- Fixed lease
- Owned

Hotel portfolio by segment and operating structure at December 31, 2016

(% based on number of rooms)



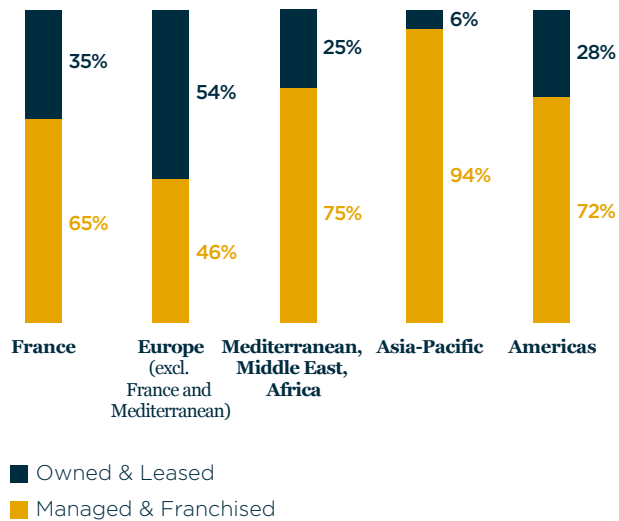
- Franchised
- Managed
- Variable lease
- Fixed lease
- Owned

Hotel portfolio by operating structure and region at December 31, 2016

	Owned		Fixed lease		Variable lease		Managed		Franchised		Total	
	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms
France	62	7,193	41	4,663	335	39,549	107	13,712	1,088	82,172	1,633	147,289
Europe (excl. France and Mediterranean)	168	27,015	173	26,330	126	19,915	132	20,585	357	41,367	956	135,212
Mediterranean, Middle East, Africa	41	6,286	31	3,976	51	7,365	166	38,119	131	15,751	420	71,497
Asia-Pacific	3	392	41	8,027	1	208	505	116,748	213	29,166	763	154,541
Americas	32	5,635	2	288	75	14,667	175	42,041	88	11,991	372	74,622
TOTAL	306	46,521	288	43,284	588	81,704	1,085	231,205	1,877	180,447	4,144	583,161

Hotel portfolio by region and operating structure at December 31, 2016

(% based on number of rooms)



PROPERTY

As of December 31, 2015, around half of property, plant and equipment recognized in the consolidated balance sheet was made up of hotel assets that were either owned outright or leased. Their cost value was €5,731 million and their carrying amount was €3,024 million, representing 33.8% of total consolidated assets as of December 31, 2015.

As of December 31, 2016, after applying IFRS 5, which resulted in the reclassification of HotelInvest's assets as "Assets held for sale", the cost value of the property, plant and equipment of AccorHotels amounted to €1,169 million and the carrying amount to €562 million after reclassification (see Note 12 to the consolidated financial statements on page 245), corresponding to the gross asset value of Orbis, a listed subsidiary of AccorHotels in Poland, hotels with variable rents indexed on EBITDAR, mainly in Brazil, and owned hotels that will be sold prior to the implementation of the Booster plan.

The above breakdown of the hotel portfolio shows the number of rooms, the type of operating structure and the location of the hotels at December 31, 2016. The cost value of the assets is presented on page 204.

Occupancy rates, average room rates and Revenue Per Available Room (RevPAR) are described in the analysis of consolidated results on pages 195 and 196.

Hotel projects currently underway are presented in Note 1 to the consolidated financial statements on pages 219, 220 and 221.

Environmental issues are described in the environmental commitments section on page 55.

MARKETS AND COMPETITION

AccorHotels ranks sixth in the global hotel industry, based on number of rooms.

Hotel companies ranked by number of rooms worldwide at January 1, 2017

Rank	Group	Number of rooms	Number of hotels
1	Marriott & Starwood	1,169,902	5,997
2	Hilton Worldwide	796,440	4,875
3	Intercontinental Hotels Group	767,135	5,174
4	Wyndham Hotel Group	697,607	8,035
5	Jin Jiang & Plateno & Vienna HG*	598,000	5,900
6	AccorHotels & FRHI	583,782	4,149

* Hotel base estimated at January 1, 2017.
Source: Hospitality ON - January 2017.

The above competitors share two characteristics: they are all well established in the United States and they mainly operate through franchise agreements.

**European hospitality companies by number of rooms at January 1, 2017
(28-country European Union)**

Rank	Group	Number of rooms	Number of hotels
1	AccorHotels	282,814	2,604
2	Intercontinental Hotels Group	92,234	599
3	Marriott International	88,824	434
4	Best Western	79,010	1,108
5	Louvre Hotels Group (Jin Jiang)	69,699	991

Source: Hospitality ON - February 2017.

According to the MKG Hospitality report, three AccorHotels chains rank among the top ten, in number of rooms, in the 28-country European Union.

**European integrated hotel chains by number of rooms at January 1, 2017
(28-country European Union)**

Rank	Chain	Number of rooms	Number of hotels
1	ibis megabrand (ibis, ibis Styles, ibis budget)	139,162	1,450
2	Best Western	79,010	1,108
3	Holiday Inn/Holiday Inn Express	68,343	483
4	Premier Inn	65,291	762
5	Mercure	60,466	529
6	Novotel/Suite Novotel	43,149	262
7	NH Hotels	42,666	283
8	Travelodge	40,990	543
9	Hilton International	34,021	122
10	Radisson Blu	32,498	139

Source: Hospitality ON - February 2017.

1.2.3 OTHER BUSINESSES

Other businesses, which are not material compared with the hotels business, include the corporate departments and the marginal Casinos business. They are presented as part of the "Multi-brand" segment.

1.3 FINANCIAL HIGHLIGHTS

In compliance with European Commission Regulation (EC) No. 1606/2002 of the European Parliament and of the Council dated July 19, 2002 and European Commission Regulation (EC) No. 1725/2003 dated September 29, 2003, AccorHotels has prepared its consolidated financial statements since 2005 in accordance with the International Financial Reporting Standards (IFRSs), as published by the International Accounting Standards Board (IASB) and adopted by the European Union.

The following financial highlights have been taken directly from the consolidated financial statements at December 31, 2016.

CONSOLIDATED FINANCIAL HIGHLIGHTS

<i>(in millions of euros)</i>	2015	2016
Consolidated revenue	1,368	1,603
EBITDAR	564	604
EBIT	370	389
Operating profit before tax and non-recurring items	308	278
Net profit	271	299
Net profit, Group share	244	265

PER-SHARE DATA

<i>(in euros)</i>	2015	2016
Earnings per share	0.88	0.88
Diluted earnings per share	0.88	0.88
Ordinary dividend per share	1.00	1.05 ⁽¹⁾

(1) Submitted for approval at the Annual Shareholders' Meeting of May 5, 2017.

TOTAL ASSETS

<i>(in millions of euros)</i>	2015	2016
Total non-current assets	4,756	5,545
Total current assets	3,990	1,861
Assets held for sale	208	4,457
Total assets	8,953	11,864

EQUITY AND NET DEBT

<i>(in millions of euros)</i>	2015	2016
Shareholders' equity, Group share	3,762	5,658
Minority interests	225	267
Shareholders' equity and minority interests	3,987	5,925
Net debt	(194)	1,488

1.4 MILESTONES

1967

- Paul Dubrulle and Gérard Pélisson create SIEH.
- First Novotel hotel opens in Lille.

1974

- First ibis hotel opens in Bordeaux.
- Acquisition of Courtepaille.

1975

- Acquisition of Mercure.

1976

- Hotel operations are launched in Brazil.
- Ticket Restaurant® meal vouchers are introduced in Brazil, Italy, Germany, Belgium and Spain.

1980

- Acquisition of Sofitel (43 hotels and two seawater spas).

1981

- Initial public offering of SIEH shares on the Paris Bourse.
- Start-up of Services operations in Mexico.

1982

- Acquisition of Jacques Borel International, European leader in managed food services (Générale de Restauration) and concession restaurants (Café Route, L'Arche), and world leader in the issuance of meal vouchers (Ticket Restaurant®), with 165 million vouchers a year distributed in eight countries.

1983

- Creation of Accor following the merger of Novotel SIEH Group and Jacques Borel International.

1985

- Creation of Formule 1, a new hotel concept based on particularly innovative construction and management techniques.
- Creation of Académie Accor, France's first corporate university for service activities.
- Acquisition of Lenôtre, which owns and manages caterer boutiques, gourmet restaurants and a cooking school.

1988

- 100 new hotels and 250 restaurants are opened during the year, for an average of one opening a day.
- Start-up of Services operations in Argentina.

1989

- Formule 1 expands outside France, with two properties in Belgium.
- Alliance formed with Groupe Lucien Barrière SAS to develop hotel-casino complexes.

1990

- Acquisition of the Motel 6 chain in the United States, comprising 550 properties. With its global brands, Accor becomes the world's leading hotel group, in terms of hotels directly owned or managed (excluding franchises).
- Ticket Restaurant® business launched in Venezuela.

1991

- Successful public offer for Compagnie Internationale des Wagons-Lits et du Tourisme, which is active in hotels (Pullman, PLM, Altea, Arcade), car rental (Europcar), onboard train services (Wagons-Lits), travel agencies (Wagonlit Travel), managed food services (Eurest) and highway restaurants (Relais Autoroute).
- Creation of Etap Hotel.

1993

- Accor Asia Pacific Corp. (AAPC) is created by the merger of Accor's Asia-Pacific businesses with Quality Pacific Corp.
- Interest acquired in the Pannonia chain (24 hotels), as part of Hungary's privatization program.
- Services business starts up operations in Czech Republic, Austria and Luxembourg.

1994

- Partnership between Carlson and Wagonlit Travel in business travel services.
- Ticket Restaurant® introduced in Slovakia, Uruguay and Hungary.

1995

- Eurest is sold to Compass, making Accor the largest shareholder in the world's leading food services company.
- Disposal of 80% of the concession restaurants business.
- Introduction of an extensive training and communication program to improve environmental protection.

1996

- Accor becomes the market leader in the Asia-Pacific region, with 144 hotels in 16 countries and 56 projects under construction.
- Management of the ibis, Etap Hotel and Formule 1 chains is consolidated within Sphere International.
- Launch of the Compliment Card in partnership with American Express.

1997

- Accor changes its corporate governance system. Paul Dubrule and Gérard Pélisson become Co-Chairmen of the Supervisory Board, while Jean-Marc Espalioux is appointed Chairman of the Management Board.
- Carlson and Wagonlit Travel merge to form Carlson Wagonlit Travel, owned equally by Accor and Carlson Companies.
- Public offer made for all outstanding shares of Accor Asia Pacific Corp.
- Acquisition of a majority interest in SPIC, renamed Accor Casinos.

1998

- Introduction of the Corporate Card in partnership with Air France, American Express and Crédit Lyonnais.
- Development of new partnerships, with Air France, French National Railways SNCF, American Express, Crédit Lyonnais, Danone, France Telecom and others.

1999

- The hotel portfolio grows by 22% with 639 new properties, led by the acquisition of Red Roof Inn in the United States.
- Deployment of the Internet strategy.
- The 50% interest in Europcar International is sold.

2000

- Launch of accorhotels.com.
- Brand logos are redesigned to highlight the Accor name, raising international visibility and public awareness.
- 38.5% interest in Go Voyages acquired.
- 80% interest in Courtepaille sold.

2001

- Broader presence in the Chinese hotel market in partnership with Zenith Hotel International and Beijing Tourism Group.
- Suitehotel launched in Europe.

2002

- Acquisition of a 30% interest in German hotel group Dorint AG (87 hotels, 15,257 rooms).
- Accor Casinos is now equally-owned with the Colony Capital investment fund, with Accor continuing to manage the company.
- Stake in Go Voyages is raised to 60%.

2003

- Stake in Orbis is raised to 35.58% by purchasing an 8.41% interest held by minority shareholders.
- Stake in Go Voyages raised to 70% following the acquisition of an additional 10% interest.
- All the Dorint hotels are cobranded as Dorint Sofitel, Dorint Novotel and Dorint Mercure.

2004

- Accor, the Barrière Desseigne family and Colony Capital set up Groupe Lucien Barrière SAS to hold the casino and hotel assets of Société Hôtelière de la Chaîne Lucien Barrière, Société des Hôtels et Casino de Deauville, Accor Casinos and their respective subsidiaries. Accor owns 34% of the new combination.
- Acquisition of a 28.9% interest in Club Méditerranée.
- Stake in Go Voyages is raised from 70% to 100%.

2005

- Colony Capital invests €1 billion in Accor in exchange for €500 million in ORA equity notes and €500 million in convertible bonds, enabling Accor to strengthen its equity base and step up the pace of expansion.
- Accor implements a new property management strategy and signs an initial agreement with French real estate company Foncière des Murs to transform fixed-rent leases on 128 hotels in France into variable leases.

2006

- Accor changes its corporate governance system from a Supervisory Board and Management Board to a Board of Directors, with Serge Weinberg as Chairman and Gilles Pélisson as Chief Executive Officer.
- As part of the non-strategic asset disposal process, Accor sells its 1.42% stake in Compass Group PLC and its 50% interest in Carlson Wagonlit Travel, as well as most of its investment in Club Méditerranée (22.9% out of a total 28.9% stake).
- As part of the ongoing shift in the Hotels business model, Accor carries out a second transaction with Foncière des Murs, involving 59 hotels and five seawater spas in France, as well 12 hotels in Belgium. The deal means that Accor continues to operate the hotels under 12-year leases with variable rents and no guaranteed minimum, renewable four times per hotel at Accor's option.
- Accor sells six US Sofitel hotels to a joint venture comprised of GEM Realty Capital, Whitehall Street Global Real Estate Limited Partnership 2005 and Accor, which remains a 25% shareholder in the joint venture and continues to manage the hotels under the Sofitel brand through a 25-year contract.
- Compagnie des Wagons-Lits wins a tender from French National Railways SNCF for onboard food services on the TGV Est Européen high-speed train line.

2007

- Accor sells two other US Sofitel units in New York and Philadelphia to a joint venture comprised of GEM Realty Capital, Whitehall Street Global Real Estate Limited Partnership and Accor. Accor remains a 25% shareholder in the venture and continues to manage the hotels under the Sofitel brand through a 25-year management contract.
- As part of the ongoing shift in the Hotels business model, Accor sells 47 hotel properties in France and 10 in Switzerland to a real estate consortium comprising two investment funds managed by AXA Real Estate Investment Managers and Caisse des Dépôts et Consignations. Accor continues to operate the hotels under 12-year leases with variable rents and no guaranteed minimum, renewable six times per hotel at Accor's option.
- Also as part of the sustained implementation of the Hotels strategy, Accor sells 30 hotels in the United Kingdom to Land Securities and leases them back under 12-year leases with variable rents and no guaranteed minimum, renewable six times.
- In addition, a memorandum of understanding is signed with Moor Park Real Estate for the sale of 72 hotels in Germany and 19 in the Netherlands, with Accor continuing to operate the units under similar leaseback conditions.
- Accor Services acquires Kadeos, Prepay Technologies and Surf Gold.
- Red Roof Inn is sold to Citigroup Inc.'s Global Special Situations Group and Westbridge Hospitality Fund II, LP.
- The Italian food services business is sold to Barclays Private Equity.
- 28,400 new rooms opened during the year.

2008

- As part of its strategy of refocusing on its two core businesses, Services and Hotels, Accor sells its remaining 50% stake in the Brazilian food services business to Compass Group.
- Pursuing its asset-right strategy, Accor sells the Sofitel The Grand hotel in Amsterdam under a sale and management-back arrangement for an enterprise value of €92 million.
- In line with its commitment to expanding the Hotels business in Central Europe, Accor raises its interest in the Poland-based Orbis hotel group to 50% by acquiring an additional 4.53% stake in the company.
- Accor launches AIClub, a free cross-brand loyalty program that earns points in more than 2,000 hotels and 90 countries worldwide.
- Accor continues to expand worldwide with the opening of 28,000 new rooms.

2009

- Gilles Pélisson, Chief Executive Officer, is appointed Chairman of the Board of Directors.
- Accor raises its stake in Groupe Lucien Barrière to 49%.
- In late August, the Board of Directors approves Gilles Pélisson's recommendation to conduct a review of the potential benefits of demerging the Hotels and Prepaid Services businesses into two self-managing companies, each with its own strategy and

resources for growth. The findings demonstrate the sustainable, profitable nature of each business, as well as their ability to meet the challenges of future growth and development. At year-end, the Board of Directors therefore approves the potential benefits of demerging the two businesses.

- In line with its ongoing asset-right strategy, Accor announces a major real estate transaction in the budget segment in France, with the sale of 158 hotelF1 properties, representing a total of 12,300 rooms.
- 27,300 new rooms are opened during the year.

2010

- Initiated in 2009, the project to demerge the Hotels and Prepaid Services businesses is approved by shareholders at the Combined Ordinary and Extraordinary Shareholders' Meeting on June 29, 2010 and becomes effective on July 2 following the initial stock market listing of Edenred, the new company formed from the Services business.
- In line with its asset management strategy, Accor continues to dispose of non-strategic operations and hotel properties during the year, including (i) the sale of Compagnie des Wagons-Lits' onboard rail catering businesses in July, (ii) the sale of two portfolios of European hotels, one of five hotels to Invesco Real Estate in February and the other of 49 hotels to Predica and Foncière des Murs in August, and (iii) the sale and franchise back of 18 hotels in Sweden in December.
- Denis Hennequin is appointed Chief Executive Officer in December, then Chairman and Chief Executive Officer in January 2011.
- Following the opening of 25,000 new rooms during the year, the Accor portfolio comprises more than 500,000 rooms at year-end.

2011

- Now a pure player in hotels, Accor launches its new corporate signature: "Open New Frontiers in Hospitality" and revitalizes its economy brands around the ibis megabrand, with ibis, all seasons and Etap Hotel being transformed into the new ibis, ibis Styles and ibis budget.
- In March, Accor sells its 49% stake in Groupe Lucien Barrière and in September, completes the disposal of Lenôtre to Sodexo.
- As part of its asset-light strategy, Accor confirms its ability to continue actively managing its assets in order to focus on its core hotel operator business, with the sale and franchise-back of its 52.6% stake in Hotel Formula 1 (South Africa), the sale and variable leaseback of seven Suite Novotel hotels (France) and the sale and management-back of the Novotel New York Times Square, Pullman Paris Bercy and Sofitel Arc de Triomphe.
- In December, Accor strengthens its presence in Australia and New Zealand with the acquisition of Mirvac, involving 48 hotels (6,100 rooms) and a 21.9% equity interest in Mirvac Wholesale Hotel Fund (MWHF). As a result, Accor's offering in the two countries totals 241 hotels across every hospitality segment.
- In September, a franchise contract is signed with Jupiter Hotels Ltd., whose 24 hotels (2,664 rooms) increases to 68 the number of Mercure hotels in the United Kingdom.
- Annual room openings reach a new historic high, with 38,700 units coming on line during the year.

2012

- As part of its asset management strategy, Accor restructures its hotel base in North America by selling the Motel 6/Studio 6 chain for €1.5 billion. Accor announces the sale of the Pullman Paris Rive Gauche and the sale and management-back refinancing of such properties as the Pullman Paris Tour Eiffel, the Novotel Times Square in New York and the Sofitel Paris La Défense.
- Accor continues to expand with the opening of 38,000 new rooms in every segment, mostly under management and franchise contracts and more than 70% located in emerging markets. Accor strengthens its market leadership in Brazil by acquiring the Posadas hotel chain.
- Throughout the year, Accor works on revitalizing its brand portfolio. In the economy segment, it implements the ibis megabrand project that enables more than 1,500 hotels to embrace the new ibis, ibis Styles and ibis budget standards, while in the upscale segment, it initiates MGallery's repositioning, led by its boutique hotels, and launches Mei Jue in China. The Group also consolidates Sofitel's image with high-profile openings in Mumbai, Bangkok and Agadir and enhances Pullman's image with a vast renovation program.

2013

- Several major projects are completed in 2013, including some that were initiated in prior years, such as the renovation of a large number of Pullman hotels, the project to move MGallery further upmarket and enhance its visibility, and the final stages of deployment of the ibis megabrand.
- Progress is also made on the development strategy, particularly via several high-profile openings in the Middle East, which include the first Pullman hotel in Dubai and an ibis/Novotel complex in Abu Dhabi.
- At the same time, the strategy of optimizing the property portfolio is pursued, with the two most significant transactions concerning the sale and management-back of the Sofitel Paris Le Faubourg early in the year for €113 million and the sale of the interest in Australian hotel owner TAHL for a total of €100 million.

2014

- In 2014, Accor begins an in-depth transformation of its organization around two separate but strategically related businesses - hotel operator and brand franchisor HotelServices and hotel owner and investor HotelInvest.
- It also pursues its development in fast-growing regions, particularly in the Asia-Pacific region, and acquires hotel portfolios in Switzerland, the United Kingdom, Germany and the Netherlands, representing a total of 110 hotels.
- In addition, Accor forges an alliance with Huazhu and reinforces the existing partnership with Orbis to guarantee new development capabilities in China and Central Europe respectively and acquires a 35% stake in Mama Shelter, a source of inspiration for new, innovative "lifestyle" concepts.
- Lastly, the Group launches its five-year, €225 million digital plan to streamline and personalize its communications with customers, employees and partners.

2015

- In 2015, the Group maintains its strategic, operational and cultural transformation dynamic.
- Accor boosts its visibility and the strength of its brands, especially its corporate brand, by adopting the same name as its market place, AccorHotels, which brings together all of the Group's brands.
- The accorhotels.com booking platform becomes a market place, offering independent hotels selected by AccorHotels the chance to be listed alongside the Group's hotels.
- The Group consolidates its worldwide leadership in the luxury segment with the announced acquisition of the FRHI Group and its three flagship brands Fairmont, Raffles and Swissôtel.
- AccorHotels continues to restructure its hotel portfolio through various buyback operations and the sale of profitable portfolios, and continues its development in fast-growing regions, with a record 229 hotel openings worldwide, including two in Iran.

2016

AccorHotels opens a new chapter in its history in 2016 by setting out to conquer new markets and expanding its business model.

- The Group significantly consolidates its worldwide leadership in the luxury hotel segment through the acquisition of the Raffles, Fairmont and Swissôtel brands.
- Backed by FRHI, but also by its strategic partnership with Huazhu in China, AccorHotels continued its expansion in high-growth regions, opening a record 347 hotels (81,042 rooms). It also begins reaping the benefit of the combination of the Le Club Accor, FRHI and Huazhu loyalty programs, expanding its visibility among 106 million members.
- AccorHotels also extends its model to include luxury serviced private rentals by acquiring 100% of onefinestay and equity interests in Squarebreak and Oasis Collections, and is negotiating with Travel Keys to further entrench its global leadership.
- The Group increases its visibility in the lifestyle segment, where Mama Shelter already operates, by launching its JO&JOE brand and partnering with 25hours.
- Lastly, AccorHotels acquires John Paul, the world leader in concierge services, to expand its service offerings to the benefit of customers of its hotel network and its digital platforms, and to enhance its customer relations expertise.

1.5 STRATEGIC VISION AND OUTLOOK

1.5.1 A COMPLEX AND CONTRASTED ENVIRONMENT

In a mixed economic environment shaped by strong growth in Europe and emerging markets but a troubled climate for tourism in France and depressed economic conditions in Brazil, the Group owes its strong operating and financial performances to the positive effects of the transformation plan implemented over the past three years.

In 2016, a certain number of major transactions were carried out to strengthen the Group's historical businesses and expand its strategic business areas. Following the trajectory established in 2015, the Group's strategic objectives for the year – supported by several large-scale projects – were as follows:

- pursue an ambitious development plan across all segments and geographies;
- enhance AccorHotels' attractiveness as a hotel operator and franchiser among hotel owners and move up a gear in the digital transformation strategy;
- increase the value created by HotelInvest's asset portfolio;
- invest in new travel-related businesses, focusing on the collaborative economy;
- prepare HotelInvest's spin-off into a subsidiary in the first half of 2017.

The Group's business was affected by various uncertainties in 2016, particularly in its key markets. These uncertainties also weighed on the European travel industry's performance and negatively impacted the share prices of companies operating in the sector. In particular, the perception of security that is essential for the tourist and hospitality markets to flourish, particularly for Asian customers, has been undermined over the past two years and is expected to continue to impact demand in 2017.

At the same time, a vast number of opportunities have opened up for the Group thanks to the digitization of tools, activities or services, a transformational process that the industry took to with gusto as a driver of further value creation. The acquisitions carried out during the year, of the FRHI Group (Fairmont, Raffles and Swissôtel brands), onefinestay, Squarebreak, John Paul and others, all signal the Group's clear determination to move faster to consolidate its strengths and complete its transformation, by seizing new growth opportunities at a time when the hotel industry is completely reinventing itself.

The industry is currently undergoing a process of rapid consolidation in response to the core challenges of how to deepen geographic and segment coverage, develop the brand portfolio and hotel assets, and also how to increase customer loyalty and create synergies. AccorHotels intends to take full advantage of these transformations to further extend its global leadership, step up the pace of business growth and deliver the best results.

The travel industry is set to continue growing rapidly over the next ten years. International tourist arrivals increased by 3.9% in 2016 and the World Tourism Organization predicts a similar growth rate this year, at between 3% and 4%. Central bank policies should guarantee the continued availability of cheap liquidity, enabling the Group to maintain its growth dynamic.

The Group's business model was significantly enhanced in 2016 and, in addition to its existing positions, AccorHotels now also ranks as a major player in the global luxury hotels market and a leader in the luxury serviced home rental market. Thanks to a strategy built on consistent choices, the Group is becoming a leading mobility enabler and will focus this year on the following strategic objectives:

- continue to grow the hotel and home rental businesses;
- enrich the brand portfolio and pursue the deployment of digital technology;
- reinvent hotel food and beverage services and reboot the Group's culture;
- spin off AccorInvest into a subsidiary and sell the business (Booster project);
- expand the business model to include convenience services (AccorLocal project).

Each of these areas is a genuinely defining driver for the Group, for its performance today and, even more, tomorrow.

1.5.2 ACCORHOTELS, A WINNER IN A SECTOR UNDERGOING RAPID TRANSFORMATION

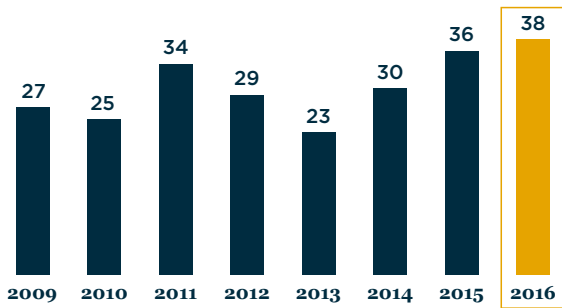
In line with the trajectory established in 2015, the Group's transformation continued at a brisk pace in 2016, in a complex global economic environment comprising threats as well as opportunities. Its development and substantial existing hotel base are essential assets to support the Group's current and future growth.

RECORD DEVELOPMENT, SERVING GROWING GLOBAL DEMAND

A rapidly expanding hotel base

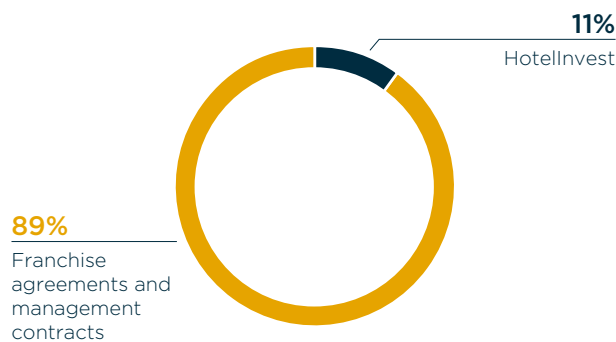
AccorHotels opened a record 347 hotels in 2016, adding 81,042 rooms worldwide. The total included not only the 118 hotels and 43,652 rooms included in the FRHI acquisition (Fairmont, Raffles and Swissôtel brands) but also a record 38,000 rooms under the organic growth program.

Record organic growth (gross, in thousands of rooms)

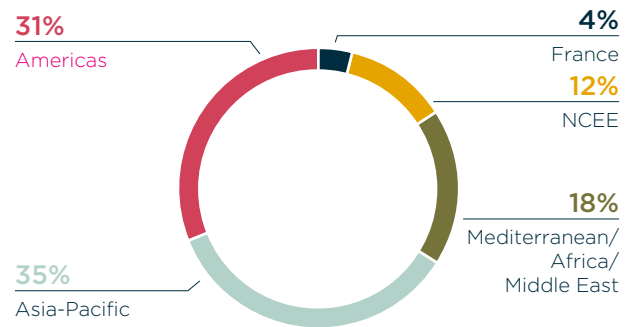


In all, as of December 31, 2016, the hotel base comprised 4,144 hotels and 583,161 rooms.

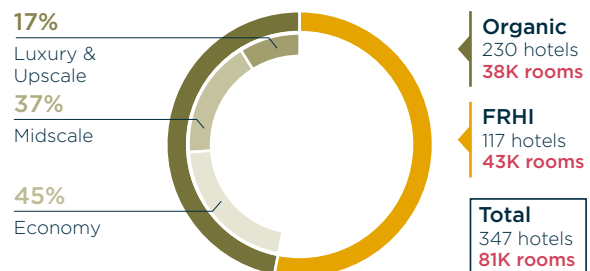
In line with the Group's growth strategy, franchise agreements and management contracts accounted for 89% of this development, which represented more than two hotel openings every three days and 100 rooms per day, while leased hotels represented 9% and owned hotels 2%.



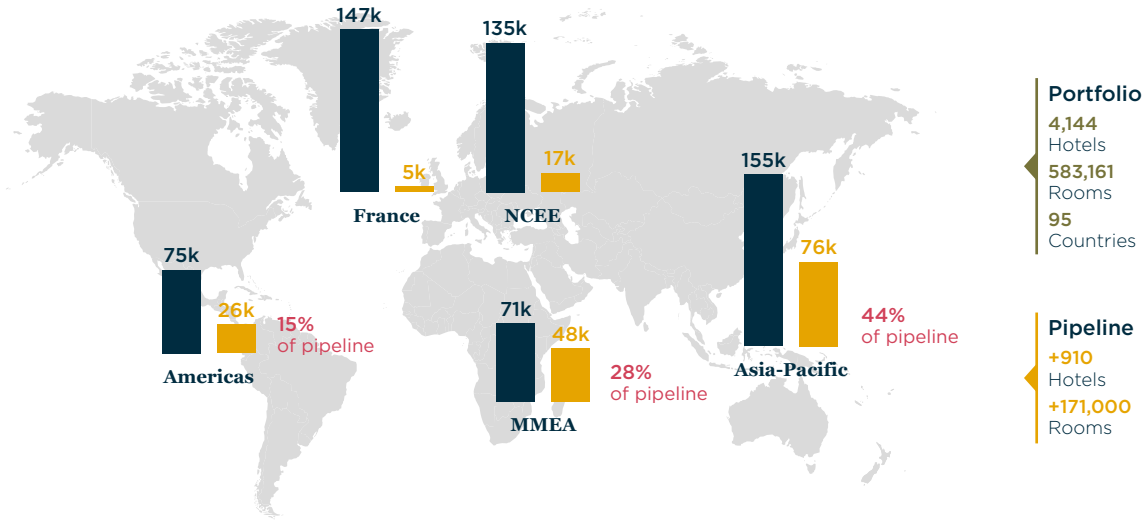
Of these openings, 84% were outside Europe, with 35% in the Asia-Pacific region, 31% in the Americas and 18% in the Mediterranean, Africa, Middle East region. New hotels were opened in all market segments, in the same proportions as in prior years, with half in the ibis family which confirmed its strong potential throughout the world, a third in the midscale segment and the rest in the luxury segment where the Group acquired strategic market shares, particularly in North America, with the integration of the Fairmont, Raffles and Swissôtel brands.



Total growth breakdown (gross, in thousands of rooms)



AccorHotels also considerably stepped up the pace of development in China through its strategic alliance with Huazhu.



Robust development in China, supported by Huazhu

The Group's development in China was excellent, thanks to the strategic alliance with Huazhu signed in January 2016 (Note 1, D, page 220). Moving up a gear in this market, AccorHotels signed contracts with 70 hotels during 2016 and began negotiations with a further 150, mainly in the economy and midscale segments.

One thousand of the Group's hotels can now be booked via the Huazhu distribution platforms and 180 Huazhu hotels can be booked via the accorhotels.com platform.

Stronger leadership in Brazil

The Group also expanded its presence in Brazil during the year.

On March 2, 2017, AccorHotels announced that it had consolidated its leadership in Brazil, with the integration of 26 new hotels (representing some 4,400 rooms) in the economy, midscale and upscale segments, located in the country's main hotel markets.

This portfolio of hotels owned or managed by Brazil Hospitality Group (BHG), the country's third-largest hospitality group, represents a very good strategic fit with the current AccorHotels network in Brazil. Its acquisition extends the Group's leadership in all segments of the Brazilian market.

Acquired at a cost of BRL 200 million (€60 million), the hotels will be extensively refurbished and repositioned. They will be transferred to AccorHotels banners between now and 2019 under long-term management contracts.

Brazil offers considerable growth opportunities and the transaction has enabled the Group to acquire iconic hotels that will significantly raise the profile of its brands in all segments of the local market.

Further growth in the pipeline, supported by acquisitions and strategic partnerships

AccorHotels' very dynamic development is a real asset at a time when the Group, like all of its competitors, needs to consolidate its market share around the world and extend its leading positions, while raising the bar in terms of the return on investment in development.

The Group's development worldwide has helped us to achieve a more balanced geographic presence and risk profile.

As of December 31, 2016, the development pipeline comprised a record 910 hotels (171,000 rooms), with just under 90% in fast-growing markets and 44% in the Asia-Pacific region. Representing the equivalent of 30% of the existing hotel base, the Group's development is focused on five new brands and on segments where AccorHotels was not previously present, offering new growth opportunities and a sustained pace of growth in coming years:

- FRHI in the luxury segment;
- Banyan Tree in the luxury resort segment;
- 25hours in the luxury lifestyle segment;
- Jo&Joe in the economy lifestyle segment.

A SOLID GLOBAL PRESENCE THAT BENEFITS FROM A WORLDWIDE SHORTAGE OF HOTELS

AccorHotels is the leading hotel operator in Europe, which accounts for 50% of the world's inbound tourist arrivals (global inbound tourist arrivals total 1.3 billion, of which 650 million for Europe and 85 million for France).

With some 300,000 hotel rooms in Europe, the Group boasts the largest portfolio in Europe and in France, bigger than those of its three main competitors combined, and the same applies in Latin America. It therefore stands to benefit significantly from growth in global tourism flows in the coming years.

This is particularly the case because growth in the global hotel base will necessarily be restricted to around 2 to 2.5% per year due to the time needed to complete construction work, meaning that global demand will automatically outstrip supply for some time to come.

This vision is shared by other players that are investing heavily in hotel chains in anticipation of a sustained rapid increase in the number of Chinese and other travelers worldwide over the next five years. Within the next three years, China is expected to be the third largest source of inbound tourist arrivals in the United States, behind Canada and Mexico. Some five million Chinese travelers are already expected every year through to 2020.

The growing worldwide demand has encouraged a certain number of hospitality groups to increase their share of the global hotel offer, particularly in the last two years.

HOTEL INDUSTRY CONSOLIDATION

The last two years have seen unprecedented consolidation of the global hotel industry, led primarily by Chinese, American and European groups.

These M&A strategies are designed to help hospitality groups to meet several core objectives:

- acquire new geographic growth drivers;
- deepen local hotel networks in fast-growing regions;
- enrich the brand portfolio and acquire brands in new segments;
- leverage guest loyalty programs;
- leverage synergies and economies of scale;
- expand the service offer;
- enhance the business model and corporate image.

International hospitality groups cannot just cover the most dynamic regions; they need to deepen their presence in these regions by establishing the banners that are most closely aligned with guest profiles and demand. AccorHotels is currently the market leader

in Europe and the hospitality group with the deepest presence in emerging markets in the Asia-Pacific, Africa-Middle East and Americas regions. Moreover, by opening its marketplace to independent hotels, the Group is able to favorably increase its influence in the most dynamic regions.

In addition to covering more geographic markets, the hospitality groups with large brand portfolios cover a wide variety of segments; they are able to diversify their offers and propose a personalized guest experience. The Group has chosen to position AccorHotels as the customer's travel companion by maximizing hotel comfort and developing digital, cultural and other services to facilitate their stay.

In addition to broad market coverage, mergers and acquisitions enable hospitality groups to leverage the best aspects of the various loyalty programs, which can be combined, and to enhance the cardholder experience with rewards such as free hotel nights and exclusive offers.

Lastly, mergers and acquisitions create opportunities to pool best practices, share overheads, and derive economies of scale from operational and administrative synergies.

Benefiting from these strengths, AccorHotels took part in the process of industry concentration in 2016 by acquiring the FRHI Group (Fairmont, Raffles and Swissôtel brands) and intends to launch further initiatives in the coming months.

1.5.3 CONSOLIDATING THE ACCORHOTELS HOSPITALITY BUSINESS MODEL

STRENGTHENING OF THE LUXURY BRAND PORTFOLIO: ACQUISITION OF THE FAIRMONT RAFFLES HOTELS INTERNATIONAL GROUP

AccorHotels now owns the three iconic Fairmont, Raffles and Swissôtel brands, their acquisition by the Group having been approved by its Shareholders' Meeting on July 12, 2016 (Note 1, B, page 219). This acquisition positions AccorHotels as a leading player in the global luxury hotel business, giving it a portfolio of 154 new luxury hotels, including 40 in the pipeline. It also gives the Group a much broader footprint in the North American market.

The FRHI Group's hotels and resorts are located in 40 countries worldwide, including the world's major tourist destinations, particularly in the United States, the leading outbound travel market.

With nearly 500 luxury and upscale hotels, AccorHotels stands to rank as one of the best global players in this critical segment in terms of international reach, development potential and profitability.

The acquisition offers numerous growth and value-creation drivers:

- enhanced databases, providing more granular knowledge of new high value-added guest-bases, at a time when guest retention has become a critical factor in managing growth;
- an enhanced brand portfolio, with strong and very prestigious new brands that are a good strategic fit with the Sofitel, Pullman and MGallery brands;

- geographical diversification of the Group's business base with a gateway to North and South America offering access to a loyal, high value-added clientele.

The acquisition has rebalanced the Group's brand architecture in favor of the luxury/upscale segment, which now accounts for 35% of HotelServices management fees *versus* 15% previously (with the economy segment accounting for 40% and the midscale segment for just under 30%).

This geographic diversification across all market segments should make AccorHotels better armed against a challenging geopolitical context, with growth opportunities in promising markets compensating for more difficult conditions in other markets.

AccorHotels expects the acquisition of the FRHI Group to generate approximately €65 million in revenue and cost synergies from combining brands, distribution platforms and loyalty programs. The acquisition, which was paid for with a combination of cash (\$840 million) and stock (46.7 million shares), also consolidated the Group's shareholder base through the issue of shares to two new investors that are specialists in the global hotel industry.

At December 31, 2016, 20 new contracts had already been signed by AccorHotels teams, illustrating both the success of FRHI's integration into the Group and the stepped-up pace of its development.

The Group also expanded its position in the luxury resort market.

EXPANSION OF THE BRAND PORTFOLIO TO INCLUDE LUXURY RESORTS

AccorHotels has forged strategic partnerships with Banyan Tree and Rixos Hotels, illustrating the Group's expansion strategy in the upscale and luxury segment of the hospitality market, with a particular focus on international resorts.

Strategic partnership with Banyan Tree

Singapore-based Banyan Tree is an international developer and operator of hotels and resorts, luxury homes offered for rent and spas, with a portfolio of 43 resorts and hotels, 64 spas, 77 shopping malls and 3 golf courses in 28 countries. Organized around the Banyan Tree, Angsana, Cassia and Dhawa brands, Banyan Tree holds key positions in the luxury resort segment in Asia, one of the hospitality industry's fastest-growing markets, which naturally caught the Group's attention.

As part of the partnership, AccorHotels has committed to investing €16 million (SGD 24 million) to develop and manage hotels under the Banyan Tree brands, a deal that will extend the Group's leadership in the luxury hotel segment. Leveraging the Group's international presence and expertise, the Banyan Tree offer will be distributed on the AccorHotels booking and sales platform and will be included in the Le Club AccorHotels loyalty program.

The investment was made by acquiring a convertible bond which, upon conversion, will give AccorHotels an interest of approximately 5% in Banyan Tree. The Group also has a call option on a further 5% stake.

The transaction has expanded the Group's field of action to include luxury resorts and also grown its guest base. Banyan Tree adds to the wide array of brands and experience promises associated with AccorHotels, in the same way as Rixos Hotels, a strategic partner of the Group since February of this year.

Strategic partnership with Rixos Hotels

Thanks to this new partnership, AccorHotels has become one of the leading resort operators in a fast-growing market and has added attractive leisure destinations to its offer. AccorHotels and Rixos Hotels will jointly develop and manage Rixos-brand resorts and hotels throughout the world.

Set up in 2000, Rixos Hotels is one of the world's fastest-growing all-inclusive resort operators in the EMEA region, with a strong presence in Turkey, the United Arab Emirates, Egypt, Russia and Europe. It manages eight resorts directly and has granted franchises on eight other establishments in Turkey, representing a total of 7,000 rooms.

Combining traditional Turkish hospitality, a unique spa experience in an idyllic setting and a luxury atmosphere, the Rixos Hotels resorts are renowned for the exceptional quality of their infrastructure, food and beverage offers and leisure activities. Each establishment is a blend of local traditions, brand-specific experiences and exceptionally high quality bespoke services.

AccorHotels will initially add to its network 15 iconic hotels boasting excellent performances that are ideally positioned in luxury resorts markets. Five city-center hotels will be converted to AccorHotels brands and will also be managed by the Group. Rixos will shortly add to this portfolio another hotel in Dubai, then

two more before the end of 2018, located respectively in Abu Dhabi and the Maldives, illustrating the Rixos brand's expansion in this core resort market.

The strategic partnership with Rixos Hotels will enable AccorHotels to become the best provider of multiple guest services, by operating hotels located in major leisure complexes that open up new opportunities in terms of both guest experience and development strategy.

On completion of the transaction, the Group will own a 50% stake in the new structure.

These strategic alliances help to raise AccorHotels' profile and create a more balanced brand portfolio. They also provide a gateway to previously unexplored markets, in the same way as Jo&Joe and 25hours in the lifestyle segment.

EXPANSION OF THE BRAND PORTFOLIO TO INCLUDE THE LIFESTYLE SEGMENT

The decision to strengthen AccorHotels' position in the lifestyle segment was motivated by the Group's desire to refresh its image among guests and target a younger clientele than those served by its traditional brands.

Creation of the Jo&Joe brand

Developed by the Group, the Jo&Joe brand extends the economy brand portfolio with the addition of a made-to-measure solution for the international community of Millennial-minded trend-setters revolutionizing the market. Developed jointly with future guests who are overturning traditional hospitality codes, Jo&Joe blends the best aspects of self-catering accommodation, youth hostels and hotels with disruptive design codes, food and beverage propositions and guest experiences.

Jo&Joe has been a big success among franchisees. Unveiled in 2016, the brand opened its first address in March 2017 and will open two more in 2018.

The Group's ambitious development plan for the brand provides for the opening of 50 addresses by 2020 in the most sought-after destinations for Millennials, in bustling city-center locations close to public transport and major points of interest.

As of today, 19 hotels are in the pipeline and a further 30 are under discussion.

Jo&Joe is an Open House living space that encourages guests to interact and share a moment of their lives in appealing indoor and outdoor communal spaces. Designed for people who embrace interaction, spontaneity and experience, Jo&Joe Open Houses combine unexpected design, a digital ecosystem and an unconventional food and beverage offer.

The brand's objective is to diversify the guest experience and generate additional revenues for the Group. To this end, the Open Houses will welcome both guests ("Trippers") and local residents ("Townsters") who have chosen to make Jo&Joe their base.

In the same vein, AccorHotels has entered into a strategic partnership with upscale chain 25hours Hotels, a good strategic fit with Mama Shelter in the economy segment.

Acquisition of a stake in 25hours Hotels

The Group's objective in acquiring a 30% stake in 25hours Hotels was to accelerate the brand's global expansion (Note 1, G, page 221).

25hours Hotels currently operates seven individual hotels and has another five in the pipeline that will open in the next two years.

The brand has been looking to expand beyond its home market to other European locations for some time, and is now also targeting long haul destinations. With a hotel concept focused on individuality, authenticity and personality, 25hours Hotels provides contemporary answers to the cosmopolitan urban traveler's desire for a like-minded hospitality solution. Offering a great workplace for urban nomads, 25hours Hotels are an ideal spot for travelers to meet people and immerse themselves in cosmopolitan cities, and to enjoy a service offer delivered with great charm and personality.

Through this partnership, AccorHotels will support the brand's long-term growth and help step up the pace of its development with the opening of new addresses in strategic locations, starting with Paris.

The lifestyle hotel concept couldn't be further from the traditional hotel concept. To fully leverage the opportunities offered by this new and exciting segment offering considerably potential for growth, AccorHotels has created a new Lifestyle Brands unit.

Jo&Joe and 25hours will help to raise the Group's visibility and enhance the brand profile in one of the fastest-growing segments of the hospitality market, while also expanding the guest base.

With a unique identity and specific positioning, each brand has its own space and growth opportunities. This extension of the brand portfolio has been engineered at a time when new players that do not own or operate hotels are entering the hospitality market with a business model based on putting travelers in contact with hosts on the Internet.

1.5.4 THE INDUSTRY'S DIGITAL TRANSFORMATION, AND ITS NEW PLAYERS

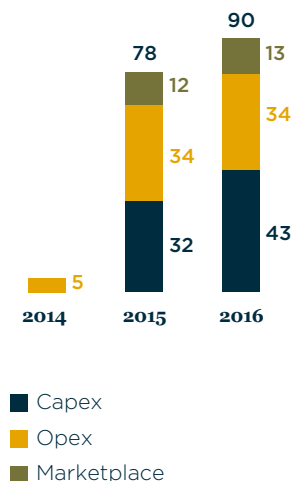
A PERTINENT DIGITAL PLAN OFFERING A RESPONSE TO INDUSTRY CHALLENGES

Digital technology has been driving innovation at the very heart of the hotel and travel industry for several years. That's why the digital plan was introduced in October 2014. The aim of this five-year €225 million investment plan was to usher in a profound digital transformation within the Group, to consolidate its leadership across the guest experience value chain (see the 2015 Registration Document, page 18).

In June 2015, the plan's budget was increased by 10% to finance the creation of the accorhotels.com marketplace, which has since been launched and is continuing to develop.

As of December 31, 2016, a total of €173 million had been committed (€75 million for investments, €73 million for operating expenses and €25 million for the marketplace), of which €5 million in 2014, €78 million in 2015 and €90 million in 2016, and work under the plan was nearly 70% complete.

In total, 85 people have been hired in relation to the digital plan, and, more generally, nearly 1,000 people have been involved in its deployment over the past three years.



Built around the Group's customers, employees and partners, the plan is designed to rethink the role of digital technology and incorporate it into every aspect of the guest experience, while also improving the Group's offering for investor partners and consolidating its distribution market share.

It is based on a comprehensive approach to digital challenges, in a market environment characterized by swift technological change, rapidly changing guest practices and the arrival of new disruptors such as digital platforms.

THE EMERGENCE OF DIGITAL PLATFORMS

Digital platforms, followed more recently by the collaborative economy, have carved out a big place for themselves in the hospitality industry, replicating the approach adopted in many other sectors in recent years. Their power lies precisely in being able to escape bricks-and-mortar constraints, and to focus their resources and expertise closely on connecting people looking for accommodation and people who can provide it.

The technologies implemented by these platforms have quickly launched them on the wave of new customer consumption patterns, allowing them to gather significant amounts of personal information and to build a vast offer. From the Group's perspective, however, this type of essentially electronic relationship alone is not enough. It must be accompanied, at the same time, by personalized service that is adapted to each customer's needs. And this personalized relationship can only really be established with guests when they are physically welcomed to the Group's hotels or luxury homes, where the quality of service ensures that they enjoy a top-notch hospitality experience that meets their needs. Otherwise, they are simply being provided with accommodation.

This personalized relationship, which adds value to the experience offered to customers, is a key asset for operators of hotels and homes with concierge services, enabling them to nurture customer loyalty and ensure that guests continue to choose AccorHotels rather than these platforms. Hosts (including hotel operators) are in a position to provide the services sought by guests, and the viral nature of information – considerably amplified by price comparison websites that are an integral part of the sector's digital ecosystem – needs to be leveraged to drive growth.

Responding to the very rapid emergence of online agencies and their growing share of hotel sales, the French competition authority, in agreement with the European Union, has sought to address hotel operators' concerns by establishing regulatory principles guaranteeing a more level playing field for the various players in the hospitality industry, taking into account their respective specific characteristics.

MORE BALANCED REGULATION OF THE HOTEL OFFER

The commission-based digital platforms can generate between 7% and 20% of a hospitality groups' total sales. As a consequence, the key challenge for hospitality groups is to increase their direct sales *via* their hotels or websites.

Until July 2015, hospitality groups were denied the possibility of offering lower prices than those quoted by online agencies that listed their hotels, either on other platforms or on their own websites. In response to a 2013 complaint lodged by hospitality industry federations, to which AccorHotels signed up in February 2015, the French competition authority and the government, through the Macron Act dated August 6, 2015, have rebalanced commercial and partnership relationships between online agencies and hotel operators. The new rules are based on a few simple principles:

- a digital platform can no longer prevent a hotel using its services from offering the same deals at lower rates on other platforms, or directly on site, by phone or by email;
- hotel operators are free to charge the rates they want, and can display more attractive rates on their websites than those offered by online agencies;
- hotel operators can now reserve for their direct sales channels (offline and online) a higher number of hotel nights than that offered by online agencies.

These simple measures are important in that they give back to hotel operators the commercial and pricing flexibility they had lost, while allowing those that wish to do so to benefit from the effectiveness of online booking platforms. This has positively impacted hotel profitability, particularly in France and Germany, by enabling margins to be reintegrated into the value-creating hospitality businesses.

The challenge lies in striking the right balance between online agencies, which provide hotel operators with business volumes that they would not have secured otherwise, and the hotel operators' freedom to conduct their business on their own terms, bearing in mind that the agencies' technology-driven business model leads them to invest heavily in raising the visibility of the hotels presented in their catalogues, while hotel operators have obligations, cost structures and margins that cannot be undermined or they will not survive. The key challenge for a group like AccorHotels is to turn customers referred by these platforms, who would not otherwise have chosen one of its hotels, into loyal customers of the brand by making them want to make their future hotel bookings directly through the Group rather than via online agencies.

This is the goal of the guest loyalty strategy, which has been recast in recent years. This work is starting to pay off, largely thanks to Le Club AccorHotels.

LE CLUB ACCORHOTELS: LOYALTY AS A GROWTH DRIVER

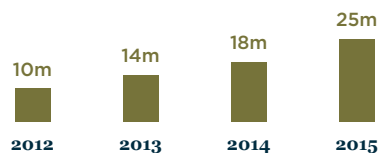
Le Club AccorHotels plays a key role in promoting the loyalty of the Group's guests. Its primary purpose, based on customer recognition and satisfaction, is to drive a steady increase in market share thanks to the quality of the personalized relationship formed between the hotels and their guests.

A loyal guest who has signed up as a member of Le Club AccorHotels is generally more active and generates more revenue for the Group. Cardholders proportionally consume more than other guests because they can redeem their loyalty points, which tends to encourage consumption.

With this in mind, loyalty programs have been substantially recast over the past three years, leading to a 73% increase in the number of cardholders between 2014 and 2016 with more than 7 million additional cardholders signed up over the period. This was more than double the average number observed in prior years, which ranged from 3 to 4 million, and was achieved exclusively through organic growth.

The Group's various loyalty programs - Le Club AccorHotels but also the programs operated by the Raffles, Fairmont and Swissôtel brands and the program of Huazhu, the Group's strategic partner in China - represent a wealth of opportunities to raise the Group's visibility among the 106 million cardholders, including 70 million in China, through earn-and-burn and other benefits.

30%
Le Club AccorHotels contribution
(in total room sales)



Cardholder growth is central to the strategy to expand the Group's market share, as it directly influences the Club's contribution to total revenue, which has increased steadily from 24% in 2014 to 28% in 2015 and 30% last year, captured directly through Group loyalty programs. Locking in a growing share of revenue is an essential defensive weapon against all forms of competitive attack, because the revenue concerned is not controlled by other market players and does not risk being appropriated by them.

AccorHotels is generally closing the gap on its major American competitors in terms of the contribution of loyalty programs to total revenue. The Group's Only-on program offering special prices to cardholders who book on line has helped to lock in cardholders who contribute more to revenue, while also providing the Group with high quality data for its CRM program.

The Group's loyalty programs are a powerful persuasive resource, because cardholders earn points when they stay at Group hotels which is not the case for guests who book through an online agency.

Leveraging this principle, competing hospitality groups, particularly in the United States, have secured between 40% and 60% of their own bookings. AccorHotels has set the objective of matching this rate with its own loyalty programs.

Deployment of the AccorHotels marketplace also helps expand the Group's market share and strengthen its global network.

THE ACCORHOTELS.COM MARKETPLACE, AN INFLUENTIAL GATEWAY TO THE ACCORHOTELS NETWORK

FastBooking, a company specializing in digital services for hotel operators, serves as the marketing platform for the accorhotels.com marketplace launched in June 2015.

The Group's hotels around the world already featured on the FastBooking platform prior to its acquisition, and since June 2015, the platform has been opened up to a growing number of carefully selected independent hotels.

Since it was launched a year-and-a-half ago, accorhotels.com has already signed up 1,800 hotel operators worldwide, and 2,200 independent operators are poised to join the marketplace in the very near future. The platform's openness to non-Group brands not only increases the Group's revenue by generating commission income, it also strengthens the Group's influence with independent hotel operators and their customers. Bearing in mind that independent hotels account for a large majority of global supply, it is clear that this is a critical challenge.

The integration into the marketplace of numerous non-Group hotels clearly creates data security issues that are extremely critical for the Group. Data security is therefore a key priority and the subject of constant vigilance.

Every site that is connected to AccorHotels benefits, in this regard, from AccorHotels' security resources, to ensure the same level of security both inside the Group and across its network.

While security teams keep a constant watch and optimize the interfaces between the hotel sites and Accorhotels.com, the Group's applications and electronic and information systems are also audited continually to prevent any security breaches or attempts to hack or destabilize these systems, which could adversely affect the Group or the stakeholders in the Group's digital ecosystem.

Unable to guarantee the level of security at each hotel that deals with Fastbooking, the Group has adopted an extremely prudent approach that consists in providing hotel operators with limited access to AccorHotels applications (it being understood that risks are inherent in all sites on the Internet), and, more importantly, in creating a totally secure intermediary site, myhotel.accorhotels.com, which complies with the payment card industry data security standard (PCI-DSS) and is based on multi-factor authentication. This site serves a completely secure interface between hotel operator sites and the Group's booking system, thereby preventing data theft and ensuring the security of data relating to customers' cards.

FastBooking is also continuing to expand its range of digital services dedicated to independent hotels. In March 2016, it signed a partnership agreement with TrustYou to help these operators to guide travelers' choices and bookings. These new services will allow hotel operators to improve their online reputation and to build both their online visibility and direct distribution strategy.

Concurrently with the development of the hotel offer *via* the marketplace, AccorHotels has decided to play a bigger role in the collaborative economy, also known as the sharing economy. This very recent trend has gained considerable momentum in a very short space of time and is spreading rapidly throughout the world, in all industries. Representing an economic system that many people crave, its attractiveness lies in its convenience and low prices, as well as in the speed and ease of transactions.

Competition between the traditional economy and the collaborative economy, which includes digital platforms, is being waged in the private rental market rather than the hotel market. Some platforms simply put people looking for accommodation in contact with people who can provide it, without providing any other services, while others enhance the relationship by offering additional services.

This new trend - which is akin to offering basic hotel services without being a hotel - has come to be seen as a diversification and growth opportunity for AccorHotels, leading us to make a certain number of investments in the collaborative economy in 2016.

1.5.5 EXPANDING THE ACCORHOTELS HOSPITALITY BUSINESS MODEL

DIVERSIFICATION INTO LUXURY SERVICED HOME RENTALS

In 2016, AccorHotels expanded its strategic business base by acquiring stakes in several luxury home rental platforms. These transactions were guided by the Group's decision to invest in the luxury end of the home rental market and to offer packages that include a high quality hotel service offer.



In just over a year, AccorHotels has become the world leader in this market, which is an excellent strategic fit with its luxury hotel brands and offers considerable growth potential.

Acquisition of a stake in Squarebreak

AccorHotels started by acquiring a 49% strategic stake in Squarebreak (Note 1, F, page 221), a startup offering upscale home rental properties (representing the owners' second homes) in resort locations, primarily in France, Spain and Morocco.

With this investment, the Group is supporting Squarebreak in its development, while at the same time acquiring experience in this new hospitality and travel proposition.

Acquisition of a stake in Oasis Collections

AccorHotels also acquired a 30% stake in Oasis Collections (Note 1, F, page 221), the US company that pioneered the "Home meets Hotel" concept, a new category of accommodation combining the value-for-money and authenticity of private rentals with high-quality hotel services provided by Oasis (on-site concierge, access to exclusive clubs, etc.).

The Oasis Collections comprise 1,600 properties spread across 18 business and leisure destinations in Latin America, the United States and Europe. The average stay is around 20 days. These homes are buy-to-let investments for their owners.

Acquisition of onefinestay

The Squarebreak and Oasis transactions were followed by the acquisition of the entire capital of onefinestay for €148 million (Note 1, C, page 220), with investments totaling €64 million planned to accelerate the company's international development.

The company currently manages, on an exclusive basis, a portfolio of 2,600 homes located in the most sought-after districts of London, New York, Paris, Los Angeles and Rome. The portfolio's total real estate value is estimated at more than £4 billion. Combining the best homes with the finest service, onefinestay has become the world's leading luxury serviced home rental brand, offering hotel services provided exclusively by onefinestay employees.

It is the most highly integrated platform model and the most closely aligned with the Group's luxury hotel operations. This addition to the AccorHotels offer will allow families who have traditionally stayed in the Group's luxury hotels during their travels, often booking several rooms, to rent *via* onefinestay an apartment accommodating the same number of people for less. It is undeniably a new form of service, adding another possibility for customers already familiar with the Group's luxury hotels, to enjoy the same quality of service as in a hotel, but in a very different and unique environment.

Building on its strengths, onefinestay plans to roll out an ambitious strategy to expand to 30 new cities around the world over the next five years, growing revenues tenfold. AccorHotels will support onefinestay's development by contributing its know-how as a

world-leading hotelier, its powerful distribution capacity, strong customer base, global presence, incremental synergies and recognized expertise in digital operations.

Integration of onefinestay has already begun and is already delivering benefits. In 2016, the Group reorganized the management team and addressed four priorities:

- optimizing average revenue per booking (achieving a +20% increase in 2016);
- optimizing the operating model (by extending the average stay and improving margins in the four original cities);
- increasing direct distribution;
- increasing the number of locations (Rome was added in June and Miami in November).

For 2017, the objective is to double the number of cities, with the addition of new locations in Europe and the United States. Another priority will be to unleash synergies with the Group, particularly in the area of distribution.

Exclusive negotiations for the acquisition of Travel Keys

AccorHotels also began exclusive negotiations with Travel Keys, one of the world's leading luxury home rental companies, on February 6, 2017, with a view to finalizing an agreement in the second quarter of the year.

Founded in 1991, Travel Keys is an elite travel broker representing a collection of over 5,000 personally inspected luxury villas in more than 100 destinations throughout the Caribbean, Mexico, Hawaii, the United States, Europe, Asia and Africa. A pioneer in the luxury home rental segment, this Atlanta-based company offers guests exceptionally high quality hotel and concierge services available 24/7.

The combination of Travel Keys with onefinestay and Squarebreak will provide AccorHotels with a unique, carefully selected offering of about 8,500 addresses in the luxury private rental market, in both vacation and urban settings.

Travel Keys contributes to the Group's network a portfolio of luxury homes offering customers an extraordinary experience, including some of the finest homes in the world's most beautiful locations, with an unrivaled range of services.

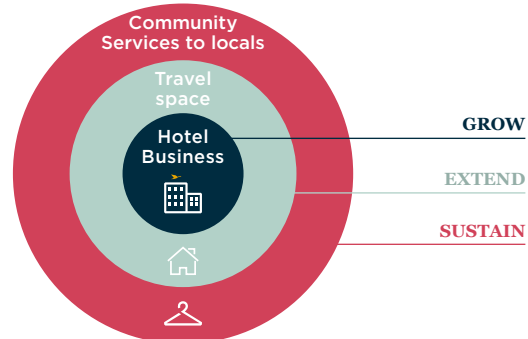
In addition to consolidating its leadership in the luxury private rentals market, the Group has also acquired 80% of John Paul, the world's leading concierge service provider, in a transaction that will be critical to the transformation of AccorHotels' business model to include convenience services.

DIVERSIFICATION INTO CONVENIENCE SERVICES

Not only does AccorHotels keep pace with the trends that are shaping the industry, the Group also invents its future by coming up with drivers of future growth and value creation.

For a hospitality group like AccorHotels that is both a travel specialist and a mobility-enabler, the challenge is to also become a multiservice specialist covering all guest experiences. A presence at all stages in the guest experience increases the number of points of contact with them. The Group's many different offers provide a multitude of opportunities to interact with customers, for example when they use its luxury home rental platforms, hotel networks or future concierge services.

The Group plans to reposition its hotels in their ecosystem. The aim is to expand their role by drawing in local residents in order to offer them the types of convenience services that maintain and enhance relations between neighbors.



The Group's hotels welcome travelers throughout the year, offering them the best experiences. And yet their numbers are dwarfed by the people living around the hotels in the Group's 95 host countries who represent a potential customer base that is roughly six times greater. The challenge for the Group is to multiply the points of contact with these potential customers through regular exchanges, in order to increase their awareness of its ecosystem and in this way expand the customer base, for the benefit of all its businesses.

AccorHotels currently has more than 4,000 addresses open 24/7 and staffed by customer service specialists. Very few businesses can offer this level of uninterrupted availability. By introducing services that are useful for people living close to its hotels, in addition to its traditional accommodation and food services, the Group will open up a considerable market given its network's very broad reach. In addition to creating a new source of revenue, the increase in the hotels' business volumes will help to make the communal areas more profitable and boost the profits earned during the traditionally quieter periods of the day and night.

AccorHotels has identified at least fifty services that could be used by local residents, such as apartment concierge services, trips to the shoe-mender, the return of rental vehicles, ticket printing, putting fuel in cars, or simply arranging for parcels to be delivered to the hotel for 24/7 collection. The hotels may also offer these new customers access to their infrastructure (fitness centers, co-working facilities, 24/7 F&B).

In line with the initiatives taken in the lifestyle segment, these hotels will open their doors to the people living in the neighborhood, creating places where people can interact and work together, that will participate in local life in the same way as neighborhood stores. An example is the Jo&Joe brand's Open House concept, which is designed to also facilitate the daily life of people living nearby.

The idea is being tested in a handful of hotels in France, to determine the services that are capable of generating additional footfall and revenue, and find the right organization between the digital ecosystem and use of the hotels. This diversification will naturally be supported by John Paul's expertise and the service offers that the company intends to develop rapidly in the coming months.

Acquisition of John Paul

Founded in Paris in 2007, John Paul merged with US-based LesConcierges in 2015 to create the world's leading premium customer and employee loyalty services provider. John Paul's 1,000 highly skilled employees trained at the world's best luxury hotels are dedicated to responding to their customers' requests, from the simplest to the most extravagant.

With a network of over 50,000 partners, powerful proprietary Customer Relationship Management (CRM) software, and a data management platform that includes behavioral profiling and 360° personalization applications, the company offers comprehensive and innovative loyalty solutions in a wide variety of industries.

The acquisition will enable AccorHotels to immediately enhance its CRM expertise for the benefit of the guests of its hotel network and users of its digital platforms, but also to enhance the array of service offers that the Group intends to propose more widely in the near future.

The Group's aim is to place travelers at the center of its concerns in order to treat them to the best experience before, during and after their stay. John Paul has already taken over responsibility for the AccorHotels Customer Care program, with the future aim of offering the Group's customers an unrivaled service, better than any of its competitors, and generate new service revenues.

AccorHotels' future model

The Group's ambition is to build on the hospitality principle by rolling it out along three complementary vertical lines.



The hotel business operated under franchise agreements and management contracts will naturally remain the central hub of the Group's business model.

But the two new business lines will quickly become additional growth drivers, contributing around 30% of consolidated profit within the next five years according to Group estimates.

- The first, which is currently in the consolidation phase, is dedicated to travel and comprises luxury home rental and the marketplace offering all of the Group's accommodation solutions. The luxury serviced home rental business is being deployed through onefinestay, Squarebreak, Oasis and shortly Travel Keys. It will be ramped up in the coming years by consolidating their dominant market positions, stepping up the pace of their development and growing their market shares. This business reflects changing customer behaviors, particularly in the leisure area, with the success of digital platforms attesting to the shift in demand towards rental options. The Group's recent acquisitions in the luxury home rental segment have already positioned AccorHotels as a market leader, with 8,500 idyllic homes in the portfolio, and further acquisitions will be made in the coming months and years.
- The second, still in the planning phase, will offer convenience services to people living close to the 4,000 hotels operated under Group banners or visiting the neighborhood. These convenience services, to be provided in all of the Group's host countries worldwide by John Paul, will be offered in the

hotels or as digital solutions. The resulting ecosystem will be 100% customer-centric, in line with AccorHotels' absolute commitment to offering customers the best possible service. Several hundred million city-dwellers pass in front of the Group's hotels every day but only a few million of them cross the threshold as customers. Offering them concierge services extremely well managed by John Paul will enable the hotels to broaden the scope of their activities, taking advantage of the fact that they are open around the clock to offer many more services.

This transformation will naturally be supported by enhanced digital resources to communicate even more easily with customers, in a variety of ways.

The acquisitions for the year (Wipolo, FastBooking, onefinestay, Squarebreak, Oasis and John Paul), the additions to the brand portfolio (Fairmont, Raffles and Swissôtel), development of the Jo&Joe and 25hours lifestyle brands, and development in the luxury resort segment through the alliances with Banyan Tree and Rixos Hotels, represent forces for change that will support the Group's current transformation and make it stronger, more present in its customers' lives, more profitable and capable of creating even more value.

The divestment of a majority of the capital of HotelInvest will give the Group additional resources to complete its strategic shift more rapidly.

1.5.6 TRANSFORMATION OF HOTELINVEST, SPIN-OFF INTO A SUBSIDIARY AND DIVESTMENT

Since November 2013, HotelInvest has been transformed in a way that will play a decisive role in improving the Group's value creation and bring it closer to its objective of delivering performances comparable with those of its US competitors from 2017.

Ninety percent of the hotels owned by HotelInvest are located in Europe. Valuing HotelInvest is a simple exercise because its assets consist primarily of cash-flow generating hotels, operating under the ibis, Novotel and Mercure brands.

Determined by aggregating its various portfolios, HotelInvest's gross asset value, corresponding to the fair value of the hotel properties owned outright and the value of all the hotels' goodwill, whatever the operating method, is a reliable estimate of its fair value. The increase in this value, reflected in the increase in gross asset value from €4.5 billion to €7.6 billion in the past three years (an increase of 68% since end-2013), has also resulted from the acquisition, restructuring and intrinsic performance of these hotels.

In line with its strategy of optimizing cash flows and reducing the volatility of its earnings, HotelInvest restructured 148 hotels in 2016, of which 96 leased hotels and 52 hotels owned outright.

Turning over assets enables HotelInvest to increase the value of the portfolio and boost its operating profit, notably by reducing the number of leases.

SALE OF A PORTFOLIO OF 85 HOTELS IN EUROPE

In July 2016, HotelInvest sold a portfolio of 85 European hotels in the economy and midscale segments to the newly created Grape Hospitality hotel platform that is 70% owned by Eurazoo and 30% by AccorHotels.

The hotels were sold to Grape Hospitality for €504 million. They included hotels in France (61 units), Spain, Italy, Portugal, Germany, Austria, Belgium and the Netherlands.

All of the hotels are being extensively refurbished and will remain under AccorHotels brands *via* franchise agreements.

RESTRUCTURING OF A PORTFOLIO OF 31 HOTELS IN AUSTRALIA

In December 2016, AccorHotels announced the signing of an agreement with a subsidiary of the Abu Dhabi Investment Authority (ADIA) to restructure a portfolio of 31 hotels (4,097 rooms) currently operated by AccorHotels in Australia.

In line with HotelServices' strategy, under the terms of the agreement:

- 15 triple-net leases will be converted into 50-year management contracts and the management contract of an additional hotel will be extended to 50 years (*i.e.* a total of 16 hotels);
- HotelInvest will acquire the 15 remaining hotel properties owned outright and operated under the ibis and ibis Budget brands for around AUD\$200 million (€137 million).

These hotels operated under the Pullman, Novotel, Mercure, ibis, ibis Styles and ibis Budget brands cover the whole country, with units on prime sites in Sydney and the Australian capital Canberra, and in New South Wales, Victoria, the Northern Territory, Western Australia and Queensland.

The acquisition of economy hotels in strategic locations strengthens the Group's growth strategy based on a selective portfolio of profitable hotel assets. The agreement enables HotelInvest to optimize its cash flow generation, reduce earnings volatility and convert leased hotels to hotels under management contracts or owned outright. It also strengthens HotelInvest's leadership of the Australian market by locking in leases for strategic assets.

SALE OF A PORTFOLIO OF 62 HOTELF1 UNITS IN FRANCE, RESTRUCTURING OF 102 HOTELF1 UNITS AND BRAND REVIVAL PLAN

In March 2017, AccorHotels announced plans to revive the hotelF1 brand in France by selling a portfolio of 62 hotelF1 units and restructuring 102 units.

The plan to sell 62 units – of which 7 owned outright and 55 leased from Silverstone – to Société Nationale Immobilière (SNI), part of the Caisse des Dépôts et Consignations Group, has been submitted to employee representatives for comment.

At the same time, in line with the portfolio optimization strategy, HotelInvest plans to become the majority shareholder of the vehicle that holds the remaining 102 hotelF1 assets. To this end, HotelInvest will underwrite a €51 million share issue, with the funds used to finance a three-year hotel refurbishment plan and an ambitious brand revival plan.

SPIN-OFF OF HOTELINVEST INTO A SUBSIDIARY, ACCORINVEST

After a three-year process of radical transformation during which AccorHotels restructured and developed two business lines that are currently delivering record results, the Group believes that the time is now right, in the interests of both businesses and their respective development, to spin off HotelInvest into a subsidiary – AccorInvest – and sell a majority of its capital (Note 1, A, page 219).

The many AccorInvest portfolio restructuring operations undertaken since 2013 have significantly increased the business's profitability and value. Between 2013 and 2016, its gross asset value increased from €4.5 billion to €7.6 billion, and the profitability of the portfolio improved significantly, with operating margin reaching 8.3% in 2016 (*versus* 4% in 2013). While this represents a spectacular improvement in the space of three years, the Group is confident that by leveraging the business's future growth potential, its EBITDA margin can be lifted from 15% in 2016 to 25% over the next four years and the gross asset value of the portfolio can be increased from €6.6 billion at the end of 2016 to €10 billion by 2021.

By being sold outside the AccorHotels Group, AccorInvest will gain in independence, enabling it to embark on a period of faster growth focused exclusively on its own interests. Its financial resources, profits and growth will now be fully concentrated on its own business model.

AccorInvest's medium-term objective is to deliver a yield of around 10% per year, half in dividends and half from the appreciation in gross asset value, reflecting the impact of three drivers:

- ongoing restructuring, with some portfolios still subject to variable-rent leases for which solutions are currently being sought;
- hotel repositioning operations, with a major capital spending budget earmarked for bringing many hotels into compliance with current market standards based on their location, changes in local supply and the potential offered by each market. AccorInvest already has a detailed capital spending plan for each hotel concerned;
- renewed development momentum, supported by hotel building and purchase plans.

Since 2013, HotelInvest has demonstrated its ability to deliver convincing results that attest to the credibility of its project and the quality of its teams.

As of end-March 2017, the spin-off of HotelInvest into a subsidiary was proceeding in accordance with the timeline drawn up in the summer of 2015:

- The legal, tax and employee-related processes are in progress and the new legal entity will be created during the second quarter of 2017. Discussions with employee representatives are going smoothly in a climate of mutual respect.
- The financing is well on the way to being arranged. AccorHotels is currently in discussions with some fifteen international banks, notably to finance the roughly €2 billion debt facility to be taken on by AccorInvest.
- Discussions with AccorInvest's future shareholders are proceeding according to plan. The Group has received strong expressions of interest from a satisfactory number of long-term world-class investors.
- These investors view AccorInvest as an attractive growth vehicle and value the quality of AccorHotels' signature, as a party to long-term management contracts with AccorInvest but also as an AccorInvest shareholder.

The 50th anniversary of AccorHotels' creation marks the start of a new chapter in the history of the Group which has engineered a major transformation of its business model and laid the foundations for new growth opportunities for the two future structures, which will go their separate ways while maintaining very strong business ties.

By attracting new investors in AccorInvest, both AccorHotels and AccorInvest will benefit from increased financial resources that can be used to accelerate their development and take up new growth opportunities, while leveraging the strong synergies resulting from their excellent strategic fit. The new setup will also allow each business to further its development and consolidate its leadership positions based on a valuation that fully reflects the intrinsic quality of its business model and growth outlook.





2

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“Our Group is going through a deep strategic and cultural transformation that is encouraging us to go beyond our limits, surprise, and invent new types of hospitality. These new winds are also ushering in a renewed commitment to corporate social responsibility, through a process that we will continually strive to improve to ensure that people and the planet are respected.

As a leader, we believe in inspiring and encouraging as many as possible to follow our lead – employees, customers, partners and local communities – to ensure positive outcomes and reduce our environmental impact. Together, we have two major points of focus: achieving zero food waste while promoting healthy, sustainable food, and achieving carbon neutrality in all our building projects.

Planet 21 Acting Here!, our new 2020 sustainable development strategy, brings together all of our commitments and projects related to these initiatives. With the help of our 250,000 employees around the world, this program has one great ambition: to drive the change towards positive hospitality wherever we are.”

Sébastien Bazin, Chairman and Chief Executive Officer

2.1 A CSR STRATEGY INTEGRATED INTO THE ECONOMIC MODEL

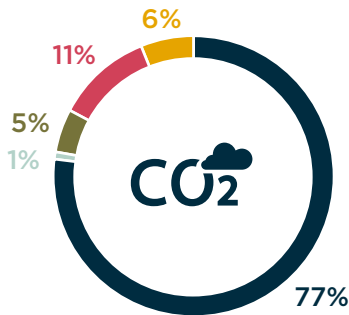
2.1.1 AN OVERVIEW OF THE CHALLENGES FACING ACCORHOTELS

THE GROUP’S ENVIRONMENTAL FOOTPRINT

Carbon Footprint

4.5 Million tons CO₂-eq

I.e. the total annual emission of a small coal-fired power plant

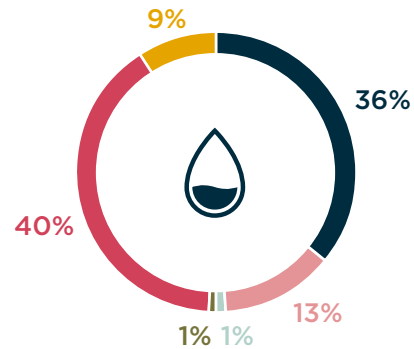


- Infrastructures (real estate and furnishings)
- Energy consumption of the hotels
- Water used directly in the hotels
- Hotel management (administration and upkeep)
- Laundry
- Food and drink Treatment of waste

Water Consumed

30 Million m³

Which is equal to the consumption of a European city of 410,000 inhabitants

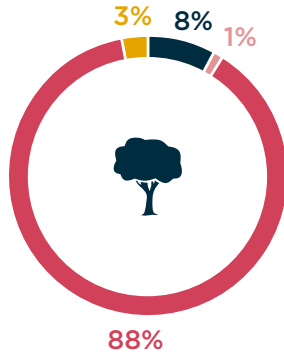


- Infrastructures (real estate and furnishings)
- Energy consumption of the hotels
- Water used directly in the hotels
- Hotel management (administration and upkeep)
- Laundry
- Food and drink Treatment of waste

Impact on ecosystems

351 Thousand PDF.ha.year⁽¹⁾

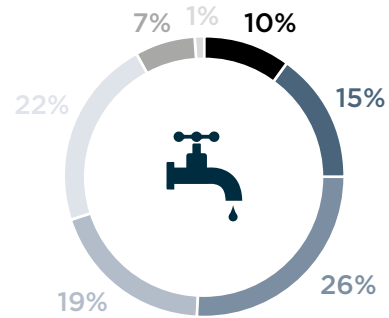
Which is equal to the surface area of 530,000 football fields covered in concrete



- Infrastructures (real estate and furnishings)
- Energy consumption of the hotels
- Water used directly in the hotels
- Hotel management (administration and upkeep)
- Laundry
- Food and drink Treatment of waste

Current water stress

Percentage of hotels located in the different hydric stress zones



- Very high >80%
- High 40-80%
- Average to high 20-40%
- Average 10-20%
- Low <10%
- No data

The results of the updated study published in 2016 by AccorHotels on its environmental footprint have revealed two important facts:

- **buildings** are the biggest source of **greenhouse gas emissions** in the Group (77%), and it is important to control their water consumption (25% of its hotels are in places suffering high water stress);
- **the consumption of food and drinks**, because of the upstream environmental impacts of the agriculture, represent a large part of the environmental footprint of the Group **on water (40%) and biodiversity (88%)**.

AccorHotels has therefore identified two major issues related to its business: managing and controlling the environmental impact of its buildings and promoting sustainable food in its restaurants.

(1) This unit of measurement reflects the fraction of species that could, potentially, disappear from a region on an annual basis.

SCOPE 3 AND HOW IT RELATES TO THE ENVIRONMENTAL FOOTPRINT















The table below shows the scope of the environmental footprint analysis. For example, the Group’s carbon footprint included Scope 3 and considered the following line items in particular:

- construction and renovation;
- hotel management: cleaning products, pesticides;
- employee travel;
- food & drink.

Guest transportation was not included in the study, because in general, guests do not travel specifically to go to hotels; they usually travel for other reasons (study abroad, exploring, tourism, etc.). In addition, the necessary information to evaluate the impact of this type of transportation is not yet available.

Specific information on the business aspects studied and the indicators covered is given below:

Changes to positions and impacts considered in the cycle of life analysis between 2011 and 2015

POSITIONS		IMPACTS				
						
		Energy	Water	CO ₂	Eutrophication	Biodiversity
	Temperature control and cooling system	✓	✓	✓	✓	✓
	Construction and renovation	✓	✓	✓	✓	✓
	Room items: towels and paper products, bath products, televisions	✓	✓	✓	✓	✓
	Hotel energy consumption	✓	✓	✓	✓	✓
	Hotel water consumption	✓	✓	✓	✓	✓
	Hotel management: cleaning products, pesticides	✓	✓	✓	✓	✓
	Office management: printers, paper products, IT hardware, and telephones	✓	✓	✓	✓	✓
	Employee travel	✓	✓	✓	✓	✓
	Laundry	✓	✓	✓	✓	✓
	Food and Beverage	✓	✓	✓	✓	✓
	Waste processing	✓	✓	✓	✓	✓
	Customer travel	✗	✗	✗	✗	✗

✓ Impacts assessed in 2015 but not in 2011

✓ Impacts assessed in both 2015 and 2011

✗ Non-assessed areas in 2015 and 2011

SOCIO-ECONOMIC FOOTPRINT

Published in 2016, the socio-economic footprint of AccorHotels shows that its operations have a significant socio-economic impact:

- as the largest operator in the hotel industry in the world, in an industry that is particularly labor-intensive and largely local, **AccorHotels creates or provides jobs for more than 880,000 people** around the world;
- the total direct, indirect and related business generated by AccorHotels in the world economy amounts to approximately €22.4 billion, **of which an average of 83% remains in local economies;**
- **agriculture, an industry that is upstream from the restaurant business**, is the third-largest industry and has the greatest number of employees; with 83,000 jobs. Every job created in an AccorHotels Group hotel creates 0.5 job in the agriculture industry;
- the socio-economic footprint of AccorHotels means that it has a duty to be **responsible across its value chain** and in local economies. The business of the Group has a strong **leveraging effect** through its **supply chain** and on household consumption made possible by the salaries paid by the Group and its suppliers, and through contributions to public expenses, especially taxes.

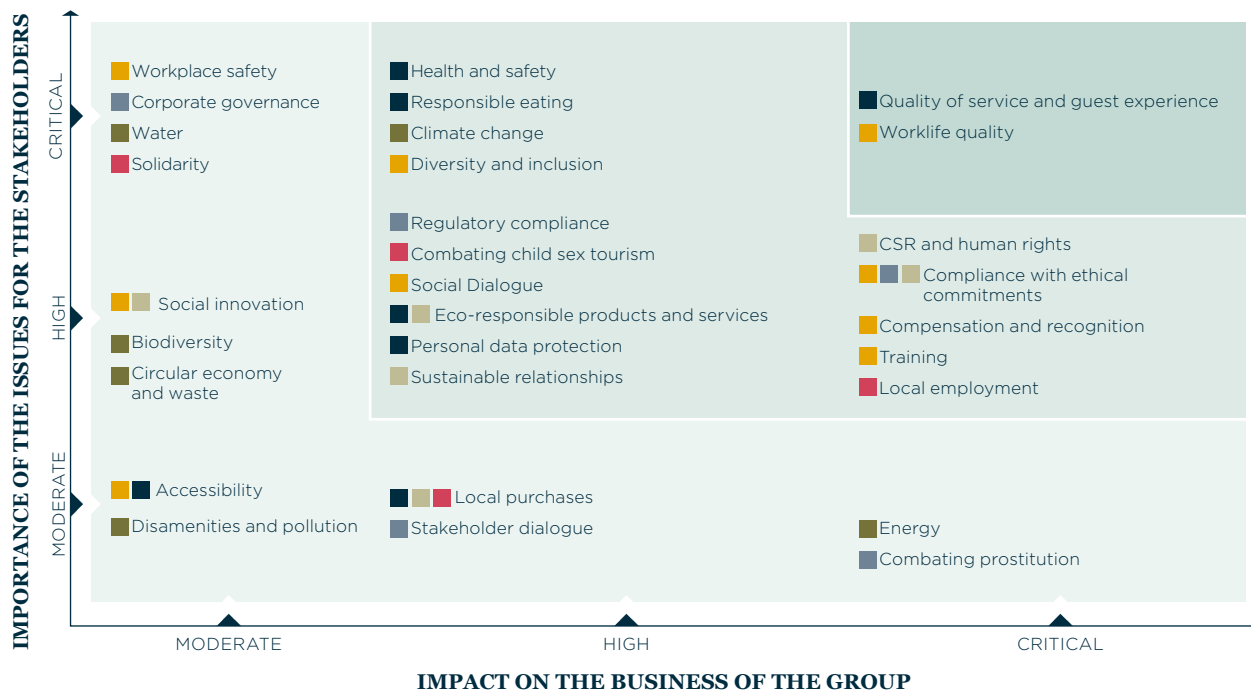
This study shows that the Group shares strong common interests with all of its stakeholders: its guests (who are the reason why the Group’s business exists and the creators of its revenue), its employees, its communities, and its partners (suppliers and hotel management).

ASSESSING THE MATERIALITY OF ISSUES

The overview relied on various Group management teams to collaborate and identify stakeholders and then establish how AccorHotels communicates with each of them.

In 2016, AccorHotels updated its original 2013 assessment of the materiality of these issues. Three major studies conducted by the Group helped it to quantify the issues with greater accuracy: the environmental footprint, the socio-economic footprint (see above), and a study of how guests perceived sustainable development (see page 47). These issues, once identified and quantified, were compared with the concerns of stakeholders and were laid out along two main themes: “Significance given to the topic by stakeholders”, and “Impact on the business of the Group”. As such, an analysis on the importance of the issues completes the studies on quantitative footprints with a full-range evaluation of the strategic challenges that AccorHotels is facing.

This analysis confirms that people continue to occupy a central position in the hotel business, and this is because the main challenges are quality of service and guest experience, and quality of life at work. The analysis also demonstrated that the Group must address many challenges in the three core aspects of CSR, with a greater emphasis placed on business, societal and environmental concerns. This updated analysis on the importance of the issues helped to rank the CSR challenges in the new Planet 21 Strategy.



- Employees ■ Guests ■ Suppliers ■ Local communities
- Environment ■ Public authorities and civil society

CSR ISSUES AND CHALLENGES IN EVALUATING THE GROUP'S RISKS

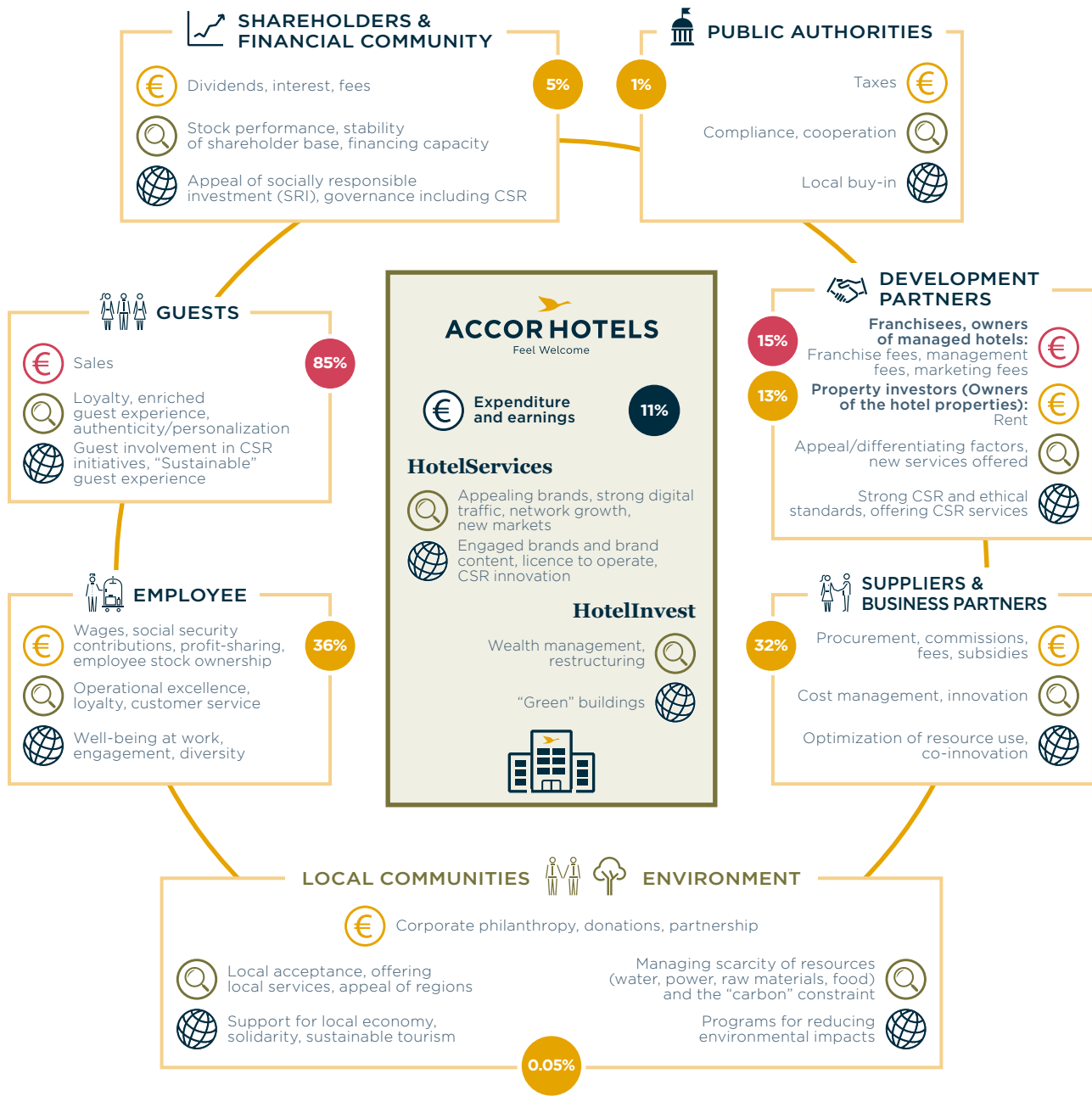
Building on the process that began in 2015 to better integrate CSR issues and challenges into evaluations of potential risks, the method was improved in 2016 and now takes into consideration the environment and local communities. The overall risk management structure of the Group is detailed in Chapter 3 “Risk Factors”.

2.1.2 CROSS-SECTIONAL ANALYSIS OF THE ECONOMIC MODEL AND THE CSR CHALLENGES

Before the new Planet 21 Strategy was defined for the 2016-2020 period, a wide-ranging study of the economic model of AccorHotels was performed. First and foremost, this study analyzed the components that currently create value and are expected to create value in the future for the Group, and then identified how CSR initiatives could line up with these value creation mechanisms and reinforce the strategy and contribute to the ongoing success of the Group. This approach has led to the CSR strategy really becoming part of the business strategy of the Group. It was particularly impactful in the creation of the Planet 21 Acting Here! Program.

The diagram below presents a simplified version of the results of these efforts. Below are represented:

- **the main actors (the “stakeholders”)**, for whom the hotels and their support functions are part of a daily effort to achieve the goals of AccorHotels to welcome and support its guests around the world;
- **the main cash flows** that link the Group to these different actors, as well as their respective importance (simple breakdown of their balance sheet);
- **the main value creators**, which allow the Group to increase its profitability and/or continue to operate;
- and finally, **CSR levers that could strengthen value creation** for AccorHotels, over and above the positive outcomes that they bring for the planet and people.



€ Cash flows from AccorHotels to stakeholders (as a % of revenue)
 € Cash flows from stakeholders to AccorHotels (as a % of revenue)
 🔍 Value creation levers for AccorHotels
 🌐 CSR levers that strengthen value creation

2.1.3 PLANET 21 ACTING HERE! A FRESH DIRECTION FOR THE CSR STRATEGY

A RENEWED VISION OF OUR COMMITMENT TO SOCIAL AND CORPORATE RESPONSIBILITY

With the 2016 launch of its new CSR strategy, called Planet 21 Acting Here!, AccorHotels is reaffirming its vision: “Wherever we are, let us drive the change towards positive hospitality.”

The slogan “Acting Here!” means that the Group is active wherever it is present. Because hotels are at the heart of its work, AccorHotels places them at the center of its commitments.

Every hotel, at the heart of its ecosystem, is like the center of a tiny planet. It acts together with its stakeholders – customers, employees, partners (owners and suppliers), and communities. AccorHotels with hotels all over the world; its strength is being able to act from a strong local connection.

AccorHotels is recognized as an active and committed leader in the hotel industry. Its ambition is to continue to be a pioneer, forging new pathways, taking full advantage of its impetus in the industry, always seeking to innovate and to surprise, driving the change towards positive hospitality.

This positive hospitality is something that AccorHotels will be proud to pass on to future generations. It will limit the negative impacts from its business on climate, water, waste, and local communities as much as possible. It will have a positive effect on human rights, labor, and working conditions and the overall environment and well-being of employees, guests, partners, and communities.

IMAGINING POSITIVE HOSPITALITY – THE ACCORHOTELS MANIFESTO

Because we take care of millions of guests, each of our hotels is a world unto itself, and every action counts, so let us forge new pathways and invite the world to help us do it. A warmer welcome for the future.

A PROGRAM BUILT AROUND FOUR MAIN THEMES AND TWO PRIORITIES

For almost 50 years, AccorHotels has striven to be both a pioneer in the hotel industry and an exemplary corporate citizen, demanding excellence both from itself and its partners. With a view to respecting ethical principles and reaffirming our commitment, the Ethics & CSR Charter of the Group defines the AccorHotels responsibility process.

Planet 21 is consistent with this framework, as an engine for change and progress, through commitments and goals that can be measured through time.

AccorHotels’ CSR Strategy for 2016-2020, Planet 21 Acting Here!, is built around four main themes and two priorities chosen in direct response to the business, environmental, and societal challenges identified by the Group (see “An overview of the challenges facing AccorHotels”, page 34).



- **Being an inclusive company** and taking steps to ensure employee well-being. Bolstered by its ability to create and sustain local jobs, AccorHotels is renewing its commitment to being a place of welcome and inclusiveness, with respect for diversity that is focused on developing everyone's talents. As an employer, the Group is committed to making its employees "Feel valued". It aims to be a company that makes life and work better, a company that is open to the world and engaged in local training and recruitment, and in supporting marginalized populations.
- **Getting guests involved in multiplying the positive effects** of the actions taken by the Group, its hotels, and its employees. AccorHotels wants to give its guests a hotel experience that gets more responsible with each visit and encourage them to collaborate in that effort, because more than any other business, the hotel business is defined by a close relationship with its guests. This closeness brings high expectations for the services provided, including a strong environmental and social dimension, irrespective of the brand or the country. The Group is therefore committed to meeting minimum environmental standards in all its hotels and employing eco-friendly design for all products that are available in its rooms. This closeness with the customers also opens the door to deeper relationships with them as engaged citizens. Studies show that guests are sensitive to these issues and ready to work with the Group.
- **Cementing a long-term relationship with its partners** to make the hotel industry move towards more ethical solutions. The business and performance of AccorHotels are closely linked to those of its partners: its suppliers, owners of its hotels and independent hotels with ties to the Group. Maintaining its reputation means broadening its commitment to company, social, and environmental responsibility with its partners so that everyone in the value chain of the hotel can benefit. This is why AccorHotels is implementing clear processes with its partners in order to best manage CSR risk and seize the many opportunities to develop its offerings of products and services with a positive impact. The Group has identified a powerful value creation dynamic in the "green and social" economy. It is positioning itself as a pioneer and wants to create a domino effect for the entire value chain of the hotel business.
- **Taking action in local communities**, because making a change for the better doesn't stop at the hotel door. The Group plans to continue playing the role that it has always played in communities, supporting local and social initiatives. Based as they are in local communities, the teams who work at the hotels are motivated and have a unique ability to put forward concrete projects for local economic and social development or to support the marginalized: local jobs, access to training for people who have not been able to take advantage of educational opportunities, promoting local culture and the local economy, fighting poverty through business agreements to promote fair trade, protecting children against abuse, initiatives to preserve natural ecosystems, social welfare initiatives, etc.

In the end, the lessons learned from Group's environmental footprint are clear: two of the business priorities of the Group, developing its real estate holdings and its restaurant line, are also the main areas where it can reduce its environmental impact. Logically, AccorHotels is paying particular attention to these two areas with its 2020 vision:

- **Offering guests healthy and sustainable food, while eliminating food waste.** The AccorHotels motto is simple: "Feeding our guests responsibly, as we feed our own children". This means that the Group wishes to offer healthy food to fight against public health problems caused by poor nutrition; support changes to the agricultural model, to achieve more efficient food production that is closer to the places of consumption and is more responsible; and beginning by drastically reducing food waste - more than 30% of the food produced around the world is thrown away each year - to contribute to fighting against hunger and reducing the environmental footprint of the agriculture industry.
- **Drawing its hotels into the green energy shift by focusing on carbon-neutral buildings.** The fight against climate change is a collective challenge and the construction industry has a huge influence on world greenhouse gas emissions; AccorHotels therefore has a role to play. It is acting by progressively designing carbon-neutral buildings and regularly renovating its real estate holdings to improve their energy performance. Faced with increased pressure on water resources, it is also acting to reduce its water impact, especially in regions experiencing significant water stress. Finally, AccorHotels is implementing solutions to create strong, circular local economies and increase the proportion of waste that is ethically handled (reuse, recycling, etc.).

There are several specific goals for each of these areas (see pages 49 to 53).

WITH PLANET 21, ACCORHOTELS IS CONTRIBUTING TO THE SUSTAINABLE DEVELOPMENT GOALS OF THE UNITED NATIONS



Planet 21 Pillars

Main contributions and commitments of AccorHotels

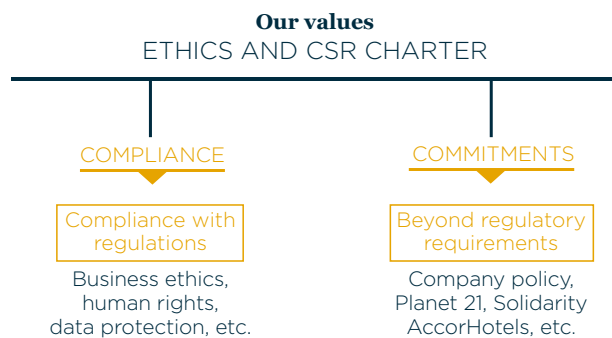
Employee	<p>5. Gender equality</p> 	<p>AccorHotels has a strong commitment to gender equality. It has signed the UN's "Women's Empowerment Principle" and is an "Impact Champion" in the "HeForShe" Program.</p>  -> Goal: 35% of hotel managers will be women by 2017
Guests	<p>12. Responsible consumption and production</p> 	<p>In order to roll out ecological design on a large scale, AccorHotels has defined sustainable development criteria for the ten families of products that are key to its business. The criteria identified include prohibiting the use of certain chemicals, using recycled materials, green labeling of products, and using wood or paper products that do not result in deforestation.</p>  -> Goal: Ten key product families of our line of hotel products will be green by 2020 <p>In terms of waste management, AccorHotels has adopted a strict policy: all hazardous waste must be processed appropriately; waste is sorted and its use is maximized through the promotion of circular economic initiatives; and the quantity and volume of waste, especially food waste, is reduced through an ambitious reduction program.</p>  -> Goal: 30% reduction in food waste by 2020  -> Goal: 65% of waste from hotel operations will be recovered and reused by 2020
Partners	<p>8. Decent work and economic growth</p> 	<p>The reference framework for the Ethics & CSR Charter expresses the Group's commitment to systematically complying with laws and regulations in effect, and with important international fundamental principles, such as the United Nations Global Compact, Conventions of the International Labour Organization (ILO), or the principles of the Universal Declaration of Human Rights.</p>  -> Goal: Our CSR and ethical risk management process will be deployed among 100% of the Group's partners (owners and approved suppliers) by 2020
Communities	<p>16. Peace, justice, and effective institutions</p> 	<p>Our partnership with ECPAT and the WATCH (We Act Together for Children) Program are a testament to AccorHotels' commitment to fighting the sexual exploitation of children.</p>  -> Goal: 100% of the hotels in the Group will have implemented the program to fight against child sexual exploitation by 2020
Buildings	<p>13. Preventative measures in the fight against climate change</p> 	<p>To contribute to the lofty goal set by the Paris Agreement for a massive reduction in greenhouse gases worldwide, AccorHotels has begun the transition process for all its hotels.</p>  -> Goal: 100% of new builds and renovations will be low-carbon by 2020 (owned and leased hotels)  -> Goal: 5% reduction in energy consumption per room per night by 2018 (owned, leased and managed hotels)
	<p>15. Life on Earth</p> 	<p>Through the "Plant for the Planet Program", the Group is promoting reforestation.</p>  -> Goal: 10 million trees planted with the "Plant for the Planet Program" by 2021 <p>In order to limit the impact of hotels on water resource management, the Group has undertaken to reduce its consumption, especially in regions experiencing water stress.</p>  -> Goal: 5% reduction in water consumption per night by 2018 (owned, leased and managed hotels)
Food	<p>2. Zero hunger</p> 	<p>The new Healthy and Sustainable Food Charter aims to guide hotels towards responsible eating. With the goal of supporting viable production systems and limiting the consumption of natural resources, priority is given to local, seasonal, and organic food. Our menus do not include any endangered species of fish.</p>  -> Goal: 100% of the restaurants of the Group will adhere to the new Healthy and Sustainable Food Charter by 2020

A more detailed table of the contributions of the Group to the SDGs can be found in the appendix on pages 341 to 343.

2.2 MANAGING THE ETHICS AND CSR APPROACH

2.2.1 COMMITMENTS SUPPORTED BY THE ETHICS AND CSR CHARTER

With a strong commitment to its goal of being a responsible company that shares value, AccorHotels is working to obey ethical principles, **comply** with applicable laws and regulations, and **honor its commitments** to various stakeholders. The Ethics and CSR Charter, based on the six values of the Group, reaffirms this goal and provides a framework for AccorHotels' commitment to being a responsible corporate citizen. All of the non-financial policies of the Group derive from the Charter.



Promoted by the Chairman and Chief Executive Officer of the Group, the Ethics and CSR Charter provides details on the following:

- **the six Values of the Group**, which were redefined in 2015 in particular to reflect the continuing evolution of the value of “performance” towards “sustainable performance”: “We stand for creating value, for as many as possible, over the long term”;
- **the frame of reference** that expresses the Group’s commitment to systematic compliance with applicable laws and regulations, fundamental international principles⁽¹⁾; such as the UN Global

Compact, which the Group signed in 2003, or the Conventions of the International Labour Organisation (ILO); or the principles of the Universal Declaration of Human Rights;

- **the Group’s ethical commitments** in the way the Group conducts its business, in such areas as fairness and respect for people, compliance with good business practices and the protection of property and data;
- **specific commitments made to the main categories of stakeholders:** employees, guests, financial and business partners, suppliers, communities, and the environment;
- **the process via which the Charter will be distributed** is detailed therein: it is made available both internally and externally, especially to the partners of owned and leased hotels of the Group; members of the Talent & Culture team or the Legal Team are in charge of informing their superiors of any inquiries or alerts.

The Charter has been rolled out in all of the countries where the Group is active. It is available on the various Group Intranets and from the AccorHotels website (<http://www.accorhotels-group.com/en/sustainable-development./html>).

Directors are responsible for promoting the values and commitments to their teams and carefully tracking its application.

A network of Ethics and CSR correspondents has been put into place. This is led at Corporate level by three people who coordinate deployment of the Charter and lead and track the related projects.

2.2.2 GOVERNANCE FOR ETHICS AND CSR

THE CREATION OF THE GOVERNANCE, COMPLIANCE, AND CORPORATE RESPONSIBILITY COMMITTEE

The Board of Directors created a new committee in 2016, the Governance, Compliance, and Corporate Responsibility Committee. Its purpose is to provide oversight for the proper application of the principles of corporate governance and to prepare the decisions of the Board of Directors regarding compliance, ethics, and corporate and environmental responsibility.

Its main responsibilities are:

- together with the Chairman and Chief Executive Officer, to prepare proposals for the implementation of the principles of corporate governance and to prepare evaluations of the work of the Board;
- to review compliance with the governance practices of the Group regarding the recommendations of the Corporate Governance Code that governs the Company;
- to regularly examine the situation of Directors in light of the independence criteria defined by the Board;

(1) Reference texts for the AccorHotels Group: the principles of the Universal Declaration of Human Rights of 1948; the guidelines of the Organisation for Economic Cooperation and Development (OECD) for multinational corporations; the 10 principles of the United Nations Global Compact; the fundamental international conventions of the International Labour Organization (ILO) [Convention on the Elimination of All Forms of Racial Discrimination (1966); the Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families (1990); the Convention on the Rights of the Child (1989); The Worst Forms of Child Labour Convention; Abolition of Forced Labour Convention (1957)]; the United Nations Conventions [the Convention for the Suppression of the Traffic in Persons and of the Exploitation of the Prostitution of Others (1949)]; the International Covenant on Economic, Social and Cultural Rights (1966); the Convention against Transnational Organized Crime; and the Financial Action Task Force (FATF).

- to provide permanent oversight of changes to the Group's shareholder base and to reflect on methods, legal and otherwise, to enable better awareness of the shareholder base;
- to examine all conflicts of interest involving the shareholders or the Directors and any other conflicts of interest of which it becomes aware;
- to examine the organization and implementation of the methods used by the Group to ensure compliance and to stay abreast of the deployment of compliance policies;
- to examine the guidelines for CSR policy and to become informed of their results.

The Governance, Compliance and Corporate Responsibility Committee is made up of three members who are defined as independent by the Board of Directors. It is chaired by an independent Director.

The Committee has at least two meetings per year. In 2016, it met in October to deal with the following specific topics: the functioning of the Board of Directors, talent management, and the review of the Ethics and CSR Committee Report.

ETHICS AND CSR COMMITTEE

The Ethics and CSR committee was set up in 2014 in order to:

- inform the Executive Committee about questions pertaining to Ethics and CSR in order to better anticipate the opportunities, challenges, and risks associated with them;
- make recommendations regarding the development of our commitments in the areas of human resources, risk management, respect for human rights, and sustainable development;
- monitor the implementation and performance of the Group's processes;
- debate any issues concerning managerial ethics, business conduct, or possible conflicts of interest;
- analyze any dysfunctions and provide specific additional oversight if required.

Chaired by Sven Boinet, Chief Operating Officer, its membership included the following in 2016: four members of the Executive Committee, three representatives of operations (Central and Eastern Europe, Southeast Asia, Africa, America and the Caribbean) and nine representatives of the support functions of the Group directly involved (Talent & Culture, Safety and Security, Legal, Sustainable Development, Purchasing, Communications, Financial Communications, IT, and Digital Marketing Distribution).

This Committee met four times in 2016 to supervise the progress of the roadmaps for ethics and CSR, with many topics on the agenda: the new Planet 21 Program, the fight against the sex trade in hotels, protection of guest data, battling workplace harassment, CSR risk management for suppliers, and the exposure of the Group to climate change, among others.

STRENGTHENING GOVERNANCE FOR DATA

In the context of its actions taken regarding corporate responsibility, and in preparation for the implementation of Regulation (EU) 2016/679 of the European Parliament and of the Council of April 27, 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, the AccorHotels Group created a Data Governance Committee in 2016. This Committee brings together all of the professions in the Group that are concerned by the use of data into two commissions:

- the Architecture and Nomenclature Commission, which is in charge of creating and optimizing technical processes and methods for using data;
- the Compliance and Ethics Commission, which is in charge of identifying and analyzing regulatory and ethical problems encountered by the Group regarding the use of data, whether this involves the protection of personal data, respect for competition regulations, or compliance with the ethical principles that the AccorHotels Group itself has defined.

The Ethics and CSR Committee of the Group may be consulted at any time on ethics questions relating to the processing and use of data, upon the request of the Compliance and Ethics Commission or any other person or entity of the Group.

OVERSEEING THE CSR PROCESS

Within the Group, the CSR policy is guided primarily by the Sustainable Development Department, the Talent & Culture Department, and the Solidarity AccorHotels endowment fund.

The Sustainable Development Department is in constant contact with the country operations, the brands and the support functions (Human Resources, Marketing, Procurement, Technical Affairs, etc.). It is backed by a network of 112 country correspondents and dedicated committees in certain countries. It interacts with the brands and the support functions *via* a network of dedicated correspondents and for certain brands, *via* dedicated committees.

The Sustainable Development Department is primarily responsible for:

- leading the process structured by performance objectives and indicators and coordinating sustainable development programs and the related partnerships;
- guiding the Planet 21 community around the world by providing support in the form of expertise and social and environmental oversight;
- designing and deploying tools capable of improving the management of AccorHotels' sustainable development performance;
- initiating new projects, innovating in the area of sustainable development, and tracking emerging issues;
- promoting the Planet 21 program within the organization and externally.

The **Talent & Culture Department** has numerous contacts in the regions, countries and hotels.

Talent & Culture (T&C) Directors in the host countries operate under the Operations Department in their countries. They head up top-level teams, define and implement the skills development and employee engagement policies, and drive forward changes in culture in line with the AccorHotels Talent & Culture policies and strategy. To achieve this, they depend on the expertise of local teams and also take advantage of tools created at the Group level or best practices coming from other countries, regions, or areas of the Group that are shared by the entire T&C community. This synergy enables consistency of practice, strengthening the impact of these initiatives.

The T&C community is organized around the following areas: Talent, Learning & Development, Recognition, Culture & Engagement, Social Dialogue and Social Innovation. It interacts directly with all the operating departments and support functions: Legal Affairs, Communications, Marketing, IT, Sustainable Development, etc.

The Solidarity AccorHotels corporate endowment fund helps disadvantaged and socially isolated people by supporting outreach projects championed by employees. In so doing, it depends on decision-making and management bodies: a Board of Directors, a Selection Committee, and a **standing team** that works together

with **local correspondents**. These correspondents, who come from the region concerned by the project or have worked there for several years, act as relays between Solidarity AccorHotels and local employees. They also provide useful information and advice concerning the projects.

Employees are able to add real value to the programs by providing their personal and professional expertise (cooking, service, on the floor, marketing, consulting, etc.). In particular, they regularly participate in training programs to present various hospitality industry jobs and share their expertise with trainees. These programs can include on-site hotel tours, conferences on hospitality industry jobs, presentations of the Accor Group and internships at AccorHotels.

The Solidarity AccorHotels Board of Directors, which is chaired by Sébastien Bazin, Chairman and Chief Executive Officer of AccorHotels, meets two to three times a year. It defines the fund's strategic vision, votes on projects whose budgets exceed €20,000, and oversees their implementation. The Board of Directors is made up of nine members: six representatives of AccorHotels and three qualified external members (details can be found at solidarity-accorhotels.com).

The Selection Committee votes on projects funded at less than €20,000 and oversees their implementation.

A CSR DEPLOYMENT PROCESS ALIGNED WITH EACH HOTEL'S OPERATING STRUCTURE

Just like the reporting system used to transmit hotel data to AccorHotels, the method used for deploying our CSR commitments, policies, and programs depends on whether the hotels are owned, leased, managed, or franchised⁽¹⁾.

CSR commitments apply to every AccorHotels hotel regardless of operating structure.

The Planet 21 Program covers network-owned, leased, managed and franchised hotels. In the case of franchised hotels, if the program is included in the franchise agreement, it must be deployed. Otherwise, implementation is recommended to the owner, who makes the final decision.

The methods for rolling out the Talent & Culture policies and tools depend on the operating structure for each (see page 56). Most of them apply directly to owned, leased or managed hotels, with the exception of social dialogue, which is led at Group level only for owned and leased units. The Group offers franchised hotels recommendations and a variety of tools, but they remain responsible for their own Talent & Culture policies.

As a listed company headquartered in France, AccorHotels has a legal obligation to disclose employee, social and environmental information for all of the entities in its scope of consolidation, which corresponds to owned and leased hotels. AccorHotels has chosen to extend this disclosure, whenever possible, to all of the hotels operating under its brands. Depending on the issue, the reported data therefore includes a higher or lower percentage of the managed and franchised hotels.

ADDRESSING CSR ISSUES AT OTHER DECISION-MAKING LEVELS

CSR issues and challenges are addressed across the Group's decision-making organization. For example, the regional Executive Committees led by the members of the Group Executive Committee regularly discuss sustainable development and human resources issues at their meetings, which may be attended from time to time by representatives from the Talent & Culture or Sustainable Development Departments. These issues are also addressed at the annual conventions organized by the corporate functions, such as the Legal Affairs Convention, the Development Convention and the Franchisees Convention in France.

Conversely, Executive Committee members are directly involved in the bodies tasked with leading the CSR process: Members of the Executive Committee are invited to speak at T&C or Sustainable development workshops. The Chairman and Chief Executive Officer, the Chief Executive Officer of HotelServices France and the Chief Executive Officer of HotelServices for Central & Eastern Europe all sit on the Solidarity AccorHotels Board of Directors.

⁽¹⁾ AccorHotels has four main modes of affiliation: franchise contracts, management contracts, lease contracts, and ownership. More information about these can be found on page 56.

2.2.3 COMPLIANCE POLICIES AND PROGRAMS

Alongside the Group's CSR commitments, the Ethics and Corporate Social Responsibility Charter includes its compliance undertaking: business ethics, employment rights, human rights, protection of property and data.

ADOPTION OF A COMPLIANCE PROGRAM

International regulations, laws, and standards governing business law are multiplying and becoming more complex. In light of these changes, the AccorHotels Group took the necessary decisions in 2016 to reaffirm its own requirements and strengthen its resources to ensure that its business complies with all applicable regulations. It was therefore decided to adopt a Compliance Program, whose goal is to avoid any behavior within the Group or through its partners that deliberately or involuntarily could render it liable, damage its reputation, and represent a threat to its business.

This Compliance Program is led by a network of Compliance Officers, working under the Chief Compliance Officer (CCO), and the Chief Legal Officer of the Group and Secretary of the Board, who report directly to Sébastien Bazin, Chairman and Chief Executive Officer of AccorHotels, acting in his role as CCO. The Compliance Officers will have the role of training employees and supporting them in implementing the Compliance Program. Beginning in 2016, a video to raise awareness among employees was sent out to the head offices and countries of the Group to inform them that the Program had been launched. The Anticorruption Policy, the Gift Policy and the Policy to Combat Anti-competitive Practices have been defined and made available on the intranet. A conflict-of-interest policy will be created in 2017.

The Compliance Program will be launched with the help of the Ethics and CSR Committee and with the Governance, Compliance and Corporate Responsibility Committee.

More information on mitigating risks of corruption can be found in Chapter 3, "Risk Factors".

THE ACCORHOTELS GROUP FISCAL POLICY

As a matter of policy, AccorHotels aims to apply the local tax laws and regulations of the Group's host countries.

Tax issues are part of a risk management policy that is operated by the Group Fiscal Department in conjunction with the Audit Department. Action plans are drawn up to defend the Group's interests in line with the applicable local regulations and international tax treaties. Documentation on tax positions is consulted, advice is sought from external consultants, and dialogue is initiated with the tax authorities to safeguard the Group from these risks. The Group is always proactively watching out for a broad range of changes relating to tax matters (both legislative and regulatory). The Group is also involved directly, or through industry associations, in dialogue with the tax and legislative authorities in order to create an environment that is conducive to growth. The Audit Committee studies how fiscal policy could impact stakeholders.

Pursuant to Article 223 *quinquies* C of the CGI (French General Tax Code), the Group will fulfill its reporting obligations for taxes and levies on a country-by-country basis. It will send the required information to the French fiscal authorities at year-end 2017, as required under the law.

The total amount of taxes and effective tax rate for AccorHotels is listed in Note 9 on page 241 of this document. Any disputes under way with domestic tax authorities from any nation are listed in Note 26 on page 266.

2.2.4 ACCORHOTELS WORKING TOGETHER WITH STAKEHOLDERS

DIALOGUE POLICY AND TOOLS

Implementing the CSR process throughout the AccorHotels Group means maintaining an ongoing dialogue with stakeholders. That dialogue is a critical process that plays an inherent role in the business of the Group. Dialogue is therefore ongoing at every level of the organization and in every aspect of the business.

A Group corporate stakeholder dialogue procedure defines the scope of application and implementation of the process, the responsibilities at every level (global, regional, local), and the resources used to enhance dialogue and keep stakeholders informed.

Stakeholder	Main expectations	Tools for dialogue, 2016 achievements and partnerships
Employees & representatives	<ul style="list-style-type: none"> ■ Worklife quality ■ Diversity and inclusion ■ Workplace health and safety ■ Compliance with ethical commitments ■ Compensation and recognition ■ Training ■ Social Dialogue ■ Social innovation ■ Accessibility 	<ul style="list-style-type: none"> ■ The engagement survey is conducted every year to measure employee engagement and make it possible for each department to identify areas for improvement and action plans (page 60). ■ The Group has a European Committee and a Group Committee in France, and a wide variety of ways to encourage social dialogue is in place in the various entities of the Group (page 60). ■ The social network YAMMER is accessible to all employees, including those in hotels that do not have dedicated email addresses or computers. ■ APPY is a platform that brings together mobile applications for employees that make it possible for them to access their hotel planning, see the reviews posted by guests, access the advantages of the Bienvenue card, etc. (page 68). ■ Group employees are able to take advantage of a yearly employment review with their immediate supervisor to evaluate the achievements of the previous year and set goals for the coming year (page 71). ■ AccorHotels maintains and develops relationships and partnerships with more than 90 institutions of higher learning, business schools, hotel management schools and universities around the world, and it works to maintain and improve these relationships (page 70). ■ The Group has created a “Shadow Executive Committee” made up of 12 men and women who are under 35 years of age to support the existing Executive Committee. All decisions made by the Executive Committee are run by the shadow committee for their thoughts. ■ In Northern and Central Europe, the My Room project gives employees in the Group’s hotels the opportunity to personalize rooms, giving them a chance to express their creativity and create a closer relationship with guests. ■ In France, a Charter on workplace wellness was created using collaborative methods under the guidance of a committee called feelingwell@work. Contributors from CHSCT, employees and managers were all involved.
Guests	<ul style="list-style-type: none"> ■ Service quality and guest experience ■ Health, safety and security ■ Responsible eating ■ Responsible product and services offering ■ Personal data protection ■ Local purchases ■ Accessibility 	<ul style="list-style-type: none"> ■ The “Voice Of the Guest” platform (VOG) brings together all guest feedback in one place and presents it in a clear and intuitive interface, using semantic analysis for categories in more than 19 languages (page 78). ■ Club AccorHotels is the rewards program of the Group. ■ Social Desk is a global platform to which all hoteliers can connect in order to act more efficiently on social networks, taking account of local specifics (page 78). ■ The innovative Jo&Joe concept launched in September 2016 has been co-developed with its future guests <i>via</i> close and informed dialogue with internal and external experts (page 78). ■ In 2016, AccorHotels carried out a study called “Responsible guests are looking for sustainable hotels”, to find out about the vision and expectations of hotel guests regarding sustainable development (page 47). ■ AccorHotels participated in a number of international salons with B2B customers such as World Travel Market, ITB Berlin, Arabian Travel Market, Imex America, ibtm World, and Imex. ■ In July and November 2016, AccorHotels participated in GBTA⁽¹⁾ Europe in Frankfurt and in the GBTA Convention USA in Denver. These events bring together purchasers and travel managers from companies as well as important players in the tourism industry. Many topics are discussed, including sustainable development.
Partners	<ul style="list-style-type: none"> ■ Help with improving performance around sustainable development ■ CSR risk management process and ethical undertakings ■ Responsible product and services offering ■ Social innovation ■ Sustainable relationships ■ CSR and human rights ■ Local purchases 	<ul style="list-style-type: none"> ■ “Portail Partenaire” is dedicated to owners of the hotels. It presents AccorHotels products and services as well as information, data, and services for hotel owners. ■ AccorHotels maintains close relationships with franchisee organizations and holds an annual conference for franchisees in France. ■ In 2016, AccorHotels partnered with Viva Technology, a start-up trade show held in Paris, and We share Fest, a gathering held in Paris for the sharing economy. ■ AccorHotels is a partner in “thecamp” project, an international campus that will launch in September 2017 (page 47).

(1) GBTA: The Global Business Travel Association.

Stakeholder	Main expectations	Tools for dialogue, 2016 achievements and partnerships
Communities	<ul style="list-style-type: none"> ■ Solidarity ■ Local employment ■ Combating child sex tourism 	<ul style="list-style-type: none"> ■ Through its Plant for the Planet program, AccorHotels has been a partner since 2012 in the Pur Projet, which works to preserve the climate through reforestation and forest conservation, by promoting the role of local communities in projects (page 74). ■ AccorHotels is one of the founding members of the International Platform for Insetting (page 47). ■ AccorHotels has been fighting child sexual exploitation in its hotels since 2001 in partnership with ECPAT International, an international NGO (page 48). ■ In 2016, the Group became a member of the Board of Directors of the NGO TheCode.org, which has a Code of Conduct for protecting children from sexual exploitation in the tourism industry, and also a member of the Executive Committee for the World Tourism Network on Child Protection, a network of the World Tourism Organization. ■ The Group also implemented a partnership with CDC Biodiversité (page 47). ■ AccorHotels is a Partner in Paris's candidacy to host the 2024 Olympic Games, with a significant focus on CSR.
Environment	<ul style="list-style-type: none"> ■ Climate change ■ Water ■ Biodiversity ■ Circular economy and waste ■ Energy ■ Disamenities and pollution 	<ul style="list-style-type: none"> ■ AccorHotels has been an official sponsor of the Energy Observer boat since 2015. The boat is used to demonstrate technology and is a renewable energy laboratory (pages 48 and 88). ■ The Energy Observer project depends on the know-how of CEA Tech, and since 2016, the Group has been experimenting in its hotels with technology used on the boat (pages 48 and 88). ■ In 2016, AccorHotels signed a partnership agreement with Humane Society International, to source eggs from free-range chickens (page 97).

STUDY - "RESPONSIBLE GUESTS ARE LOOKING FOR SUSTAINABLE HOTELS"

To act effectively and sustainably for the environment and people, AccorHotels believes that its guests must be fully engaged with its initiatives. To achieve this, the Group wanted to know what hotel guests hoped for and expected in sustainable development. In 2016, a study was done involving 7,000 guests, in which they were asked about three topics. What attitudes and habits do guests have in their daily lives regarding sustainable development? What difference is there between responsible behavior at home and at a hotel? Out of the responsible solutions that were proposed, which ones do guests prefer?

This new measuring stick showed us that there is indeed a collective awareness of the concept of sustainable development, which is expressed differently depending on local realities. Customers are ready to do at hotels what they are already doing at home as regards social and environmental responsibility, and they have high expectations from hotels for the implementation of these types of measures. AccorHotels has integrated this new knowledge into its latest commitments and in so doing, is putting its guests' expectations at the heart of its sustainable development strategy.

The full study is available in the *Planet 21 Research* section of the [accorhotels-group.com](http://www.accorhotels-group.com/fr/developpement-durable/planet-21-research.html) website at <http://www.accorhotels-group.com/fr/developpement-durable/planet-21-research.html>

FOCUS ON NEW PARTNERSHIPS IN 2016

To capitalize on the capabilities and recommendations of organizations with recognized expertise in key issues, in 2016, AccorHotels forged partnerships to help drive continuous improvement:

- **International Platform for Insetting (IPI):** along with Adaptogether, Pur Projet and PlanVivo, AccorHotels is a founding member of the IPI, a non-profit organization founded in 2015. The platform is open to all operators with objectives or projects for the purpose of sharing knowledge, promoting and improving the visibility of insetting, and encouraging innovation in project implementation. (Further information is available at: <http://www.insettingplatform.com/>).
- **Caisse des Dépôts Biodiversité:** in 2016, AccorHotels became a member of the Nature 2050 program, designed by CDC Biodiversité, to begin acting now so that future generations will be able to live in a protected environment in spite of coming climate change. Following the recommendations of COP21, it

is implementing initiatives that are based on nature and have measurable results, whose goal is to help regions adapt to climate change and restore their biodiversity. Discussions are underway to work together to develop agroforestry programs through this partnership.

- AccorHotels is a partner in "**thecamp**" project, an international campus that will launch in September 2017 in Aix-en-Provence (France), whose goal is to inspire, transform, and engage the leaders of today and tomorrow. An interdisciplinary, transcultural, and transgenerational space, it will be a catalyst for forward-looking and innovative projects, a place to develop and experiment with projects to invent the cities of tomorrow. The Group is participating in this initiative with several partners from the private sector, the public sector, laboratories, and business incubators, among others.
- **Humane Society International:** In 2016, AccorHotels signed a partnership with Humane Society International, a global animal welfare agency that will support the Group in identifying responsible solutions to source eggs from free-range hens.

OUTSIDE PARTNERSHIPS TO EXTEND THE PROCESS

AccorHotels continues to actively collaborate with its partners:

- **ECPAT (End Child Prostitution, Pornography and Trafficking of Children for Sexual Purposes):** AccorHotels has been fighting child sexual exploitation since 2001 through its partnership with ECPAT International, an international NGO made up of 77 organizations active in more than 70 countries.
- **Pur Projet:** This organization is dedicated to combating climate change through reforestation and forest conservation projects, with a focus on the involvement of local communities. Since 2012, a partnership with Pur Projet has supported the development of AccorHotels "Plant for the planet" program (see above and page 74).
- **Energy Observer:** AccorHotels became an official sponsor of the Energy Observer boat in 2015. The boat is used to demonstrate technology and is a renewable energy laboratory. The aim of the project is to involve scientists, researchers, engineers and journalists at 101 ports of call throughout the world. Alongside this initiative, AccorHotels has entered a technical and technology partnership with the CEA Tech, an applied research laboratory which specializes in alternative energies and has provided the technology for the boat. The idea behind the partnership is to test the Energy Observer electricity installations in a few hotels before considering a wider-scale roll-out.

ACCORHOTELS, A MAJOR PLAYER AND KEY CONTRIBUTOR TO INDUSTRY DEBATE

Institutional relations

AccorHotels has relationships with the government and public authorities and institutions in most of its host countries. Thanks to these relationships, it can make a constructive and transparent contribution to public policy in the areas which concern the Group's business. The ultimate aim of this contribution must be to influence the public decision-makers. AccorHotels has made the following commitments, which are included in its Ethics and CSR Charter:

- to have a voice to ensure that its position on topics of general interest affecting its business is made known to public authorities and institutions, either on an individual basis or through associations;
- to take action to defend its legitimate interests in the knowledge that its action is justified;
- to refrain from seeking undue preferential political or regulatory treatment;
- to demonstrate integrity and intellectual probity in all its dealings with government agencies and public bodies, regardless of the situation or the interest it is defending.

In general, the Group's lobbying actions must comply with its strategic action principles Ethics and CSR policies.

The AccorHotels Group's positions are always expressed by Sébastien Bazin, Chairman and Chief Executive Officer, the members of its Executive Committee, or by the international (WTTC, ITP, HOTREC, etc.) and domestic (UMIH, GNC, etc.) professional groups or organizations of which it is a member. The Group does not use an external agency in its dealings with governments and public authorities and institutions.

Creating and sharing corporate social responsibility knowledge: "Planet 21 research", the open learning platform on CSR in the hospitality sector

The AccorHotels Group is very active in the production of corporate social responsibility know-how, especially in the hospitality sector. The "Planet 21 research" webpage was created by the Group to share knowledge about CSR and to bring it closer to the core of the industry. Studies are made available for sharing purposes, such as:








- the Socio-economic Footprint of AccorHotels (2016);
- the Environmental Footprint of AccorHotels (2016);
- the Guest Study: Responsible guests are looking for sustainable hotels (2016).

For more information, visit: www.accorhotels.group/en/commitment/sharing-our-knowledge/planet-21-research





2.2.5 CSR PROGRAMS

WITH PLANET 21 ACTING HERE!, A ROADMAP FOR 2020

In the Planet 21 strategy, every topic has specific key commitments with measurable goals.






Topics	2020 Goal*	Specific information on the goal	2016 results		Comments
			2016 Data	Changes 2015-2016	
	The employee engagement index increases every year	The level of employee engagement is an aggregate that is made up of the engagement surveys conducted each year in our hotels around the world.			The rate increased by 4 points between 2015 and 2016, from 68% to 72%. This result is a testament to the great efforts made by our managers, who each rolled out action plans for improvement within their departments after the 2015 survey (see details on page 60).
	Each country implements a health/wellbeing at work program	Each country is free to choose a health/well-being topic that relates to a local critical issue. These programs are then rolled out for employees at the head offices and hotels (all types of ownership).			This initiative was launched in 2016 and is currently being implemented. At first, the countries define the topics on which they wish to take a position. Then they create a program before rolling it out locally. In 2016, 57% of participating countries (representing 78% of the countries) defined the program that they wished to use. Out of this 57%, 93% of the countries have started to roll out the programs in hotels in 2016 (see details on page 62).
 Act as an inclusive company for our PEOPLE	35% of hotel General Managers are women by 2017	This is a historic undertaking for the Group, and until now it was only for our owned, leased, and managed hotels. From now on, this goal is extended to franchised hotels.	34%		For owned, leased, and managed hotels, the percentage of women managers has significantly increased between 2015 and 2016, going from 27% to 29%. This cements the work that has been underway for several years to prepare and support women to occupy these positions. If we include franchised hotels (data available for 56% of hotels), this percentage is 34% (see details on page 67).
	Employees' perception of the Group's high level of CSR engagement is increasing	Employees' perception of the level of the Group's commitment to CSR is evaluated based on the employee engagement survey. The corresponding index represents how committed employees are to the CSR topics in the Group.			Between 2015 and 2016, employees' perception of the level of the Group's commitment increased by four points, going from 72% in 2015 to 76% in 2016 (see details on page 72).

* Unless otherwise stated.










Topics	2020 Goal*	Specific information on the goal	2016 results		Comments
			2016 Data	Changes 2015-2016	
 <p>Engage our GUESTS in a sustainable experience</p>	<p>Every year, one major innovation to interact with our guests around sustainable development</p>	<p>Several rules have been defined to evaluate a major innovation in this area, such as the original/disruptive nature of the initiative in the industry, the ability that our guests have to take action involving CSR, etc. (see also page 74).</p>			<p>This initiative was launched in 2016. First of all, the effort tackled fundamental communications with guests regarding our CSR process, both directly in the hotel and on different digital media platforms. A roadmap was also created to define the major initiatives that will be progressively launched beginning in 2017 (see details on page 74).</p>
	<p>100% of our hotels implement Planet 21's 16 mandatory actions</p>	<p>The Planet 21 mandatory actions correspond to the minimum CSR standards set by AccorHotels, enabling an establishment to attain the Bronze level. This goal is monitored through statements made by hotels in our Gaia tool.</p>	<p>45%</p>		<p>Between 2011-2015, the initial method, "Charter 21", offered hotels a list of priority actions in which they would progress through Bronze, Silver, Gold, and Platinum levels. As of the end of 2015, 91% of hotels had achieved the previous Bronze level. This method was revamped in 2016, with all of the levels increased to strengthen CSR requirements for hotels (see details on page 76).</p>
	<p>10 key hospitality product families are eco-friendly</p>	<p>For each key family of products**, green criteria were created for, then applied to, each new tender/new concept created.</p>			<p>In terms of the processes that began in 2016, the first phase consisted of defining the ecologically responsible criteria for each family of products. The level of compliance with these criteria was then evaluated for products approved by the procurement department for the Group for each hotel brand. Accordingly, by the end of 2016, 64.5% of the 10 key product families were meeting these ecologically responsible criteria (see details on page 77).</p>

* Unless otherwise stated.





** Cleaning products, complimentary products, single-use products, goodies, bedding, towels and sheets, paint, flooring, paper, furniture

Topics	2020 Goal*	Specific information on the goal	2016 results		Comments
			2016 Data	Changes 2015-2016	
	Every year, one major innovation to develop alternative and responsible models	Several rules have been defined to evaluate the innovations in question: their primary or central goal is to provide an environmental and/or social benefit, generate ongoing revenue, etc. (see also page 80)			The major innovation that was achieved in 2016 involves the “insetting” procedures, which consist of carrying out projects that have positive impacts in their value chain. AccorHotels was a founding member of the International Platform for Insetting (IPI), which a number of large international groups later joined. For AccorHotels, insetting happens through its “Plant for the planet” program and its commitment to supporting agroforestry for agricultural producers who will later become suppliers for its restaurants (see details on page 87).
 Co-innovate with our PARTNERS to open up new horizons	Our CSR and ethical risks management process is deployed among 100% of our partners (owners and nominated suppliers)	Nominated suppliers The goal is to ensure that our suppliers comply with environmental and social standards through the risk management process that covers all phases of the supplier relationship (approval, contracting, monitoring, and regular feedback).		In 2016, the overall process was defined, internally approved, and sent to the procurement department. For now, the process is being monitored through three indicators: <ul style="list-style-type: none"> ■ 90% of suppliers have signed the Procurement Charter 21; ■ a self-evaluation for at-risk families and high-risk families has been performed in 6% of cases; ■ on-site evaluations for high-risk families have been carried out with 8% of the suppliers involved. In 2017, an aggregate indicator will be created to monitor overall progress in deploying this process (see details on page 81).	
		Owners The principle is the same for owners as it is for suppliers, except that this time it targets hotel owners.			

* Unless otherwise stated.






Topics	2020 Goal*	Specific information on the goal	2016 results		Comments
			2016 Data	Changes 2015-2016	
 <p>Work hand-in-hand with local COMMUNITIES for a positive impact</p>	<p>100% of our hotels engaged in a citizen or solidarity project</p>	<p>A hotel that is involved in a citizen or solidarity initiative is a hotel that has implemented at least one action of the “Communities” pillar being promoted by the Group.</p>	<p>75%</p>		<p>Launched in 2016 to promote the vitality of projects to support local communities led by the hotels, this initiative is already producing very positive results, with three quarters of hotels involved (see details on page 83).</p>
	<p>100% of our hotels implement our program against child sexual exploitation</p>	<p>This historic program created by the Group works to train the employees to recognize risky situations and react appropriately and to raise awareness in the guests of this issue.</p>	<p>85%</p>		<p>After a very successful run in 2015 (at 89% of hotels), the program experienced a slight contraction in 2016 (see details on page 85).</p>
	<p>10 million trees planted with our “Plant for the planet” program by 2021</p>	<p>This goal covers the trees planted in our agro-forestry programs. The trees counted are ones that are linked to a financing initiative implemented by AccorHotels through the “Plant for the planet” program.</p>	<p>5 million trees planted</p>		<p>The participation of hotels in the “Plant for the planet” program has slightly decreased in 2016, with 58.4% having contributed to total fundraising of €1.89 million. This made it possible to finance an additional 481,000 trees this year (see details on page 87).</p>
 <p>Move towards carbon-neutral BUILDINGS</p>	<p>100% of renovated or new hotels are low carbon buildings (owned and leased hotels)</p>	<p>The <i>Bâtiment Bas Carbone</i> (BBCA) (low-carbon building) standard for hotel construction will be finalized in February 2017, and by the end of 2017 for renovations.</p>		<p>In 2016, the Group focused its attention on the definition of the BBCA standard for new hotels being built (the standard promoted by AccorHotels for the entire industry), and on seeking BBCA certification for the first time for one of its building sites for a hotel with a wooden frame (see details on page 88).</p>	
	<p>5% of energy consumption per room by 2018 (owned, leased, and managed hotels)</p>	<p>This goal is based on changes in consumption ratios for kwh/available rooms/day between 2015 and the current year (historic indicator for the Group)</p>	<p>-2.4%</p>		<p>This result shows the increased focus that technical teams and hotels in general have placed on controlling energy consumption. This result is even more remarkable because it has been achieved in a particularly unfavorable climate context in 2016, compared with 2015: demand for heating and cooling has increased by more than 4% (see details on page 89).</p>
	<p>5% of water consumption per night by 2018 (owned, leased, and managed hotels)</p>	<p>Measured by comparing ratios for water consumption in liters per night (historic indicator for the Group)</p>	<p>-1.8%</p>		<p>Significant progress was made once again this year, after a decrease in consumption during the previous period (-8.4% between 2011 and 2015) - (see details on page 91).</p>
	<p>65% of waste from hotels operations is recovered</p>	<p>This goal involves all of the common waste generated in hotels (food waste, packaging, etc.), which is sorted for reuse or recycling (all types of processing excluding dumping and incineration).</p>		<p>In 2016, a waste management policy was defined for the Group under the new Planet 21 program. A new tool for monitoring waste was designed and was rolled out in hotels at the beginning of 2017. Furthermore, several pilot projects have taken place to test new service providers and waste management methods (see details on page 93).</p>	

* Unless otherwise stated.

Topics	2020 Goal*	Specific information on the goal	2016 results		Comments
			2016 Data	Changes 2015-2016	
 <p>Strive for zero food waste & healthy, sustainable FOOD</p>	-30% of food waste	The indicator used to monitor reduction in food waste is the ratio of the cost of food thrown out (in the kitchen and dining rooms)/revenue of the restaurant.			In 2016, pilot projects with different external digital solutions were run in 30 hotels. The results are promising: 57% reduction on average in food waste for hotels piloting the Winnow system. In 2017, a tool will be made available with a consolidated indicator (see details on page 95).
	100% of our restaurants follow our charter on sustainable and healthy food	The Healthy and Sustainable Food Charter brings together all of the commitments of AccorHotels to offer their guests quality food that is healthy, organic, and local. It is rolled out according to the context in each country.			In 2016, the Charter was first created in consultation with internal and external experts and then sent out to the countries so that each local team could adapt it and prepare the way for it to be locally implemented. In particular, local teams were asked to select additional commitments from a list of suggestions, over and above the common commitments of the entire Group. These commitments will be applied beginning in 2017 (see details on page 97).
	1,000 urban vegetable gardens in our hotels	The vegetable gardens must meet certain criteria, such as a minimum surface area or requirements to use organic methods of cultivation.	521		This new method promoted in 2016 has achieved great success because more than 500 vegetable gardens have been created at our hotels (see details on page 98).

* Unless otherwise stated.

Key:

-  Result achieved.
-  Actions/initiatives begun in 2016 that are being developed – follow-up indicators unavailable.
-  Result progressing well.
-  Result less favorable than in 2015.
-  New indicator – no data available in 2015.

PLANET 21 IN ACTION, A NEW ROADMAP FOR HOTELS

The Group’s hotels are the main agents in our ambition to create positive hospitality. For years, they have all been involved in a continuous process to improve sustainable development (previously through Charter 21). In 2016, Charter 21 was reviewed based on the new Planet 21 goals for 2016-2020, to improve standards, strengthen integration with the core values of the industry, and adapt processes to local contexts.

Going forward, hotels will have a new roadmap: **Planet 21 in Action**. It defines 16 actions (presented in an appendix with 2016 results on page 107) that are mandatory for all and define the “Bronze” level before the higher “Silver”, “Gold”, or “Platinum” levels can be achieved. These 16 mandatory actions represent a

foundation, which has been set at a higher level to align with the new ambitions of AccorHotels. They entail complying with the standards of the AccorHotels Group and getting involved with the flagship programs of the Group, like “Plant for the Planet” or WATCH (the Group’s program to combat child sex exploitation).

To achieve the higher levels, **Planet 21 in Action** is proposing approximately 60 initiatives with points assigned to them, among which hotels may freely choose. In this way, **Planet 21 in Action** allows hotels to progress and continuously improve their sustainable development performance. The program thus offers flexibility to hotels, which choose the initiatives that they wish to implement (except at the Bronze level), and it makes the commitment of each hotel visible: the level of performance achieved by each hotel is displayed at accorhotels.com (beginning with the Bronze level).

PLANET 21 | 2016-2020

Ambitious goals for 2020 in 6 action areas



Employees



Guests



Partners



Communities



Food



Buildings

WHAT THIS MEANS FOR HOTELS

Required minimum standards complemented by voluntary actions for continuous improvement

KPIs, with annual progress goals

Planet 21 in Action

- 16 mandatory actions: Bronze Level 
- Approximately 60 initiatives to earn points to reach the Silver  Gold  Platinum  levels

Planet 21 dashboard

 Score Planet 21 in Action

 Waste/food waste

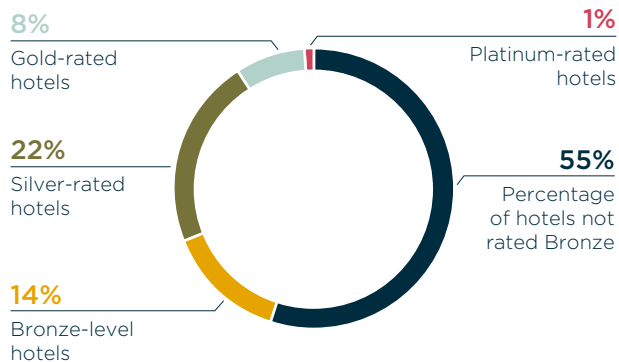
 Energy & Carbon

 Water

 Commitment Employees

Gaïa

Planet 21 in Action level achieved by hotels in 2016



Number of applicable hotels	2016
Number of hotels in the scope of reporting	3,898
Number of hotels that have submitted their report	3,135
Response rate	80%

GAÏA, A NEW ONLINE REPORTING APPLICATION

Beginning in 2005, the Group made an online reporting application available to hotels to manage their sustainable development processes and monitor their water and energy consumption and waste produced. In 2016, a more modern and user-friendly version was developed. It is known as GAÏA. GAÏA was designed to be command central for all actions related to sustainable development, including all technical aspects. This tool integrates the Planet 21 in Action roadmap and offers support to hotels so that they can implement it.

It allows hotels to evaluate themselves, set their priority goals, create their action plan, and monitor their progress.

For greater efficiency, this tool was designed together with the technical teams, to monitor maintenance activities, manage energy performance, ensure that installations comply with safety and environmental regulations, etc.

Beginning in 2017, the functionality of Gaïa will be extended to support monitoring for all environmental data (water, energy, carbon, waste, etc.).

STRONG SUPPORT FROM MANAGEMENT TO INTEGRATE PROCESSES INTO BUSINESS MANAGEMENT

Since 2015, **the monthly indicator** scorecard presented to the Executive Committee and the operations managers in the different countries includes Planet 21-specific objectives. This new tool ensures that the entire Group is more involved and responsive to Planet 21.

Within Gaïa, **each hotel sets goals** that are in line with the Planet 21 strategy, which guide them in their progress year after year.

The Group's bonus policy, which was revised in 2015 to strengthen its relationship with the values of "Passion for our Guests", and "Sustainable Performance", became effective on January 1, 2016. Thus, CSR criteria covered all management staff at head offices (including corporate officers – Chairman and Chief Executive Officer and Chief Operating Officer) as well as all members of the Executive Committee and hotel managers from Supervisors to General Managers (for a total of over 22,000 employees across the Group).

Since 2016, bonuses incorporate CSR criteria that are adapted to the function or family of jobs.

- **for operations**, managers must define a quantitative goal from a list of previously identified CSR criteria (e.g., reducing water or energy consumption), and a qualitative goal (e.g., implementing the Ethics and CSR Charter or WATCH, the program for protecting children). A reduction in energy consumption, and therefore in greenhouse gas emissions, is one of the criteria on which a portion of the variable compensation of hotel managers depends;
- **for corporate** and support functions, which play a specific role in Planet 21, such as marketing, distribution, procurement or technical departments, managers may set a quantitative or qualitative goal from a list of previously identified CSR criteria;
- **for all other support functions**, three CSR criteria apply to the country/region or Group level by default: reducing energy consumption at the Region/Country or Group level; involving hotels in planting trees through the "Plant for the Planet" program (the goal was to plant as many trees in 2016 as in 2015); improving gender diversity among hotel managers.

2.3 WE STRIVE TO BE RESPONSIBLE AND INCLUSIVE WITH OUR EMPLOYEES

The quality of the welcome given at the Group's hotels would not be possible without the commitment of the men and women in the Group. AccorHotels unveiled its signature "Feel Welcome" vision to its employees, a promise to provide a warm welcome and excellent hospitality to all its guests. Working on the premise that valued employees result in satisfied customers, "Feel Valued" is the Group's commitment to provide its employees with a positive and fulfilling experience.

This vision reflects the Group's ambition to take action to promote inclusivity within the Company:

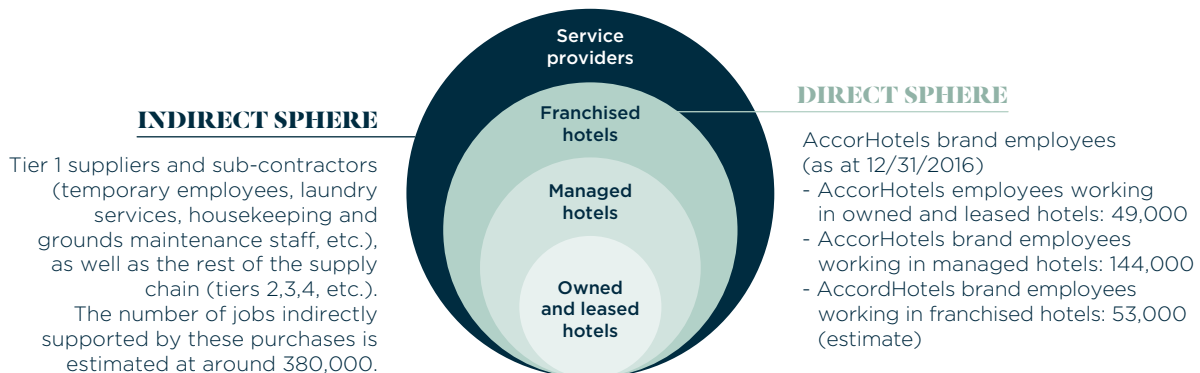
- open to all and proud of its differences;
- a Group for which difference is a source of innovation, a local buy-in and a performance and engagement driver;
- developing autonomy and fostering native talent;
- focusing on the well-being and harmony of its employees.

2.3.1 THE ACCORHOTELS EMPLOYMENT MODEL AND HUMAN CAPITAL

ACCORHOTELS, A UNIQUE EMPLOYMENT MODEL

AccorHotels business creates and maintains many jobs in 95 countries. As of the end of December 2016, there were around 250,000 AccorHotels brand employees worldwide.

However, a significant percentage of these people do not directly work for AccorHotels but for the business partners, *i.e.*, the owners of managed or franchised hotels, and a variety of service providers.



Deployment of talent development policies is tailored to each of the three operating structures – owned and leased hotels, managed hotels, and franchised hotels.

AccorHotels exercises its responsibilities as an employer only as concerns its direct employees (AccorHotels employees) in its various head offices and in the owned and leased hotels. For these employees, our values, management principles and talent development policies are directly applied, along with all of the employee-relations responsibilities inherent to our position as a direct employer.

For employees of managed hotels (where employees are paid by the hotel owner), Group recommendations and policies may be applied by the hotel manager, as long as the owner is willing to accept the associated impact on costs and operations.

Because AccorHotels has little influence over HR practices in franchised hotels (where employees are paid by the franchisee), the Group strives to share its values and commitments in its communications and day-to-day interactions with franchisees. AccorHotels brand employees deal with guests and are ambassadors for the hotel brand and its values.

This is done through three main channels:

- the AccorHotels Group Ethics and CSR commitments are shared with the franchisees from the very early stages of any arrangement before contracts are signed. A reference to the Ethics and CSR Charter has been systematically included in all new franchise contracts since 2016;
- Franchise Committees in France, which meet three or four times a year, depending on the brand, review and make note of developments in such areas as brand identity, marketing and Group processes. In other geographical areas, Franchisee Conventions are held on an annual basis for the same purpose. All these meetings regularly discuss issues associated with the Group's ethics and CSR-related commitments;
- Directors of Franchise Operations, who are in close and constant contact with the franchise operators in the regions and brands for which they act as ambassadors;
- access to dedicated content on the corporate Intranet and to the training courses provided by Académie AccorHotels.

Employment and employee-relations issues are managed directly by the owners of franchised and managed hotels. Even though AccorHotels is responsible for managing the day-to-day operations and human resources of managed hotels, it cannot negotiate collective agreements on behalf of franchise owners or directly influence the preparation of employment contracts and compensation packages.

Talent & Culture	Sphere of influence	Page
Working conditions	Owned, leased and managed hotels	62
Employee growth and career development	Owned, leased and managed hotels Training resources available to franchised hotels	69 and 71
Social Dialogue	Owned, leased and managed hotels	60
Assessing employee engagement and well-being	Engagement survey: owned, leased, and managed hotels	60
Diversity and Inclusion	Owned, leased and managed hotels Provided to franchised hotels for their information	66
Promoting employee health and well-being	Owned, leased, managed and franchised hotels	62
Hiring	Owned, leased and managed hotels Access to the AccorHotels jobs recruitment site for franchised hotels	58 and 72
Compensation and benefits	Owned, leased and managed hotels	65
<i>The Women at AccorHotels Generation</i> gender diversity	Owned, leased, managed and franchised hotels	66

The outside workforce, which is in the indirect sphere of influence, includes temporary workers who support in-house teams during peak periods, as well as sub-contractor employees in such areas as laundry services, housekeeping, landscaping, and call centers.

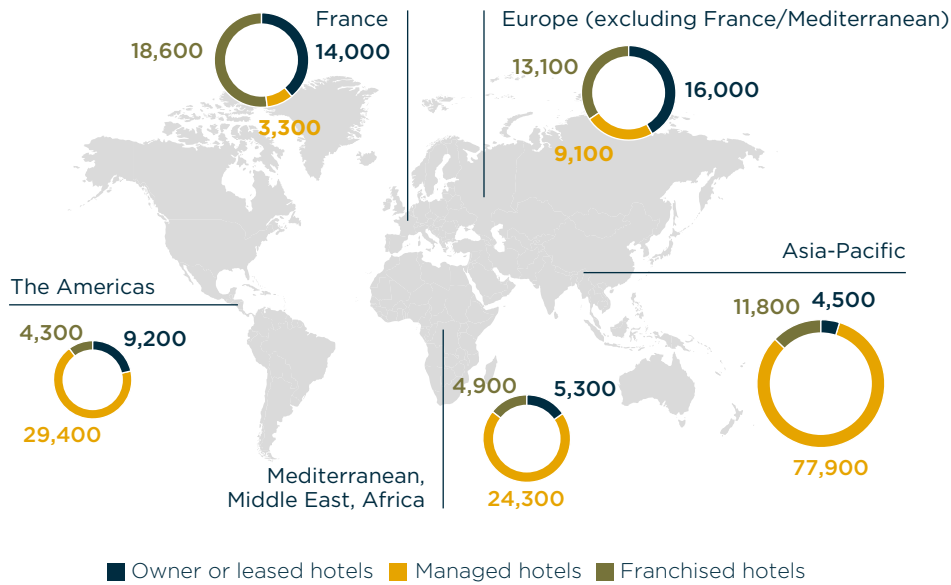
The management of labor-related and other sub-contracting risks, and the procedures in place to ensure that the Group commitments are shared with suppliers and sub-contractors, are described on pages 81 to 82.

ACCORHOTELS' HUMAN CAPITAL

Employees by region

The number of employees working for AccorHotels brands worldwide is estimated at around 250,000, up from 190,000 in 2015. This significant increase was mainly due to the inclusion of FRHI payroll and non-payroll employees: payroll and non-payroll employees of the Fairmont, Raffles and Swissôtel brands and related head offices are reported for information and transparency purposes. Due to the recent nature of the acquisition made in the second half of 2016, the relevant data has not been consolidated or audited.

Payroll and non-payroll employees are spread across five continents and three operating structures, with owned and leased hotels accounting for 49,000 employees or 20% of the total, managed hotels representing 144,000 employees or 59% and franchised hotels accounting for an estimated 53,000 employees or 23%.

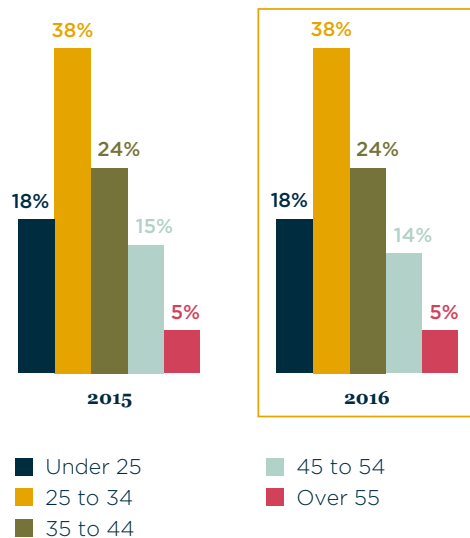


Local managers

To sustainably anchor its presence in each geography, AccorHotels is committed to hiring local managers from the host community. However, data on General Manager nationality has not been collected since 2016. In 2014 and 2015, 73% of General Managers of owned, leased and managed hotels were nationals of the countries in which their hotel was located and, in 2016, this profile was believed to be unchanged.

Age pyramid

AccorHotels has a young workforce, with 56% of employees under 34.



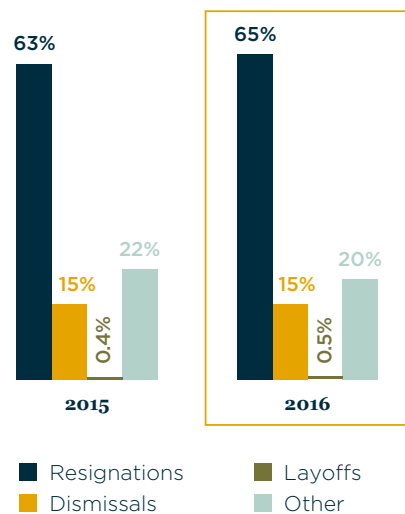
Gender diversity

Women accounted for 46% of employees and 34% of hotel General Managers. A target of having women account for 35% of hotel General Managers has been set for 2017. This target has not yet been met. Countries were asked to submit quality data declarations in order to closely analyze the obstacles. The obstacle most often cited is a lack of potential women candidates at the national level. In 2016, in order to remove these obstacles, a pilot project was conducted in France and Germany to proactively identify women who demonstrate the potential to become hotel General Managers. Support was then given to these employees to prepare a business plan to make this change a reality within six to eighteen months. Eighty women have already been identified, thirty or so will receive support in 2017, and the others will receive support in years to come. If successful, this pilot will be rolled out across other countries and the work will continue with a view to achieving the long-term goal of parity. In 2016, the Group also continued its more global commitment to promote gender equality (see page 67).

Hirings and separations

In 2016, 68,618 people were hired over the year and 67,200 left the Group. Separations and hirings were up slightly on 2015.

Separations by reason



The "Other" category includes separations due to the termination of a non-permanent contract, retirement, visa expiration, etc.

2.3.2 SUPPORTING PEOPLE THROUGH TRANSFORMATION

In 2014, the AccorHotels Group launched a drastic transformation in response to significant changes in its environment:

- the Group and its employees are embracing society's digital evolution in order to benefit themselves and their guests;
- Major changes are impacting on working conditions and employer-employee relations. The Group is seeking to introduce innovative solutions to satisfy employees' expectations;
- social innovation and collaborative work with employees and partners are now undisputed drivers of creation and shared value for an enterprise focused on retaining its position as leader.

Voluntary separations

The Group has a high resignation rate, which can be attributed to various factors, including the local economic environment, with operations in fast-growing economies reporting higher turnover. The location and age of the hotel also play a significant role. With a total of 43,361 resigning in 2016, resignations accounted for 65% of all separations, versus 63% in 2015. FRHI Group payroll and non-payroll employees were included in the second half of 2016, in line with the plan announced when it was taken over by the AccorHotels Group. Support was offered to employees leaving the Group as a result of this takeover (see page 60).

Absenteeism

The number of days of medical leave or unauthorized leave per employee fell between 2015 and 2016.

Average number of days absent per employee by cause	2015	2016
Medical leave	5.8	5.0
of which workplace and commuting accidents	0.7	0.4
Unauthorized leave	0.7	0.6

Faced with these challenges, the AccorHotels Group has chosen to make a major cultural shift: more than ever, all its actions are “customer-focused” and it is the guest who now judges performance. For this to happen, the Group is reliant on:

- **its Talent.** Since it is the quality of the relationship between the guests and the employees who welcome them that forms the basis of an **unforgettable guest experience**, the Group is pursuing one major objective: **to improve employees’ experience.** To this end, recognizing and developing talent is the focus of the AccorHotels’ strategy. This is the driving force behind the overhaul of social policy and managerial practice;
- **its Culture.** Since **working environments** that encourage autonomy enable employees to be personally involved in the guest relationship, the Group is keen to **transform its structures** to make them more **inclusive, open, flexible, innovative, and relevant** to the communities that they aim to serve.

In 2016, the HR division became the Talent & Culture division (see page 44) and was tasked with reflecting, on an everyday basis, AccorHotels Group’s promise to employees, “Feel Valued”.

MAKING THE “FEEL VALUED” PROMISE A REALITY, MAJOR ACHIEVEMENTS IN 2016

AccorHotels’ Social Policy

A new Social Policy was defined in 2016. It proposes six common principles to guide behaviors and is applicable Group-wide. These principles were selected as a continuation of the levers of action, which have a major impact on employee engagement:

1. We involve all our employees in improving their daily working life;
2. We encourage dialogue with employee representatives;
3. We devise solutions that promote work-life balance;
4. We offer working conditions and benefits that are very popular with our employees;
5. We ardently defend diversity and equal opportunity;
6. We support digital transformation and encourage social innovation.

As the basis for turning the “Feel Valued” promise into a reality, these principles are applied at every step of the employee’s career path. Following the adoption of this Social Policy by Executive Committees across all countries and regions, action plans for its implementation are in the process of being drafted at all Group levels, right down to the hotel network. These action plans are coordinated with the Planet 21 in Action program, which, in its “Employees” initiative proposes eight generic actions as an operational response to the principles contained in the Social Policy. Regular monitoring of employee engagement survey scores measures that the effectiveness of the application of the Group’s Social Policy can be measured.

Leadership Model to support a change of culture

As a major driver of the transformation of the Group’s management culture, a new Leadership Model was formalized in 2015. This model embodies the values that are applied on a daily basis for each individual and defines three leadership styles – facilitator, entrepreneur and collaborative. It specifies the skills and behaviors to be developed for each of these styles. It was announced as early as 2015 as a strong indicator of cultural transformation.

In 2016, the Talent & Culture teams began to incorporate the model into talent management processes (recruitment, assessment, development), in particular, by updating the leadership skills checklist common to all brands, businesses and regions. The Group also prioritized the incorporation of the checklist into the annual performance review so that a common language can be shared by everyone within the Group from 2017 onwards. In 2017, the checklist will be incorporated into the hiring process, job specifications and development programs.

The flagship for this approach in France, the “Singing in the Rain” project (a company project rolled out in France to implement the Group’s nationwide transformation) includes a social strand on managerial transformation. The aim is to establish a more horizontal management style, moving towards personal responsibility (of each hotel and each employee) resulting in a personalized bond with guests. In line with the “Feel Valued” promise, in 2016, the “Singing in the Rain” project included work on identifying employee irritants. Over 200 issues were identified at head offices and hotels that need to be resolved or improved to make employees’ working life easier and to enable them to focus on the quality of the service given to guests.

One Brand, the common foundation shared by all Group brands to facilitate the “Passionate about Guests” value

AccorHotels’ business is built around quality of service and guest satisfaction and “Passionate about Guests” is one of the six values the Group shares with all its employees. The quality, enthusiasm and engagement demonstrated by employees when welcoming and serving guests represents a key link in its value creation chain. The One Brand program launched in 2016 has two main objectives to help the Group share this fundamental value with all its employees:

- **to focus AccorHotels’ culture on the guest experience**, to develop a habit of forming a bond with guests, interacting on an emotional, passionate and personal level on a day-to-day basis;
- **to develop service attitudes and create the employee experience** through managerial behaviors stemming from a common foundation shared by all brands with the aim of simplifying and unleashing initiatives and responsibilities.

The basis for service attitudes common to all brands was identified and validated in 2016. From 2017 onwards, transformation modules will incorporate this One Brand approach with:

- **an induction module for new employees** fully revised and accessible *via* a smartphone app under the “Passionate about Guests” value;
- **for all existing employees**, a “Passionate about Guests” transformation model rolled out across hotels and all head offices.

To encourage employee engagement, One Brand will also impact on all training courses delivered with the aim of disseminating the employee experience. The focus will be on trust, personal responsibility, and facilitating the initiatives taken by individual employees to create an emotional bond with guests. AccorHotels wants to provide these employees with all the resources they need to touch their guests. For this to happen, each employee needs to feel involved and so the Group is rolling out a project to improve its employees’ working lives. This project is called “Heart of the House”.

Lastly, to ensure a disruptive dynamic in terms of its cultural transformation and to invent its own future, in 2016, AccorHotels launched the "Pioneers" program. Thirty or so General Managers were picked out for their capacity to innovate and their high scores in the engagement survey. Since January 2017, they have

been encouraged to propose managerial and digital innovations to improve the guest experience, the employee experience and the digital experience. Initiatives with a visible impact will be deployed across the Group.

2.3.3 DEEPENING EMPLOYEES' ENGAGEMENT



Planet 21 commitment: The employee engagement index increases every year

AccorHotels' engagement survey provides a general overview of employee engagement and measures progress year on year. Since the rise in the Group's engagement index is a strong indication of the desire to mobilize teams around engagement, since 2016, this has been a criterion of managers' bonuses.

Designed as a space for employees to express themselves and as a means of establishing a consultative approach, it contains six questions on engagement and 58 questions spread across 14 levers of action. From an operational point of view, it will enable every hotel to identify the action it needs to take to improve the engagement and job satisfaction of its individual employees.

The survey also allows other indicators to be measured such as well-being, social climate, motivation, employee pride, equal opportunities, CSR and how it ranks as a leading employer. It also gives an idea of how employees perceive the values in their day-to-day work. Audit is a key tool in the deployment of the new Talent & Culture strategy as three indices measure the implementation of the leadership model.

In 2016, the target population was extended to employees with three months' service (compared with six months previously) as well as to interns and apprentices. The Group's efforts to offer reassurance regarding confidentiality of information bore fruit with a 9 percent increase in the rate of participation, rising from 80% in 2015 to 89% in 2016. Of the 137,648 employees invited to participate in the survey, 122,484 responded, in 78 countries and 29 languages.

Since 2016, the method of calculating the rate of overall engagement has been the same for AccorHotels and FRHI employees.

In 2016, the rate of engagement was 72%, up 4 percent on 2015, confirming that the progress desired by AccorHotels had been made.

The main areas for improvement highlighted were: recognition of individual and team contributions, improvement of working conditions and organization and ensuring good worklife quality.

2.3.4 PROMOTING OPEN DIALOGUE

AccorHotels is committed to maintaining ongoing, constructive dialogue about employee rights and benefits with employee representative organizations. The restructuring, acquisitions, and disposals that set the pace of its transformation are accompanied by sustained social dialogue, often at a very early stage in the proceedings. Social dialogue is one of the six key principles promoted by AccorHotels's Social Policy "We encourage dialogue with employee representatives".

DIALOGUE FORUMS AND RESOURCES

The European Works Council is co-chaired by the Chairman & Chief Executive Officer and an IUF representative⁽¹⁾. It meets at least once a year to examine the Group's organization, strategy and results, as well as cross-border issues. It may also be especially convened to discuss any measures being considered by the Group. In 2016, the European Works Council met three times and its members received a course in well-being at work and the role of works councils in that regard.

In France, the Group Works Council supports dialogue and the sharing of business information with local employee representatives. Created by the October 12, 1984 framework agreement, it comprises 24 employee representatives chosen from among the 77 subsidiary works councils in France. It is chaired by the Chairman and Chief Executive Officer or his representative and meets twice a year. In addition, a Health, Safety and Working Conditions Committee is active in each of the relevant units.

In 2016, qualitative reporting concerned 98% of the hotels covered by quantitative reporting. On that basis, 59% of the hotels have an employee representative organization that meets on a regular basis. Across the Group, in units where there is no employee representative organization, employer-employee dialogue takes place in a variety of ways, depending on the contexts and cultures (*i.e.* open tables - informal round-table discussions with second-line executives, meetings with employee representatives in the hotel, information meetings concerning major projects and organizational changes, etc.).

DIALOGUE TO SUPPORT GROUP TRANSFORMATION

In line with expectations, FRHI group payroll and non-payroll employees were included in the second half of 2016. Most FRHI employees have been incorporated into the AccorHotels Group. For those who did not want to be, support was offered that included outplacement assistance and severance pay.

Another key stage of the transformation of AccorHotels, was the sale, in the first half of 2016, of a portfolio of 85 hotels in Europe to a new franchised hotel operator, Grape Hospitality, a perfect example of the governance that frames the Group's social transformation. European social partners were involved well ahead of the transaction and the commitment to safeguard social dialogue was respected, allowing the sale to proceed under

(1) IUF: International Union of Foodworkers (IUF), and workers in agriculture, hotels and restaurants, tobacco, and related sectors.

the best possible circumstances. AccorHotels retains a 30% stake so as to guarantee that the commitments given are respected.

Lots of meetings and discussions also took place between Management and employee representatives in 2016 in preparation for the Booster project to turn HotelInvest into a subsidiary.

COLLECTIVE AGREEMENTS

The table below shows the number of collective agreements signed in 2016, by country, and the issues covered. It does not include agreements signed prior to 2015 and still in effect.

Agreements signed by country and issues

Country	Number of agreements signed	Skills development	Social Dialogue	Cultural and Gender Diversity	Tools and Digital Process	Healthcare coverage	Compensation	Health & Safety and Working Conditions	Working hours	Other issue
Germany	31	X	X		X	X	X			X
Argentina	2						X			
Benin	1					X	X	X		X
Brazil	33						X			
Bulgaria	4					X		X		
Cameroon	1						X			
Chile	3	X				X		X		
China	6	X	X	X	X	X	X	X	X	
Ivory Coast	12		X			X	X	X		
Cuba	3						X	X	X	
Spain	1		X			X	X		X	
Fiji	2						X	X	X	
France	81		X	X		X	X			X
Greece	2						X			
Hungary	1						X			
Indonesia	4	X				X	X	X	X	
Italy	1		X			X	X			
Japan	8								X	
Mexico	19	X	X	X			X	X	X	X
New Zealand	2						X	X	X	
Poland	1		X	X			X		X	
Romania	2	X	X	X	X	X	X	X	X	
Senegal	5			X			X	X		
Uruguay	3						X		X	
Vietnam	3	X	X	X		X	X	X	X	X
TOTAL	231									

2.3.5 DEVISING SOLUTIONS THAT BRING WORK-LIFE BALANCE AND A HEALTHY WORK ENVIRONMENT

As an employer, AccorHotels is responsible for ensuring that working conditions are conducive to the health, safety and well-being of its employees and to the performance of its teams.

The measures taken to improve working conditions take many forms:

- preventing accidents, repetitive strain injuries and other workplace health and safety issues, by identifying risks and deploying dedicated training modules;
- limiting the impact on employees' personal lives of the hospitality business and its unusual working hours, so as to enhance AccorHotels employer appeal and increase employee commitment;
- setting up a work organization that promotes employee initiative, autonomy, and responsibility.

These measures are adapted in keeping with local requirements, the cultural context, applicable collective agreements, and the country's labor laws.

- to make best practices more systematic so that they can be incorporated into countries' Talent & Culture policies;
- to structure and manage the approach to workplace health and well-being to benefit the greatest number of employees;
- to identify policy drivers at the most appropriate level: hotels.

These objectives were implemented *via* actions proposed to hotels in the Planet 21 in Action roadmap and with the support of the Talent & Culture teams.

By the end of 2016, 43 of the 75 countries responding to the qualitative questionnaire had implemented a workplace health and well-being program. These programs were set up in response to public health issues and/or issues specific to the hospitality industry or country-specific issues. For example, the "VIVAH" awareness-building program set up in Brazil, focuses on three areas: health, nutrition, and physical activity; the "Be Balanced, Feel Challenged" program, focusing on health, well-being, and happiness was set in the Benelux region; a Health Day offering a variety of health-related activities was introduced at hotels in the Middle East.

According to the engagement survey conducted in 2016, the well-being index was 72%. The well-being index includes questions about working conditions, well-being at work, work-life balance, workload and the perceived relevance of the employee's work. It was up 5 percentage points on 2015.

IMPROVING WORKLIFE QUALITY AND PROMOTING HEALTH



Planet 21 commitment: Each country deploys a workplace health and well-being program

By making well-being a key commitment of the new 2016-2020 strategy, AccorHotels wishes to take employee engagement a step further. The objectives pursued are:

- to raise greater awareness of the challenges of workplace health and well-being and to make management more sensitive to these issues;

Hotels involved at the end of 2016



"WE MOVE!" NEW WORKING PRACTICES TO TIE IN WITH A CHANGE OF LOCATION

The changes underway within the Group are also affecting the head office teams, in particular those at the Corporate head office, which has a staff of almost 1,300. Teams from the previous head office, in and around the Odyssey building in the 13th arrondissement of Paris (France), were all relocated to the Tour Sequana in Issy-les-Moulineaux in the first half of 2016. AccorHotels is seizing the opportunity presented by the move to design a site that reflects its image as a dynamic, innovative and forward-looking company that incorporates digital technologies into all its redesigns. To further its "work differently" objective, all the new offices are completely open plan (including those of the Executive Committee) and there are a number of collaborative and support areas designed to suit the needs of the individual business lines (quiet room, communication pods, a creativity room, telephone rooms, etc.).

WORKWEEK ORGANIZATION AND WORK-LIFE BALANCE

Working hours

In every host country, working hours are set in accordance with local legislation and collective agreements. Overtime may be paid at a higher rate or taken in the form of additional time off, depending on the legislation and agreements applicable in each hotel and on the conditions defined in each employee's contract.

Workweek organization

AccorHotels' digital transformation is bringing about major changes in the organization of the work (creation of new jobs and elimination of others, potential automation of certain repetitive tasks, changes in job duties due to the arrival of various digital tools), as well as changes in the work-life balance (in particular with the massive arrival of generations Y and Z in the Group). AccorHotels is also aware of the growing importance of psychological well-being, in addition to the protection of employee health and safety.

These are core concerns in the implementation of the HR promise to "Feel Valued" and of the Group's new Social Policy, which devotes two of its six principles to this issue: "We devise solutions that promote work-life balance" and "We offer working conditions and benefits that are very popular with our employees".

Whatever the transformations under way, the hotel business is still characterized by long opening hours, giving rise to variable schedules for employees, who may be required to work at night, on weekends and on holidays. In its Ethics and CSR Charter, AccorHotels has formally pledged to undertake a variety of measures to support better work-life balance, including respecting important events in employees' lives, minimizing uncertainty in short-term work schedules, and providing practical solutions for employees who have trouble commuting.

Working from home

All employees of the French Hotels' headquarters and Group headquarters have the option to work from home one day a week under certain conditions. At end-2016, 18% of the employees concerned had adopted working from home, up from 10% at end-2015. This change is helping to bring head-office employees into the transformation process under way; it is getting the teams to rethink their organization and work differently on a daily basis.

Night work

In France, in compliance with legal requirements, a personal record for the prevention of occupational hardship has been set up. The four factors of hardship to be taken into account as of 2015 include night work, which applies to AccorHotels France. The requested diagnostics had already been carried out to identify the jobs and persons concerned. As a preventive measure, night work guidelines were distributed on a wide scale. They offer recommendations to help regular or occasional night workers to attenuate the impact of working at night, with best practices for maintaining a healthy quality of life.

PREVENTING WORKPLACE ACCIDENTS AND OCCUPATIONAL ILLNESS

Although the claim frequency rate is fairly low, the hospitality industry is not exempt from risks regarding health and occupational safety. Management pays close attention to the day-to-day risk of incidents and the long-term risk of musculoskeletal disorders caused by repetitive movements.

Preventing work-related risks

In a number of host countries, Health and Safety Committees ensure compliance with the local legislation by assessing the risks associated with each hotel, department or position.

These assessments can cover potential risks to the Group:

- short-term: handling sharp objects in kitchens or technical facilities; polishing food service glasses; infrastructure-related accidents (falls, blows, etc.); handling chemicals in the laundry; welding accidents in technical facilities;
- medium-term: psychosocial risks;
- long-term: musculoskeletal disorders.

Employees, particularly when on temporary or long-term assignments in a given country or region, may consult regularly updated security and health advisories on the Security and Safety Intranet site. Since 2016, this information has also been accessible on cell phones *via* a dedicated app.

AccorHotels is continuing its jobs research to identify employees who are likely to be exposed to new hardship factors wherever possible while continuing to implement measures to prevent hardship as early as possible. Among these factors, that of tiring physical positions applies to AccorHotels France, which is thus taking part in branch discussions to define the hardship criteria and to draft guidelines.

Preventing musculoskeletal disorders

A large number of training modules are offered by AccorHotels Académie sites worldwide to teach employees the postures and practices necessary to prevent musculoskeletal disorders. Often provided as part of the induction process, the modules are adapted to suit the specific needs of kitchen, technical services and housekeeping staff.

Preventive measures are taken and ergonomists are brought in when furniture is being designed, hotels are being renovated, and new room concepts and themed restaurants are being created, etc. These measures are, for example, being put into practice in France where various materials are gradually being introduced: motorized trolleys to refill minibars, trolleys with removable bases for breakfast trays, dishwashers with automatic safety housings, standing seats for receptionists, anti-fatigue mats in reception areas, and even Levly hydraulic bed-lifting systems®. Since 2007, around 12,000 Levly® systems have been installed in owned and leased hotels in France. The initiative is also being deployed in other countries, such as Belgium, Bulgaria, Spain, Italy, Ghana, the Netherlands, Poland and the United Kingdom. In France, various training courses are offered such as "postures and practices", "carrying loads", "stretching" or "correct work station set-up".

Moreover, among respondents to the qualitative report, 58,481 employees underwent special training in ergonomics.

Number of employees having attended special courses in ergonomics	In 2015	In 2016
France	649	428
Europe (excluding France/Mediterranean)	2,412	4,856
Mediterranean, Middle East, Africa	6,469	6,264
Asia-Pacific	35,253	35,508
The Americas	3,612	11,425
TOTAL	48,395	58,481

AccorHotels does not have any quantitative indicators concerning occupational illness. One of the main problems for a multinational group like AccorHotels lies in the fact that the definition of occupational illness under French law is not applicable in every country where the Group operates.

Preventing psychosocial risks

Various channels are used to prevent psychosocial risks, including training modules, local hotlines, PTSD support, offers of a return-to-work medical check-up for employees who have been off work for more than three months, and collective agreements on the initiatives to be undertaken.

Employees regularly attend workplace stress management training. In 2016 in France, 566 employees participated in training modules on "Preventing and Managing Workplace Stress", "The Five Keys to Stress Management", "Understanding Stress and Achieving Serenity" and "Managing Difficult Guest situations".

AccorHotels is committed to eliminating all forms of harassment from the workplace, including bullying and sexual harassment. Complaints against personnel must be reported to a senior manager or to the Human Resources Manager/Director. A different procedure is followed for incidents involving guests. Hotlines have been set up in Brazil, India, and France. In 2015, the European Works Council launched an initiative for the prevention of all forms of harassment in the workplace, including bullying and sexual harassment, and this continued in 2016. The issue was referred to the Council by the Ethics and CSR Committee.

HEALTH AND WORKING CONDITIONS AGREEMENT SIGNED IN THE FRENCH HOTELS BUSINESS

Following a survey of psychosocial risks and an assessment of the hardship of hospitality jobs, a three-year agreement on health and working conditions in the French hotels business was signed in September 2013. This agreement comprises a large number of measures to improve working conditions, including regular use of an ergonomist in any major premises design or redesign project and redesigning of workstations based on a list of concrete measures such as opinion surveys, diligence procedures for work schedules, training in postures and practices, increasing night worker awareness, diversifying tasks, keeping staff in employment and facilitating the latter years of their careers.

	2015	2016
Lost-time injury rate	11.9	12.1
Incident severity rate for workplace accidents	0.37	0.27

In 2016, the method of calculating the lost-time and severity rates was modified and is now based on theoretical hours worked, resulting in non-comparative data. Due to a lack of data, lost-time and severity rates for the Asia-Pacific region were calculated only for the second half of 2016.

In 2016, AccorHotels was saddened by the deaths of four employees due to commuting accidents in Algeria (1), Hungary (1), Indonesia (1) and Thailand (1).

2.3.6 RECOGNIZING AND VALUING EMPLOYEES

CELEBRATING THE REMARKABLE ACCOMPLISHMENTS OF THE GROUP'S EMPLOYEES

Every year, AccorHotels honors employees from owned, leased, and managed hotels and the head offices for accomplishments considered exemplary and representative of the Group's corporate culture and values by giving them an award called the Bernaches. There are three types of award: two for individual initiatives – the Gold Bernache and the Silver Bernache – and one for team

initiatives – the Team Bernache. Accomplishments are anonymously assessed by a panel of fifteen judges from across the Group, based on an assessment grid containing AccorHotels' six Values. A Special Achievement Bernache can also be awarded at the discretion of the Chief Operating Officer or the Head of Talents & Culture to recognize an exceptional initiative or achievement, exceeding all expectations.

In 2017, the Group plans to award 15 Gold and Silver Bernaches (individual initiatives) and 15 Team Bernaches to the most successful initiatives conducted in 2016.

COMPENSATION POLICIES

AccorHotels has defined a global compensation strategy that can be adapted to local practices in each country. It is based on five principles:

- consider the performance and potential of each employee;
- offer compensation that is competitive in each market and country;
- ensure that employee compensation is determined fairly;
- encourage employee savings and stock ownership;
- strengthen employee healthcare coverage and other benefits.

AccorHotels ensures that compensation policies do not discriminate in any way with regard to age, gender, nationality or any other personal criteria. The Group is also committed to compensating every employee in line with market practices, based on global and local job maps prepared for each job track and a common job evaluation method. As part of the integration of the FRHI Group, AccorHotels is working to ensure that compensation packages are consistent across the two entities.

Management receive a base salary as well as variable compensation. They may also receive long-term compensation in the form of performance shares that are awarded on the basis of potential and individual performance. The annual bonus reflects their performance in meeting personal and team objectives. Over 25,000 employees qualified for an annual bonus.

Since its revision in 2015, the bonus policy includes one criterion relating to the "Passionate about Guests" value (calculated using guest satisfaction scores) and one CSR criterion that reflects the "Sustainable Performance" value. Since January 1, 2016, it has covered all management staff at head offices (including corporate officers – Chairman and Chief Executive Officer and Chief Operating Officer) as well as all members of the Executive Committee) and hotel managers from Supervisors to General Managers (for a total of over 22,000 employees across the Group).

All base salaries are reviewed each year, on an individual basis for managers and collectively for non-managers. Across-the-board raises are defined locally, in accordance with inflation, market practices and annual results. Each local unit is tasked with properly managing its own payroll and with collecting the related data and analyses. These data are not yet consolidated at Group level, so the average salary raise cannot be reported.

Payroll costs for the head offices and owned and leased hotels are presented in Note 5 on page 239.

INFORMATION AVAILABLE TO EMPLOYEES

Every year, Talent & Culture managers and directors are informed about the bonus policy and the principles for reviewing compensation, in line with each country's economic environment.

The base salary and any other benefits that make up the final compensation package are set out in the employment contract. In addition, the individual and team performance objectives for the coming year are defined during the annual performance review and given to the employee in writing.

Specific information is also provided throughout the year to employees covered by other benefits, such as performance shares, supplementary pension plans and healthcare and insurance coverage.

In recent years, Talent & Culture managers have been able to attend in-house training courses on topics such as compensation policies, the job classification and evaluation method, deferred compensation systems (performance shares) and employee benefits. In 2016, twenty-five people were trained in this way and are now able to support the application of compensation policies to the teams in their scope of responsibility. A simplified version of the same module has also been designed, enabling trained individuals to regularly update their knowledge and skills.

DISCRETIONARY PROFIT-SHARING AND EMPLOYEE SAVINGS IN FRANCE

To better reflect each unit's business situation, discretionary profit-sharing agreements are generally signed in each subsidiary or hotel. They are based on overall performance and financial results.

In 2016, nearly €11 million in discretionary profit-shares earned in 2015 was paid to 16,744 employees in France, representing an average net amount of €662 per person.

On several occasions since 1999, employees around the world have been offered the opportunity to purchase new AccorHotels shares on preferential terms and conditions, as part of employee share issues. At December 31, 2016, the Group's current and former employees thus held 0.795% of total capital (see page 318).

In 2016, ninety-nine non-discretionary profit-sharing agreements were signed in nine countries. This number does not include agreements signed previously and still in effect. Every year since 1985, AccorHotels employees in France have been able to participate in a Corporate Savings Plan (PEEG). It allows them to invest in various mutual funds with matching funds provided by AccorHotels. In addition, in 2016, 5,446 employees invested in the PERCO group Retirement Savings Plan, which was set up to provide employees with additional income during retirement. Employees in France also receive non-discretionary profit-shares under a corporate agreement covering 72 companies in respect to 2015. Non-discretionary profit-shares earned in 2015 and paid in 2016 amounted to an aggregate net €2.4 million for 18,802 employees, or an average net amount of €128 per person. Since January 1, 2015, in addition to the conventional plan, the Group has a new savings plan called "Épargne Avenir", which offers an exceptional matching contribution for any employee payment into the "AccorHotels Investissement" fund consisting solely of AccorHotels shares. Its aim is to involve employees in the Group's development.

INTERNATIONAL BENEFITS PACKAGES

AccorHotels' international benefits packages enable the Group to respond to two major challenges: providing a higher level of protection for employees in countries where public authorities cover little or none of the expense associated with insurance and healthcare, and creating an element of differentiation to attract and retain talent.

Issues related to post-retirement benefits, insurance coverage and other employment benefits are discussed and addressed on a consensual basis by representatives from the corporate Talent & Culture, Consolidation, Treasury and Financing, and Administrative Services Departments, as well as the Group's consulting actuary. When necessary, the Group Retirement Benefits Committee set up in 2007 validates the decisions resulting from these consensual discussions.

Agreements on healthcare and insurance coverage were signed in 12 countries in 2016 (Germany, Benin, Bulgaria, Chile, China, France, Indonesia, Italy, Ivory Coast, Romania, Spain and Vietnam). More specifically, these agreements covered death and disability

(20 agreements), supplementary pension benefits (9 agreements), pension savings (13 agreements) and supplementary health insurance (14 agreements).

2.3.7 PROMOTING DIVERSITY AND INCLUSION

Promoting diversity is one of the Group's key drivers of performance and innovation. Promoting diversity is a long-standing and proactive policy and one of the founding principles of managerial ethics to combat discrimination and promote equal opportunity across the organization. A structured framework created for our diversity commitments in 2008 is driving a variety of programs to support and demonstrate these commitments.

INITIATIVES DESIGNED TO ADDRESS FOUR CHALLENGES

In terms of diversity and inclusion, the Group's initiative covers four challenges:

- **corporate social responsibility:** as a responsible employer, AccorHotels has a duty to reflect the diversity of its host communities;
- **attractiveness as an employer:** AccorHotels is an organization which is proud of its differences and projects a positive image to the public;
- **business performance:** making diversity a priority helps AccorHotels deliver customized solutions to meet guest expectations;
- **operating performance:** inclusiveness and social cohesion are important factors for well-being in the workplace and to secure the commitment of all employees.

GOVERNANCE AND TOOLS

AccorHotels' international commitments regarding diversity and inclusion

AccorHotels recognizes that every employee is different and that overall performance depends on the skills of each individual. These commitments are structured around four priorities:

- gender diversity and gender equality in the workplace;
- the integration of people with disabilities;
- a wealth of ethnic, social and cultural origins;
- multi-generational synergy.

The Group's diversity and inclusion and anti-discrimination policy is clearly defined in its Group Diversity Commitment deployed in 2011 and translated into 13 languages.

Eight sub-commitments serve as the foundation of our diversity policy:

- **fight against all forms of discrimination** on the basis of ethnic, social or cultural origin, gender, age, physical characteristics, disabilities, religion, language, marital status, union membership, sexual orientation or other characteristics;
- **give every employee the opportunity to succeed** by placing skills at the heart of managerial and human resource policies, with the objective of welcoming, nurturing, and developing all talents in an equitable way;

- **train employees and raise their awareness on diversity** with the required tools and means to enable them to grasp the great value of their diversity, taking into consideration local situations;
- **conduct diversity surveys** in every host country;
- **disseminate AccorHotels' commitments to promote diversity** by informing employees and all Group partners of the policy and measures implemented;
- **act as diversity ambassadors with guests** and Group partners (suppliers, hotel owners, investors, etc.) with the goal of fostering a shared ethical commitment;
- integrate diversity in the service offerings by adapting to the diversity of guests;
- **encourage dialogue and assess initiatives** while ensuring that AccorHotels' management teams worldwide conduct in-depth diversity assessments based on internal opinion surveys, quantitative criteria, or qualitative findings;
- **report to the Group Executive Committee** on the diversity programs underway across the Group, to obtain the Committee's guidance and recommendations for pathways to improvement.

Strengthen the Diversity and Inclusion Community

In 2016, the diversity & inclusion community (D&I) was structured around D&I Champions. Their primary role was to roll out the D&I strategy across regions and countries and to ensure that action plans were implemented. Appointed by Operations Managers and regional Talent & Culture Heads, these Champions are the mouthpieces of the diversity initiative on local Executive Committees. In 2016, the focus was turned to sharing AccorHotels' vision in terms of diversity and inclusion.

AccorHotels has two main ways of promoting diversity and combating stereotyping: training employees and highlighting the best practices already being applied in the Group. To this effect, AccorHotels has gradually developed a wide range of general and issue-specific resources that reassert its commitments, provide access to related reference documents, improve understanding and mastery of the issues, and offer guidelines or examples for putting the commitments into practice. They include the corporate diversity Intranet, the Diversity Glossary, the "Managing Diversity" e-learning program, the guide for recruiters and managers, the Recruitment Charter, the Parenthood Guide, the Disability Guide, and gender diversity guidelines. A course focused on diversity is included in the new hire integration process in 54 countries (72% of the countries surveyed). In bringing employees from diverse segments to work together and share in the Group's values, the One Brand project (page 59) is also a major driver of the promotion of diversity and inclusion.

In 2016, agreements on the issues of diversity and inclusion were signed in seven countries, including eight agreements on gender equality, four agreements relating to the integration of people with disabilities, five concerning intergenerational issues and twenty one concerning seniors.

Lastly, an initiative to raise awareness of the fight against illiteracy was included in the "Planet 21 in Action" roadmap. By the end of 2016, 44% of hotels were involved in this initiative.

PROMOTING GENDER DIVERSITY AND EQUALITY



Planet 21 commitment: 35% of hotel General Managers are women by 2017

When it devised its Planet 21 strategy for 2016-2020, the Group naturally extended its commitment to promoting gender diversity and equality. Its objectives are as follows:

Equal representation of genders in management and equal pay with 35% female hotel managers by the end of 2017, 20% female members of the Executive Committee by the end of 2016 and 30% by the end of 2018.

This commitment by the AccorHotels Group was made a reality with the 2015 signing of the Women's Empowerment Principles championed by UN Women in support of women's empowerment. Moreover, the Group was selected as *Impact* Champion by the "HeForShe" solidarity movement. *Impact 10x10x10* is a global pilot initiative launched by UN Women that engages ten corporations, ten governments, and ten universities to improve behaviors and promote gender equality worldwide. As part of this commitment,

gender pay gaps were assessed in 2016 in Germany, Spain, France, and the United Kingdom. This pilot study revealed little in the way of pay gaps, which were immediately corrected where they were not justified. The study also confirmed the under-representation of women in supervisory roles. A program to identify and support women with the potential to become supervisors was introduced (as a pilot in France at the end of 2016) to remedy the situation (see page 58).

Raising the awareness of male employees and fostering their support for gender diversity. The Group set itself several objectives: 35% male members of the diversity network - Women At AccorHotels Generation (WAAG) - by the end of 2017. At the end of 2016, the WAAG network had 4,400 members worldwide, 18% of whom were men and the mentoring program has 180 pairs (up from 130 in 2015). And, by the end of 2018, 50,000 male employees involved in the HeForShe movement.

Changes in attitudes in line with changes in the hotel industry, in particular, to combat gender stereotyping.

A local "gender diversity" action plan suited to each country's cultural and legal context, with a "toolbox" - the gender diversity guidelines - to facilitate its deployment.

Percentage of women payroll and non-payroll employees

Percentage of women by job category	2014	2015	2016
Total women	46%	46%	46%
Managers	41%	42%	42%
<i>of which hotel General Managers</i>	27%	27%	29%

INTEGRATION OF PEOPLE WITH DISABILITIES

AccorHotels is a pioneering member of the ILO Global Business and Disability Network, a United Nations initiative, which since June 2011 has brought together multinational companies committed to including people with disabilities in the workplace.

In October 2015, AccorHotels signed the Charter of the "ILO Global Business and Disability Network", thereby committing to promoting the employment of people with disabilities in its businesses worldwide.

A wide array of resources has been deployed to assist managers in integrating disabled employees into their teams (see page 66). In 2016, a major campaign was launched to raise awareness of the International Day of Persons with Disabilities (celebrated on December 2) and the European Disability Employment Week (EDEW): best practice guidelines in English, French, and Portuguese, broadcasts of employee testimonials, a video series on disability, conference broadcast live in every country where AccorHotels operates. The objective is to support and encourage hotels and head offices worldwide to get involved in raising their employees' awareness of this issue.

In 2016, the hotels owned, leased or managed by AccorHotels employed 1,565 people with disabilities recognized by local legislation, representing 1% of the total workforce. However, given the difficulty in obtaining accurate figures in some countries, the

real number of disabled employees is probably higher. AccorHotels considers that the real number of disabled employees has been under-estimated.

Signed by AccorHotels and all employee representatives at the end of 2014, the 4th Group agreement for the integration and continued employment of people with disabilities came into force in 2015 for the 2015-2017 period. This agreement is focused on the prevention of disabilities and the continued employment of people with disabilities and reiterates the targets set by the Group on this issue. In France, the Integrating the Disabled Project (MIPH) adopted several measures to promote the integration of people with disabilities, in line with each of the objectives set forth in the Group agreement. In 2016, the focus turned to raising awareness of the teams responsible for recruiting people with disabilities at head offices. An external support team ("Ambassadeurs TH⁽¹⁾") was made available to head office employees to answer their questions and support them in their efforts to recognize disability in themselves or in their relatives. Lastly, sheltered employment enterprises - companies employing a minimum of 80% people with disabilities - were listed for the provision of printing and catering services.

PROMOTING CULTURAL DIVERSITY

A video to raise awareness of unconscious biases & stereotypes was recorded in 2016 in French and English. It will be broadcast in 2017 by the Diversity & Inclusion Champions.

(1) Employee with disabilities.

PROMOTING INTERGENERATIONAL DIVERSITY

56% of Group employees were under 35 in 2016. Intergenerational diversity and creating ways to narrow the generation gap are, therefore, key drivers of its success.

As a result of the “Stéréotype et Générations” study conducted by the IMS in 2015, in which AccorHotels took part, an intergenerational co-mentoring program was launched at the end of

2016. Pairs comprising a “Smart Digit” and a “Smart Leader” share, respectively, their knowledge and ease in using digital tools (internal tools, social networks, apps, innovations, digital trends etc.) and knowledge of the Group and its culture. As part of an initial pilot scheme, five to ten pairs were set up by Diversity Champions in each region, i.e. fifty or so pairs worldwide (when the program was launched in December 2016). Monthly meetings are guided by a list of topics to be discussed by participants. A satisfaction survey will assess the program’s impact and will decide whether it should be rolled out Group-wide in 2017.

2.3.8 EASING THE TRANSFORMATION TO DIGITAL AND SUPPORTING SOCIAL INNOVATION

HELPING MEN AND WOMEN MAKE THE MOVE TO DIGITAL

AccorHotels launched a digital plan in October 2014 (Leading Digital Hospitality) aiming, in particular, to facilitate the guest experience (online check-in, AccorHotels app etc.). Of the nine programs included in this plan, four target guests, one investor partners, one employees, one digital marketing, and the latest IT and Business Intelligence programs form the structural support required for its implementation.

Knowing that the success of this transformation is only possible with the right level of support (technological tools simply serving as “facilitators”), the Group introduced a dedicated Talent & Culture team to support digital transformation, working closely with local Talent & Culture teams in contact with the hotels.

Digital plan projects will be phased in after they have been tested in 27 hotels, the “Hotel Labs”. These hotels have been selected from all brands, sectors, and regions and will have 45 days to implement the project and to feed their impressions, problems, successes, and suggested changes back to the support teams. The aim is to be as pragmatic as possible and to offer the teams concrete suggestions.

In 2016, lots of initiatives were implemented to ramp up digital transformation in hotels. These initiatives were relayed and disseminated during **Digital Deployment Days** (DDD). In 2016, these DDDs were held in every country for General Managers accompanied by one or two members of their teams and for Operations Managers so that they could be trained in priority digital plan projects. During the transformation period, understanding the objective sought is vital when it comes to making effective changes. The focus was, therefore, turned to the human dimension of the transformation to help these managers train their teams by giving meaning to the projects implemented. A digital training

platform will be launched in early 2017, bringing together all the training content delivered during the DDDs and making it easily accessible to all. The impacts of the digital transformation on the different business segments are being studied so as to anticipate the need for new core skills within the Group, as well as new workweek organization flows in hotels to facilitate an excellent guest experience.

DIGITAL TOOLS TO SUPPORT EMPLOYEES: THE EMPLOYEE-FRIENDLY PROGRAM

The “Employee-Friendly” program, one of nine digital plan programs, is geared towards the teams themselves and aims to help employees through the digital changes. This led, in particular, to:

- the introduction of the YAMMER social network, made accessible to all employees (including hotel employees who do not have an accor.com email address, or computer);
- a digital acclimatization e-learning course, Digit’all;
- the launch of pilots for an apps platform aimed at employees (APPY), which enables them to access their hotel schedules from their smartphones, to view comments and reviews posted by guests during or after their hotel stay, to access the benefits of the Bienvenue card, to follow Digit’all training, to share best practice in respect of the guest experience and to suggest ideas for digital innovations on site etc.

APPY has been launched during DDDs in February/March 2017.

AccorHotels will also continue to work on providing all its employees with a digital identity, whatever the hotel’s management style (owned, leased, managed, or franchised hotels). A key means of putting the “Feel Valued” promise into practice, this digital identity for all will make it possible to develop new employee services.

2.3.9 LEARNING SOLUTIONS KEY TO SKILLS DEVELOPMENT

While implementing its changes, the Group will also require the teams and individual employees to adopt a different culture because it is absolutely convinced that service quality and guest satisfaction rely heavily on the skills and engagement of its employees.

A “LEARNING & DEVELOPMENT” STRATEGY TO ACCOMPANY GROUP CHANGES

In November 2015, AccorHotels launched its new Learning & Development strategy to accompany the changes that were being put in place. With a focus on continuous learning, it aims to provide employees with the means to become more autonomous, embrace the continuous learning culture, and develop their skills in order to keep up with constant changes, promising that “Everyone at AccorHotels has opportunities for lifelong learning. Everyone feels valued”.

The new strategy – “Dream Big For Your Future” – sets out a shared global framework, which takes account of regional characteristics and promotes the Group’s “Learn local, think local” philosophy. The strategy is intended to help AccorHotels meet its current and future learning needs, implement its digital development, continue to innovate and adapt to the fast-moving environment. It is designed to be inclusive and attractive to all generations. It also aims to support the Group-wide establishment and dissemination of the new shared Leadership Model.

The programs, which were developed to help it achieve its key local and global strategies, are continuously assessed using specific indicators with the aim of achieving ongoing improvements.

The “Learning & Development” (L&D) department is responsible for the deployment of the new strategy and will make sure that each entity has its own organization in place and that the programs focus on the entity’s strategic issues and objectives.

ACCORHOTELS ACADEMIE, SUPPORTING AND STRUCTURING THE LEARNING & DEVELOPMENT STRATEGY

Created in 1985, AccorHotels Académie was Europe’s first corporate university in the services industry. From the outset, its mission has been to support and structure the Group’s skills development strategy.

AccorHotels Académie is a dedicated training center for all AccorHotels employees, regardless of job family, educational background, position or seniority. This means that all of the owned, leased, managed and franchised hotels have access to the courses, which may be tailored to the specific needs of each hotel’s management structure. AccorHotels Académie is an international and interdisciplinary organization with 18 sites

around the world. It was created to support the changes within the Group, help it develop its talents and share its culture, disseminate its values and guarantee that its global procedures are properly implemented.

To mark its 30th anniversary, the AccorHotels Académie “30 Ways to Learn” challenge was launched worldwide in 2015. Employees were asked to illustrate new learning methods and ones that they were already using to incorporate the concept of “lifelong learning”. The numerous contributions were made into an e-book, “30 Ways to Learn”, an interactive tool, which offers all employees direct access to definitions, ways of learning, examples, videos etc. It is available on AccorLive and Yammer or from trainers from early 2017.

IN 2016, LAUNCH OF LEARNING WEEK

The first “Learning Week” took place in 2016, with participation from a dozen or so regions (Germany, Latin America, North America, China, France, Poland, Thailand, etc.). For a whole week, learning & development teams offered conferences, new programs, round tables, working groups, with a single, shared objective: to celebrate Learning.

A training skills development course was gradually introduced. It is aimed at all employees and offers diverse tools and content to support them in all their efforts to pass on know-how or skills (“making a training video”, “understanding ways of learning”, “holding a virtual class” etc.). In 2017, the e-book, “30 Ways to Learn” will be added. Within this course, the “Trainer Pass” is a training program offering three levels of accreditation: “Facilitation”, “Content creation” and “Coaching”. The third accreditation level, “Coaching”, was developed in 2016 and will be launched in early 2017. Some 800 certified trainer-managers help to dispense brand and Group training and spread the culture.

With over 250 training modules offered in 75 countries around the world and in 20 languages, the AccorHotels Académie is positioned as the international benchmark in hospitality skills development. It is also setting new standards in innovation by offering training programs that increasingly integrate new technologies, such as e-learning modules, virtual classrooms and an increasingly wide array of mobile apps.

At AccorHotels, skills acquisition extends well beyond AccorHotels Académie. Managers also lead training sessions, for example during the induction process or concerning brand-specific issues. These sessions are designed to have a direct impact on service quality and spirit and attendance is mandatory. AccorHotels managers deliver 64% of all training hours.

Training	2014	2015	2016
Training hours	2,802,647	3,042,472	3,091,413

ENHANCING PROFESSIONALISM IN EVERY JOB FAMILY

Job-specific training programs have also been developed to give all of the AccorHotels brand's nearly 250,000 employees the opportunity to acquire new skills or hone their expertise at a time of significant change in the industry.

Several job tracks have been defined to professionalize the positions involved and develop skill-sets, as well as to enhance employees' capabilities and inform them about potential career paths. Gradually, these jobs tracks have been assigned "campuses". A campus is a digital environment dedicated to developing skills in a specific field of expertise, it lists the skills needed for the jobs in question and includes related courses, programs and content.

- **Revenue Management:** in 2016, the campus designed for revenue managers was reviewed, in full, and then finalized. The objective is to enhance the capabilities of revenue managers and other employees who help to optimize hotel revenue, such as General Managers.
- **Sales:** in 2016, the Sales campus was launched for the sales teams. Just as with the work carried out in 2016 for revenue managers, the Sales Training program will be completed and finalized in 2017.
- **Distribution:** the new Distribution Excellence (DEX) program is primarily designed to help hotel General Managers and revenue managers to understand the major issues and challenges raised by today's booking channels and methods. It also provides keys to building a strategy and developing everyday distribution tactics for their hotels. A campus dedicated to this area will be developed in years to come.
- **Food & Beverage:** after its creation in 2015, F&B spent 2016 defining its goals and objectives. An initial program was launched for kitchen staff. The best of the Group's hotel chefs were identified and invited to create and serve their own menu for the Group's head office restaurant in Paris. A program for talented young kitchen staff in being devised and the "School of Excellence" specifically for waiting staff will be opened up to kitchen staff in 2017.

In 2016, AccorHotels launched a new program, "Unveil Your Talent", which targets employees who work in hotels. In each country and region, employees who most embody the "Passionate about Guests" and "Innovation" values are identified and invited to take part in a project focusing on the guest experience as

part of a multidisciplinary, multicultural, multiskilled team. With innovative training techniques, this program brings in creativity, collaborations, games, coaching, etc. The first pilot scheme took place in Paris with five teams of 48 catering, bar, and kitchen staff. The projects devised by the teams are set up in hotels so that they can be validated by real-life guests in real-life situations. The aim is to extend this program to all Group job families.

FOSTERING PARTNERSHIPS WITH EDUCATIONAL INSTITUTIONS

AccorHotels has relationships and partnerships with more than 90 higher education institutions, business schools, hotel management schools, and universities in the different countries where it operates, and it works to maintain and improve these relationships. In this way it promotes and develops the hospitality industry and digital professions to educational establishments. In 2016, more than 200 meetings and visits were organized in these local education establishments.

By maintaining contact with educational establishments throughout the world, AccorHotels can spot the talent of the future for its own hotels and head offices. For instance, there is a considerable number of Asian students in Europe and the Pacific region while more and more European students are seeking placements in Asia, the Americas, and the Middle East. Throughout 2016, the Group Chairman and members of the Executive Committee organized conferences in educational establishments to share AccorHotels strategic orientations and hear what the students were looking for (HEC, ESSEC, École hôtelière de Lausanne, EDHEC, Université d'Angers, Skema, etc.). Several senior managers sit on the development boards of international further education establishments.

A considerable number of case studies are shared with the students to improve course content and give the Group innovative input into its strategic objectives.

AccorHotels has also been a partner in the Revenue Management Masters degree offered by Institut Paul Bocuse and IAE Savoie Mont-Blanc in France since late 2011.

Also in France, the Group maintains close contact with the Apprenticeship Centers (*Centres de Formation par l'Apprentissage* (CFA)) to keep the trainers up to date on changes in the company and the hospitality sector and to ensure the training course is regularly updated.

2.3.10 SUPPORTING EMPLOYEES THROUGHOUT THEIR CAREER PATHS

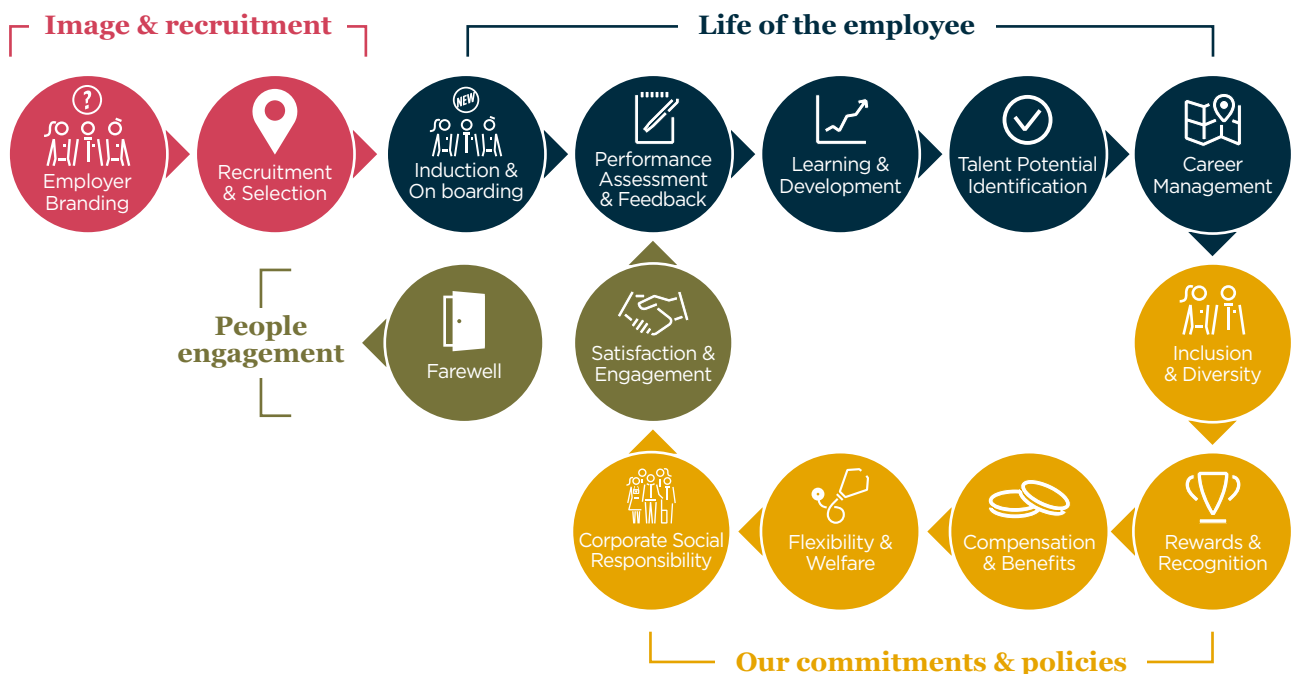
AccorHotels considers its 250,000 employees as talents and its most precious resource. Talent management is thus at the heart of the Group's culture, with a simple but ambitious objective: that each position in the Group be held by the right talent so that, together, we can offer the best guest experience. AccorHotels is committed to supporting its employees throughout their careers within the Group. Talented individuals will continue to be reviewed on a regular basis so that each employee can be offered an individual development plan.

TALENT JOURNEY: A SYSTEMIC APPROACH TO EMPLOYEE CAREER PATHS

Mirroring the "Guest Experience", which guides all of the Group's reflections and its current transformation, the Talent Journey draws a parallel between the career path of an employee within

the Group and the experience of a guest in one of its hotels. This approach emphasizes good management practices and their importance at each stage of the employee's career path by connecting them with the hotelier's core trade. For example: an employer brand that stands out from competitors is just as essential to attract talent as a renowned hotel brand to attract guests. A talent's decision to apply for a post is just as crucial as a guest's decision to book a room: this is the first-contact stage, which lays the foundations of the future relationship.

Launched in early 2015, the Talent Journey is now key to all of the Group's discussions on how to support employees. The Social Policy was, in particular, devised to support employees at every stage of the Talent Journey.



Every year, Group employees will benefit from a performance review with their line managers. This review is an opportunity to listen and exchange, discuss the past year's results, and set bonus-related objectives for the coming year. The review also gives employees an opportunity to express their career goals so that an appropriate development plan can be prepared. In 2016, the assessment interview process was completely revised with a view to proposing an approach common to all Group entities. Assessment interviews, now in line with the new Leadership Model, will be the foundation of all stages of the employee journey. This new format will come into force for assessments carried out in 2017 and will be enhanced by feedback from "peers".

PREPARING THE NEXT GENERATION OF MANAGERS

The Talent Review conducted by AccorHotels is key in terms of supporting the Group to fulfill its desire to transform its business model. It is based on performance and potential, determined with each employee during their assessment interview. It is supported by an approach and tools that are common to all Group entities and it places special emphasis on gender equality. In 2016, it assessed the potential of all managers, from General Managers to Regional Operations Managers and in head offices, from managers to management teams. The Group has set itself the target of including all employees in this assessment by 2020. From 2017, the most mature entities will be able to include the entire managerial chain, right up to hotel supervisory staff and the people directly under the support function managers.

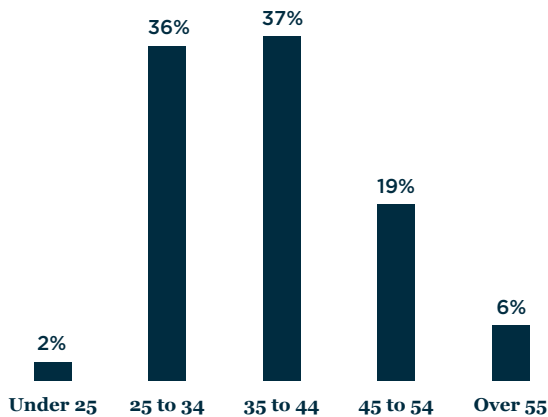
This Talent Review provides an overview of all the talented individuals within the Group. It is used to draw up employee development plans and to identify skills to be recruited or developed. It is also used to prepare succession plans and provides the Group with perspective on its pool of leaders and future leaders.

In terms of hiring, from 2017 AccorHotels expects to develop these processes and tools with the aim of fulfilling managers' specific needs within the context of the Group's rapid transformation. In terms of hiring, digital tools and innovation will also be harnessed to provide efficient services to improve the applicant's experience as well as that of the manager responsible for doing the hiring. With this in mind, a specific person has been charged with defining the Group's future hiring strategy, in view of the rapid growth and societal changes under way.

AccorHotels actively encourages change in its employees right the way through their career. Numerous programs, most of which are run by AccorHotels Académie, exist throughout the Group to identify tomorrow's managers, assist them in their career paths, and secure their loyalty. These programs are created and coordinated at local, regional or Group level, in keeping with specific requirements.

This is also reflected in the age pyramid for hotel managers.

Age pyramid for managers at Accor hotels in 2016



2.3.11 PLANET 21 COMMITMENT: EMPLOYEES' PERCEPTION OF THE GROUP'S HIGH LEVEL OF CSR ENGAGEMENT IS INCREASING

AccorHotels believes that its commitments should, first and foremost, be to its employees who are the driving force behind its sustainable development policy. They do, in fact, act as ambassadors in their everyday work with guests. The Group is also conscious of the fact that CSR is a means of engaging and retaining talent. The more that employees get involved in sustainable development projects, the more committed they are to their work, the more meaning they attach to their actions, and the more they feel connected to their employer.

As part of the Planet 21 overhaul, AccorHotels made a commitment to make its employees more aware of its level of CSR commitment.

Since 1997, AccorHotels **International Hospitality Management Program** (IHMP) has been helping to create a pool of international managers. The result of a collaborative venture with the ESSEC business school's MBA in Hospitality Management program (IMHI), IHMP's classes are taught in English as part of a curriculum structured around six main topics: business strategy and value creation, human resources management; finance, revenue management, marketing, sales and distribution, and communication. IHMP certification gives participants 20% of the credits required for the ESSEC MBA in Hospitality Management. In 2016, the program content was revised to accommodate the new values and the new Leadership Model. Since 1997, 515 employees have attended the MBA program.

This system is being extended by a certification process that validates skills learned on the job and enhances employability within the organization. Thanks to a partnership agreement signed with the Glion Institute of Higher Education, any AccorHotels hotel manager can validate his or her years of experience with an **MBA in International Hospitality and Service Industries Management** and move up to higher positions in the Group. Since 2014, ten people have attended the program.

The **"Boost Your Potential"** program, created in 2015 for the EMEA region, is available to managers in support functions or operations, identified by their management for their potential. Over a period of four months, the program combines personal and professional development, teamwork and contribution to a concrete project in keeping with the priorities of AccorHotels. The program is backed by six coaches who provide participants with the benefit of their experience. Since its launch, 52 managers have attended this program.

The special programs dedicated to promising young people (School of Excellence, Globe Trotter, Visa, MDP, Fast Track, GM program) continue throughout the world.

PROMOTING INTERNATIONAL MOBILITY

With operations in 95 countries, AccorHotels offers employees a wide range of international career opportunities. Talent & Culture teams and mobility experts are dedicated to supporting cross-border mobility by identifying the appropriate profiles, managing paperwork and practical issues, and ensuring compliance with Group mobility guidelines. They also ensure that the regions swap with one another in order to ease the inter-regional mobility flow: to this end, an international mobility process and shared tools were developed in 2016.

The CSR index, established as part of the Group's engagement survey, tracks this progression. This index measures employees' perception of issues relating to:

- Group action on a social and environmental level;
- the promotion of diversity and inclusion;
- the working environment and its openness to difference;
- the skills development policy.

The Group's CSR index	2015	2016
	72%	76%

The various Planet 21 program internal facilitation and awareness-raising tools and tools fulfill a three-fold objective in terms of employees:

- **to provide training and information:** on major sustainable development issues, on programs and initiatives implemented within the Group, on environmentally-friendly practices etc.;
- **to prompt action:** both on a daily basis, in their jobs, to adopt a more virtuous attitude. But also beyond their usual tasks, by taking the initiative to successfully implement “positive” projects or even to mimic certain attitudes on a personal level;
- **to share:** to be proud of their accomplishments and to share them with those around them, with colleagues, guests and other hotels in order to trigger a virtuous snowball effect.

A number of systems are currently in place to inform and support employees, both in hotels and in head offices: annual highlights – Planet 21 Day and Solidarity week; e-learning tools (for training on the Ethics and CSR Charter, Planet 21 program and environmentally-friendly practices etc.) systematically incorporated into new employee orientation programs. The in-house social network, Yammer, has a number of online sustainable development-related communities, one of which enables Planet 21 best hotel practices to be fed back and discussed; internal communication (intranet, newsletters, project case studies etc.) relays new Planet 21-related principles or achievements on a monthly basis; different internal trophies are award to recognize the hotels’ greatest accomplishments, with specific Planet 21-related categories (The “Bernaches” at AccorHotels or the brand awards at ibis, Sofitel, etc.).

PLANET 21 DAY 2016 – “MY POSITIVE LOCAL IMPACT”

The aim of the AccorHotels Group day of action in 2016 was to promote one of the flagship issues of the new Planet 21 program: a key local buy-in for AccorHotels. On the topic of “My positive local impact”, the hotels were encouraged to implement initiatives aiming to:

- preserve or enhance natural spaces and biodiversity in their local environment;
- open their hotels to local communities, or go out to meet them.

All hotel and head office employees were invited to post their best practices on the Group intranet to enter a competition to acknowledge the greatest achievements. The best practices selected by employee vote were: support for a local school from two Indonesian hotels, the Mercure Bali Harvestland Kuta and the ibis Styles Kuta Circle, two national food collection days organized by head office and hotel employees (owned, leased, managed and franchised hotels) as well as by guests at AccorHotels in Italy, awareness of food waste raised amongst guests by Novotel Nanjing Central Suning – Shanghai in China and organization of cleaning initiatives along the banks of the river Nile organized by Sofitel Winter Palace Luxor in Egypt.

To increase its CSR index, the Group plans to raise the profile of its commitments, to enable all employees to share best practices and social initiatives, whether this is within the context of Planet 21, Solidarity AccorHotels, or *via* very local initiatives and to coordinate its internal social network to encourage the expression of their commitment.

2.4 INVOLVING OUR GUESTS IN A SUSTAINABLE EXPERIENCE

2.4.1 LEVERAGING THE POSITIVE IMPACT OF PLANET 21 ACTING HERE!

The “Responsible guests are looking for sustainable hotels” study carried out by AccorHotels shows that most guests already act responsibly on a daily basis at home and would like to continue to do so when staying in a hotel. Guests are willing to make an effort for the planet and local communities. They expect the hotel to make this easier for them. For this reason, AccorHotels is committed to offering a major new innovation for joint action with its guests on sustainable development issues every year, based primarily on a digital approach.



THE PLANET 21 COMMITMENT: EACH YEAR, A MAJOR INNOVATION FOR JOINT ACTION WITH OUR GUESTS ON SUSTAINABLE DEVELOPMENT

A major innovation for joint action with guests on sustainable development may take various forms: a concept, a range of products or services, a system, an operation, or a brand. This may be available in the digital universe (on websites, apps, social media, etc.) or in real life, e.g., with an experience accessible to guests in the hotel. It must enable guests to act together with the Group on sustainable development issues, either *via* concrete action or *via* a financial or intellectual contribution. This innovation may be one-off or permanent and must, by nature, represent a break with industry practices. To be approved, it must cover a significant proportion of Group operations (in particular, several countries) and be designed or rolled out in the relevant year.

Significant projects have enabled us to raise awareness among guests and to involve them in joint initiatives. AccorHotels has:

- **consolidated the basis for joint action with guests on sustainable development** by raising the visibility of the Planet 21 program in hotels and the visibility of initiatives implemented by each hotel (see below);
- **launched several digital projects** with the digital approach facilitating guest action by providing CSR content on the accorhotels.com reservation site, in the hotel files and in the My Web Valet⁽¹⁾ tool, etc.

In 2016, we structured this commitment, doing substantive work on defining the Group roadmap:

- **a phase for inspiration** based on a benchmark created by an external agency for digital innovation to promote joint guest action on CSR issues;
- **the creation of a dedicated project team** consisting of members of the digital, product, and brand communication teams, educated in digital innovation *via* a benchmark, conferences, and external experts. Its role will be to set the priorities for joint action with guests;

- **defining a roadmap** with action on various methods of encouraging guests to act jointly with the hotel on the positive initiatives it has initiated to promote the environment and its community: promoting discovery, experimentation, participation, and rewards.

Some initial areas that have been identified and may be introduced in 2017 are:

- the creation of a digital operation on an international scale to mobilize guests as part of the “Plant for the planet” program;
- extension of the hotel experience to the digital universe (encouraging guests to buy a tree on the AccorHotels website or app, and members of Le Club AccorHotels to donate their points to plant trees);
- enabling hotels to create educational and enjoyable events for their guests.

Other avenues are being explored, such as offering eco-walks around the hotels or in agroforestry areas and involving guests in avoiding food waste, etc.

KEY FIGURES FOR GUEST MOBILIZATION⁽²⁾

- 70% of guests are just as concerned about sustainable development in hotels as at home.
- two out of three guests are prepared to pay a little more for a hotel that acts in a responsible manner.
- 61% are prepared to separate waste when at a hotel.
- 57% are prepared to use the same towels and bed linen for two or three days.

A PERFECT EXAMPLE: THE “PLANT FOR THE PLANET” PROGRAM IS BASED ON MOBILIZING GUESTS

AccorHotels has offered initiatives to mobilize its guests to participate in its commitment to sustainable development for a number of years. The flagship for this approach, the “Plant for the Planet” program, was launched in 2009. It encourages customers to reuse towels when they stay at the hotel for more than one night. With half of the savings from this simple eco-friendly gesture, the Group finances the planting of trees in countries where it is present, in order to develop agroforestry projects. Thus the Group, its guests, and its hotels together support local producers and reduce their environmental footprint. Thanks to its guests' participation, the Group has already financed the planting of 5 million trees in over 200 sites in 26 countries.

To find out more about “Plant For the Planet”, see page 87.

(1) My web valet is a new web portal that is automatically displayed upon connection to hotel Wi-Fi and presents information regarding the hotel's CSR initiatives.

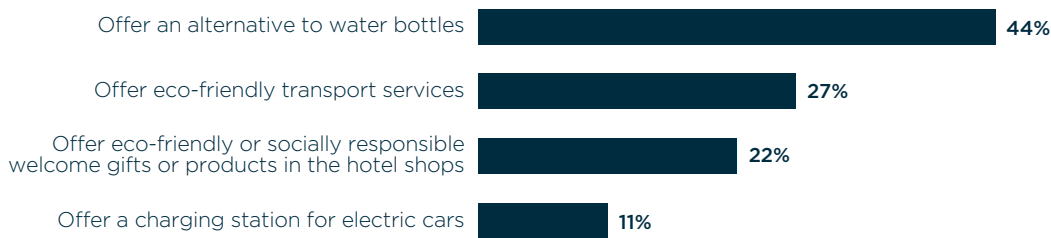
(2) <http://www.accorhotels.group/en/commitment/sharing-our-knowledge/guest-studies>

To take this a step further, since September 2015, the AccorHotels mobile app has offered guests the possibility of buying a tree in a couple of clicks, thus making an even more active contribution to the “Plant for the planet” program. A straightforward example of digital innovation, unheard of in the tourism sector, is providing leverage for the Group’s positive initiatives. The guest can choose a project and finance the planting of one or more trees directly in the app. At the test stage, this function recorded an average order of two to three trees per day in 2016, which represents 1,051 trees planted during the year. In 2017, a marketing plan will raise the visibility of this program and invite members of Le Club AccorHotels to transform their points into trees or suggesting that guests finance the planting of trees in a country they have recently visited.

INCREASING THE SUSTAINABLE DEVELOPMENT ELEMENT OF THE GUEST EXPERIENCE

In order to give guests an experience strongly influenced by sustainable development, the marketing team responsible for the mid-range and budget brands of AccorHotels was restructured in 2016 to include sustainable development more closely in its work. A dedicated committee was created to define the methods for integrating sustainable development into existing offers and develop new offers that specifically target additional sustainable development benefits. To date, its work relates to the economic brands and mid-range brands.

Hotels involved at the end of 2016



RAISING THE VISIBILITY OF HOTEL INITIATIVES

The mobilization of Group hotels to promote sustainable development is clearly illustrated by the fact that 91% of hotels had achieved the bronze rating in the Planet 21 program by the end of 2015. Nevertheless, guests are not always aware of the program. For this reason, in 2016 AccorHotels put the emphasis on raising visibility and recognition in its hotels for the Planet 21 program, which it considers as the basis for dialogue and interaction with its guests. From now on, it is the AccorHotels brand that carries the Group’s CSR commitments and Planet 21 contributes to promoting the brand and its reputation.

Five projects were identified in 2016, to which the hotels in the relevant brands can contribute:

- **developing events based around the hotel vegetable gardens.** 94% of guests want to eat local and seasonal produce and 65% like the idea that the hotel offers produce grown in-house.
- **integrating innovative and responsible products and services in the hotel,** such as wooden room access cards, electric bicycle hire, and wooden stand-alone sports equipment.
- **waste sorting and recycling in hotels.** 84% of guests sort waste at home and most would like to continue to do so when staying in a hotel.
- **participation in a soap recycling program to benefit underprivileged populations,** which responds to three key guest concerns: protecting underprivileged children, promoting local development, and recycling unused products.

Within the various brands and for each project, the operational teams in various countries are responsible for identifying hotels for the pilot schemes, sharing feedback and best practice, measuring the impact on client experience, and promoting the project to all hotels in the brand in order to achieve the widest possible deployment. The projects are overseen by the Marketing and Sustainable Development departments.

A full range of tools has been developed and made available to Group hotels to enable them to raise the visibility of their initiatives with guests and employees. These communication tools focus on positive messages that provide proof for guests and are accompanied by simple, effective, and recognizable visual aids. They encourage guests to carry out some simple gestures and enhance cooperation with the hotel teams: beehive coverings, panels for the vegetable gardens, menu inserts highlighting local produce, external signage promoting the solar panels, etc.

These communication tools offer a good deal of flexibility so that each hotel can personalize their marketing. Around twenty very committed hotels have been identified. They will benefit from tailor-made support for in-hotel visibility to highlight their initiatives. By highlighting these hotels, the Group will create peer pressure for the others.

At the end of 2016, 96% of hotels displayed key communication indicators on Planet 21.

2.4.2 CREATING SUSTAINABLE BEST PRACTICES IN HOTELS



THE PLANET 21 COMMITMENT: 100% OF OUR HOTELS IMPLEMENT PLANET 21'S 16 MANDATORY ACTIONS

Whether it is a question of involving guests in a more sustainable experience or implementing initiatives for responsible behavior, Group hotels stand at the heart of Planet 21. They are the starting point and the primary drivers of the AccorHotels initiative for a positive hospitality approach. To provide them with support along the way and encourage their commitment to an ongoing process of improvement, the new Planet 21 commitments for 2020 place new requirements on hotels, with 16 actions becoming obligatory to achieve the bronze rating.

These 16 mandatory actions cover the “basics” of the Group’s sustainable development process since its beginnings, and

its primary ambitions, over and above mere compliance with regulations.

At the end of 2016, 45% of hotels had implemented the 16 mandatory actions of Planet 21.

The Group’s key challenge in the coming years, in order to achieve this objective, is to deploy the three following mandatory actions:

- strengthening the hotels’ commitment to the “Plant for The Planet” program (62% in 2016);
- deploying the WATCH kit for the fight against sex tourism (85% in 2016);
- offering eco-friendly complimentary products (soaps, shower gels, and shampoos) (87% in 2016).

The list of the 16 mandatory actions and their adoption rate in 2016 is presented in the appendix on page 107.

2.4.3 FAVORING ECO-FRIENDLY PRODUCTS



THE PLANET 21 COMMITMENT: THE 10 KEY HOSPITALITY PRODUCTS CATEGORIES ARE ECO-FRIENDLY

Reducing the impact of the products and equipment used in its hotels is an essential condition for controlling the Group’s environmental footprint and one of our guests’ major concerns. This is an environmental challenge: using products with lower material, energy, or water consumption or made from recyclable materials. Yet this is also a health issue, as paint, furniture, and cleaning products may be the source of chemical emissions that damage indoor air quality.

In order to roll out this approach across the board, sustainable development criteria have been defined for the ten key product families with the internal teams (sustainable development,

procurement, design and marketing). Suppliers and external specialists have also been consulted on some products. Where a recognized ecolabel exists (EU Ecolabel, NF Environnement, Nordic Swan, FSC or PEFC for wood and paper fiber, Oeko-Tex Standard 100 for textiles, etc.), gaining certification from the appropriate ecolabel is the criteria chosen by AccorHotels. Other criteria identified include, for example, prohibiting certain chemical substances, using recycled materials, including eco-designed elements, and banning live-plucked feathers in duvet manufacture.

These criteria may evolve over time to include any rise in the expectations and requirements of guests and regulations.

AccorHotels has made the commitment that, by the end of 2020, these ten product families will be eco-friendly, with implementation initially at the Corporate Procurement level. For 2016, monitoring of this commitment is calculated at the Corporate Procurement level, based on the percentage of rooms covered by products meeting these criteria, for all products in each product family.

The table below shows Group progress with regards to this commitment at the end of 2016 at the Corporate Procurement level. The Group is continuing to consider ways of defining a better overall monitoring indicator.

Key product families	Defined eco-friendly criteria	Integration level by Corporate Procurement (proportionally by number of rooms/brand)
1. Cleaning products	✓ (Ecolabels)	100%
2. Soaps, shampoos and shower gels	✓ (Ecolabels or no controversial substances)	75%
3. Single-use products		100%
■ toilet paper, hand towels, paper napkins	✓ (Recycled sustainable fiber or FSC or PEFC certified)	
■ bin bags	✓ (Recycled or degradable material)	
■ cups/beakers	✓ (Recycled sustainable fiber or FSC or PEFC certified)	
4. Welcome gifts for guests		100%
■ pens	✓ (Recycled material)	
5. Bedding		93%
■ duvets and pillows	✓ (Recycled material and OEKO-TEX Standard 100 certified, or animal well-being)	
■ bed bases and mattresses	✓ (Eco-design: COV, FSC/PEFC, Oeko-Tex standard 100, etc.)	
6. Bed linen and towels	Pilot programs underway	In progress
7. Internal paint	✓ (Ecolabel)	In progress
8. Flooring		76%
■ carpets	✓ (GÜT certification)	
■ parquet flooring	✓ (FSC or PEFC certification)	
9. Paper for printing		100%
■ paper used by the hotels	✓ (Recycled, FSC/PEFC or Ecolabel)	
■ paper used in the head offices	✓ (Recycled, FSC/PEFC or Ecolabel)	
10. Furniture		In progress
■ cupboards	In progress	
■ chairs	In progress	
■ tables and desks	In progress	
% of families with defined eco-friendly criteria	80%	
% of eco-friendly families among the ten key families		64.5%

As an example, the tender for single-use products launched in 2016 imposes the following sustainable development criteria: products with Forest Stewardship Council (FSC) or Pan European Forest Certification (PEFC) certification, recycled or eco-labeled products or those including plant materials. The products affected by the tender include paper towels, toilet paper, and garbage bags.

Hotels involved at the end of 2016

Two key product families are part of the 16 mandatory actions to be implemented in hotels: the use of eco-labeled cleaning products and eco-friendly complimentary products (soap, shower gels, shampoos).

The graphic below shows the use of eco-friendly products in the hotels.



* Mandatory action in Planet 21 in Action

The innovative Jo&Joe concept, launched in September 2016, has been co-developed with its future guests *via* close and informed dialogue with internal and external experts. In developing this new brand, the Group has chosen to include Planet 21 initiatives at the design stage. These include furniture made from wood from sustainably managed forests (FSC or PEFC certified), eco-labeled

cleaning products, waste sorting, eco-cups to reduce waste, the prioritization of local products and short circuits, fair trade and organic coffee and tea, the use of large product containers (for jam, etc.), vegetarian dishes, etc. A vegetable garden will be recommended for each site.

2.4.4 A GUEST-CENTERED CULTURE

LETTING GUESTS BE THE JUDGE

One of the Group's chief ambitions is to make our guests the judge of how it and its hotels are performing. This is a sign of the significant cultural transformation currently underway. Although compliance with standards and spirit of service are still levers of success, from now on, the only indicator that truly matters is customer satisfaction.

The "Voice Of the Guest" (VOG) platform launched in 2015 is another example of a powerful tool the AccorHotels group is implementing in order to support this guest-centered culture. VOG centralizes all guest feedback collected *via* all channels (at the hotel, on social networks, guest questionnaires in the hotel, travel agencies, etc.) for the hotels and presents it in a clear and intuitive interface, semantically analyzed by category (room, food, service, Wi-Fi, etc.) in over 19 languages. In practical terms, VOG makes it possible to:

- access all guest feedback, whether solicited or unsolicited (in particular, spontaneous comments on social networks), *via* all channels;
- share feedback with employees;
- give each hotel the possibility to manage its e-reputation, by interacting in a swifter, more direct, and more flexible manner with guests;

- compare reviews received by AccorHotels and its competitors and thus highlight the strengths of the Group's hotels when guests make comparisons;
- contribute to the natural indexing of Group hotels and help them to optimize their presence in the various media.

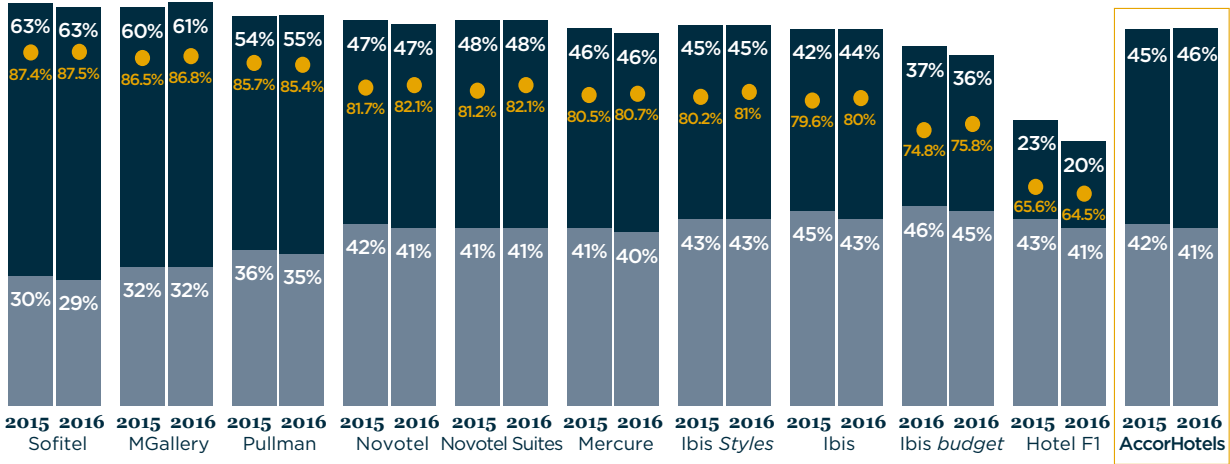
By the end of 2015, 100% of Group hotels (leased and managed) managed their e-reputation online, in line with the objective. An e-reputation score target was set for every hotel, which now represents the evaluation indicator for the hotels.

SOCIAL DESK - HOTELS AT THE HEART OF SOCIAL NETWORKS

Social Desk is a global platform to which all hotel operators can connect in order to act more efficiently on social networks, taking account of local specifics. To provide hotels with concrete help with their presence on social networks, the Social Desk program provides motivated teams with key examples, videos, explanations, convincing arguments for the value of social networks. It also provides everyone with access to the content produced by each hotel, creating healthy peer pressure and providing content on the concepts developed by the Group that is ready for use. At the end of 2016, over 1,700 hotels were active on the platform.

Net promoter score by brand in 2016

AccorHotels has added a new indicator since January 1, 2016: the RPS, Reputation Performance Score. The RPS is now the main indicator for monitoring guest satisfaction. The Group also continues to monitor the percentage of satisfied and very satisfied guests, as shown below (2015 and 2016 RPS results and response to the question on “the overall stay” for AccorHotels (active) at the end of December:



- Very satisfied
- Satisfied
- Reputation Performance Score

The Reputation Performance Score (RPS) measures a hotel's reputation based on the general satisfaction level expressed in all opinions, both solicited (in GSS satisfaction surveys) and unsolicited (on-line opinions on over 250 sites monitored by VOG, such as, for example, Booking, Google, TripAdvisor, Facebook, etc.). These three tools are connected to the central Quality Hub database and their data are fed into the indicator scorecard sent to every operations manager, from hotel General Managers to country Operations Directors, and to the various support functions, such as marketing, quality and safety. Based on the data provided, each country organization is responsible for conducting a quality review to monitor hotel performance and for preparing a corrective action plan if needed.

ACCORHOTELS CUSTOMER DIGITAL CARD - THE GUEST-CENTERED DIGITAL PROFILE

The AccorHotels Customer Digital Card (ACDC) is a next-generation guest file, with more information that can be adapted and shared easily between hotel operators, compiling various data on the identity, preferences, satisfaction levels and fidelity data of guests, together with a record of their stays in Group hotels. All useful information to help improve the welcome afforded to guests every time they visit a Group hotel. ACDC meets our guests' expectations for recognition and personalization.

STRENGTHENING DATA PROTECTION FOR GUESTS

In addition to the governance bodies set up in 2016 (see page 43), AccorHotels also started to design new tools and procedures to ensure compliance with the General Data Protection Regulation⁽¹⁾ that is coming into force. These tools and procedures include:

- a file for handling personal data;
- a procedure called “Privacy by design” that allows us to ensure that the data protection mandated by EU regulations is included from the design stage of projects for data collection and data handling;
- monitoring and reporting tools enabling us to make reports to the authorities and to respect the new so-called accountability principle;
- an update to the references, charters, and policies relating to the use of guest data, cookies, etc.

The Group will continue with this work in 2017. A Data Protection Officer has therefore been appointed and an “AccorHotels Group Data Charter” that defines the ethical principles with which all employees must comply will be adopted. Finally, there will be a major training initiative to ensure that the relevant teams acquire the necessary skills on data protection issues.

(1) European Regulation (EU) 2016/679 of the European Parliament and of the Council of April 27, 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data.

2.5 ENGAGE IN A SUSTAINABLE RELATIONSHIP WITH OUR PARTNERS

2.5.1 RELY ON COLLECTIVE INTELLIGENCE TO OPEN UP NEW AVENUES



PLANET 21 COMMITMENT: EVERY YEAR, ONE MAJOR INNOVATION TO DEVELOP ALTERNATIVE AND RESPONSIBLE MODELS

Through this commitment, AccorHotels pursues a double objective:

- increase the positive environmental and social impacts all along our current value chain;
- turn CSR into a means of catalyzing innovation so we can enrich our hospitality and digital offer with unprecedented services, all based on sustainability.

The best way of anticipating new trends and accelerating innovation is through collective intelligence, the sharing economy, and combining our expertise with the expertise of existing and future partners (start-ups, suppliers, hotel professionals, social enterprises, non-profits, citizens' groups, etc.), who, like us, are seeking to open up new avenues all over the world.

As defined by AccorHotels, a major innovation in the development of alternative and responsible models is an innovation that generates revenue in an area linked to the Group's business through a viable economic model, whose primary or main purpose is to offer an environmental and/or social benefit. In essence, it must be original, unprecedented, or even out of line with industry practices and must be carried out in partnership or for stakeholders outside the Company. It can take many forms: a concept, an offer of products or services, a system, an operation, a brand, a growth relay. It is intended to last and generate a growing or significant source of income.

As a major innovation in 2016, AccorHotels has started insetting

A founding member of the International Platform for Insetting (IPI), with Pur Projet, Adaptogether, Nespresso, Chanel, L'Oréal, and Kering, AccorHotels has contributed to the emergence of this concept, which, for a company, consists of implementing environmental programs within its direct sphere of influence (main business and suppliers) in order to generate multiple positive and lasting impacts on mitigation of and adaptation to climate change, soils, water, biodiversity, and local communities. The Group has made the concept of insetting a reality through its "Plant for the Planet" agroforestry project, which it has developed over the years (see page 87) and made into a program for the transformation of upstream farming. Its ambition for the coming years is to further aid agricultural suppliers to adopt more environmentally friendly practices and encourage hotels and restaurants to connect more directly with their suppliers to help them develop a more sustainable method of agricultural production. These dynamics, which are new for the industry, disrupt existing practices and confirm AccorHotels' position as leader within the hotel industry.

After having tested this "loop" as part of the "Plant for the Planet" program for many years, AccorHotels created the IPI with the hope that it could change its scale. It aims to:

- multiply agroforestry projects for a larger number of agricultural operations and integrate them into the local food supply patterns of hotels and restaurants;
- encourage the Group's suppliers to turn to agroforestry;
- create leverage effects by convincing other funding partners such as Caisse des Dépôts (see the partnership with CDC Biodiversité page 47) and other companies.

To this end, in 2016, AccorHotels launched the "arbres d'avenir" competition, a crowdfunding system for agroforestry projects in France, with €200,000 in funds to help farmers switch to an agro-intensive production model. Out of over 100 projects received, 34 were selected, and each received between €5,000 and €10,000. The operation was a success. It has received acknowledgment from the French Ministry of Agriculture, which suggested combining the "Arbres d'avenir" competition with the general agricultural competition, whose awards are presented annually during the International Agricultural Show. Through this system, Accorhotels intends to help its hotels cooperate more closely with farmers to allow for the direct procurement of quality, environmentally friendly products. After this first pilot project in 2016, the operation will be renewed in 2017, seeking new partners to implement it more widely.

Future plans

Innovation in conjunction with the core business will also come from partnerships with suppliers, to meet the main objectives of Planet 21: going further into eco-design, reducing waste at the source or supporting the circular economy, developing healthy and sustainable catering, moving toward intelligent and low-carbon emission buildings, etc. It will also come from the development of closer ties with start-ups or social enterprises involved in the circular and positive economy.

Some areas were identified and explored in 2016, such as:

- a new concept for hybrid hosting that focuses on the green and social economy, which will demonstrate the most innovative solutions for sustainable accommodation and catering and a space for discussions of best practices for the transition toward more sustainable consumption and living together better;
- the development of local offers for people living near the hotels, with offers that have strong environmental or social connotations. The sale of unsold meals at discounted prices (with the application of the start-up TooGoodToGo) or the distribution of organic food baskets are among the ideas under consideration.

In early 2017, a study was launched to define a specific roadmap for the various priority developments for 2020. It included, in particular, a section on social business, exploring how the hotel and restaurant business could have a social purpose.

2.5.2 CULTIVATING COMMON ETHICS TO FOSTER BEST PRACTICES



PLANET 21 COMMITMENT: OUR CSR AND ETHICAL RISKS MANAGEMENT PROCESS IS DEPLOYED AMONG 100% OF OUR PARTNERS

The business and performance of AccorHotels are both closely linked to those of its partners, namely, suppliers and owners of hotels operated under management and franchise contracts. For the Group, exercising its responsibilities implies extending its social, societal and environmental commitments to its partners, ensuring that they comply with ethics and CSR rules and drawing its entire value chain upwards.

AccorHotels wants its partners to respect the commitments it has made in its Planet 21 program and to comply with its ethics rules:

- consistent respect for current laws and regulations;
- respect for Human Rights;
- ethical business conduct;
- compliance with trade rules, etc.

This is why the deployment of its ethical and CSR risks management process among its partners is part of AccorHotels group's Planet 21 commitment program.

In its relations with suppliers and service providers

The AccorHotels Procurement Process

The AccorHotels Group's purchases amounted to approximately €4.1 billion in 2015, including approximately €2.2 billion in purchases from nominated suppliers⁽¹⁾.

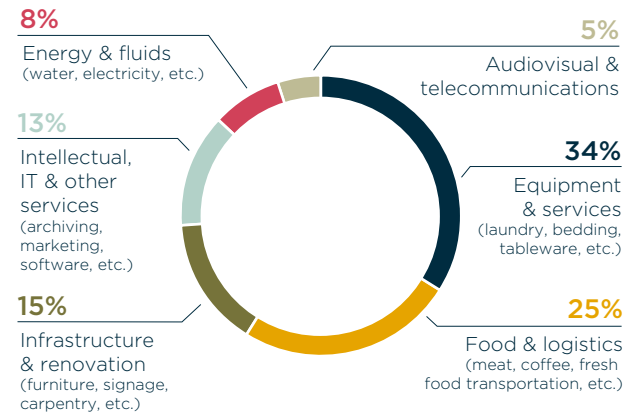
Based in France, the Corporate Procurement Department manages international contracts and coordinates the network of 19 national Procurement Offices, which employ 111 buyers on five continents.

Contracts are signed at the international or national level, depending on the features of each category. "Standardizable" products and services that meet several countries' needs are managed globally, while those specific to a particular country are managed by the national Procurement Office.

Purchases are classified as "nominated" if they are sourced by the hotels from suppliers that have signed a contract with an AccorHotels Procurement Department. They are overseen directly by AccorHotels teams, who manage and optimize the contracts and the sourced products or services and control the supply chain by taking care to offer solutions that best fit the needs expressed. Purchases from nominated suppliers are estimated at 55% of the Group's total purchases.

Purchases are classified as "non-nominated" if they are sourced directly by the hotels from suppliers that have not signed a contract with an AccorHotels Procurement Department.

Purchases from nominated suppliers by product family (in %)

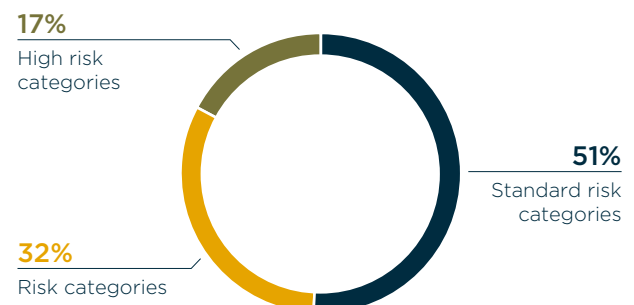


Because 2016 figures were not available, by the time this document was disclosed, the above breakdown is based on 2015 performance. Performance is not expected to have changed significantly in 2016. The data affects only the countries in which there is a Procurement Department.

Mapping risks for nominated suppliers

The in-depth and updated mapping of ethical and CSR risks according to purchase volumes, environmental and social risks of product families, exposure to customers, and AccorHotels' weight with the supplier were carried out in 2015. Product families were classified into three levels: standard, at risk or at high-risk. 60% of the purchase volumes are identified as "at risk" including 33% at high risk.

This step of the risk management process, which is regularly updated, covers 100% of the purchases from nominated suppliers.



The categories of high-risk product families are as follows: Business gifts, promotional products/Beds and mattresses/Cleaning contractors/Guest amenities (in-room cosmetic products)/Chemicals/Branded products with logos/Uniforms/Laundry and dry cleaning/Linen (sheets and towels)/Security company/contractors and tradesmen (masonry, earthwork).

(1) €4.1 billion: is the estimated volume of total purchases from nominated and non-nominated suppliers, in countries in which there is a procurement department, made by all owned, leased, managed and franchised hotels, as extrapolated from the purchases from nominated suppliers.

Deployment of the process of managing risk related to suppliers managed by the Procurement Department

This process has been extended to all the procurement offices within the Group. Training on compliance with this process will be launched among buyers in 2017. This is being finalized with an external expert specializing in responsible “supply chain” topics.

For each of the three risk categories, a vigilance plan was drawn up to define the points to be incorporated at each step of the procurement process: tender, selection of suppliers, awarding of contracts, evaluation, audit, action plan, and even dereferencing.

Audits and monitoring of the action plan are major points of progress in the current process.

STAGES	STANDARD RISK CATEGORIES	RISK CATEGORIES	HIGH-RISK CATEGORIES
TENDER	<ul style="list-style-type: none"> Procurement Charter 21 attached* A CSR clause is included in the call for tender 	<ul style="list-style-type: none"> CSR criteria are included in the call for tender <ul style="list-style-type: none"> Procurement Charter 21 is attached* A CSR clause is included in the call for tender 	
SELECTION	<ul style="list-style-type: none"> The supplier signs Procurement Charter 21* 	<ul style="list-style-type: none"> The supplier signs Procurement Charter 21* Mandatory CSR criteria for at least 10% of the final score 	
CONTRACTS		<ul style="list-style-type: none"> A CSR clause is included in the contract <ul style="list-style-type: none"> Procurement Charter 21 is attached to the contract 	
EVALUATIONS OVER THE LIFE OF THE CONTRACT		<ul style="list-style-type: none"> Self-evaluation for CSR criteria (within 6 months of signing) <ul style="list-style-type: none"> Action Plan 	
AUDIT			<ul style="list-style-type: none"> On-site external social and environmental audits
ACTION PLAN AND FOLLOW-UP		<ul style="list-style-type: none"> Follow-up on action Plan after evaluation with suppliers 	<ul style="list-style-type: none"> Follow-up on action Plan after evaluation and audits with suppliers Re-audit in the event of significant non-compliance
APPROVAL PROCESS			<ul style="list-style-type: none"> Removal from approved list in the event of significant non-compliance, if not accompanied by Action Plan

* Procurement Charter 21 is the Ethics and CSR Charter for suppliers.

FOCUS ON CSR ASSESSMENTS

The Ecovadis rating platform can be used to assess the CSR performance of suppliers via a custom-designed questionnaire. Suppliers are scored on their social responsibility, environmental and ethical performance and on how much control they have over their own supply chain. A document check is carried out by Ecovadis CSR experts. Action plans may be requested from suppliers based on their appraisal ratings.

FOCUS ON CSR AUDITS ONSITE WITH SUPPLIERS

The onsite audit program is established over a three-year period for most of the suppliers concerned. The external audit is commissioned by the procurement offices or by the supplier, who must then have an external audit based on a recognized standards (SA 8000, SEDEX, BSCI, WRAP, etc.). This will be verified by an external firm. The cost of the initial audit is paid by AccorHotels. Re-audits, which are carried out after three years or in the event of major non-compliance, will be at the supplier’s expense. The buyer will be responsible for monitoring the audits and the corrective action plan. A part of its variable compensation is subject to compliance with the sustainable purchase process, in conjunction with the Planet 21 objective.

Group performance

As regards suppliers, the monitoring of the Planet 21 commitment “Our CSR and ethical risks management process is deployed among 100% of our partners” is carried out using four indicators, which are monitored in comparison to the share of the suppliers in question:

- 90% signing of Procurement Charter 21 for all families;
- 6% self-assessments carried out in at-risk or high-risk families;
- 8% audits carried out in high-risk families;
- Follow-up action plans for at risk or high-risk families (indicator not monitored in 2016).

Subsequently, the Group’s progress on this commitment will be monitored through an overall indicator indicating the proportion of suppliers who have followed the process according to their category.

In relations with hotel managers

At the end of 2016, AccorHotels had 1,877 franchised hotels and 1,085 managed hotels in its network. Although they perform the same hotel operations, these hotels, because they are owned and run by a partner and not directly by the Group, represent an increased risk in terms of compliance, corruption, ethics or conflicts of interest, respect for social standards on construction sites, etc.

As the subsidiary hotels will disappear in the years to come, since 2016, the Group has been developing bodies and procedures to better control these risks, with the aim of having a robust system in place throughout the Group by 2020.

In addition, in 2016, corruption-preventing strategies were further strengthened by the formalization of a Compliance program, the aim of which is to prevent behaviors within the Group or in its partners' sites that, whether voluntarily or involuntarily, engage its liability or that of its employees and prejudice its damage, integrity, and assets. The program, whose full deployment is expected over the next two years, aims mainly to prevent corruption, fight conflicts of interest, and prevent anti-competitive practices. The objective of this program is to establish a true culture of Compliance within the Group, through communication and support for employees and other preventive measures such as training the most exposed employees and laying down clear policies and procedures.

Under the responsibility of the Group's Chief Legal Officer, who was appointed in this regard as Chief Compliance Officer, a Compliance post was set up with a network of Compliance Officers distributed throughout all the geographical areas where the Group carries out its operations, whose mission is to promote and participate in the implementation of the Compliance program. A Compliance lawyer was also recruited in 2016 to work full-time in the Corporate Legal Department on the Compliance program. In addition, the program was deployed in conjunction with the Ethics & CSR Committee and the Committee for Governance, Compliance and Societal Responsibility, which the Board of Directors had just created.

2.6 WORKING HAND-IN-HAND WITH LOCAL COMMUNITIES FOR A POSITIVE IMPACT

2.6.1 GETTING PEOPLE INVOLVED "BEYOND THE HOTEL WALLS"

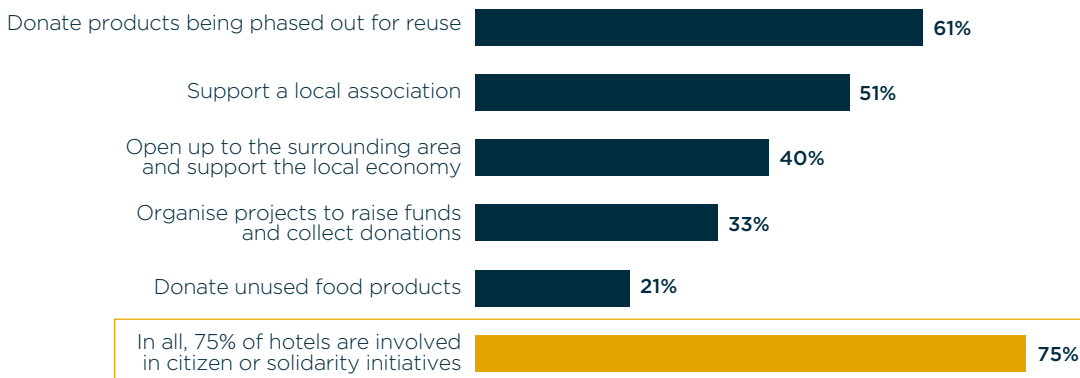
Worldwide, the Group wants its business to benefit host territories and communities. AccorHotels contributes greatly to the socio-economic development of the countries where it operates. Thus, a job created in one of its hotels supports four outside the Group (among its suppliers, in public services, etc.). And 83% of the wealth created by the hotel business remains in the local economies.

To go further, AccorHotels wishes to recognize and promote the local mobilization capacity of its employees better. This is why it has reaffirmed the place of local communities at the heart of its Planet 21 program by dedicating a commitment and actions in Planet 21 in Action to them.



PLANET 21 COMMITMENT: 100% HOTELS ENGAGED IN A CITIZEN OR SOLIDARITY PROJECT

As we expect 100% of our hotels to get involved, the Planet 21 in Action roadmap encourages them to implement various citizen or solidarity actions. At the end of 2016, the hotels' mobilization is measurable:



In all, 75% of hotels are engaged in a citizen or solidarity project.

SOAP RECYCLING PROGRAM TO BENEFIT THE UNDERPRIVILEGED

AccorHotels supports various programs to collect soaps used in hotels on a monthly basis, such as SOAP FOR HOPE, SAPOCYCLE, and SOAP AID.

This initiative was launched in Thailand in 2014 by a dozen hotels to support the SOAP FOR HOPE program created by the partner Diversey, supplier of cleaning products. This initiative was supported in Asia, the Middle East, and South America in particular. The Procurement Department recently developed other programs, such as SAPOCYCLE in Switzerland and France and SOAP AID in Australia. Today, 177 hotels recycle their soaps, and this figure continues to grow. The hotels send their soaps to the partners, who recycle them with the contribution of people engaged in the integration process or the disabled, then distribute them to the underprivileged, for whom access to hygiene is an essential tool in fighting disease.

A COMMITMENT SUPPORTED BY THE GROUP'S ENDOWMENT FUND: SOLIDARITY ACCORHOTELS

Fighting economic and social exclusion

The corporate responsibility of the Group, its hotels, and its employees is expressed through the Solidarity AccorHotels endowment fund. Solidarity AccorHotels aims to fight against the economic and social exclusion of disadvantaged people through vocational activities, by supporting projects together with local organizations and NGOs. It centers around two focus areas:

- **supporting access to professional development, employment, and entrepreneurship** by supporting projects that have a positive impact on marginalized people in host countries. This focus area has two parts:
 - **professional training:** training programs and vocational education to help beneficiaries achieve financial independence,
 - **economic development:** support in improving activities linked to local culture to generate income;
- **providing long-term support for emergency situations** by helping local populations deal with the immediate and long-term consequences of humanitarian catastrophes.

Its purpose is to empower disadvantaged people by deploying project models that are economically viable and self-sustaining.

Employees at the heart of social initiatives

Through Solidarity AccorHotels, employees play a central role in fulfilling this mission, with the fund providing technical and financial assistance for carrying out their projects in countries where AccorHotels is present. In addition to their personal and operational involvement in helping disadvantaged and socially isolated people, the Group's employees can contribute to the initiatives financially.

All of the projects are led by non-governmental organizations (NGOs) or by local not-for-profit associations for the benefit of our hotels' host communities. The values of hospitality, caring, and generosity that our hotel employees embody every day in their jobs flow naturally through to community outreach initiatives. The diversity of hotel industry and support department jobs means that everyone's skills can be used in putting together a project.

Fund collect

Solidarity AccorHotels has been funded by AccorHotels with an expendable endowment of €500,000, which, under the terms of its charter, may be increased by collecting donations. Franchise partners, customers, and the general public are also encouraged to be part of the outreach programs, especially on the Solidarity AccorHotels website, where they can support the fund's actions. In 2016, Solidarity AccorHotels continued to develop internal as well as external fundraising operations such as sales, internal challenges, donations from guests or employees, and raffles. As a result, since November 2014, Club AccorHotels, the Group's loyalty program, offers members the opportunity to contribute to Solidarity AccorHotels activities if they wish to do so. Cardholders can convert their points into a financial donation and participate in professional integration projects. In 2016, the amounts collected through fundraising reached €197,000 (45% of this amount represents the contribution of AccorHotels).

MOBILIZATION TO BENEFIT REFUGEES IN GERMANY

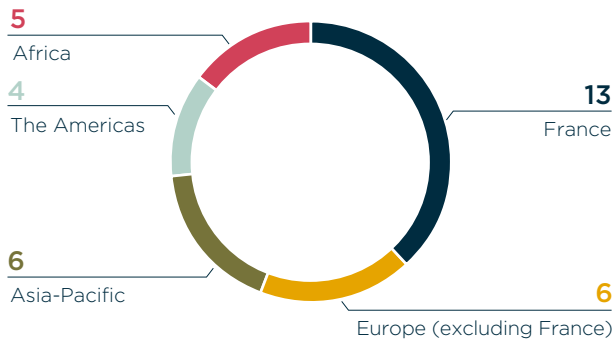
From December 22, 2015 to March 31, 2016, Solidarity AccorHotels and Le Club AccorHotels in Germany mobilized in a collect for the German association Aktion Deutschland Hilft for the project "Female refugees learn German with their children". In all, €10,400 was donated by 200 members of the program and AccorHotels contributed €9,600. These donations helped support some 20 refugees in Germany, women and their children, to learn German, which will facilitate their integration into the country.

Projects supported in 2016

SOLIDARITY ACCORHOTELS, KEY FIGURES 2016

- 34 projects supported in 19 countries
- Involving more than 5,000 employees
- Supporting close to 4,000 people directly and 11,000 indirectly

Projects supported in 2016 by region



THE 11TH ANNUAL SOLIDARITY WEEK

In 2016, Solidarity Week mobilized more than 500 hotels in 47 countries. The commitment of more than 18,000 Group employees supported 65,000 beneficiaries through 189 associations. More than €115,000 was collected for the associations. The actions carried out were very diverse and included Christmas presents, fundraising or sales, dinners, food distribution, donation and collection of products, and raising awareness of a wide range of causes (troubled communities, sick children, isolated women, disabled people, the sick, the elderly, or the homeless).

A few noteworthy projects supported in 2016 by Solidarity AccorHotels:

Les Jardins de Lucie. In France, Solidarity AccorHotels supports Les Jardins de Lucie, a member of the Cocagne Network, which aims to integrate disadvantaged people into society through economic activities centered on agriculture and the environment. Since 2015, Solidarity AccorHotels and the AccorHotels teams in Lyon have been supporting “La Fabrique”, a workshop for

processing organic vegetables into canned foods, prepared meals, and vacuum-packaged produce. This project trains 45 new employees in new jobs each year (catering jobs, logistics, maintenance, etc.) and provides new economic opportunities for the integration workshop.

ModaFusion. In Brazil, the endowment Fund supports ModaFusion in the “Casa Geração” expansion project, a fashion school for young people in favelas. This support provides training of 30 youth in fashion every year (sewing, modeling, photography, etc.). The teams at the Caesar Park Sofitel Rio de Janeiro Ipanema sought out young talent because they contributed to the new decor of the hotel (creation of prints for umbrellas, beach chairs, pareos and uniforms for employees, creation of wallpapers, etc.).

École du Bois. In Cambodia, Solidarity AccorHotels and the Sofitel Phnom Penh Phokeethra teams support the École du Bois, which aims to help young Cambodians from poor rural families by training them in carpentry. The objective of this project is to renovate the production workshop, where youth can develop their technical and practical skills and make their first wooden objects and furniture.

Aïna Enfance et Avenir. In Madagascar, Solidarity AccorHotels is supporting the association Aïna, Enfance et Avenir in the creation of the “Aïna Antananandrano Village”. Sixty young mothers in very precarious situations receive social and professional support through training in different sectors such as farming and breeding, crafts, hairdressing, and cooking. ibis Antananarivo Ankorondrano employees support this project by organizing collections for women and their children and participating in their professional training.

The Springboard Charity. Since 2012, AccorHotels teams in the United Kingdom have been very involved with the NGO The Springboard Charity, which has created training in the hotel and catering industry for youth from neighborhoods in great difficulty. They volunteer and give them theoretical training, support young interns, and pass on their professional skills to them. In 2016, with the support of Solidarity AccorHotels, 25 youths took part in the program in London and a new training program was developed in Birmingham for another 15.

2.6.2 PROTECTING CHILDREN FROM ABUSE

The sexual exploitation of children crosses geographic, social and cultural borders. According to Unicef, this problem affects around two million girls and boys under 18 worldwide. As the world’s leading hotel operator and with its presence in 95 countries, AccorHotels has a legal and moral obligation to protect children from abuse and to ensure that these practices do not take place in its hotels.



PLANET 21 COMMITMENT: 100% OF OUR HOTELS IMPLEMENT OUR PROGRAM AGAINST CHILD SEXUAL EXPLOITATION

The Sexual Exploitation of Children in the Travel and Tourism industry (SECTT) is, according to the NGO ECPAT⁽¹⁾, “the sexual exploitation of children by individuals who travel from one place to another, where they engage in sexual acts with minors”.

(1) ECPAT (End Child Prostitution, Child Pornography and Trafficking Of Children for Sexual Purposes) is the leading international organization in the fight to end child prostitution, trafficking of children for sexual purposes. Its network comprises 80 organizations working in 75 countries.

Out of concern for human rights, AccorHotels began working to combat Sexual Exploitation of Children in the Travel and Tourism industry in 2001, when it became the first hotel group to forge a partnership with the international organization ECPAT. The Group stepped up its child protection commitment in 2002 by implementing the first training programs for the employees of AccorHotels on SECTT, followed by the creation of the **“WATCH - We Act Together for Children”** program in 2012 (see box).

The commitment of AccorHotels to combating SECTT is structured by the Code of Conduct for the Protection of Children from Sexual Exploitation in Travel and Tourism issued by ECPAT and the World Tourism Organization, the United Nations agency responsible for the promotion of responsible, sustainable and universally accessible tourism. It has been signed and implemented by 250 companies from the travel and tourism industry for their operations in 40 host countries.

“WATCH - WE ACT TOGETHER FOR CHILDREN”- THE ACCORHOTELS PROGRAM TO FIGHT THE SEXUAL EXPLOITATION OF CHILDREN IN THE TRAVEL AND TOURISM INDUSTRY

Created by AccorHotels, the WATCH program helps country organizations and hotels to put procedures in place to detect cases of SECTT and take the appropriate response. Combating Sexual Exploitation of Children involves local training initiatives designed to heighten employee vigilance, so that they can identify cases of SECTT more effectively, decide when to contact the authorities, and offer the child alternative life paths (via reintegration projects for example).

The WATCH program is therefore implemented through a variety of training/awareness-raising tools at the hotels, targeting different groups: General Managers, team leads and partners: films, e-learning modules, training modules for hotel teams, guideline sheets, available in English, Portuguese, French and Thai. Distribution of the complete kit, started in late 2014.

With WATCH, AccorHotels is taking a stand at every level of the organization: Groupwide with the Code of Conduct, in the host countries by working together with ECPAT or local NGOs, in the hotels by working with the police and child welfare organizations, and through the work done by employees to raise awareness among guests.

In 2016, the mobilization of the Group and the country continued with:

- the signing of the Code of Conduct by AccorHotels in Canada, USA, Mexico and Vietnam, bringing to 41 the number of country organizations that have pledged their support;
- in 2016, the Group became member of two major bodies: **the Board of Directors of the NGO TheCode.org** bearer of the Code of Conduct for the protection of children from sexual exploitation in the travel and tourism industry and the **Executive Committee of the World Tourism Network on Child Protection**;
- AccorHotels relayed the three campaigns launched by the NGO ECPAT on the occasion of Euro 2016, the Olympic Games and Paralympics. The campaigns are relayed, in countries hosting the events, on the Group’s reservation sites, on the sites of its brands and in its hotels;
- finally, to support its hotels in their involvement, the Group has set-up a digital system for raising awareness among its guests. Since mid-2016, a specific advertisement is included in reservation confirmation emails in all the direct and indirect channels.

Hotels involved at the end of 2016

The action “Roll out the WATCH child protection program” is part of the 16 mandatory actions on the Planet 21 in Action roadmap. Hotels engage in this activity, in particular by training teams to detect and respond to abuse or sexual exploitation of minors in the establishment.

	2014	2015	2016
Percentage of hotels committed to protecting children	48%	89%	85%

The decline in the percentage of hotels involved in child protection comes from the stronger monitoring of the implementation of the action (in particular, ensuring that the training of employees is accompanied by an information message to guests).

2.6.3 “PLANT FOR THE PLANET”, AGROFORESTRY FOR THE DEVELOPMENT OF COMMUNITIES AND PROTECTION OF THE ENVIRONMENT



PLANET 21 COMMITMENT: 10 MILLION TREES PLANTED WITH OUR “PLANT FOR THE PLANET” PROGRAM BY 2021

The “Plant for the Planet” program encourages guests to reuse their towels when staying more than one night in the hotel, and in return, AccorHotels agrees to fund tree planting with half the savings (from water, energy, detergents, and laundry). Initially devoted to **reforestation** projects, this funding has gradually evolved into **agroforestry**, which consists of planting trees in agricultural parcels of land to improve their conservation and productivity and diversify farmers’ incomes. In this regard, trees play a widely acknowledged role, both in fixing groundwater reserves and absorbing part of the pollution.

Thus, the benefits from the projects supported in the “Plant for the Planet” program can be in three areas:

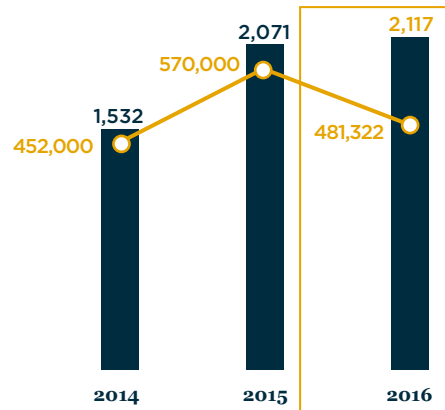
- **the environment:** preserving ecosystems and threatened endemic species, conserving water resources, implementing remediation measures for unproductive soil, combating erosion, carbon sequestration, etc.; “Plant for the Planet” contributes towards reducing the environmental footprint of AccorHotels;
- **society:** higher and more diversified income for those participating in projects, employment support, improvements in crop quality, creation of a new, local social dynamic;
- **social:** especially the active participation of customers and the awareness-raising work done by Group employees, which are both key to the success of the program, enabling it in turn to provide a sense of cohesion.

2015 and 2016 witnessed a second program evolution, in response to two drivers:

- recognizing the benefits of agroforestry projects, hotels have quickly sought to redistribute the wealth created (savings generated by involving customers) closer to their natural, human and economic environment;
- upstream from the restaurant business of the Group, agriculture represents one of the most significant areas of indirect water consumption, and the greatest factor with an impact on biodiversity. These findings were confirmed by the environmental footprint update in 2015.

The choice was therefore made to strengthen the **integration dimension** of the “Plant for the Planet” program in the Group’s value chain. For example, 25 hotels (in Morocco and Poland) and a few local head offices (in China, France, Switzerland, and Great Britain) have begun to buy part of the food production from agroforestry operations backed by “Plant for the Planet”. They reduce the environmental impact of their food purchases and secure the market opportunities of producers. This virtuous way of optimizing its environmental and societal footprint at the source, by working on its supply chain, is called **insetting** (see page 80).

The involvement of the Group and hotels at the end of 2016



- Number of hotels funding the program
- Combined number of trees financed

481,322 trees were planted in 2016, with € 3.78 millions in estimated savings and the launch of two new projects in North America. All in all, the project has financed more than 5 million trees planted around the world since the program began in 2008. More than 200 projects are underway in 26 countries.

Prospects

AccorHotels now wants to proactively develop insetting to contribute, in its capacity, to the profound transformation of current agricultural models. In concrete terms, by 2021, AccorHotels plans to double the number of trees already planted thanks to “Plant for the Planet”; and it is based on three main channels:

- **making the program mandatory** for all hotels, including franchised hotels (the action “Participate in the “Plant for the Planet” program is thus part of the 16 mandatory actions in Planet 21 in Action);
- **giving it greater visibility**, particularly by renewing guest communication strategy in hotels and giving employees improved tools to act as ambassadors;
- **diversifying its funding**, by mobilizing sources other than the savings from guest reuse of towels. To do this, the Group can, for example, involve its guests and allow them to participate in the program by directly financing a tree, which will be named after them (this is already possible via the accorhotels.com application), selling eco-friendly gifts or goodies in its hotels, a part of the proceeds of which will be spent on planting trees, involving suppliers of agricultural products in insetting projects supported by “Plant for the Planet” and thereby reducing their environmental footprint and the Group’s environmental footprint.

2.7 MOVE TOWARDS CARBON-NEUTRAL BUILDINGS

2.7.1 AIMING TOWARDS “LOW-CARBON” TECHNIQUES FOR NEW HOTEL CONSTRUCTIONS AND RENOVATIONS

ANALYSIS OF CLIMATE RISKS FOR THE GROUP

Climate change represents a challenge for the entire tourism and travel industry. This is why the Group has examined the risks and opportunities arising from this phenomenon. The analysis was mainly based on the study carried out in 2009 in partnership with the IDDRI, which fully assessed the situation of AccorHotels in the face of climate change. Setting a time frame for each risk and opportunity makes it possible to anticipate the future consequences on business in the best possible manner. Additional information on the identification and consideration of risks in link with the climate changes by the AccorHotels Group is presented in Part 3 Risk Factors of this document. The table of risks in link with the climate changes is presented on page 344.



PLANET 21 COMMITMENT: 100% OF RENOVATED OR NEW HOTELS ARE LOW CARBON BUILDINGS (OWNED AND LEASED HOTELS)

To meet the lofty goal set by the Paris Agreement for a massive reduction in greenhouse gases worldwide, AccorHotels has begun the transition process for all its hotels to move towards carbon-neutral buildings.

Firstly, the Group acts within its direct sphere of influence: by 2020, all construction and renovation projects for hotels owned by the Group will be low-carbon building projects, as the technologies currently available do not make it possible to easily build “passive” hotels (without footprints). On average, the Group opens two new hotels around the world every three days and renovates several hundred hotels each year. AccorHotels has a long history of commitment to transition towards low-consumption buildings as far as our construction and large-scale refurbishment projects are concerned.

To go further and achieve the 2020 target, the Group is exploring the breakthroughs necessary for energy transition, by focusing particularly on:

Development of a Low-Carbon Building certification. Current environmental certifications are based on the energy performance of buildings, but not on their greenhouse gas emissions. The association for the development of Low-Carbon Buildings, of which AccorHotels is the founding member, intends to change this approach. It is currently developing a Low-Carbon Building (BBCA) label, which will take into account the greenhouse gas emissions of buildings throughout their lifecycle (construction, operation, end-of-life (demolition and recycling)). Within this association, AccorHotels participates in the development of a certification standard dedicated to hotels. Its objective is to gradually use it for all its new hotels. Another standard for renovations will be developed subsequently. This initiative started in January 2016 joins the October 2016 government initiative *France Énergie Carbone* (FEC). The Group’s strategy is to be an opinion leader.

Innovation in energy technologies to accelerate the transition to renewable energies by developing the purchase of green electricity and the production of renewable energies in hotels. To this end, the Group is building partnerships with technological innovation players. These partnerships enable it to access the best-performing solutions, test them in its hotels over one- or two-year periods in order to ensure their relevance and value in the business, and roll them out if they meet expectations. In 2016, as part of the partnership with Energy Observer (see page 88), AccorHotels has started testing several technologies, and several pilot projects are underway within the Group to be used in hotels. A few examples include: a vertical-axis wind turbine, a fuel cell in an existing hotel, and a hybrid air-conditioning terminal that combines a cold beam and a fan coil in a typical hotel. This equipment shows the numerous advantages for the hospitality business: in addition to energy savings of around 40%, it meets half the comfort requirements in silent mode, ensures air quality through filtration and offers an imperceptible air speed. These dynamics for investment in research and innovation will continue; the Group intends to explore, in particular, ways to adapt fuel cells to the hotel operation.

Innovation in construction materials, which must be the most carbon-efficient during manufacture and recyclable at the end of their life cycle **and commitment to circular economy**. The Group has thus launched the construction of a Jo&Joe hotel with a wooden structure, a particularly virtuous material since it absorbs CO₂ when it grows, stores it throughout its life and can be recycled. The use of a translucent laminated wooden material, which is three times more resistant than wood, is also being studied. In 2016, a working group on circular economy was also formed within AccorHotels.

Innovation for intelligent buildings by equipping them with a monitoring system to regulate energy consumption as accurately as possible: for example, by stopping heating or cooling for a few hours without affecting the guest comfort. Such monitoring systems also make it possible to give preference to the most carbon-efficient energies: in off-peak periods, the excess wind or photovoltaic electricity produced by the equipment present in the building can be stored in batteries. This allows it to be used during peak periods, rather than using the power distribution network (see below).

2016 results

As of 2016, AccorHotels has started a project to build the first BBCA hotel, the Jo&Joe hotel in Porte de Gentilly, due to open in 2018.

The Group pursued its objective of subjecting its constructions and renovations to applicable certifications (examples: LEED, BREEAM, HQE, DGNB, GREENMARK, IGBC). As at the end of 2016, 25 buildings had been certified or were in the process of receiving certification, mainly in Germany, France, and the UK.

In 2016, 467 of the Group hotels were supplied with “green” energy (i.e. 15% of the network), and 411 hotels have a system of producing renewable energies.



**PLANET 21 COMMITMENT:
5% OF ENERGY CONSUMPTION
PER ROOM AND -5% OF WATER
CONSUMPTION PER NIGHT BY 2018
(OWNED, LEASED, AND MANAGED
HOTELS)**

The buildings are the Group's first biggest source of energy consumption and greenhouse gas emissions and also contribute to its water use. AccorHotels has to control the consumption of its entire network of hotels, although the 1,877 franchised hotels represent an indirect lever of action for the Group.

With its first five-year plan (2006-2010), AccorHotels reduced its energy consumption by 5.5% and water use by 12%. Between 2011 and 2015, the Group's efforts further reduced greenhouse gas emissions, energy consumption, and water use by 6.2%, 5.3%, and 8.4% respectively. The detailed analysis of the results show that the performance levels were achieved in these three areas, particularly in the most advanced regions, such as Europe. In these zones, existing optimization measures were deployed with equipment in place.

To proceed further, a system-wide change is therefore necessary. This is why, when its 2016-2020 strategy was updated, AccorHotels reaffirmed its commitment to reduce energy and water consumption and implement an ambitious action plan to achieve its goals.

The management of water and energy performance

The management of the hotels' performance is based on the monthly (or even daily) monitoring of energy consumption using the Gaïa application, a good knowledge of the hotel (number of rooms, number of restaurants-bars points of sale, technical equipment, etc.) and their consumption (monitored since 2005), an in-depth analysis of the ratios measuring the impact of weather and occupancy rates, so as to ensure comparability among years and benchmarking by brand, hotel family and region.

In 2016, water and energy consumption optimization targets were fixed by the hotels following the recommendation of the local and central teams. The process implemented since 2014 has made it possible for the objectives thus established to take into account the Group's strategic program and the technical and operational constraints of the institutions. The actions "Measure and analyze monthly water and energy consumption, Act in the event of drift" and "Comply with the water flow standard for all showerheads, faucets and toilets" are now mandatory in Planet 21 in Action.

Based on data collected from each piece of equipment, a diagnosis of the performance of all production and distribution facilities for energy and water in hotels is carried out and an adjustment phase is implemented to optimize existing installations.

About ten simple actions have been identified as having a strong impact on the footprint of buildings, including the increase of thermal insulation on heating units, the installation of devices to limit water consumption (aerators, regulators, etc.), the possibility of adjusting lighting or heating, and replacing traditional bulbs with LEDs. In recent years, the majority of hotels have set up flow regulators and LEDs. AccorHotels plan to expand the 10 actions to all the hotels that it owns, after having tested and verified the most efficient pieces of equipment. In addition, employees' awareness of eco-friendly practices will also be reinforced.

2016-2018: the "Low-Carbon Plan", an ambitious investment plan

The launch of the Carbon plan in 2016 led to the implementation of a test phase in 24 hotels. Ten actions were tested with the following objectives:

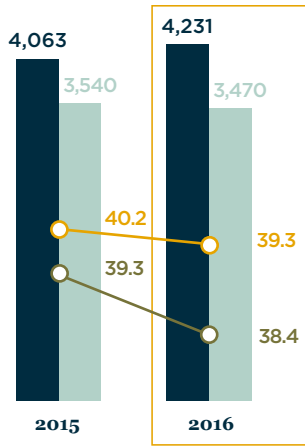
- **Maximum optimization of water and energy consumption:** the tests concern:
 - the water/energy cockpit: consists of adjusting the equipment as precisely as possible to optimize its operation and therefore its water and energy consumption;
 - the insulation of complex objects: coverings have been specifically created to accommodate these objects (plate heat exchangers, valves, etc.) and an application has been developed to make it easier for hotels to identify and purchase the necessary equipment;
 - the installation of flow regulators in plumbing;
 - the replacement of bulbs with LED lighting.
- **Equipping buildings to make them "intelligent":** the deployment of an IoT (connected objects) solution aims to automate the collection and retrieval of information, measure water and energy consumption per service rendered (accommodation, restaurants, other services, resale to third parties, general services), monitor critical processes for the production of domestic hot water and for storage in catering (cold chain), and enhance the daily actions on equipment (on-off at scheduled times) and thus allow preventive maintenance.
- **Preparation for future investments:** in 2016, the Group started the implementation of internal thermographic measures to identify areas of heat and cold air loss in the building with two hotels: insulation defects, thermal bridges, etc. The ultimate goal was to identify insulation work and define the necessary investment trajectories.

Prospects

After this testing phase, the AccorHotels group's ambition is to massively deploy the actions of this Low-Carbon Plan through a plan to invest in subsidiary hotels to begin with. For managed and franchised hotels, the Group will focus on developing relevant and attractive service offerings for embarking all the buildings.

Hotels' energy, carbon and water performance: 2016 results

Total energy use



- In GWh
- Total energy use
- Total energy use (like-for-like)
- In kWh/avail. rooms/day
- Average energy ratio
- Average energy ratio on a like-for-like reporting scope

Scope of reporting*	2015	2016
Number of hotels in the baseline group (excluding franchises)	1,897	1,970
Number of hotels validated	1,677	1,738
Validation rate	88%	88%
Number of hotels like-for-like, 2015-2016	1,485	1,485

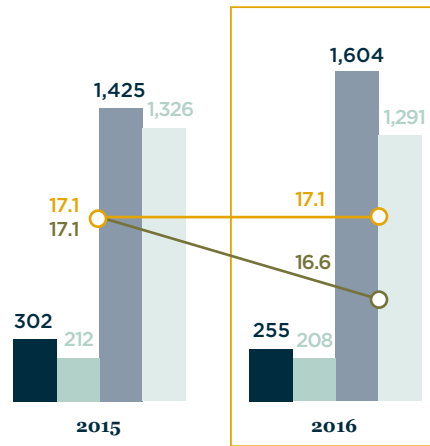
* Changes to scope of reporting are listed in the Methodological appendix on page 102.

To track its hotels' intrinsic energy performance, AccorHotels uses the ratio (kWh per available room/day). This year, on a like-for-like basis, the average ratio decreased by -2.4% to reach 38.4 kWh/available room/day. This improvement can be explained by a good overall performance under a variety of conditions: France progressed by -1.0% despite a strong rise in heating demand (+7%). The NCEE zone also managed to limit the impact of weather (+4% of heating demand) on its ratios (+0.2%). The ASPAC zone, on the other hand, saw its ratio decreased by -2.9%, while demand for air conditioning was up (+3%). Lastly, the MMEA zone saw its ratios fall significantly (-5.7%), taking advantage of a milder weather (-1% air conditioning, -1% heating).

FRHI hotels data will be consolidated in 2017. In 2016, on the basis of 27 FRHI hotels that recorded their data, the average energy ratio is estimated at 111 kWh/available room/day, with a 7% decline compared to 2015.

Tracking CO₂ emissions

Carbon emission performance is measured in kilograms of CO₂ per available room. This year, on a like-for-like basis, the average ratio declined by -3.0% at 16.6 kg/available room/day. This result is due, in particular, to the ASPAC's good results (direct emissions down by -3.1% and indirect emissions down by -2.6%) as well as the MMEA region's (direct and indirect emissions dropped -6.2% and -5.7% respectively).



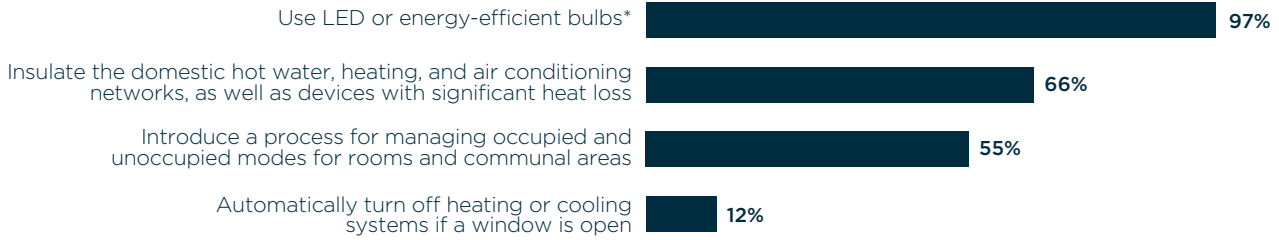
- In thousands of tons of CO₂
- Direct CO₂ emissions
- Direct CO₂ emissions (on a like-for-like reporting scope)
- Indirect CO₂ emissions
- Indirect CO₂ emissions (on a like-for-like reporting scope)
- In kg/avail. rooms/day
- Average ratio of direct and indirect CO₂ emissions by available room
- Average ratio of direct and indirect CO₂ emissions by available room (on a like-for-like reporting scope)

Scope of reporting*	2015	2016
Number of hotels in the baseline group (excluding franchises)	1,897	1,970
Number of hotels validated	1,677	1,738
Validation rate	88%	88%
Number of hotels like-for-like, 2015-2016	1,485	1,485

* Changes to scope of reporting are listed in the Methodological appendix on page 102.

FRHI hotels data will be consolidated in 2017. In 2016, on the basis of 16 FRHI hotels that recorded their data, the average CO₂ emission ratio is estimated at 41 kg/available room/day, with a 6% decline compared to 2015.

Hotels mobilization at the end of 2016



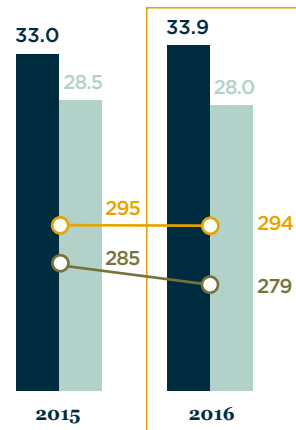
* Mandatory action in Planet 21 in Action

Tracking water use

AccorHotels tracks its hotels' intrinsic performance by measuring water consumption in liters per guest (liters per room night). This year, on a like-for-like basis, the average ratio is down -1.8% to 279 liters/night. This progression was driven by good overall results (ASPAC -2.1%, France -2.2%, NCEE -1.4%) and MMEA zone's performance at -8.2%.

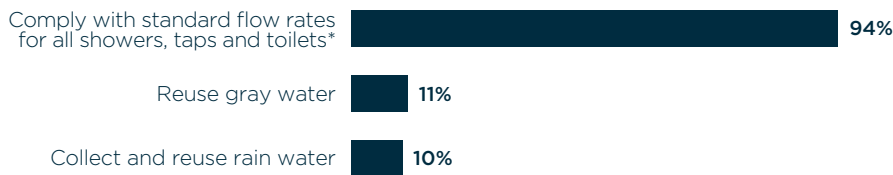
	2015	2016
Number of hotels in the baseline group (excluding franchises)	1,897	1,970
Number of hotels validated	1,677	1,738
Validation rate	88%	88%
Number of hotels (like-for-like, 2015-2016)	1,485	1,485

FRHI hotels data will be consolidated in 2017. In 2016, on the basis of 24 FRHI hotels that recorded their data, the average water consumption ratio was estimated at 865 liters/night, up 2% compared to 2015.



In millions of m³
 ■ Total water consumption
 ■ Total water consumption on a like-for-like reporting scope
 In liters/night
 ○ Average water ratio
 ○ Average water ratio on a like-for-like reporting scope

Hotels mobilization at the end of 2016



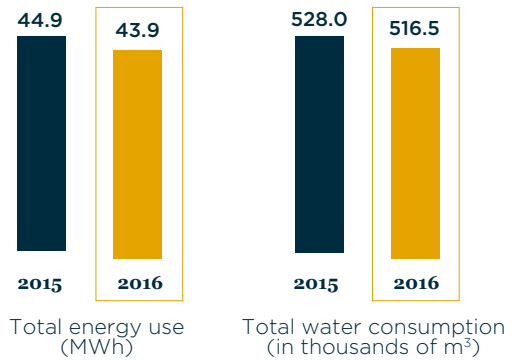
* Mandatory action in Planet 21 in Action

Methodological review for data on water, energy and carbon: The scope of reporting for this indicator covers all of the owned, leased or managed AccorHotels hotels open on December 31st of the 2016 reporting year (baseline), or 1,970 hotels in 2016. AccorHotels encourages franchised hotels to improve their water use performance and provides data collection tools to them, but the franchise agreement does not mandate that hotels upload their data. Therefore, franchised hotels are not included in the environmental scope of reporting. All specific information on

methodology can be found on pages 102 and 103. Based on the reporting from the baseline hotels, in order to ensure reliability throughout the Group, the indicator is calculated using only data that has been validated, which in 2016 means the data from 1,738 hotels (88%). Finally, to be able to analyze changes in performance across time, comparisons are made on a like-for-like basis, which excludes hotels that have come and gone between 2015 and 2016, and also those that have atypical data (problems with reliability, partial closure due to construction, unusual events).

Water & energy consumption in Adagio's scope of reporting

This year, 84 Adagio hotels of Europe join the AccorHotels scope of reporting for their water and energy consumption declarations. 82 Adagio hotels constitute the Adagio scope of reporting and 73 of them have their consumption validated, *i.e.*, a rate of 89%. This year, those 73 hotels shall not enter the scope of 1,970 hotels declared previously for the sake of clarity and comparability. The energy consumption of 73 Adagio hotels amounts to 43.9 MWh, down -2.2%. Water consumption followed the same trend with a -2.2% decrease for a total consumption of 516,500 cubic meters.



2.7.2 TAKE ADVANTAGE OF THE HIDDEN VALUE OF WASTE

The Group's business is responsible for more than one million tonnes of waste per year, of which 70%⁽¹⁾ is generated by the construction and renovation of buildings.

Hotel waste comes from two main sources:

- waste from hotel operations: packaging, consumables (light bulbs, etc.), complimentary products and foodstuffs, for which the priority is to reduce volumes at source by getting purchasing departments involved and to limit scrap during in-hotel handling) and guest waste, where the focus is on increasing the percentage of sorted and recycled waste;
- refurbishing and construction waste, where recycling is increasingly used.



**PLANET 21 COMMITMENT:
 65% OF WASTE FROM HOTELS
 OPERATIONS IS RECOVERED**

Analysis of AccorHotels waste

Waste management challenges can be appreciated from an estimation of outgoing flows of hotel operating waste (*i.e.* excluding waste from renovation and construction work). Across the 3,900 hotels in the Group, operating waste totals around 160,000 tons. This averages out at 45 tonnes per hotel overall, with averages varying widely for different hotel categories: "budget" category (7 tons/hotel/year), "economy" category (34 tons/hotel/year), "mid-range" category (69 tons/hotel/year) and "luxury, top-end" category (94 tons/hotel/year).

Estimated waste figures are based on information from hotels reporting annual waste production data. They only include waste tonnages per sorted type. Where hotel data for a particular waste type is missing, an estimation is used consistent with other types.

⁽¹⁾ Figure comes from the environmental footprint done in 2011; not updated in the second study.

The table below lists figures for each type of waste:

Breakdown of 160,000 tons of waste by category (as a %)



Restaurants represent the greatest area of the Group’s waste production: more than 50% of waste is food waste, oils, and fats. Though some hotels do not have restaurants, they do nevertheless serve breakfast, which also produces waste. The second biggest source of waste is packaging: card, paper, plastics (relatively limited). Hotels produce small amounts of hazardous waste.

AccorHotels waste policy

To attain its objective of recovering 65% waste by 2020, in 2016, AccorHotels defined its waste policy, document intended for hotels that remember the challenges and set three priorities:

- **Priority 1: Have 100% hazardous waste treated in appropriate facilities.**
- **Priority 2: Reduce the quantity and volume of most significant categories of waste:** food waste, packaging waste, paper waste.
- **Priority 3: Sort and recover principal waste generated by the Group’s businesses:** recovery of material, reuse, recycling (excludes incineration including energy recovery).

Levers of action

The Group has also identified several levers of action for the implementation of this waste policy:

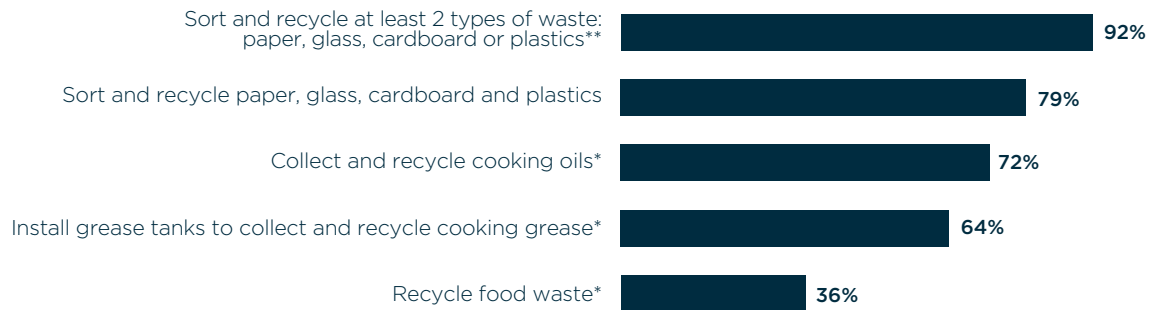
- 1. Setting up a tool to monitor the quantities of waste produced very precisely** and ensure the traceability of their treatment (program described on page 92). This action began in 2016, in the form of a pilot project in 21 hotels in France and will be gradually extended from 2017. AccorHotels is thus equipped with a powerful tool, which allows hotels to manage their waste and make progress in their recovery.

- 2. Identification and deployment of the most appropriate value chains.** Each of the Group’s hotels, located in 95 countries, produce different types of waste in small quantities. These can be recovered only at the local level. Therefore, AccorHotels plans to seek country-wise and city-wise solutions. Pilot operations are underway to test innovative ways to treat waste. One of them is to entrust all the waste from the hotel to a company specializing in waste treatment, which sorts it and sends it for recovery in the most appropriate way. The awareness of employees is also an important lever for sorting at source to be carried out optimally.
- 3. Identify solutions for treating hazardous waste.** Although hazardous waste represents only 3% waste from hotel operations, these are polluting products, which could be harmful to health. It mainly includes batteries, printer cartridges and compact fluorescent bulbs. Most of the waste is already sorted and treated in appropriate channels, where it is cleared. However, in some countries, particularly in Africa, adequate treatment channels aren’t always available. In 2016, pilot projects were carried out with a partner provider in three sensitive countries, Algeria, Senegal and Singapore. The objective: to find solutions to compensate for the lack of channels.
- 4. Participate in the emergence of the circular economy.** In 2015, AccorHotels supported Circul’R, a non-profit organization launched by two young entrepreneurs, who spent 17 months travelling to 22 countries to find out more about 150 initiatives based on circular economy. Their objective: promote and share good practices. On behalf of AccorHotels, the project identified players of the circular economy that were likely to offer solutions to give a second life to waste or unused products, and connect them with the hotels.

In conjunction with the AccorHotels business, more than 90 projects/solutions were identified in 24 countries, given below are some examples:

Region	City	Project	Description
France	Paris	Phenix	Management of surplus food and non-food items
Senegal	Dakar	Settic	Recycling of electronic waste
South Africa		PETCO	Recycling plastic waste
India	New Delhi	Goonj	Distribution of clothes and other essential products in rural areas in India
Indonesia	Bali	Eco Bali recycling	Waste collection and recovery in Bali and raising awareness among local populations
Philippines	Manila	Oryspa	Philippines high growth start-up, which produces cosmetics locally from rice waste
Brazil		Retalhar	Social enterprise that reuses or recycles uniforms

Hotels involved in 2016



* Hotel with restaurant

** Mandatory actions in Planet 21 in Action

FRHI hotels data will be consolidated in 2017. In 2016, based on 41 FRHI hotels that recorded their data, the quantity of waste generated is estimated at 23,400 tonnes, with a recovery rate of 42%, up 2% compared to 2015.

MANAGEMENT OF WASTE FROM RENOVATION AND CONSTRUCTION

This category includes waste related to the construction or renovation of hotels (obsolete equipment, replaced furniture, used uniforms and towels, etc.). AccorHotels' waste management policy is as follows:

- compliance with regulatory requirements (concerning construction site waste or extended producer responsibility) and the application of waste targets in standard certifications (HQE, etc.);
- pilot operations are used to test certain solutions (furniture donations, etc.);
- The use of upstream (choice of products made from recycled material) and downstream (such as recycling of uniforms) circular economy;
- actions or innovations favorable to the circular economy from the conception of products, in particular by the Design team and the Technical Department.

2.8 STRIVING FOR ZERO FOOD WASTE & HEALTHY, SUSTAINABLE FOOD

AccorHotels serves close to 150 million meals a year. The Group is aware that the current food model is unsustainable and wants to offer quality food to its customers who have very high expectations in terms of sustainable development when it comes to food and drink. Accordingly, AccorHotels has undertaken this major challenge with three key objectives: reduce food waste, offer its guests food that is healthy and sustainable for the planet, and develop urban farming.

2.8.1 REDUCE FOOD WASTE

For AccorHotels, this challenge has three parts: ethical, environmental and economical.

Ethical: every year, more than 30% of world food production is lost or wasted. Less than a quarter of this wasted food would suffice to eliminate hunger, which affects 795 million people⁽¹⁾.

Environmental: given water consumption, use of chemical fertilizers and pesticides, etc., farming takes a heavy toll on the environment, and also contributes significantly to the Group's footprint. Hence the need to minimize waste.

Economical: in the hotel and restaurant industries, an estimated 25% of food purchases are thrown away. This waste represents between 4% and 12% of the food revenue generated by the industry⁽²⁾. If hotels reduce this waste, they also reduce their expenses.



**PLANET 21 COMMITMENT:
-30% OF FOOD WASTE**

In order to be able to monitor whether this commitment has been achieved, the AccorHotels Group has defined an applicable and comparable indicator for all hotels: the cost of food waste reported in the restaurant business. More specifically, each type of food waste will be weighed and valued (according to its cost price) for at least 15 days. The total waste value will be calculated relative to the restaurant revenue, in order to account for variations in business. The 30% reduction is based on this ratio.

This assessment is therefore the first step we will take to help foster virtuous practices in our hotels. In 2015, we tested digital tools (tablets connected to these kitchen scales), in some of our luxury hotels and the result was very successful. In 2016, we continued these tests, as part of a pilot program in more than 40 hotels from different segments, managed with various service providers with various levels of sophistication.

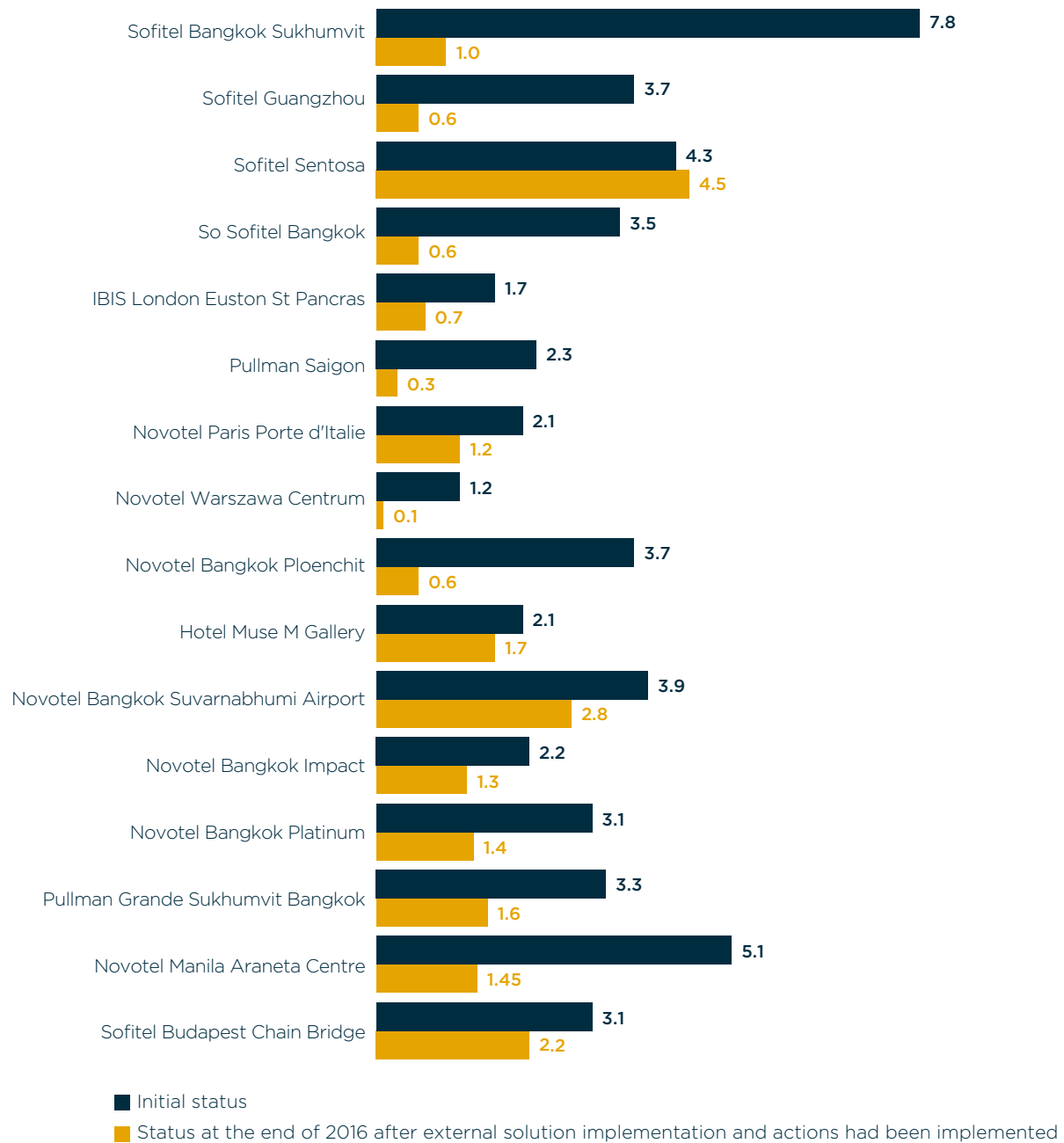
The first results highlighted products that particularly need action for each hotel and determination of targeted actions. Given below are examples of best practices, which would reduce food waste:

- provide limited menus by removing items that are less "popular";
- better compliance with food storage temperatures;
- regularly check use-by dates;
- ensure reliability of food quantity estimates, especially when ordering for conferences;
- limit the number of products offered in buffets;
- do not prepare dishes too far in advance;
- serve more appropriately sized portions to our guests;
- create inventive recipes to use leftovers better;
- raise our employees' and guests' awareness of the need to fight food waste.

At the end of 2016, the solution offered by Winnow had, for example, been deployed in 38 hotels from all segments in 13 countries. The monitoring tablets in kitchens, which are connected to scales, allow precise monitoring and knowledge of the most discarded and expensive products. At the end of 2016, hotels that had implemented this solution were able to reduce food waste by an average of 57%, for an estimated total of €540,000 in savings for the Group.

(1) Source: FAO (Food and Agriculture Organization of the United Nations).

(2) Source: Winnow - innovative solutions to reduce food waste in the kitchen.

Food waste per hotel, according to the percentage of sales

Finally, initiatives are under way to ensure that foodstuffs not used by a hotel can be donated to food banks or associations or sold at affordable prices to local people. As a result, several hotels in France are currently testing the application of the start-up TooGoodToGo, which connects local consumers with restaurants or merchants who offer their unused portions at low prices.

2017 will see the large scale deployment of the tested tools to combat food waste and a follow-up on the results obtained will be arranged. AccorHotels will continue these dynamics with a reflection on the best ways to mobilize customers in this regard.

2.8.2 OFFER FOOD THAT IS HEALTHY AND SUSTAINABLE FOR THE PLANET

The Group's restaurant business gives it responsibilities that it has made into an ambition: evolve from intensive farming methods that use a large amount of chemical products and are harmful to the environment and sometimes also to the farmers towards more qualitative farming that is respectful of people and the planet, while meeting the expectations of consumers, who want authenticity and products that are of better quality, healthier, and fresher, organic products derived from fair trade and accessible in short food supply chains, etc.



PLANET 21 COMMITMENT: 100% OF OUR RESTAURANTS FOLLOW OUR CHARTER ON HEALTHY AND SUSTAINABLE FOOD

The AccorHotels healthy and sustainable food Charter, published in 2016, focuses the Group's goal and its pledges on three priorities: fighting food waste, protecting its guests' health and sourcing sustainable products.

It provides a framework for restaurants, proposes common actions to be implemented throughout the Group while offering flexibility to take into account local realities and the specific expectations of each guest.

This charter was conceived in a collaborative spirit, bringing together different teams in the Group and integrating a critical review of the project by a firm specializing in sustainable food. An exhaustive list of the commitments was drawn up: the ones applicable in all countries form the common mandatory base, the others can be chosen by the countries on a voluntary basis. It will evolve to take the Group's commitments and stakeholders' expectations into account. A version 2 is already planned for 2017. It is available at: www.accorhotels.group/en/commitment/planet-21/food.

Some examples of the commitments of the healthy and sustainable food charter:

- Offer **high-quality products at a good price**, regardless of the price range of our restaurants.
- Offer **vegetarian menus**.
- Ensure the **quality of our meat and livestock products, and ensure the well-being of the animals**. Particularly with:
 - eggs that come from free-range hens raised outdoors (see below);
 - a piece of high-quality meat on the menu, at a good price, and if possible, of local origin;
 - pieces of meat – chicken, beef and pork – do not contain hormones;
 - milk from cows raised without growth hormones.
- **Limit the presence of sugar** in the foods offered:

- bread, pastries and cakes served for breakfast contain a lower quantity of glucose-fructose syrup, or even none at all;
- favor products without any hidden sugar;
- favor orange and apple juice made of 100% juice.
- Prefer products with **little or no chemical food additives** (artificial flavorings, preservatives, artificial colorings, flavor enhancers).
- Favor **local food supplies** based on the specific characteristics of each country:
 - develop short food supply chains, with local production and processing, a reduced number of intermediaries and no intensive production;
 - limit our supplies of food from distant sources – products that travel several thousand kilometers. Particularly, favor local spring water;
 - favor seasonal products;
 - support the development of new urban farming models by setting up – on a large scale – urban vegetable gardens in our hotels (see page 98).
- Through insetting, offer **agroforestry products**, in connection with the “Plant for the Planet” program (see page 87).
- Favor products from **sustainable and organic farming**.
- Commit to **marine biodiversity**:
 - ban six highly threatened species of wild fish from our menus: shark (except dogfish), ray, bluefin tuna, eel, grouper and sturgeon – as well as wild caviar;
 - also eliminate other endangered species from our menus, according to fishing areas;
 - favor the purchase of fish from sustainable fisheries, bearing the MSC and ASC certification.

To monitor the implementation of the Charter, an online questionnaire was sent to the regional directors in 2016: each country (or segment) will specify at least 10 commitments from among the 17 proposed that it wishes to implement and justify its inability to make a common commitment to the Group as a whole. This enforcement mechanism for the Charter, which is entered into on a by-country basis, involves all hotels within the scope of reporting.

The Group supports the implementation of the Charter through various programs such as “Plant for the Planet” for Insetting, as well as by establishing partnerships or launching pilot projects. For eggs, the objective of AccorHotels is to offer eggs (in shell and liquid forms) that come from free-range hens raised outdoors in its restaurants by 2020, in countries where the channels exist. In 2016, AccorHotels signed a partnership with Humane Society International, a worldwide animal protection organization, which will support the Group in identifying responsible solutions, particularly in regions where these are non-existent, difficult to identify or poorly developed.

Mobilization of hotels* in 2016



* Hotel with restaurant

** Mandatory action in Planet 21 in Action

2.8.3 DEVELOP URBAN FARMING

The development of urban and peri-urban farming could provide an answer to the growing urbanization and widening gap between rural food-producing agricultural areas and cities, whose inhabitants are now merely food consumers. In recent years, solutions have been emerging everywhere to bring these two worlds closer together: urban vegetable gardens, suburban educational farms, short supply chains, direct sales, etc.

Present in more than 1,700 cities, AccorHotels wants to play a pioneering role and support this system-wide transition.



PLANET 21 COMMITMENT: 1,000 URBAN VEGETABLE GARDENS IN OUR HOTELS

These vegetable gardens must meet certain criteria, in particular a minimum area of cultivation of 20 m², the production of plants intended for food consumption, regular maintenance, environment-friendly cultivation practices, etc. Each vegetable garden is adapted to the hotel's context and its space constraints: hotels with a garden will be able to develop vegetable gardens in ground-beds, others will set up vegetable gardens on rooftops or terraces, grow plants in soil or test innovative solutions such as hydroponics (out-of-soil cultivation on a neutral substrate irrigated with water enriched with minerals and nutrients). The vegetables, fruits, aromatic herbs, and edible flowers that they produce may be added to the restaurants' menu, used in cocktails, aromatic oils, and infusions of spas or infusions offered.

650 M² OF VEGETABLES, FRUITS, AND FLOWERS AT THE FOOT OF THE EIFFEL TOWER

Some Group hotels have already shown the way by creating a vegetable garden. The Pullman Paris Tour Eiffel, nestled in the heart of the French capital, has created a 650 m² vegetable garden with vegetables, fruits, flowers and aromatic herbs, including a chicken coop and four hives.

A daily source of fresh produce for the hotel restaurant with 500 kg of fruit and vegetables a year, it is also a refuge for biodiversity.

In November 2016, a tool created with an expert company was made available to the hotels to help them in the creation of a vegetable garden. It provides teams with convincing arguments and recommendations at each stage of setting-up the vegetable garden. This site has enabled hotel owners to create their vegetable garden project with a few clicks based on different criteria,

such as climate, available space (garden, balcony, roof, facade, etc.), the desired use of the products (in the bar, in the kitchen, sharing with guests, etc.). According to these criteria, the site identifies different varieties of plants suited to the hotel's project and provides numerous tips and techniques to start its garden, on its own or with the help of a specialized service provider.

Nine pilot projects are underway in Parisian hotels, some of which are testing advanced techniques, such as aeroponics: the support, water and nutrient supply functions usually filled by the soil are provided by "plant supports" and continuous inorganic salt-based nutrient solution sprays (mist) being circulated in a closed circuit by means of a pump.

Strong vegetable garden development dynamics were implemented in 2016, so as of December 31, the Group already had 521 vegetable gardens (17% of hotels).

ACCORHOTELS AND THE PROTECTION OF BIODIVERSITY

The Group is a strong proponent of the preservation of biodiversity, an important factor in the tourist appeal of many geographies. AccorHotels' commitment is embodied in several concrete programs.

At the level of hotels (which contribute approx. 10% to the Group's footprint on biodiversity):

- **the development of urban farming**, which is one of the commitments of Planet 21 *Acting Here!* through vegetable gardens;
- **the rational management of the gardens** with the "Use eco-friendly landscape maintenance products or ban chemical treatments" action, in which 36% of the hotels participated as of the end of 2016;
- **control of discharges** is a lever to reduce the Group's impact on biodiversity, and it is one of the 16 mandatory actions of Planet in Action.

In upstream farming operations (which contribute approx. 90% to the Group's footprint on biodiversity):

- the "**Plant for the Planet**" program (see page 87) which exists alongside actions in favor of insetting (page 80);
- the commitment to promote **healthy and responsible eating** in its restaurants (see page 97), for example by increasing the use of products from organic or rational farming, or by not offering endangered species of fish on the menu;
- the commitment to promote **eco-friendly products** such as furniture using certified wood (see page 76).

2.9 MEASURING AND ASSESSING PERFORMANCE

2.9.1 CSR INDICES AND STANDARDS

AccorHotels is included in several internationally recognized indices and standards:

- Euronext Vigeo Index: Europe 120;
- FTSE4Good Index;
- Ethibel Sustainability Index (ESI), Excellence Europe & the Ethibel Sustainability Index (ESI), Excellence Global;
- STOXX® Global ESG Leaders indices;
- Standard Ethics French Index;
- MSCI Europe Index and Middle East ESG Index Ratings.

Furthermore, AccorHotels has been participating in CDP Carbon since 2006. This international organization asks leading

corporations to report on their climate change strategies, their approach to carbon cost imposition and their greenhouse gas emissions performance. In 2016, the Group obtained a rating of C (the average rating of the CDP climate program).

AccorHotels reached the Gold level for the evaluation performed by EcoVadis.

AccorHotels has received the "Silver Class Sustainability Award 2017" based on the scoring on the "RobecoSAM's annual Corporate Sustainability Assessment (CSA)".

2.9.2 AWARDS AND RECOGNITION

In 2016, Accor was awarded a number of international prizes.

SUSTAINABLE DEVELOPMENT - PLANET 21

In the Asia-Pacific region, AccorHotels won the "Gold Award for Excellence in CSR Strategy" for its "Planet 21: Acting for positive hospitality" program.

At the beginning of 2016, AccorHotels was awarded the Gold Medal by the Société Française des Analystes Financiers during its 8th *Forum des Relations Investisseurs* (Investor Relations Forum), in the "Best Investor Relations in Sustainable Development" category.

In China, AccorHotels also received an award for its Planet 21 program in the "Best Green Operation" category for Planet 21 during the "Invest in Green Future CSR and Innovation 2016" summit held in Shanghai.

HUMAN RESOURCES

In 2016, the AccorHotels Group was selected as "Best Company" in the Ethical Corp Awards program.

In the Asia-Pacific region, AccorHotels received the "Silver Award for Excellence in Mature Workforce Programmes" presented during the "Human Resources Excellence Awards" which is held in Singapore.

2.9.3 APPLICATION OF THE "APPLY OR EXPLAIN" PRINCIPLE

CONTROLLING LOCAL ENVIRONMENTAL IMPACTS

Apart from the challenge of climate change, most of the environmental impacts faced by AccorHotels are local challenges: water consumption and discharge, water scarcity, impacts on the biodiversity, production of waste. The Group is aware that these local factors are part of its challenge, and it has worked to find local responses, by mobilizing its hotels and employees, designing hotels that are more environmentally sensitive, etc. All of the environmental topics discussed in this document are a testament to this approach and its local dimension.

Land use

The vast majority (83%) of AccorHotels hotels are located in downtown and suburban areas, where local treatment services, especially for water and waste, are available.

For building and refurbishment projects in environmentally sensitive areas, detailed environmental studies are conducted to anticipate and minimize any adverse impact on their surroundings. A siting and environmental integration study is required before construction, including a pollution study by a qualified engineering firm, as specified in the AccorHotels technical standards, which must be adhered to for HotelInvest construction projects.

Inconveniences for the neighborhood

The guides for the construction and renovation of hotels specify that hotels must be designed in a way that minimizes any disturbances for neighboring properties, both noise-related and climate-related. As such, the effects of the construction on natural lighting and wind for neighboring buildings must be studied by experts. Utility rooms and air intake and exhaust vents in particular must be designed and located such that they limit any disturbances (noises, smells, visual), and areas that are particularly noisy (bars, parking lots) must have appropriate shelter or fencing.

2.9.4 METHODOLOGICAL REVIEW

This section explains the methodology applied in our corporate, social, and environmental responsibility reporting process. This process is based on a reporting protocol that provides full, detailed specifications on responsibilities, Accor definitions, methods for measuring data and indicators, and areas at risk requiring particular attention. It also describes country-specific features, which are frequently updated. The protocol in French and English has been sent by headquarters to everyone responsible for the reporting process and is available for translation into other host country languages.

Performance is measured through four types of indicators:

- employee relations indicators;
- Planet 21 in Action indicators, which cover the environmental and social responsibility actions deployed in the hotels;
- indicators used to manage water use, energy use and greenhouse gas emissions;
- additional employee-relations indicators and sustainable procurement indicators.

The reporting period is January 1 to December 31, 2016.

HUMAN RESOURCES

Group-wide quantitative reporting takes place twice per year. Annual reports are used as the basis for publications.

Qualitative data is reported at the end of each yearly period.

Quantitative reporting

Reporting scope and frequency

Employee data are reported for:

- employees of owner or leased hotels. These are employees of the AccorHotels Group. People who work in the managed hotels are included in the report;
- employees of managed hotels. Employees working in these hotels are not employees of the AccorHotels Group, but are under AccorHotels management, except for certain cases in hotels where AccorHotels employees are on assignment;
- employees of Adagio owner or leased hotels in France.

Employee data do not include:

- employees of owned, leased, and managed hotels closed as of December 31, 2015;
- employees of owned, leased, and managed hotels opened after November 30, 2015;
- contingent workers, interns, and temporary workers;
- employees of franchised hotels or units in which AccorHotels owns an equity interest but does not exercise any management responsibility (commission-based management contracts and Adagio Aparthotels outside France).

In 2016, indicator data could not be reported from a hotel in Germany, Switzerland, Brazil, Indonesia, and New Zealand and 24 hotels in France.

Certain hotels are managed under co-ownership agreements (especially in Australia and New Zealand). Reports on workers at these hotels are provided for one of the two hotels, and therefore only for one brand.

Furthermore, FRHI data is not fully available for the financial year 2016 and these are therefore not consolidated. This data is published for information and is not audited. Data of FRHI establishments will be consolidated in 2017.

Reporting application

Employee data is reported and the related indicators managed via the proprietary HR DATA application that was revamped in 2009 and redeployed in 2010. The application has been steadily upgraded with new features to enhance user-friendliness and improve the reliability of the reported data.

Reporting and control process

The corporate reporting process is defined in the “**Human Resources Reporting Protocol**”. This document applies to everyone involved in reporting, from the head offices of the Group to hotels. It provides a detailed, comprehensive description of Group procedures and definitions, the methods used to measure data and indicators, and the areas at risk that require particular attention. It also describes country-specific features, which are frequently updated.

The protocol in French and English has been sent by the Talent & Culture Department to everyone responsible for the reporting process.

Reporting officers have been designated at three levels to collect, enter, verify and validate employee data, in compliance with the human resources reporting protocol:

- at the level of the hotels:
 - collect and validate hotel data,
 - confirm the completeness of the data;
- Country level:
 - confirm the completeness of the data,
 - verify and validate the data reported from all of the hotels in its scope of operations;
- Corporate level:
 - coordinate the consolidation of data from across the Group,
 - confirm the completeness of the data,
 - ensure the consistency of reported data and correct any errors after verification with the regional manager.

Indicators

Number of payroll and non-payroll employees

Workforce indicators are measured and disclosed on the basis of the **monthly average number of employees**.

Disabled employees are only included as such if officially recognized in the countries where they work. AccorHotels therefore considers that this indicator might slightly underestimate the number of disabled employees working for the Group.

To estimate the number **of employees** in franchised hotels, the number of rooms in the franchised hotel base has been multiplied by the average number of actual employees per room in our owned, leased and managed hotels. These estimated figures have been adjusted to reflect the characteristics of each brand and of the country or region where the owned, leased, managed, and franchised hotels are located. For example, an ibis hotel requires many fewer employees than a Sofitel.

The job category **classification** is specified as follows:

- an employee with **non-manager** status follows set procedures and goals. He or she does not work closely with the site Director and is not responsible for any hierarchical or financial processes;
- an employee with **intermediate management** status has a great deal of autonomy in making decisions and must fulfill at least two of the following responsibilities: hierarchical responsibility (responsible for evaluating, recruiting, and remuneration for one or more employees), in relationship with their job (autonomy and level of responsibility), or financial responsibility (budgeting, costs, profits);
- an employee with **Director** status is the General Manager, or in the offices, is characterized by significant autonomy and responsibility for the profits in their section. A director is responsible for setting goals, determining procedures, and coordinating all entities for which he is responsible. General Managers at hotels, for a limited number of hotels, include the Area Manager or DOP positions when they are assigned to a hotel and not to the head offices, especially in South America.

Employee movements

Every employee movement during the period is reported, regardless of the type of job contract. A departure is not recorded as a movement in the following cases:

- when an employee changes from a non-permanent to a permanent contract;
- when a non-permanent contract is renewed without interruption;
- when an employee transfers to another position in the Group.

Separations due to job abandonment are recorded as dismissals, inasmuch as such abandonment is at the employee's initiative, whereas termination is at the employer's initiative. Internal transfers to a managed hotel not considered as a transfer may be considered a departure at the initiative of the employee.

Absenteeism

Days absent are reported in number of business days, as defined by local labor legislation.

Three categories are considered:

- medical leave (including leave for illness of the employee, illness of the employee's child, work-related illness and commuting accidents). This category does not include maternity or paternity leave;
- workplace or commuting accidents;
- unauthorized leave. This does not give rise to any direct costs for the Group because it covers unauthorized absences without pay, depending on local labor laws. This means that their number may be underestimated, because unpaid leave is not always tracked by local human resources departments.

The lost-time injury rate is calculated as follows: number of work accidents causing at least one day of lost time – or according to duration in local legislation – compared with the number of hours worked x 1,000,000.

The calculation of hours worked was modified in 2016 to standardize the data returns. Hours worked are calculated as follows: total hours paid – (effective, theoretical hours of leave).

The **injury severity rate** is calculated as follows: absences due to work accidents divided by the number of hours worked x 1,000.

The incident severity rate is calculated according to the number of absences related to workplace or commuting accidents.

Fatal workplace accidents are included in the number of lost-time incidents or commuting incidents. An accident is considered fatal if the employee dies within 365 days following the incident.

Training

From 2014, training is measured in number of hours. The **number of training hours** reported includes courses conducted by Académie AccorHotels, AccorHotels managers and contract service providers for hotels and head offices.

The number of hours' training is counted differently by different local systems.

In addition, some training provided in hotels is omitted from group reporting in countries where centralized systems are used. In fact, training-specific information systems do not track job take-up training or non-brand-program training provided by management using specialist equipment provided by Académie AccorHotels.

The number of payroll and non-payroll employees who received training at least once is calculated as follows: a person who has received training counts once, even if they received training several times over the reporting period. However, because people are often counted every time they attend a course, this tends to over-estimate the total number.

Qualitative reporting

Qualitative reporting is requested of the members of the international Talent & Culture network involved in quantitative reporting. In 2016, qualitative reporting covered 1,943 hotels, which corresponds to 98% of the quantitative reporting scope (in number of hotels). It is self-assessed, and is done using Excel files sent to the T&C correspondents for quantitative reporting, for each area.

Qualitative reporting was reworked in 2015 to improve the quality of the data.

Collective agreements

In 2016, for greater relevance, coverage on collective agreements signed is reported by number of agreements signed and hotels covered by an agreement and not by percentage of employees covered.

PLANET 21 IN ACTION

Reporting scope and frequency

The Planet 21 in Action 21 indicators cover all of the owned, leased, managed, and franchised hotels, except for:

- hotels that joined the AccorHotels network after September 15 of the reporting year;
- hotels that were no longer part of the AccorHotels network as of December 31 of the reporting year;
- Thalassa sea and spa facilities, whose data are often reported with their host hotel's;
- hotels that were closed for renovation or other reasons during the reporting period or that suffered an exceptional event, such as a flood or an earthquake, that disrupted their operations during the reporting period;
- hotels forming part of a brand, in which AccorHotels' stake is less than 50%, e.g. Mama Shelter;
- FRHI and Adagio Access hotels due to their ongoing integration into the Planet 21 program.

Planet 21 in Action 21 indicators are reported annually.

Indicators

Planet 21 in Action data are reported by the hotels concerned. Results are expressed as a percentage comparing the number of hotels implementing a given action to the total number of hotels applying Planet 21 in Action. Some actions apply only to hotels equipped with special facilities, such as a restaurant or laundry. In this case, the percentage of hotels is calculated based solely on the total number of hotels concerned.

Data collection and control

Hotels enter Planet 21 in Action data annually and verify them in the GAIA application. The data then go through four checks:

- by the hotel: the person in charge of reporting at the hotel uses the Planet 21 in Action sheets to ensure that the actions in question have effectively been carried through;
- by the person in charge of Planet 21 in Action reporting at the country level: checks compliance with deadlines, fit with definitions, and data consistency;
- by the person in charge of Planet 21 in Action reporting at the corporate level: consolidates and checks the data;
- quality audits are performed every year in the hotels, covering the ten actions corresponding to the Bronze level of Planet 21 in Action.

Indicators related to the presence of a restaurant are not completely reliable, action will be implemented in 2017 to enhance the reliability of such data.

WATER AND ENERGY

Scope of reporting

The scope of reporting covers all of the owned, leased or managed AccorHotels brand hotels open at December 31 of the reporting year, except for hotels that are being gradually integrated into the AccorHotels network or are incapable of measuring use:

- hotels that joined the network after September 15 of the reporting year;

- new acquisitions during the reporting year that are not under an AccorHotels banner;
- hotels closed for renovation during the reporting period;
- Thalassa sea and spa facilities, whose data are often reported with their host hotel's;
- independently operated units or structures and franchised hotels;
- hotels under commission-based management contracts (some ibis *budget*, hotelF1 and Formule 1 hotels);
- Mercure Appartement in Brazil;
- ancillary in-hotel activities, such as retail outlets and residential units, that are not managed by AccorHotels assuming their data can be clearly segregated.

The FRHI data is not fully available for the financial year 2016 and these are therefore not consolidated. This data is published for information and is not audited. FRHI data will be consolidated in 2017.

Indicators

Water use

Reported water use is the total amount of water used over the year by the hotels, regardless of purpose (food services, grounds watering, etc.).

Water from hotel pumping facilities is also measured, if they are metered.

Recycled rain or wastewater is also measured, if they are metered.

Total water use is expressed in m³.

Energy consumption

Reported energy use is the final amount of energy used by the hotel.

Reported energy is the total amount of energy used over the year by the hotels, regardless of source (electricity, gas, etc.) or purpose (lodging, food services, etc.).

Total energy use is expressed in MWh.

Fuel energy is calculated on the basis of each unit's heating value (HV).

Use data reported by the hotels are expressed by type of energy.

Greenhouse gas emissions

Direct emissions correspond to fuels burned at the hotels and indirect emissions correspond to the electricity used by the hotels, and the heat and air conditioning supplied by urban heating and cooling networks.

Energy use is converted by using updated emission factors from the resource center on greenhouse gas reports/ADEME (<http://www.bilans-ges.ademe.fr>).

Total greenhouse gas emissions are expressed in equivalent tonnes of CO₂.

Data collection and control

Each hotel enters its monthly water and energy consumption data and validates them in the OPEN reporting application. The data are then checked by the country or regional organization and again at Group level over the first ten months of the reporting year. They are re-checked over the entire twelve months at each level (country/region and Group).

Hotel carbon emissions are calculated from previously reported energy use data, as follows:

- direct emissions correspond to the gas and fuel oil burned in hotel boilers;
- indirect emissions correspond to the electricity used by the hotels, as well as the heat and air conditioning supplied by urban heating and cooling networks.

Greenhouse gas emission coefficients used (for electricity and fuel) come from the resource center for greenhouse gas reporting/ADEME (<http://www.bilans-ges.ademe.fr>).

PROCUREMENT

Scope of reporting

The indicator tracking the Group's consolidated volume of purchases (€4.1 billion in 2015) covers all of the hotel operating structures and includes purchases from nominated suppliers, as well as estimated purchases from non-nominated suppliers by the country Procurement Departments in countries where they exist.

The other indicators cover purchases from nominated suppliers.

Data are reported from the 19 Procurement Departments representing the largest purchasing volumes, including the Corporate Procurement Department.

The 18 Procurement Departments that have provided data are: Australia, Austria, Belgium and Luxembourg, Brazil, China, France, Germany, Hungary, Italy, Morocco, the Netherlands, New Zealand, Poland, Portugal, Spain, Switzerland, the United Arab Emirates, and the United Kingdom. Data was also reported by the Corporate Purchasing Department.

In 2016, contracts between AccorHotels and active suppliers as at December 31, 2016 are included. This means that a supplier who has terminated his agreement in the course of the year is not included in the reporting, whereas a contract that began during the year is included.

The number of suppliers was counted by "supplier entity".

The purchasing volumes managed by the Corporate Purchasing Departments were not included in the graph on page 81 entitled "Purchases from nominated suppliers by family (in %)".

Indicators

Signing the Procurement Charter 21: percentage of suppliers that signed the Procurement Charter 21, in comparison to the total number of suppliers.

CSR assessments: percentage of assessments carried out by supplier with Ecovadis or AFNOR Acesa in relation to the number of suppliers in risk and high risk categories.

CSR audits: percentage of external audits performed with suppliers (environmental and social audits), in relation to the number of high-risk suppliers.

Action plans: percentage of action plans monitored in relation to the number of risk and high-risk suppliers.

Data collection and control

Depending on the indicator, data may be reported by suppliers, buyers (via online reporting applications) and/or third parties.

They are initially checked by the country Procurement Manager. The latter ensures that they are accurate and consistent with the rest of the information.

They are then re-checked by the corporate sustainable Procurement reporting manager.

Purchasing audits review compliance with the sustainable procurement issues described in the "Indicators" chapter.

PLANT FOR THE PLANET

Reporting scope and frequency

"Plant for the Planet" indicators cover all of the owned, leased, managed, and franchised hotels participating in the program excluding the budget segment (hotelFI), Adagio, Middle-East (except UAE), Algeria, etc.

Data are collected based on the payment campaigns conducted in June and December of each year.

Indicators

Number of hotels participating: this figure is based on the number of payments received by Pur Projet and its partners during in 2016.

Number of trees financed: this figure is calculated by dividing the sum of donations received by Pur Projet and our traditional NGO partners in the "Plant for the Planet" program by the unit cost of the trees, as reported by these same partners.

Data control

Since 2013, the indicators have been controlled directly by Pur Projet, AccorHotels' partner in charge of supervising and managing the "Plant for the Planet" program.

2.9.5 INDICATOR TABLES

EMPLOYEE RELATIONS INDICATORS

Employee-relations indicators are presented by region when their change is highly dependent on local conditions. The other indicators are presented by operating structure.

Indicators	2015		2016			Change (excluding FRHI)	
	Owned and leased hotels	Owned, leased and managed hotels	Owned and leased hotels	Owned, leased and managed hotels	Owned, leased and managed hotels included in the FRHI*	Owned and leased hotels	Owned, leased and managed hotels
EMPLOYMENT COMMITMENTS							
Number of payroll and non-payroll employees	46,933	145,560	44,635	150,499	193,149	(2,298)	4,939
% women	55%	46%	55%	46%	45%	0%	0%
% men	45%	54%	45%	54%	55%	0%	0%
By age						0%	0%
Under 25	16%	18%	15%	18%	17%	(1)%	0%
25 to 34	34%	38%	34%	38%	38%	0%	0%
35 to 44	25%	24%	25%	24%	24%	0%	0%
45 to 54	17%	15%	17%	14%	15%	0%	(1)%
Over 55	8%	5%	8%	5%	7%	0%	0%
By seniority						0%	0%
Less than six months	12%	15%	13%	16%	15%	1%	1%
Six months to two years	22%	30%	23%	31%	30%	1%	1%
Two to five years	21%	24%	20%	23%	23%	(1)%	(1)%
Five to ten years	19%	15%	19%	15%	16%	0%	0%
Ten to twenty years	17%	11%	17%	11%	11%	0%	0%
More than twenty years	9%	5%	9%	4%	6%	0%	(1)%
% disabled	1.81%	0.93%	2.24%	1.04%	0.90%	0%	0%
Management							
% of total workforce	20%	15%	19%	15%	13%	(1)%	0%
% women	49%	42%	48%	42%	42%	(1)%	0%
% men	51%	58%	52%	58%	58%	1%	0%
Hotels Managers by age – total							
Under 25	1%	2%	1%	2%	2%	0%	0%
25 to 34	29%	35%	29%	35%	34%	0%	0%
35 to 44	36%	37%	37%	37%	38%	1%	0%
45 to 54	24%	20%	24%	20%	20%	0%	0%
Over 55	9%	6%	9%	6%	7%	0%	0%

Indicators	2015		2016		2016		Change (excluding FRHI)	
	Owned and leased hotels	Owned, leased and managed hotels	Owned and leased hotels	Owned, leased and managed hotels	Owned, leased and managed hotels included in the FRHI*	Owned and leased hotels	Owned, leased and managed hotels	
Hotels Managers by age – hotels								
Under 25	1%	2%	1%	2%	2%	0%	0%	
25 to 34	31%	36%	30%	36%	35%	(1)%	0%	
35 to 44	36%	37%	36%	37%	38%	0%	0%	
45 to 54	23%	19%	23%	19%	19%	0%	0%	
Over 55	9%	6%	9%	6%	6%	0%	0%	
Hotel General Managers	1,006	1,732	889	1,706	1,812	(117)	(26)	
% women	31%	27%	34%	29%	28%	3%	2%	
% men	69%	73%	66%	71%	72%	(3)%	(2)%	
including % host country nationals	82%	73%	N/A	N/A	N/A	N/A	N/A	
Working conditions								
% full-time employees	85%	92%	N/A	N/A	N/A	N/A	N/A	
% part-time employees	15%	8%	N/A	N/A	N/A	N/A	N/A	
Average number of days of medical leave per employee over the year	10.6	5.8	9.0	5.0	N/A	(1.6)	(0.8)	
Of which due to workplace accidents	1.4	0.7	0.8	0.4	N/A	(0.6)	(0.3)	
Average number of days of unauthorized leave per employee over the year	0.7	0.7	0.6	0.6	N/A	(0.1)	(0.1)	
Lost-time injury rate resulting from workplace accidents	20.9	11.9	18.6	12.1	N/A	N/A	N/A	
Incident severity rate for workplace and commuting accidents	0.8	0.4	0.5	0.3	N/A	N/A	N/A	
Number of fatal workplace and commuting accidents	1	8	1	4	N/A	0	(4)	

* FRHI hotels data will be consolidated in 2017. In 2016, based on 116 FRHI establishments that reported their data, global indicators are presented for information and transparency.





	France		Europe (excluding France and Mediterranean)		Mediterranean, Middle East and Africa		Asia-Pacific		The Americas		Total	
	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016
Owned and leased hotels	15,353	14,065	16,275	15,608	5,292	5,316	3,397	2,635	6,616	7,011	46,933	44,635
Upscale luxury hotels	2,124	2,266	1,634	1,726	1,402	1,437	264	55	1,491	1,619	6,915	7,103
Midscale hotels	5,639	4,744	8,527	7,863	1,756	1,791	1,368	1,356	1,721	1,773	19,011	17,527
Economy hotels	5,258	4,730	4,744	4,649	1,768	1,705	1,012	460	2,746	2,900	15,528	14,444
International head offices	954	1,058	1,370	1,370	366	383	753	764	658	719	4,101	4,294
Holding company - payroll employees	1,378	1,267	0	0	0	0	0	0	0	0	1,378	1,267
Managed hotels - non-payroll employees	1,859	2,452	5,949	6,991	15,559	16,103	65,243	71,027	10,017	9,291	98,627	105,864
Upscale luxury hotels	1,271	1,214	1,739	1,828	8,879	9,401	33,543	37,256	3,739	3,248	49,171	52,947
Midscale hotels	516	1,183	3,072	3,779	4,880	4,766	25,984	27,816	4,507	4,099	38,959	41,643
Economy hotels	72	55	1,138	1,384	1,800	1,936	5,716	5,948	1,771	1,944	10,497	11,267
International head offices	0	0	1,370	0	366	0	753	7	658	0	4,101	7
TOTAL EMPLOYEES	17,212	16,517	22,224	22,599	20,851	21,419	68,640	73,662	16,633	16,302	145,560	150,499
Training												
Total training hours	116,018	153,229	265,182	281,913	370,773	254,885	1,832,903	2,013,559	457,596	387,827	3,042,472	3,091,413
Number of employees having attended at least one training course	6,936	7,712	19,278	19,676	17,525	16,808	72,965	78,250	16,245	16,398	132,949	138,844
Employee movements												
New hires	8,225	6,688	9,298	9,500	7,073	7,347	32,088	36,577	9,835	8,506	66,519	68,618
Separations	10,093	11,059	8,704	9,354	5,853	7,113	29,104	33,148	7,316	6,526	61,070	67,200
Resignations	1,618	1,573	5,544	6,289	3,568	4,512	24,846	28,342	3,174	2,645	38,750	43,361
Terminations	914	1,081	1,482	1,532	789	973	2,318	2,692	3,406	3,490	8,909	9,768
Redundancy	22	48	66	125	50	82	108	52	22	6	268	313
Promotions												
Total number of promotions	402	N/A	1,097	N/A	1,037	N/A	5,310	N/A	1,103	N/A	8,949	N/A
of which promotions of non-managers to middle managers	242	N/A	125	N/A	156	N/A	982	N/A	218	N/A	1,723	N/A

	France	Europe (excluding France and Mediterranean)	Mediterranean, Middle East and Africa	Asia-Pacific	The Americas	Total 2016
TOTAL EMPLOYEES FRHI* INCLUDED	17,413	25,023	29,622	82,457	38,634	193,149
Training FRHI* included						
Number of employees having attended at least one training course	8,608	22,100	25,011	87,045	38,730	181,494
Employee movements FRHI* included						
New hires	7,080	10,497	9,517	39,181	15,123	81,398
Separations	11,454	10,422	9,484	35,965	12,790	80,115
Resignations	1,679	7,094	5,943	30,777	6,582	52,075
Terminations	1,128	1,617	1,464	2,914	4,266	11,389
Redundancy	48	138	199	65	28	478

* FRHI hotels data will be consolidated in 2017. In 2016, based on 116 FRHI establishments that reported their data, global indicators are presented for information and transparency.




ENVIRONMENTAL AND SOCIAL RESPONSIBILITY INDICATORS

Scopes of reporting

	Scope of reporting	2016	
		Owned, leased and managed hotels	Owned, leased, managed and franchised hotels
Total number of AccorHotels hotels in the consolidation scope		2,089	3,898
Number of hotels applying Planet 21 in Action		1,892	3,135
■ response rate		91%	80%
■ With restaurants		1,432	2,402
Number of hotels Water, Energy and Carbon		1,897	1,970
■ response rate		88%	88%

Results for Bronze initiatives

	Scope of reporting	2016	
		Owned, leased and managed hotels	Owned, leased, managed and franchised hotels
Appoint a person in charge of Planet 21		99%	98%
Raise employees' awareness of the need to respect the Group's ethical values and rules		97%	95%
Raise employees' awareness of environmentally friendly practices for their jobs		98%	97%
By default, reuse the bed linen for stays of more than one night		99%	99%
Offer complimentary, eco-friendly products (soaps, shower gels, shampoos)		85%	87%

	Scope of reporting	2016	
		Owned, leased and managed hotels	Owned, leased, managed and franchised hotels
Display key communication indicators on Planet 21		98%	96%
Use eco-labeled cleaning products		98%	96%
Participate in the "Plant for the Planet" program		75%	62%
Deploy the child protection program WATCH		86%	85%
Ban endangered species of fish		98%	97%
Measure and analyze monthly water and energy consumption. Act in the event of drift		100%	98%
Comply with the water flow standard for all showerheads, faucets and toilets		94%	94%
Ensure that all wastewater is treated		98%	97%
Use energy-efficient bulbs		97%	97%
Sort and have your hazardous waste sorted using appropriate channels		96%	95%
Sort and recycle at least 2 types of waste: paper, glass, card or plastics		91%	92%

Energy, carbon and water Indicators

Indicators	2015		2016		% change at comparable scope of reporting	
	Perf. owned, leased and managed hotels	Perf. owned, leased, managed and franchised hotels	Perf. owned, leased and managed hotels	Perf. owned, leased, managed and franchised hotels	Perf. owned, leased and managed hotels	Perf. owned, leased, managed and franchised hotels
Energy and carbon footprint						
Total energy used	4,063 GWh	NA	4,231 GWh	NA	(2.4)%	NA
Total CO ₂ emission	1,727 thousand teq CO ₂	NA	1,859 thousand teq CO ₂	NA	(2.5)%	NA
Direct emissions	302 thousand teq CO ₂	NA	255 thousand teq CO ₂	NA	(1.9)%	NA
Indirect emissions	1,425 thousand teq CO ₂	NA	1,604 thousand teq CO ₂	NA	(2.6)%	NA
Water						
Total water use	33.0 million m ³	NA	33.9 million m ³	NA	(1.8)%	NA
Local environmental impacts						

2.10 INDEPENDENT VERIFIER'S REPORT ON CONSOLIDATED SOCIAL, ENVIRONMENTAL AND SOCIETAL INFORMATION PRESENTED IN THE MANAGEMENT REPORT

Year ended on December 31st, 2016

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

To the shareholders,

In our quality as an independent verifier, accredited by the COFRAC⁽¹⁾, under the number n° 3-1050, and as a member of the network of one of the statutory auditors of the company Accor, we present our report on the consolidated social, environmental and societal information established for the year ended on the December 31st, 2016, presented in the management report, hereafter referred to as the "CSR Information" pursuant to the provisions of the article L. 225-102-1 of the French Commercial code (*Code de commerce*).

RESPONSIBILITY OF THE COMPANY

It is the responsibility of the Board of Directors to establish a management report including CSR Information referred to in the article R. 225-105 of the French Commercial code (*Code de commerce*), in accordance with the protocols used by the company composed of the social reporting protocol, sustainable procurement reporting explanation sheets, Guidelines for the Planet 21 actions and sustainable development reporting protocol in their updated versions of 2016 (hereafter referred to as the "Criteria"), and of which a summary is included in paragraph 2.9.4 "Methodological review" of the management report.

INDEPENDENCE AND QUALITY CONTROL

Our independence is defined by regulatory requirements, the Code of Ethics of our profession as well as the provisions in the article L. 822-11 of the French Commercial code (*Code de commerce*). In addition, we have implemented a quality control system, including documented policies and procedures to ensure compliance with ethical standards, professional standards and applicable laws and regulations.

RESPONSIBILITY OF THE INDEPENDENT VERIFIER

It is our role, based on our work:

- to attest whether the required CSR Information is present in the management report or, in the case of its omission, that an appropriate explanation has been provided, in accordance with the third paragraph of R. 225-105 of the French Commercial code (*Code de commerce*) (Attestation of presence of CSR Information);
- to express a limited assurance conclusion, that the CSR Information, overall, is fairly presented, in all material aspects, in accordance with the Criteria;

Our verification work mobilized the skills of 6 people between July 2016 and the date of our report signature for an estimated duration of 14 weeks.

We conducted the work described below in accordance with the professional standards applicable in France and the Order of 13 May 2013 determining the conditions under which an independent third-party verifier conducts its mission, and in relation to the opinion of fairness and the limited assurance report, in accordance with the international standard ISAE 3000⁽²⁾.

(1) Scope available at www.cofrac.fr

(2) ISAE 3000 - Assurance engagements other than audits or reviews of historical information.

I. ATTESTATION OF PRESENCE OF CSR INFORMATION

Nature and scope of the work

We obtained an understanding of the company's CSR issues, based on interviews with the management of relevant departments, a presentation of the company's strategy on sustainable development based on the social and environmental consequences linked to the activities of the company and its societal commitments, as well as, where appropriate, resulting actions or programmes.

We have compared the information presented in the management report with the list as provided for in the Article R. 225-105-1 of the French Commercial code (*Code de commerce*).

In the absence of certain consolidated information, we have verified that the explanations were provided in accordance with the provisions in Article R. 225-105-1, paragraph 3, of the French Commercial code (*Code de commerce*).

We verified that the information covers the consolidated perimeter, namely the entity and its subsidiaries, as aligned with the meaning of the Article L. 233-1 and the entities which it controls, as aligned with the meaning of the Article L. 233-3 of the French Commercial code (*Code de commerce*).

Conclusion

Based on this work, we confirm the presence in the management report of the required CSR information.

II. LIMITED ASSURANCE ON CSR INFORMATION

Nature and scope of the work

We undertook 6 interviews with the people responsible for the preparation of the CSR Information in the different departments in charge of the data collection process and, if applicable, the people responsible for internal control processes and risk management, in order to:

- Assess the suitability of the Criteria for reporting, in relation to their relevance, completeness, reliability, neutrality, and understandability, taking into consideration, if relevant, industry standards;
- Verify the implementation of the process for the collection, compilation, processing and control for completeness and consistency of the CSR Information and identify the procedures for internal control and risk management related to the preparation of the CSR Information.

We determined the nature and extent of our tests and inspections based on the nature and importance of the CSR Information, in relation to the characteristics of the Company, its social and environmental issues, its strategy in relation to sustainable development and industry best practices.

For the CSR Information which we considered the most important⁽¹⁾:

- At the level of the consolidated entity, we consulted documentary sources and conducted interviews to corroborate the qualitative information (organisation, policies, actions, etc.), we implemented analytical procedures on the quantitative information and verified, on a test basis, the calculations and the compilation of the information, and also verified their coherence and consistency with the other information presented in the management report;
- At the level of the representative selection of entities that we selected⁽²⁾, based on their activity, their contribution to the consolidated indicators, their location and a risk analysis, we undertook interviews to verify the correct application of the procedures and undertook detailed tests on the basis of samples, consisting in verifying the calculations made and linking them with supporting documentation. The sample selected therefore represented on average 19% of headcount, 14% of hotels for Planet 21 indicators and 14% of listed suppliers for sustainable procurement that were considered as representative characteristics of the environmental and social domains.

For the other consolidated CSR information, we assessed their consistency in relation to our knowledge of the company.

(1) Social information:

Indicators (quantitative information): *headcount breakdown per sex and geographic zone; headcount out; hours of training; people trained; absenteeism; working accidents especially their frequency and severity.*

Qualitative information: *organization of social dialogue; review of collective agreements; implemented policies and measures in favor of equality between women and men; implemented policies and measures for employment and integration of disabled people; implemented policies and measures to fight discrimination.*

Environmental and societal information:

Indicators (quantitative information): *water consumption; energy consumption; significant greenhouse gas emissions generated as a result of the company's business, especially the use of produced goods and services; mandatory actions for Planet 21 in Action; number of listed suppliers and number of listed suppliers having signed the Group's Charter.*

Qualitative information: *the company's organization to take into account environmental issues; the environmental assessment approaches or certifications; actions taken for the prevention, recycling, other form of valorization and elimination of waste; actions taken against food waste; consideration of social and environmental issues in the procurement policy of the company; importance of subcontracting and addressing the social and environmental responsibility of suppliers.*

(2) Social: Saudi Arabia, Brazil, France, Georgia, Kazakhstan, Ukraine and Russia.

Environmental and societal information:

For Planet 21 indicators: Argentina, Brazil, Colombia, Ecuador, Italy, Paraguay, Peru, Portugal, Uruguay, Spain and Switzerland

For sustainable procurement: Brazil, United Arab Emirates and Switzerland.

Finally, we assessed the relevance of the explanations provided, if appropriate, in the partial or total absence of certain information.

We consider that the sample methods and sizes of the samples that we considered by exercising our professional judgment allow us to express a limited assurance conclusion; an assurance of a higher level would have required more extensive verification work. Due to the necessary use of sampling techniques and other limitations inherent in the functioning of any information and internal control system, the risk of non-detection of a significant anomaly in the CSR Information cannot be entirely eliminated.

Conclusion

Based on our work, we have not identified any significant misstatement that causes us to believe that the CSR Information, taken together, has not been fairly presented, in compliance with the Criteria.

Paris-La Défense, March 15, 2017

French original signed by:

Independent Verifier

ERNST & YOUNG et Associés

Éric Duvaud

Partner, Sustainable Development

Bruno Perrin

Partner



3

CORPORATE GOVERNANCE

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3.1 ADMINISTRATIVE AND MANAGEMENT BODIES

3.1.1 BOARD OF DIRECTORS

MEMBERSHIP OF THE BOARD OF DIRECTORS AT MARCH 21, 2017

Name	Inde- pendent	Gender	Nationality	Number of shares held	First appointed on	Date of latest mandate renewal	End of mandate
Sheikh Nawaf Bin Jassim Bin Jabor Al-Thani	No	M	Qatari	1,000	03/21/2017	N/A	AGM to approve financial statements for 2018
Aziz Aluthman Fakhroo	No	M	French	1,000	07/12/2016	N/A	AGM to approve financial statements for 2018
Vivek Badrinath	No	M	French	1,000	10/10/2016	N/A	AGM to approve financial statements for 2017
Jean-Paul Bailly	Yes	M	French	1,000	05/13/2009	04/28/2015	AGM to approve financial statements for 2017
Sébastien Bazin ⁽¹⁾	No	M	French	49,786	01/09/2006	04/29/2014	AGM to approve financial statements for 2016
Iliane Dumas ⁽²⁾	No	F	French	N/A	05/02/2014	N/A	05/02/2017
Mercedes Erra	Yes	F	French	1,000	02/22/2011	04/28/2015	AGM to approve financial statements for 2017
Sophie Gasperment	Yes	F	French	1,527	06/29/2010	04/22/2016	AGM to approve financial statements for 2018
Qionger Jiang	Yes	F	French	2,000	07/12/2016	N/A	AGM to approve financial statements for 2018
Iris Knobloch ⁽³⁾	Yes	F	German	1,000	04/25/2013	04/29/2014	AGM to approve financial statements for 2016
Bertrand Meheut	Yes	M	French	1,500	05/13/2009	04/28/2015	AGM to approve financial statements for 2017
Nicolas Sarkozy	Yes	M	French	1,000	02/21/2017	N/A	AGM to approve financial statements for 2018
Patrick Sayer	No	M	French	1,000	08/27/2008	04/22/2016	AGM to approve financial statements for 2018
Isabelle Simon	Yes	F	French	1,000	07/12/2016	N/A	AGM to approve financial statements for 2018
Natacha Valla	Yes	F	French	1,000	07/12/2016	N/A	AGM to approve financial statements for 2018
Sarmad Zok	No	M	Lebanese & British	1,000	07/12/2016	N/A	AGM to approve financial statements for 2018

(1) Chairman and Chief Executive Officer.

(2) Director representing employees.

(3) Senior Independent Director and Vice-Chairman of the Board.

SHEIKH NAWAF BIN JASSIM BIN JABOR AL-THANI - Director

- First appointed as a director on – March 21, 2017 ⁽¹⁾.
- Current term due to expire at the close of the Annual Shareholders' Meeting to be called to approve the financial statements for the year ended December 31, 2018.
- Number of Accor shares held: 1000.
- Born January 1, 1972 – Qatari national.
- Chairman of Katara Hospitality.

A graduate of Qatar University, Sheikh Nawaf began his career at Qatar Airways before joining Katara Hospitality as Chairman of the Board of Directors. Alongside his role with Katara Hospitality, Sheikh Nawaf is also Chairman of Al Hosn Investment Company S.A.O.C, based in Oman, and Deputy Chairman of the Sheikh Jassim Bin Jabor Charitable Foundation, which implements and oversees humanitarian and development projects.

Other positions held at December 31, 2016 with companies controlled⁽²⁾ by Katara Hospitality

Position	Company	Country
<i>Outside France</i>		
Legal Manager	Qatar National Hotels Morocco S.A.R.L	Morocco
Director	QNH Buddha Bar Properties FZ-LLC	United Arab Emirates

(1) Appointment submitted for approval at the Combined Annual and Extraordinary Shareholders' Meeting of May 5, 2017.

(2) Within the meaning of Article 233-16 of the French Commercial Code.

Other positions held at December 31, 2016 with companies not controlled⁽¹⁾ by Katara Hospitality

Position	Company	Country
<i>Outside France</i>		
Chairman	Al Hosn Investment Company S.A.O.C	Oman

Former positions held in the past five years

Position	Company
<i>In France</i>	
Member of the Board	GVE

Position	Company	Country
<i>Outside France</i>		
Chairman	Dhofar Tourism Company	Oman
Manager	H&G Management S.a.r.l	Luxembourg
Member of the Board	Qatari Diar	Qatar
Director	Creative Design FZ LLC	United Arab Emirates
Director	FRHI Holding Limited	Cayman Islands

AZIZ ALUTHMAN FAKHROO - Director

- First appointed as a director on July 12, 2016.
- Current term due to expire at the close of the Annual Shareholders' Meeting to be called to approve the financial statements for the year ended December 31, 2018.
- Number of Accor shares held: 1,000.
- Born July 20, 1977 - French national.
- Under-Secretary of State at the Ministry of Finance, Qatar.

Graduate of Paris ESLSA Business School. He founded and managed Idealys SARL, a 3D industrial simulation company before joining Qatar Investment Authority (QIA) in 2007. He was appointed Director of Mergers & Acquisitions at QIA, where he executed a large number of acquisitions between 2007 and 2013 representing a total of more than USD 25 billion. He was appointed Director of the Public Investment Management Department in Qatar's Ministry of Finance in January 2014 and then Director of Public Budget Department in March 2015. In December 2016, Aziz Aluthman Fakhroo was appointed Under-Secretary of State at this same Ministry.

Other positions held at December 31, 2016

Position	Company
<i>In France</i>	
Member of the Board	Axa Real Estate DVIII

Position	Company	Country
<i>Outside France</i>		
Member of the Board	Ooredoo Group	Qatar
Member of the Board	United Arab Shipping Company	United Arab Emirates
Member of the Board	Qatar RAIL	Qatar
Member of the Board	Canary Wharf Plc	United-Kingdom
Member of the Board	Chelsfield LLP	United-Kingdom

(1) Within the meaning of Article 233-16 of the French Commercial Code.

Former positions held in the past five years

Position	Company	Country
<i>Outside France</i>		
Member of the Board	CITIC Capital	Hong Kong
Chairman	Ooredoo Myanmar Ltd	Burma
Member of the Board	Ooredoo Kuwait	Kuwait

VIVEK BADRINATH - Director

- First appointed as a director on October 10, 2016⁽¹⁾.
- Current term due to expire at the close of the Annual Shareholders' Meeting to be called to approve the financial statements for the year ended December 31, 2017.
- Number of Accor shares held: 1,000.
- Born June 27, 1969 - French national.
- Chief Executive Officer, Vodafone AMAP (Africa, Middle East and Asia Pacific).

After graduating from École Polytechnique and École Nationale Supérieure des Télécommunications (ENST), Vivek Badrinath began his career at the French Ministry of Industry in 1992. In 1996, he joined Orange in the Group's Long Distance Networks Department before becoming CEO of Thomson India in 2000. He returned to Orange in 2004 as Chief Technical Officer of the mobile division and was appointed to the Group's Executive Committee in 2009 as Director of the networks and operators division. Between April 2010 and April 2012, Vivek Badrinath was CEO of Orange Business Services before being appointed Deputy CEO in charge of Innovation, Marketing and Technologies on May 1, 2013. He was Deputy Chief Executive Officer, Marketing, Digital Solutions, Distribution and Information Systems for AccorHotels between March 2014 and October 2016 before joining Vodafone as Chief Executive Officer, AMAP.

Other positions held at December 31, 2016 with companies controlled⁽²⁾ by Vodafone

Position	Company	Country
<i>Outside France</i>		
Director	Vodafone India Ltd	India
Director	Vodafone Qatar	Qatar
Director	Vodafone	South Africa
Director	Vodafone Hutchison Australia	Australia

Other positions held at December 31, 2016 with companies not controlled⁽²⁾ by Vodafone

None.

Former positions held in the past five years

Position	Company
<i>In France</i>	
Chairman	Actimos
Chairman	Fastbooking
Director	Viaccess
Director	Soft At Home

(1) Appointment submitted for approval at the Combined Annual and Extraordinary Shareholders' Meeting of May 5, 2017.

(2) Within the meaning of Article L. 233-16 of the French Commercial Code.

Position	Company	Country
<i>Outside France</i>		
Director	Nokia	Finland
Director	AAPC India	India
Director	ICH India	India
Director	Mauritius Telecom	Mauritius

JEAN-PAUL BAILLY - Independent director⁽¹⁾

- First appointed as a director on May 13, 2009.
- Current term due to expire at the close of the Annual Shareholders' Meeting to be called to approve the financial statements for the year ended December 31, 2017.
- Number of Accor shares held: 1,000.
- Born November 29, 1946 - French national.
- Honorary Chairman of the La Poste Group.

Jean-Paul Bailly has been a member of the Economic, Social and Environmental Council since 1995. After graduating from École Polytechnique and the Massachusetts Institute of Technology, he

began his career in 1970 with the Paris Transit Authority (RATP). In 1978, he took over the running of French technical cooperation programs in Mexico before moving back to RATP in 1982, where he held a number of positions, including Departmental Director, Bus Rolling Stock, director of the Paris Metro and RER suburban rail system, and Human Resources Director. He became Deputy Chief Executive Officer of RATP in 1990 and then served as RATP's Chairman and Chief Executive Officer between 1994 and 2002. Between 1997 and 2001, Jean-Paul Bailly was also President of the International Association of Public Transport (UITP). He was Chairman and Chief Executive Officer of La Poste from 2002 to 2013.

Other positions held at December 31, 2016

Position	Company
<i>In France</i>	
Director	Edenred
Chairman of the Supervisory Board	Europcar

Former positions held in the past five years

Position	Company
<i>In France</i>	
Chairman and Chief Executive Officer	La Poste
Chairman of the Supervisory Board	La Banque Postale
Member of the Supervisory Board	La Banque Postale Asset Management
Permanent representative of La Poste on the Board of Directors	GeoPost
Permanent representative of La Poste on the Board of Directors	Sofipost
Permanent representative of La Poste on the Board of Directors	Post Immo
Director	Sopassure
Director	CNP Assurances

(1) In accordance with the criteria defined in the AFEP/MEDEF Corporate Governance Code.

SÉBASTIEN BAZIN – Chairman and Chief Executive Officer

- First appointed as a director on January 9, 2006. Previously a member of the Supervisory Board from May 3, 2005.
- Current term due to expire at the close of the Annual Shareholders' Meeting to be called to approve the financial statements for the year ended December 31, 2016.
- Number of Accor shares held: 49,786.
- Born November 9, 1961 – French national.

Having earned a Masters in Business Management from Paris-Sorbonne University, Sébastien Bazin began his career in the US finance industry in 1985. In 1997, he joined Colony Capital, a private-equity firm, to set up and develop its European operations. During his 15 years with the firm, he managed and participated in a large number of investments in the hospitality industry (including the acquisition of luxury hotel chains Fairmont and Raffles), the acquisition and management of hotel assets from Compagnie Générale des Eaux and Club Méditerranée, the acquisition of an equity stake in Lucien Barrière Group, and the investment in AccorHotels. He is also Vice-Chairman of the Supervisory Board of the Gustave Roussy Foundation.

Other positions held at December 31, 2016 with companies controlled⁽¹⁾ by Accor

Position	Company
<i>In France</i>	
Director	Adagio SAS

Other positions held at December 31, 2016 with companies not controlled⁽¹⁾ by Accor

Position	Company
<i>In France</i>	
Chairman of the Board of Directors	Théâtre du Châtelet
Chairman	Bazeo Europe SAS
Legal Manager	CC Europe Invest
Legal Manager	SARL Rohan
Managing Partner	Bazeo Invest SNC
Managing Partner	SCI Nina
Managing Partner	SCI Haute Roche
Director	General Electric

Position	Company	Country
<i>Outside France</i>		
Director	Sisters Soparfi	Luxembourg
Director	China Lodging Group	China

(1) Within the meaning of Article L. 233-16 of the French Commercial Code.

Former positions held in the past five years

Position	Company
<i>In France</i>	
Chief Executive Officer	Colony Capital Europe
Chairman and Chief Executive Officer	Société d'Exploitation Sports & Événements SA
Chairman and Chief Executive Officer	Holding Sports & Événements SA
Chairman	Colony Capital SAS
Chief Executive Officer	Toulouse Cancéropole SAS
Chief Executive Officer	ColSpa SAS
Legal representative of Colony Capital SAS as Chairman	ColSpa SAS
Chairman	Colfilm SAS
Chairman	Colllkirch France SAS
Chairman	Data 4 SAS
Chairman	Lucia Investissement SAS
Chairman	Adagio SAS
Legal representative of Colony Capital SAS as Legal Manager	SC Georges V 302
Legal Manager	Colmed
Legal Manager	Colmassy SARL
Legal Manager	Société du Savoy à Méribel
Managing Partner	SCI Madeleine Michélis
Managing Partner	SCI Ranelagh
Vice-Chairman and Member of the Supervisory Board	Groupe Lucien Barrière
Director	Moonscoop IP
Director	Carrefour
Director	Edenred
Member of the Supervisory Board	ANF Immobilier (Les Ateliers du Nord de la France)

Position	Company	Country
<i>Outside France</i>		
Chairman	RSI	Belgium
Managing Director	Sisters Soparfi	Luxembourg
Chairman and director	Colyzeo Investment Management Ltd	United Kingdom
Legal Manager	La Tour S.à.r.l.	Switzerland
Legal Manager	La Tour Réseau de Soins SA	Switzerland
Legal Manager	Permanence de la Clinique Carouge	Switzerland

PHILIPPE CITERNE – Non-voting director

- First appointed as non-voting director on July 27, 2016.
- Current term as non-voting director due to expire on June 30, 2018.
- Number of Accor shares held: 1,521.
- Born April 14, 1949 – French national.

After graduating from École Centrale Paris and holding a number of positions in the French Finance Ministry, Philippe Citerne joined Société Générale in 1979, where he served as Vice-President of

Economic Research, Vice-President Finance and Vice-President Human Relations, before becoming a director, Deputy Chief Executive Officer and Co-Chief Executive Officer from 1997 to April 2009. Philippe Citerne served as the permanent representative of Société Générale on Accor's Supervisory Board between December 2003 and January 2006 and then as a director until July 27, 2016. He also acted as the Senior Independent Director and Vice-Chairman of the Board of Directors from 2013 to 2016.

Other positions held at December 31, 2016

Position	Company
<i>In France</i>	
Chairman	Télécom École de Management (Institut Mines Télécom)
Chairman	C2.O
Chairman	Filcico
Director	Edenred
Director	MK2
Member of the Supervisory Board	Lendix

Position	Company	Country
<i>Outside France</i>		
Chairman	Inverewe Capital	United Kingdom

Former positions held in the past five years

Position	Company
<i>In France</i>	
Director	Sopra Group
Director	Rexecode
Director	Accor

ILIANE DUMAS – Director representing employees

- First appointed as a director on May 2, 2014.
- Current term due to expire on May 2, 2017.
- Born March 5, 1971 – French national.
- Business project manager within the Group's Talent & Culture Department.

A graduate of École de Paris des Métiers de la Table, Iliane Dumas joined Accor in 1991, where she was initially part of the sales team in the Distribution Department. She has held several employee representative positions, notably Representative of the Central Works Council on Accor's Board of Directors. Iliane Dumas is currently business project manager within the Group's Talent & Culture Department. She is also a member of the Appointments & Compensation Committee and a judge at the Paris Employment Tribunal.

Other positions held at December 31, 2016

None.

Former positions held in the past five years

None.

MERCEDES ERRA - Independent director⁽¹⁾

- First appointed as a director on February 22, 2011.
- Current term due to expire at the close of the Annual Shareholders' Meeting to be called to approve the financial statements for the year ended December 31, 2017.
- Number of Accor shares held: 1,000.
- Born September 23, 1954 - French national.
- Executive President of Havas Worldwide.

A graduate of HEC business school and Paris-Sorbonne University, Ms. Erra began her career with Saatchi & Saatchi where she spent 14 years and reached the position of Chief Executive Officer. In 1995, together with Rémi Babinet, she founded BETC, which over the past 21 years has become France's leading advertising agency

and consistently ranks among the world's best creative agencies. Ms. Erra is also Chairman of the Board of Directors of Musée de l'Histoire de l'Immigration. She is involved in a variety of women's advocacy groups, as well as being an active member of the French Committee of Human Rights Watch. She is also a member of the Innovation 2030 and Childhood and Adolescence commissions put in place by the French government, and the Medici Committee set up by Amundi. She led the preparatory process of France's Advertising Industry Strategy Committee, which resulted in the signature of an industry contract on February 21, 2017, and has become Vice-President of the industry association. She also sits on the Boards of Directors of SNCF, the France Télévisions Foundation, the Elle Foundation and Entreprises pour la Cité.

Other positions held at December 31, 2016 with companies controlled⁽²⁾ by Havas Worldwide

Position	Company
<i>In France</i>	
Founder, Managing Director and member of the Management Board	BETC
Chairman	BETC Digital (formerly EURO RSCG 4D)
Chairman	Havas O4
Member of the Supervisory Board	Rosapark
Director	Havas
Director	Havas Worldwide Paris

Other positions held at December 31, 2016 with companies not controlled⁽²⁾ by Havas Worldwide

Position	Company
<i>In France</i>	
Vice-President	Commission Nationale Française pour l'Unesco
Member of the Board of Directors	Fondation du Collège de France
Director	Théâtre du Châtelet
Director	Opéra Comique
Director	SNCF
Director	Fondation Elle
Director	Fondation France Télévision

Former positions held in the past five years

Position	Company
<i>In France</i>	
Chief Executive Officer	Havas
Chairman of the Board of Directors	Euro RSCG
President	Euro RSCG France
Director	Absolut Reality
Director	Société de la Tour Eiffel

(1) In accordance with the criteria defined in the AFEP/MEDEF Corporate Governance Code.

(2) Within the meaning of Article L. 233-16 of the French Commercial Code.

SOPHIE GASPERMENT – Independent director⁽¹⁾

- First appointed as a director on June 29, 2010.
- Current term due to expire at the close of the Annual Shareholders' Meeting to be called to approve the financial statements for the year ended December 31, 2018.
- Number of Accor shares held: 1,527.
- Born August 1, 1964 – French national.
- Group General Manager, L'Oréal, Financial Communication and Strategic Prospective.

Sophie Gasperment is a graduate of ESSEC business school and of Insead. After 14 years in operational and strategic marketing positions, Sophie Gasperment was appointed General Manager of L'Oréal in the UK. She remained UK based for the next 14 years, notably as Chairman and Chief Executive Officer of The Body Shop International, the iconic English brand spanning 60 countries and ca. 20 000 people strong. Since 2014, Sophie Gasperment is the L'Oréal Group General Manager leading Financial communication and Strategic prospective. Sophie Gasperment also serves on the Supervisory board of Cimpress N.V.. Sophie Gasperment was appointed French Foreign Trade Advisor in 2005 and elected to the UK executive board.

Other positions held at December 31, 2016 with companies controlled⁽²⁾ by L'Oréal

None.

Other positions held at December 31, 2016 with companies not controlled⁽²⁾ by L'Oréal

Position	Company	Country
<i>Outside France</i>		
Supervisory Board, Director	Cimpress N.V.	Netherlands

Former positions held in the past five years

Position	Company	Country
<i>Outside France</i>		
Chairman and Chief Executive Officer	The Body Shop International Plc	United Kingdom

QIONGER JIANG – Independent director⁽¹⁾

- First appointed as a director on July 12, 2016.
- Current term due to expire at the close of the Annual Shareholders' Meeting to be called to approve the financial statements for the year ended December 31, 2018.
- Number of Accor shares held: 2,000.
- Born November 13, 1976 – French national.
- Chief Executive Officer and Artistic Director of Shang Xia.

Qionger Jiang is a graduate of the design school at Tongji University (China) and has also studied interior design and furniture design at École Nationale Supérieure des Arts Décoratifs de Paris. She founded a number of design companies before setting up the Chinese subsidiary of ArtCurial. In 2008, she teamed up with Hermès to set up Shang Xia, China's first luxury brand, of which she is Chief Executive Officer and Artistic Director. In 2013 and 2016, respectively, she was awarded the titles of *Chevalier des Arts et Lettres* and *Chevalier de l'Ordre National du mérite* by the French President.

Other positions held at December 31, 2016

Position	Company	Country
<i>Outside France</i>		
Chief Executive Officer	Shang Xia	China

Former positions held in the past five years

Position	Company	Country
<i>Outside France</i>		
Director	China Lodging Group	China

(1) In accordance with the criteria defined in the AFEP/MEDEF Corporate Governance Code.

(2) Within the meaning of Article L. 233-16 of the French Commercial Code.

IRIS KNOBLOCH – Independent director⁽¹⁾, Senior Independent Director and Vice-Chairman of the Board

- First appointed as a director on April 25, 2013.
- Current term due to expire at the close of the Annual Shareholders' Meeting to be called to approve the financial statements for the year ended December 31, 2016.
- Number of Accor shares held: 1,000.
- Born February 13, 1963 – German national.
- President of Warner Bros. Entertainment France.

Iris Knobloch has a J.D. degree from Ludwig-Maximilians Universität Munich and an L. L.M. degree from New York University. She has spent more than 18 years with Warner Bros. and the Time Warner Group, holding various different positions, and is currently President of Warner Bros. Entertainment France. Before beginning her career with Warner Bros., Iris Knobloch was an attorney with Norr, Stiefenhofer & Lutz and O'Melveny & Myers in Munich, New York and Los Angeles.

Other positions held at December 31, 2016 with companies controlled⁽²⁾ by Warner Bros.

Position	Company	Country
<i>Outside France</i>		
Member of the Board of Directors	Central European Media Enterprises	Bermuda

Other positions held at December 31, 2016 with companies not controlled⁽²⁾ by Warner Bros.

None.

Former positions held in the past five years

None.

BERTRAND MEHEUT – Independent director⁽¹⁾

- First appointed as a director on May 13, 2009.
- Current term due to expire at the close of the Annual Shareholders' Meeting to be called to approve the financial statements for the year ended December 31, 2017.
- Number of Accor shares held: 1,500.
- Born September 22, 1951 – French national.
- Chairman of the Canal+ Group Management Board until September 2015.

A graduate of École des Mines de Paris with a degree in civil engineering, Bertrand Meheut served as Chairman of the Canal+ Group Management Board since September 2002. Prior to that,

he worked in industry, particularly in the life sciences sector, spending the majority of his career with Rhône-Poulenc (and subsequently Aventis CropScience). He joined Rhône-Poulenc in 1984 as Deputy Chief Operating Officer, Europe, in charge of corporate services for the Agro Division. He then went on to become Chief Executive Officer of the German subsidiary, Deputy Chief Executive Officer of Rhône-Poulenc Agro and Executive Vice-President and Chief Operating Officer Europe. Following the creation of Aventis through the merger of Rhône-Poulenc and the German chemicals company Hoechst in late 1999, he was named Chairman and Chief Executive Officer of Aventis CropScience.

Other positions held at December 31, 2016

Position	Company
<i>In France</i>	
Director	Edenred
Director	Aquarelle.com Group
Director	Pierre et Vacances
Director and Vice-Chairman of the Board of Directors	SFR

(1) In accordance with the criteria defined in the AFEP/MEDEF Corporate Governance Code.

(2) Within the meaning of Article L. 233-16 of the French Commercial Code.

Former positions held in the past five years

Position	Company
<i>In France</i>	
Chairman of the Management Board	Groupe Canal+
Chairman of the Management Board	Canal+ France
Member of the Management Board	Vivendi
Chairman of the Board of Directors	Société d'Édition de Canal+
Chairman of the Supervisory Board	StudioCanal
Chairman	Canal+ Régie
Permanent representative of Groupe Canal+ on the Board of Directors	Sport+
Permanent representative of Groupe Canal+ as Joint Legal Manager	Canal+ Éditions
Representative of Canal+ France as Managing Partner	Kiosque
Member of the Management Board	Canal+ Overseas

Position	Company	Country
<i>Outside France</i>		
Member of the Supervisory Board	TVN	Poland

NICOLAS SARKOZY – Independent director⁽¹⁾

- First appointed as a director on February 21, 2017⁽²⁾.
- Current term due to expire at the close of the Annual Shareholders' Meeting to be called to approve the financial statements for the year ended December 31, 2018.
- Number of Accor shares held: 1,000.
- Born January 28, 1955 – French national.
- Leader of the French political party Les Républicains from November 2014 to November 2016.

Nicolas Sarkozy was the President of the French Republic from 2007 to 2012. His previous positions include Mayor of Neuilly-sur-Seine (1983-2002), National Assembly Representative for Hauts-de-Seine (1988-2002), President of the General Council for Hauts-de-Seine (2004-2007), Minister for the Budget (1993-1995), Minister for Communications (1994-1995), Government spokesman (1993-1995), Minister of the Interior, Internal Security and Local Freedoms (2002-2004), Minister of State, Minister for the Economy, Finance and Industry (2004), Minister of State, Minister of the Interior and Town and Country Planning (2005-2007). He was also the elected leader of French political parties UMP (2004-2007) and Les Républicains (2014-2016). A trained lawyer, Nicolas Sarkozy is married and has four children. He is the author of several books, including *Libre, Témoignage, La France pour la Vie* and *Tout pour la France*.

Other positions held at December 31, 2016

Position	Company
<i>In France</i>	
Chief Executive Officer	SELAS CSC

Former positions held in the past five years

None.

(1) In accordance with the criteria defined in the AFEP/MEDEF Corporate Governance Code.

(2) Appointment submitted for approval at the Combined Annual and Extraordinary Shareholders' Meeting of May 5, 2017.

PATRICK SAYER – Director

- First appointed as a director on August 27, 2008.
- Current term due to expire at the close of the Annual Shareholders' Meeting to be called to approve the financial statements for the year ended December 31, 2018.
- Number of Accor shares held: 1,000.
- Born November 20, 1957 – French national.
- Chairman of the Executive Board of Eurazeo.

A graduate of École Polytechnique and École des Mines de Paris, Patrick Sayer has been Chairman of Eurazeo's Executive Board since May 2002. He previously held the positions of Managing Partner at Lazard Frères et Cie in Paris and Managing Director of Lazard Frères & Co. in New York. He was formerly the President of the Association Française des Investisseurs pour la Croissance (AFIC) and is currently a director of the Musée des Arts Décoratifs in Paris and a lecturer in finance (Master 225) at Paris-Dauphine University. He is also a member of the Club des Juristes and a judge at the Paris Commercial Court.

Other positions held at December 31, 2016 with companies controlled⁽¹⁾ by Eurazeo

Position	Company
<i>In France</i>	
Chief Executive Officer	Legendre Holding 19 (Accor investment)
Chairman	Legendre Holding 25 (Fonroche Energie investment)
Chairman	Legendre Holding 26 (I-Pulse investment)
Chairman	CarryCo Capital 1
Chairman	CarryCo Croissance
Chairman	CarryCo Croissance 2
Member of the Supervisory Board	ANF Immobilier
Member of the Supervisory Board	Europcar Group ⁽²⁾

Other positions held at December 31, 2016 with companies not controlled⁽¹⁾ by Eurazeo

Position	Company	Country
<i>Outside France</i>		
Member of the Board of Directors	Tech Data Corporation	United States
Member of the Board of Directors	I-Pulse ⁽²⁾	United States

(1) Within the meaning of Article L. 233-16 of the French Commercial Code.
(2) Eurazeo investment.

Former positions held in the past five years

Position	Company
<i>In France</i>	
Chairman	Eurazeo Capital Investissement
Chairman and Vice-Chairman of the Supervisory Board	ANF Immobilier
Chief Executive Officer	Immobilière Bingen
Chief Executive Officer	Legendre Holding 8
Chairman of the Board of Directors and director	Europcar Group
Chairman of the Supervisory Board	Europcar Group
Chairman of the Board of Directors and director	Holdelis
Director	Rexel
Director	Edenred
Vice-Chairman of the Supervisory Board	Rexel
Member of the Supervisory Board	Foncia Holding
Legal Manager	Investco 3d Bingen

Position	Company	Country
<i>Outside France</i>		
Member of the Advisory Board	APCOA Parking Holdings GmbH	Germany
Director	Moncler Srl	Italy
Director	Sportswear Industries Srl	Italy
Director	Gruppo Banca Leonardo	Italy
Director	Colyzeo Investment Advisors	United Kingdom

ISABELLE SIMON – Independent director⁽¹⁾

- First appointed as a director on July 12, 2016.
- Current term due to expire at the close of the Annual Shareholders' Meeting to be called to approve the financial statements for the year ended December 31, 2018.
- Number of Accor shares held: 1,000.
- Born May 1, 1970 – French national.
- Group Secretary & General Counsel, member of the Executive Committee, Thales Group.

Isabelle Simon is a graduate of Sciences Po Paris, HEC and Harvard Law School. She also holds a DEA postgraduate diploma in English and North American business law from Paris I Panthéon-Sorbonne and a DESS postgraduate diploma in international taxation from Université Jean Monnet. She is a qualified lawyer, and has been

admitted to the Paris Bar and the New York Bar. Isabelle Simon began her career in 1995 at law firm Cleary Gottlieb Steen & Hamilton, where she practiced as a lawyer in Paris and New York. In 2003, she joined the Investment Banking Division of Goldman Sachs as Executive Director. In 2009, she joined the Publicis Group as Senior Vice-President, heading the M&A and Legal departments and managing the Group's external development strategy and minority holdings. In 2011, Isabelle Simon became Senior Vice-President of Société des Bains de Mer de Monaco, where she headed the Real Estate, Marketing and Sales, Artistic, Communications and Legal departments and was responsible for internal and external development operations. In 2015, she was appointed Group Secretary & General Counsel, and a member of the Executive Committee, of the Thales Group.

Other positions held at December 31, 2016 with companies controlled⁽²⁾ by Thales

Position	Company
<i>In France</i>	
Member of the Supervisory Board	Thales Alenia Space SAS
Permanent representative of Thales	Thales Avionics SAS
Permanent representative of Thales	Thales Communications & Security SAS
Director and General Secretary	Fondation d'entreprise Thales

(1) In accordance with the criteria defined in the AFEP/MEDEF Corporate Governance Code.

(2) Within the meaning of Article L. 233-16 of the French Commercial Code.

Other positions held at December 31, 2016 with companies not controlled⁽¹⁾ by Thales

Position	Company
<i>In France</i>	
Director	Neopost
Director	Wefcos

Former positions held in the past five years

Position	Company	Country
<i>Outside France</i>		
Chairman	Société des Thermes Marins de Monte-Carlo	Monaco

NATACHA VALLA - Independent director⁽¹⁾

- First appointed as a director on July 12, 2016.
- Current term due to expire at the close of the Annual Shareholders' Meeting to be called to approve the financial statements for the year ended December 31, 2018.
- Number of Accor shares held: 1,000.
- Born January 1, 1976 - French national.
- Head of Economic Policy and Strategy at the European Investment Bank (EIB).

Natacha Valla has a PhD from the European University Institute in Florence (Italy). Following a period as visiting scholar at the International Monetary Fund, from 2001 to 2008 she served as an economist in charge of monetary policy stance and implementation at the European Central Bank. In 2005, Natacha Valla was seconded to the Research Directorate of the Banque de France, before being appointed Executive Director at Goldman Sachs in 2008, where she was responsible for economic research. In 2014, she was appointed Deputy Director of CEPII, a French think-tank in international economics. Since December 2015, Natacha Valla has served as the Head of Economic Policy and Strategy at the European Investment Bank (EIB).

Other positions held at December 31, 2016

Position	Company
<i>In France</i>	
Director	LVMH
Director	ASF - Cofiroute (Vinci)
Director	SUERF - European Money and Finance Forum
Member	Commission Économique de la Nation
Member	Conseil d'Analyse Économique
Member of the Scientific Committee	ACPR - Prudential Oversight Authority

Former positions held in the past five years

None.

(1) Within the meaning of Article L. 233-16 of the French Commercial Code.

(2) In accordance with the criteria defined in the AFEP/MEDEF Corporate Governance Code.

SARMAD ZOK – Director

- First appointed as a director on July 12, 2016.
- Current term due to expire at the close of the Annual Shareholders' Meeting to be called to approve the financial statements for the year ended December 31, 2018.
- Number of Accor shares held: 1,000.
- Born August 9, 1968 – Lebanese and British nationality.
- Chairman and CEO of Kingdom Hotel Investments and Executive Board Director of Kingdom Holding Company.

Sarmad Zok holds a Bachelor of Science in Hotel Management and a Master of Arts in Property Valuation and Law from City University Business School (United Kingdom). He began his career in hotel development before founding the hotel investment business of Kingdom Establishment in Saudi Arabia. He has held various positions within the Kingdom Group, including Chairman and Chief Executive Officer of Kingdom Hotel Investments since 2001 and Executive Board Director of Kingdom Holding Company since 2010. In these roles, he manages the Kingdom Group's hotel investment strategy and contributes to the Group's overall investment strategy.

Other positions held at December 31, 2016 with companies controlled⁽¹⁾ by Kingdom Hotel Investments

Position	Company	Country
<i>Outside France</i>		
Chairman, Member of the Board and Chief Executive Officer	Kingdom Hotel Investments	Cayman Islands
Member of the Board	Kingdom Holding Company	Saudi Arabia
Member of the Board	Four Seasons Holdings Inc.	Canada
Member of the Board	Mövenpick Hotels And Resorts Management AG	Switzerland
Member of the Board	Kingdom 5-KR-35, Ltd	Cayman Islands
Manager A (Member of the Board)	Shercock Sarl	Luxembourg
Manager B (Member of the Board)	Hotel George V BV	Netherlands
Member of the Board	Kingdom 5-KR-59, Ltd	Cayman Islands
Chairman	Kingdom Beirut SAL	Lebanon

Other positions held at December 31, 2016 with companies not controlled⁽¹⁾ by Kingdom Hotel Investments

Position	Company	Country
<i>Outside France</i>		
Member of the Board	Blackrock Frontiers Investment Trust Plc	United Kingdom

Former positions held in the past five years

Position	Company	Country
<i>Outside France</i>		
Member of the Board	Kingdom 5-KR-181, Ltd	Cayman Islands
Member of the Board	Kingdom 01 FZ LLC	Dubai free-trade zone, United Arab Emirates
Member of the Board	Yotel Investments Limited	British Virgin Islands

(1) Within the meaning of Article L. 233-16 of the French Commercial Code.

3.1.2 DEPUTY CHIEF EXECUTIVE OFFICER

SVEN BOINET

- Deputy Chief Executive Officer.
- First appointed on December 2, 2013.
- Number of Accor shares held: 24,375.
- Born April 11, 1953 – French national.

A graduate of École Centrale de Paris and Stanford University, Sven Boinet started his career in the oil industry at Schlumberger and Coflexip before becoming a consultant for SRI International and then working with Accor between 1988 and 2003. He subsequently became Chairman of the Management Board of the Lucien Barrière Group, a position he held from 2004 to 2009, and went on to serve as Chief Executive Officer of the Pierre & Vacances Group from 2009 to 2012. He is also a member of the Board of Directors of Association Institut Paul Bocuse and President of Alliance 46.2.

Other positions held at December 31, 2016 with companies controlled⁽¹⁾ by Accor

Position	Company	Country
<i>Outside France</i>		
Member of the Supervisory Board	Accor Hospitality Germany GmbH	Germany
Chairman of the Supervisory Board	Risma	Morocco

Other positions held at December 31, 2016 with companies not controlled⁽¹⁾ by Accor

Position	Company
<i>In France</i>	
Chairman	SB Conseil
Director	Société du Dinard Golf SAS

Former positions held in the past five years

Position	Company
<i>In France</i>	
Chief Executive Officer	Groupe Pierre & Vacances Center Parcs
Chairman and Chief Executive Officer	Pierre & Vacances Tourisme Europe
Deputy Chief Executive Officer and Director	Société d'Investissement Touristique et Immobilier (SITI)
Director and then Chief Executive Officer	Pierre et Vacances
Director	Tourism Real Estate Property Holding SE
Director	Adagio SAS
Director	Citea
Director	Société Française des Papiers Peints
Permanent representative of Pierre et Vacances	GIE PV – CP Services

Position	Company	Country
<i>Outside France</i>		
Member of the Supervisory Board	Center Parcs Europe N.V.	Netherlands
Independent director	Easyjet Plc	United Kingdom

(1) Within the meaning of Article L. 233-16 of the French Commercial Code.

3.1.3 FOUNDING CO-CHAIRMEN

PAUL DUBRULE

Born on July 6, 1934 in Tourcoing, France, Paul Dubrule graduated from Institut des Hautes Études Commerciales at the University of Geneva. In 1963, he and Gérard Pélisson co-founded the Novotel hotel chain. After serving as Co-Chairman of the Novotel SIEH Group between 1971 and 1983, he co-founded Accor, serving as its Co-Chairman from 1983 to 1997. Mr. Dubrule has also held the positions of Chairman of *Entreprise et Progrès*, Vice-Chairman of the World Travel and Tourism Council (WTTC) and Chairman of *Maison de la France*. He served as Mayor of Fontainebleau

between 1992 and 2001, and Senator for the *Seine-et-Marne département* between 1999 and 2004. He was Co-Chairman of the Institut Français du Tourisme until 2013 and the Founding Chairman of the Conseil Supérieur de l'Énotourisme (CSO). A Paul Dubrule Chair for Sustainable Development was created by INSEAD in 2002 and a Paul Dubrule Chair for Innovation has been set up at the Haute École d'Hôtellerie in Lausanne. Mr. Dubrule has also personally opened a hotel and tourism school in Siem Reap, Cambodia.

GÉRARD PÉLISSON

Born on February 9, 1932 in Lyon, France, Gérard Pélisson holds an engineering degree from École Centrale des Arts et Manufactures de Paris and a Master of Science in Industrial Management from the Massachusetts Institute of Technology. In 1963, he and Paul Dubrule co-founded the Novotel hotel chain. After serving as Co-Chairman of the Novotel SIEH Group between 1971 and 1983,

he co-founded Accor, acting as its Co-Chairman from 1983 to 1997. Mr. Pélisson also co-founded the World Travel and Tourism Council (WTTC), for which he served as Vice-Chairman, and was President of the École Supérieure de Commerce de Lyon from 1990 to 1996. He is currently Chairman of the Overseas French Association (UFE) and President of Institut Paul Bocuse.

3.1.4 EXECUTIVE COMMITTEE

MEMBERS OF THE EXECUTIVE COMMITTEE AT MARCH 21, 2017

Sébastien Bazin	Chairman and Chief Executive Officer
Sven Boinet	Deputy Chief Executive Officer in charge of Group Procurement, Audit, Legal and Security & Safety
Maud Bailly⁽¹⁾	Chief Digital Officer
Aranxta Balson	Chief Talent & Culture Officer
Gaurav Bhushan	Chief Development Officer
Chris J. Cahill	CEO Luxury Brands and CEO HotelServices, North America, Central America and the Caribbean
Steven Daines	CEO New Businesses and CEO HotelServices, Africa and the Middle East
Jean-Jacques Dessors	CEO HotelServices, Europe (<i>excl. France and Switzerland</i>)
Michael Issenberg	CEO HotelServices, Asia-Pacific
Patrick Mendes	CEO HotelServices, Latin America
Jean-Jacques Morin	Chief Financial Officer
Amir Nahai	CEO Group Food & Beverage
John Ozinga	Chief Operating Officer HotelInvest
Laurent Picheral	Deputy CEO and Chief Operating Officer HotelInvest
Sophie Stabile	CEO HotelServices, France & Switzerland

(1) Appointment effective from April 3, 2017.

To the best of the Company's knowledge, in the last five years no director or officer has (i) been convicted of any fraudulent offense; (ii) been a member of the administrative, management or supervisory body of a company that has been declared bankrupt, or placed in liquidation or receivership; (iii) been the subject of any official public incrimination and/or sanctions by statutory or regulatory authorities; or (iv) been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer.

3.2 REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS TO THE SHAREHOLDERS' MEETING ON THE PREPARATION AND ORGANIZATION OF THE BOARD OF DIRECTORS' WORK AND ON INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES (REPORT PREPARED IN APPLICATION OF ARTICLE L. 225-37 OF THE FRENCH COMMERCIAL CODE)

This report was approved by the Board of Directors at its meeting on February 21, 2017. It was prepared in accordance with the Reference Framework for Risk Management and Internal Control Systems issued by the Working Group set up by the French

securities regulator, the *Autorité des Marchés Financiers* (AMF). The following description of the Company's internal control and risk management procedures is based on the structure of said Reference Framework.

3.2.1 CORPORATE GOVERNANCE AND THE BOARD OF DIRECTORS' OPERATING PROCEDURES

CORPORATE GOVERNANCE CODE

In 2016, Accor complied with all of the recommendations contained in the Corporate Governance Code for listed companies published by the AFEP and MEDEF (the "AFEP/MEDEF Code"), which is available from the AFEP, the MEDEF or the Company's head office.

The Board of Directors' operating procedures are described in its Bylaws, presented in Annexe A to this report on page 138. In addition, each director is required to comply with the Board of Directors Code of Conduct, set out in Annexe B to this report on page 143.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER AND DEPUTY CHIEF EXECUTIVE OFFICER

The roles of Chairman of the Board of Directors and Chief Executive Officer have been combined since 2009.

During 2013, following the departure of the previous Chairman and Chief Executive Officer, the Board set up a transitional governance structure under which it temporarily separated the role of Chairman of the Board of Directors from that of Chief Executive Officer. On August 27, 2013, the Board ended the transition period by appointing Sébastien Bazin as Chairman and Chief Executive Officer and Philippe Citerne as Vice-Chairman of the Board and Senior Independent Director (position held by Iris Knobloch since July 27, 2016). Also, on the recommendation of the Chairman and Chief Executive Officer, on December 2, 2013 the Board appointed Sven Boinet as Deputy Chief Executive Officer in charge of Transformation. On the same date, it authorized an employment contract to be entered into between Mr. Boinet and the Company.

The Board considered that, by combining the roles of Chairman of the Board and Chief Executive Officer, the Group would be able to have greater agility in its governance and management, particularly during a period of transformation or an economic downturn, while creating a direct relationship between management and shareholders. This type of governance structure also encourages extensive dialogue between the executive team and the Board of Directors. Since 2009, the Board has noted with satisfaction the effectiveness of the balance of power existing between its executive and non-executive directors, notably thanks to the presence of a Senior Independent Director.

During the formal assessment of the Board of Directors' operating procedures carried out in 2014, the directors stated that this governance structure, with the combined role of Chairman and Chief Executive Officer, is effectively adapted to the Group's current situation and that the allocation of powers and responsibilities between the Chairman and Chief Executive Officer, the Senior Independent Director and the Board of Directors as a whole is effective and balanced.

In accordance with the law and the Company's Bylaws, the Chairman and Chief Executive Officer chairs Board meetings, organizes and leads the work of the Board and its meetings, ensures that the Company's corporate governance structures function effectively, and, in particular, obtains assurance that directors are in a position to fulfill their responsibilities.

The Chairman and Chief Executive Officer and the Deputy Chief Executive Officer represent the Company in its dealings with third parties and have the broadest powers to act on behalf of the Company in all circumstances. The situations where the exercise of the powers of the Chairman and Chief Executive Officer and the Deputy Chief Executive Officer is subject to the prior approval of the Board of Directors are described in the section below entitled "Powers of the Board of Directors".

SENIOR INDEPENDENT DIRECTOR

On August 27, 2013, the Board of Directors appointed independent director Philippe Citerne as Vice-Chairman of the Board of Directors. He served as the Senior Independent Director with support from the Corporate Secretary's Office.

On July 27, 2016, following the resignation of Philippe Citerne, the Board of Directors decided to entrust this role to Iris Knobloch, who has been an independent director since April 25, 2013.

In accordance with the Board of Directors Bylaws, the roles and responsibilities of the Senior Independent Director include the following:

- he/she may call Board meetings in the event that the Chairman and Chief Executive Officer is unable to do so, and he/she may chair Board meetings in the absence of the Chairman and Chief Executive Officer;
- he/she is the preferred contact for shareholders not represented on the Board. In this regard, a specific email address has been created (iris.knobloch@accor.com) to enable any shareholder to contact her directly with comments or queries;

- he/she coordinates the independent directors and, at his/her initiative, organizes independent directors' meetings at least once a year, for which the Company manages the logistics and bears the costs. He/she sets the agenda for these meetings and chairs them, ensuring that each independent director has the opportunity to raise any issue not included on the agenda. Following the meetings, the Senior Independent Director may, at his/her initiative, meet with the Chairman and Chief Executive Officer to discuss all or some of the comments and requests expressed by the independent directors. If necessary, he/she may also decide to comment on the work of the independent directors during the full meetings of the Board;
- he/she oversees the formal assessments of the Board's operating procedures and validates the corresponding report;
- he/she may request that the Chairman and Chief Executive Officer add items to Board meeting agendas. In any event, he/she approves the annual plan of the strategic issues that will be included in the Board meeting agendas, as submitted by the Chairman and Chief Executive Officer;
- he/she is in charge of dealing with any cases of conflict of interest that may arise among members of the Board of Directors.

In 2016, Ms. Knobloch organized and chaired one meeting solely for independent directors. In 2016, the Vice-Chairman of the Board also helped draft measures to prevent conflicts of interest within the Board of Directors. These measures were subsequently included in the Board of Directors Bylaws.

SECRETARY TO THE BOARD OF DIRECTORS

François Pinon, Group General Counsel, has been appointed by the Board of Directors to serve as Board Secretary.

POWERS OF THE BOARD OF DIRECTORS

The Company is governed by a Board of Directors, which determines the Company's strategy, oversees its implementation, examines any and all issues concerning the efficient running of the business, and makes decisions on all matters concerning the Company.

The Board of Directors deals with all matters falling within the powers vested in it under the applicable laws and regulations.

In particular, the Board of Directors is responsible for:

- a) approving the annual budget and business plan presented by the Chairman and Chief Executive Officer;
- b) reviewing and approving all of the Group's strategic objectives, at least once a year, in accordance with the Board's Bylaws;
- c) authorizing the following decisions of the Chairman and Chief Executive Officer prior to the decisions being implemented:
 - any and all immediate or deferred financial commitments representing more than €100 million per transaction. "Financial commitments" are defined as:
 - any and all acquisitions or disposals of assets and majority or minority interests in other companies, with the amount of the commitments determined by reference to the entity's enterprise value,
 - any and all direct investments, for example for the creation of a business, the construction, refurbishment or extension of a hotel property, or expenditure on technological developments,
 - rental investments, measured on the basis of the market value of the leased asset,

- hotel management contracts with a guaranteed minimum fee,
- any and all loans to entities in which the Company or one of its subsidiaries does not hold the majority of the shares and voting rights, and any and all commitments to participate in share issues by such entities,
- any and all financing operations representing more than €1 billion (carried out through one or more transactions). The Chairman and Chief Executive Officer is authorized to carry out any and all financing operations of up to €1 billion without obtaining prior approval from the Board of Directors, provided that such operations are undertaken in accordance with the annual Group financing policy as approved in advance by the Board of Directors. In this case, the Chairman and Chief Executive Officer is required to inform the Board of Directors of the operations after they have been completed. In addition, the Board's prior approval is not required for borrowings due in less than one year,
- any and all transactions that may impact the Group's strategy or lead to a material change in the Group's business base (mainly entry into a new business or withdrawal from an existing business), whatever the amount of the transaction,
- any and all transactions involving the Company's shares carried out in application of Article L. 225-209 of the French Commercial Code that exceed one million shares per transaction or two million shares per year;
- d) authorizing the Chairman and Chief Executive Officer to issue guarantees, bonds and endorsements in the Company's name, up to a cumulative amount of €1 billion per year. In accordance with the Company's Bylaws, any such authorizations may be given for a period of one year. The Chairman and Chief Executive Officer is required to report to the Board of Directors each year on the amount and nature of guarantees, bonds and endorsements issued under the authorization;
- e) discussing and deciding on any proposed changes to the Group's management structure and reviewing information about the main organizational changes.

The Board shall be kept regularly informed of the Group's financial position, cash position and commitments as well as the Group's strategy and main policies in the areas of human resources, organization and information systems, and shall discuss them periodically.

ASSESSING THE BOARD OF DIRECTORS' OPERATING PROCEDURES

In addition to regularly discussing its procedures during scheduled meetings, the Board of Directors also periodically performs a formal assessment of its operations.

In 2014, a formal assessment was conducted by an external consultant. The Company has used the assessment report to draw up an action plan aimed at enhancing the Board's operating procedures. The plan's key measures were set out in the 2014 Registration Document.

In 2016, the Board of Directors reviewed its operating procedures during one of its meetings. In particular, it verified that the action plan adopted following the external assessment in 2014 was correctly deployed.

In light of the significant increase in the number of directors with the appointment of seven new directors in 2016, it was decided that a new formal assessment of the Board of Directors' operating procedures would be carried out in the second half of 2017.

MEMBERSHIP OF THE BOARD OF DIRECTORS AND THE INDEPENDENCE OF DIRECTORS

The Board of Directors currently has 16 members, including one employee representative director. Seven of the directors are women and nine are deemed to be independent based on the criteria listed in the AFEP/MEDEF Code. Consequently, the Company complies with gender parity requirements for boards of directors and oversight bodies under the French Act of January 27, 2011, and with the recommendations in the AFEP/MEDEF Code as, excluding the employee representative director, the proportion of women on the Board is 40% and the proportion of independent directors is 60%.

The Board assesses the independence of its members each year by applying the following criteria of the AFEP/MEDEF Code:

- not be – nor have been at any time in the last five years – an employee or an executive director/officer of the corporation, or an employee, director or executive director/officer of its parent or a company that it consolidates;
- not be an executive director/officer of a company in which the corporation directly or indirectly holds a directorship, or in which an employee appointed as such or an executive director/officer of the corporation (current or in the past five years) holds a directorship;
- not be a customer, supplier, investment banker or commercial banker:
 - that is material for the corporation or its group, or
 - for which the corporation or its group represents a significant part of the entity's activity;
- not have close family ties with an executive director;
- not have been a statutory auditor of the corporation in the last five years;
- not have been a director of the corporation for more than twelve years;
- not be a non-executive director/officer receiving variable compensation in cash or shares, or any performance related remuneration from the corporation or the group.

Directors who represent major shareholders of the Company may be considered as independent provided that these shareholders do not take part in the control of the Company. If the shareholder owns 10% or more of the Company's capital or voting rights, the Board of Directors must systematically review whether that shareholder's representative may be qualified as independent, based on a report issued by the Corporate Governance, Compliance & CSR Committee and taking into account the Company's capital structure and any potential conflicts of interest.

On January 17, 2017, the Corporate Governance, Compliance & CSR Committee reviewed the independent status of the members of the Board of Directors, focusing in particular on whether or not the business relations that may exist between the Company

and certain directors are material. For that purpose, it examined the nature of relationships (types of services provided, exclusive arrangements, etc.) and the amounts of the transactions carried out during the year with the companies in which the directors hold executive positions, and compared those amounts with the Group's revenue and equity for 2016. The Board also examined the proportion represented by these relationships in the revenue of groups to which the independent directors belong.

Following the Committee's review, the Board of Directors noted that AccorHotels did not have any material business relations with the companies in which Sophie Gasperment, Qionger Jiang, Iris Knobloch and Jean-Paul Bailly hold management positions.

The Board examined the business relations with the Thales Group, where Isabelle Simon is Group Secretary & General Counsel and a member of the Executive Committee, and noted that these relations represented an amount significantly lower than 1% of the Group's revenue and equity as well as a non-material share of the Thales Group's revenue. The contract in question concerns IT facilities management services provided by the Thales Group for AccorHotels, which pre-dates the appointment of Isabelle Simon. The Board considered that this contract was part of the normal business activities of the two groups and that the business relationships involved were not significant.

In addition, the fees paid by AccorHotels in 2016 to Havas, where Mercedes Erra serves as Executive President of Havas Worldwide, represented less than 1% of the Group's revenue and equity and less than 1% of Havas Group's revenue. A number of Havas subsidiaries provide marketing and advertising services for AccorHotels as part of existing advertising campaigns. Given that these are non-exclusive arrangements, that the Group also uses other service providers, and that these arrangements are part of the normal business activities of the two groups, the Board considered that the business relationships involved were not significant.

In view of the results of this analysis, and based on the criteria above, on February 21, 2017 the Board affirmed that Mercedes Erra, Sophie Gasperment, Qionger Jiang, Iris Knobloch, Isabelle Simon, Natacha Valla, Jean-Paul Bailly and Bertrand Meheut qualify as independent directors.

Lastly, upon the appointment of Nicolas Sarkozy on February 21, 2017, the Board assessed his qualification as an independent director based on the criteria listed in the AFEP/MEDEF Corporate Governance Code and reviewed the Group's business relations with law firm Claude & Sarkozy. It was agreed that Nicolas Sarkozy himself would not provide any legal advice to the Group during his term of office and, in addition, that the provision of any legal services to the Group by other partners and employees of Claude & Sarkozy would be carried out in such a way, in particular in terms of business volumes, so as to preserve Mr. Sarkozy's independence with regard to the abovementioned criteria. Consequently, the Board considered that Nicolas Sarkozy qualifies as an independent director under the criteria set forth in the AFEP/MEDEF Corporate Governance Code.

Independence criteria applied

	Not to be/ have been an employee or executive director of the Company ⁽¹⁾	No cross- directorships	No material business relations with the Company	No family ties with an executive director	Not to have been an auditor or a former auditor	Not to have been a director of the Company for more than 12 years	Not to own more than 10% of the Company's share capital ⁽²⁾
Sheikh Nawaf Bin Jassim Bin Jabor Al-Thani ⁽³⁾	✓	✓	✓	✓	✓	✓	
Aziz Aluthman Fakhroo	✓	✓	✓	✓	✓	✓	
Vivek Badrinath ⁽⁴⁾		✓	✓	✓	✓	✓	✓
Jean-Paul Bailly	✓	✓	✓	✓	✓	✓	✓
Sébastien Bazin		✓	✓	✓	✓	✓	✓
Iliane Dumas ⁽⁵⁾		✓	✓	✓	✓	✓	✓
Mercedes Erra	✓	✓	✓	✓	✓	✓	✓
Sophie Gasperment	✓	✓	✓	✓	✓	✓	✓
Qionger Jiang	✓	✓	✓	✓	✓	✓	✓
Iris Knobloch	✓	✓	✓	✓	✓	✓	✓
Bertrand Meheut	✓	✓	✓	✓	✓	✓	✓
Nicolas Sarkozy ⁽⁶⁾	✓	✓	✓	✓	✓	✓	✓
Patrick Sayer	✓	✓	✓	✓	✓	✓	
Isabelle Simon	✓	✓	✓	✓	✓	✓	✓
Natacha Valla	✓	✓	✓	✓	✓	✓	✓
Sarmad Zok	✓	✓		✓	✓	✓	✓

(1) During the past five years.

(2) Acting alone or in concert.

(3) Appointed with effect from March 21, 2017.

(4) Appointed with effect from October 10, 2016.

(5) Director representing employees.

(6) Appointed with effect from February 21, 2017.

In accordance with Article 22 of the Company's Bylaws, following his resignation as director, Philippe Citerne was appointed as a non-voting director at the Board of Directors meeting held on July 27, 2016. The Board wishes to continue to benefit from his financial expertise as well as his in-depth knowledge of the Group. As such, he will take part in meetings of the Board and of the Audit and Risks Committee in a consultative capacity.

In accordance with the Company's Bylaws and the Board of Directors Bylaws, Paul Dubrule and Gérard Pélisson, Accor's Founding Co-Chairmen, may attend Board meetings in a consultative capacity, and may be invited to attend meetings of the Board Committees.

MINIMUM SHAREHOLDING REQUIREMENT AND PREVENTING CONFLICTS OF INTEREST

Pursuant to Article 12 of the Company's Bylaws, with the exception of the director representing employees, all directors are required to hold 1,000 registered shares. In addition, to emphasize the importance of directors' attendance at Board and Committee

meetings and to comply with the related recommendation in the AFEP/MEDEF Code, the Board of Directors Bylaws provide that two-thirds of the fees allocated to directors must be based on their attendance record.

With a view to preventing any potential conflicts of interest, members of the Board are required to complete a statement every year disclosing any and all direct or indirect ties they have with the Company. If a new direct or indirect business relationship is envisaged between the Company or the Group and a director or a Founding Co-Chairman or a non-voting director, the procedure for related-party agreements provided for in Article L. 225-38 et seq. of the French Commercial Code is applied whenever the business relationship concerned does not constitute a routine agreement entered into on an arm's length basis.

During the year, the Board examined related-party agreements and commitments approved in prior years that remained in force in 2016 and approved a related-party agreement with Eurazeo which is described in the Statutory Auditors' special report on related party agreements. In accordance with Article L. 225840 of the French Commercial Code, the Director concerned did not participate in the vote concerning this agreement.

On July 27, 2016, the Board of Directors reinforced the measures to prevent conflicts of interest within the Group by adopting Article 9 of its Bylaws (presented in Annexe A). Under the terms of this article, any director that is in a position of a conflict of interest must inform both the Vice-Chairman of the Board and the Board Secretary. Article 9 stipulates that any information that may be sensitive from a competition perspective may not be disclosed or discussed in the presence of a director who has direct links to a person with interests that are in competition with those of the Company. Based on declarations made by the directors, the Vice-Chairman, with the assistance of the Board Secretary and external consultants if necessary, draws up a list of issues for each individual director that are likely to generate conflicts of interest and informs the Board of Directors on an annual basis. In the event of a conflict of interest – or even a potential conflict of interest – the director concerned shall abstain from the debates and decision-making on the matters concerned and shall be asked to leave the Board meeting during the debate and the corresponding vote. The director shall not receive information relating to the agenda item that concerns the conflict of interest nor the corresponding section in the minutes of the Board meeting.

In addition, directors adhere to the Board of Directors Code of Conduct (presented in Annexe B), which defines the scope of their duty of diligence, discretion and confidentiality, and specifies the rules applicable to trading in the Company's securities.

BOARD OF DIRECTORS' WORK

The preparation and organization of the Board of Directors' work are governed by the laws and regulations applicable to French public limited companies (*sociétés anonymes*), the Company's Bylaws, and the Board of Directors Bylaws, which describe the operating procedures of the Board Committees.

The Board met nine times in 2016. The notices of meeting together with the agenda were e-mailed to all the members several days before each meeting date. In the period between two meetings, members were kept regularly informed of significant events and transactions involving the Company and were sent copies of the related press releases issued by the Company.

Each ordinary Board meeting lasted four hours on average and the attendance rate was 87%, identical to last year.

At its meetings, the Board performed the duties required of it by law and the Company's Bylaws. It was also informed by the Chairman and Chief Executive Officer and the Deputy Chief Executive Officer – as well as in some cases by other senior executives – of numerous significant achievements and projects relating to the Company's business.

In 2016, the Board of Director's work included:

- approving the acquisition of Fairmont Raffles Hotels International Group and authorizing the signature of the Contribution Agreement submitted to the Shareholders' Meeting of July 12, 2016;
- authorizing the acquisition of onefinestay and John Paul as well as a number of real estate assets;
- approving the sale of real estate to Grape Hospitality and the framework agreement with Eurazeo, the majority shareholder in Grape Hospitality Holding;
- approving the project to turn HotelInvest into a subsidiary.

The Board's work in the governance sphere included:

- putting forward and appointing new directors;
- appointing Iris Knobloch as Vice-Chairman of the Board and Senior Independent Director after accepting the resignation of Philippe Citerne;
- renewing the term of office of Sven Boinet as Deputy Chief Executive Office;
- setting up a new Corporate Governance, Compliance & CSR Committee and reviewing the composition of all the committees;
- reviewing the succession plan submitted by the Appointments & Compensation Committee;
- examining the related-party agreements already approved by Shareholders' Meetings in prior years that remained in force during the year;
- finalizing the compensation payable to the Company's executive directors and proposing an increase in the annual fees to be paid to directors in order to reflect changes in the composition of the Board and current practices.

The Board of Directors continued to receive updates from the different committees throughout the year.

Lastly, the Board called two Ordinary and Extraordinary Shareholders' Meetings and approved the Report of the Chairman of the Board of Directors.

DIRECTORS' ATTENDANCE AT BOARD MEETINGS IN 2016

	Number of meetings taken into account	Attendance rate
Aziz Aluthman Fakhroo ⁽¹⁾	4	75%
Vivek Badrinath ⁽²⁾	2	50%
Jean-Paul Bailly	9	100%
Sébastien Bazin	9	100%
Ali Bouzarif ⁽¹⁾	4	100%
Philippe Citerne ⁽³⁾	7	100%
Iliane Dumas	9	78%
Mercedes Erra	9	67%
Sophie Gasperment	9	100%
Jonathan Grunzweig ⁽⁴⁾	3	67%
Qionger Jiang ⁽¹⁾	4	75%
Iris Knobloch	9	89%
Bertrand Meheut	9	89%
Virginie Morgon ⁽⁴⁾	3	67%
Nadra Moussalem ⁽⁵⁾	9	67%
Patrick Sayer	9	89%
Isabelle Simon ⁽¹⁾	4	100%
Natacha Valla ⁽¹⁾	4	100%
Sarmad Zok ⁽¹⁾	4	100%

(1) Appointed at the Combined Annual and Extraordinary Shareholders' Meeting of July 12, 2016.

(2) Appointed with effect from October 10, 2016. Between this date and December 31, 2016, the Board only met on two occasions and Vivek Badrinath was only able to attend one of these meetings.

(3) Resigned as director on July 27, 2016.

(4) Resigned as director on April 22, 2016.

(5) Resigned as director on February 21, 2017.

BOARD COMMITTEES

Board discussions and decisions on certain topics are prepared by specialist Board Committees made up of directors appointed by the Board for the duration of their term as director. These Committees examine matters falling within their terms of reference, as well as any matters referred to them for consideration by the Chairman and Chief Executive Officer. They report regularly to the Board on their work, and provide the Board with their observations, opinions, proposals and recommendations.

There are currently four standing Board Committees:

- **the Audit and Risks Committee;**
- **the Commitments Committee;**
- **the Appointments & Compensation Committee;**
- **the Corporate Governance, Compliance & CSR Committee.**

In addition, on February 21, 2017 the Board decided to set up an International Strategy Committee, chaired by Nicolas Sarkozy.

The organizational and procedural framework applicable to the Board Committees is described in the Company's Bylaws and in the Board of Directors Bylaws, which are presented below.

The Board may also set up one or several special Committees.

Each Committee is chaired by one of its members, who is appointed by the Board on the recommendation of the Appointments & Compensation Committee.

The Committee Chairman appoints a person who may or may not be a Committee member to act as secretary.

The Chairman of each Committee may ask for the Committee to be consulted on any matters falling within its terms of reference that have not been referred to it.

Each Committee is required to periodically review its rules of procedure and propose to the Board any changes that are considered necessary.

The Board Committees do not have any decision-making authority.

To assist them in their work, the Board Committees may commission technical reports from Company management or external consultants. In both cases, the Chairman and Chief Executive Officer is notified in advance. The Committees may also arrange meetings with members of Company management responsible for the areas under review, without any executive directors necessarily being present. In this case also, the Chairman and Chief Executive Officer is informed in advance.

Audit and Risks Committee

The Audit and Risks Committee has five members, Sophie Gasperment, Isabelle Simon, Natacha Valla, Aziz Aluthman Fakhroo and Bertrand Meheut, all of whom have the necessary technical knowledge to fulfill the Committee's duties. Four of these members are qualified by the Board as independent. The Committee is chaired by Bertrand Meheut, independent director. Philippe Citerne attends Committee meetings in a consultative capacity as a non-voting director.

The Committee met four times in 2016, with an average attendance rate of 82% (77% in 2015).

Statutory Auditors, the Chairman and Chief Executive Officer, the Chief Financial Officer and the Board Secretary attend the meetings, joined when appropriate by the Internal Audit Director. The meetings in which the annual and interim financial statements are reviewed begin with a discussion with the Statutory Auditors, which takes place without Company management being present.

During its meetings held in 2016, the Committee:

- prepared the Board's review and discussion of the annual and interim financial statements;
- examined the implementation of the new presentation of the Group's financial results, broken down between HotelInvest and HotelServices;
- monitored FRHI's integration and the project to turn HotelInvest into a subsidiary;
- adopted an Audit Charter as part of the statutory audit reform process.

The Committee also tracked developments in the Group's tax disputes, was given presentations on upcoming changes in accounting standards and regulations, and reviewed Internal Audit findings and the yearly update of the risk map.

Appointments & Compensation Committee

The Appointments & Compensation Committee comprises eight members, four of whom are qualified by the Board as independent. In accordance with the recommendations in the AFEP/MEDEF Code, the employee representative director, Iliane Dumas, sits on this Committee. It is chaired by Sophie Gasperment (who is an independent director), and its other members are Qionger Jiang, Iris Knobloch, Aziz Aluthman Fakhroo, Bertrand Meheut, Patrick Sayer and Sarmad Zok.

The Committee met five times in 2016, with an average attendance rate of 90% (76% in 2015).

During its meetings held in 2016, the Committee:

- recruited and put forward new directors;
- made submissions to the Board regarding changes in governance and the membership structure and roles of the committees;
- reviewed the process for selecting an interim Chairman and Chief Executive Officer and an interim Deputy Chief Executive Officer in the event of unforeseen circumstances;
- reviewed the terms and conditions of the performance share plans launched in 2016 and the achievement levels of the performance criteria for previously-launched stock option and performance share plans;
- reviewed the framework related-party agreement entered into during the period with the Eurazeo Group and the related-party agreements approved in prior years which remained in force in 2016.

The Committee also assessed the independence of the Company's directors based on the criteria in the AFEP/MEDEF Code, and put forward recommendations concerning executive officers' compensation and the allocation of directors' fees among the Board members.

Corporate Governance, Compliance & CSR Committee

On July 27, 2016, on the recommendation of the Committee formerly in charge of Compensation, Appointments & Corporate Governance, the Board of Directors decided to set up a new Corporate Governance, Compliance & CSR Committee tasked with ensuring effective application of principles of good corporate governance (previously entrusted to the Compensation, Appointments & Corporate Governance Committee) and preparing the Board of Directors' decisions pertaining to compliance, ethics and CSR.

The Corporate Governance, Compliance & CSR Committee comprises four members, all of whom are qualified by the Board as independent. It is chaired by Jean-Paul Bailly, and its other members are Mercedes Erra, Sophie Gasperment and Isabelle Simon.

The new Committee met once in 2016, with an average attendance rate of 75%.

During this meeting, the Committee:

- tracked deployment of the Group's Compliance project;
- reviewed the work carried out by the Ethics and CSR Committee;
- reviewed the state of progress of the Group's Talent Management and Leadership projects.

It also reviewed the achievements to date of "Planet 21" and studied the strategic objectives and roadmap of this program for the coming years.

Commitments Committee

The Commitments Committee is comprised of five members. It is chaired by Patrick Sayer and its other members are Mercedes Erra, Aziz Aluthman Fakhroo, Jean-Paul Bailly and Sarmad Zok. Due to the nature of the responsibilities assigned to this Committee - which sometimes has to give its opinion on acquisitions or disposal projects within a short timeframe - Committee meetings may be called at any time, either in writing or verbally, by the Committee Chairman or by the Chairman and Chief Executive Officer.

The Committee met four times in 2016, with an average attendance rate of 85% (89% in 2015). Directors not on the Committee may also participate in its meetings, at the invitation of the Committee Chairman.

During the year, the Committee reviewed the Group's planned acquisitions and notably those of onefinestay and John Paul. It also focused closely on the acquisition of the Fairmont Raffles Hotels International Group and the project to turn HotelInvest into a subsidiary.

CONDITIONS AND PROCEDURES FOR ATTENDING SHAREHOLDERS' MEETINGS

The Annual Shareholders' Meeting will be held on May 5, 2017 at 3:00 p.m. at Novotel Paris Tour Eiffel, 61, quai de Grenelle, 75015 Paris, France. The notice of meeting containing the agenda and draft resolutions was published in the French legal gazette (*Bulletin des Annonces Légales Obligatoires*) and is available on the Company's website at www.accorhotels-group.com.

In accordance with the law, the applicable conditions and procedures for attending Shareholders' Meetings are set out in the Company's Bylaws, which are available on the AccorHotels website. They notably concern admittance conditions (Article 24 of the Bylaws), organization of the meetings (Article 25), and disclosure thresholds relating to shareholders' interests in the Company's capital and voting rights (Article 9).

ANNEXE A

BOARD OF DIRECTORS BYLAWS (AS AMENDED ON APRIL 29 AND JULY 27, 2016)

The members of the Board of Directors of Accor (hereinafter the Company) abide by the following rules of procedure, which constitute the Bylaws of the Board of Directors.

These Bylaws are based on recommendations by French market authorities aimed at ensuring compliance with the fundamental principles of corporate governance, notably the AFEP/MEDEF Corporate Governance Code for listed companies as revised in June 2013.

Intended for internal use only, these Bylaws are designed to supplement the Company's Bylaws by specifying the Board of Directors' organizational and operating procedures. They may not be used by shareholders or third parties as a basis for any claims against the directors, the Company or any company of the Accor Group (hereinafter the Group). They apply, where appropriate, to the non-voting directors appointed by the Board of Directors as well as to the Founding Co-Chairmen designated in Article 21 of the Company's Bylaws.

The existence and main provisions of these Bylaws shall be disclosed to the shareholders and to the public.

1. Composition

At least half of the directors on the Board of Directors must be independent within the meaning of the criteria set forth in the AFEP/MEDEF Corporate Governance Code for listed companies.

Every year, the Board of Directors shall determine which of the directors are independent according to the above-mentioned criteria. The conclusions of said assessment shall be disclosed to the shareholders and to the public in the Annual Report.

2. Meetings

The Board of Directors shall hold at least six meetings per year, of which one dedicated to reviewing the budget and one dedicated to a strategic review of the Group's operations. The proposed dates of each year's meetings shall be sent to the directors no later than March 31 of the previous year. Notices of Meeting shall be sent by mail, e-mail or fax or given verbally, by the Board Secretary.

The draft minutes of each meeting shall be sent to the directors within 15 days after said meeting and submitted to the Board for approval during the second meeting following that to which they relate.

Part of at least one meeting a year shall be devoted to assessing the Board's efficiency and effectiveness, in order to identify possible areas for improvement. In addition, the Board of Directors shall conduct a formal self-assessment at least every two years.

Non-executive directors shall meet once a year, without the executive directors or corporate officers being present, to assess the latter's performance and consider the future management structure.

For the purpose of calculating the quorum and majority, directors who take part in meetings by any means making it possible to identify them and enabling their actual participation pursuant to current statutes and regulations shall be deemed to be in attendance.

3. Information for the Board of Directors

The directors shall be provided with all the information necessary for them to carry out their duties.

Except when compliance with confidentiality or physical obstacles make it impossible, an information package pertaining to the items on the agenda that require prior study shall be sent to the directors in a timely manner prior to the meetings.

In addition, the directors shall be kept periodically informed between meetings of all significant events and transactions in the life of the Group. To this end, they shall be provided with all the press releases issued by the Company and a periodic summary of financial analysts' research reports on the Group and, when necessary, the actual reports.

The Board shall be kept regularly informed of the Group's financial position, cash position and commitments as well as the Group's strategy and main policies in the areas of human resources, organization and information systems, and shall discuss them periodically.

The directors shall be entitled to require the provision of any document necessary for the proceedings of the Board that has not been submitted to them. Any such requests shall be sent to the Chairman and Chief Executive Officer who may submit it to the Board for a decision.

The directors shall have the right to meet with the Group's main executives, including without the presence of the executive directors. To do so, they must first file a request with the Chairman and Chief Executive Officer.

4. Powers of the Board of Directors

The Board of Directors deals with all matters falling within the powers vested in it under the applicable laws and regulations.

In addition, the Board of Directors shall:

- a) approve the annual budget, including the annual financing plan, as well as the business plan presented by the Chairman and Chief Executive Officer;

- b) review and approve the Group's overall strategy, at least once a year, in accordance with Article 2 of these Bylaws;
- c) based on the Commitments Committee's recommendation, authorize the following decisions of the Chairman and Chief Executive Officer prior to their implementation:
- i. any and all immediate or deferred financial commitments representing more than €100 million per transaction. "Financial commitments" are defined as:
 - any and all acquisitions or disposals of assets and majority or minority interests in other companies; in the latter case, the amount of the commitment is considered as being equal to the entity's enterprise value,
 - any and all direct investments, for example for the creation of a business, the construction, refurbishment or extension of a hotel property, or expenditure on technological developments,
 - rental investments, measured on the basis of the market value of the leased asset,
 - hotel management contracts with a guaranteed minimum fee,
 - any and all loans to entities in which the Company or one of its subsidiaries does not hold the majority of the shares and voting rights, and any and all commitments to participate in share issues by such entities.

In the case of financing transactions, however, the Chairman and Chief Executive Officer is authorized to make any and all financial commitments of up to €1 billion without obtaining prior approval from the Board of Directors, provided that such commitment is undertaken in accordance with the annual Group financing policy as approved in advance by the Board of Directors. In this case, the Chairman and Chief Executive Officer shall inform the Board of Directors of the transactions after they have been completed. It is noted as well that the Board's prior approval is not required for borrowings due in less than one year, whatever the amount borrowed,

 - ii. any and all transactions that may impact the Group's strategy or lead to a material change in the Group's business base (mainly entry into a new business or withdrawal from an existing business), whatever the amount of the transaction,
 - iii. any and all transactions involving the Company's shares carried out in application of Article L. 225-209 of the French Commercial Code that exceed one million shares per transaction or two million shares per year;
- d) authorize the Chairman and Chief Executive Officer to issue guarantees, bonds and endorsements in the Company's name, up to a cumulative amount of €1 billion per year. In accordance with the Company's Bylaws, any such authorizations may be given for a period of one year. The Chairman and Chief Executive Officer is required to report to the Board of Directors each year on the amount and nature of guarantees, bonds and endorsements issued under the authorization;
- e) discuss and decide on any proposed changes to the Group's management structure and review information about the main organizational changes.

5. Vice-Chairman of the Board of Directors and Senior Independent Director

In accordance with Article 14 of the Company's Bylaws, the Board of Directors may appoint one of its independent members to act as Vice-Chairman for the duration of his/her term as director. The appointment may be terminated at any time by decision of the Board of Directors.

As specified in the Company's Bylaws, the Vice-Chairman may call meetings of the Board of Directors if the Chairman and Chief

Executive Officer is unable to do so, and shall chair Board meetings in the Chairman and Chief Executive Officer's absence.

The Vice-Chairman shall act as the preferred contact for the other independent directors. Whenever necessary and at least once a year, he/she shall organize and lead a meeting reserved exclusively for independent directors to allow them to discuss certain issues outside full Board meetings.

The Vice-Chairman shall ensure that requests from shareholders not represented on the Board are answered, and shall make him or herself available to hear their comments and suggestions and, where necessary, answer their questions. A specific e-mail address shall be created for this purpose. The Vice-Chairman shall inform the Board of Directors about such contact with the shareholders.

In addition, the Vice-Chairman shall oversee formal assessments of the Board of Directors' practices, approve the list of strategic issues to be discussed at Board meetings, as prepared each year by the Chairman and Chief Executive Officer, and deal with any conflicts of interest affecting Board members.

He/she shall be assisted by the Corporate Secretary services for any related administrative tasks.

6. Board Committees

Board discussions and decisions in certain areas shall be prepared by specialist Board Committees made up of directors appointed by the Board for the duration of their term. These Committees shall examine matters falling within their terms of reference, as well as any matters referred to them for consideration by the Chairman and Chief Executive Officer. They shall report regularly to the Board on their work, and provide the Board with their observations, opinions, proposals or recommendations.

To assist them in their work, the Board Committees may commission technical reports from management or from external consultants, at the Company's expense. In both cases, the Chairman and Chief Executive Officer shall be notified in advance. The Committees may also arrange meetings with members of Company management responsible for the areas under review, without any executive directors being present. In this case also, the Chairman and Chief Executive Officer shall be informed in advance.

There are four standing Board Committees:

- **the Audit and Risks Committee;**
- **the Commitments Committee;**
- **the Appointments & Compensation Committee;**
- **the Corporate Governance, Compliance & CSR Committee.**

The Board may also set up one or several special Committees.

Each Committee shall be chaired by one of its members, appointed by the Board on the recommendation of the Appointments & Compensation Committee. The Chairman and Chief Executive Officer may be invited to attend any and all Board Committee meetings by the Chairman of the Committee concerned. However, he shall not attend the part of Appointments & Compensation Committee meetings during which agenda items concerning him personally are discussed, nor the part of Audit and Risks Committee meetings during which the Committee members discuss matters with the Statutory Auditors.

The Committee Chairman shall appoint a person who need not be a Committee member to act as secretary.

The Chairman of each Committee may ask for the Committee to be consulted on any matters falling within its terms of reference that have not been referred to it.

Each Committee shall periodically review its rules of procedure and propose to the Board any changes that are considered necessary.

The Board Committees shall not have any decision-making authority.

6.1. The Audit and Risks Committee

The Audit and Risks Committee shall be responsible for ensuring that the accounting policies applied for the preparation of the financial statements of the Company and the Group are appropriate and applied consistently from one period to the next. Its terms of reference also include checking that internal reporting and control procedures provide adequate assurance concerning the reliability and completeness of financial information and the control of Group risk exposure.

To this end, it carries out the following tasks:

- it reviews the interim and annual consolidated financial statements and the financial statements of the Company, prior to their examination by the Board of Directors and ensures that accounting policies are applied consistently from one period to the next. This includes reviewing draft results press releases and announcements to be issued by the Company;
- it reviews the scope of consolidation and the reasons for excluding any entities;
- it reviews the Risk Management policy and ensures that adequate systems are in place;
- it assesses the material risk exposure and off-balance sheet commitments, and receives a copy of the Chief Financial Officer's detailed report on these matters;
- it oversees the effectiveness of the Internal Audit process, particularly procedures relating to the preparation and processing of the accounting and financial information, without compromising the independence of the Internal Audit Department; it obtains assurance concerning the effectiveness of the Group's system of internal control, by reviewing the methods used to identify risks and the organizational principles and procedures of the Internal Audit Department. It is also informed of the Internal Audit program and of the results of the Internal Audits carried out;
- it oversees the work of the Statutory Auditors. In particular it reviews their audit plan and the results of their audits. It receives a copy of the Statutory Auditors' post-audit letter setting out the main issues identified during their audit and describing the main accounting options selected;
- when the Statutory Auditor is appointed, it oversees the Auditor selection procedure and receives tenders submitted by the various different candidate firms (except in the event of renewal of the Statutory Auditors' term of office), and makes recommendations to the Board of Directors on the choice of candidate;
- it validates additional non-statutory audit-related work that the Statutory Auditors and the members of their networks may be asked to perform in accordance with the applicable laws and regulations;
- at the end of each year, it is informed of the fees paid by Group companies to the Statutory Auditors and the members of their networks during the year, including a detailed breakdown by type of engagement, and reports to the Board of Directors on these fees and expresses an opinion on the proposed fee budgets for statutory audit work;
- it ensures that the Statutory Auditors are independent, notably by reviewing their statement of independence, and reports back to the Board on its assessment of the Statutory Auditors' level of independence;
- it regularly reports back to the Board on the findings of the financial statement audit process, how the process has enhanced the integrity of the financial information produced and the role played by the Committee itself in this process.

The Audit and Risks Committee comprises three to six members possessing the necessary technical knowledge to fulfill the Committee's duties. At least two thirds of these members, including the Committee Chairman, must be independent directors.

The Audit and Risks Committee holds at least three meetings per year. One meeting – attended by the Senior Vice-President, Internal Audit – is devoted to reviewing the effectiveness of the system of internal control.

The Audit and Risks Committee may make inquiries of the Statutory Auditors without the executive directors and/or the Chief Financial Officer being present, after first notifying the Chairman and Chief Executive Officer.

Calls to meeting shall be issued by the Committee Chairman and include the meeting agenda. Meetings to review the interim and annual financial statements shall be held at least two days prior to the Board meeting called to approve the financial statements. The members of the Audit and Risks Committee must receive all necessary documents on a timely basis. When members are first appointed to the Committee, they are given detailed information about accounting, financial and operational issues that are specific to the Group. The Chairman and Chief Executive Officer, the Chief Financial Officer and the Statutory Auditors shall attend Audit and Risks Committee meetings as needed.

6.2. The Commitments Committee

The Commitments Committee is comprised of no more than seven members. Meetings of the Committee may be called at any time, in writing or verbally, by the Committee Chairman or the Chairman and Chief Executive Officer.

The Commitments Committee's recommendations are adopted by a simple majority and must then be discussed by the Board of Directors before the commitments can be implemented by the Group. The Commitments Committee is therefore responsible for preparing Board meetings and making recommendations to the Board on the following matters:

- any mergers, demergers or asset transfers;
- any amendments to the Company's corporate purpose;
- any and all commitments or transactions for which the Chairman and Chief Executive Officer is required to obtain the Board of Directors' prior approval in accordance with Article 4. c) of these Bylaws.

6.3. The Appointments & Compensation Committee

The Appointments & Compensation Committee's role is to prepare the Board of Directors' decisions pertaining to the compensation of executive directors and the policy for granting options to purchase new or existing shares of Company stock and making stock grants and to prepare changes in the composition of the Company's management bodies.

To this end, it carries out the following tasks:

Appointments

- It prepares recommendations, in liaison with the Chairman and Chief Executive Officer, regarding the succession of the executive directors and the selection of new directors. In selecting possible directors, the Committee shall take into consideration the desirable balance in the Board's composition, take special care that each candidate has the required capabilities and availability and ensure that the directors have the array of experience and skills necessary to enable the Board of Directors to carry out its duties effectively with the required objectivity and independence

vis-à-vis both senior management and a given shareholder or group of shareholders.

- It shall be informed of the succession plan concerning members of the Group's Executive Committee.

Compensation

- It studies and prepares recommendations regarding both the salary and bonus portions of the executive directors' short-term compensation, the granting of medium- and long-term incentives such as performance shares and stock options, all the provisions regarding their retirement plans and all other in-kind benefits.
- It defines and implements the rules for setting the bonus portion of the executive directors' compensation while ensuring that said rules are consistent with the annual appraisal of executive directors' performance and with the Group's medium-term strategy.
- It gives the Board an opinion regarding the general policy for granting medium- and long-term incentives such as stock options and performance shares, and the plans proposed by the Chairman and Chief Executive Officer.
- It is kept informed of and gives an opinion on the compensation policy for members of the Group Executive Committee and reviews the consistency of such policy.
- It issues a recommendation to the Board on the overall amount of directors' fees, which is submitted to shareholders for approval. It proposes to the Board rules for allocating said directors' fees and the individual amounts of the payments to be made as fees to the directors based on their attendance at Board and Committee meetings pursuant to Article 8 of these Bylaws.
- It reviews the policy and the projects proposed by the Chairman and Chief Executive Officer regarding employee share issues and any employee share ownership plans.
- It reviews the insurance coverage taken out by the Company regarding the civil liability of executive directors.
- It approves the information provided to shareholders in the Annual Report regarding (i) executive director compensation; (ii) the principles and procedures used to set such compensation; and (iii) the grant and exercise of stock options and the grant of performance shares.

The Appointments & Compensation Committee is comprised of three to seven members. A majority of these members, including the Committee Chairman, must be independent directors. At least one member must be a director representing employees.

The Appointments & Compensation Committee shall hold at least two meetings per year. Calls to meetings are issued by the Committee Chairman and include the meeting agenda.

6.4. The Corporate Governance, Compliance & CSR Committee

The Corporate Governance, Compliance & CSR Committee's role is to ensure that the principles of good corporate governance are properly applied and to prepare the Board of Directors' decisions pertaining to compliance, ethics and corporate social responsibility.

This Committee carries out the following tasks:

Governance

- It is tasked, in liaison with the Chairman and Chief Executive Officer, with issuing recommendations on implementing best corporate governance practices and preparing the assessment of the Board's work.
- It reviews and issues recommendations on best corporate governance practices.

- It reviews the compliance of the Company's governance practices with the corporate governance code to which the Company adheres.
- It periodically reviews whether the directors meet the independence criteria defined by the Board and makes recommendations if it appears necessary to review the independent status of directors.
- It continuously monitors changes in the Company's ownership structure and determines how the Company's awareness of such changes could be improved, particularly through legal procedures.
- It reviews all cases where there is a conflict of interest concerning one or more shareholders and (i) the interests of the Company or (ii) the interests of the shareholders as a whole.
- It reviews all cases where there is a conflict of interest between directors.
- It reviews changes in the role of the Board of Directors.
- It prepares all matters for discussion between the Company and its shareholders relating to (i) changes in their equity interests; (ii) their representation in the Company's corporate governance structures; and (iii) any contractual commitments between them and the Company, notably by helping the Board of Directors to prepare decisions authorizing related-party agreements.

Compliance

- It examines the structure and implementation of the Group's compliance procedures and tracks the deployment of compliance policies.
- It reviews all ethical issues and potential conflicts of interest of which it is aware, or which the Board or the Chairman submits to it for review.
- It is briefed on the annual report of the Ethics and CSR Committee.

Corporate social responsibility

- It reviews the Group's key CSR strategic focuses and progress in different areas.

The Corporate Governance, Compliance & CSR Committee comprises three to five members. A majority of these members, including the Committee Chairman, must be independent directors.

The Committee shall hold at least two meetings per year. Calls to meetings are issued by the Committee Chairman and include the meeting agenda.

7. Secretary to the Board of Directors

Pursuant to the Company's Bylaws, the Board of Directors shall name a Secretary who need not be a director.

The Board Secretary's role is to call members to meetings of the Board of Directors when requested to do so by the Chairman and Chief Executive Officer and to prepare the draft minutes of the meetings of the Board of Directors, which are then submitted to the Board for approval. He/she is tasked with sending the working documents to the directors according to the procedure set forth in Article 3 of these Bylaws and in general responds to any request from directors for information pertaining to their rights and obligations, the Board's operation or the life of the Company.

His/her duties also include maintaining the statements designed to prevent conflicts of interest, as provided for in Article 9.

Lastly, the Board Secretary shall attend the meetings of the Board Committees as needed at the request of the Chairman and Chief Executive Officer or the Committee Chairmen. He/she may also be tasked with sending the working documents to the Committee members.

8. Directors' fees

The annual amount of directors' fees approved by shareholders shall be allocated by the Board based on a recommendation by the Compensation, Appointments & compensation Committee.

Board members shall be entitled to a fixed portion of fees for their duties as directors and, as the case may be, their role as a member or Chairman of one or more Board Committees, as well as a variable portion of fees determined according to their actual attendance at Board or Committee meetings.

Distribution is based on the following principles:

- the annual amount of directors' fees shall be divided into an amount set aside for the Board and an amount set aside for the Board Committees, as determined by the Board of Directors. The amount for the Board Committees shall subsequently be divided equally among the Committees;
- one-third of the amount set aside for the Board and for each Committee shall be used to pay the fixed portion of directors' fees, based on a lump sum determined by the Board in line with the number of directors or Committee members concerned;
- two-thirds of the amount set aside for the Board and each Committee shall be used to pay the variable portion of directors' fees based on a per-meeting amount set by the Board depending on the total number of meetings held during the year;
- the Vice-Chairman of the Board of Directors shall receive the fixed portion of directors' fees payable to all directors as well as a fixed portion corresponding to a lump sum determined by the Board of Directors;
- Committee Chairmen shall receive a fixed portion of directors' fees equal to double the fixed portion payable to Committee members;
- directors who also hold the position of Chairman and Chief Executive Officer, Chief Executive Officer or Deputy Chief Executive Officer shall not receive any directors' fees;
- directors representing employees shall not receive any directors' fees. The directors' fees that they would have received shall not be distributed and instead the Group has pledged to allocate the equivalent amount to supporting Group employees in difficulty;
- directors' fees shall be paid no later than three months following the end of the previous fiscal year.

9. Conflicts of interest and sensitive information

9.1. Conflict of interest situations

Any director that is directly or indirectly, or *via* an intermediary, in a position of a conflict of interest – even potentially – with respect to the interest of the Company because of the positions that he/she holds, and/or any interests that he/she has elsewhere, shall inform both the Vice-Chairman of the Board and the Board Secretary.

Moreover, anyone who has direct links to a person with interests that are in competition with those of the Company may also raise this matter as it relates to competition law aside from the actual conflicts of interests involved. Consequently, no director shall accept a directorship or executive management responsibilities or a position as consultant with a person with interests that are in competition with those of the Company during his/her term of office without the Board's authorization.

In accordance with Article 15 of the Company's Bylaws, the directors and any persons who attend Board meetings are subject to strict confidentiality requirements concerning the information provided during debates.

9.2. Sensitive information from a competition-law perspective

No information that may be sensitive from a competition-law perspective may be disclosed or discussed in the presence of a director who has direct or indirect links to a person with interests that are in competition with those of the Company (the "Director Concerned").

The notion of *sensitive information* from a competition-law perspective extends to all non-public information that could help the Director Concerned to understand or influence the strategy, notably the commercial strategy, of the Company on the market(s) where the person with interests that are in competition with those of the Company does business, and with which the Director Concerned has direct links.

In particular, for the market(s) in question, this notion covers information relating to:

- current or future development projects, especially mergers and acquisitions;
- current or future pricing strategies (including discounts and rebates);
- sales, promotions, current and future terms and conditions of advertising and promotional campaigns (including advertising and promotional expenditure, selling terms and conditions, and sales strategy in general);
- margins and targets or profitability indicators for specific businesses, products or services;
- current or future capacity, including plans to increase or cut capacity;
- customers, customer lists, loyalty programs and, if applicable, bids or planned bids in response to calls for tender;
- costs related to products, services or technologies;
- tech, IT or research and development projects;
- market share;
- market studies, including forecasts of supply/demand and prices.

Unless, in each case, the information is no longer sensitive from a competition-law perspective due to its general nature, or because it is relatively old or aggregate information, or because it is comprised only of public data.

The same provisions apply to the risk of exchanging information that may be sensitive from a competition-law perspective as to conflict of interest situations within the meaning of this article.

9.3. Declaring conflicts of interest

When he/she takes up office, and subsequently every year no later than January 31, each director shall disclose all relationships of any kind that he/she has, directly or indirectly or *via* an intermediary, with Group companies, their managers, suppliers, customers, partners or competitors. He/she shall send this statement to the Chairman and Chief Executive Officer and to the Vice-Chairman of the Board, and a copy thereof to the Board Secretary.

Should an event occur that renders all or part of this statement inexact, or in the event of any doubt over the existence of a conflict of interest – or a potential conflict of interest – the Director shall immediately inform the Vice-Chairman of the Board and the Board Secretary.

Based on these declarations, the Vice-Chairman, with the assistance of the Board Secretary and external consultants if necessary, draws up a list of issues for each individual director that are likely to generate conflicts of interest and informs the Board of Directors on an annual basis and each time the list is amended. The Board also receives a recap of the measures adopted to prevent potential conflicts of interest.

9.4. Guidelines in the event of a conflict of interest

In the event of a conflict of interest – or even a potential conflict of interest – the Director Concerned shall abstain from the debates and decision-making on the matters concerned and shall be asked to leave the Board meeting during the debate and the corresponding vote.

The Director Concerned shall not receive information relating to the agenda item that concerns the conflict of interest nor the corresponding section in the minutes of the Board meeting.

If the agenda of a given Board meeting so requires, and based on a decision taken by the Chairman and Chief Executive Officer or the Vice-Chairman, the meeting may be split into two parts: the

first held in the presence of the Director(s) Concerned at which no information that may be sensitive from a competition-law perspective or concerning a conflict of interest shall be discussed; and the second taking place without these Directors being present.

All decisions of the Board of Directors regarding a conflict of interest appear in the minutes of the Board meeting.

Any problems concerning the application of Article 9 shall be submitted to the Vice-Chairman of the Board or, in the event of any difficulties, and at the Vice-Chairman's request, to a special committee chaired by the Vice-Chairman and comprising two independent directors. In the event of persistent difficulties, the Board of Directors shall take a final decision, based on the recommendation of the committee.

ANNEXE B

BOARD OF DIRECTORS CODE OF CONDUCT (AS AMENDED ON APRIL 29, 2014)

The Board of Directors collectively represents all the shareholders and acts in the Company's interest. Each director, regardless of the reasons for his/her appointment and his/her qualification by the Board of Directors as regards the independence criteria set forth in the AFEP/MEDEF Corporate Governance Code for listed companies, represents all the shareholders and as such adheres to the principles of conduct defined in this Code of Conduct.

The non-voting directors appointed by the Board of Directors and the Founding Co-Chairmen referred to in Article 21 of the Company's Bylaws shall be governed by all of the provisions of this Code of Conduct that are applicable to them.

Duty of due care

Directors shall carry out their duties as they see fit in the best interest of the Company. They shall strive at all times to improve their knowledge of the Group and its business lines and agree to be bound by a duty of vigilance and warning. They shall devote the necessary time and attention to their directorship in particular by attending the meetings of the Committees to which they belong, the meetings of the Board of Directors and the Shareholders' Meetings.

In addition to complying with the applicable statutes and regulations on the holding of several directorships, it is the responsibility of each director to ascertain whether his/her duties as a director of the Company are compatible with the directorships or positions that he/she holds in other companies in particular as regards the workload. Each director shall disclose periodically to the Company the directorships that he/she holds in any other company in order to enable the Company to comply with its statutory disclosure obligations in this regard.

Information

Directors have the duty to request the information that they deem necessary to carry out their duties from the Company's management *via* the Chairman and Chief Executive Officer or, where applicable, the Board Secretary. They shall have the right to meet with the Company's principal executives, whether or not in the presence of the Chairman and Chief Executive Officer, after having requested such a meeting from the Chairman and Chief Executive Officer.

When a new director takes up office, the Board Secretary shall provide him/her with an information package containing the Company's Bylaws, the Board of Directors Bylaws, the Board of Directors Code of Conduct as well as the principal statutes and regulations regarding directors' liability.

Directors may consult the Board Secretary at any time regarding the scope of said statutes and regulations and the rights and obligations incumbent on him/her.

Transparency and preventing conflicts of interests

Directors strive to remain independent in all circumstances as regards their analysis, judgment, decisions and actions.

Directors agree not to seek out or accept any benefit likely to call into question their independence.

Any director that is directly or indirectly in a position of a conflict of interest – even potentially – with respect to the interest of the Company because of the positions that he/she holds, and/or any interests that he/she has elsewhere, shall inform the Chairman and Chief Executive Officer or any individual designated by the Chairman and Chief Executive Officer. He/she shall abstain from the debates and decision-making on the matters concerned and may have to leave a Board meeting during the debate, and, where applicable, the vote.

When he/she takes up office, and subsequently every year no later than January 31, each director shall fill in a statement according to the template attached to this Code of Conduct in which he/she discloses any relationships of any kind with Group companies, their managers, suppliers, customers, partners or competitors. He/she shall send this statement to the Chairman and Chief Executive Officer and a copy thereof to the Board Secretary.

Directors shall refrain from participating, directly or indirectly, in any transaction of any amount with a Group company involving the sale by said company of one or several hotel assets.

The Board of Directors shall deliberate on the rates granted to directors when staying in a non-official capacity in Group hotels.

Trading in Company securities by the directors

Directors have access to insider information. Such information, if made public, could impact the price of the Company's shares or any other securities issued by the Company.

Pursuant to the applicable statutes and regulations, they shall be required:

- to refrain from using insider information to trade such securities either directly or *via* an intermediary;
- not to knowingly allow a third party to carry out such trading;
- not to disclose such information to third parties even through carelessness.

In addition, without prejudice to the statutes and regulations on insider trading, periods known as "negative windows" shall be determined each year. During such periods, directors shall refrain from trading the Company's shares or any other securities issued by the Company (including exercising stock options), either directly or *via* an intermediary, even *via* the trading of derivatives. Such periods shall consist of (i) 30 calendar days prior to the date of publication of the annual and interim consolidated financial statements, as well as the day of these publications and the following day, and (ii) 15 calendar days prior to the date of publication of quarterly revenue figures, as well as the day of these publications and the following day.

The exact dates of the "negative windows" shall be disclosed each year to the directors by the Board Secretary. If specific "negative windows" are set up in connection with financial or strategic transactions, the directors shall be informed immediately thereof by the Board Secretary.

Directors may not hedge the risks of losses on the Company shares or stock options they own.

Each director shall be responsible for reporting to the French securities regulator (*Autorité des Marchés Financiers*) and to the Company (to the attention of the Board Secretary) any trading involving the Company's shares or any other securities issued by the Company and carried out by him/her or individuals that are closely related to him/her, pursuant to applicable statutes and regulations.

Directors may consult the Board Secretary at any time regarding the scope of the "negative windows" system and on the conditions of its application to any specific case.

Duty of discretion and confidentiality

Pursuant to Article 15 of the Company's Bylaws, directors shall be bound by a duty of discretion and confidentiality in the interest of the Company. To that end, they undertake that they shall be responsible for maintaining the professional secrecy of all the confidential information to which they have access, the resolutions and the operation of the Board of Directors and of any Committees to which they may belong, as well as the content of the opinions issued or votes cast during Board or Committee meetings.

When requested by the Chairman and Chief Executive Officer, each director agrees to return or destroy immediately any document in his/her possession containing confidential information.

In addition, directors shall be required to consult with the Chairman and Chief Executive Officer prior to any personal disclosure that they may make in the media on matters involving or likely to affect the Group, the Company and/or its governing bodies. This provision shall not apply to directors who concurrently hold the position of Chief Executive Officer or Deputy Executive Officer and who may have to make disclosures in that capacity in the name of the Company.

Shares owned privately

Pursuant to the Company's Bylaws, directors other than those representing employees must own 1,000 shares in the Company. Such shares and any shares acquired in excess of that number must be registered shares.

The permanent representatives of legal entities that are directors shall be subject to the same obligation.

The number of Company shares owned by each director (and each permanent representative of any legal entity that is a director), excluding that of Company shares owned by directors representing employees, shall be publicly disclosed by the Company.

3.2.2 INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES

3.2.2.1 INTERNAL CONTROL OBJECTIVES OF THE PARENT COMPANY

The Group applies the internationally recognized definition of internal control formulated by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). According to this definition, internal control is a process, effected by an entity's Board of Directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- effectiveness and efficiency of operations;
- reliability of financial reporting;
- compliance with applicable laws and regulations.

This definition complies with that set out in the Reference Framework for Risk Management and Internal Control Systems issued by the AMF, which states:

"Internal control is a Company's system, defined and implemented under its responsibility, which aims to ensure that:

- laws and regulations are complied with;
- the instructions and directional guidelines fixed by Executive Management or the Management Board are applied;

- the Company's internal processes are functioning correctly, particularly those implicating the security of its assets;
- financial reporting is reliable; and
- generally, contributes to the control over its activities, to the efficiency of its operations and to the efficient utilization of its resources."

By helping to anticipate and control the risks involved in not meeting the objectives the Company has set for itself, the internal control system plays a key role in conducting and monitoring its various activities.

One of the objectives of the internal control system is therefore to anticipate and control the risks arising in the course of the Company's business, as well as the risk of errors or fraud, particularly in the areas of accounting and finance. However, as stated in the AMF's Reference Framework, internal control procedures cannot provide an absolute guarantee that the Company's objectives will be achieved, no matter how well the system is designed or how well the procedures are applied.

The following description of the Company's internal control and risk management systems was prepared based on the aforementioned Reference Framework and its application guide.

3.2.2.2 SUMMARY DESCRIPTION OF INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES

The internal control and risk management procedures described below cover the parent company and all of its consolidated subsidiaries. Whenever a new entity is consolidated, it implements a systematic plan to deploy the internal control procedures and it is included in the audit plan on a priority basis. The Audit and Risks Committee pays particular attention to ensuring that these plans are properly implemented.

Overall organization of the internal control and risk management systems

Main participants

Internal control and risk management procedures are part of the policies defined by the Board of Directors and are implemented under the direct responsibility of the operating divisions and corporate functions. Internal control and risk management are everyone's responsibility, from executive officers to front-line employees.

In this regard, the main structures responsible for overseeing the internal control and risk management systems are as follows:

Executive Management

In accordance with the law and the Company's Bylaws, the Chairman and Chief Executive Officer represents the Company in its dealings with third parties and has the broadest powers to act on behalf of the Company in all circumstances. The situations where exercise of the Chairman and Chief Executive Officer's powers is subject to the prior approval of the Board of Directors are detailed in paragraph 3.2.1 of this report.

The Chairman and Chief Executive Officer has structured the Group around two core competencies:

- HotelServices: hotel operator and brand franchisor;
- HotelInvest: hotel owner and investor.

For the purpose of carrying out his duties, the Chairman and Chief Executive Officer is assisted by an Executive Committee which includes representatives from all of the operating divisions and corporate functions. This Committee comprises the following members:

- the Deputy Chief Executive Officer in charge of Group Procurement, Audit, Legal and Security & Safety;
- the Chief Talent & Culture Officer;
- the Chief Development Officer;
- the Chief Financial Officer;
- the CEO Group Food & Beverage;
- the CEO Luxury Brands and CEO HotelServices, North America, Central America and the Caribbean;
- the CEO New Businesses and CEO HotelServices, Africa and the Middle East;
- the CEO HotelServices, Europe (excl. France and Switzerland);
- the CEO HotelServices, France & Switzerland;
- the CEO HotelServices, Asia-Pacific;

- the CEO HotelServices, Latin America;
- the COO HotelInvest;
- the COO and Deputy Chief Executive Officer HotelInvest.

In addition, several corporate departments that provide services to both HotelServices and HotelInvest report directly to the Chairman and Chief Executive Officer, namely:

- the Institutional Relations Department;
- the Group Media Relations Department;
- the Marketing, Digital, Transformation and Innovation, BtoO and Information Systems Department.

Group Finance

The Chief Financial Officer ensures that the Group's financial policies are properly implemented, in particular by circulating to the Divisions the accounting principles and standards used to prepare the consolidated financial statements.

The Group Finance function is organized around the following departments:

- the General Control Department, in charge of Group financial control, Group financial information systems, Group consolidation, accounting studies and policies and parent company accounting;
- the Strategy and Corporate Finance Department;
- the Group Corporate Treasury, Financing and Credit Management Department;
- the Group and France Tax Department, which is tasked with implementing and coordinating Group tax planning measures, particularly relating to cross-border transactions;
- the Financial Communication and Investor Relations Department, which is in charge of releasing information on the Group's strategy and results to the financial markets;
- the Finance Department of the Company in charge of the Group's loyalty program and Distribution and Marketing management control;
- the Finance Mergers Acquisitions Department is responsible for monitoring and integrating acquisitions, mergers and joint ventures;
- the Project Finance Department, which coordinates the Finance Department's cross-business projects.

Group Finance maintains regular contact with the Statutory Auditors, who audit the financial statements of the Company and the Group in accordance with the applicable laws and regulations.

Risk Management and Insurance

The Risk Management Department coordinates the Group's structured process for identifying, analyzing and assessing major risks and implementing risk prevention and protection action plans to reduce the identified risks.

With the help of the Central Risk Management and Coordination Committee and its network of local risk correspondents, the Risk Management Department is in charge of implementing processes for mapping and mitigating major risks and, for this purpose, provides support to the Group's Operational and Functional Departments.

In particular, as part of the overall process for managing hotel risks, it defines, promotes and coordinates safety procedures in the Group's hotels. It ensures, through controls, that these procedures are properly implemented.

As part of the Group's protection strategy, it is responsible for arranging appropriate coverage for the Group's risks, notably by setting up insurance policies.

Additional information may be found in Chapter 3.5, "Risk Management".

Group Safety & Security

The Group Safety & Security Department, reporting directly to the Deputy Chief Executive Officer, is responsible for defining and rolling out Group-wide safety and security policies.

It helps devise Group travel policy by producing recommendations, circulating security and safety-related information and supporting the deployment of training initiatives and dedicated applications.

The security and safety Department is responsible for deploying, coordinating and monitoring measures aimed at preventing malicious damage in Group hotels. Its duties include consulting, performing audits, providing operational support and helping to protect employees, guests and infrastructures.

It has developed a crisis management system and ensures that all of the Group's hotels are incorporated and monitored accordingly (see section 3.5.4.1, "Crisis management").

The Group Safety and Security Department tracks the safety and security situation on a daily basis, reviewing the geopolitical context and public health and hygiene conditions, as well as risks relating to extreme weather events and social unrest.

Corporate Internal Audit

Corporate Internal Audit, which has a dotted-line reporting relationship with the Group Internal Control Committee (see section 3.2.2.5) and the Audit and Risks Committee, is the cornerstone of the internal control system. It is responsible for helping to develop internal control tools and standards, and for performing internal audits based on the annual audit program approved by the Group Internal Control Committee and the Audit and Risks Committee.

Corporate Internal Audit coordinates its audit plans with the Statutory Auditors' work plans. It is also responsible for coordinating the activities of the local Internal Audit Departments within the operational departments (Divisions).

At December 31, 2016, Corporate Internal Audit had a staff of ten auditors. In addition, Group Information Systems Internal Audit, which reports to Corporate Internal Audit, had a team of three auditors at that date.

Local Internal Audit Departments in the Divisions

The local Internal Audit Departments set up in the main Divisions report to their Division's Finance Director and have a dotted-line reporting relationship with Corporate Internal Audit. The sole exception to this rule is the local Internal Audit Department for the Europe, Middle East and Africa region, which reports directly to the Senior Vice-President, Internal Audit.

These local departments have direct ties with Corporate Internal Audit, thereby ensuring that they comply with the fundamental principles of conduct and independence and follow the standards required of the Internal Audit profession, as well as the methods recommended by the Group. These ties also guarantee that the local Internal Audit Departments are given adequate resources to fulfill their objectives.

At end-2016, the local Internal Audit Departments in the Divisions had a total of 29 auditors.

The accounting and financial information system

The Group's accounting and financial information system is designed to ensure the security, reliability, availability and traceability of information.

It is based on an interfaced reporting and consolidation system that covers substantially all of the Group's operations with the aim of providing consistent accounting data at Company and Group level.

A specifically-designed user manual has been prepared and issued to the employees concerned, in order to guarantee that the systems are correctly used and that the information obtained is appropriate and relevant.

The Group has also set up processes to ensure the security of the accounting and financial information system, as well as the integrity of the data involved. These include regular back-ups and programmed controls that trigger warnings in the event of incorrect data entries.

The accounting and financial information system is regularly updated in line with the Group's specific needs.

Internal reporting

The Group ensures that relevant information is communicated in a timely manner to the appropriate persons so that they can exercise their duties in accordance with the Group's standards. To this end, a set of procedures defining best practices and reporting processes has been circulated internally.

Corporate values and principles

The Group's internal control system supports the corporate values expressed by the Board of Directors and Executive Management and communicated to all employees. AccorHotels has drawn up rules of conduct and integrity relating to employee behavior and relations with customers, shareholders, business partners and competitors, and in 2014 it replaced its Management Ethics Guide by a more comprehensive Ethics and Corporate Social Responsibility Charter. This new Charter provides a clear framework for the responsible conduct that the Group expects in terms of ethics, integrity, legal compliance and overall corporate social responsibility. In 2016, the Group adopted a Compliance program designed to tackle compliance risk, particularly bribery-related and anti-trust risks.

The Internal Audit Charter aims to provide a Group-level cross-functional view of Internal Audit resources and methodologies, as well as the methods used to communicate the results of internal audits. To this end, it defines the framework for Internal Audit activities within the Group, based on the professional standards issued by IFACI and other bodies, which set down strict codes of conduct for internal auditors. The Charter also formally describes the role, membership and procedural rules of the Group Internal Control Committee, as well as the procedure to be followed by Corporate Internal Audit to coordinate the activities of the local Internal Audit Departments.

The Internal Audit Charter has been signed by the Group's Chairman and Chief Executive Officer, the Deputy Chief Executive Officer, the Chief Financial Officer, the Senior Vice-President, Internal Audit, and the members of the Internal Control Committee, whose structure and roles are described in section 3.2.2.5 below.

Procedure manuals and accounting principles

The Finance Manual issued to all Finance Departments within the Group describes the closing process for the monthly management accounts and sets out the Group's charts of accounts, consolidation principles, accounting standards and policies. It also addresses specific issues related to the investment approval procedure and includes the Treasury Charter, which describes cash management procedures, the principles to be followed concerning the holding of payment instruments and the approval of expenditures, as well as the role and organization of cash pooling systems. Employees can download the manual from the Group's Intranet.

In addition, a presentation of International Accounting Standards/ International Financial Reporting Standards, providing details on how to apply the standards to the Group's specific circumstances, has been prepared by Group Finance and provided to the Group employees concerned.

Lastly, consolidation instructions detailing the financial reporting schedule and specific points concerning consolidation adjustments to individual financial statements are issued every quarter to the various Finance Directors and consolidation teams, and are archived on the Finance Intranet.

Internal procedure manuals

Internal procedure manuals have been produced for the main businesses. The purpose of these manuals is to structure and firmly establish Group procedural guidelines, based on an assessment of the specific internal control risks of each business.

Internal control procedures are implemented under the direct responsibility of the operating divisions and corporate functions and form part of an ongoing process of identifying, assessing and managing risks.

Internal control self-assessments

The Group places considerable emphasis on preparing, issuing and monitoring internal control self-assessment procedures, which have now been rolled out to the majority of hotel operating units and head offices. These procedures interconnect with the Group's existing internal control standards and processes and are based on analyzing the internal control risks inherent in each business and identifying key control issues.

Data obtained from the internal control self-assessment process are periodically centralized at Division level, with the assistance of the internal auditors when required.

Internal Audit programs for units where the self-assessment system has been deployed include a quantitative measurement, *via* a rating system, of the gap between the self-assessment and the internal auditors' assessment of the level of internal control. By analyzing these gaps, it is possible to evaluate the quality of the self-assessment procedures implemented by the unit manager.

Internal Audit reports

A draft report is prepared after each Internal Audit, setting out observations, identified risks and recommendations. This report is sent to the management of the audited unit, which prepares an action plan when required. A summarized version of this draft report is also sent on request to the members of the Executive Committee.

The final report, which includes any corrective action plans prepared by the audited unit, is then sent to the managers in charge of overseeing operational and financial matters for the unit concerned and to the members of the Executive Committee.

The reports prepared by the local Internal Audit Departments are centralized by the Corporate Internal Audit Department and a summary of the work performed by these departments is presented to the Group Internal Control Committee and the Audit and Risks Committee.

The Audit and Risks Committee receives a quarterly summary of the internal audits carried out during the period, including a status report on the annual audit plan, an assessment of the quality of internal control in the audited units and the gap between the internal auditors' assessments and any self-assessments performed by the units, as well as the internal auditors' main observations, and action plans decided on by the parties concerned.

Once these reports are issued, Internal Audit tracks the action plans deployed by the auditees.

Reporting procedure

Group Financial Control is responsible for overseeing the reporting procedure specified in the Finance Manual. The procedure requires the Divisions to submit monthly reporting packages comprising an analysis of key business indicators and the main components of income, in the format prescribed by the Group. All reporting data submitted by the Divisions must be analyzable both by nature and by function.

The reporting procedure is designed to provide a detailed analysis of changes in financial and operating results, which helps the Group to provide support with resource allocation decisions and measure the efficiency of the various organizational structures in place.

3.2.2.3 IDENTIFYING AND ANALYZING RISKS

The Group identifies and analyzes the main risks that may jeopardize the achievement of the Group's objectives. It takes the necessary measures to reduce risks identified as priority risks due either to their likelihood and/or potential impacts.

Risk identification and mapping

The Risk Management Department coordinates the process of mapping the Group's major risks and presents the results to the Audit and Risks Committee every year in December. This mapping, covering all internal and external risks, aims at presenting in a standard form the exposure of the Group as perceived by Corporate and Zones Management.

These risks, together with the related risk mitigation measures, are described in the "Risk Factors" section of this Registration Document.

Internal control risk maps are prepared based on the Internal Audit assignments and above-mentioned self-assessments. These maps, which highlight issues that require priority action, are included in the relevant Internal Audit reports and are periodically presented in summary form to the Internal Control Committee and the Audit and Risks Committee.

3.2.2.4 CONTROL ACTIVITIES

To improve control of identified risks, the Group has set up control procedures that comply with its standards and cover both operating and financial information processes.

Authorization process for expansion capital expenditure and disposals

A procedure has been set up for the prior authorization of capital expenditure projects, to ensure that they comply with Group strategy and return-on-investment-criteria. The procedure requires formal authorizations to be obtained from the appropriate line and staff managers, in a standard format. A similar authorization procedure has been established for disposals.

As part of this process, the Group has a Business Development and Investment Committee, which is tasked with analyzing all investment projects representing over €150,000. All projects for directly-owned hotels and hotels operated under management and franchise agreements that represent over €5 million are subsequently presented for final approval to the Group's Executive Committee. Likewise, the Executive Committee's approval is required for all projects in the luxury and high-end segments.

The Business Development Committee comprises the Chief Financial Officer; the COO of HotelInvest (for directly-owned projects); the HotelServices CEO of the region concerned (for management and franchise projects); the Senior Vice-President, Business Development; and the Senior Vice-President, Strategy.

The Business Development Committee meets approximately once a month.

Preparing and controlling the consolidated financial statements

The consolidated financial statements are prepared by Group Finance based on information reported by the subsidiaries' Chief Executive Officers and Finance Directors. The format of the consolidation packages is determined by the Group.

The subsidiaries are responsible for the information contained in their consolidation packages and are required to make formal representations to Group Finance about the fairness of reporting data and its conformity with Group accounting standards and policies.

The Consolidation Department carries out systematic controls of the consolidation packages submitted by the subsidiaries. A detailed schedule for reviewing the packages has been prepared and sent to the employees concerned.

In connection with their audit of the consolidated financial statements, the Statutory Auditors audit the consolidation packages transmitted by the subsidiaries included in the scope of their audit. Corporate Internal Audit also reviews from time to time the proper application of Group accounting standards and policies by the subsidiaries, and reports to Group Finance any issues identified during the review.

As the final stage of the process, the consolidated financial statements are examined by the Group General Control Officer and the Chief Financial Officer prior to their review by the Audit and Risks Committee. The Board of Directors then approves the consolidated financial statements based on the recommendations of the Audit and Risks Committee.

Corporate Internal Audit assignments

Corporate Internal Audit carries out its audit assignments based on an audit program validated by the Internal Control and Audit and Risks Committees. The main types of assignments, as described in the Internal Audit Charter, are as follows:

- **operational audits**, which are aimed at evaluating the reliability and effectiveness of the operating units' internal control systems as well as ensuring that they comply with Group standards. These audits notably include checking on a regular basis that the internal control self-assessments have been properly performed by the operating units;
- **head office audits (corporate functions)**, which are designed to optimize internal control procedures applied at the head office and ensure that the head office is able to fulfill its role of overseeing and supporting operating units as effectively as possible. When carrying out their assignments within the Group's units, Corporate Internal Audit teams also verify that the main risks identified in the risk map are being monitored appropriately;
- **organizational and procedural audits**, which are aimed at helping the Divisions to optimize and adapt their procedures and operating processes, notably when rolling out cross-functional projects that lead to a change in organizational structures;
- **specific audits**, which are review assignments that comply with the professional standards applicable to internal auditors and fall within their remit. They can concern issues applicable to the integration of new businesses, one or more operating units, or to a particular country, function or process.

As part of their assignments, Internal Audit teams perform due diligence reviews to verify compliance with the anti-corruption principles and procedures specified in the Group's Ethics and Corporate Social Responsibility Charter.

Assignments performed by the local Internal Audit Departments

These departments perform internal audits, either on a stand-alone basis or jointly with Corporate Internal Audit, in line with the program approved by their Division's Internal Control Committee. They also provide ongoing assistance to finance and operating departments in managing and monitoring internal control issues within their Division's operating units.

They use methods, tools (including internal control assessment processes) and work programs that have been approved by Corporate Internal Audit due to their direct ties with this department.

In accordance with ethical principles, the local internal auditors do not audit head office or cross-functional departments, due to possible conflicts of interest arising from the fact that the auditors work in the Divisions.

Assignments performed by Group Information Systems Internal Audit

Reporting to Corporate Internal Audit, the Information Systems Internal Audit Department carries out assignments throughout the Group. The main types of audit are as follows:

- **information systems audits**, which are performed to ensure that best practices are applied in relation to the organization and monitoring of the audited units' information systems;
- **audits of applications and processes**, which are aimed at ensuring that manual or automated checks in place provide an appropriate level of internal control in view of the operations covered by the applications concerned;
- **project management audits**, which are designed to validate the implementation of best project management practices;
- **IT security audits**, which help to ensure the security of the Group's technological platforms. They are primarily performed by the Information Systems Security Department, which reports to Group Information Systems, and in some cases in response to queries raised by Information Systems Internal Audit.

Control assignments performed by the Safety & Security Department and the Risk Management and Insurance Department

The Safety & Security Department and the Risk Management and Insurance Department also carry out control assignments throughout the Group on issues that fall within their respective remits.

3.2.2.5 MONITORING INTERNAL CONTROL AND RISK MANAGEMENT

Internal control and risk management procedures are regularly reviewed to ensure that they are appropriate and aligned with the Group's objectives, particularly in view of the risks specific to each business and the costs of performing the controls.

The main structures responsible for overseeing the internal control and risk management systems are as follows:

The Audit and Risks Committee

As described in the Board of Directors Bylaws (Annexe A to this report set out in section 3.2.1 above), the Audit and Risks Committee carries out the following three main tasks in relation to internal control and risk management:

- it reviews the Risk Management policy and ensures that adequate systems are in place;
- it is informed every year of the updates to the risk map and the results of the monitoring processes carried out for the Group's main risks;
- it obtains assurance concerning the effectiveness and efficiency of the Group's system of internal control, by reviewing the methods used to identify risks and the organizational principles and procedures of the Internal Audit Department. It is also informed of the Internal Audit program and given an overview of the internal audit findings.

Group Internal Control Committee

The Group Internal Control Committee comprises the Chairman and Chief Executive Officer, the Deputy Chief Executive Officer and other members of the Executive Committee (see list in the "Directors and Corporate Officers" section of this Registration Document). It also includes the Senior Vice-President, Group Information Systems; the Senior Vice-President, Internal Audit; and the Finance Directors of the Group's main subsidiaries. The heads of the local Internal Audit Departments may also attend the meetings of the Committee at the invitation of their Division's Internal Control Committee members.

The Group Internal Control Committee guarantees the independence of the Internal Audit function. Its responsibilities are to:

- validate the annual Internal Audit program;
- review significant internal audit issues for the current year, in each of the audited areas, and approve the action plans for each audited unit;
- track changes in internal control levels within the Group;
- oversee the activities of the Internal Audit function, in terms of audit efficiency/optimization and the adequacy of the function's resources;
- track the action plans deployed by the auditees.

The Group Internal Control Committee meets once a year.

Central Risk Management Coordination Committee

The Central Risk Management Coordination Committee is tasked with:

- monitoring the rollout of the yearly map of major risks;
- helping priority risk owners in their risk mitigation processes;
- monitoring the implementation of risk prevention and protection plans put in place by these risk owners;
- ensuring that the risk mitigation measures taken by the regions and corporate functions are aligned.

The Committee's members are:

- the Deputy Chief Executive Officer;
- the CEO HotelServices, France & Switzerland;
- the CEO New Businesses and CEO HotelServices, Africa and the Middle East;
- the Chief Talent & Culture Officer;
- the Group General Counsel and Board Secretary;
- the Chief Safety and Security Officer;
- the Senior Vice-President, Internal Audit;
- the Senior Vice-President, Risk Management and Insurance.

This Committee met three times in 2016.

Division Internal Control Committees

Local Internal Control Committees have been set up in the Group's main operating Divisions. Each Committee is chaired by the Division's Chief Executive Officer and comprises members of the operating units and finance departments, as well as the Senior Vice-President, Internal Audit. The Committees meet at least once a year to prepare the work program for the local Internal Audit Departments (where appropriate, based on the instructions issued by the Group Internal Control Committee), review the reports on the internal audits performed during the period and assess the progress of previously defined action plans.

3.3 STATUTORY AUDITORS' REPORT PREPARED IN ACCORDANCE WITH ARTICLE L. 225-235 OF THE FRENCH COMMERCIAL CODE (CODE DE COMMERCE) ON THE REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS OF ACCOR

Year ended December 31, 2016

This is a free translation into English of the Statutory Auditors' report issued in French prepared in accordance with Article L. 225-235 of the French Commercial Code on the report prepared by the Chairman of the Board of Directors of Accor S.A. on the internal control and risk management procedures relating to the preparation and processing of accounting and financial information issued in French and is provided solely for the convenience of English speaking users. This report should be read in conjunction and construed in accordance with French law and the relevant professional standards applicable in France.

To the Shareholders,

In our capacity as Statutory Auditors of Accor S.A. and in accordance with Article L. 225-235 of the French Commercial Code (*Code de Commerce*), we hereby report to you 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 containing the other disclosures required by Article L. 225-37 of the French Commercial Code, particularly in terms of corporate governance.

It is our responsibility:

- to report to you on the information contained 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 contains the other disclosures required by Article L. 225-37 of the French Commercial Code, it being specified that we are not responsible for verifying the fairness of these disclosures.

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

INFORMATION ON THE INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES RELATING TO THE PREPARATION AND PROCESSING OF 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 accounting and financial information. These procedures mainly consisted in:

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

On the basis of our procedures, we have nothing to report on the information on the Company's internal control and risk management procedures relating to the preparation and processing of 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.

OTHER DISCLOSURES

We hereby attest that the report of the Chairman of the Board of Directors includes the other disclosures required by Article L. 225-37 of the French Commercial Code.

Paris-La Défense and Neuilly-sur-Seine, March 22, 2017

The Statutory Auditors

ERNST & YOUNG et Autres

Jacques Pierres

DELOITTE & ASSOCIÉS

David Dupont-Noel

Guillaume Crunelle

3.4 IMPACT OF CLIMATE CHANGE AND “CARBON-LIGHT” STRATEGY

AccorHotels’ first environmental footprint study was carried out in 2011 (scopes 1, 2 and 3, excluding customer transport) and updated in 2015. The carbon footprint of our hotels is related to energy and food consumption. In addition, an initial analysis of climate change risks has highlighted the exposure of our businesses to the potential financial consequences of an increasing number of extreme weather events and regulatory requirements concerning the carbon footprint of buildings. A consultation process is in progress with a view to conducting a more comprehensive risk analysis.

The Group’s new sustainable development strategy – Planet 21 *Acting Here!* – unveiled in 2016, incorporates climate change issues, particularly in two key areas, food and buildings. As regards our

buildings, we are aiming to be carbon neutral by building more and more “carbon-light” hotels and by continually reducing our energy consumption – we have set a new target of cutting the Group’s energy consumption by 5% between 2015 and 2018. Our partnership with “Energy Observer” is a testimony to our determination to reap the benefits of the latest cutting-edge technology by actually installing it in our hotels.

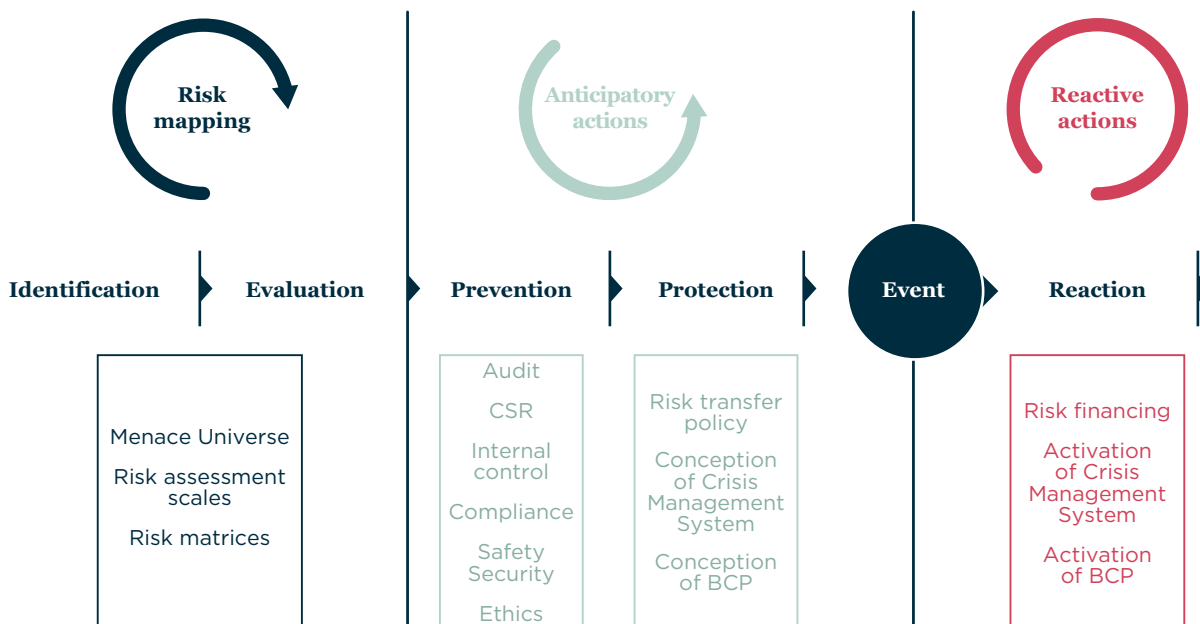
On a day-to-day level, Planet 21 In Action provides hotels with concrete ways of achieving – and even exceeding – these targets by providing incentives to produce renewable energies or harness green energy sources, for example. Furthermore, a brand new “sustainable” performance management application known as Gaïa was also rolled out this year in all of our hotels.

3.5 RISK MANAGEMENT

3.5.1 RISK MANAGEMENT STRATEGY

3.5.1.1 OVERALL RISK MANAGEMENT SYSTEM

AccorHotels’ risk management system is underpinned by a structured approach for identifying, analyzing and assessing risks and implementing appropriate prevention and protection action plans.



The system is aimed at:

- preventing major risks that may jeopardize the achievement of the Group's objectives;
- protecting guests, employees, brands, assets, partners and franchisees, as well as the clientele portfolio;
- informing stakeholders of the risks to which the Group is exposed.

It is structured around:

- a prospective management of the uncertainty;
- a global risk management system that focuses on all type of risk;
- a common system for both Corporate and the operating regions.

3.5.1.2 RISK MANAGEMENT AND INSURANCE DEPARTMENT

The six-member Risk Management and Insurance Department is tasked with ensuring that processes for identifying and analyzing major risks and the related prevention and protection measures are properly implemented.

In particular, as part of the overall process for managing hotel risks, it defines, promotes and coordinates safety procedures. It ensures, through controls, that these procedures are properly implemented.

In addition, the Group has set up a Central Risk Management Coordination Committee, whose broad remit includes monitoring the risk mapping process and the implementation of priority risks prevention and protection action plans.

One of the core aims of this approach is to ensure that identified risks are properly taken into account and addressed using a standard methodology whenever possible.

As part of the Group's protection strategy, it is responsible for arranging appropriate coverage for the Group's risks, notably by setting up insurance policies.

Moreover, in light of the strategic importance of data for the Group and related risks, the position of Data Risk Manager was created in 2015 to coordinate the Data Risk Management process.

3.5.1.3 GROUP SAFETY & SECURITY DEPARTMENT

The Group Safety & Security Department, reporting directly to the Deputy Chief Executive Officer, is responsible for defining and rolling out Group-wide safety and security policies.

It helps devise Group travel policy by producing recommendations, circulating security and safety-related information and supporting the deployment of training initiatives and dedicated applications.

The security and safety Department is responsible for deploying, coordinating and monitoring measures aimed at preventing malicious damage in Group hotels. Its duties include consulting,

performing audits, providing operational support and helping to protect employees, guests and infrastructures.

It has developed a crisis management system and ensures that all of the Group's hotels are incorporated and monitored accordingly (see section 3.5.4.1, "Crisis management").

The Group Safety and Security Department tracks the safety and security situation on a daily basis, reviewing the geopolitical context and public health and hygiene conditions, as well as risks relating to extreme weather events and social unrest.

3.5.2 RISK FACTORS

The risk mapping process is based on the value creation process for the assessment of major risks. A major risk is defined as a risk that negatively impacts the Group's ability to achieve its human, financial or reputational objectives.

Assessing risks based on a Group-wide threat landscape makes it possible to position each risk on a matrix in relation to two criteria: probability of occurrence and intensity of impact. Each individual risk assessment is also weighted by the current risk control level.

3.5.2.1 RISKS RELATED TO THE BUSINESS ENVIRONMENT

3.5.2.1.1 Risks related to the legislative and regulatory environment

Description of the risk	Mitigation measures
<p>In a difficult economic environment, some governments may be tempted to introduce new taxes or increase existing ones (e.g. carbon tax, VAT).</p> <p>Unstable laws and regulations that apply to the Group business, including the possible introduction of prospective or retrospective protectionist measures in one or several host countries, could have an adverse effect on the business and growth in the countries concerned and negatively impact the Group's results.</p> <p>More specifically, global concern about environmental issues, and particularly about climate change in the wake of the COP 21, may lead to stricter regulatory requirements.</p>	<p>AccorHotels' international presence and broad geographical distribution, as described in section 4.1, helps to limit the potential impact of these risks on the Group's results.</p> <p>In addition, the legal teams in subsidiaries throughout the world work with trade associations to continuously track and anticipate these legislative and regulatory changes so that they can be integrated into the Group's policies.</p> <p>Lastly, in response to the objective of a massive reduction in greenhouse gas emissions set out in the Paris Agreement on Climate Change and in order to anticipate changes in sustainable development regulations, the Group is transitioning its hotel base towards buildings that are carbon-neutral and more energy efficient. The Planet 21 objective to "Make all our buildings carbon neutral" is described in section 2.7.</p>

3.5.2.1.2 Risks related to the geopolitical, health and social environment

Risks related to malicious or terrorist acts and political instability

Description of the risk	Mitigation measures
<p>The evolution of the geopolitical situation expose the Group to the risk of terrorist attacks in most of its host countries.</p> <p>Terrorists could specifically target one of the Group's hotels or a hotel's location.</p> <p>The occurrence of such events could have a direct or indirect impact on guests, employees, business and assets, and adversely affect the Group's financial position and possibly its reputation.</p> <p>In addition, acts of terrorism, political upheaval or an outbreak of war would affect tourism and the Group's business (by triggering a fall in guest numbers, hotel closures and abandoned development projects) in the regions concerned, as well as threatening employee's safety.</p>	<p>Protecting guests and employees is a priority for the Group.</p> <p>To effectively protect them against the main identified threats, the Group has developed a safety and security strategy aligned with the severity of the estimated risks at each hotel. The strategy is based on an organization, a monitoring system and appropriate safety and security measures that evolve in line with developments in each situation. These measures, which are described in section 3.5.3.2, are designed to guarantee the safety of employees, guests and assets, while also ensuring the continuity of operations.</p> <p>In the event of an alert, the crisis management system described in section 3.5.4.1 is triggered immediately to ensure guests and employee's safety.</p> <p>Property damages and related potential business interruption are covered by the Group's insurance program (see section 3.5.4.3).</p>

Risks related to the health environment

Description of the risk	Mitigation measures
<p>The Group's operations may be affected by the occurrence of epidemics in its host regions or global epidemics. Events such as the SARS, H1N1, Ebola and Zika epidemics could trigger a fall in guest numbers and adversely affect the Group's turnover.</p>	<p>AccorHotels tracks on an ongoing basis any public health risks that could harm its guests or employees or adversely affect its business. In response to the risk of epidemics, business continuity plans have been developed to ensure the continuity of its hotel operations, while also ensuring the health and safety of guests and employees.</p>

3.5.2.1.3. Risks related to the competitive landscape

Description of the risk	Mitigation measures
<p>AccorHotels operates, in its various markets, in a highly competitive environment shaped by the accelerating pace of technological innovations and their rapid take-up.</p> <p>Competition may become even more intense in several regions due to the arrival in the market of new players, new products or brands launched by competitors or a process of industry concentration.</p> <p>The more complex competitive environment may lead to a fall in the Group's business volumes and adversely affect its results.</p>	<p>Raising its brands' recognition and enhancing their attractiveness is a key priority for the Group. In an environment shaped by rapid technological change, its teams work continuously to upgrade the brands and align them with the expectations of a demanding clientele, in order to avoid losing business to competitors.</p> <p>In 2014, the Group announced a wide-ranging €225-million digital transformation plan aimed at consolidating its leadership across the customer experience value chain. The funds earmarked for the plan were increased by 10% in 2015. For detailed information, see section 1.5.3.</p> <p>The brand portfolio has been expanded with the acquisition of three iconic luxury hotel brands – Fairmont, Raffles and Swissôtel –, the signature of strategic partnerships with 25hours and Banyan Tree and a new addition to the economy brand portfolio, Jo&Joe, aimed at millennial-minded travelers.</p> <p>The guest service offer has also been expanded, with the acquisition of Wipolo, and of John Paul, the leading provider of concierge and customer relationship management services. With the addition of these two businesses, the Group has become a valuable travel companion offering innovative services to travelers throughout their trip.</p> <p>These components of the Group's strategy are described in section 1.5 "Strategic Vision and Outlook".</p> <p>Lastly, the 2015 signature of a naming agreement with Palais Omnisport de Paris Bercy raised the Group's brand notoriety by associating the AccorHotels brand with this iconic sports and entertainment venue.</p> <p>The partnership represents a unique opportunity to improve AccorHotels' overall visibility and that of its distribution platform, through the international events staged at this arena and its exceptional location in Paris, the world's most popular tourist destination and a candidate to host the 2024 Olympic Games.</p>

3.5.2.1.4. Risks related to the economic environment

Description of the risk	Mitigation measures
<p>Sharply lower economic growth in a given region or worldwide could expose the Group to a steep decline in business, particularly if it led people to travel less. In addition, as explained in section 4.1 "Financial Review", the Group's operations are still fairly heavily focused on Europe. Any unfavorable change in the economic situation in Europe would have an adverse effect on the Group's business and revenue.</p>	<p>The organic growth and acquisitions strategy is designed to reduce the Group's exposure to this risk. The acquisition of the FRHI Group, presented in section 1.5 "Strategic Vision and Outlook", has attenuated the Group's European exposure by significantly increasing its North American presence.</p> <p>Added to this, 84% of the 347 hotels opened in 2016 are located outside Europe, including 35% in the Asia-Pacific region – partly thanks to the strategic partnership with Huazhu –, 31% in the Americas and 18% in the Mediterranean, Middle East, Africa region.</p> <p>The development pipeline is also focused on markets outside Europe, with 44% of planned rooms located in the Asia-Pacific region, 15% in the Americas and 28% in the Mediterranean, Middle East, Africa region (see section 1.5.2 "AccorHotels, a winner in a sector undergoing rapid transformation").</p>

3.5.2.1.5. Risks related to the natural environment

Description of the risk	Mitigation measures
<p>In the majority of host countries, the Group is exposed to the risk of extreme natural events (such as earthquakes and tsunamis) and weather events (such as floods, hurricanes and cyclones) whose frequency and/or severity may be amplified by climate change. The occurrence of such an event could have a direct or indirect impact on the Group's guests, employees, business and assets, and adversely affect its financial position. Other risks associated with climate change may adversely affect the Group's longer-term objectives. These risks and their potential consequences are presented on page 344.</p>	<p>Protecting guests and employees is a priority for the Group. For this reason, permanent or temporary protection measures are implemented as soon as these risks are identified, such as evacuating hotels in accordance with Group procedures. For seismic risks in particular, drills are carried out by teams in the countries concerned, so that they can respond effectively in the event of an earthquake. In addition, the Safety & Security Department tracks the safety and security situation in all host countries on a daily basis. In the event of an alert, the crisis management system described in section 3.5.4.1 is activated immediately to ensure guests and employee's safety. The Group's broad geographical distribution, as described in section 4.1, helps to limit the potential impacts of these risks on results. The insurance policy described in section 3.5.4.3 helps to reduce the financial impact of property damage and business interruption losses resulting from this type of event. Aware of the effects of climate change and in order to manage operating costs more efficiently, the Group is taking action to limit the CO₂ emissions generated by its operations, through energy-saving measures, renewable energy solutions and sourcing of food products with a low environmental impact. The Planet 21 objective to "Make all our buildings carbon neutral" is described in section 2.7.</p>

3.5.2.1.6. Risks related to the social environment

Risks related to emerging consumer trends

Description of the risk	Mitigation measures
<p>Faced with i) changing consumer behaviors (with a shift towards self-catering options and apartment and house swaps) and traveler preferences (for “experiences” and personalized travel); ii) the arrival in the market of new players whose offers and business models are disrupting hospitality industry codes; and iii) an aging guest mix (with younger travelers turning their backs on the Group’s offer in favor of new concepts), AccorHotels needs to expand its offer to diversify the opportunities proposed to travelers and better meet their expectations, reduce the average age of guests and attract new ones. If the Group fails to spot new consumer behaviors and respond quickly by offering appropriate experiences to its guests, its overall market share and business will be adversely affected, with a negative impact on both revenue and profit.</p>	<p>The Group needs to respond to these changes by embracing new products and practices, new generations and new businesses. In 2016, a unit dedicated to exploring new business and innovation opportunities was set up to strengthen the Group’s expertise in offering targeted disruptive solutions to guests and to prepare the growth drivers of the future.</p> <p>Also during the year, the Group acquired Onefinestay and invested in Squarebreak and Oasis Collections, to enhance its luxury private rentals offer and position itself to develop that offer as part of the AccorHotels ecosystem.</p> <p>Moving up a gear in the development of the luxury private rentals offer, in February 2017 the Group announced that it was in exclusive negotiations to acquire Travel Keys.</p> <p>To tap the growing market appeal of distinctive brands with a strong personality, offering an excellent work environment for urban nomads and an ideal meeting place, the Group has also chosen to step up efforts to expand its offer in one of the fastest growing segments of the hospitality industry, referred to as “lifestyle”. To support this strategy, a Lifestyle division has been created, comprising the Jo&Joe, Mama Shelter and 25hours brands. More than just hotels, these new concepts are all about creating living spaces for guests.</p> <p>Lastly, in 2016, a shadow executive committee was set up to examine the same issues as the Group Executive Committee but from the viewpoint of the young managers who are its members (all of whom are under 35). These generation Y managers from our businesses and functions worldwide have been given the task of enhancing the Executive Committee’s vision and identifying opportunities or problems that may have been overlooked, such as the service expectations of new generation guests or more generally their expectations in terms of customer experience.</p>

Risks related to libel and smear campaign

Description of the risk	Mitigation measures
<p>If the Group were to make a mistake in the conduct of its business or if some of its practices were to be considered unacceptable by certain stakeholders, it could face criticism or a smear campaign or calls to boycott its hotels. Any such campaign would have a negative impact on the Group’s image and reputation, and would adversely affect its business and growth outlook.</p> <p>The Group is also exposed to a risk of libel, or of unfounded or false accusations adversely affecting its image and reputation. Any such accusations would have a negative impact on its business. Any such criticisms or accusations, whether founded or not, could spread rapidly <i>via</i> social media.</p>	<p>Protecting employees and guests is a priority for the Group and every effort is made to guarantee their safety. The systems in place to prevent hotel risks are described in section 3.5.3.1 and Safety & Security systems are described in section 3.5.3.2.</p> <p>The Group’s CSR and Ethics commitments and Compliance program presented in section 2 “Corporate Responsibility” aim to prevent risks associated with doing business and with the Group’s corporate social responsibility.</p> <p>Nevertheless, to ward against negative publicity, the Group uses media tracking systems to detect any early warning signs. At the level of the individual hotels, the “Voice of the Guest” platform presented in section 2.4.4 “A Guest-Centric Culture” provides a central repository for all guest feedback, helping them to manage their online reputation. If a criticism or allegation leveled against the Group were to spread rapidly, crisis management and communication procedures could be triggered.</p>

3.5.2.2. RISKS RELATED TO THE STRATEGY

3.5.2.2.1. Risks concerning relations with business partners

Description of the risk	Mitigation measures
<p>Most hotels are operated under management and franchise contracts and the Group's business and development are therefore heavily reliant on partners.</p> <p>Any breach of the AccorHotels' ethical and CSR standards and commitments by these partners could have a negative impact on the Group's image and reputation and adversely affect its business and growth projects.</p>	<p>To ensure uniform application of its brand standards and policies, the Group includes in its hotel franchise and management contracts specific clauses requiring compliance with their key aspects.</p> <p>The Group facilitates compliance by partners by supporting them in the initial implementation and ongoing execution of the contracts.</p> <p>Partners are given all the documentation needed to operate the hotels in full compliance with Group policies and standards. This documentation notably includes brand standards, hygiene standards, health and safety policies (fire, <i>legionella</i>) and PCI-DSS standards. Regular compliance inspections are performed by Operations Managers and Franchising Managers. Partners can now easily download updated versions of these documents and the inspection reports from the partner portal launched in 2016 and currently in the process of being deployed.</p> <p>Lastly, to support the extension of the Group's corporate social responsibility commitments to its partners, copies of the AccorHotels Ethics and CSR Charter were given to them in 2016. Also, effective from last year, all new and rolled over contracts include a non-negotiable ethics and CSR clause.</p> <p>Deployment of ethical and CSR risk management processes to partners is one of the commitments under the AccorHotels Planet 21 program. Additional information is available in section 2.5.2 "Promoting common ethical standards to nurture best practices".</p>

3.5.2.2.2. Risks related to the confidentiality of strategic data

Description of the risk	Mitigation measures
<p>AccorHotels faces competition from other hotel groups in deploying its organic and external growth strategies. For this reason, information on strategic, business and competition-related issues concerning organic growth and acquisitions and information relating to the Group's customers are considered to be highly sensitive. Unauthorized or unwanted disclosure of this information could prejudice the Group's development.</p>	<p>Measures are therefore in place to raise employee awareness about confidentiality issues and to enhance the security and access control of Intranet sites.</p>

3.5.2.3. OPERATIONAL RISKS SPECIFIC TO THE GROUP'S BUSINESS AND ORGANIZATION

3.5.2.3.1. Legal and regulatory risks

Description of the risk	Mitigation measures
<p>AccorHotels and its subsidiaries are exposed to non-compliance risk arising from inadequate knowledge of the laws and regulations in force in their host countries.</p> <p>The Group is not subject to any specific regulations that could have a major impact on its operations.</p> <p>However, it is required to comply with national regulations applicable to public access buildings in all of its host countries.</p> <p>Like all hotel operators, AccorHotels is required to comply with the applicable disabled access regulations.</p> <p>Failure to comply with applicable laws and regulations could expose the Group to civil or criminal penalties and/or result in significant compliance costs, in both cases with an adverse effect on results.</p> <p>The Group is also exposed to the potential negative repercussions of any legal proceedings that may be brought against it before the courts or administrative authorities.</p> <p>Information concerning claims, litigation and arbitration proceedings that could have – or in 2016 had – a material adverse effect on the Group's financial position is provided in Note 20.8 to the consolidated financial statements of this Registration Document. Management considers that except as explained in this note, there are no governmental, legal or arbitration proceedings (including any threatened proceedings of which the Group was aware as of the date of filing) that could have – or in 2016 had – a material adverse effect on the Group's financial position.</p>	<p>As the Group operates on a global scale, no specific regulations are applicable across all of its businesses.</p> <p>The Group has legislative and regulatory watch systems in all of its host regions to guard against risks arising from failure to apply any new laws or regulations. These systems are implemented by legal teams throughout the world who oversee compliance with applicable laws and regulations by all Group entities in all host countries.</p> <p>The Group's tax policy is designed to ensure compliance with all tax laws and regulations applicable in its host countries. Tax risks are managed at Group level by the Corporate Tax Department supported by the Internal Audit Department. Action plans are developed to defend the Group's interests regarding compliance with applicable local rules and international tax treaties. These plans are described in section 2.2.3.</p> <p>Despite complying with the rules applicable to public access buildings and offering wheelchair-friendly rooms in most hotels, there can be no guarantee that the Group will not have to incur additional expenditure in the coming years to further enhance hotel accessibility.</p> <p>Lastly, if the Group receives a summons in a legal action, an assessment of the related risk is carried out jointly with its external counsel and based on this assessment a provision is recognized where appropriate. Details of these provisions are presented in Note 23 to the consolidated financial statements on page 261.</p> <p>Liabilities are recognized and provided for in accordance with the applicable accounting standards (see Note 2 to the consolidated financial statements).</p>

3.5.2.3.2. Industrial and environmental risks

Description of the risk	Mitigation measures
<p>No environmental risks were identified during the annual major risk-mapping exercise.</p> <p>AccorHotels considers that potential environmental risks in the hotels business mainly concern the storage of gas and fuel oil in or near hotels, the malfunction of transformers containing polychlorinated biphenyls (PCBs), spillage of chemical cleaning products, contamination from cooling towers and inappropriate treatment of hazardous waste.</p> <p>Most of the Group's hotels are located in Europe and are subject to EU directives in the following main areas:</p> <ul style="list-style-type: none"> ■ environmental responsibility; ■ building energy efficiency; ■ waste management, including non-hazardous waste (particularly packaging), electrical and electronic equipment, and hazardous waste (particularly batteries and compact fluorescent light bulbs); ■ management of cooling fluids; ■ management of chemical substances (compliance with the REACH directive). <p>In France, certain installations are covered by regulations relating to facilities listed for environmental protection purposes and must therefore be registered in accordance with the relevant procedures.</p>	<p>The risk of causing environmental damage remains generally low in the hotels business. In Europe, these risks are nonetheless assessed during onsite visits by insurers.</p> <p>The Group uses very few toxic or hazardous products and the risk of accidental pollution with an impact beyond the hotel concerned is remote. In seawater spas, however, procedures have been introduced to alert the public authorities in the event of non-compliant wastewater analyses.</p> <p>In addition, asbestos was used in the construction of certain hotels at a time when its use was not yet prohibited. The use of asbestos is now, however, completely forbidden. When hotel buildings containing asbestos are renovated, very strict protocols are implemented to protect workers, in compliance with the applicable local regulations.</p> <p>To mitigate the possibility of the above environmental risks occurring in any hotel worldwide, prevention policies have been put in place, based on:</p> <ul style="list-style-type: none"> ■ deployment of the proprietary SET software program, which measures compliance with Safety, Environmental and Technical regulations; ■ specific procedures implemented by the country organizations. <p>No material provisions were set aside for environmental risks in 2016.</p>

3.5.2.3.3. Data risks

Description of the risk

The Group's businesses are based on an array of processes and applications that support employees and hotel managers in their daily work and guests in their travel plans. Some of these processes and applications are dependent on complex information systems and IT infrastructure for the collection, processing and storage of increasing quantities of operational and strategic data that are essential to support the value creation process. These data, which are collected, stored and processed directly by the Group and its partners or by outside service providers, may suffer accidental or malicious damage. The Group's systems or those of its IT service providers may be subject to viruses, denial-of-service or other attacks, technical failures of hardware or software, sabotage, physical intrusion or hacking adversely affecting data availability, integrity and confidentiality. These threats may also originate internally and be due to malicious intent, an error or infrastructure obsolescence. Whatever the origin, any alteration, theft, disclosure or unavailability of Group data may have a negative impact on its business, reputation and development projects.

Mitigation measures

Guaranteeing the safety, security and availability of operational and strategic data in the Group's possession is a key priority. The Information Systems Security Department is tasked with securing all of the IT infrastructure, systems and applications necessary for the Group's operations. Its role consists of i) preventing intrusions, viruses and attacks by administering all dedicated systems security hardware and software and performing regular intruder tests and application code reviews, and ii) conducting awareness campaigns and training seminars for employees, for example to alert them to phishing risks. The Digital Services teams have been actively engaged in maintaining and transforming the information system as part of the ambitious plan announced in 2014 to support the Group's digital transformation. The "Infrastructure Transformation" program notably involves consolidating the Group's IT infrastructure and systems to make them more robust. In addition, deployment of new services has been accelerated and work has been undertaken to support growing transaction volumes. The Group also has a specific Information Systems Internal Audit team, which reports to Corporate Internal Audit and is dedicated to ensuring that information systems work effectively and securely. Details of these audits are provided in section 3.2.2.4. In 2015, the central systems obtained PCI DSS certification, a key factor in the prevention of risks affecting guests' bank details. This compliance approach is currently being deployed throughout the Group in order to guarantee optimal protection of guest information. To strengthen the prevention of risks affecting all guest data held by the Group, a compliance initiative was launched in 2016 in preparation for applying the European General Data Protection Regulation. This initiative is presented in section 2.4.4. If an incident were to occur despite these preventive measures, a business continuity plan has been developed to guarantee continuity of service and to preserve data confidentiality. Lastly, in 2016 the Group took out a cyber risk insurance in addition to its existing property and casualty, business interruption and liability cover. Together, these policies cover the Group against all losses caused to third parties and all business interruption losses arising from the unavailability, alteration, theft and/or unauthorized disclosure of guest and operating data, as well as all costs incurred in managing the incident.

3.5.2.3.4. Talent risks

Description of the risk

Fulfilling the “Feel Welcome” customer experience promise depends on the availability, engagement and passion of talents.

If AccorHotels’ attractiveness as an employer were to be impaired, its ability to attract and retain the talent it needs could be affected, with direct consequences not only for the Group’s business but also for its image and reputation.

The challenges associated with the digital transformation program and the reinvention of the Group’s businesses could similarly affect the guest experience, with negative consequences for the Group’s image and reputation.

Mitigation measures

The Group’s employees are its most valuable resource, and attracting and retaining the best talents is a key priority. The new “Feel Welcome” guest promise is supported by the “Feel Valued” promise to employees. Mirroring the Guest Experience, the Talent Experience described in section 2.3 draws a parallel between the experience of an employee working for the Group and that of a guest who stays in one of its hotels. This approach reflects the Group’s commitment to being an attractive employer attentive to the well-being and safety of its employees and engaged in supporting their professional growth.

To develop its employer brand, AccorHotels is present on several social networks, which have become the partners of choice for communicating the Group’s news and values, publicizing job offers and establishing an interactive relationship with candidates.

The Group’s attractiveness to future employees also depends on its participation in job fairs and trade fairs, and on its active relations and partnerships with hotel management colleges, business schools and universities. These events represent excellent opportunities to meet the young people who represent the talents of the future, help them to discover what AccorHotels and its brands have to offer and answer their questions. The department responsible for relations with schools and universities also leads the network of students who volunteer to act as “AccorHotels Ambassadors” on their campus.

The Group’s competitive and fair compensation policy which rewards individual performance is another factor in building the Group’s attractiveness as an employer.

Guaranteeing the safety and well-being of employees in the workplace is a major concern for the Group. All the initiatives undertaken to support a healthy work-life balance and create good working conditions are presented in section 2.3.5.

To retain the best talents, the Group supports them throughout their career with the Group. Priority is given to ensuring they acquire the necessary skills to fully master the tasks they are asked to perform.

Performance reviews give employees an opportunity to express their career goals so that an appropriate development plan can be prepared. The talent development strategy and the AccorHotels Academy are presented in section 2.3.9 “Learning solutions key to skills development”. Teams in the Talents & Culture Department help employees to identify and take up internal mobility opportunities.

Recently, the department has set up a dedicated team to support employees in deploying the digital transformation plan and reinventing the Group’s businesses. The new “Learning & Development” strategy is supporting the Group’s transformation through the “Leading Digital Hospitality” program. For example, the “Digit’all” program is an employee-friendly solution designed to raise teams’ awareness of the digital transformation challenges and equip them to better respond to guest expectations. Other initiatives and programs in this area are presented in section 2.3.8 “Facilitate the digital transformation and support social innovation”.

Specific attention is paid to ensuring that local managers pass on the Group’s messages and support the process of change. An internal communication campaign has been organized to present the Group’s vision and strategy, focusing on the transformation projects and their efficient implementation.

Lastly, AccorHotels considers that the quality of relations with employee representatives is of critical importance. In the belief that effective social dialogue is a driver of cohesion and performance, the Group does everything it can to establish open and constructive exchanges of views to support the Group’s transformation process. (see section 2.3.4 “Promoting open dialogue”)

3.5.2.3.5. Ethics risks

Description of the risk	Mitigation measures
<p>AccorHotels operates worldwide, with a hotel portfolio spanning 95 countries as of December 31, 2016.</p> <p>The Group's operations, international presence and growth ambitions, in some cases in countries where corruption risk is viewed as high, expose the Group to the risk of employees or partners paying or attempting to pay bribes.</p> <p>Public and judicial authorities take a zero-tolerance approach to breaches of business ethics and this type of practice is also judged severely by public opinion. Accusations of bribery levied against the Group would expose the Group and the incriminated employees to criminal and financial penalties, while the bad press would stain its image and reputation.</p> <p>No legal or administrative proceedings for alleged bribery were initiated against the Group in 2016 and no provisions were recognized for bribery-related risks.</p>	<p>AccorHotels adopts a zero-tolerance policy towards attempted bribery of government officials and private individuals.</p> <p>The Group also ensures that no commission is paid directly or indirectly to any elected or appointed public official to secure contracts or smooth relations with government agencies.</p> <p>The Group's purchasing and sales procedures strictly prohibit the use of bribes.</p> <p>These principles and prohibitions are listed in the AccorHotels Ethics & CSR Charter and Gift Policy. Their application is verified by the internal auditors and is also covered by the Anti-Bribery Compliance program which was stepped up in 2016.</p> <p>The Ethics & CSR Charter is the cornerstone of the Group's ethical commitments, ensuring that it conducts and grows the business in accordance with AccorHotels' values without endangering any of the Group's physical or intangible assets. To help employees put these fundamental principles into practice, the Ethics & Corporate Social Responsibility Charter provides real-world examples of situations they could encounter and describes the right way to handle them.</p> <p>If employees have a question about a specific situation, such as how to respond to a request for a bribe, they can speak to their manager or contact the Talent & Culture or Legal Affairs Departments in their country.</p> <p>In 2015, the Group went a step further in its drive to combat conflicts of interest and bribery by introducing a Gift policy. The principle is that an employee may not accept or make any gifts in connection with a business relationship. The policy establishes the rules for dealing with exceptions to this principle that may be authorized to take account of standard business practices, and describes the appropriate behavior in various situations.</p> <p>The internal auditors support these awareness raising initiatives by auditing certain processes that are considered as giving rise to a corruption risk, including hotel development and purchasing processes. In 2016, bribery prevention procedures were strengthened with the development of a formal Compliance program designed to prevent deliberate or accidental behaviors by employees of the Group or its partners that could lead to liability proceedings against the Group (or its employees), endangering its reputation, integrity and assets. The program aims to instill a strong compliance culture throughout the Group using internal communication campaigns, support measures and other prevention initiatives such as training for front-line employees and publication of clear behavior guidelines and policies.</p> <p>Led by the Group's General Counsel, who has also taken on the mantle of Chief Compliance Officer, the Compliance function described in section 2.2.3 promotes implementation of the Group's anti-corruption policy throughout the organization. This policy is relayed by management and the network of local compliance officers, supported by the Ethics & CSR Committee and the new Governance, Compliance & Corporate Social Responsibility Committee created by the Board of Directors (see section 2.2.2 "Ethics and CSR governance").</p>

3.5.2.4 FINANCIAL RISKS

In the course of its business, the Group is exposed to financial risk, particularly in the areas of liquidity, counterparties, currencies and interest rates. Policies are in place to manage these risks with the three objectives of security, liquidity and an acceptable return. Most are deployed centrally by the Corporate Treasury, Finance and Credit Management Department, which reports directly to the Chief Financial Officer, who is a member of the Executive Committee.

3.5.2.4.1 Liquidity risk

Centralized cash management enables the Group to offset cash needs and cash surpluses internally, in addition to or instead of raising funds in the financial markets.

AccorHotels' financing policies are designed to ensure that it has immediate, timely access, at the lowest possible cost, to all the liquid resources it needs to meet short-term cash requirements, finance its strategy and fund expansion.

It has contracted undrawn long-term committed credit lines with leading financial institutions to meet its short-term financing needs (see Note 21.3 to the consolidated financial statements on page 255). At December 31, 2016, AccorHotels had undrawn long-term committed lines in a total amount of €1,800 million expiring in June 2019.

At that date, the Group also had €1,156 million in cash investments with an average maturity of 3.2 months, fully available at any time (see Note 21.8 to the consolidated financial statements on page 257). These investments consisted mainly of short-term deposits with leading financial institutions.

Consequently, at December 31, 2016, AccorHotels had a total of €2,956 million in available liquidity resources.

The Group also has access to the financial markets and, depending on its needs, can secure diversified medium and long-term financial resources (on debt and equity markets, bank borrowings, etc.) to finance its development.

AccorHotels is not subject to any restrictions on the use of its funds that could significantly impact its operations.

The maturities of the Group's financial assets and liabilities were as follows at December 31, 2016:

	Within 1 year	Between one and three years	Beyond three years	Total
Bonds	617	335	1,683	2,635
Bank and other borrowings	29	48	68	145
Finance lease liabilities	9	7	43	59
Derivatives (liabilities)	35			35
Bank overdrafts and other	59	44	75	178
Financial liabilities	749	434	1,869	3,052
Marketable securities	(1,156)			(1,156)
Other current financial assets	(408)			(408)
Current financial assets	(1,564)			(1,564)
NET DEBT	(815)	434	1,869	1,488

None of the Group's loan agreements include any rating triggers. However, certain agreements include acceleration clauses that may be triggered in the event of a change of control, *i.e.* if a third party acquires more than 50% of the Company's voting rights. In the case of bonds, the acceleration clause can be triggered only if the change of control leads to the Company's credit rating being downgraded to non-investment grade.

For the syndicated line of credit negotiated in June 2014, the acceleration clause can be triggered if the Group does not comply with the leverage ratio covenant (consolidated net debt to consolidated EBITDA).

None of the Group's loan agreements include a cross default clause requiring immediate repayment in the event of default on another facility. Cross acceleration clauses only concern loans with maturities of at least three years; these clauses would be triggered only if material amounts were concerned.

The ratings assigned to AccorHotels by Standard & Poor's and Fitch Ratings are as follows:

Rating agency	Long-term debt	Short-term debt	Most recent rating update	Outlook	Most recent outlook update
Standard & Poor's	BBB-	A-3	02/24/2010	Stable	03/09/2012
Fitch Ratings	BBB-	F3	07/02/2009	Stable	05/25/2011

Standard & Poor's and Fitch Ratings confirmed AccorHotels' ratings and outlooks on December 21, 2016 and December 6, 2016 respectively.

3.5.2.4.2 Counterparty and country risk

While the Group is exposed to counterparty risk in the course of its financial management, the actual risk is non-material due to the breadth and geographic diversity of the Group's customer and supplier portfolio.

This risk is managed by:

- carrying out transactions only with leading counterparties, depending on country risks;
- diversifying the portfolio of counterparties;
- setting exposure limits per counterparty; and
- continuously monitoring counterparties' creditworthiness (based on credit ratings issued by rating agencies).

In view of the Group's broad geographic footprint, country risk is limited.

Cash pooling arrangements set up by the Corporate Treasury, Financing and Credit Management Department are used to manage most cash investments.

3.5.2.4.3 Currency and interest rate risks

A variety of financial instruments, including swaps and forward purchases and sales of foreign currencies, are used to manage and hedge interest rate and currency risks arising in the normal course of business. The use of these instruments forms part of the Group's investment, financing and hedging policies designed to help manage debt and minimize risks on business transactions. A dedicated treasury management information system is used to track the breakdown of debt by fixed/floating rate and currency.

Management of currency risks

Long-term investment policy

When AccorHotels invests directly or indirectly in a foreign subsidiary, the investment is generally made in the subsidiary's local currency. These are very long-term positions and so far, the policy has been not to hedge the related currency risk.

Financing

An internationally recognized signature allows AccorHotels to raise various forms of financing, including through bond issues, private placements and bank loans.

From time to time, the Group also takes advantage of market opportunities to raise financing in a given currency and at a given rate of interest and then use a swap to convert the facility into the currency and interest rate required to finance business needs (see Note 21.4 to the consolidated financial statements on page 257).

Generally, the Group's policy is to finance its assets and operating requirements in the currency of the country concerned in order to create a natural hedge and avoid any currency risk.

By using its subsidiaries' surplus cash as well as the financial instruments described above, the Group is able to optimize the cost of its resources while reducing currency risks.

Other currency hedges

Currency hedges are rarely used other than for financing transactions because revenues are generally denominated in the same currency as the related operating costs.

The Group does not generally hedge currency risk arising on the translation of foreign subsidiaries' financial statements.

At December 31, 2016, the volume of forward sales and purchases of foreign currencies represented €79 million and €202 million respectively. All of the related instruments expire in 2017.

Management of interest rate risks

After currency hedging, 84% of consolidated gross debt is denominated in euros, with 85% at fixed rates and 15% at floating rates. An analysis of the Group's exposure to interest rate risks before and after hedging is provided in Note 21.4 to the consolidated financial statements on page 257). Target breakdowns between fixed and floating rate debt (for new borrowings or the repayment of existing borrowings) may be modified to reflect anticipated trends in interest rates and changes in the composition of the Group's consolidated debt.

These target breakdowns are reviewed at regular intervals by the Corporate Treasury, Financing and Credit Management Department and revised targets for future periods may be submitted to Executive Management.

At December 31, 2016, the volume of interest rate hedges represented €721 million.

The interest rate and currency instruments used by the Group are contracted with banks based on the model recommended by the French Banking Federation.

AccorHotels does not conduct any speculative transactions and has no plans to engage in any financial transactions that are not connected to the Group's general requirements for its business. Neither the parent company nor the Group has any open currency or interest rate positions that would be likely to expose the Group to significant risks.

3.5.2.4.4 Sensitivity Analysis

Based on reported 2014 data, sensitivity analyses have been performed to measure the impact on EBIT of any changes in (i) RevPAR (revenue per available room, as calculated by multiplying the occupancy rate by the average room rate) and (ii) the euro exchange rate against the main operating currencies. A sensitivity analysis has also been conducted to assess the impact on operating profit before tax and non-recurring items of fluctuations in interest rates.

Sensitivity to RevPAR

A 1% change in RevPAR would impact EBIT as follows:

Sensitivity to RevPAR

1% decrease in RevPAR	HotelServices	HotelInvest	Total
Impact on EBIT ⁽¹⁾	€(3) million	€(16) million	€(19) million

Sensitivity to interest rates

Sensitivity to RevPAR

1 % increase in RevPAR	HotelServices	HotelInvest	Total
Impact on EBIT ⁽¹⁾	€4 million	€11 million	€15 million

(1) Earnings before interest and tax.

In absolute value, a 1% decline in RevPAR has a larger impact on EBIT⁽¹⁾ than a 1% increase.

Any rebound in hotel demand initially results in an increase in occupancy rates. This feeds through to higher variable costs, which in turn weigh on growth in EBIT. In a second phase, the stronger

demand drives an increase in average room rates, which does not affect operating costs and therefore has a stronger impact on growth in EBIT. The flow-through ratio⁽²⁾ for a 1% increase in RevPAR resulting from higher average room rates is higher than the flow-through ratio⁽²⁾ for a 1% increase in RevPAR resulting from higher occupancy rates.

Sensitivity to exchange rates

A 10% increase or decrease in exchange rates would have the following impact on EBIT:

Sensitivity to exchange rates

Currency		EBIT ⁽¹⁾ impact of a 10% increase in exchange rates	EBIT ⁽¹⁾ impact of a 10% decrease in exchange rates
GBP	United Kingdom	€+9.6 million	€-7.8 million
BRL	Brazil	€+0.9 million	€-0.8 million
AUD	Australia	€+4.7 million	€-3.9 million
CHF	Switzerland	€+3.1 million	€-2.5 million
USD	United States, Southeast Asia	€+9.5 million	€-7.8 million
PLN	Poland	€+4.0 million	€-3.3 million

(1) Earnings before interest and tax.

Sensitivity to interest rates

Based on the Group's net debt and amount of invested cash, a 50-basis point rise in interest rates would feed through to a €4 million increase in consolidated interest income.

3.5.3 PREVENTION

3.5.3.1 HOTEL RISK PREVENTION

Addressing guest expectations in the area of safety is a key priority for AccorHotels. To help prevent the primary risks faced by a hotel, such as fires and food or health-related incidents, Group-wide safety procedures are in place:

- hotels must comply with local building and fire protection legislation, in such areas as regular inspections of utilities and equipment, employee training and evacuation drills. They are also subject to the additional criteria set out in the Group's fire safety policy. These are based on the Management, Building and Systems (MBS) methodology developed by HOTREC, the umbrella association for hotels, restaurants and cafés in Europe, which is recognized throughout the region;

(1) Earnings before interest and tax.

(2) When like-for-like revenue goes up, the ratio of the change in like-for-like EBITDAR/change in like-for-like revenue is known as the flow-through ratio.

- for more than ten years, a maintenance and inspection program – that includes preventive measures – has helped to combat the development and spread of *legionella* bacteria, with samples taken annually from hotel installations and analyzed by outside laboratories. In addition, hotels track the risk of Legionnaire's disease *via* the SET regulatory monitoring application. Country organizations take action to ensure compliance with consumer safety and other legislation, in accordance with local standards;
- in addition, kitchen health inspections are performed by using the Hazard Analysis & Critical Control Points (HACCP) system and applying a similar process to the one used for *legionella* bacteria inspections.

3.5.3.2 SAFETY AND SECURITY, PROTECTING GUESTS AND EMPLOYEES

AccorHotels has a duty to ensure the physical protection of its guests, employees and equipment. To this end, the Safety & Security Department:

- monitors and assesses the security situation in the Group's host countries and the regions targeted for expansion;
- leads relations with local diplomatic networks and local authorities, directly and/or through correspondents;
- leverages the expertise and feedback of its private-sector contacts such as consultants, and international networks of security and safety officers;
- performs safety and security assessments at the Group's hotels and recommends improvements where necessary;
- approves or prohibits employee travel to countries considered as unsafe;
- communicates information to employees designed to instill a strong safety and security culture throughout the organization;
- participates in initiatives to uncover, prevent and combat people trafficking;
- includes safety and security issues in Products & Services audits in order to i) obtain assurance concerning the hotels' compliance with Group safety and security policy and ii) deploy the necessary action plans to ensure consistency across the network.

3.5.4 PROTECTION

3.5.4.1 CRISIS MANAGEMENT

The Group has set up a structured, aligned crisis management organization with specifically-designated teams for the head office and for the operating units in the 95 host countries, in order to quickly ensure the safety of guests, local employees, expatriates and onsite service providers in the event of a crisis.

The Safety & Security Department and Risk Management Department operate a 24/7 crisis hotline.

In an environment where the risk of terrorist attack is high, the safety and security measures deployed in each hotel are determined based on the local situation, the site's vulnerability and the international context. Regular reminders are issued about the need to remain vigilant and the Group is constantly alert to the needs of the hotels in terms of advice and training.

The support provided to employees during business travel has been upgraded, to become more interactive and also more responsive. A Group-wide project is currently under development.

Lastly, the Safety & Security Department participates in security planning for major events, such as the Euro 2016 football championships and World Youth Day.

3.5.3.3 DATA RISK MANAGEMENT

Customer data protection is of paramount importance for the Group. As the risk of cyber attacks increases, AccorHotels is focusing primarily on developing a prevention system that is dedicated to personal data protection. Best PCI DSS practices are being applied throughout the Group's hotels and now form a major component of the Group's data protection arsenal.

3.5.3.4 INTERNAL CONTROL AND AUDIT

See section 3.2.2.4 "Corporate Internal Audit assignments".

3.5.3.5 ETHICS & CSR CHARTER

The Ethics & CSR Charter described in section 2 is a preventive resource designed to ensure that the Group complies with all of the applicable laws and regulations, including the International Labour Organization's fundamental conventions. It presents the Group's values and provides a frame of reference for the Group's business ethics commitments.

3.5.3.6 COMPLIANCE

The Compliance function set up in 2016, which is described in section 2, is designed to prevent corruption and breaches of competition law.

3.5.4.2 BUSINESS CONTINUITY

The implementation of business continuity plans is intended to become systematic and to be seen as a risk mitigation tool available to risk owners.

3.5.4.3 TRANSFERRING RISK TO THE INSURANCE MARKET

Due to the nature of the Group's activities, the fact that risks are spread across a very wide number of locations throughout the world limits their severity. Property and business interruption cover is determined based on the Group site with the highest estimated maximum loss. In the case of liability insurance, estimated maximum loss has been benchmarked with industry practices, taking into account the fact that hotels are sometimes located in large property complexes or near sensitive sites such as airports or train stations.

The majority of the Group's risks are covered by global insurance programs written on a "all risks" basis (subject to named exclusions) covering property, business interruption and liability risks. In accordance with the Group's insurance policy, as validated by the Executive Committee, this program is applied wherever possible under local laws and regulations.

As part of a move to standardize insurance coverage across the Group's banners, since January 1, 2011, the owners of franchised and managed hotels can benefit from the Group program.

This program offers:

- separate property damage coverage for AccorHotels and its subsidiaries on the one hand, and for the owners of franchised and managed hotels on the other;
- the possibility for owners of franchised and managed hotels to benefit from some of the Group's liability coverage, so as to enhance the compensation paid out to guests in settlement of their claims.

As the property coverage for subsidiaries is separate from that for franchised and managed hotels, the maximum coverage that the Group needs to take out is €150 million per policy.

In the case of liability claims, the maximum per claim coverage currently stands at €500 million.

Protection against natural disaster risk is a particular priority and special terms have been negotiated on a country-by-country basis wherever possible in the local insurance markets for subsidiaries on the one hand and for franchised and managed hotels on the other. Similarly, specific coverage has been taken out for terrorism risks for countries where local coverage is not mandatory and where it is possible to do so under local legislation. This coverage is renewed each year.

All frequent property and liability risks covered by the Group's global insurance program are self-insured through a subsidiary reinsurance company, with all units sharing the related costs. The least frequent but more severe risks are reinsured in the

global market in order to limit the Group's commitments and avoid exhausting the capacity of the reinsurance subsidiary. Direct access to the reinsurance markets provides the Group with a more diverse range of market players, creating beneficial competition and a wider range of options.

Local insurance programs have been set up in certain countries, such as Australia, New Zealand and India. In Australia and New Zealand, heavy exposure to natural disaster risks combined with favorable conditions in the local insurance market prompted the Group to take out local coverage for property damage and business interruption risks. In India, insurance legislation has made local programs mandatory.

The Group has not incurred any major uninsured losses and therefore considers that its insurance coverage is adequate. Its self-insurance capacity is also considered adequate, based on loss experience.

The Group organizes fire prevention inspections to reduce risk exposure and obtain cover on a cost-effective basis, taking into account conditions in the insurance and reinsurance markets. Changes in market insurance rates are closely tracked and, where appropriate, risks are self-insured in order to limit the insurance costs incurred by the various businesses and to avoid steep increases. The centralized risk management system rolled out in 2008 has enabled tighter tracking of loss experience, allowing the Technical Department to take swift measures to reduce the related risk exposure. In 2013, new functions were added to this system, making it possible to systematically track fire prevention measures and perform fire risk self-assessments.

The system now enables the online declaration of new sites, and the updating of insured values, for greater reliability. The Group plans to extend the system to the FRHI portfolio.

Other forms of global insurance, such as for construction-related risks and fraud, are also set up centrally in order to optimize insurance costs and ensure the quality of purchased coverage. Moreover, in view of the importance of customer data and IT security in the AccorHotels business model, it has taken out cyber risk insurance cover.

FRHI has not yet been integrated in the AccorHotels insurance programs following its acquisition by the Group. However, the FRHI programs offer similar guarantees to the AccorHotels programs. For property and casualty and business interruption coverage, the insured values are adapted to the owners' needs. For liability insurance, the insured amount is USD450 million. The risks have not yet been integrated into the Group's self-insurance program, and are covered by the insurance market. The Group is looking at how to optimize these arrangements, in the interests of the owners.

3.6 INTERESTS AND COMPENSATION

3.6.1 DIRECTORS' AND OFFICERS' COMPENSATION

COMPENSATION POLICY FOR EXECUTIVE OFFICERS IN 2017

The Company's compensation policy for its executive officers is determined by the Board of Directors, acting on the recommendation of the Appointments & Compensation Committee. The compensation of the Chairman and Chief Executive Officer and the Deputy Chief Executive Officer for 2017 was finalized by the Board of Directors at its meeting on February 21, 2017, based on recommendations put forward by the Appointments & Compensation Committee.

The Board's primary objective is to put together executive compensation packages that are balanced, equitable and performance-based. Consequently, fixed and variable remuneration principles, criteria and amounts are analyzed each year by the Appointments & Compensation Committee, using compensation benchmarks conducted by external consultants of the practices of other CAC 40 companies and international hotel groups.

The compensation payable to the Chairman and Chief Executive Officer of the Company comprises:

Short-term components

- Annual fixed compensation, which takes into account the Chairman and Chief Executive Officer's experience and responsibilities as well as market practices. Sébastien Bazin's fixed annual gross compensation for 2017 amounts to €950,000.
- Annual variable compensation, which is contingent on the Chairman and Chief Executive Officer's contribution to the Group's success, particularly in terms of financial performance. The amount varies based on the achievement of objectives set by the Board of Directors on December 7, 2016:
 - quantitative objectives:
 - consolidated EBIT in line with the 2017 budget (25% weighting),
 - free cash flow (excluding acquisitions and disposals), after change in working capital, in line with the 2017 budget (25% weighting),
 - Accor's Total Shareholder Return (TSR) compared with that of eight other international hotel groups (Marriott, Hilton, Choice, Hyatt, Whitbread, Intercontinental Hotels, NH Hoteles and Melia) (10% weighting),
 - Accor's TSR compared with that of other CAC 40 companies (10% weighting),
 - a combination of three criteria: customer satisfaction, level of employee engagement, and sustainable development and CSR performance (10% weighting);
 - qualitative objectives:
 - strategic vision and identification of strategic options (10% weighting),
 - strategy implementation (10% weighting).

Each quantitative objective, depending on the degree to which it is met, can trigger the payment of between 0% and 160% of the share of variable compensation it represents, and each qualitative objective between 0% and 120%.

Variable compensation is capped at a percentage of a predetermined annual reference amount: Mr. Bazin shall receive variable compensation of between 0% and 150% of an annual reference amount of €1,250,000. If his variable compensation reaches 100% of the reference amount, this would represent 132% of his fixed annual compensation.

Benefits-in-kind

- A company car.
- Unemployment insurance. A private insurance plan has been set up with *Association pour la Garantie Sociale des Chefs et Dirigeants d'Entreprise* (GSC) to provide the Chairman and Chief Executive Officer with unemployment benefits should the need arise. The benefits under this plan would be based on net taxable professional-source income for the previous year, and would be payable as from the 31st unbroken day of unemployment. The maximum length of time that Sébastien Bazin could be paid benefits under the plan is 24 months, and the total amount of benefits is capped at €392,280 (based on the applicable rate for 2017).
- A maximum of 50 hours of tax and asset management advice per year provided by an external company.

Other benefits related to the performance of his duties

- Supplementary pension plans: an "Article 83" defined contribution plan and an "Article 39" defined benefit plan:
 - Sébastien Bazin, as an executive director of the Company with over one year of service and a gross annual salary of more than four times the annual ceiling used for calculating French social security contributions (the "PASS") qualifies for entitlement to a defined contribution pension plan. He is entitled to a pension annuity (with the possibility of survivor benefits), which is determined based on the contributions paid by the Company for each year of his membership of the plan. The annual contribution paid by the Company corresponds to 5% of his annual gross compensation, capped at five times the annual ceiling used for calculating French social security contributions (the "PASS"). In accordance with the French Social Security Code, if Sébastien Bazin leaves the Group before the date of retirement, he retains the rights accrued under the plan.
 - Sébastien Bazin, as an executive director of the Company with a gross annual salary of more than five times the annual ceiling used for calculating French social security contributions (the "PASS"), and having complied with these criteria for more than six months during the previous year, qualifies for entitlement to a defined benefit pension plan. He is entitled to a pension annuity (with the possibility of survivor benefits), provided he remains with the Group until he retires and if he has participated in the plan for at least five years (or has served with the Group for at least fifteen years). If he does not meet this requirement, he is not entitled to any payments under the plan. The pension annuity payable under the defined benefit plan will be reduced by the amount of the annuity payable under the above-described defined contribution plan.

He progressively acquires his entitlement, calculated each year for which he is a plan member based on his annual reference compensation. Each year of plan membership represents between 1% and 3% of the annual reference compensation, depending on the compensation brackets concerned, *i.e.*:

- portion of reference compensation representing between 4 and 8 times the PASS: 1%;

- portion of reference compensation representing between 8 and 12 times the PASS: 2%;
- portion of reference compensation representing between 12 and 24 times the PASS: 3%;
- portion of reference compensation representing between 24 and 60 times the PASS: 2%.

The Board of Directors, based on recommendations put forward by the Appointments & Compensation Committee, and in accordance with the French Act No. 2015-990 of August 6, 2015, decided to amend the characteristics of Sébastien Bazin's supplementary defined benefit plan and to make the payment of the annuity subject to the following two performance conditions:

- consolidated EBIT compared with the budget (50% weighting);
- free cash flow (excluding acquisitions and disposals), after change in working capital, compared with the budget (50% weighting).

Each year, the Board of Directors validates the degree of fulfillment of the performance conditions. Benefit entitlements vest in full if at least 90% of the performance conditions are met (otherwise the degree of vested entitlement is calculated a straight-line basis).

The entitlement for any given year of plan membership therefore corresponds to the aggregate of the amounts accrued for each of the above compensation brackets, provided that the performance conditions are met. The amount of the final pension annuity equals the sum of the entitlements calculated for each year.

Two ceilings are applied to the final amount of the pension annuity:

- the amount of the gross annuity may not exceed 30% of his last annual reference compensation;
- given that his last reference compensation was more than 12 times the PASS, the overall replacement rate represented by pension benefits payable under government-sponsored plans and Accor supplementary pension plans is capped at 35% of the average of his best three years' reference compensation in the ten years prior to retirement.

Compensation payable in the event of loss of office

- The Board of Directors decided that the compensation payable to the Chairman and Chief Executive Officer in the event of loss of office would be equal to twice the aggregate amount of his fixed and variable compensation due for the fiscal year preceding that of the loss of office. This termination benefit would only be payable if (i) the applicable performance criteria are met, and (ii) his departure is involuntary, *i.e.* if Mr. Bazin's term of office as Chairman and Chief Executive Officer is terminated (except in the event of gross or willful misconduct) or if he is not re-elected as a director. It would not be payable if Mr. Bazin resigns or decides not to stand for re-election as a director, if he moves to a new position within the Group, or if he would be able to claim his full-rate pension within a short period of time.

The performance criteria applicable to the termination benefit are as follows:

- consolidated return on capital employed for the previous three years must have exceeded the Group's cost of capital as published in the Registration Documents for those years;
- operating free cash flow must have been positive in at least two of the previous three years;
- like-for-like EBITDAR margin must have exceeded 27.5% in at least two of the three previous years.

These performance criteria would be applied as follows:

- if all three criteria were met, the compensation would be payable in full;

- if two of the three criteria were met, half of the compensation would be payable;
- if none or only one of the three criteria is met, no benefit would be due.

Long-term components

Free shares in the Company may be granted to executive officers of the Company and to certain Group employees subject to the fulfillment of performance conditions. These share grants are intended to closely align the Chairman and Chief Executive Officer's interests with those of the Company's shareholders and encourage him to deliver long-term performance. The internal and external performance conditions are determined by the Board of Directors, which then gives the Chairman and Chief Executive Officer the necessary powers to carry out the grants. In accordance with the AFEP/MEDEF Corporate Governance Code, the plans are mostly issued during the first half of the year.

The Board of Directors meeting held on February 21, 2017 decided to allocate a number of performance shares to the Chairman and Chief Executive Officer as part of the next performance share grant plan, that would represent 130% of his gross fixed annual compensation. In any event, pursuant to the eleventh resolution of the Shareholders' Meeting of April 22, 2016, the number of free shares that may be granted to executive officers of the Company shall not represent more than 15% of the total number of performance shares granted. In addition, the performance shares are subject to a lock-up period and the Chairman and Chief Executive Officer is required to retain a certain proportion of the shares for as long as he serves as an executive officer of the Group.

In addition to the requirement that the Chairman and Chief Executive Officer continues to be employed by the Group, the shares shall only vest in accordance with the following three performance conditions:

- the degree to which the EBIT margin target has been achieved;
- the degree to which the free cash flow target has been achieved;
- the Company's stock market performance.

The compensation payable to the Deputy Chief Executive Officer of the Company comprises:

Short-term components

- Annual fixed compensation, which takes into account the Deputy Chief Executive Officer's experience and responsibilities as well as market practices. Sven Boinet's annual fixed compensation for 2017 amounts to €600,000, *i.e.* €200,000 for his executive officer's position and €400,000 under his employment contract for his salaried position.
- Annual variable compensation, which is contingent on the Deputy Chief Executive Officer's contribution to the Group's success, particularly in terms of financial performance. The amount varies based on the achievement of objectives previously set by the Board of Directors on December 7, 2016:

- quantitative objectives:
 - consolidated EBIT in line with the 2017 budget (25% weighting),
 - free cash flow (excluding acquisitions and disposals), after change in working capital, in line with the 2017 budget (25% weighting),
 - Accor's Total Shareholder Return (TSR) compared with that of eight other international hotel groups (Marriott, Hilton, Choice, Hyatt, Whitbread, Intercontinental Hotels, NH Hoteles and Melia) (10% weighting),
 - Accor's TSR compared with that of other CAC 40 companies (10% weighting),

- a combination of three criteria: customer satisfaction, level of employee engagement, and sustainable development and CSR performance (10% weighting);
- qualitative objective:
 - management of the Group's transformation process (particularly the performance of the HotelServices/HotelInvest organization, employee relations and the management culture) (20% weighting).

Each quantitative objective, depending on the degree to which it is met, can trigger the payment of between 0% and 160% of the share of variable compensation it represents, and each qualitative objective between 0% and 120%.

Variable compensation is capped at a percentage of fixed annual compensation: Sven Boinet shall receive variable compensation of between 0% and 150% of his fixed annual compensation.

Benefits-in-kind

- A company car.
- A maximum of 25 hours of tax and asset management advice per year provided by an external company.

Other benefits related to the performance of his duties

- Supplementary pension plans: an "Article 83" defined contribution plan and an "Article 39" defined benefit plan:
 - Sven Boinet, as an executive director of the Company with over one year of service and a gross annual salary of more than four times the annual ceiling used for calculating French social security contributions (the "PASS") qualifies for entitlement to a defined contribution pension plan. He is entitled to a pension annuity (with the possibility of survivor benefits), which is determined based on the contributions paid by the Company for each year of his membership of the plan. The annual contribution paid by the Company corresponds to 5% of Sven Boinet's annual gross compensation, capped at five times the annual ceiling used for calculating French social security contributions (the "PASS"). In accordance with the French Social Security Code, if Sven Boinet leaves the Group before the date of retirement, he retains the rights accrued under the plan.
 - Sven Boinet, as an executive director of the Company with a gross annual salary of more than five times the annual ceiling used for calculating French social security contributions (the "PASS"), and having complied with these criteria for more than six months during the previous year, qualifies for entitlement to a defined benefit pension plan. He is entitled to a pension annuity (with the possibility of survivor benefits), provided he remains with the Group until he retires and if he has participated in the plan for at least five years (or has served with the Group for at least fifteen years). If he does not meet this requirement, he is not entitled to any payments under the plan. The pension annuity payable under the defined benefit plan will be reduced by the amount of the annuity payable under the above-described defined contribution plan.

He progressively acquires his entitlement, calculated each year for which he is a plan member based on his annual reference compensation. Each year of plan membership represents between 1% and 3% of the annual reference compensation, depending on the compensation brackets concerned, *i.e.*:

- portion of reference compensation representing between 4 and 8 times the PASS: 1%;
- portion of reference compensation representing between 8 and 12 times the PASS: 2%;
- portion of reference compensation representing between 12 and 24 times the PASS: 3%;

- portion of reference compensation representing between 24 and 60 times the PASS: 2%.

The Board of Directors, based on recommendations put forward by the Appointments & Compensation Committee, and in accordance with the French Act No. 2015-990 of August 6, 2015, decided to amend the characteristics of Sven Boinet's supplementary defined benefit plan and to make the payment of the annuity subject to the following two performance conditions:

- consolidated EBIT compared with the budget (50% weighting);
- free cash flow (excluding acquisitions and disposals), after change in working capital, compared with the budget (50% weighting).

Each year, the Board of Directors validates the degree of fulfillment of the performance conditions. Benefit entitlements vest in full if at least 90% of the performance conditions are met (otherwise the degree of vested entitlement is calculated a straight-line basis).

The entitlement for any given year of plan membership therefore corresponds to the aggregate of the amounts accrued for each of the above compensation brackets, provided that the performance conditions are met. The amount of the final pension annuity equals the sum of the entitlements calculated for each year.

Two ceilings are applied to the final amount of the pension annuity:

- the amount of the gross annuity may not exceed 30% of his last annual reference compensation;
- given that his last reference compensation was more than 12 times the PASS, the overall replacement rate represented by pension benefits payable under government-sponsored plans and Accor supplementary pension plans is capped at 35% of the average of his best three years' reference compensation in the ten years prior to retirement.

Compensation payable in the event of loss of office

- The Board of Directors decided that the compensation payable to Mr. Boinet in the event of loss of office would amount to €600,000, plus the amount of variable compensation due to him for the fiscal year preceding that of the loss of office, and less any benefits due for the termination of his employment contract. This termination benefit would only be payable if (i) the applicable performance criteria are met, and (ii) his departure is involuntary, *i.e.* if Mr. Boinet's term of office as Deputy Chief Executive Officer were terminated (except in the event of gross or willful misconduct). It would not be payable if Mr. Boinet resigns or if he is not renewed as a director, if he moves to a new position within the Group, or if he would be able to claim his full-rate pension within a short period of time. The performance criteria applicable to the termination benefit are as follows:

- consolidated return on capital employed for the previous three years must have exceeded the Group's cost of capital as published in the Registration Document for those years;
- operating free cash flow must have been positive in at least two of the previous three years;
- like-for-like EBITDAR margin must have exceeded 27.5% in at least two of the three previous years.

These performance criteria would be applied as follows:

- if all three criteria were met, the compensation would be payable in full;
- if two of the three criteria were met, half of the compensation would be payable;
- if none or only one of the three criteria is met, no benefit would be due.

Long-term components

Free shares in the Company may be granted to executive officers of the Company and to certain Group employees subject to the fulfillment of performance conditions. These share grants are intended to closely align the Deputy Chief Executive Officer's interests with those of the Company's shareholders and encourage him to deliver long-term performance. The internal and external performance conditions are determined by the Board of Directors, which then gives the Chairman and Chief Executive Officer the necessary powers to carry out the grants. In accordance with the AFEP/MEDEF Corporate Governance Code, the plans are mostly issued during the first half of the year.

The Board of Directors meeting held on February 21, 2017 decided to allocate a number of performance shares to the Deputy Chief Executive Officer as part of the next performance shares grant plan, that would represent 105% of his gross fixed annual compensation. In any event, pursuant to the eleventh resolution of the Shareholders' Meeting of April 22, 2016, the number of free shares that may be granted to executive officers of the Company shall not represent more than 15% of the total number of performance shares granted. In addition, the performance shares are subject to a lock-up period and the Deputy Chief Executive Officer is required to retain a certain proportion of the shares for as long as he serves as an executive officer of the Group.

In addition to the requirement that the Deputy Chief Executive Officer continues to be employed by the Group, the shares shall only vest in accordance with the following three performance conditions:

- the degree to which the EBIT margin target has been achieved;
- the degree to which the free cash flow target has been achieved;
- the Company's stock market performance.

All of the various components of remuneration and corresponding conditions for 2016 are detailed in the following section of the Group's Registration Document dealing with executive officers' compensation.

At the time of the implementation of the second phase of the strategic plan at the end of 2016, and in parallel with the employee stock ownership plan open to a large number of employees, the Board of Directors has decided to offer 160 key executives of the Group, including the executive officers as well as the Executive Committee, a co-investment plan aimed at aligning their interests with those of the shareholders. Under the terms of the plan, participants will make a personal investment in Accor shares that will be locked up for the duration of the plan. In return, participants will be granted free shares under two conditions measured over the period to 2020: achievement of (i) an ambitious stock market performance condition, and (ii) at least 90% of budgeted annual consolidated EBIT over the duration of the plan.

As this proposed plan is being submitted to the Shareholders' Meeting on May 5, 2017, all of the relevant details are set out in the Report of the Board of Directors on the resolutions to be submitted at the Shareholders' Meeting.

The compensation policy above will be submitted to shareholders for approval at the Shareholders' Meeting to be held on May 5, 2017 in resolutions fourteenth and fifteenth. Payment of the components of variable compensation described under the policy above are subject to approval of the compensation awarded to the company's executive officers at the Shareholders' Meeting to be held in 2018.

COMPENSATION PAYABLE TO EXECUTIVE OFFICERS OF THE COMPANY IN 2016

Compensation payable to Sébastien Bazin

Sébastien Bazin's **fixed annual compensation** for 2016 amounted to €950,000.

At its meeting on December 7, 2016, the Board of Directors decided that this amount would remain unchanged for 2017.

On December 11, 2015, the Board decided that Mr. Bazin's **variable compensation for 2016** would represent between 0% and 150% of an annual reference amount - unchanged from the previous year - of €1,250,000, based on the achievement of the following objectives:

- quantitative objectives:
 - consolidated EBIT in line with the 2016 budget (25% weighting),
 - free cash flow (excluding acquisitions and disposals), after change in working capital, in line with the 2016 budget (25% weighting),
 - Accor's TSR compared with that of eight other international hotel groups (Marriott, Hilton, Choice, Hyatt, Whitbread, Intercontinental Hotels, NH Hoteles and Melia) (10% weighting),
 - Accor's TSR compared with that of other CAC 40 companies (10% weighting),
 - a combination of three criteria: customer satisfaction, level of employee engagement, and sustainable development and CSR performance (10% weighting);
- qualitative objectives:
 - strategy implementation (10% weighting),
 - general assessment by the Board (10% weighting).

Each quantitative objective, depending on the degree to which it is met, can trigger the payment of between 0% and 160% of the share of variable compensation it represents, and each qualitative objective between 0% and 120%. Total variable compensation cannot exceed 150% of the annual reference amount.

Following an assessment of the degree to which Sébastien Bazin's objectives had been achieved, at its meeting on February 21, 2017 the Board set his variable compensation for 2016 at €588,021, breaking down as:

- €288,021 for the quantitative objectives, which were 28.8% met overall (0% for Accor's TSR *versus* the TSR of eight other international hotel groups, 0% for Accor's TSR *versus* the TSR of other CAC 40 companies and non-disclosable for the two other objectives, which relate to the budget, in view of their confidential nature);
- €300,000 for the qualitative objectives, which were 120% met overall (120% for the implementation of the strategic roadmap and 120% for the Board's general assessment). In its general assessment, the Board took into account Mr. Bazin's ability to identify new strategic options, as well as the success of the FRHI, onefinestay and John Paul acquisitions and that of the Group's digital transformation.

In its general assessment, the Board took into account Mr. Bazin's ability to identify new strategic options, as well as the success of the FRHI, onefinestay and John Paul acquisitions and that of the Group's digital transformation.

Consequently, Mr. Bazin's total variable compensation for 2016 represented 47% of the annual reference amount (and 62% of his fixed compensation for the year).

Compensation payable to Sven Boinet

Sven Boinet's **fixed annual compensation** for 2016 corresponded to €200,000 for his executive officer's position and €400,000 under his employment contract for his salaried position.

At its meeting on December 7, 2016, the Board of Directors decided that these amounts would remain unchanged for 2017.

On December 11, 2015, the Board decided that Mr. Boinet's **variable compensation for 2016** would represent between 0% and 150% of an annual reference amount – unchanged from the previous year – of €600,000, based on the achievement of the following objectives:

- quantitative objectives:
 - consolidated EBIT in line with the 2016 budget (25% weighting),
 - free cash flow (excluding acquisitions and disposals), after change in working capital, in line with the 2016 budget (25% weighting),
 - Accor's TSR compared with that of eight other international hotel groups (Marriott, Hilton, Choice, Hyatt, Whitbread, Intercontinental Hotels, NH Hoteles and Melia) (10% weighting),
 - Accor's TSR compared with that of other CAC 40 companies (10% weighting),
 - a combination of three criteria: customer satisfaction, level of employee engagement, and sustainable development and CSR performance (10% weighting);
- one qualitative objective, corresponding to the management of the Group's transformation process (particularly the performance of the HotelServices/HotelInvest organization, employee relations and the management culture) (20% weighting).

Each quantitative objective, depending on the level of achievement, can trigger the payment of between 0% and 160% of the share of variable compensation it represents, and each qualitative objective between 0% and 120%. Total variable compensation cannot exceed 150% of the annual reference amount.

Following an assessment of the degree to which Sven Boinet's objectives had been achieved, at its meeting on February 21, 2017 the Board set his variable compensation for 2016 at €282,250, breaking down as:

- €138,250 for the quantitative objectives, which were 28.8% met overall (0% for Accor's TSR *versus* the TSR of eight other international hotel groups, 0% for Accor's TSR *versus* the TSR of other CAC 40 companies and non-disclosable for the two other objectives, which relate to the budget, in view of their confidential nature);
- €144,000 for the qualitative objective, which was 120% met.

Consequently, Mr. Boinet's total variable compensation for the year represented 47% of the reference amount.

Termination benefits

Compensation payable to Sébastien Bazin in the event of loss of office as Chairman and Chief Executive Officer

The Board of Directors decided that the **compensation payable to Sébastien Bazin in the event of loss of office** would be equal to twice the aggregate amount of his fixed and variable compensation due for the fiscal year preceding that of the loss of office. This termination benefit would only be payable if (i) the applicable performance criteria are met, and (ii) his departure is involuntary, *i.e.* if Mr. Bazin's term of office as Chairman and Chief Executive Officer is terminated (except in the event of gross or willful misconduct) or if he is not re-elected as a director. It would not be payable if Mr. Bazin resigns or decides not to stand for re-election as a director, if he moves to a new position within the Group, or if he would be able to claim his full-rate pension within a short period of time.

The performance criteria applicable to the termination benefit are as follows:

- consolidated return on capital employed for the previous three years must have exceeded the Group's cost of capital as published in the Registration Documents for those years;
- operating free cash flow must have been positive in at least two of the previous three years;
- like-for-like EBITDAR margin must have exceeded 27.5% in at least two of the three previous years.

These performance criteria would be applied as follows:

- if all three criteria were met, the compensation would be payable in full;
- if two of the three criteria were met, half of the compensation would be payable;
- if none or only one of the three criteria is met, no benefit would be due.

Compensation payable to Sven Boinet in the event of loss of office as Deputy Chief Executive Officer

The Board of Directors decided that the compensation payable to Sven Boinet **in the event of loss of office** would amount to €600,000, plus the amount of variable compensation due to him for the fiscal year preceding that of the loss of office, and less any benefits due for the termination of his employment contract. This termination benefit would only be payable if (i) the applicable performance criteria are met, and (ii) his departure is involuntary, *i.e.* if Mr. Boinet's term of office as Deputy Chief Executive Officer is terminated (except in the event of gross or willful misconduct). It would not be payable if Mr. Boinet resigns or if he is not renewed as a director, if he moves to a new position within the Group, or if he would be able to claim his full-rate pension within a short period of time.

The performance criteria applicable to the termination benefit are as follows:

- consolidated return on capital employed for the previous three years must have exceeded the Group's cost of capital as published in the Registration Document for those years;
- operating free cash flow must have been positive in at least two of the previous three years;
- like-for-like EBITDAR margin must have exceeded 27.5% in at least two of the three previous years.

These performance criteria would be applied as follows:

- if all three criteria were met, the compensation would be payable in full;
- if two of the three criteria were met, half of the compensation would be payable;
- if none or only one of the three criteria is met, no benefit would be due.

Supplementary pension benefits

The Chairman and Chief Executive Officer, Deputy Chief Executive Officer and several dozen other senior executives are members of a **supplementary pension plan** set up within the Company. This plan complies with the recommendations contained in the AFEP/MEDEF Code, as described below.

The overall plan comprises an "Article 83" **defined contribution plan**, set up in accordance with the sixth and seventh paragraphs of Article L 242-1 and Article L. 911-1 of the French Social Security Code, and an "Article 39" **defined benefit plan**, established in accordance with the provisions of Article L. 137-II of the same code.

Both plans have been outsourced to an accredited organization, to which the relevant contributions are paid.

Those eligible for the **defined contribution plan** are the Chairman and Chief Executive Officer, the Deputy Chief Executive Officer and senior executives with over one year of service and a gross annual salary of more than four times the annual ceiling used for calculating French social security contributions (the "PASS"), *i.e.* €154,464 in 2016. Members are entitled to a pension annuity (with the possibility of survivor benefits), which is determined based on the contributions paid by the Company for each year of their membership of the plan. The annual contribution paid by the Company for each plan member corresponds to 5% of the member's annual gross compensation received for the year concerned, capped at five times the annual ceiling used for calculating French social security contributions (the "PASS"). The maximum contribution paid for 2016 therefore amounted to €9,654⁽¹⁾. In accordance with the French Social Security Code, if a plan member leaves the Group before the date of retirement, he/she retains the rights accrued under the plan.

Those eligible for the **defined benefit plan** are the Chairman and Chief Executive Officer, the Deputy Chief Executive Officer and senior executives with a gross annual salary of more than five times the annual ceiling used for calculating French social security contributions (the "PASS"), *i.e.* €193,080 in 2016, and having complied with these criteria for more than six months during the year under review. Members are entitled to a pension annuity (with the possibility of survivor benefits), provided they remain with the Group until they retire and if they have participated in the plan for at least five years (or have served with the Group for at least fifteen years). If they do not meet this requirement, they are not entitled to any payments under the plan. Under the plan's provisions and in accordance with the French Social Security Code, members may also retain:

- potential benefits accrued under the plan in the event of (i) removal from office after the age of 55, (ii) enforced early retirement covering the period from when the member leaves the Company through to the date on which they become entitled to the basic state pension, or (iii) disability corresponding to the second or third category as defined under the French Social Security Code in the period before they become entitled to supplementary pension benefits;
- surviving spouse rights in the event of death in the period before entitlement to supplementary pension benefits.

Each member progressively acquires their entitlement, calculated each year for which they are a plan member based on their annual reference compensation⁽²⁾. Each year of plan membership represents between 1% and 3% of the reference compensation, depending on the compensation brackets concerned, *i.e.*:

- portion of reference compensation representing between 4 and 8 times the PASS: 1%;
- portion of reference compensation representing between 8 and 12 times the PASS: 2%;
- portion of reference compensation representing between 12 and 24 times the PASS: 3%;
- portion of reference compensation representing between 24 and 60 times the PASS: 2%.

The entitlement for any given year of plan membership therefore corresponds to the aggregate of the amounts accrued for each of the above compensation brackets. The amount of the final pension annuity equals the sum of the entitlements calculated for each year. The pension annuity payable under the defined benefit plan will be reduced by the amount of the annuity

payable under the above-described defined contribution plan. Any voluntary payments into the plan made by members will not be taken into account.

Two ceilings are applied to the final amount of the pension annuity:

- the amount of the gross annuity may not exceed 30% of the member's last annual reference compensation;
- for members whose last reference compensation was more than 12 times the PASS, the overall replacement rate represented by pension benefits payable under government-sponsored plans and Accor supplementary pension plans is capped at 35% of the average of their best three years' reference compensation in the ten years prior to retirement.

Approximately 70 executives were eligible for this plan in 2016.

For example, for a reference compensation of €1,000,000 in 2016, provided that all of the plan's eligibility criteria are met, the entitlement is calculated as follows:

- 1% for compensation representing between 4 times the PASS (€154,464) and 8 times the PASS (€308,928), corresponding to 1% of €154,464, *i.e.* €1,545 (a);
- 2% for compensation representing between 8 times and 12 times the PASS (€463,392), corresponding to 2% of €154,464, *i.e.* €3,098 (b);
- 3% for compensation representing between 12 times and 24 times the PASS (€926,784), corresponding to 3% of €463,392, *i.e.* €13,902 (c);
- 2% for compensation representing between 24 times the PASS and €1,000,000 (the reference compensation), corresponding to 2% of €73,216, *i.e.* €1,464 (d).

The sum of these components - *i.e.* [(a) + (b) + (c) + (d)] - represents a total potential annuity entitlement of €20,000 for 2016.

This calculation is performed for each year of plan membership based on the member's reference compensation, the applicable PASS for that year and any adjustment related in particular to changes in the value of the AGIRC pension point. The final annuity corresponds to the aggregate of the annual amounts thus calculated.

This total final annuity under the defined benefit plan corresponds to an overall amount that includes any annuity to which the member would be entitled under the Company's defined contribution plan, *i.e.* the defined contribution plan annuity is not added to the defined benefit plan annuity.

Both Sébastien Bazin and Sven Boinet were eligible for these supplementary pension plans in 2016.

The potential annuity entitlements accrued in 2016 for Mr. Bazin amounted to €49,137 on the basis of fixed and variable compensation of €2,456,875 paid in 2016. The actual payment of these accrued entitlements will be subject to (i) Mr. Bazin meeting the plans' eligibility criteria when he retires, and (ii) any future changes to the applicable laws and regulations. Consequently, Sébastien Bazin's estimated potential benefits under this plan at December 31, 2016 amount to €120,577.

As regards Sven Boinet, when it renewed his term of office as Deputy Chief Executive Officer on December 2, 2016, the Board of Directors, based on recommendations put forward by the Appointments & Compensation Committee, and in accordance with the French Act No. 2015-990 of August 6, 2015, decided to tie the payment of his defined benefit plan annuity to the following two performance conditions:

- consolidated EBIT compared with the budget (50% weighting);

(1) For the defined contribution plan, the employer's contribution recognized by Accor in its financial statements for 2016 for each of the Company's two executive officers corresponded to a gross amount of €9,654.

(2) The reference compensation corresponds to total gross fixed and variable compensation plus any exceptional bonus paid during the reference year.

- free cash flow (excluding acquisitions and disposals), after change in working capital, compared with the budget (50% weighting).

Each year, the Board of Directors validates the degree of fulfillment of the performance conditions:

- benefit entitlements vest in full if at least 90% of the performance conditions are met during the reference year;
- otherwise the degree of vested entitlement is calculated a straight-line basis.

Following assessment of the degree to which the two aforementioned objectives had been achieved, validated at the Board of Director's meeting on February 21, 2017, the potential annuity entitlements accrued in 2016 for Sven Boinet amounted to €26,201 (on the basis of fixed and variable compensation of €1,323,300 paid in 2016 and application of the performance conditions for the period December 2 through December 31, 2016). Consequently, Sven Boinet's estimated potential benefits under this plan at December 31, 2016 amount to €61,428.

Potential annuity entitlements for 2016 were estimated at €26,201 and break down as follows:

- €24,297 in potential benefits for 2016 not subject to performance conditions prior to the date on which his term of office was renewed; and
- €1,904 in potential benefits for 2016 subject to performance conditions, which were 87.8% met overall.

Taxation of these Group plans under the French system of social levies can be summarized as follows:

- defined contribution plan: (i) the Company pays the 20% forfait social levy due on compensation that is exempt from social security contributions, which is calculated on the Company's

total contribution to the plan and (ii) plan participants pay the *Contribution Sociale Généralisée* (CSG) and *Contribution au Remboursement de la Dette Sociale* (CRDS) levies, which are calculated on the basis of the portion of the Company's contribution allocated to them;

- defined benefit plan: the Company has irreversibly elected to pay the social security tax contribution at the rate of 32% on annuities paid to plan participants who retired on or after January 1, 2013 and 16% on annuities paid to plan participants who retired before that date. For their part, plan participants are liable for the CSG and CRDS levies, a national health insurance contribution and the *Contribution Additionnelle de Solidarité pour l'Autonomie* (CASA) social levy, calculated in each case on the amount of their annuities in the same way as for other income replacements. In the specific case of annuities received under defined benefit pension plans (top hat plans), a *Contribution Sociale* levy is also due by the retiree at a rate that varies depending on the amount of the annuity and the retirement date.

Unemployment insurance

A private insurance plan has been set up with *Association pour la Garantie Sociale des Chefs et Dirigeants d'Entreprise* (GSC) to provide the Chairman and Chief Executive Officer with unemployment benefits should the need arise. The benefits under this plan would be based on net taxable professional-source income for the previous year, and would be payable as from the 31st unbroken day of unemployment.

The maximum length of time that Sébastien Bazin could be paid benefits under the plan is 24 months, and the total amount of benefits is capped at €392,280 (based on the applicable rate for 2017).

SUMMARY OF COMPENSATION

Analysis of compensation paid to executive officers

The following tables provide a summary of the total gross compensation and benefits paid and stock options and performance shares granted by the Group to its executive officers for 2015 and 2016.

Table 1: Summary of compensation, options and shares awarded to each executive officer (Table 1 – AFEP/MEDEF Code)

Sébastien Bazin			
Chairman and Chief Executive Officer since August 27, 2013		2015	2016
Compensation due in respect of the financial year (see Table 2 for details)		2,415,339	1,594,361
Value of the stock options awarded during the financial year (see Table 5 for details)		-	-
Value of the performance shares awarded during the financial year (see Table 11 for details) ⁽¹⁾		1,536,000	1,228,800
TOTAL		3,951,339	2,823,161
Sven Boinet			
Deputy Chief Executive Officer since December 2, 2013		2015	2016
Compensation due in respect of the financial year (see Table 2 for details)		1,343,054	899,926
Value of the stock options awarded during the financial year (see Table 5 for details)		-	-
Value of the performance shares awarded during the financial year (see Table 11 for details) ⁽¹⁾		768,000	614,400
TOTAL		2,111,054	1,514,326

(1) In accordance with the AFEP/MEDEF Corporate Governance Code, performance shares are measured at their theoretical value – corresponding to Accor's opening share price on the grant date less the present value of unpaid dividends – rather than at the value of the compensation received. Performance shares are forfeited if the grantee leaves the Group before the shares vest or if the performance conditions are not met.

Table 2: Summary of compensation paid to each executive officer (Table 2 – AFEP/MEDEF Code)

	Due for the year		Paid during the year	
	2015	2016	2015	2016
Sébastien Bazin Chairman and Chief Executive Officer since August 27, 2013				
Fixed compensation ⁽¹⁾	850,000	950,000	850,000	950,000
Variable compensation ⁽²⁾	1,506,875	588,021	1,369,188	1,506,875
Directors' fees	-	-	-	-
Benefits-in-kind ⁽³⁾	58,464	56,340	58,464	56,340
TOTAL	2,415,339	1,594,361	2,277,652	2,513,215
Sven Boinet Deputy Chief Executive Officer since December 2, 2013				
Fixed compensation ⁽¹⁾	600,000	600,000	600,000	600,000
Variable compensation ⁽²⁾	723,300	282,250	711,978	723,300
Directors' fees	-	-	-	-
Benefits-in-kind ⁽³⁾	17,676	17,676	17,676	17,676
Discretionary profit-sharing ⁽⁴⁾	1,616	ND	2,446	1,616
Statutory profit-sharing ⁽⁴⁾	462	ND	718	462
TOTAL	1,343,054	899,926	1,332,818	1,343,054

The above amounts are presented in euros on a gross pre-tax basis.

(1) The fixed compensation of the Chairman and Chief Executive Officer and the Deputy Chief Executive Officer is paid in the year in which it is earned.

(2) Variable compensation is calculated and paid at the beginning of the year following the year in which it was earned.

(3) Corresponding to (i) a company car for Sébastien Bazin and Sven Boinet, (ii) the benefits under the unemployment insurance policy taken out by the Company for Sébastien Bazin as described on page 173, and (iii) tax and asset management advisory services provided by an external company to Sébastien Bazin (capped at 50 hours) and Sven Boinet (capped at 25 hours). The latter was payrollled in the first quarter of 2017.

(4) Statutory and discretionary profit-sharing are paid in the year following that for which they are due. The amount disclosed for statutory profit-sharing includes any additional profit-sharing bonuses paid.

Table 3: Summary of commitments given to executive officers (Table 10 – AFEP/MEDEF Code)

	Employment contract	Compensation or benefits payable in the case of:				Non-compete indemnity
		Supplementary pension benefits ⁽¹⁾	termination/removal from office ⁽²⁾	transfer to a new position within the Group		
Sébastien Bazin Chairman and Chief Executive Officer since August 27, 2013						
	No	Yes	Yes	No	No	
Sven Boinet Deputy Chief Executive Officer since December 2, 2013						
	Yes ⁽³⁾	Yes	Yes	No	No	

(1) See pages 171, 172, 173 for details of the supplementary pension plans of which the Chairman and Chief Executive Officer and the Deputy Chief Executive Officer are members.

(2) See page 171 for details of these types of compensation and benefits payable to the Chairman and Chief Executive Officer and the Deputy Chief Executive Officer.

(3) On November 26, 2013, the Board of Directors appointed Sven Boinet as Deputy Chief Executive Officer. On the same date, it also authorized the Company to enter into an employment contract with Mr. Boinet for him to serve as Director in charge of Legal Affairs, Audit and Safety & Security.

Compensation paid to other senior executives

The total gross compensation and benefits paid in 2016 by the Group's French and non-French companies to the members of the Executive Committee – in its form as at December 31, 2016 and not including the Chairman and Chief Executive Officer and the Deputy Chief Executive Officer, whose compensation is

described above – amounted to €8,509,000, including aggregate gross variable compensation of €3,528,000.

Provisions set aside at December 31, 2016 for pensions and other post-employment benefits payable to senior executives are presented in Note 23 to the consolidated financial statements on page 261.

Directors' fees

On February 21, 2012, the Board amended the provisions of its Bylaws concerning the individual allocation of directors' fees, notably by increasing the variable portion based on actual attendance at Board and Committee meetings.

Consequently:

- the annual amount of directors' fees shall be divided into an amount set aside for the Board and an amount set aside for the Board Committees, as determined by the Board of Directors. The amount for the Board Committees shall subsequently be divided equally among the four Committees;
- one-third of the amount set aside for the Board and for each Committee shall be used to pay the fixed portion of directors' fees, based on a lump sum determined by the Board in line with the number of directors or Committee members concerned;
- two-thirds of the amount set aside for the Board and each Committee shall be used to pay the variable portion of directors' fees based on a per-meeting amount set by the Board depending on the total number of meetings held during the year;
- the Vice-Chairman of the Board of Directors shall receive the fixed portion of directors' fees payable to all directors as well as a fixed portion of a flat amount determined by the Board of Directors;

- a lump sum shall be set aside for non-voting directors to be allocated on the same basis as that applied to the amounts set aside for the Board and for the Board Committees;
- Committee Chairmen receive a fixed portion of directors' fees equal to double the fixed portion payable to Committee members;
- directors who also hold the position of Chairman and Chief Executive Officer, Chief Executive Officer or Deputy Chief Executive Officer do not receive any directors' fees;
- directors representing employees do not receive any directors' fees. The directors' fees that they would have received are not distributed and instead the Group has pledged to allocate the equivalent amount to supporting Group employees in difficulty;
- directors' fees are paid no later than three months following the end of the fiscal year for which they are due.

Based on the maximum gross amount of €1,120,000 in directors' fees approved by shareholders at the Annual Meeting on July 12, 2016, the Board allocated a total gross amount of €950,166 to its members for 2016 in accordance with its amended Bylaws. The following table shows a breakdown of directors' fees paid to the Board's members in 2015 and 2016.

Table 4: Directors' fees and other compensation received by non-executive directors (Table 3 - AFEP/MEDEF Code)

Board of Directors (in euros)	Due for the year				Paid during the year			
	2015		2016		2015		2016	
	Fixed portion	Variable portion	Fixed portion	Variable portion	Fixed portion	Variable portion	Fixed portion	Variable portion
Aziz Aluthman Fakhroo ⁽²⁾	N/A	N/A	8,555	19,519	N/A	N/A	N/A	N/A
Vivek Badrinath ⁽²⁾	N/A	N/A	2,793	3,740	N/A	N/A	N/A	N/A
Jean-Paul Bailly	15,859	36,095	33,195	79,827	18,154	47,901	15,859	36,095
Sébastien Bazin	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Ali Bouzarif ⁽²⁾	N/A	N/A	7,409	14,962	N/A	N/A	N/A	N/A
Philippe Citerne	39,443	42,419	46,081	68,209	41,332	42,274	39,443	42,419
Iliane Dumas ⁽¹⁾	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mercedes Erra	16,258	27,572	29,282	65,141	15,820	36,689	16,258	27,572
Sophie Gasperment	16,656	42,650	27,440	71,847	18,461	40,361	16,656	42,650
Jonathan Grunzweig ⁽³⁾	12,674	19,011	5,476	11,060	6,493	10,062	12,674	19,011
Qionger Jiang ⁽²⁾	N/A	N/A	11,247	14,800	N/A	N/A	N/A	N/A
Iris Knobloch	12,276	27,283	23,346	42,939	13,675	28,710	12,276	27,283
Bertrand Meheut	16,258	27,823	27,514	44,240	18,958	31,681	16,258	27,823
Virginie Morgon ⁽³⁾	12,276	29,296	5,872	12,199	13,675	34,261	12,276	29,296
Nadra Moussalem	16,258	33,192	26,590	52,166	17,657	44,277	16,258	33,192
Patrick Sayer	20,637	40,946	33,585	68,579	22,442	38,357	20,637	40,946
Isabelle Simon ⁽²⁾	N/A	N/A	9,961	27,936	N/A	N/A	N/A	N/A
Natacha Valla ⁽²⁾	N/A	N/A	7,268	14,962	N/A	N/A	N/A	N/A
Sarmad Zok ⁽²⁾	N/A	N/A	8,695	23,731	N/A	N/A	N/A	N/A

(1) In accordance with Article 8 of the Board of Directors Bylaws, the director representing employees does not receive directors' fees. The Company has pledged to allocate the equivalent amount to the Solidarity Accor fund.

(2) Directors' fees paid from date of appointment as director in 2016.

(3) Directors' fees paid until end of mandate as director in 2016.

3.6.2 EXECUTIVE OFFICERS' AND EMPLOYEES' INTERESTS IN THE CAPITAL OF THE COMPANY

Shares in the Company may be granted to executive officers of the Company and to senior and middle managers. The terms and conditions of the plans are determined by the Board of Directors, which then gives the Chairman and Chief Executive Officer the necessary powers to carry out the grants.

STOCK OPTION PLANS

Stock option plans issued in 2016

The company has not issued any stock option plans for its employees or executive officers since the stock options granted on September 26, 2013.

Table 5: Stock options granted to each executive officer in 2016 (Table 4 – AFEP/MEDEF Code)

None.

Stock options exercised in 2016

Table 6: Stock options exercised by each executive officer in 2016 (Table 5 – AFEP/MEDEF Code)

None.

Achievement levels of performance conditions for outstanding stock option plans

Each year, the Board of Directors places on record the achievement level of the performance conditions applicable under the performance stock option plans granted for executive officers and other members of the Executive Committee. Consequently, at its meeting on February 21, 2017 the Board placed on record the degree to which the performance condition for the plans outstanding in 2016 had been met. The Board's assessment related to a single external performance condition based on Accor's Total Shareholder Return (TSR) relative to eight other international hotel groups (Marriott, Starwood, Choice, Hyatt, Whitbread, Intercontinental Hotels, NH Hoteles and Melia), as described in Note 18.5 to the consolidated financial statements. Following Marriott's acquisition of Starwood, at its meeting on February 17, 2016 the Board of Directors, based on recommendations put forward by the Compensation Committee, decided to replace Starwood by Hilton. Starwood was maintained in the panel for 2015/2016 as it continued to be listed during this period, however it will be replaced by Hilton for the 2016/2017 period.

The achievement level of this performance condition is measured for each of the four years of the vesting periods under the plan. Each year, the beneficiary may acquire between 0% and 37.5% of the options originally granted depending on the vesting criteria stipulated by the Board of Directors when the plan was issued and the achievement level of the performance conditions in the period under review. Accor needs to achieve the fifth best performance out of nine in order for stock options to vest. If it achieves the fifth-best performance, 12.5% of the grantees' stock options vest. However, the total number of options that may be exercised at the end of the four-year vesting period is capped at 100% of the number of options originally granted.

Table 7: Summary of achievement levels in 2016 of the performance condition for stock option plans

Plan	Grant date	Performance condition	Achievement level	Number of options vested in 2016	Maximum number of options that could have vested in 2016
Plan 27	09/26/2013	Accor's Total Shareholder Return (TSR) relative to eight other international hotel groups ⁽¹⁾	7 th	0	15,000

(1) Calculated over the period from September 1, 2015 to August 31, 2016.

Table 8: Historical information concerning stock options granted to employees and/or executive officers (Table 8 – AFEP/MEDEF Code)

Stock option plans	Plan 19	Plan 20	Plan 21	Plan 22	Plan 23	Plan 24	Plan 25	Plan 26	Plan 27	Total
Grant date	03/31/2009	04/02/2010	04/02/2010 ⁽⁴⁾	11/22/2010	04/04/2011	04/04/2011 ⁽⁴⁾	03/27/2012	03/27/2012 ⁽⁴⁾	09/26/2013 ⁽⁴⁾	
Date of Board of Directors' decision	02/24/2009	02/23/2010	02/23/2010	10/13/2010	02/22/2011	02/22/2011	02/21/2012	02/21/2012	08/27/2013	
Date of Shareholders' Meeting approval	05/13/2008	05/13/2008	05/13/2008	05/13/2008	05/13/2008	05/13/2008	05/30/2011	05/30/2011	04/25/2013	
Total number of grantees	1,138	1,020	10	5	783	8	390	8	1	
Total number of options granted ⁽¹⁾	1,429,456	2,618,770	153,478	92,448	621,754	53,125	527,515	47,375	40,000	5,583,921
Of which to executive officers	131,950	190,125 ⁽⁵⁾	63,375 ⁽⁵⁾	-	99,375 ⁽⁵⁾	33,125 ⁽⁵⁾	80,250 ⁽⁵⁾	26,750 ⁽⁵⁾	40,000	
Of which to the top ten employee grantees ⁽²⁾	190,008	317,434	90,103	92,448	107,439	20,000	101,375	20,625	-	
Exercisable from	04/01/2013	04/03/2014	04/03/2014	11/23/2014	04/05/2015	04/05/2015	03/28/2016	03/28/2016	09/27/2017	
Expiry date	03/31/2017	04/02/2018	04/02/2018	11/22/2018	04/04/2019	04/04/2019	03/27/2020	03/27/2020	09/26/2021	
Exercise price (in euros)	18.20	26.66	26.66	30.49	31.72	31.72	26.41	26.41	30.13	
Options exercised in 2016	74,511	82,775		1,508	19,440		71,640		-	249,874
Total options exercised at 12/31/2016	1,074,679	1,288,766	20,994	3,008	135,250	1,172	75,390	-	-	2,599,259
Total options cancelled at 12/31/2016⁽³⁾	167,404	495,091	76,287	-	43,450	19,922	32,610	26,648	-	861,412
Options outstanding at 12/31/2016	187,373	834,913	56,197	89,440	443,054	32,031	419,515	20,727	40,000	2,123,250

(1) After adjustments following the Group's July 2, 2010 demerger, made to all of the plans apart from Plans 22, 23, 24, 25, 26 and 27.

(2) Excluding executive officers.

(3) Options cancelled due to grantees leaving the Group or performance conditions not being met. Cancellations due to failure to meet performance conditions are carried out at the end of the last performance measurement period.

(4) All options granted subject to performance conditions.

(5) The condition that Denis Hennequin and Yann Caillère still be a member of the Group has been waived.

Table 9: Stock options granted to and exercised by the ten employee grantees other than executive officers who received or exercised the largest number of options

	Number of options	Average exercise price (in euros)
Options granted in 2016 to the ten employees other than executive officers who received the largest number of options	-	-
Options exercised in 2016 by the ten employees other than executive officers who exercised the largest number of options	75,637	25.26

Lock-up conditions

In accordance with the French Commercial Code and the AFEP/MEDEF Code, when executive officers or other Executive Committee members purchase shares on exercise of stock options granted since March 22, 2007, a significant proportion of these shares, as

set by the Board of Directors, must be held by the grantee until he/she either leaves the Group or ceases to hold the position of executive officer or Executive Committee member of the Group, as applicable. The lock-up conditions vary depending on the plan concerned, as shown in the table below.

Table 10: Lock-up conditions for shares purchased on exercise of stock options by executive officers and other members of the Executive Committee

Plan	Grant date	Lock-up conditions applicable to executive officers	Lock-up conditions applicable to other Executive Committee members
Plan 14 Plan 15 Plan 17 Plan 18	03/22/2007 05/14/2007 03/28/2008 09/30/2008	Shares corresponding to the equivalent of 40% of the net capital gain on the exercised options may not be sold until the grantee leaves the Group.	Shares corresponding to the equivalent of 25% of the net capital gain on the exercised options may not be sold until the grantee leaves the Group.
Plan 19 Plan 20 Plan 21 Plan 22	03/31/2009 04/02/2010 04/02/2010 11/22/2010	Shares corresponding to the equivalent of 40% of the net capital gain on the exercised options may not be sold until the grantee ceases to hold an executive officer's position within the Group.	Shares corresponding to the equivalent of 25% of the net capital gain on the exercised options may not be sold until the grantee ceases to be a member of the Executive Committee.
Plan 23 Plan 24 Plan 25 Plan 26	04/04/2011 04/04/2011 03/27/2012 03/27/2012	Shares corresponding to the equivalent of 40% of the net capital gain on the exercised options may not be sold until the grantee ceases to hold an executive officer's position within the Group. However, if the value of the shares exceeds two years of the grantee's fixed compensation, the minimum number of shares locked up following the exercise of stock options is reduced to the equivalent of 10% of the net capital gain on the exercised options.	Shares corresponding to the equivalent of 40% of the net capital gain on the exercised options may not be sold until the grantee ceases to be a member of the Executive Committee. However, if the value of the shares exceeds two years of the grantee's fixed compensation, none of the shares purchased on exercise of the stock options will be locked up.
Plan 27	09/26/2013	Shares corresponding to the equivalent of 40% of the net capital gain on the exercised options may not be sold until the grantee ceases to hold an executive position within the Group. However, if the value of the shares exceeds two years of the grantee's fixed compensation, the minimum number of shares locked up following the exercise of stock options is reduced to the equivalent of 10% of the net capital gain on the exercised options.	N/A

Share equivalents – Stock options granted to employees and executive officers

At December 31, 2016, a total of 2,123,250 stock options were outstanding.

Exercise of all of these options would lead to the issuance of 2,123,250 shares, representing 0.746% of the Company's capital at December 31, 2016, of which 0.014% corresponding to grants to current executive officers.

Hedging instruments

AccorHotels' executive officers have undertaken not to use any hedging instruments in relation to their stock options, and members of the Executive Committee who receive stock options are banned by the Company from using any such instruments.

PERFORMANCE SHARE PLANS

Performance share plans issued in 2016

Under the terms of the authorization given in the tenth resolution of the April 22, 2016 Annual Shareholders' Meeting, the number of performance shares granted subject to performance conditions and continued presence in the Group may not correspond to more than 2.5% of the Company's capital. Moreover, the number of performance shares that may be granted to executive officers of the Company shall not represent more than 15% of the total performance shares granted under that resolution.

In accordance with Article L. 225-197-6 of the French Commercial Code, Accor has a discretionary profit-sharing plan that covers at least 90% of all employees in the Company and its subsidiaries in France.

The Company has set up the following two performance share plans:

- A first plan set up on June 16, 2016, concerned 1,155 beneficiaries in some 40 countries worldwide, including the two executive officers (the number of performance shares granted to them is set out in Table 11 on page 180). The applicable performance conditions are based on the following:
 - actual *versus* budgeted EBIT margin (40% weighting);
 - actual *versus* budgeted free cash flow excluding acquisitions and disposals, after change in working capital (40% weighting);
 - AccorHotels' Total Shareholder Return (TSR) relative to eight other international hotel groups (Marriott, Hilton, Choice, Hyatt, Whitbread, Intercontinental Hotels, NH Hoteles and Melia) (10% weighting), and AccorHotels' Total Shareholder Return (TSR) compared with that of other CAC 40 companies (10% weighting).

- A second plan set up on October 26, 2016, concerned 14 beneficiaries, in particular employees who joined the Group after the first plan was set up. The performance conditions applicable to this plan are identical to those described above for the plan set up on June 16, 2016.

The performance share plans have a three-year vesting period (beginning from the grant date) for all grantees regardless of their country of residence, corresponding to a three-year vesting period without any holding period.

The performance conditions under these plans are measured at the end of the three-year period. The number of shares that may vest, provided that the grantees have not left the Group, shall be based on the achievement levels of the performance conditions set out above and validated by the Board of Directors. The achievement levels are calculated based on the vesting criteria stipulated by the Board of Directors when the plan was issued.

As regards the external performance condition (*i.e.* AccorHotels' Total Shareholder Return (TSR) compared to eight other international hotel groups (10% weighting), and compared with that of other CAC 40 companies (10% weighting)), the stock options will vest if Accor achieves the median ranking. Fulfillment of the two other (internal) performance conditions is deemed to be confidential information as it concerns the budget, which is not publicly-disclosed. At the end of the measurement period, objectives under one performance condition that have not been met may be offset by any outperformance achieved with respect to an objective applicable under another performance condition. However, the number of shares that vest at the end of the vesting period is capped at 100% of the number of shares originally granted.

Grantees must also continue to be part of the Group in order for the options to vest. For all of the options initially granted to vest (*i.e.* 100%), and subject to the achievement of the performance conditions, all grantees must continue to be either executive officers or employees of the Group through June 16, 2019 (the vest date), with the exception of circumstances due to death or disability or retirement. In the event of termination of the executive officer's term of office or the employee's employment contract before the vest date, all grantees immediately lose their entitlement to all of the shares initially granted, regardless of the degree of achievement of the performance conditions, unless the Board of Directors decides otherwise.

Table 11: Performance shares granted to each executive officer in 2016 (Table 6 – AFEP/MEDEF Code)

Grantee	Grant date	Number of shares granted	Theoretical value based on the method used in the consolidated financial statements (in euros)	Vesting date	End of holding period	Performance conditions
Sébastien Bazin	06/16/2016	40,000	1,228,800 ⁽¹⁾	06/16/2019	06/16/2019	Actual versus budgeted EBIT margin, Actual versus budgeted free cash flow excluding acquisitions and disposals, after change in working capital, Accor's Total Shareholder Return (TSR) relative to eight other international hotel groups, and Accor's TSR compared to that of other CAC 40 companies.
Sven Boinet	06/16/2016	20,000	614,400 ⁽¹⁾	06/16/2019	06/16/2019	Actual versus budgeted EBIT margin, Actual versus budgeted free cash flow excluding acquisitions and disposals, after change in working capital, Accor's Total Shareholder Return (TSR) relative to eight other international hotel groups, and Accor's TSR compared to that of other CAC 40 companies.

⁽¹⁾ In accordance with the AFEP/MEDEF Corporate Governance Code, performance shares are measured at their theoretical value – corresponding to Accor's opening share price on the grant date less the present value of unpaid dividends – rather than at the value of the compensation received.

The 60,000 performance shares granted to the Company's executive officers in 2016 and which were still valid at the date of this Registration Document would represent 0.021% of the Company's capital at December 31, 2016 should they fully vest.

Table 12: Performance shares that vested in 2016 but which are subject to lock-up, and performance shares whose lock-up period expired in 2016 (Table 7 – AFEP/MEDEF Code)

None.

Table 13: Performance shares granted in 2016 to the top ten employee grantees other than executive officers

	Number of shares
Performance shares granted in 2016 to the ten employee grantees other than executive officers who received the largest number of shares	86,500

Achievement levels of performance conditions for outstanding performance share plans

Each year, the Board of Directors places on record the achievement level of the performance conditions applicable under outstanding performance share plans.

The table below shows the maximum number of shares that may vest and the number of shares that have actually vested based on the achievement level of the applicable performance conditions (as placed on record by the Board of Directors on February 21, 2017) for outstanding performance share plans.

Table 14: Achievement levels in 2016 of performance conditions for outstanding performance share plans

Grant date	Performance condition	Criteria weighting	Theoretical maximum number of shares that may vest		Actual number of shares vested in 2016		% of original grants
			By performance condition (before cap)	Aggregate (after cap)	By performance condition (before cap)	Aggregate (after cap)	
06/16/2015	Actual <i>versus</i> budgeted EBIT margin	50%	57,900	77,200	28,193	77,200	25%
	Actual <i>versus</i> budgeted operating cash flow (excluding acquisitions and disposals)	50%	57,900		57,900		
06/16/2015	Actual <i>versus</i> budgeted EBIT margin	30%	16,909	37,575	8,229	27,964	25%
	Actual <i>versus</i> budgeted operating cash flow (excluding acquisitions and disposals)	30%	16,909		16,909		
	Degree of completion of budgeted asset disposals	15%	8,462		0		
	Accor's TSR relative to that of eight other international hotel groups	12.5%	7,034		0		
	Accor's TSR relative to that of other CAC 40 companies	12.5%	7,064		0		

Table 15: Historical information concerning performance shares granted to employees and/or executive officers (Table 9 - AFEP/MEDEF Code)

Performance share plans	04/04/2011 Plan	03/27/2012 Plan	03/27/2012 Plan	04/15/2013 Plan
Grant date	04/04/2011	03/27/2012	03/27/2012	04/15/2013
Date of Board of Directors' decision	02/22/2011	02/21/2012	02/21/2012	03/03/2013
Date of Shareholders' Meeting approval	05/13/2008	05/30/2011	05/30/2011	05/30/2011
Total number of grantees	1	919	8	793
Total number of shares granted	20,450	237,601	47,375	218,050
Of which to executive officers	20,450	-	26,750 ⁽⁴⁾	-
Of which to the top ten employee grantees ⁽¹⁾	0	18,125	20,625	25,750
Vesting date	04/04/2014	03/27/2014 or 03/27/2016 ⁽³⁾	03/27/2014	04/15/2015 or 04/15/2017 ⁽³⁾
End of holding period	04/04/2016	03/27/2016	03/27/2016	04/15/2017
Total options exercised at 12/31/2016	13,634	206,799	37,504	160,370
Number of shares cancelled⁽²⁾	6,816	30,802	9,871	13,715
Performance shares outstanding at 12/31/2016	-	-	-	43,965
Performance condition(s)	Successfully taking up the duties of Chairman and Chief Executive Officer.	Actual versus budgeted EBIT margin, Actual versus budgeted operating cash flow (excluding acquisitions and disposals).	Actual versus budgeted EBIT margin, Actual versus budgeted operating cash flow (excluding acquisitions and disposals), Degree of completion of budgeted asset disposals.	Actual versus budgeted EBIT margin, Actual versus budgeted operating cash flow (excluding acquisitions and disposals).

(1) Excluding executive officers.

(2) Shares cancelled due to grantees leaving the Group or performance conditions not being met.

(3) In some countries, the vesting period is four years.

(4) The condition that Denis Hennequin and Yann Caillère still be a member of the Group has been waived

04/15/2013 Plan	06/18/2014 Plan	06/18/2014 Plan	06/16/2015 Plan	06/16/2015 Plan	06/16/2016 Plan	10/26/2016 Plan
04/15/2013	06/18/2014	06/18/2014	06/16/2015	06/16/2015	06/16/2016	10/26/2016
03/03/2013	02/19/2014	02/19/2014	02/17/2015	02/17/2015	02/17/2016	02/17/2016
05/30/2011	04/25/2013	04/25/2013	04/28/2015	04/28/2015	04/22/2016	04/22/2016
8	890	20	1,034	16	1,155	14
72,500	285,900	198,500	326,290	153,800	491,690	14,525
32,500 ⁽⁴⁾	-	75,000	-	60,000	60,000	-
40,000	23,000	95,500	21,600	79,000	86,500	14,125
04/15/2015	06/18/2016 or 06/18/2018 ⁽³⁾	06/18/2016 or 06/18/2018 ⁽³⁾	06/16/2019	09/16/2019	06/16/2019	10/26/2019
04/15/2017	06/18/2018	06/18/2018	06/16/2019	06/16/2019	06/16/2019	10/26/2019
41,331	191,450	172,088	-	-	-	-
31,169	21,450	4,962	17,490	12,236	995	100
-	73,000	21,450	308,800	141,564	490,695	14,425
Actual versus budgeted EBIT margin, Actual versus budgeted operating cash flow (excluding acquisitions and disposals), Degree of completion of budgeted asset disposals, Accor's Total Shareholder Return (TSR) relative to eight other international hotel groups.	Actual versus budgeted EBIT margin, Actual versus budgeted operating cash flow (excluding acquisitions and disposals).	Actual versus budgeted EBIT margin, Actual versus budgeted operating cash flow (excluding acquisitions and disposals), Degree of completion of budgeted asset disposals, Accor's Total Shareholder Return (TSR) relative to eight other international hotel groups.	Actual versus budgeted EBIT margin, Actual versus budgeted operating cash flow (excluding acquisitions and disposals).	Actual versus budgeted EBIT margin, Actual versus budgeted operating cash flow (excluding acquisitions and disposals), Degree of completion of budgeted asset disposals, Accor's Total Shareholder Return (TSR) relative to eight other international hotel groups and relative to that of other CAC 40 companies.	Actual versus budgeted EBIT margin, Actual versus budgeted free cash flow excluding acquisitions and disposals, after change in working capital, Accor's Total Shareholder Return (TSR) relative to eight other international hotel groups and relative to that of other CAC 40 companies.	Actual versus budgeted EBIT margin, Actual versus budgeted free cash flow excluding acquisitions and disposals, after change in working capital, Accor's Total Shareholder Return (TSR) relative to eight other international hotel groups and relative to that of other CAC 40 companies.

Lock-up conditions

In accordance with the French Commercial Code and the AFEP/MEDEF Code, when executive officers or other Executive Committee members acquire shares under performance share plans issued since May 14, 2007, a certain proportion of these shares, as set by the Board of Directors, may not be sold until the grantee either leaves the Group or ceases to hold the position of executive officer or Executive Committee member, as applicable. The lock-up conditions vary depending on the plan concerned, as shown in the table below.

Table 16: Lock-up conditions for vested performance shares owned by executive officers and other members of the Executive Committee

Grant date	Lock-up conditions applicable to executive officers	Lock-up conditions applicable to other Executive Committee members
03/31/2009	The following percentages of shares may not be sold until the grantee ceases to hold an executive officer's position: 20% of the vested shares on fulfillment of the performance conditions. In addition, the grantee must purchase Accor shares corresponding to 3% of the number of vested shares. OR 25% of the vested shares on fulfillment of the performance conditions.	The following percentages of shares may not be sold until the grantee ceases to be a member of the Executive Committee: 25% of the vested shares on fulfillment of the performance conditions.
04/04/2011	The following percentages of shares may not be sold until the grantee ceases to hold an executive officer's position: 20% of the vested shares on fulfillment of the performance conditions. In addition, the grantee must purchase Accor shares corresponding to 3% of the number of vested shares; OR 25% of the vested shares on fulfillment of the performance conditions. However, if the value of the shares exceeds two years of the grantee's fixed compensation, the only lock-up condition is that the executive officer must purchase Accor shares corresponding to 3% of the number of vested shares.	The following percentages of shares may not be sold until the grantee ceases to be a member of the Executive Committee: 20% of the vested shares on fulfillment of the performance conditions. In addition, the grantee must purchase Accor shares corresponding to 3% of the number of vested shares; OR 25% of the vested shares on fulfillment of the performance conditions. However, if the value of the shares exceeds two years of the grantee's fixed compensation, none of the vested shares will be subject to lock-up conditions.
03/27/2012	The following percentages of shares may not be sold until the grantee ceases to hold an executive officer's position: 25% of the vested shares on fulfillment of the performance conditions. However, if the value of the shares exceeds two years of the grantee's fixed compensation, the only lock-up condition is that the executive officer must purchase Accor shares corresponding to 3% of the number of vested shares.	The following percentages of shares may not be sold until the grantee ceases to be a member of the Executive Committee: 25% of the vested shares on fulfillment of the performance conditions. However, if the value of the shares exceeds two years of the grantee's fixed compensation, none of the vested shares will be subject to lock-up conditions.
04/15/2013	The following conditions apply until the grantee ceases to hold an executive officer's position within the Group: 25% of the vested shares on fulfillment of the performance conditions. However, if the value of the shares exceeds two years of the grantee's fixed compensation, the only lock-up condition is that the executive officer must purchase Accor shares corresponding to 3% of the number of vested shares.	The following percentages of shares may not be sold until the grantee ceases to be a member of the Executive Committee: 25% of the vested shares on fulfillment of the performance conditions. However, if the value of the shares exceeds two years of the grantee's fixed compensation, none of the vested shares will be subject to lock-up conditions.

Grant date	Lock-up conditions applicable to executive officers	Lock-up conditions applicable to other Executive Committee members
06/18/2014	<p>The following conditions apply until the grantee ceases to hold an executive officer's position within the Group:</p> <ul style="list-style-type: none"> ■ At the end of the holding period, the grantee must keep 25% of the vested shares on fulfillment of the performance and presence conditions until the value of all the available shares held in registered form by the grantee represents the equivalent of a threshold corresponding to two years of his fixed compensation. <p>For the purposes of the above paragraph:</p> <ul style="list-style-type: none"> ● the value of the shares held in registered form is determined based on the average of the Accor opening share price quoted over the 20 trading days preceding the measurement date; ● "fixed compensation" means the amount of the grantee's annual gross fixed compensation at the measurement date. <ul style="list-style-type: none"> ■ Once the above threshold is reached: <ul style="list-style-type: none"> ● (i) the 25% lock-up condition no longer applies; and ● (ii) the grantee is required to acquire, or keep, 3% of his vested shares. 	<p>The following conditions apply until the grantee ceases to be a member of the Group Executive Committee:</p> <ul style="list-style-type: none"> ■ At the end of the holding period, grantees who were Executive Committee members at the grant date are required to keep 25% of the shares that vest on fulfillment of the performance conditions until the value of all the available shares held in registered form by the grantee represents the equivalent of a threshold corresponding to two years of the grantee's fixed compensation. <p>For the purposes of the above paragraph:</p> <ul style="list-style-type: none"> ● the value of the shares held in registered form is determined based on the average of the Accor opening share price quoted over the 20 trading days preceding the measurement date; ● "fixed compensation" means the amount of the grantee's annual gross fixed compensation at the measurement date. <p>Once the above threshold is reached the 25% lock-up condition no longer applies.</p>
06/16/2015 06/16/2016 10/26/2016	<p>The following conditions apply until the grantee ceases to hold an executive officer's position within the Group:</p> <ul style="list-style-type: none"> ■ At the end of the vesting period, the grantee must keep 25% of the vested shares on fulfillment of the performance and presence conditions until the value of all the available shares held in registered form by the grantee represents the equivalent of a threshold corresponding to two years of his fixed compensation. <p>For the purposes of the above paragraph:</p> <ul style="list-style-type: none"> ● the value of the shares held in registered form is determined based on the average of the Accor opening share price quoted over the 20 trading days preceding the measurement date; ● "fixed compensation" means the amount of the grantee's annual gross fixed compensation at the measurement date. <ul style="list-style-type: none"> ■ Once the above threshold is reached: <ul style="list-style-type: none"> ● (i) the 25% lock-up condition no longer applies; and ● (ii) the grantee is required to acquire, or keep, 3% of his vested shares. 	<p>The following conditions apply until the grantee ceases to be a member of the Group Executive Committee:</p> <ul style="list-style-type: none"> ■ At the end of the vesting period, grantees who were Executive Committee members at the grant date are required to keep 25% of the shares that vest on fulfillment of the performance and presence conditions until the value of all the available shares held in registered form by the grantee represents the equivalent of a threshold corresponding to two years of the grantee's fixed compensation. <p>For the purposes of the above paragraph:</p> <ul style="list-style-type: none"> ● the value of the shares held in registered form is determined based on the average of the Accor opening share price quoted over the 20 trading days preceding the measurement date; ● "fixed compensation" means the amount of the grantee's annual gross fixed compensation at the measurement date. <p>Once the above threshold is reached the 25% lock-up condition no longer applies.</p>

Share equivalents – Performance shares granted to employees and executive officers

At December 31, 2016, a total of 1,093,899 rights to performance shares were outstanding.

Exercise of all of these options would lead to the issuance of 1,093,899 shares, representing 0.384% of the Company's capital at December 31, 2016, of which 0.041% corresponding to grants to current executive officers.

Hedging instruments

AccorHotels' executive officers have undertaken not to use any hedging instruments in relation to their performance shares, and members of the Executive Committee who receive performance shares have been banned by the Company from using any such instruments.

NON-DISCRETIONARY AND DISCRETIONARY PROFIT-SHARING AGREEMENTS

Non-discretionary profit-sharing

In France, a Group-level non-discretionary profit-sharing agreement providing for payment in excess of the legally-mandated minimum (*accord dérogatoire*) has been negotiated with employee representatives. It is applicable to Accor and its French subsidiaries that are at least 50%-owned, irrespective of the number of employees in the company concerned.

The agreement enables employees with more than three months' seniority to receive profit-shares based on the results of all of the subsidiaries covered by the program.

Sums are paid into a special profit-sharing reserve, calculated by applying a standard legal formula to the profits of each company that falls within the scope of application of the agreement, as follows:

Special profit-sharing reserve = $1/2 \times (\text{net profit} - 5\% \text{ of equity}) \times (\text{salaries}/\text{value added})$

Based on this formula, a gross amount of €2.61 million was allocated to the profit-sharing reserve for 2015 (paid in 2016).

Amounts allocated to the special profit-sharing reserve in previous years were:

- €4.09 million for 2014 (paid in 2015);
- €6.67 million for 2013 (paid in 2014).

The total amount of the reserve is allocated between all of the employee beneficiaries in proportion to their individual salary for the reference year, which is capped by the agreement at double the amount of the annual ceiling for French social security contributions, set at December 31 of the reference year.

In compliance with the French Act of December 3, 2008, since 2009 the five-year lock-up period on amounts allocated to employee profit-shares has been optional rather than compulsory. Consequently, in 2016, just over 48% of the 2015 profit-share was paid immediately to beneficiaries.

Where such a request is not made, in accordance with the law, the amounts in the profit-sharing reserve are invested in corporate mutual funds, with half allocated to the Group Retirement Savings Plan (PERCO) and the other half to the Corporate Savings Plan (PEEG). In order to qualify for tax and social security exemptions, the amounts allocated to the Group Retirement Savings Plan are locked in until the employee retires and amounts allocated to the Corporate Savings Plan are locked in for a period of five years.

In 2016, 18% of the total profit-share was allocated to the Group Retirement Savings Plan and nearly 34% to the Corporate Savings Plan.

Discretionary profit-sharing

Due to the Group's organization structure and compensation policy, a large number of discretionary profit-sharing agreements have been negotiated at the level of Accor SA, its subsidiaries and the operating units.

These profit-shares are determined based on whether the subsidiary or unit concerned meets or exceeds its profit targets. In the case of Accor SA, the amount is dependent partly on meeting objectives for reducing support costs and partly on achieving EBIT targets.

The calculation method is based on quantitative criteria specified in each agreement. The amounts vary from year to year and are capped.

Discretionary profit-sharing agreements are negotiated with Works Councils or union representatives.

TRANSACTIONS CARRIED OUT BY EXECUTIVE OFFICERS INVOLVING ACCOR SA SHARES

Sébastien Bazin, Chairman and Chief Executive Officer of Accor (the "Company"), had informed the French securities regulator (AMF) and the Company that, on December 30, 2014, he had acquired 1,400,000 call options on Accor shares at a unit price of €3.0404 via a personally-owned company. The options had an exercise price of €42 and could only be exercised on the expiration date, which fell in the fourth quarter of 2016. Mr. Bazin did not exercise these call options.

The transaction represented a total personal investment of €4,256,560 or the equivalent of around two years of Mr. Bazin's basic and variable compensation. It would only have generated a gain if the Accor share price was higher than €45 on the options' expiration date.

Schedule of transactions involving shares of the Company carried out during the past fiscal year, within the meaning of Article L. 621-18-2 of the French Monetary and Financial Code

Person concerned	Type of transaction	Number of shares
Sven Boinet	Sale	34,821
Paul Dubrule	Sale	19,561
Paul Dubrule	Purchase	183,121
Qionger Jiang	Purchase	2,000

3.7 STATUTORY AUDITORS' SPECIAL REPORT ON RELATED PARTY AGREEMENTS AND COMMITMENTS

Shareholders' Meeting to approve the financial statements for the year ended December 31, 2016

This is a free translation into English of the statutory auditor's special report on regulated agreements and commitments with third parties that is issued in the French language and is provided solely for the convenience of English speaking readers. This report on regulated agreements and commitments should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France. It should be understood that the agreements reported on are only those provided by the French Commercial Code (Code de Commerce) and that the report does not apply to those related party transactions described in IAS 24 or other equivalent accounting standards.

To the Shareholders,

In our capacity as Statutory Auditors of Accor, we hereby report to you on related party agreements and commitments.

The terms of our engagement require us to communicate to you, based on information provided to us, the principal terms and conditions of those agreements and commitments brought to our attention or which we may have discovered during the course of our audit, as well as the reasons justifying that such commitments and agreements are in the company's interest, without expressing an opinion on their usefulness and appropriateness or identifying such other agreements, if any. It is your responsibility, pursuant to Article R. 225-31 of the French Commercial Code (*Code de Commerce*), to assess the interest involved in respect of the conclusion of these agreements for the purpose of approving them.

It is also our responsibility to provide shareholders with the information required under Article R. 225-31 of the French Commercial Code, on the performance during 2016 of any agreements and commitments already approved by shareholders.

We conducted our procedures in accordance with the professional guidelines of the French National Institute of Statutory Auditors (*Compagnie Nationale des Commissaires aux Comptes*) relating to this engagement. These procedures involved verifying that the information provided to us is consistent with the underlying documents.

AGREEMENTS AND COMMITMENTS SUBMITTED FOR SHAREHOLDER APPROVAL

Pursuant to Article L. 225-40 of the French Commercial Code, we have been advised of the following agreements and commitments that were previously approved by the Board of Directors.

1/ With Eurazeo

Type of agreement and purpose:

Conclusion of a Protocol Framework Agreement with EURAZEO relating to the NOVA project.

Corporate officer concerned:

Mr. Patrick Sayer, Director of Accor and Chairman of the Executive Board of EURAZEO.

Terms and conditions:

The Board of Directors meeting of April 22, 2016 authorized the Company to enter into a Protocol Framework Agreement with EURAZEO providing for:

- the subscription by Accor, directly or indirectly, to 30% of the share capital of Grape Hospitality Holding;
- the conclusion of a shareholders' agreement between Accor and Eurazeo in their capacities as shareholders of Grape Hospitality Holding;
- the sale by Accor to Grape Hospitality Holding of 28 hotels and 85 businesses for €146.4 million;
- the conclusion of franchise agreements for the continued operation of the hotels and businesses sold under the AccorHotels brand name;
- a "guarantee" from Accor ensuring that its subsidiaries, parties to the Protocol Framework Agreement, comply with their obligations under the Protocol, including, in particular, a performance guarantee relating to the compensation undertaking for each of the Accor entities, should one of them fail to perform its compensation obligations with respect to an "Accor Deed of Sale" (such as the term is defined in the Protocol Framework Agreement).

This Protocol was signed and performed on June 22, 2016.

Reasons justifying the interest of the agreement for the Company:

The Board of Directors considered that this transaction, including the sale of the buildings and businesses of the hotels that will continue to be operated under the AccorHotels brand name, are part of the commitments made by the Group with respect to its reorganization of real estate assets policy.

Furthermore, the financial conditions of the transaction were reviewed by an independent external bank which concluded that the selling price was fair.

2/ With Sven Boinet, Deputy Chief Executive Officer

The term of office of the Deputy Chief Executive Officer, Mr. Sven Boinet, was renewed on December 2, 2016, for a period of two years starting from his current term of office. In this respect, the Board of Directors met on October 11, 2016 and authorized for Mr. Sven Boinet:

- the renewal of identical termination benefits for the ending of his term of office except in case of non-renewal of his term of office of Deputy Chief Executive Officer in which case the amount of the termination benefits would not be paid, and
- with respect to his term of office, his inclusion in a supplementary pension plan for Accor Group senior executives, the participation in the defined benefit plan being henceforth subject to performance conditions, in accordance with the Law of August 6, 2015.

Reasons justifying the interest of the commitment for the Company:

The Board of Directors considered that the renewal and the conclusion of two commitments made by the Company in favor of Mr. Sven Boinet are part of the renewal of his corporate term of office under conditions identical to those granted upon his appointment; conditions in accordance with the practices of major French companies.

a. Type of commitment and purpose:

Termination benefits for the ending of the duties of Mr. Sven Boinet

Terms and conditions:

In the event of dismissal, except for serious misconduct or gross negligence, of Mr. Sven Boinet, the Board of Directors has decided to pay him termination benefits of €600,000 increased by the amount of his variable compensation received with respect to the last fiscal year ended prior to the date on which his term of office ended and less, if applicable, the amount of severance benefits owed with respect to the termination of his employment contract. It is specified that benefits will not be paid in the event of resignation, non-renewal of his term of office, if he changes duties within the Group or if he is eligible for a full pension in the near future.

Payment of the termination benefits would be subject to the following performance criteria:

- consolidated return on capital employed for the previous three years must have exceeded the Group's cost of capital as published in the Registration Documents;
- positive operating free cash flow in at least two of the previous three years;
- like-for-like EBITDAR margin must have exceeded 27.5% in at least two of the previous three years.

These performance criteria would be applied as follows:

- if all three criteria were met, the compensation would be payable in full;
- if two of the three criteria were met, half of the compensation would be payable;
- if none or only one of the three criteria were met, no compensation would be due.

b. Type of commitment and purpose:

Inclusion of Mr. Sven Boinet in the supplementary pension plan for Accor Group senior executives.

Terms and conditions:

The Board of Directors decided to allow Mr. Sven Boinet to benefit from the supplementary pension plan whose members comprise several dozen Accor Group senior executives.

In accordance with the Law of August 6, 2015, the vesting of rights to defined benefit plans (Article 39) is henceforth subject to achieving the following two conditions:

- EBIT compared to the budget, and
- Free Cash Flow, excluding disposals and external growth operations, including the change in WCR, compared to the budget.

Under the terms of this overall plan, except in specific cases provided for by law, if a plan member leaves the Group before settlement of the pension, he only retains the rights accrued under the defined contribution plan (Article 83), based on annual employer contributions of up to 5% of five times the annual cap on the basis for calculating Social Security contributions and forfeits the rights accrued under the defined benefit plan.

The pension annuities payable to Mr. Sven Boinet on retirement would not exceed 30% of his end-of-career salary and the overall replacement rate to which he would be entitled (under government-sponsored plans and the Accor supplementary pension plan) is capped at 35% of the average of his best three years' compensation (fixed plus variable) in the ten years prior to retirement.

With respect to 2016, the Company paid €9,654 under this plan.

AGREEMENTS AND COMMITMENTS ALREADY APPROVED BY THE SHAREHOLDERS

A. AGREEMENTS AND COMMITMENTS APPROVED DURING PREVIOUS YEARS WITH CONTINUING EFFECT DURING THE FISCAL YEAR

Pursuant to Article R.225-30 of the French Commercial Code, we have been advised of the following agreements and commitments that were approved by shareholders in previous years and which were implemented in 2016.

1/ With Mr. Sébastien Bazin, Chairman and Chief Executive Officer

a. Type of commitment and purpose:

Mr. Sébastien Bazin's inclusion in the supplementary pension plan whose members comprise several dozen Accor Group senior executives.

Terms and conditions:

The Board of Directors authorized Mr. Sébastien Bazin's inclusion in the supplementary pension plan whose members comprise several dozen Accor Group senior executives.

Pursuant to the Law of August 6, 2015, the Board of Directors decided to submit Mr. Bazin's participation in this plan to the achievement of performance conditions which must be noted annually by the Board.

The vesting of rights under the defined benefit plan (Article 39) is subject to achieving the following two conditions:

- EBIT compared to the budget (50%), and
- Free Cash Flow excluding disposals and external growth operations, including the change in WCR, compared to the budget (50%).

Under the terms of this overall plan, except in specific cases provided for by law, if a plan member leaves the Group before retirement, he only retains the rights accrued under the defined contribution plan (Article 83), based on annual employer contributions of up to 5% of five times the annual cap on the basis for calculating Social Security contributions and forfeits the rights accrued under the defined benefit plan.

The pension annuities payable to Mr. Sébastien Bazin on retirement would not exceed 30% of his end-of-career salary and the overall replacement rate to which he would be entitled (under government-sponsored plans and the Accor supplementary pension plan) is capped at 35% of the average of his best three years' compensation (fixed plus variable) in the ten years prior to retirement.

In respect of 2016, the Company paid €9,654 under this plan.

b. Type of commitment and purpose:

Private unemployment insurance plan.

Terms and conditions:

The Board of Directors authorized the Company to set up a private insurance plan with *Association pour la Garantie Sociale des Chefs et Dirigeants d'Entreprise* (GSC) to provide Mr. Bazin with unemployment benefits should the need arise. The benefits under this plan would be paid as from the 31st unbroken day of unemployment. The maximum length of time that Sébastien Bazin could be paid benefits under the plan has been increased from 12 to 24 months as he has been a member of the plan for more than one year.

The premiums paid by the Company to GSC in 2016 on behalf of Mr. Bazin amounted to €30,757.

2/ With Sven Boinet, Deputy Chief Executive Officer

Type of commitment and purpose:

Employment contract with Mr. Sven Boinet.

Terms and conditions:

The Board of Directors authorized the Company to enter into an employment contract with Mr. Sven Boinet covering his position as Group Director responsible for internal audit, legal affairs and safety/security. Pursuant to this contract, Mr. Sven Boinet receives a gross annual salary of €400,000, paid in twelve equal monthly installments.

Under his employment contract, Mr. Sven Boinet is eligible for membership in the defined contribution and defined benefit supplementary plans set up within the Company whose members comprise several dozen Accor Group senior executives, it being specified that, as indicated in the first part of our report, Mr. Sven Boinet benefits from this plan with respect to his position as Deputy Chief Executive Officer.

3/ With Institut Paul Bocuse***Type of commitment and purpose:***

Agreement providing for a cash advance in the form of a loan.

Executive officer concerned and other related party:

Sven Boinet, Deputy Chief Executive Officer of Accor and director of Institut Paul Bocuse and Gerard Pelisson, Founding Co-Chairman of Accor and Chairman of Institut Paul Bocuse.

Terms and conditions:

The Board of Directors authorized Accor, in its capacity as a member of the non-profit organization, to grant to Institut Paul Bocuse, a €200,000 cash advance to the organization for a five-year period that bears interest at 2% per year.

Under this agreement – whose purpose is to help Institut Paul Bocuse invest in new equipment – AccorHotels will play a part in expanding the operations, notably outside France, of one of its long-standing partners.

As of December 31, 2016, the amount of the loan granted to the Company totaled €200,000 and in respect of 2016, Institut Paul Bocuse paid €4,066.67 in annual interest relating to this loan.

4/ With ColSpa SAS***Type of commitment and purpose:***

Hotel management contract between ColSpa SAS and Accor.

Corporate officer concerned:

Nadra Moussalem, Europe Executive Officer of Colony Capital Europe and director of Accor (until February 21, 2017).

Terms and conditions:

As part of Colony Capital SAS's project to redevelop the site of the former Molitor swimming pool in Paris through its ColSpa SAS subsidiary, ColSpa undertook to grant a contract to Accor to manage, under the MGallery banner, the 124-room hotel and various related facilities to be built on the site.

This 10-year management contract will be automatically renewable for five years and its financial terms and conditions are comparable to those usually negotiated by the Group for similar contracts.

The transaction fits with the Group's development strategy and will enable it to manage a hotel at a prestigious location in western Paris under its fast-growing MGallery brand.

For 2016, the amount invoiced to ColSpa SAS by the Company under this contract totaled €715,946, excluding taxes.

B. AGREEMENTS AND COMMITMENTS APPROVED IN PRIOR YEARS BUT NOT IMPLEMENTED IN 2016

We were also informed of the following agreements and commitments that were approved by shareholders but were not implemented during 2016.

1/ With Sébastien Bazin, Chairman and Chief Executive Officer***Type of commitment and purpose:***

Compensation for loss of office payable to Mr. Sébastien Bazin as Chairman and Chief Executive Officer or non-renewal of his Director's term of office.

Terms and conditions:

The Board of Directors decided, with respect to termination benefits in the event of dismissal of the term of office of Mr. Sébastien Bazin as Chairman and Chief Executive Officer or non-renewal of his Director's term of office, to pay him termination benefits corresponding to two times the total amount of his fixed and variable compensation received with respect to the last fiscal year ended prior to the date on which his term of office ended, except in the event of dismissal for serious misconduct or gross negligence. It is specified that benefits will not be paid in the event of resignation, non-renewal of his term of office at his initiative, if he changes duties within the Group or if he is eligible for a full pension in the near future.

Payment of the termination benefit would be subject to the following performance criteria:

- consolidated return on capital employed for the previous three years must have exceeded the Group's cost of capital as published in the Registration Documents;
- positive operating free cash flow in at least two of the previous three years;
- like-for-like EBITDAR margin must have exceeded 27.5% in at least two of the previous three years.

These performance criteria would be applied as follows:

- if all three criteria were met, the compensation would be payable in full;
- if two of the three criteria were met, half of the compensation would be payable;
- if none or only one of the three criteria were met, no compensation would be due.

2/ With Edenred

Type of commitment and purpose:

Signature of a tax-related agreement between Edenred and Accor.

Corporate officers concerned:

Jean-Paul Bailly, Philippe Citerne, Bertrand Méheut and Nadra Moussalem, directors of both Accor and Edenred.

Terms and conditions:

The Italian tax authorities notified an Accor subsidiary and several Edenred subsidiaries of a €27.4 million reassessment of registration fees due on transactions carried out as part of the reorganization of Accor's Services division in Italy prior to the demerger. Accor and Edenred are contesting the reassessments before the Italian courts and have signed an agreement to equally share the associated risks and costs of the proceedings between the two groups.

Given that the Asset Contribution-Demerger Agreement of April 19, 2010, before the dispute had arisen, does not contain any provisions covering this type of tax dispute, the agreement signed with Edenred has now protected the Group in the event of an unfavorable outcome of the aforementioned proceedings.

Following the September 9, 2015 decision of the Italian Court of Appeal, which was unfavorable to the Italian tax authorities, they repaid the contested amounts as well as default interest. Furthermore, the Italian tax authorities decided not to appeal the decision before the highest court, the Court of Cassation.

This agreement was terminated on February 2, 2016, the date on which the decision favorable to the Company became final.

Paris-La Défense and Neuilly-sur-Seine, March 22, 2017

The Statutory Auditors

ERNST & YOUNG et Autres

Jacques Pierres

DELOITTE & ASSOCIÉS

David Dupont-Noel

Guillaume Crunelle





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AccorHotels delivered **strong growth in earnings** and extended its **international reach** in 2016.

After two years of transformation that enabled the Group to streamline its businesses and consolidate its leadership through a new digital ecosystem, profitable asset restructuring and the deployment of its marketplace, AccorHotels opened a new chapter in its history in 2016 by venturing out to conquer new markets and building up its business model.

AccorHotels first of all continued its expansion in high growth areas, with **record openings of 347 hotels (81,042 rooms)**. Driven by the **acquisition of the Raffles, Fairmont and Swissôtel brands** in July 2016, the Group considerably reinforced its global leadership in the luxury hotel segment. HotelServices benefited from the market share acquired through FRHI, with an increase in EBIT of **€34 million** in the second half of 2016. AccorHotels also secured very strong development in China thanks to the **strategic partnership concluded with Huazhu** in January 2016. The Group will now benefit from the **amalgamation of the Club AccorHotels, FRHI and Huazhu brand loyalty programs**, extending its visibility to 106 million loyal members.

AccorHotels also took its model into **luxury serviced home rentals** through the acquisition of **onfinestay** and equity investments in **Squarebreak and Oasis Collections**. It is currently also negotiating with **Travel Keys** to further entrench its global leadership in this fast-growing market segment. At the same time, it has increased its visibility in the lifestyle segment, where **Mama Shelter** continues to grow successfully, launching its **Jo&Joe** brand and partnering with **25Hours**.

Lastly, the acquisition of **John Paul**, the world leader in concierge services, will enable AccorHotels to provide a broader choice of services and enhance its customer relations expertise for the benefit of customers in its hotel network and on its digital platforms. Each of the Group's acquisitions has consolidated its model, across all its businesses, segments, customer groups, brands and assets. They have brought leadership in new segments and offer valuable growth drivers for the coming years.

HotellInvest meanwhile continued to **restructure its assets at a sustained pace**, reducing the Group's **rental expense by €50 million**, thanks in large part to the **sale of 85 hotels to Grape Hospitality** in July 2016. The Group's operating margins increased by 5bp in 2016, offsetting expenses relating to the digital plan, the loyalty program and the new business lines.

Group **EBIT** was up 4.5% year-on-year, or 3.8% on a like-for-like basis, to €696 million. Despite a stable cost of debt in 2016, **net financial expense** deteriorated by **€54 million** to €125 million, including hedging costs of €46 million. **Net income Group share** was €265 million, up from €244 million in 2015.

4.1 FINANCIAL REVIEW

ANALYSIS OF THE CONSOLIDATED FINANCIAL RESULTS

As mentioned in Note 1 to the 2016 consolidated financial statements, the application of IFRS 5 in 2015 and 2016 requires the Group to present the net income and cash flows attributable to HotellInvest's activities, which are currently in the process of being sold, separately, under discontinued operations.

Therefore, for consistency with the reported consolidated financial statements and to facilitate their comparability with previous reports in which IFRS 5 was not yet applied, the management report presents the Group's results and cash flows

before and after application of the standard, in the "2015/2016" and "2015 reported/2016 reported" columns respectively, and provides comments on the changes before the reclassification of HotellInvest's activities, which are currently in the process of being sold, based on significant events in 2016.

Lastly, as in the notes to the consolidated financial statements, the results of the strategic HotelServices and HotellInvest businesses are analyzed before application of IFRS 5.



2016 CONSOLIDATED RESULTS

(in millions of euros)	2015	2016	Change	Change (LFL) ⁽²⁾	2015 reported ⁽¹⁾	2016 reported ⁽¹⁾
Revenue	5,581	5,631	0.9%	2.2%	1,368	1,603
EBITDAR⁽³⁾	1,780	1,781	0.1%	1.5%	564	604
EBITDAR margin	31.9%	31.6%	(0.3) pt	(0.3) pt	41.2%	37.7%
EBITDA	986	1,037	5.2%	4.0%	450	494
EBITDA margin	17.7%	18.4%	+0.7 pt	+0.3 pt	32.9%	30.8%
EBIT	665	696	4.5%	3.8%	370	389
Operating profit before tax and non-recurring items	605	571	-	-	308	278
Profit/(loss) from continuing operations	246	266	-	-	134	143
Profit/(loss) from discontinued operations	(1)	(0)	-	-	110	123
NET PROFIT, GROUP SHARE	244	265	-	-	244	265

(1) After reclassification of revenue and expenses relating to HotelInvest hotels currently in the process of being sold and the Italian on-board train service activity in "Profit/(loss) from discontinued operations" in accordance with IFRS 5.

(2) Like-for-like: at constant scope of consolidation and exchange rates.

(3) Earnings before interest, taxes, depreciation, amortization and rental expense.

Consolidated revenue

Consolidated 2016 **revenue** amounted to €5,631 million, an increase of 2.2% compared with 2015 at constant scope of consolidation and exchange rates (like-for-like).

(in millions of euros)	2015	2016	Change	Change (like-for-like)
HotelServices	1,339	1,567	17.0%	6.2%
HotelInvest	4,815	4,617	(4.1)%	0.6%
Holding & Intercos	(574)	(553)	3.5%	2.2%
TOTAL	5,581	5,631	0.9%	2.2%
REPORTED TOTAL⁽¹⁾	1,368	1,603	-	-

(1) After reclassification of revenue relating to HotelInvest hotels currently in the process of being sold and the Italian on-board train service activity in "Profit/(loss) from discontinued operations" in accordance with IFRS 5.

The increase resulted from healthy business levels in most of the Group's key markets: Asia-Pacific (+5.5%), the Americas (+4.7%), Northern, Central and Eastern Europe (NCEE: +4.1%), and Mediterranean, Middle East and Africa (MMEA: +3.8%).

- Growth in the Asia-Pacific region was led by the development over the past three years of 252 hotels operated under franchise agreements or management contracts and by RevPAR growth of 4.9% in 2016.
- Despite a challenging business environment in Brazil (-2.4%), the Americas reported an improved performance, driven notably by RevPAR growth of 17.6% in Mexico.
- Eastern Europe, the United Kingdom and Germany were the main business drivers in Northern, Central and Eastern Europe, posting revenue growth of 7.6%, 4.3% and 3.7% respectively.
- Revenue fell by 2.8% in France in 2016. Business was very challenging in Paris (RevPAR: -13.2%), where demand was affected by recent events, whereas hotels outside the capital put in a solid performance over the year (RevPAR: +4.2%).

	Occupancy		Average Room Rate		RevPAR	
	%	Δ (L/L, pts)	€	Δ (L/L, %)	€	Δ (L/L, %)
Luxury & Upscale	70.8	(4.2)	142.5	+1.0	101.0	(5.1)
Midscale	70.3	+0.1	90.6	+5.2	63.7	+5.3
Economy	73.4	+0.4	63.8	+4.6	46.8	+5.2
GERMANY	71.9	(0.0)	81.2	+4.0	58.3	+4.0
Luxury & Upscale	79.6	+2.2	189.8	+1.5	151.1	+4.2
Midscale	76.0	+1.1	95.2	+0.8	72.4	+2.2
Economy	82.3	+0.3	73.2	+1.5	60.3	+1.8
UNITED KINGDOM	79.1	+0.8	92.3	+1.2	73.0	+2.3

2016 RevPAR excl. tax by operating structure and segment

	Managed & Franchised						Owned & Leased						Total					
	OR		ARR		RevPAR		OR		ARR		RevPAR		OR		ARR		RevPAR	
	%	chg pts LFL	€	chg % LFL	€	chg % LFL	%	chg pts LFL	€	chg % LFL	€	chg % LFL	%	chg pts LFL	€	chg % LFL	€	chg % LFL
Luxury & Upscale	63.6	(2.7)	214	(3.2)	136	(7.0)	67.0	(4.8)	169	+2.0	113	(4.8)	65.0	(3.7)	194	(0.6)	126	(5.9)
Midscale	61.4	(1.0)	103	+0.3	63	(1.3)	63.6	(5.3)	112	+0.5	71	(7.5)	62.3	(2.8)	107	+0.3	66	(4.1)
Economy	64.4	+0.2	61	+0.4	39	+0.8	66.7	(1.1)	54	(2.5)	36	(4.1)	65.2	(0.3)	59	(0.6)	38	(1.0)
France	63.5	(0.2)	80	(0.4)	51	(0.7)	65.7	(2.7)	79	(1.8)	52	(5.7)	64.3	(1.2)	80	(1.0)	51	(2.8)
Luxury & Upscale	70.7	(1.0)	161	+2.2	114	+0.9	73.5	(0.9)	143	+3.4	105	+2.1	71.7	(0.9)	155	+2.7	111	+1.4
Midscale	69.5	+1.9	82	+2.5	57	+5.3	74.3	+0.3	89	+2.6	66	+3.1	72.0	+1.0	86	+2.5	62	+4.0
Economy	70.7	+1.6	65	+1.3	46	+3.6	77.1	(0.3)	66	+2.9	51	+2.5	74.9	+0.3	66	+2.5	49	+2.8
NCEE (excl. Southern Europe)	70.1	+1.5	86	+1.6	60	+3.8	75.7	(0.1)	79	+2.8	60	+2.8	73.3	+0.5	82	+2.4	60	+3.2
Luxury & Upscale	61.0	(0.2)	174	(4.1)	106	(4.3)	62.3	(6.0)	152	+14.5	95	+4.4	61.1	(0.9)	172	(1.9)	105	(3.3)
Midscale	61.6	(1.2)	81	(4.3)	50	(6.1)	69.9	+0.7	74	+0.9	51	+2.0	64.1	(0.5)	78	(2.6)	50	(3.4)
Economy	63.5	+0.6	58	(6.6)	37	(5.9)	72.9	+1.8	51	(1.0)	37	+1.6	67.7	+1.2	55	(3.9)	37	(2.2)
MMEA (incl. Southern Europe)	61.6	(0.2)	109	(4.8)	67	(5.1)	71.0	+0.8	67	+1.0	47	+2.1	64.3	+0.1	95	(3.2)	61	(3.0)
Luxury & Upscale	65.0	+3.6	104	(0.1)	68	+5.5	85.4	+7.1	187	(1.7)	159	+6.4	65.5	+3.6	107	(0.1)	70	+5.4
Midscale	69.8	+2.0	78	+1.2	55	+4.1	82.1	+0.5	125	+1.3	102	+1.9	70.5	+1.9	81	+1.1	57	+3.8
Economy	67.9	+2.7	45	+0.1	31	+4.3	69.0	(2.2)	72	+1.6	50	(2.7)	68.0	+2.1	48	+0.0	33	+3.3
ASIA-PACIFIC	67.7	+2.9	80	+0.9	54	+5.2	76.1	(1.0)	114	+2.3	87	+0.6	68.1	+2.7	82	+0.9	56	+4.9
Luxury & Upscale	68.9	(0.3)	222	+4.9	153	+4.4	60.6	(5.2)	203	+34.2	123	+23.3	67.9	(1.6)	220	+11.0	149	+8.3
Midscale	60.5	(1.1)	85	(1.5)	51	(3.3)	54.1	(2.6)	76	+6.7	41	+2.1	59.2	(1.4)	83	+0.1	49	(2.3)
Economy	57.5	(2.6)	46	+8.1	26	+3.7	58.2	(5.6)	44	+2.9	26	(5.8)	57.8	(4.1)	45	+5.5	26	(1.2)
AMERICAS	62.4	(1.6)	125	+5.0	78	+2.4	57.6	(5.0)	67	+11.0	39	+2.4	60.9	(2.9)	108	+7.2	66	+2.4
Luxury & Upscale	65.3	+2.0	145	(1.2)	95	+1.9	69.6	(3.5)	165	+8.5	115	+3.1	65.8	+1.3	148	+0.1	97	+2.1
Midscale	66.1	+0.6	85	+0.2	56	+1.1	69.9	(1.4)	95	+1.5	66	(0.6)	67.3	(0.1)	88	+0.6	59	+0.4
Economy	65.4	+0.7	56	+0.6	37	+1.6	70.4	(1.1)	59	+1.0	41	(0.5)	67.4	(0.1)	57	+0.8	39	+0.6
TOTAL	65.6	+1.0	89	+0.3	58	+1.8	70.1	(1.3)	78	+1.8	55	(0.1)	67.1	+0.2	85	+0.9	57	+1.1

Change in revenue over the year reflects the following:

- **development, which added €418 million** to revenue and 7.5% to growth, with 81,042 additional rooms (347 hotels), of which 89% under management contracts or franchise agreements. At December 31, 2016, the HotelServices portfolio comprised 4,144 hotels and 583,161 rooms, of which 31% under franchise agreements and 69% under management contracts including the HotelInvest portfolio;
- **disposals, which reduced revenue by €355 million** and growth by 6.4%;
- **currency effects, which had a negative impact of €136 million** or 2.4%, resulting mainly from the decline in the British pound (€72 million), the Argentine peso (€16 million), the Brazilian real (€12 million) and the Egyptian pound (€8 million).

EBITDA

Consolidated **EBITDA** was up 5.2% year-on-year on a reported basis to €1,037 million in 2016, an increase of 4.0% on a like-for-like basis. The **EBITDA margin** improved by 0.3 points on a like-for-like basis to 18.4%.

EBIT

EBIT totaled €696 million in 2016, compared with €665 million in 2015, an increase of 3.8% like-for-like. Growth came thanks to a strong fourth quarter, particularly in France. The Group's **EBIT margin** rose strongly to 12.4%, up 0.5 points compared with 2015 (0.2 points on a like-for-like basis), thanks to tight control of operating costs.



In € millions	2015	2016	2015 reported ⁽¹⁾	2016 reported ⁽¹⁾
EBITDAR	1,780	1,781	564	604
Rental expense	(794)	(744)	(114)	(110)
Depreciation, amortization and provision expense	(321)	(342)	(80)	(105)
EBIT	665	696	370	389

(1) After reclassification of revenue and expenses relating to HotellInvest hotels currently in the process of being sold and the Italian on-board train service activity in "Profit/(loss) from discontinued operations" in accordance with IFRS 5.

Rental expense was €744 million in 2016, compared with €794 million in 2015, due to the transformation of HotellInvest. **Depreciation, amortization and provision expense** was €342 million over the period. After the reclassification of expenses relating to HotellInvest hotels currently in the process of being sold to profit/(loss) from discontinued operations, **rents, depreciation, amortization and provision expenses** totaled €215 million in 2016, compared with €194 million in 2015.

Operating profit before tax and non-recurring items

Operating profit before tax and non-recurring items - corresponding to EBIT less net financial expense plus share of profit of associates - represents the result of operations after the cost of financing Group businesses and before tax. It was €571 million in 2016, down from €605 million in 2015.

In € millions	2015	2016	2015 reported ⁽¹⁾	2016 reported ⁽¹⁾
EBIT	665	696	370	389
Net financial expense	(71)	(125)	(70)	(117)
Share of profit of associates and joint ventures after tax	10	-	8	6
OPERATING PROFIT BEFORE TAX AND NON-RECURRING ITEMS	605	571	308	278

(1) After reclassification of revenue and expenses relating to HotellInvest hotels currently in the process of being sold and the Italian on-board train service activity in "Profit/(loss) from discontinued operations" in accordance with IFRS 5.

Net financial expense amounted to €125 million, compared with €71 million in 2015. It includes an expense of €33 million resulting from a fair value adjustment to the interest rate hedge related to the promise to purchase the Group's headquarters and an expense of €13 million related to the exchange hedge on the cash payment for the acquisition of the FRHI Group.

The **share of profit of associates** was nil, compared with income of €10 million in 2015.

Net profit, Group share

(in millions of euros)	2015	2016	2015 reported ⁽¹⁾	2016 reported ⁽¹⁾
Operating profit before tax and non-recurring items	605	571	308	278
Restructuring costs	(23)	(120)	(10)	(104)
Impairment losses	(67)	(63)	(7)	(16)
Gains and losses on management of hotel properties	(31)	79	(12)	78
Other non-recurring items	(75)	(89)	(63)	(67)
Operating profit before tax	408	378	215	169
Income tax expense	(136)	(79)	(59)	4
Profit/(loss) from discontinued operations	(1)	-	116	127
Net profit	271	299	271	299
NET PROFIT, GROUP SHARE	244	265	244	265
EARNINGS PER SHARE (in euros)	0.88	0.88	0.88	0.88
Net profit attributable to non-controlling interests	27	33	27	33

(1) After reclassification of revenue and expenses relating to HotellInvest hotels currently in the process of being sold and the Italian on-board train service activity in "Profit/(loss) from discontinued operations" in accordance with IFRS 5.

Restructuring costs amounted to **€120 million** in 2016. They mainly include costs related to the restructuring of the FRHI Group in the amount of €69 million.

Gains on the management of the Group's hotel portfolio of €79 million, included the capital gain of €66 million on the sale of activities and hotels contributed by AccorHotels to Huazhu as part of their strategic alliance.

Asset impairments amounted to **€63 million** in 2016, compared with €67 million in 2015.

Other non-recurring expenses amounted to €89 million, compared with €75 million in 2015. This includes expenses related to the acquisition and integration of the Fairmont, Raffles and Swissôtel brands in the amount of €29 million and the implementation of the Booster project for €14 million.

The **tax expense** amounted to **€79 million** in 2016, compared with €136 million in 2015, resulting from the use of tax losses in the amount of €62 million in the United States following the consolidation of the FRHI Group. The Group's effective tax rate (current tax expense as a proportion of operating profit before tax, share of profits and losses of associates and non-recurring items) was 22.3%, compared with 29.5% in 2015.

After deducting **non-controlling interests** in the amount of €33 million, **net profit, Group share** came to **€265 million**, compared with €244 million in 2015.

This represents a €21 million increase in **net profit, Group share**. Based on the weighted average number of shares outstanding at December 31, 2016 (259,054,177), **earnings per share** was stable at **€0.88** in 2016.

Dividend and payout ratio

<i>(in millions of euros)</i>	2015	2016
Operating profit before non-recurring items, net of tax⁽¹⁾	461	469
Weighted average shares outstanding	234	259
Operating profit before non-recurring items, net of tax per share <i>(in euros)</i>	1,96	1,81
Ordinary dividend per share <i>(in euros)</i>	1.00	1.05⁽²⁾
Ordinary dividend payout	236	299
<i>Payout ratio⁽³⁾</i>	51%	64%

(1) Corresponds to operating profit before tax and non-recurring items less current income tax and net profit attributable to non-controlling interests.

(2) Submitted for approval at the Combined Annual and Extraordinary Shareholders' Meeting of May 5, 2017.

(3) Based on operating profit before non-recurring items, net of tax.

Operating profit before non-recurring items, net of tax amounted to **€469 million**, representing earnings per share of €1.81. Based on these earnings, AccorHotels will submit for the approval of

shareholders the payment of a dividend of €1.05 per share at the May 5, 2017 Annual Shareholders' Meeting, with payment 100% in cash or 100% in shares at a discount of 5%.



Financial flows

(in millions of euros)	2015	2016	2015 reported ⁽¹⁾	2016 reported ⁽¹⁾
Funds from operations before non-recurring items	816	868	345	379
Recurring maintenance expenditure	(269)	(297)	(72)	(95)
Recurring development expenditure	(205)	(245)	(142)	(90)
Recurring free cash flow	341	326	131	194
Acquisitions	(161)	(3,523)	(47)	(3,019)
Proceeds from disposals of assets	356	328	35	158
Dividends	(174)	(182)	(171)	(176)
Change in operating working capital	72	(89)	60	2
Hybrid financial instruments (net of issuance expenses) ⁽²⁾	(37)	(37)	(37)	(37)
Capital increase related to FRHI		1,726	0	1,726
Other	(43)	(231)	(15)	(244)
Cash flow from discontinued operations	0	0	397	(479)
(INCREASE)/DECREASE IN NET DEBT	354	(1,682)	354	(1,876)
Net debt	(194)	1,488	(194)	1,682

(1) After reclassification of revenue and expenses relating to HotelInvest hotels currently in the process of being sold and the Italian on-board train service activity in "Profit/(loss) from discontinued operations" in accordance with IFRS 5.

(2) Includes the issuance of the hybrid instrument in the amount of €887 million in 2014 and the coupon of €37 million paid in 2016.

Funds from operations rose to €868 million in 2016 from €816 million in 2015 thanks to the strong operational performance.

Recurring development expenditure amounted to €245 million in 2016, and **recurring maintenance expenditure** came to €297 million, representing 5.3% of Group revenue.

Acquisitions made in 2016 totaled **€3,523 million**. The main acquisitions were FRHI for €2.5 billion and onefinestay and John Paul for €309 million. Expenditure on hotel development totaled €399 million.

Proceeds from the **disposal of assets** were stable at **€328 million** in 2016, compared with €356 million in 2015.

The **working capital requirement** amounted to **€89 million** at December 31, 2016, compared with a working capital surplus of €72 million at December 31, 2015, reflecting the sale of 85 hotels with positive working capital to Grape Hospitality, as well as various time lags in payment of taxes and duties.

Financial ratios

The Group's **recurring cash flow** amounted to **€326 million** in 2016, versus €341 million in 2015, due to strong business volumes that were up €48 million and an €87 million increase in development spending.

Net debt totaled **€1,488 million** at December 31, 2016, an increase of €1,682 million year-on-year, resulting mainly from the acquisitions of FRHI, onefinestay and John Paul.

At December 31, 2016, the **cost of the Group's debt was at a record low of 2.85%**, versus 2.89% at December 31, 2015. In January 2017, AccorHotels issued a €600 million seven-year bond with a coupon of 1.25%, thereby further lowering the **cost of the Group's debt to 2.57%**.

AccorHotels also has an **unused €1.8 billion confirmed long-term line of credit**.

CONSOLIDATED INCOME BY STRATEGIC BUSINESS

Business models of the strategic businesses

At December 31, 2016, the Group had a portfolio of 4,144 hotels and 583,161 rooms, and a development pipeline of nearly 171,000 rooms.

HotelServices is the Group's hotel operator and franchiser, focused on providing services and generating revenue in the form of fees. Its model spans the Group's entire portfolio, as the hotels owned by HotelInvest are operated by HotelServices under management contracts.

- **Franchise agreements:** Franchised hotels are operated by their owners. Accor provides various services to its franchisees, such as the use of its brands, first and foremost, and access to the Group's centralized booking system. The other services offered to hotel owners include access to the centralized purchasing system and to Académie AccorHotels for employee training. Accor is remunerated for these services *via* fees, including trademark fees and sales and marketing fees, as well as through the invoicing of additional services, where applicable.
- **Management contracts:** Hotels under management contracts are similar to franchised hotels in that AccorHotels only records the royalties paid by the owner and not the hotel's revenue. However, these hotels are managed by AccorHotels. The royalties received include the trademark and sales and marketing fees paid by franchisees, as well as a management fee corresponding to a percentage of EBITDAR and, in some cases, a performance-based incentive fee paid by the owner.

HotelServices also centralizes sales and marketing, distribution and IT services, as well as other activities including the timeshare business in Australia, Strata, a company that operates the common areas of hotels in Oceania, and the Group's loyalty program.

HotellInvest is the Group's hotel owner and investor, including hotels that are owned, and operated under fixed-rent leases and variable-rent leases (with rents determined as a percentage of revenue or EBITDAR).

- **Owned hotels:** owned hotels are fully consolidated.
- **Leased hotels:** leased hotels are also fully consolidated by AccorHotels, which pays rent to the owner. The rent can either be fixed or variable. Fixed rents represent a percentage of the value of the asset, while variable rents are indexed to the hotel's revenue. For some hotels, particularly in South America, the rent paid by AccorHotels corresponds to a percentage of EBITDAR.

HotellInvest recognizes all the revenue and operating expenses of owned and leased hotels.

The HotellInvest business model is designed to improve the return on assets and optimize the balance sheet structure. It centralizes asset portfolio management and the hotel design, construction, renovation and maintenance activities, as well as the legal and financial functions.

In 2016, royalties paid by HotellInvest hotels accounted for 33% of the fees received by HotelServices, and were eliminated in the consolidated financial statements in the "holding and intercos" column.

(in millions of euros)	HotelServices ⁽¹⁾	HotellInvest ⁽¹⁾	Holding & Intercos	2016	2016 reported ⁽²⁾
Revenue	1,567	4,617	(553)	5,631	1,603
EBITDAR	484	1,376	(79)	1,781	604
EBITDAR margin	30.9%	29.8%	N/A	31.6%	37.7%
EBITDA	450	663	(76)	1,037	494
EBITDA margin	28.7%	14.4%	N/A	18.4%	30.8%
EBIT	393	385	(82)	696	389
EBIT margin	25.0%	8.3%	N/A	12.4%	24.2%
2015 EBIT	359	378	(71)	665	-
2015 EBIT margin	26.8%	7.8%	N/A	11.9%	-

(1) Gross data before eliminations, including holding company costs and internal flows between HotellInvest and HotelServices.

(2) After reclassification of revenue and expenses relating to the hotels of HotellInvest activities, currently in the process of being sold, and the Italian on-board train services activity in "Profit/(loss) from discontinued operations".

EBITDA amounted to **€1,037 million**, an increase of 4.0% compared with 2015 on a like-for-like basis, and the **EBITDA margin** was 18.4%, an increase of 70 basis points compared with 2015.

The Group's **EBIT margin** increased by 0.5 points to 12.4%. It came to 13.5% excluding expenditure on the digital plan and new businesses.

The **Booster hotels** generate revenue of €4 billion, EBITDA of €544 million and EBIT of €307 million.

Revenue by region and business

(in millions of euros)	HotelServices ⁽¹⁾			HotellInvest ⁽¹⁾		
	Revenue		LFL ⁽²⁾	Revenue		LFL ⁽²⁾
	2015	2016	change	2015	2016	change
France	348	346	(0.8)%	1,545	1,398	(4.2)%
NCEE	338	369	10.8%	2,227	2,082	2.8%
MMEA	137	164	4.4%	432	413	3.5%
Asia-Pacific	366	416	8.1%	274	344	0.4%
Americas	101	196	9.8%	337	380	3.8%
Worldwide structures	49	77	5.9%	N/A	N/A	N/A
TOTAL⁽¹⁾	1,339	1,567	6.2%	4,815	4,617	0.6%

(1) Gross data before eliminations, including holding company costs and internal flows between HotellInvest and HotelServices in the amount of €553 million.

(2) Like-for-like: at constant scope of consolidation and exchange rates.



AccorHotels posted strong revenue growth in most of its markets. **HotelServices** delivered a better performance than **HotelInvest** because of its better geographical spread, based on greater exposure to non-European markets. In addition, HotelServices' revenue includes the development of hotels operated under management contracts and franchise agreements.

From a regional perspective, **France** was the only market to decline in 2016. The decline was particularly marked for HotelInvest, which was more exposed to the slump in business in Paris than HotelServices. RevPAR decreased by 13% in Paris over the year, while hotels outside the capital put in a solid performance, with

RevPAR up 4%. The **NCEE** region reported revenue growth of 4% in 2016, driven by business in the United Kingdom and Germany. The **MMEA** region also posted revenue growth of 3.8% on a like-for-like basis, driven strongly by the continued recovery in Spain and Portugal (+11%). **Asia-Pacific** was supported by strong growth across the region, while the **Americas** grew by 4.7% on a like-for-like basis thanks to Mexico's robust performance and high inflation in Brazil.

Revenue from **worldwide structures** includes Fastbooking, onefinestay (since April 2016) and John Paul (since November 2016).

EBIT by region and business

(in millions of euros)	HotelServices ⁽¹⁾		HotelInvest ⁽¹⁾		AccorHotels ⁽¹⁾		Change LFL
	2015	2016	2015	2016	2015	2016	
France	114	109	58	42	171	150	(13)%
NCEE	120	125	250	256	369	381	9%
MMEA	40	51	15	27	55	77	13%
Asia-Pacific	64	99	8	16	71	115	32%
Americas	23	26	6	6	29	31	(18)%
Operations	360	409	336	346	696	754	5.0%
Worldwide structures	(1)	(16)	42	39	(31)	(59)	N/A
TOTAL	359	393	378	385	665	696	3.8%

(1) Gross data before eliminations, including holding company costs and internal flows between HotelInvest and HotelServices.

AccorHotels recorded healthy EBIT growth in most of its markets, with a growing contribution from the MMEA and Asia-Pacific regions, and less reliance on France.

The **Asia-Pacific** region performed particularly well, with a like-for-like increase of 32% reflecting strong demand in Southeast Asia and very active development over the past three years (252 hotels developed between 2014 and 2016).

The **MMEA** region delivered like-for-like growth of 13% driven by the continuation of a marked recovery in the Iberian Peninsula (+20%).

The **NCEE** region, which represents 55% of 2016 Group EBIT, posted an increase of 9% thanks to solid business levels in key markets Germany and the United Kingdom.

The decline in EBIT continued in **France** (-13%), notably following the events in Paris and Nice.

Performances in the **Americas** were dampened by **Brazil**, which is still plagued by major economic difficulties despite the beneficial impact of the Olympic Games.

ANALYSIS OF RESULTS BY STRATEGIC BUSINESS

HotelServices

HotelServices' business volume was up 20% on a like-for-like basis following the acquisition of the FRHI Group, which generated revenue of €1.9 billion in the second half of 2016, with record organic development of 37,713 rooms.

Detailed 2016 results for HotelServices

(in millions of euros)	2015	2016
Business volume (in billions of euros)	12.9	15.2
Revenue	1,339	1,567
EBITDA	399	450
EBITDA margin	29.8%	28.7%
EBIT	359	393
EBIT margin	26.8%	25.0%

HotelServices' revenue amounted to €1,567 million, half of which was derived from management and franchise fees, while 36% came from the Sales, Marketing & Distribution Fund.

HotelServices' EBITDA came to €450 million in 2016. The **EBITDA margin** narrowed to 28.7%, compared with 29.8% in 2015, due to

weaker performances in France and Brazil. This trend also reflects commitments related to the pursuit of the digital plan (see 1.5.4 page 23) and transactions carried out in new businesses.

HotelServices recorded **EBIT** of €393 million, an increase of 4.5% like-for-like. The **EBIT margin** narrowed by 1.8 points to 25.0%.

HotelServices' cash flow

(in millions of euros)	2015	2016
EBITDA⁽¹⁾	399	450
Recurring maintenance and development expenditure ⁽²⁾	(93)	(105)
EBITDA – Total recurring expenditure⁽³⁾	306	345
% EBITDA	76.8%	76.7%

(1) Note 4B to the consolidated financial statements (section 5.2).

(2) Concerns recurring expenditure on customer relationship management, digital technology, distribution, the loyalty program and marketing (see the reconciliation table at the end of the financial review).

(3) Reflects HotelServices' ability to generate sufficient value creation to finance maintenance expenditure.

HotelServices' EBITDA increased by €51 million over the year. At the same time, its **recurring expenditure** increased by €11 million due to the digital plan. As a result, gross value creation generated by HotelServices after investment increased by €39 million from

€306 million in 2015 to €345 million in 2016. As a proportion of EBITDA, EBITDA after recurring expenditure was stable at 76.7%, demonstrating the resilience of the HotelServices model in terms of value creation.

HotelServices' P&L performance

(in millions of euros)	Managed & Franchised	Sales, Marketing & Digital	Other businesses	2016
Revenue	782	565	220	1,567
EBITDA	427	(32)	54	450
EBITDA margin	54.6%	(5.6)	24.7%	28.7%
EBIT	396	(47)	43	393
EBIT margin	50.7%	(8.3)%	19.6%	25.0%
2015 EBITDA margin	54.1%	(7.1)%	32.5%	29.8%

The **EBITDA margin** of the management and franchise business was up 0.5 points at 54.6%, illustrating the resilience of the HotelServices model and the increase in economies of scale.

The activity of the **Sales, Marketing & Digital division** was balanced before the digital plan. The Sales, Marketing & Distribution Fund is dedicated to the implementation of marketing and digital initiatives carried out by the Group exclusively for the franchised and managed hotels that contribute to it. The fund is required to spend all the funds it receives each year, and must therefore be balanced.

In other activities, the decrease in the **EBIT margin** was attributable to the integration of the new Fastbooking, onefinestay and John Paul businesses.

HotelServices had an excellent year in terms of operating performance, with a return to brisk growth in the hotel portfolio (347 hotels and 81,042 rooms) and an increase in the pipeline to a record 171,000 rooms. With 32 million members in the AccorHotels Club plus the loyalty programs of FRHI (4 million members) and Huazhu (70 million members), AccorHotels now leverages a loyal customer base of 106 million members.

HotellInvest

HotellInvest's **EBITDAR** improved by 0.3% like-for-like to €1,376 million.

Detailed 2016 results for HotellInvest

(in millions of euros)	2015	2016
Revenue	4,815	4,617
EBITDAR	1,424	1,376
EBITDAR margin	29.6%	29.8%
EBITDA	654	663
EBITDA margin	13.6%	14.4%
EBIT	378	385
EBIT margin	7.8%	8.3%

HotellInvest continued its transformation. This was reflected in the €198 million decrease in **revenue** stemming chiefly from the sale of assets, notably to Grape Hospitality, which accounted for €108 million.

The **EBITDAR margin** increased by 20 basis points to 29.8% on a stable portfolio structure. Business volumes in Europe, notably in Germany and Spain, offset the difficulties encountered in the French and Brazilian markets.

Despite a complex business environment, **HotelServices** posted record **EBIT** of €385 million, a sharp 3.9% increase like-for-like. This result means that the **EBIT margin** has doubled in the space of three years, from 4.1% in 2013 to 8.3% in 2016 (up 0.5 points compared with 2015). The increase is attributable to sustained hotel business, notably in the United Kingdom and Germany, and to HotellInvest's transformation.

HotellInvest's cash flow

(in millions of euros)	2015	2016
EBITDA⁽¹⁾	654	663
Recurring maintenance expenditure	(217)	(220)
NOI (EBITDA - Recurring maintenance expenditure)⁽²⁾	437	443
% EBITDA	66.8%	66.8%
Recurring development expenditure	(149)	(212)
EBITDA - Total recurring expenditure⁽³⁾	288	231
% EBITDA	44.0%	34.8%

(1) Note 4B to the consolidated financial statements (section 5.2).

(2) Corresponds to HotellInvest's EBITDA after maintenance expenditure on existing assets. It reflects the capacity of the HotellInvest operating cycle to generate sufficient value creation to finance renovation and maintenance expenditure, thereby ensuring the sustainability of the existing hotel portfolio.

(3) Reflects the capacity of the HotellInvest operating cycle to generate sufficient value creation not only to sustain the existing hotel portfolio, but also to grow it by continuing its development through the construction and acquisition of new hotels.

EBITDA amounted to €663 million, compared with €654 million in 2015. The **EBITDA margin** increased by 0.8 basis points to 14.4%. **Recurring maintenance expenditure** was stable at €220 million.

Consequently, **net operating income (NOI)**, which corresponds to EBITDA after recurring maintenance expenditure, was stable at 66.8%. The share of owned hotels contributing to NOI increased further to 63% in 2016, up from 61% in 2015 and 56% in 2014.

Recurring development expenditure increased by 42% in 2016, in large part due to the new hotel development program.

HotellInvest's P&L performance

<i>(in millions of euros)</i>	Owned	Fixed lease	Variable lease	Other	2016
Number of hotels	306	288	588		1,182
Revenue	1,263	1,309	1,985	61	4,617
EBITDAR	367	439	569	1	1,376
<i>EBITDAR margin</i>	29.1%	33.5%	28.7%	2.2%	29.8%
Rental expense	(13)	(298)	(402)	(1)	(713)
EBITDA	354	141	168	1	663
<i>EBITDA margin</i>	28.0%	10.7%	8.4%	1.1%	14.4%
Depreciation & amortization	(144)	(49)	(77)	(8)	(278)
EBIT	210	91	91	(7)	385
<i>EBIT margin</i>	16.6%	7.0%	4.6%	(11.8)%	8.3%
2015 EBIT	190	71	117	(1)	378
<i>2015 EBIT margin</i>	15.2%	5.4%	5.3%	(1.6)%	7.8%

In 2016, hotels that are owned or operated under fixed-rent leases, which are predominantly located in the NCEE region and in Germany, increased their contribution to **HotellInvest's EBIT** by €40 million compared with 2015. By contrast, hotels operated under variable-rent leases suffered from their geographical exposure to the French, Belgian and Brazilian markets, recording a €26 million decline.

Asset management policy

In 2016, **148 hotels** were restructured, of which **96 hotels** under leases and **52 hotels** under direct ownership. The Group also sold 85 hotels to Eurazeo in Europe, and secured the restructuring of a portfolio of 31 hotels (4,097 rooms) in Australia with a subsidiary of the Abu Dhabi Investment Authority (ADIA).

These transactions had the effect of reducing net debt by **€265 million**.

Gross asset value

HotellInvest's gross asset value, which corresponds to the fair value of the business assets of all the hotels regardless of how they are operated, plus the fair value of the real estate of owned hotels, was **€7.6 billion** at end-December 2016, compared with €6.9 billion at end-December 2015. Driven by acquisitions and development in the amount of €0.6 billion, HotellInvest's gross asset value has increased by 68% since the end of 2013.

On January 16, 2017, the Group reported that the **gross asset value of the Booster portfolio** was €6.6 billion at December 31, 2016.

Reconciliation table of expenditure by strategic business

<i>(in millions of euros)</i>	Note to the consolidated financial statements	Maintenance	Development	2016
Recurring expenditure - HotellInvest		(220)	(212)	(432)
Recurring expenditure - HotelServices		(72)	(33)	(105)
Recurring expenditure - Holding company		(5)	0	(5)
Total recurring expenditure		(297)	(245)	(542)
Total non-recurring expenditure		(42)	(3,481)	(3,523)
TOTAL EXPENDITURE		(339)	(3,726)	(4,065)
<i>of which continuing operations</i>	25	(137)	(3,067)	(3,204)
<i>of which discontinued HotellInvest operations</i>	3.2	(202)	(659)	(861)



4.2 REPORT ON THE PARENT COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

ACTIVITIES OF ACCOR SA

Accor SA owns the Pullman, MGallery, Novotel, Suite Novotel, Mercure, ibis, ibis Styles, ibis *budget*, HotelF1 and Jo&Joe brands, and receives royalties from their licensing. It also owns hotel businesses in France and holds most of the hotel management contracts and franchise agreements in the country.

Accor SA provides other Group companies with hotel management, purchasing, cash management, IT and advertising services, as well as various advisory services, and assigns staff to them as required. Billings for these services correspond either to a percentage of the hotel's revenue and/or profit, either as a flat fee or a fee per service. They are determined on an arm's length basis.

As the Group's holding company, Accor SA manages a substantial portfolio of equity interests, receives dividends from subsidiaries and leads the Group's expansion.

At December 31, 2016, 43 hotels directly owned by Accor SA were managed by French subsidiaries under business leases: two Sofitel, 25 Novotel, 11 Suite Novotel, three Mercure, one ibis Styles and one ibis *budget*.

REVIEW OF 2016 RESULTS

Revenue from all of the Company's operations amounted to €894.8 million in 2016, compared with €881.1 million the year before. This increase of 1.6%, or €13.7 million, reflected the growth in royalties billed for €21.5 million, offsetting the €6.6 million decrease in income from property rentals resulting from the management policy for the property portfolio.

Revenue includes hotel royalties, rental and business-lease revenue and service fees.

Breakdown of Accor SA revenue (in millions of euros)

	2015	2016	% of total
Royalties from subsidiaries ⁽²⁾	380	386	43%
Service fees ⁽¹⁾⁽²⁾	290	289	32%
Rental and business-lease revenue	67	61	7%
Royalties from non-Group companies	135	151	17%
Guarantee fees	8	8	1%
TOTAL	881	895	100%

(1) Services provided by Accor SA include corporate services, purchasing, technical support, accounting fees and back-office systems.

(2) Reclassification between royalties and service fees (for 2015 and 2016).

Provision reversals, expense transfers and other income amounted to €65.6 million in 2016, compared to €54.8 million in 2015.

The €10.8 million rise primarily reflects the increase in the value of capitalized assets, mainly related to the digital plan, in the amount of €12.0 million and reversals of provisions for post-employment benefits in the amount of €8.2 million, partially offset by lower reversals of restructuring provisions (€0.9 million), transfers of bond issue costs (€3.3 million) and reversals of provisions for claims and litigation (€3.3 million).

Operating expenses stood at €1,020.1 million in 2016, compared to €927.1 million in 2015.

The €93.0 million rise primarily reflects increases in fees relating to the acquisition and integration of FRHI (€19.3 million), fees related to the digital plan (€19.2 million), the contribution paid for French support functions (€11.4 million), marketing and web fees (€10.8 million), fees related to the Booster project (€10.3 million) and payroll costs (€16.9 million).

2016 **EBIT** represented a loss of €59.7 million, compared with a profit of €8.8 million in 2015, a decrease of €68.5 million.

Net financial income amounted to €28.9 million in 2016, compared with €44.3 million in 2015, a decrease of €15.3 million attributable chiefly to lower dividend payments by subsidiaries (€76.0 million), partially offset by positive movements in provisions for Accor SA's subsidiary shares for €31.1 million and €26.2 million in interest on financial interests.

Income from investments in subsidiaries and associates totaled €134.9 million, versus €210.9 million in 2015. The main dividend payments received during the year were from IBL (€26.5 million), Accor Polska (€22.2 million), Soluxury (€17.4 million vs. €16.4 million in 2015), SAS Sephi (€8.8 million), Accor Lodging North America (€8.6 million vs. €2.0 million in 2015), SA ibis *budget* (€8.1 million vs. €8.3 million in 2015), Orbis (€7.7 million vs. €7.9 million in 2015), El Gezihra (€4.1 million vs. €3.4 million in 2015) and Saudi Hotels Management (€4.0 million in both 2015 and 2016).



Total provision movements included in net financial income and expense, corresponding mainly to impairments of investments in subsidiaries, represented net income of €10.1 million in 2016, compared with a net expense of €21.0 million in 2015. In 2016, the most significant additions to provisions concerned the shares of Société Commerciale des Hôtels Économiques (€8.5 million), Fastbooking (€7.5 million) and Sofitel Luxury France (€5.5 million). The most significant reversals concerned Accor Partecipazioni Italia (€9.7 million), SFPIE (€8.1 million) and SHNM (€7.6 million).

Recurring loss before tax of €30.7 million was recorded in 2016, compared with a profit of €53.0 million in 2015.

Net non-recurring expense totaled €2.1 million, compared with net non-recurring income of €56.4 million in 2015.

It consists of the loss on sale of the business assets, property and fixtures of 13 Novotel and two ibis hotels to Grape Hospitality for an amount of €0.3 million. Furthermore, as part of the active management of its hotel portfolio, Accor sold the property, land and business assets of six hotels (one Sofitel, two SuiteHotel, one Novotel, one ibis and one HotelF1) for a total capital gain of €1.2 million.

Lastly, the non-recurring expense includes the loss on disposal of the Group's airplane for €3.3 million.

In 2016, the Company recorded an **income tax benefit** of €31.5 million and an €8.0 million income tax expense (including the 3% surtax on distributed dividends of €4.9 million), compared with a benefit of €25.2 million and an expense of €5.0 million in 2015.

At December 31, 2016, the French **tax group** headed by Accor SA comprised 69 companies, compared with 70 a year earlier.

Accor SA ended the year with a **net loss** of €9.3 million, compared with a net profit of €129.7 million in 2015.

Non-deductible provisions and accrued expenses carried in the balance sheet at December 31, 2016 amounted to €117.1 million, compared with €135.1 million in 2015.

Details of the other directorships and positions held by the Company's directors and officers, as well as their compensation, are provided in the Corporate Governance section, on page 113 of the Registration Document.

SUPPLIER PAYMENT PERIODS

Payment schedule for Accor SA's trade payables

<i>(in millions of euros)</i>	Accrued payables	< 30 days	30-60 days	> 60 days
Trade payables	-	52.8	15.9	-
Accruals for goods and services received but not invoiced	185.7	-	-	-
TOTAL	185.7	52.8	15.9	-

2016 BUSINESS REVIEW

Accor acquired 100% of the share capital of **FRHI Holdings Limited** in July 2016 for €2,419.9 million, and stakes of 99% in the IEG **AH Fleet Services** for €30.7 million, 68.7% in **Concierge Holding Company Limited** for €93.5 million, 49.2% in **Hotel Homes (Squarebreak)** for €3.0 million, 30% in **25Hours Hotel Company** for €34.8 million, 27.8% in **Oasis Luxury Rentals Incorporated** for €11.2 million and 20% in **Energy Observer** for €0.3 million.

Accor subscribed to capital increases of its subsidiaries **AccorHotels Belgium** in the amount of €88.0 million (for the transaction with Grape Hospitality), **Accor UK** in the amount of €63.3 million, **RISMA** in the amount of €19.4 million and **SCI des Hotels de Tours et Orly** in the amount of €15.2 million.

Lastly, Accor was not affected by the merger-takeover of **Accor Lodging North America by Fairmont Hotels & Resorts (U.S.)** Inc.

HOTEL TRANSACTIONS

As part of the transaction with Grape Hospitality, Accor SA sold the business assets, property and fixtures of 13 Novotel and two ibis hotels to Grape Hospitality representing a total capital loss of €0.3 million.

Furthermore, as part of the active management of its hotel portfolio, Accor sold the property, land and business assets of six hotels (one Sofitel, two SuiteHotel, one Novotel, one ibis and one HotelF1) for a total gain of €1.2 million.

TRANSACTIONS IN ACCOR SA SHARES

In June 2016, Accor paid an ordinary dividend for 2015 of €1 per share for a total payout of €235.4 million split as follows: €164.3 million in cash and €71.1 million in shares.

In addition, capital was increased by the creation of 49,415,245 shares (of which 46,700,000 were issued as part of the FRHI acquisition). Together, these transactions increased the share capital by €148.2 million (of which €140.1 million was related to FRHI) and additional paid-in capital and share premiums by €1,507.6 million, including additional paid-in capital of €1,526.5 million relating to the acquisition of FRHI.



On May 27, 2013, Accor appointed Rothschild & Cie to act as market maker in its shares on the Euronext Paris stock exchange, under a liquidity contract complying with the Code of Conduct issued by the French Financial Markets Association (AMAFI) and recognized by the French securities regulator (AMF). To fund the contract, an amount of €29.7 million has been allocated to the liquidity account. The related bank fees amount to a total of €260,000 per year.

Over the period, on behalf of Accor SA, Rothschild & Cie purchased 3,434,122 shares at an average price of €35.70 and sold 3,466,122 shares at an average price of €35.86.

As of December 31, 2016, Accor SA did not hold any shares in treasury.

All of these transactions are described in further detail on page 317 of the Registration Document.

The Company's ownership structure is described in the "Capital and Ownership Structure" section on page 318.

FINANCING AND INVESTING TRANSACTIONS

Accor did not issue any new bonds in 2016. The Group currently has:

- a €250.0 million, eight-year bond issued in 2009 at 6.039%;
- a €367.3 million bond issued in June 2012 at 2.875%, with an initial amount of €700 million and a term of five years, partially redeemed in September 2015;
- a €335.1 million bond issued in March 2013 at 2.50%, with an initial amount of €600 million and a term of six years, partially redeemed in September 2015;
- a €900.0 million, seven-year bond issued in February 2014 at 2.625%;
- a CHF150.0 million (€139.7 million as at December 31, 2016) eight-year bond issued on the Swiss market in June 2014 at 1.750%;
- a private €60.0 million, seven-year bond issued in December 2014 at 1.679%;
- a €500.0 million, eight-year bond issued in 2015 at 2.375%.

Accor also signed interest-rate swap agreements with Société Générale and Natixis in the amount of €300.0 million in 2015 to hedge the €900.0 million bond issued in February 2014 and maturing in February 2021. The aim of this transaction was to exchange a fixed-rate debt (2.625%) for a floating rate debt at six-month Euribor plus margin.

Accor also has a €900.0 million hybrid bond issued in June 2014 at 4.125% with a first call date at the end of the sixth year.

An issue premium of €6.0 million was deducted from this total. The remaining €894.0 million was booked to «Other Equity» on the balance sheet in accordance with current accounting regulations.

The Company also has a €1.8 billion, five-year syndicated credit facility set up in June 2014.

Lastly, at December 31, 2016, the Company had €250.0 million in term deposits and €172.0 million in cash and cash equivalents. Accor also has €409.5 million invested in mutual funds.

INFORMATION ABOUT SUBSIDIARIES

Accor SA owns 50% or more of the capital of 124 companies. The main equity interests, based on net value, are as follows:

- **FRHI Holdings Limited** (net investment of €2,419.9 million): the Company is the owner of three prestigious luxury brands, Fairmont, Raffles and Swissôtel. It comprises 154 hotels and resorts (40 of which are in development) and 56,000 rooms spread across 34 countries and five continents.

The Group reported a net profit of \$1.2 million (€1.1 million) in 2016.

- **Accor Hotels Belgium** (net investment of €1,414.9 million): the Belgian company that operates the hotels in Belgium and also owns interests in **Accor Asia** (100%), **AAPC**, the holding company for the hotels business in **Australia** (81.9%), Portugal-based hotel operator **AHS** (50.0%), **Accor Hoteles España** (83.1%), **Groen Brugge Hotel** (99.99%) and **Accor Hotels Luxembourg** (100%).

It reported a net profit of €1.1 million in 2016, *versus* €39.7 million in 2015.

- **Accor Hospitality Germany** (net investment of €407.9 million): a hotel operating company that operates 345 hotels in Germany.

In 2016, it reported a net profit of €64.8 million, *versus* €52.4 million in 2015.

- **Accor Partecipazioni Italia** (net investment of €356.3 million): the head office for operations in Italy.

In 2016, it reported a net profit of €31,000, *versus* €610,000 in 2015.

- **CIWLT** (net investment of €308.9 million): Compagnie Internationale des Wagons-Lits et Tourisme (CIWLT) is a Belgian company that provides on-board train services in Europe through its subsidiary **Treno** (100%) and owns stakes in the hotel companies **SFPTH** (100%) in France and in **Macor** (30.5%) and **Accor Hôtels SAE** (99.99%) in Egypt.

It reported a net profit of €0.85 million in 2016, *versus* €2.8 million in 2015.

The other interests held by Accor SA are listed in the table of subsidiaries and associates presented after the parent company financial statements on page 304.

4.3 MATERIAL CONTRACTS

In 2016, material contracts (other than contracts entered into in the ordinary course of business) corresponded to agreements signed in relation to disposals, acquisitions, organic growth and real estate transactions, as described in Note 1 and Note 8 to the consolidated financial statements, pages 220 and 240.

4.4 SUBSEQUENT EVENTS

On January 16, 2017, AccorHotels provided an update on the Booster project, disclosing a gross asset value of €6.6 billion for HotelInvest owned and leased properties excluding Orbis at December 31, 2016. This valuation, which was conducted by third party experts (Jones Lang LaSalle, Cushman & Wakefield and BNP Paribas Real Estate) is in excess of the €6.5 billion expected year-end value disclosed on October 5, 2016.

On January 18, 2017, AccorHotels successfully placed €600 million in seven-year bonds with a coupon of 1.25%. It took advantage of favorable conditions in the credit market to optimize its financing costs and extend the average maturity of its debt.

On January 31, 2017, Colony Capital declared that it had sold its entire stake in AccorHotels, *i.e.*, 10,395,214 shares, and therefore no longer holds any voting rights. The concert group between Colony Capital and Eurazeo accordingly ended on that date. Following this transaction, Eurazeo retains a stake of 4.28% in Accor, representing 7.71% of the voting rights.

On February 5, 2017, AccorHotels announced that it had begun exclusive negotiations for the acquisition of 100% of Travel Keys, one of the world's leading luxury private rental players. AccorHotels thereby consolidated its leadership in the luxury private rentals market. The combination of Travel Keys with onefinestay and Squarebreak will provide AccorHotels with a unique, carefully selected offering of about 8,500 addresses in the luxury private rental market, in both vacation and urban settings. The transaction is expected to close in the second quarter of 2017.

On February 21, 2017, AccorHotels announced the appointment of Nicolas Sarkozy as an independent director to replace Nadra Moussalem. Nicolas Sarkozy will chair the future International Strategy Committee focusing on the development of AccorHotels' network and brand portfolio throughout the world.

On February 27, 2017, AccorHotels announced the appointment of Maud Bailly as Chief Digital Officer. Head of Digital, Distribution, Sales, and Information Systems, her appointment will be effective as of April 3, 2017.

On March 2, 2017, AccorHotels announced that it had consolidated its leadership in Brazil, with the integration of 26 new hotels (representing some 4,400 rooms) in the economy, midscale and upscale segments, located in the country's main hotel markets. This portfolio of hotels owned or managed by Brazil Hospitality Group (BHG), the country's third-largest hospitality group, represents a very good strategic fit with the current AccorHotels network in Brazil. Its acquisition extends the Group's leadership in all segments of the Brazilian market. Acquired at a cost of BRL 200 million (€60 million), the hotels will be extensively refurbished and repositioned. They will be transferred to AccorHotels banners between now and 2019 under long-term management contracts. The transaction has enabled the Group to acquire iconic hotels that will significantly raise the profile of its brands in all segments of the local market.

On March 6, 2017, AccorHotels announced the signature of a strategic partnership with Rixos Hotels, strengthening the Group's presence in the luxury segment and enabling it to become one of the leading resort operators in a fast-growing market. Rixos Hotels is one of the world's fastest-growing resort operators in the EMEA region, with a strong presence in Turkey, the United Arab Emirates, Egypt, Russia and Europe. AccorHotels and Rixos Hotels will jointly develop and manage Rixos-brand resorts and hotels throughout the world. AccorHotels will add to its network 15 iconic hotels boasting excellent performances that are ideally positioned in luxury resorts markets. Five city-center hotels will be converted to AccorHotels brands and will also be managed by the Group. Rixos will shortly add to this portfolio another hotel in Dubai, then two more before the end of 2018, located respectively in Abu Dhabi and the Maldives, illustrating the Rixos brand's expansion in this core resort market. On completion of the transaction, the Group will own a 50% stake in the new structure.

On March 8, 2017, AccorHotels announced plans to revive the hotelF1 brand in France by selling a portfolio of 62 hotelF1 units and restructuring 102 units. The plan to sell 62 units – of which 7 owned outright and 55 leased from Silverstone – to SNI, part of the Caisse des Dépôts et Consignations Group, has been submitted to employee representatives for comment. At the same time, HotelInvest plans to become the majority shareholder of the vehicle that holds the remaining 102 hotelF1 assets. To this end, HotelInvest will underwrite a €51 million share issue, with the funds used to finance a three-year hotel refurbishment plan and an ambitious brand revival plan.



5

CONSOLIDATED FINANCIAL STATEMENTS

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5.1 STATUTORY AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2016

This is a free translation into English of the statutory auditors' report issued in French and is provided solely for the convenience of English speaking users. The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements. This report should be read in conjunction and construed in accordance with French law and professional auditing standards applicable in France.

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting, we hereby report to you, for the year ended December 31, 2016, on:

- the audit of the accompanying consolidated financial statements of ACCOR;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

I. OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position and assets and liabilities of the Group as of December 31, 2016 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

II. JUSTIFICATION OF OUR ASSESSMENTS

In accordance with the requirements of Article L. 823-9 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

- Notes 1.A, 2.E.7 and 3 to the consolidated financial statements describe the spin-off and sale of part of the HotelInvest activity and the accounting rules and methods relating to the application of IFRS 5 ("Non-current Assets Held for Sale and Discontinued Operations"). Our work mainly consisted in assessing the reasonableness of the elements which lead to the application of IFRS 5, in particular, regarding the documentation provided relating to loss of control. Our work also consisted in verifying the correct identification and valuation of assets and liabilities which have been reclassified in assets held for sale as of December 31, 2016, and validating the reclassification of the contributions to net income and cash flow of the Group for fiscal years 2015 and 2016 of the part held for sale. We have also verified the appropriateness of the disclosures provided in the notes to the consolidated financial statements relating to this transaction.
- Note 1.B to the consolidated financial statements relating to the "Acquisition of the luxury brands Fairmont, Raffles et Swissôtel" describes the terms and conditions of the acquisition of FRHI Hotels & Resorts, their impact on the consolidated financial statements and in particular, the allocation of the purchase price. Our work consisted in examining the external independent appraiser's report which was relied on by the Company to determine among others the fair value of the brands and management contracts entered into with hotel owners, to familiarize ourselves with the data and the valuation methods used and to assess the appropriateness of the assumptions used. Our work also consisted in verifying the correct accounting treatment of this acquisition in accordance with the terms and conditions described in Note 2.B "Business combinations and acquisition of assets" and to validate the appropriateness of the information presented in Note 1.B to the consolidated financial statements.
- Note 2.E.6 to the consolidated financial statements describes the accounting rules and methods for determining the recoverable value of property, plant & equipment, intangible assets and goodwill. We have verified the appropriateness of the above-mentioned accounting methods and the disclosures provided in Note 13 to the consolidated financial statements, verified the consistency of the data and the assumptions adopted as well as the documentation provided and on these bases, assessed the reasonableness of the estimates made.
- Note 26 to the consolidated financial statements describes the legal proceedings currently underway regarding tax audits in various countries, as well as Management's positions concerning these disputes. Our work consisted of assessing the reasonableness of the elements on which these positions are based and verifying that the note to the consolidated financial statements provides appropriate disclosures.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III. SPECIFIC VERIFICATION

As required by law, we have also verified in accordance with professional standards applicable in France the information presented in the Group's management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Paris-La Défense and Neuilly-sur-Seine, March 22, 2017

The Statutory Auditors

ERNST & YOUNG et Autres
Jacques Pierres

DELOITTE & ASSOCIÉS
David Dupont-Noel Guillaume Crunelle

5.2 CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

Unless stated otherwise, the amounts presented are in millions of euros, rounded to the nearest million. Generally speaking, the amounts presented in the consolidated financial statements and the notes to the financial statements are rounded to the nearest unit. This may result in a non-material difference between the sum of the rounded amounts and the reported total. All ratios and variances are calculated using the underlying amounts rather than the rounded amounts.

5.2.1 CONSOLIDATED INCOME STATEMENT

<i>(in millions of euros)</i>	Notes	2015*	2016
CONSOLIDATED REVENUE	4	1,368	1,603
Operating expense	5	(805)	(998)
EBITDAR	4	564	604
Rental expense	5	(114)	(110)
EBITDA	4	450	494
Depreciation, amortization and provision expense	6	(80)	(105)
EBIT	4	370	389
Net financial expense	7	(70)	(117)
Share of net profit of associates and joint ventures	15	8	6
OPERATING PROFIT BEFORE TAX & NON RECURRING ITEMS (INCL. FINANCIAL RESULT)		308	278
Non-recurring income and expense	8	(93)	(110)
OPERATING PROFIT BEFORE TAX (INCLUDING FINANCIAL RESULT)		215	169
Income tax expense	9	(59)	4
PROFIT FROM CONTINUING OPERATIONS		155	172
Profit from discontinued operations	3	116	127
NET PROFIT OR LOSS		271	299
Net Profit, Group share from continuing operations		134	143
Net Profit or Loss, Group share from discontinued operations		110	123
Net Profit or Loss, Group share		244	265
Net Profit, Minority interests from continuing operations		21	30
Net Profit or Loss, Minority interests from discontinued operations		6	4
Net Profit, Minority interests		27	33
Weighted average number of shares outstanding <i>(in thousands)</i>	18	234,387	259,054
Earnings per share <i>(in euro)</i>		0.88	0.88
Diluted earnings per share <i>(in euro)</i>	18	0.88	0.88
Earnings per share from continuing operations <i>(in euro)</i>		0.41	0.41
Diluted earnings per share from continuing operations <i>(in euro)</i>		0.41	0.41
Earnings per share from discontinued operations <i>(in euro)</i>		0.47	0.47
Diluted earnings per share from discontinued operations <i>(in euro)</i>		0.47	0.47

* In application of IFRS 5, the 2015 financial statements were restated in relation to the data published for the previous year. The impacts of these restatements are detailed in the Note 33.

5.2.2 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>(in millions of euros)</i>	2015*	2016
NET PROFIT OR LOSS	271	299
Currency translation adjustments	12	109
Effective portion of gains and losses on cash flow hedges	(3)	2
Changes in the fair value of available-for-sale financial assets	12	(14)
Other comprehensive income arising from discontinued operations	3	(15)
Items that may be reclassified subsequently to profit or loss	6	128
Actuarial gains and losses on defined benefit plans	(9)	(3)
Other comprehensive income arising from discontinued operations	3	(2)
Items that will not be reclassified to profit or loss	(9)	(5)
Other comprehensive income, net of tax	20	(3)
TOTAL COMPREHENSIVE INCOME	268	421
Profit or loss, Group share	241	396
Profit or loss, Minority interests	27	26

* In application of IFRS 5, the 2015 financial statements were restated in relation to the data published for the previous year. The impacts of these restatements are detailed in the Note 33.

5.2.3 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

<i>(in millions of euros)</i>	Notes	Dec. 2015	Dec. 2016
GOODWILL	10	697	1,496
OTHER INTANGIBLE ASSETS	11	307	2,401
PROPERTY, PLANT AND EQUIPMENT	12	3,024	562
Long-term loans	14	118	77
Investments accounted for using the equity method	15	346	596
Other financial assets	16	191	171
NON-CURRENT FINANCIAL ASSETS		654	844
Deferred tax assets	9	73	233
Other non-current assets	23	-	9
Non-current assets		4,756	5,545
Inventories	17 & 24	37	8
Trade receivables	17 & 24	432	374
Other receivables and accruals	17 & 24	471	252
Receivables on disposals of assets	21	44	24
Short-term loans	21	43	19
Cash and cash equivalents	21	2,963	1,184
Current assets		3,990	1,861
Assets classified as held for sale	3	208	4,457
ASSETS		8,953	11,864

EQUITY AND LIABILITIES

<i>(in millions of euros)</i>	Notes	Dec. 2015	Dec. 2016
Share capital		706	854
Additional paid-in capital and reserves		1,925	3,651
Net profit or loss, Group share		244	265
ORDINARY SHAREHOLDERS' EQUITY, GROUP SHARE		2,875	4,771
Hybrid capital	18	887	887
Shareholders' equity, Group share		3,762	5,658
Minority interests	19	225	267
Shareholders' equity and minority interests	18	3,987	5,925
Other long-term financial debt	21	2,692	2,175
Long-term finance lease liabilities	21	53	1
Deferred tax liabilities	9	29	599
Non-current provisions	23	142	133
Non-current liabilities		2,916	2,907
Trade payables	17 & 24	736	384
Other payables	17 & 24	1,012	587
Current provisions	23	173	151
Short-term debt and finance lease liabilities	21	91	681
Bank overdrafts and liability derivatives	21	19	51
Current liabilities		2,031	1,855
Liabilities associated with assets classified as held for sale	3	19	1,177
LIABILITIES AND SHAREHOLDERS' EQUITY		8,953	11,864

5.2.4 CONSOLIDATED CASH FLOW STATEMENT

<i>(in millions of euros)</i>		Notes	2015*	2016
+	EBITDA	4	450	494
+	Cost of net debt**	7	(70)	(70)
+	Income tax expense		(78)	(86)
-	Non cash revenue and expense included in EBITDA		16	20
-	Elimination of provision movements included in net financial expense and non-recurring taxes		13	9
+	Dividends received from associates		15	12
+	Impact of discontinued operations	3	469	488
=	FUNDS FROM OPERATIONS EXCLUDING NON-RECURRING TRANSACTIONS		814	867
+	Decrease (increase) in operating working capital	24	60	2
+	Impact of discontinued operations	3	11	(90)
=	NET CASH FROM OPERATING ACTIVITIES		886	779
+	Cash received (paid) on non-recurring transactions (incl. restructuring costs and non-recurring taxes)**		(69)	(217)
+	Impact of discontinued operations	3	(32)	(54)
=	NET CASH FROM OPERATING ACTIVITIES INCLUDING NON-RECURRING TRANSACTIONS (A)		785	508
-	Renovation and maintenance expenditure	25	(72)	(137)
-	Development expenditure	25	(189)	(3,067)
+	Proceeds from disposals of assets		35	158
+	Impact of discontinued operations	3	(53)	(692)
=	NET CASH USED IN INVESTMENTS/DIVESTMENTS (B)		(280)	(3,738)
+	Proceeds from issue of share capital		52	1,733
-	Dividends paid		(171)	(176)
-	Hybrid capital dividend payment		(37)	(37)
-	Repayment of long-term debt		(684)	(14)
+	New long term debt		657	184
=	INCREASE (DECREASE) IN LONG-TERM DEBT		(27)	170
+	Increase (decrease) in short-term debt		(21)	(23)
+	Impact of discontinued operations	3	(26)	10
=	NET CASH FROM FINANCING ACTIVITIES (C)		(230)	1,677
+	Effect of changes in exchange rates (D)		2	(23)
+	Effect of changes in exchange rates on discontinued operations (D)	3	(12)	67
=	NET CHANGE IN CASH AND CASH EQUIVALENTS (E) = (A) + (B) + (C) + (D)		266	(1,509)
-	Cash and cash equivalents at beginning of period		2,677	2,944
-	Effect of changes in fair value of cash and cash equivalents		-	(11)
-	Cash and cash equivalents reclassified at end of period in "Assets held for sale"		-	(292)
-	Net change in cash and cash equivalents for discontinued operations		1	1
+	Cash and cash equivalents at end of period		2,944	1,133
=	NET CHANGE IN CASH AND CASH EQUIVALENTS		266	(1,509)

* In application of IFRS 5, the 2015 financial statements were restated in relation to the data published for the previous year. The impacts of these restatements are detailed in the Note 33.

** To facilitate readability, net financial expense is now broken out between cost of net debt (included in "Funds from operations excluding non-recurring transactions") and other financial income and expenses, net (reported under "Cash received (paid) on non-recurring transactions"). Both components continue to be included in "Net cash from operating activities including non-recurring transactions".

5.2.5 CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

<i>(in millions of euros)</i>	Number of shares outstanding	Share capital	Additional paid-in capital	Currency translation reserve	Fair value adjustments on Financial Instruments reserve	Reserve for actuarial gains/losses	Reserve related to employee benefits	Retained earnings and profit for the period	Shareholders' Equity	Minority interests	Consolidated shareholders' Equity
AT JANUARY 1, 2015	231,836,399	696	1,149	(37)	(5)	(59)	172	1,741	3,657	213	3,869
Issue of share capital											
■ Performance share grants	234,645	1	-	-	-	-	-	(1)	0	-	0
■ On exercise of stock options	1,911,904	6	47	-	-	-	-	-	52	0	52
■ Cancellation of treasury stock		(0)	(1)	-	-	-	-	-	(1)	-	(1)
Issue of hybrid capital											
Hybrid capital dividend payment								(37)	(37)	-	(37)
Dividends paid in cash	1,369,477	4	59	-	-	-	-	(222)	(159)	(15)	(174)
Changes in reserve related to employee benefits	-	-	-	-	-	-	14	-	14	-	14
Effects of scope changes	-	-	-	-	-	0	-	(5)	(5)	1	(4)
Other Comprehensive Income	-	-	-	(3)	10	(9)	-	(0)	(3)	(0)	(3)
Net Profit or Loss	-	-	-	-	-	-	-	244	244	27	271
Total Profit or Loss and other comprehensive income	-	-	-	(3)	10	(9)	-	244	241	27	268
AT DECEMBER 31, 2015	235,352,425	706	1,254	(40)	4	(68)	185	1,720	3,762	225	3,987
Issue of share capital											
■ Performance share grants	416,910	1	-	-	-	-	-	(1)	(0)	-	(0)
■ On exercise of stock options	249,874	1	5	-	-	-	-	-	6	-	6
■ Acquisition of FRHI Group	46,700,000	140	1,586	-	-	-	-	-	1,726	-	1,726
■ Cancellation of treasury stock		0	2	-	-	-	-	-	2	-	2
Hybrid capital dividend payment								(37)	(37)	-	(37)
Dividends paid in cash	2,048,461	6	65	-	-	-	-	(236)	(165)	(18)	(182)
Changes in reserve related to employee benefits	-	-	-	-	-	-	14	-	14	-	14
Effects of scope changes	-	-	-	1	-	(16)	-	(31)	(46)	34	(12)
Other Comprehensive Income	-	-	(89)	147	(12)	(5)	-	89	130	(7)	123
Net Profit or Loss	-	-	-	-	-	-	-	265	265	33	299
Total Profit or Loss and other comprehensive income	-	-	(89)	147	(12)	(5)	-	355	396	26	422
AT DECEMBER 31, 2016	284,767,670	854	2,823	108	(7)	(88)	199	1,769	5,658	267	5,925

5.2.6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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The consolidated financial statements at December 31, 2016 have been approved by the Board of Directors of February 21, 2017.

NOTE 1 SIGNIFICANT EVENTS AND CHANGES IN SCOPE OF CONSOLIDATION

A. AccorHotels initiates project to turn HotellInvest into a subsidiary

Presentation of the project

In 2013, AccorHotels launched a plan to reorganize its business model around two strategic businesses, HotelServices (hotel management and franchising business) and HotellInvest (hotel owner-operator business).

On July 12, 2016, after three years of transformation to create a more efficient business model, the Group announced a project to turn HotellInvest into a subsidiary and open up its capital to external investors. The aim of the project is to strengthen AccorHotels' financial resources in order to maximize the Group's overall value by stepping up the pace of business growth and seizing new development opportunities.

In early December 2016, AccorHotels initiated negotiations with potential investors with a view to selling a majority stake in the new group (referred to hereafter as "Booster"). On completion of the sale, the Group will become a minority shareholder and business partner of Booster. AccorHotels will continue to be the preferred manager of the hotels operated by Booster and will also continue to own the brands, which will be licensed to the hotels under management contracts.

The project will involve various internal legal restructuring operations, in order to carve out the HotellInvest activities of subsidiaries that operate in both businesses (HotelServices and HotellInvest) and transfer the HotellInvest operations to an existing holding company. The scope of disposal will concern all of the hotels operated by HotellInvest, except for those located in Eastern Europe and certain hotels in Brazil operated under variable leases based on a percentage of EBITDAR, which are considered to be incompatible with the owner-operator strategy.

At December 31, 2016 AccorHotels initiated the implementation of this legal restructuring plan in some jurisdictions. These legal operations will be pursued during the first half of 2017. In France, Accor SA will transfer its entire HotellInvest business through a partial asset contribution qualifying for taxation as a demerger under French tax rules.

AccorHotels expects to complete the sale of Booster by early summer 2017. The Group shall consult the shareholders' General Meeting prior to the operation, which will lead to a disposal of major assets. In addition, the partial asset contribution in France shall first be approved by the Board of Directors (at a meeting scheduled to take place in May) and by shareholders (at an Extraordinary Meeting to be called in June or July).

Employee representatives also have to be informed and consulted about the project. This procedure was launched by the Group in early December 2016.

Accounting treatment

AccorHotels considers that the planned divestment will lead to the loss of control of the future Booster structure under IFRS 10. On completion of the transaction, the rights held by the Group

(voting rights at Shareholders' Meetings and contractual rights resulting from the agreements governing future relations between the parties, the shareholders' agreement and hotel management agreements) will not give it the power to unilaterally direct the relevant activities of Booster, *i.e.* operation of the hotels and asset management of the portfolio.

Consequently, on the completion date the assets and liabilities of the Booster vehicle will be derecognized and the Group's minority stake retained will be accounted for using the equity method.

In view of the negotiations in progress with potential investors as of the year-end, the positive initial reaction of employee representatives, the strong probability that the proposed transaction will be approved by the Board of Directors and the shareholders, and the planned transaction completion date, AccorHotels considers that the conditions for applying IFRS 5 have been met. At December 31, 2016, the Group was committed to a plan to sell its HotellInvest business and considered that the sale was highly probable.

For the AccorHotels Group, the business in the process of being sold represents a separate major line of business. For this reason, in the consolidated financial statements the following are presented separately in accordance with IFRS 5:

- the assets held for sale and related liabilities are presented separately from the Group's other assets and liabilities on specific lines of the consolidated statement of financial position at December 31, 2016. They have been measured at that date at the lower of their carrying amount and fair value less costs to sell;
- the 2016 profit of the discontinued operations is reported on a separate line of the consolidated income statement (under "Net profit or loss from discontinued operations") and the consolidated statement of comprehensive income. The 2015 comparative information has been restated accordingly (the impact of these restatements is presented in Note 33);
- cash flows from operating, investing and financing activities for 2016 attributable to the discontinued operations are presented separately in the consolidated cash flow statement, with comparative information restated accordingly (see Note 33).

Note 3 presents in detail the assets and liabilities reclassified as held for sale at December 31, 2016 and the contribution of the discontinued operations to consolidated net profit and cash flows for 2015 and 2016.

B. Completion of the acquisition of the three luxury brands Fairmont, Raffles and Swissôtel

Following the approval of shareholders at the Shareholders' Meeting on July 12, 2016, AccorHotels officially announced the acquisition of Fairmont Raffles Hotels International Group ("FRHI") and its three prestigious luxury hotel brands: Fairmont, Raffles and Swissôtel. The acquisition positions AccorHotels as a leading player in the global luxury hotel market, increases long term growth potential and profitability, and significantly expands the Group's footprint in North America, the world's most influential market in this segment.

The transaction led to a US\$840 million (€757 million) cash payment and the issuance of 46.7 million Accor shares as consideration for the contributed FRHI shares (valued at €1,732 million based on the opening share price on July 12, 2016 of €37.09, excluding issuance costs). In early January 2016, AccorHotels purchased euro/dollar currency hedges on the notional amount of US\$840 million. These hedges were measured at fair value at July 12, 2016, leading to the recognition of a €12 million loss in the income statement; while €13 million were included in the consideration transferred for the acquisition of FRHI.

The transaction gives FRHI's vendors, QIA and KHC, respective stakes of 10.36% and 5.79% in Accor SA's share capital (representing 9.38% and 5.25% of voting rights). QIA has now two seats on the Board and KHC has one seat.

The purchase price allocation mainly led to fair value adjustments on acquired brands for US\$893 million (total fair value of US\$1,589 million) and management contracts with hotel owners for US\$337 million (total fair value of US\$587 million), and the recognition of deferred tax liabilities for US\$339 million. The goodwill recognized amounted to US\$884 million (€798 million), reflecting specific synergies that the Group expects to deploy and its ability to roll over and develop the acquired portfolio of management contracts.

Since July 12, the synergies implemented are in line with the forecast.

The vast majority of Fairmont, Raffles and Swissôtel's hotels and resorts (170 of which 46 are under development) spanning 34 countries and five continents are operated under long-term management contracts, with an average term of nearly 30 years; six hotels are leased and one hotel is owned. The Fairmont, Raffles and Swissôtel brands employ more than 45,000 people worldwide. More information about the operation is available within the Document E registered with the AMF on June 17, 2016 and available on accor.com website.

FRHI's contribution to consolidated revenue and profit for the period between July 12 and December 31, 2016 totaled €310 million and €(25) million respectively. Note that six out of seven hotels owned or leased by FRHI are included in the contemplated scope for Booster disposal. Therefore, the contribution of these hotels to consolidated revenue of €171 million was reclassified in discontinued operations.

If the acquisition had been completed on January 1, 2016, AccorHotels would have reported consolidated revenue of €1,708 million. This amount excludes the €219 million contribution, on a full-year basis, of the hotels included in the Booster perimeter.

C. Acquisition of onefinestay, a luxury serviced homes market

On April 5, 2016, AccorHotels announced the acquisition of onefinestay, the leading brand in the luxury segment of the Serviced Homes market, combining the best homes and the finest service. Launched in 2010 in London, the company today operates a portfolio of 2,600 properties under exclusive management with strategic locations in London, New York, Paris, Los Angeles and Rome (representing an estimated asset value of more than £4 billion). With its global presence and strong expertise in both operations and digital services, AccorHotels will support a new development phase of onefinestay. As a result, the company has

an ambitious strategy to expand to 40 new cities around the world over the next five years growing revenues tenfold.

The global consideration transferred amounts to €151 million (€123 million), including an earn-out of €7 million that may vary depending on certain performance criteria up to 2023. On the acquisition date, the fair value of net assets acquired amounted to €16 million and mainly included the onefinestay brand for €26 million, negative operating working capital for €(13) million and net debt for €(3) million. The goodwill amounts to €135 million and reflects the company's outstanding growth potential.

This transaction had no significant impact on the 2016's consolidated income statement and would have no significant impact in full year either.

D. Completion of strategic Alliance with Huazhu

AccorHotels and Nasdaq-listed Huazhu Hotels Group (also known as China Lodging) finalised the signature of a strategic alliance in China on January 25, 2016. As part of the arrangement:

- AccorHotels' Economy and Midscale business in China is sold to Huazhu (including franchise and management agreements as well as 12 hotels properties), which now holds an exclusive master franchise agreement for the ibis, ibis Styles and Mercure brands in China;
- Huazhu becomes a minority shareholder in AccorHotels' Luxury and Upscale business in China, with a 28.1% stake. It will also develop and operate the Grand Mercure and Novotel brands as per Co-Development agreements.

As a counterpart, AccorHotels received a 9.0% share in Huazhu. The Group has now a 10.8% stake in Huazhu, including a stake of 1.8% acquired from the open market in the first half of 2015 for €22 million and a seat on the company's Board of Directors.

Disposals of various assets and businesses generated capital gains of €66 million in 2016, including €13 million for the remeasurement to fair value of the previously held interests.

AccorHotels exercises significant influence over Huazhu and its investment in this company has therefore been accounted for by the equity method in the consolidated statement of financial position for an amount of €187 million. This amount includes a goodwill for €69 million after remeasurement at fair value of the share in net assets acquired.

AccorHotels has also granted a put option to Huazhu on its non-controlling stake in AccorHotels' Luxury and Upscale operating platform, which is recognized as a liability for €57 million at December 31, 2016.

E. Exclusive negotiation for the acquisition of John Paul

On November 16, 2016 AccorHotels announced the acquisition of John Paul, the leading player in premium customer and employee loyalty services.

This is a major new step in transforming AccorHotels into a travel companion providing innovative services to travelers at every step of their journey. The first technology enabled concierge,

equipped with a proprietary Customer Relationship Management (CRM) and data platform based on a behavioral profiling and a 360°personalization, as well as a network of over 50,000 partners in more than 50 countries, the company offers the most exhaustive and global loyalty solutions to prestigious brands in the financial, automotive, travel, consumer, healthcare, pharma, luxury industries and more.

The consideration transferred by AccorHotels to acquire a 79% stake in John Paul was based on an enterprise value of US\$150 million for 100%. David Amsellem, John Paul's founder, holds the other 21% of the capital and continues to serve as Chairman and Chief Executive Officer. He was granted an option to sell his shares (exercisable in two equivalent tranches in 2019 and 2020). This put option is recognized as debt in AccorHotels' consolidated statement of financial position at December 31, 2016 for its estimated amount of €41 million.

The provisional goodwill amounts to €106 million. The purchase price allocation will be completed within twelve months of the acquisition, in accordance with IFRS 3.

This transaction had no significant impact on the 2016's consolidated income statement and would have no significant impact in full year either.

F. Acquisition stake in Oasis Collections and Squarebreak, marketplaces for luxury

On February 18, 2016, AccorHotels announced the acquisition of stakes in Oasis Collections and Squarebreak:

- **Oasis Collections** (28%) - Launched in Buenos Aires 2009 and counts 1,500 properties in 18 destinations, in Latin America, the US and Europe. The company offers personalized services to leisure and corporate guests alike, including on-the-ground concierge service and access to members' club venues, as well as targeted exposure to international travelers for home owners.
- **Squarebreak** (49%) - Offers to guests through a digital platform private upscale properties in resort locations, primarily in France,

Spain and Morocco, and leveraging local property managers on behalf of homeowners by using hotel management techniques and services.

These investments were recorded under the equity method in the Group's consolidated financial statements at their cost for €14 million (€11 million for Oasis Collection and €3 million for Squarebreak).

G. Partnership 25Hours

On November 7, 2016, AccorHotels announced the acquisition of a 30% stake in 25Hours Hotels, a German company operating seven individual hotels in Hamburg, Frankfurt, Berlin, Vienna and Zurich. The objective of the Group is to accelerate the global expansion of the 25Hours brand offering dynamic and design-oriented boutique hotels that are a great workplace for urban nomads and an ideal starting point for outings into key cities. Five new hotels are due to be opened in Europe over the next two years.

The equity investment amounting to €35 million in Accorhotels books is based on an enterprise value of €112 million. AccorHotels has options to acquire an additional 20% of 25Hours in 2019 and all of the remaining shares in 2023.

H. Changes in share capital

At December 31, 2016, Colony Capital and Eurazeo held 22,756,980 shares, representing 7.93% of the capital and 14.32% of the voting rights, and giving them two seats on the Board.

At the same date, Jin Jiang held 12.56% of the capital and 11.37% of the voting rights.

In connection with the acquisition of the Fairmont Raffles Hotels International Group completed on July 12, 2016, a total of 46.7 million new shares were issued to the vendors, Qatar Investment Authority (QIA) and Kingdom Holding Company of Saudi Arabia (KHC), which now own 10.36% and 5.79% of the Group's capital respectively. The share issue diluted existing shareholders' interests by 16%.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting framework

The consolidated financial statements of AccorHotels Group for the year ended December 31, 2016 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union at that date, which are available on the website of the European Commission:

<http://ec.europa.eu/finance/accounting/ias/index.fr.htm>

At December 31, 2016, all IFRS issued by the International Accounting Standards Board (IASB) and interpretations issued by the IFRS Interpretation Committee (IFRS IC) had been adopted by the European Union. As a result, the Group's consolidated financial statements have been prepared in accordance with IFRS as published by the IASB.

The new standards and interpretations whose adoption is mandatory for accounting periods beginning on or after January 1, 2016 have no impact on Accor's consolidated financial statements. They mainly relate to:

- amendment to IAS 1 "Disclosure initiative";
- amendment to IAS 19 "Defined Benefit Plans - Employee Contributions";
- amendment to IAS 16 and IAS 38 "Clarification of acceptable methods of depreciation and amortization";
- Annual Improvements 2010-2012 and 2012-2014.

The Group elected not to early adopt any new standards.

Future standards, amendments to and interpretations of existing standards

Certain new accounting standards have been published but are not applicable for the reporting period ending December 31, 2016. The Group's assessment of the impact of these new standards is set out below.

Standard	IFRS 9 "Financial Instruments"
Nature of change	IFRS 9 addresses the classification and measurement of financial assets and financial liabilities, introduces a new impairment model for financial assets and new rules for hedge accounting.
Estimated impact	Based on a preliminary analysis performed by the Group, this new standard may have very few impact on the classification and measurement of the Group's financial assets and liabilities. The new impairment model may result in an earlier recognition of credit losses (mainly on long term loans and accounts receivables) but related impact is not expected to be significant. The Group does not expect a significant impact on the accounting for its hedging relationships.
Date of adoption	Mandatory application for financial years commencing on or after January 1, 2018. The Group does not intend to adopt IFRS 9 before its mandatory date.
Standard	IFRS 15 "Revenue from contracts with customers"
Nature of change	IFRS 15 introduces a single model for all types of transactions. This new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.
Estimated impact	Management is currently assessing the effects of applying the new standards on the Group's financial statements. This may potentially affect the timing of the recognition of revenue related to some specific management contracts. At this stage, the Group does not expect a significant impact on its financial statements.
Date of adoption	Mandatory application for financial years commencing on or after January 1, 2018.
Standard	IFRS 16 "Leases"
Nature of change	IFRS 16 removes the distinction between operating and finance leases, resulting in almost all leases being brought onto the balance sheet. The standard requires to recognize: <ul style="list-style-type: none"> ■ an asset reflecting the right to use the leased item; and ■ a liability representing the obligation to pay rentals. Exemption applies to short-term and low-value leases.
Estimated impact	Management is currently assessing the effects of applying this new standard. However, given the current disposal project of mostly all HotelInvest activities, which hold the lease contracts for hotel properties (see Note 1 for further details), the Group based on its future organization does not expect any significant impact on its consolidated financial statements. At December 31, 2016 AccorHotels Group (excluding Booster) has non-cancellable operating lease commitments of €526 million. The Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments.
Date of adoption	Mandatory application for financial years commencing on or after January 1, 2019 (subject to the endorsement by the European Union). Early application is possible when applying IFRS 15.

Basis for preparation

The financial statements of consolidated companies, prepared in accordance with local accounting principles, have been restated to conform to Group policies prior to consolidation. All consolidated companies have a December 31 fiscal year-end, except for certain Indian companies that have a March 31 fiscal year-end and are therefore consolidated based on financial statements for the twelve months ended September 30.

Estimates and judgments

The preparation of consolidated financial statements implies the consideration by Group management of estimates and assumptions that can affect the carrying amount of certain assets and liabilities, income and expenses, and the information disclosed in the notes to the financial statements. Group management reviews these estimates and assumptions on a regular basis to ensure that they are appropriate based on past experience and the current economic situation. Items in future financial statements may differ from current estimates as a result of changes in these assumptions.

The main estimates and judgments made by management in the preparation of financial statements concern the valuation and the useful life of intangible assets, property, plant and equipment and goodwill, the amount of provisions for contingencies and the assumptions underlying the calculation of pension obligations, claims and litigation and deferred tax balances.

The main assumptions made by the Group are presented in the relevant notes to the financial statements.

When a specific transaction is not covered by any standards or interpretations, management uses its judgment in developing and applying an accounting policy that results in the production of relevant and reliable information. As a result, the financial statements provide a true and fair view of the Group's financial position, financial performance and cash flows and reflect the economic substance of transactions.

Main Accounting principles

A. Consolidation methods

The Group's organizational policy consists of creating subsidiaries in France and, generally, in all of its host countries. These subsidiaries are, in most cases, controlled exclusively by the Group and fully consolidated.

IFRS 10 states that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Power results from existing rights that give an investor the current ability to direct the relevant activities of the investee, defined as those that most significantly affect its returns. In the hotel business, an investor has power over a managed hotel when it has the ability to make all operational, financial and strategic management decisions. In practice, this means that the investor has the power to appoint the hotel's management and to approve the hotel's business plan and annual budget. In the case of managed and franchised hotels, AccorHotels has no such power and is not in a position to decide on the business plan or the annual budget. In particular,

in the case of managed hotels, AccorHotels acts on behalf and for the benefit of the hotel owner and, as such, is defined as an agent of the owner.

The Group has not identified any entities that it controls despite holding less than half of the voting rights. Similarly, The Group has not identified any companies that it does not control despite holding more than half of the voting rights.

In connection with the development of certain hotel businesses, AccorHotels may set up partnerships with other companies to pool their complementary skills. In all cases, the partnerships are organized as separate, independently managed vehicles in which both partners have rights to the net assets. All of these companies are controlled jointly by AccorHotels and the partner under a contractual arrangement, according to which decisions about the relevant activities require the unanimous consent of the parties sharing control. They qualify as joint ventures and have therefore been accounted for under the equity method in the consolidated financial statements in line with the requirements of IFRS 11.

In some countries, AccorHotels may choose to acquire a minority interest (generally less than 40%) in a local company that is then used as a vehicle for developing hotel projects. In exchange for its investment AccorHotels generally acquires the right to manage the hotels concerned. In most cases, AccorHotels has a seat on the Board, allowing it to participate in decisions proportionately to its percentage interest in the company's capital. However, the power to control the company remains in the hands of the other investors. These companies over which AccorHotels exercises significant influence, directly or indirectly, are qualified as associates and are accounted for under the equity method in the consolidated financial statements.

Equity-accounted investments in associates are initially recognized at acquisition cost, including any goodwill. Their carrying amount is then increased or decreased to recognize the Group's share of the associate's profits or losses after the date of acquisition.

AccorHotels may also acquire minority interests in real estate companies that own the hotel properties (land and buildings) managed by the Group under a lease or management contract. These interests do not entitle AccorHotels to a seat on the company's Board, and AccorHotels has no right to participate in the process for developing financial and operating policies. Consequently, they are classified as investments in non-consolidated companies under "Other financial investments" in the consolidated financial statements.

B. Business combinations and acquisition of assets

B.1. Business combinations

Business combinations are accounted for applying the acquisition method. Identifiable assets acquired and liabilities assumed are measured at fair value at the date on which control is gained.

At the acquisition date, the goodwill is measured as the difference between:

- the fair value of consideration transferred, increased by the amount of any non-controlling interest recognized and, if applicable, the fair value of previously held interest in the acquiree; and
- the fair value of assets acquired and liabilities assumed.

The accounting for a business combination shall be finalized within a one-year period starting from the acquisition date. Non-controlling interests can be measured at either:

- their fair value, leading to the recognition of the goodwill attributable to these non-controlling interests (“full goodwill” method); or
- their proportionate share in the acquiree’s identifiable net assets, leading to the recognition of a goodwill only for the share acquired (“partial goodwill”).

A negative goodwill is recognized immediately in profit.

Any contingent consideration shall be recorded at fair value, at the acquisition date, and any subsequent changes occurring after the measurement period shall be accounted for through profit or loss.

Costs related to business combinations are expensed as incurred.

When a business combination is achieved in stages, the previously held equity interest is remeasured at fair value at the acquisition date through profit or loss. The attributable other comprehensive income, if any, is fully reclassified to profit or loss.

B.2. Changes in ownership percentage

Transactions with non-controlling interests in fully consolidated companies that do not result in a gain or loss in control, are accounted for as equity transactions, with no effect on profit or loss or on other comprehensive income.

The loss of control while retaining a residual equity interest is analyzed as the disposal of a controlling interest followed by the acquisition of a non-controlling interest. This process involves, as of the date when control is lost:

- the recognition of a gain or loss on disposal, comprising:
 - a gain or loss resulting from the percentage ownership interest sold,
 - a gain or loss resulting from the remeasurement at fair value of the ownership interest retained;
- other comprehensive items related to ownership interest disposed are reclassified in profit or loss.

B.3. Acquisitions of assets

As part of its strategy, the Group may acquire hotels that were previously operated under leases. These acquisitions are generally treated as asset acquisitions other than business combinations as the strategic business processes (*i.e.* hotel operations) and the generation of economic benefits (*i.e.* revenues from hotel operations) are already controlled by AccorHotels. In such a case, the assets and liabilities are initially recognized at cost including transaction expenses.

C. Foreign currencies

The presentation currency is the euro.

C.1. Translation of financial statements prepared in foreign currency

The statements of financial position of foreign subsidiaries are translated into euros at the closing exchange rate, and their income statements are translated at the average rate for the period. Differences arising from translation are recorded as a

separate component of equity (“Currency translation reserve”) and subsequently recognized in profit or loss on disposal of the business.

AccorHotels did not have any subsidiaries operating in hyperinflationary economies in any of the periods presented.

C.2. Translation of foreign currency transactions

Each Group entity translates foreign currency transactions into its functional currency at the exchange rate on the transaction date. At closing date, related receivables and payables are translated into euros using the exchange rate at that date (*i.e.* closing exchange rate). Gains and losses arising from translation are recognized in financial result, except for financial instruments, which are measured at fair value through equity, for which the related impact is recognized in equity.

D. Fair value

The fair value corresponds to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In accordance with IFRS 13, the fair value hierarchies have the following levels:

- **Level 1:** fair value measured by reference to quoted prices (unadjusted) in active markets for identical assets or liabilities;
- **Level 2:** fair value measured by reference to inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (*i.e.* as prices) or indirectly (*i.e.* derived from prices);
- **Level 3:** fair value measured by reference to inputs for the asset or liability that are not based on observable data (unobservable inputs).

E. Non-current assets

E.1. Intangible assets

In accordance with IAS 38, intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses.

Brands and lease premium in France (“droit au bail”) are considered as having indefinite useful lives because the Group considers that there is no foreseeable limit to the period in which they can be used and are therefore not amortized. Their carrying amount is reviewed at least once a year and more frequently if there is any indication that they may be impaired. If their fair value is less than their carrying amount, an impairment loss is recognized.

Other intangible assets (licenses and software) are considered as having finite useful lives. They are amortized on a straight-line basis over their useful lives.

Software costs incurred during the development phase are capitalized as internally-generated assets if the Group can demonstrate all of the following in accordance with IAS 38:

- its intention to complete the project and the availability of adequate technical, financial and other resources for this purpose;
- how the intangible asset will generate probable future economic benefits;
- its ability to measure reliably the expenditure attributable to the intangible asset during its development.

At the time of signature of management or franchise contracts, AccorHotels may have to pay key money to the owners of the hotels. These payments are necessary to obtain the contracts

and are qualified as intangible assets under IAS 38. Key money is amortized over the life of the contracts to which it relates.

E.2. Property, plant and equipment

Property, plant and equipment are measured at purchase cost less accumulated depreciation and any accumulated impairment losses, in accordance with IAS 16. Assets under construction are measured at cost less any accumulated impairment losses.

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, determined by the components method, from the date when they are put in service as follows:

	Luxury, Upscale and Midscale Hotels	Economy Hotels
Buildings	50 years	35 years
Building improvements, fixtures and fittings	7 to 25 years	
Equipment	5 to 15 years	

E.3. Borrowing costs

Borrowing costs directly attributable to the construction or production of a qualifying asset are included in the cost of the asset. Other borrowing costs are recognized as an expense for the period in which they are incurred.

E.4. Finance leases

In accordance with IAS 17, leases that transfer substantially all the risks and rewards incidental to ownership of an asset to the lessee are qualified as finance leases and accounted for as follows:

- the leased item is recognized as an asset at an amount equal to its fair value or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease;
- a liability is recognized for the same amount, under "Finance lease liabilities";
- Minimum lease payments are allocated between interest expense and reduction of the lease liability;
- the finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

If there is reasonable certainty that the Group will obtain ownership of the asset by the end of the lease term, the asset is depreciated over its useful life using the components method in accordance with Group accounting policy. Otherwise, the asset is depreciated over the shorter of the lease term and its useful life.

E.5. Other financial investments

Other financial investments, corresponding to investments in non-consolidated companies, are classified as "Available-for-sale financial assets" and are measured at fair value. Unrealized gains and losses on an investment are recognized in equity (in the Fair value adjustments on Financial Instruments reserve) and are subsequently reclassified to profit or loss when the investment is sold. A significant or prolonged decline in the value of the investment leads to the recognition of an irreversible impairment loss in profit.

An impairment test is performed whenever there is objective evidence indicating that an investment's recoverable amount may be less than its carrying amount. Possible indications of impairment include a fall in the share price if the investee is listed, evidence of serious financial difficulties or observable data indicating a measurable decline in estimated cash flows. Whenever there is an indication that an investment may be impaired, an impairment test is performed by comparing the investment's recoverable amount to its carrying amount.

E.6. Impairment tests

In accordance with IAS 36, the carrying amounts of property, plant and equipment, intangible assets and goodwill are reviewed and tested for impairment when there is any indication that they may be impaired and at least once a year for the following:

- assets with an indefinite useful life such as goodwill, brands and lease premiums;
- intangible assets not yet available for use.

Criteria used for impairment tests

For impairment testing purposes, the criteria considered as indicators of a possible impairment in value are the same for all businesses:

- 15% drop in revenue, based on a comparable consolidation scope; or
- 30% drop in EBITDA, based on a comparable consolidation scope.

Cash-generating unit

Impairment tests are performed individually for each asset except when an asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In this case, it is included in a cash-generating unit (CGU) and impairment tests are performed at the level of the cash-generating unit.

Since 2014, the goodwill is allocated to the HotelServices and HotelInvest strategic businesses.

In the HotelServices strategic business, the CGU's carrying amount includes the property and equipment and intangible assets used in each region or country. Impairment tests are performed by region or country.

In the HotelInvest strategic business, the CGU's carrying amount includes property and equipment and intangible assets for each hotel, including allocated goodwill. Impairment tests are performed at the level of each individual hotel.

Other assets, notably intangibles, are tested individually when they generate separately identifiable cash inflows.

Determination of recoverable value

Impairment tests consist of comparing the carrying amount of the asset or the CGU with its recoverable value. The recoverable value of an asset or a CGU is the higher of its fair value less costs to sell and its value in use.

For property, plant and equipment and goodwill, the recoverable value of all the assets or the CGUs is determined by two methods, the after-tax discounted cash flows method (value in use approach) and the EBITDA multiples method (fair value approach).

For intangible assets except goodwill, the recoverable value of an intangible asset is determined according to the discounted cash flow method only, due to the absence of an active market and comparable transactions.

Description of the methods:

1. Valuation by the discounted cash flows method

For HotelServices, recoverable amounts are estimated using the value in use determined by the discounted cash flows method. The projection period is limited to five years. Cash flows are discounted at a rate corresponding to the year-end weighted average cost of capital. The projected long-term rate of revenue growth reflects each country/region's economic outlook.

This is a level 3 valuation technique under IFRS 13.

2. Valuation by the EBITDA multiples method

For HotelInvest, recoverable amounts are estimated using fair values calculated based on a standard EBITDA multiple. For hotel properties, this method is considered as the most appropriate approach to estimating fair value less costs to sell, as it most closely reflects the amount that would be expected to be recovered through the sale of the asset.

The multiples method consists of calculating each hotel's average EBITDA for the last two years and applying a multiple based on the hotel's location and category. The multiples applied by the Group correspond to the average prices observed on the market for transactions and are as follows:

Segment	Coefficients
Luxury and Upscale Hotels	$8.1 < x < 11.9$
Midscale Hotels	$7.8 < x < 12.0$
Economy Hotels	$7.6 < x < 12.6$

This is a level 2 valuation technique under IFRS 13.

If the recoverable amount is less than the carrying amount, the asset's recoverable amount will be recalculated according to the discounted cash flows method.

Impairment loss measurement

If the recoverable amount is less than the carrying amount, an impairment loss is recognized in the income statement. Regarding HotelInvest, the impairment loss recognized amounts to the lower of the losses calculated by the EBITDA multiples and discounted cash flows methods.

In accordance with IAS 36, impairment losses on goodwill are irreversible. Losses on property, plant and equipment and on intangible assets with an indefinite useful life, such as brands, are reversible in the case of a change in estimates used to determine their recoverable amount.

E.7. Assets or disposal groups held for sale

Assets are classified as "held for sale" when they are available for immediate sale in their present condition, their sale is highly probable, management is committed to a plan to sell the asset and an active program to locate a buyer and complete the plan has been initiated.

In accordance with IFRS 5, assets or group of assets held for sale are presented separately on the face of the statement of financial position, at the lower of their carrying amount and fair value less costs to sell.

F. Prepaid expense

Prepaid expense corresponds to expenses paid during the period that relate to subsequent periods. They include the effect of recognizing rental expense on a straight-line basis over the life of the lease. Prepaid expense is included in "Other receivables and accruals".

G. Provisions

In accordance with IAS 37, a provision is recognized when the Group has a present obligation (legal, contractual or implicit) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Provisions are determined based on the best estimate of the expenditure required to settle the obligation, in application of certain assumptions. Provisions are discounted when the effect of the time value of money is material, using a discount rate that reflects current market assessments of the time value of money. The most commonly applied rates are the prime long-term corporate bond rate or the government bond rate.

Provisions for restructuring costs are recorded when the Group has a detailed formal plan for the restructuring and the plan's main features have been announced to those affected by it as of the close of accounts.

H. Pensions and other post-employment benefits

The Group offers various supplementary pension, length-of-service award and other post-employment benefit plans, in accordance with the laws and practices of the countries where it operates. These plans are either defined contribution or defined benefit plans.

Under defined contribution plans, the Group pays fixed contributions into a separate fund and has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay benefits. Contributions under these plans are recognized immediately as an expense.

For defined benefit plans, under which the Group has a legal or constructive obligation to provide agreed benefits to current and future employees in exchange for a given level of service (including multi-employer plans when the manager is able to provide the necessary information), the Group's obligations are determined in accordance with IAS 19.

The Group's obligation is determined by the projected unit credit method based on actuarial assumptions related to future salary levels, retirement age, mortality, staff turnover and the discount rate. These assumptions take into account the macro-economic environment and other specific conditions in the various host countries.

Pension and other retirement benefit obligations take into account the market value of plan assets. The amount recognized in the statement of financial position corresponds to the discounted present value of the defined benefit obligation less the fair value of plan assets. Any surpluses, corresponding to the excess of the fair value of plan assets over the projected benefit obligation, are recognized only when they represent the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Current service cost, past service cost, administrative expense, taxes for the year, and paid contributions and benefits are recognized in operating expense, whereas net interest on the net defined benefit liability (asset) is recognized in financial expense (income).

For post-employment benefits, actuarial gains and losses arising from changes in actuarial assumptions and experience adjustments are recognized immediately in equity. However, actuarial gains and losses on long-term benefit obligations towards active employees (such as jubilees, seniority bonuses...) are recognized directly in profit or loss in net financial expense.

The net defined benefit obligation is recognized in the statement of financial position under "Non-current Provisions".

I. Income taxes

Income tax expense (or benefit) includes both current and deferred tax expense (or benefit).

In accordance with IAS 12, deferred taxes are recognized on temporary differences between the carrying amount of assets and liabilities and their tax base by the liability method. This method consists of adjusting deferred taxes at each period-end, based on the last tax rates (and tax laws) that have been enacted or substantively enacted. The effects of changes in tax rates (and tax laws) are recognized in the income statement or in other comprehensive items for the period in which the rate change is announced.

A deferred tax is recognized for all temporary differences, except when it arises from the initial recognition of non-deductible goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and which, at the time of the transaction, affects neither accounting profit nor taxable profit.

A deferred tax liability is recognized for all taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures except when:

- the Group is able to control the timing of the reversal of the temporary difference; and
- it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred tax asset is recognized for ordinary and evergreen tax loss carryforwards only when it is probable that the asset will be recovered in the foreseeable future based on the most recently updated projections.

Income taxes are normally recognized in the income statement. However, when the underlying transaction is recognized in equity or other comprehensive income, the related income tax is also recorded in equity or other comprehensive income.

In accordance with IAS 12, deferred taxes are not discounted.

AccorHotels elected to classify the tax assessed on the value added by the business ("CVAE") as income tax.

A "Crédit d'Impôt pour la Compétitivité et l'Emploi" (CICE) tax credit was introduced in the third 2012 Rectified Finance Act with the aim of making French businesses more competitive by reducing labor costs for certain employees. The CICE consists in substance of a government grant to be spent by companies on measures to improve their competitiveness. As allowed under IAS 20, the Group has chosen to record it as a deduction from the related expenses, *i.e.* as a deduction from payroll costs.

J. Share-based payments

J.1. Share-based payments

Performance share plans

AccorHotels' share-based payment policy consists of making regular performance share grants to members of executive management, other senior executives and middle managers. All of the plans in progress at December 31, 2016 were equity-settled plans.

The cost of performance share plans is recognized in employee benefits expense over the vesting period by increasing equity.

In accordance with IFRS 2, the plan cost is determined by reference to the grant-date fair value of the shares, corresponding to the share price at that date less the estimated present value of dividends not received during the vesting period.

The estimated probability of market performance conditions being met reduces the performance shares' fair value on the grant date. Non-market performance conditions (such as continued presence within the Group, or internal performance objectives) are not taken into account for the purpose of measuring grant-date fair value but adjust the final cost of the plan, depending on the actual number of equity instruments that vest.

Stock option plans

Until 2013, the Group granted stock options to members of executive management and other senior executives. Under some of these plans, the options were subject to a single vesting condition that of the grantee's continued presence within the Group on the exercise date. Other plans also included a market performance condition.

These options are also accounted for in accordance with IFRS 2, at their grant-date fair value determined using the Black & Scholes option pricing model.

J.2. Treasury stock

AccorHotels shares held by the Company and/or subsidiaries are recognized as a deduction from equity. Gains and losses on sales of treasury stock (and the related tax effect) are recognized directly in equity without affecting profit. No impairment losses are recognized on treasury stock.

J.3. Perpetual subordinated notes

Perpetual subordinated notes are accounted for in accordance with IAS 32 taking into account their specific characteristics. They are recorded in equity at historical cost when AccorHotels has an unconditional right to avoid delivering cash or another financial asset to settle the contractual obligation.

Interest paid on these notes is recorded as a deduction from equity. The related tax effect is booked in Profit and Loss. The interest paid are tax deductible.

K. Financial instruments

K.1. Financial assets

Financial assets are classified between the three main categories defined in IAS 39, as follows:

- “loans and receivables” mainly comprise time deposits and loans to non-consolidated companies. They are initially recognized at fair value and are subsequently measured at amortized cost at each balance-sheet date. If there is an objective indication of impairment, an impairment loss is recognized at the balance-sheet date. The impairment loss corresponds to the difference between the carrying amount and the recoverable amount (*i.e.* the present value of the expected cash flows discounted using the original effective interest rate) and is recognized in profit or loss. This loss may be reversed if the recoverable amount increases in a subsequent period;
- “held to maturity investments” mainly comprise bonds and other money market securities intended to be held to maturity. They are initially recognized at fair value and are subsequently measured at amortized cost at each balance-sheet date. If there is an objective indication of impairment, an impairment loss is recognized at the balance-sheet date. The impairment loss corresponds to the difference between the carrying amount and the recoverable amount (*i.e.* the present value of the expected cash flows discounted using the original effective interest rate) and is recognized in profit or loss. This loss may be reversed if the recoverable amount increases in a subsequent period.

For these two categories, initial fair value is equivalent to acquisition cost, because no material transaction costs are incurred;

- “available-for-sale financial assets” mainly comprise investments in non-consolidated companies, equities, mutual fund units and money market securities. These assets are measured at fair value, with changes in fair value recognized in equity. The fair value of listed securities corresponds to market price (level 1 valuation technique: see Note 2.R) and the fair value of unlisted equities and mutual funds corresponds to their net asset value (level 1 valuation technique: see Note 2.R). For unlisted securities, fair value is estimated based on the most appropriate criteria applicable to each individual investment (using level 3 valuation techniques that are not based on observable data: see Note 2.R). Securities that are not traded on an active market, for which fair value cannot be reliably estimated, are carried in the statement of financial position at historical cost plus any transaction expenses. When there is objective evidence of a significant or prolonged decline in value, the cumulative unrealized loss recorded in equity is reclassified to the income statement and can't be reversed.

K.2. Derivative financial Instruments

Derivative financial instruments such as interest rate and currency swaps, caps and forward purchases of foreign currencies, are used to hedge exposures to changes in interest rates and exchange rates.

They are measured at fair value. Changes in fair value are recognized in profit, except for instruments qualified as cash flow hedges (hedges of variable rate debt) for which changes in fair value are recognized in equity.

The fair value of interest rate derivatives is equal to the present value of the instrument's future cash flows, discounted at the interest rate for zero-coupon bonds.

The fair value of currency derivatives is determined based on the forward exchange rate at the period-end.

K.3. Financial liabilities hedged by derivative instruments

Financial liabilities hedged by derivative instruments qualify for hedge accounting. The derivative instruments are classified as either fair value hedges or cash flow hedges.

Financial liabilities hedged by fair value hedges are measured at fair value, taking into account the effect of changes in interest rates. Changes in fair value are recognized in profit and are offset by changes in the fair value of the hedging instrument.

Financial liabilities hedged by cash flow hedges are measured at amortized cost. Changes in the fair value of the hedging instrument are accumulated in equity and are reclassified into profit in the same period or periods during which the financial liability affects profit.

K.4. Bank borrowings

Interest-bearing drawdowns on lines of credit and bank overdrafts are recognized for the amounts received, net of direct issue costs.

K.5. Other financial liabilities

Other financial liabilities are measured at amortized cost. Amortized cost is determined by the effective interest method, taking into account the costs of the issue and any issue or redemption premiums.

K.6. Put Options granted by AccorHotels

In accordance with IAS 32, the value of financial commitment represented by put options granted by AccorHotels to minority interests in subsidiaries is recognized as a debt.

When the exercise price is equal to the fair value of the shares, the amount of the debt is determined based on a multiple of the EBITDA reflected in the 5-year business plan of the subsidiary concerned and is discounted. Changes in the debt arising from business plan adjustments are recognized in equity.

L. Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, and short-term investments in money market instruments. These instruments have maturities of less than three months and are readily convertible into known amounts of cash; their exposure to changes in value is minimal.

M. Income statement and cash flow statement presentation

M.1. Revenue

In accordance with IAS 18, revenue corresponds to the value of goods and services sold in the ordinary course of business by fully consolidated companies. It includes:

- for directly owned and leased hotels, all revenue received from clients for accommodation, catering and other services; and
- for managed and franchised hotels, all management and franchise fees.

The Group applies the guidance provided in IAS 18 to determine whether it acts as the principal or an agent in its contractual hotel management relationships. For the purpose of applying IAS 18, the Group is considered as acting as the principal when it has exposure to the significant risks and rewards associated with the rendering of services. In this case, the revenue and related expenses are reported separately in the income statement. When the above criterion is not met, the Group is considered as acting as an agent and only the remuneration corresponding to the agency fee is recognized in revenue.

In accordance with IAS 18, revenue is measured at the fair value of the consideration received or receivable, net of all discounts and rebates, VAT, other sales taxes and fair value of customer loyalty programs.

Revenue from product sales is recognized when the product is delivered and the significant risks and rewards of ownership are transferred to the buyer. Revenue from sales of services is recognized when the service is rendered.

Revenue from sales of loyalty programs is recognized on a straight-line basis over the life of the cards in order to reflect the timing, nature and value of the benefits provided.

When sales of products or services are covered by a customer loyalty program, the revenue invoiced to the customer is allocated between the product or the service sold and the award credits given by the third party granting the loyalty points. The consideration allocated to the award credits, which is measured by reference to the fair value of the points granted, is deferred and recognized as revenue when the customer redeems the award credits – *i.e.* when an award is received in exchange for converting the loyalty points.

M.2. EBITDAR

Earnings before interest, tax, depreciation, amortization and rental expense and share of profit of associates after tax (EBITDAR) correspond to revenue less operating expense.

M.3. Rental expense and Depreciation, amortization and provision expense

Rental expense and depreciation, amortization and provision expense reflect the operating costs of holding leased and owned assets. Lease payments under operating leases are recognized as an expense on a straight-line basis over the lease term.

For this reason, an additional sub-total has been included in the income statement. Under this presentation:

- EBITDA corresponds to gross profit after the operating costs of holding leased assets;
- EBIT corresponds to gross operating profit after the operating costs of holding both leased and owned assets. This indicator is also used as the benchmark for determining senior management and other executive compensation, as it reflects the economic performance of each business.

These two indicators are used regularly by the Group to analyze the impact of the operating costs of holding assets on the consolidated financial statements.

M.4. Operating profit before tax and non-recurring items

Operating profit before tax and non-recurring items corresponds to the results of operations of the Group's businesses less the related financing cost. Net financial expense and the share of profit of associates after tax represent an integral part of consolidated operating profit before tax and non-recurring items to the extent that they contribute to the performance indicators used by the Group.

M.5. Other non-recurring income and expense

This caption relates to income and expenses that are unusual in terms of their amount and frequency or that do not relate directly to the Group's ordinary activities. This includes restructuring costs, impairment losses, gains and losses arising from disposals of hotel assets or other non-current assets as well as non-operating items.

M.6. Profit or loss from discontinued operations

A discontinued operation is a component of AccorHotels that has been disposed of or is classified as held for sale and:

- represents a separate major line of business or geographical area of operations;

- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations or;
- is a subsidiary acquired exclusively with a view to resale.

Profit or loss from discontinued operations corresponds to:

- the profit or loss net of tax of the discontinued operations carried out until the date of transfer or until the closing date if the discontinued operation is not sold at this date;
- the gain or loss net of tax recognized on the disposal of the discontinued operations if the discontinued operation has been sold before the closing date.

M.7. Cash flow statement

The cash flow statement is presented on the same basis as the management reporting schedules used internally to manage the business.

Cash flows from operating activities include:

- funds from operations, before non-recurring items and after adjustment for changes in deferred taxes and gains and losses on disposals of assets;
- cash received and paid on non-recurring transactions;
- changes in working capital.

Cash flows from investing activities comprise:

- renovation and maintenance expenditure to maintain in a good state of repair operating assets held at January 1 of each year;
- development expenditure, including the fixed assets and working capital of newly consolidated subsidiaries and additions to fixed assets of existing subsidiaries;
- development expenditure on non-current assets classified as held for sale;
- proceeds from disposals of assets.

Cash flows from financing activities include:

- changes in equity;
- changes in debt;
- dividends.

N. Earnings per share

The interest paid in relation to securities recognized as equity is deducted from the earnings amount used to calculate earnings per share.

NOTE 3 ASSETS AND LIABILITIES HELD FOR SALE AND PROFIT OR LOSS FROM DISCONTINUED OPERATIONS

As explained in Note 1, AccorHotels considers that the conditions for applying IFRS 5 to planned disposal of the HotellInvest business were met at December 31, 2016. Consequently:

- The assets held for sale and related liabilities are presented separately from the Group's other assets and liabilities on specific lines of the consolidated statement of financial position at December 31, 2016. They have been measured at that date at the lower of their carrying amount and fair value less costs to sell. The expected sale price is based on the gross asset value (GAV) of the hotels included in the deal, as determined by independent valuers at December 31, 2016 using market consistent methods. Gross asset value corresponds to the fair value of the property (for owned hotels) and the fair value of the goodwill (for all hotels, whatever the operating structure). At December 31, 2016, a comparison of gross asset value of the assets held for sale to their carrying amount did not reveal any impairment.

- The 2016 profit of the discontinued operations is reported on a separate line of the consolidated income statement, with restatement of 2015 comparative information. The transaction will concern substantially all of the hotels operated by HotellInvest, except for the hotels located in Eastern Europe and certain hotels in Brazil operated under variable leases based on a percentage of EBITDAR, which are considered to be incompatible with the owner-operator strategy. The 2016 profit of the discontinued operations was calculated based on the Group's internal management reporting detailed by hotel, and includes an allocated share of each country's headquarters income and expenses.
- Cash flows attributable to discontinued operations are presented on separate lines.

Note 3.1 Assets and liabilities held for sale

The breakdown of assets and liabilities held for sale is as follows:

<i>(in millions of euros)</i>	Dec. 2015	Dec. 2016
HotellInvest assets held for sale	-	4,407
Other assets classified as held for sale	208	50
ASSETS HELD FOR SALE	208	4,457
HotellInvest liabilities related to assets classified as held for sale	-	(1,168)
Liabilities related to assets classified as held for sale	(19)	(9)
LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE	(19)	(1,177)

Assets held for sale of HotelInvest operations (Project Booster)

<i>(in millions of euros)</i>	Dec. 2016
Goodwill	321
Intangible assets	32
Tangible assets	3,119
Other non-current assets	167
Non-current assets	3,639
Receivables and other current assets	476
Cash and cash equivalents	292
ASSETS HELD FOR SALE	4,407
Financial debts	133
Other non-current liabilities	148
Non-current liabilities	281
Trade payables	368
Other current liabilities	519
LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE	1,168

Tangible assets correspond to hotel assets mainly in France (€751 million), in Germany (€637 million), in Benelux (€369 million), in South America (€302 million) and in the United Kingdom (€297 million).

Net goodwill is allocated to hotel assets. They mainly concern France (€76 million), Germany (€74 million), Americas (€65 million) and hotels of FRHI Group acquired in 2016 (€54 million).

Note 3.2 Discontinued operations

The information presented below provides the contribution of HotelInvest activities in the process of being sold (projet Booster) on the Group Income and Cash Flow Statements. This excludes the Italian Onboard day Train Services business, which remains classified as discontinued operation in 2016 because of the ongoing liquidation process of the company, and whose contribution is not significant over the periods presented.

Income statement of HotelInvest discontinued operations

The contribution to 2016 consolidated profit of HotelInvest discontinued operations may be analyzed as follows:

<i>(in millions of euros)</i>	2015	2016
Consolidated Revenue	4,213	4,029
Operating expense	(2,997)	(2,852)
EBITDAR	1,216	1,177
Rental expense	(680)	(633)
EBITDA	536	544
Depreciation, amortization and provision expense	(241)	(236)
EBIT	295	307
Other income and expense	(102)	(98)
Income tax expense	(76)	(83)
NET PROFIT	117	127

The result of the period can be analyzed as follows:

- **operating expense** mainly consisting of employee benefits expense for €1,359 million stable compared to 2015 (€1,300 million). Full-time equivalent employees amount to 16,986 (16,371 in 2015);
- a €633 million **rental expense** corresponding to 734 hotels in operating leases of which 195 fixed rents without purchase option, 67 variable rents with a minimum and 410 variable rents without minimum;
- **other income and expense** consist mainly of:
 - a financial expense and a share of profit of associates after tax of €14 million,
 - impairment losses for €47 million of which €42 million related to tangible assets and €5 million related to goodwill,
 - restructuring costs for €16 million mainly in France,
 - non-recurring income and expense for €(21) million.

Cash flows attributable to HotelInvest discontinued operations

<i>(in millions of euros)</i>	2015	2016
Funds from operations excluding non-recurring transactions	469	490
Decrease (increase) in operating working capital	11	(90)
Cash received (paid) on non-recurring transactions	(32)	(54)
Cash Flows from operating activities including non-recurring transactions	448	346
Renovation and maintenance expenditure	(198)	(202)
Development expenditure	(177)	(659)
Proceeds from disposals of assets	321	169
Net cash flows used in investments/divestments	(53)	(692)
Cash Flows from financing activities	(26)	11
Effect of changes in exchange rates	(12)	67
NET CASH FLOWS ATTRIBUTABLE TO HOTELINVEST DISCONTINUED OPERATIONS	357	(268)

Cash flows from non-recurring transactions mainly concern restructuring operations in France.

Development expenditure mainly concern:

- €178 million related to the buyback of real estate and business interest of three Novotel, two Sofitel one ibis and one ibis *budget* in France;
- €121 million related to the real estate acquisition of the Munich City Novotel for €56 million and one Mercure, two ibis, one ibis *budget* for €65 million in Germany;
- €71 million related to the real estate acquisition of an ibis in the Netherlands;
- €68 million related to the acquisition of a 30% stake in Grape Hospitality (€62 million in shares and €7 million in long term loans).

Proceeds from disposals of assets is mainly composed of the sale of a portfolio of 85 hotels in Europe brought together in Grape Hospitality for €126 million.

NOTE 4 OPERATIONAL SEGMENTS

In 2016, the Group's business model was organized around two strategic businesses:

- HotelServices: hotel manager and brand franchisor;
- HotelInvest: hotel owner-operator.

Each strategic business is organized by region, as follows:

- France;
- Europe (excluding France/Mediterranean);
- Mediterranean, Middle East and Africa;
- Asia-Pacific;
- Americas.

The Group's internal reporting is presented based on this Strategic business/Region matrix. The Executive Management, assisted by the Executive Committee (together defined as the Chief Operating Decision Maker in accordance with IFRS 8) assesses the performance of each Strategic business/Region and makes resource allocation decisions based on their respective results.

In 2016, despite the planned divestment of substantially all of the HotelInvest business, the Group continued to be organized according to this Strategic business/Region matrix and its internal reporting presentation continued to be presented based on existing operational segments. Management is currently examining a proposed redefinition of its internal reporting and, consequently, of its operational segments based on the future post-divestment business model and strategy.

Segment information is therefore presented before applying IFRS 5. The following table reconciles the indicators used by Management to measure the operational segments' performance to the consolidated financial statements. These indicators are:

- revenue;
- EBITDAR;
- EBITDA;
- EBIT.

Selected balance sheet information by operating segment is reported to the Chief Operating Decision Maker.

A. Business model

HotelServices

HotelServices corresponds to AccorHotels' business as a hotel manager and franchisor. It comprises all of the Group's hotels, as the hotels owned by HotelInvest are managed by HotelServices under management contracts. Its business model focuses entirely on generating fees and services revenue. In the Group's consolidated financial statements, the fees received by HotelInvest hotels are fully eliminated, including those received from hotels classified as held for sale. HotelServices spans Management and Franchising activities, sales and marketing, distribution and information systems as well as other activities such as a timeshare business in Australia, Strata, a company that operates the common areas of hotels in Oceania, and the AccorHotels loyalty program.

HotelInvest

HotelInvest is the Group's hotel owner-operator. It comprises the Group's owned and leased hotels. Its business model aims to improve the return on assets and optimize the impact on the statement of financial position. HotelInvest spans all asset portfolio management activities, hotel design, construction, refurbishment and maintenance activities as well as the legal and finance functions.

HotelInvest hotels are classified into three sub-segments:

- owned hotels;
- hotels operated under fixed leases, *i.e.* for which the rent corresponds to a fixed amount;
- hotels operated under variable leases, *i.e.* for which the rent is determined as a percentage of revenue or EBITDA.

HotelServices operates HotelInvest's hotels under management contracts and is paid a fee for this service. The management fees are aligned with market prices in the region or country concerned. In addition, Service Level Agreements (SLAs) have been signed to allocate the cost of the services supplied to themselves and each other by HotelServices and HotelInvest (corresponding to the costs of the finance, human resources, purchasing, IT and legal functions).

B. Information by strategic business

The Group's performance by strategic business is as follows:

At December 31, 2016 (in millions of euros)	HotelServices	HotelInvest	Corporate & Intercos	Total	IFRS 5 Impact	Total reported
Revenue	1,567	4,617	(553)	5,631	(4,029)	1,603
EBITDAR	484	1,376	(79)	1,781	(1,176)	604
EBITDAR Margin	30.9%	29.8%	N/A	31.6%	29.2%	37.7%
EBITDA	450	663	(76)	1,037	(544)	494
EBITDA Margin	28.7%	14.4%	N/A	18.4%	13.5%	30.8%
EBIT	393	385	(82)	696	(307)	389
EBIT Margin	25.0%	8.3%	N/A	12.4%	7.6%	24.2%

At December 31, 2015 (in millions of euros)	HotelServices	HotelInvest	Corporate & Intercos	Total	IFRS 5 Impact	Total reported
Revenue	1,339	4,815	(574)	5,581	(4,213)	1,368
EBITDAR	426	1,424	(70)	1,780	(1,216)	564
EBITDAR Margin	31.8%	29.6%	N/A	31.9%	28.9%	41.2%
EBITDA	399	654	(66)	986	(536)	450
EBITDA Margin	29.8%	13.6%	N/A	17.7%	12.7%	32.9%
EBIT	359	378	(71)	665	(295)	370
EBIT Margin	26.8%	7.8%	N/A	11.9%	7.0%	27.1%

As explained above, segment information is presented before applying IFRS 5 to discontinued operations and assets held for sale. In the consolidated financial statements, the revenue and expenses of the HotelInvest hotels held for sale are reclassified on a separate line of the income statement, "Profit or loss from discontinued operations".

The HotelInvest performance by sub-segments breaks down as follows:

<i>(in millions of euros)</i>	At December 31, 2016				At December 31, 2015			
	Total	of which			Total	of which		
		Owned	Fixed rent	Variable		Owned	Fixed rent	Variable
Revenue	4,617	1,263	1,309	1,985	4,815	1,254	1,310	2,193
EBITDAR	1,376	367	439	569	1,424	349	434	645
<i>EBITDAR Margin</i>	29.8%	29.1%	33.5%	28.7%	29.6%	27.8%	33.1%	29.4%
EBITDA	663	354	141	168	654	334	124	199
<i>EBITDA Margin</i>	14.4%	28.0%	10.8%	8.5%	13.6%	26.6%	9.5%	9.1%
EBIT	385	210	91	91	378	190	71	117
<i>EBIT Margin</i>	8.3%	16.6%	7.0%	4.6%	7.8%	15.2%	5.4%	5.3%

Assets break down as follows by business segment:

At December 31, 2016 <i>(in millions of euros)</i>	HotelServices	HotelInvest	Holding/Elim.	Total	IFRS 5 Impact	Total reported
Goodwill	1,521	296	(0)	1,817	(321)	1,496
Intangible Assets	2,307	109	16	2,433	(32)	2,401
Property, plant and equipment	88	3,561	33	3,682	(3,119)	562
Non-current financial assets	429	656	(99)	987	(143)	844
Deferred tax assets	89	137	31	257	(24)	233
Other non-current assets	9	-	-	9	(0)	9
Current assets	1,486	1,586	(2,007)	1,066	(431)	635
ASSETS BY BUSINESS SEGMENT	5,929	6,346	(2,025)	10,250	(4,069)	6,180
Receivables on disposals of assets				69	(45)	24
Cash and short-term loans				1,496	(293)	1,203
Receivables on disposals of assets				50	4,407	4,457
ASSETS				11,864	-	11,864

At December 31, 2015 <i>(in millions of euros)</i>	HotelServices	HotelInvest	Holding/Elim.	Total reported
Goodwill	440	257	-	697
Intangible Assets	178	115	13	307
Property, plant & equipment	71	2,938	15	3,024
Non-current financial assets	102	557	(5)	654
Deferred tax assets	13	27	33	73
Other current assets	1,293	1,371	(1,723)	940
ASSETS BY BUSINESS SEGMENT	2,097	5,266	(1,667)	5,695
Receivables on disposals of assets				44
Cash and short-term loans				3,006
Receivables on disposals of assets				208
ASSETS				8,953

C. Information by region

Revenue and earnings indicators by region break down as follows:

At December 31, 2016 (in millions of euros)	France	Europe*	Mediterranean, Middle East and Africa	Asia-Pacific	Americas	Worldwide Structures	Total
Revenue	1,564	2,197	527	727	539	78	5,631
EBITDAR	447	857	167	221	104	(14)	1,781
EBITDAR Margin	28.6%	39.0%	31.7%	30.3%	19.2%	N/A	31.6%
EBITDA	228	530	106	138	58	(22)	1,037
EBITDA Margin	14.6%	24.1%	20.1%	18.9%	10.7%	N/A	18.4%
EBIT	150	381	77	115	31	(59)	696
EBIT Margin	9.6%	17.3%	14.7%	15.8%	5.8%	N/A	12.4%

At December 31, 2015 (in millions of euros)	France	Europe*	Mediterranean, Middle East and Africa	Asia-Pacific	Americas	Worldwide Structures	Total
Revenue	1,691	2,309	520	615	404	42	5,581
EBITDAR	496	873	154	159	98	0	1,780
EBITDAR Margin	29.3%	37.8%	29.7%	25.8%	24.2%	N/A	31.9%
EBITDA	248	512	83	97	48	(2)	986
EBITDA Margin	14.7%	22.2%	16.0%	15.8%	11.9%	N/A	17.7%
EBIT	171	369	55	71	29	(31)	665
EBIT Margin	10.1%	16.0%	10.6%	11.6%	7.2%	N/A	11.9%

* Europe excl. France and Mediterranean.

In the Europe segment, the revenue contribution of Germany and the United Kingdom was €796 million and €566 million respectively in 2016, versus €833 million and €626 million the previous year.

D. Information by strategic business and by region

As indicated before, following information are presented before application of IFRS 5.

D.1. Consolidated revenue

(in millions of euros)	France	Europe*	Mediterranean, Middle East and Africa	Asia- Pacific	Americas	Worldwide Structures**	2016	2015	Like-for-like change (in %)
HOTELSERVICES	346	369	164	416	196	77	1,567	1,339	6.2%
HOTELINVEST	1,398	2,082	413	344	380	0	4,617	4,815	0.6%
CORPORATE & INTERCOS	(180)	(254)	(50)	(33)	(37)	0	(553)	(574)	2.2%
TOTAL 2016	1,564	2,197	527	727	539	78	5,631		
TOTAL 2015	1,691	2,309	520	615	404	42		5,581	
LIKE-FOR-LIKE CHANGE (in %)	(2.8)%	4.1%	3.8%	5.5%	4.7%	9.7%			2.2%

* Europe excl. France and Mediterranean.

** "Worldwide Structures" corresponds to revenue (royalties) that are not specific to a single geographic region.

Note that the Group's revenue is derived from a very large number of transactions, of which less than 10% involve a single external customer. Once the sale of the HotelInvest business has been completed, Booster will become the Group's largest customer.

The period-on-period variation breaks down as follows:

■ Like-for-like growth	+123 m€	+2.2%
■ Business expansion (owned and leased hotels only)	+418 m€	+7.5%
■ Currency effects	(136) m€	(2.4)%
■ Disposals	(355) m€	(6.4)%
VARIATION IN 2016 CONSOLIDATED REVENUE	+50 M€	+0.9%

At December 31, 2016, HotelServices revenue breaks down as follows:

<i>(in millions of euros)</i>	Management fees	Franchise fees	HotelInvest fees	Other Revenues	Total
2016	580	255	518	215	1,567
2015	417	207	538	177	1,339

Total fees for Managed and franchised hotels only, increased by 15.3% in like-for-like change.

D.2. EBITDAR

<i>(in millions of euros)</i>	France	Europe*	Mediterranean, Middle East and Africa	Asia- Pacific	Americas	Worldwide Structures**	2016	2015	Like-for-like change <i>(in %)</i>
HOTELSERVICES	113	134	56	120	37	24	484	426	5.6%
HOTELINVEST	334	723	111	101	67	41	1,376	1,424	0.3%
CORPORATE & INTERCOS	-	-	-	-	-	(79)	(79)	(70)	(3.8)%
TOTAL 2016	447	857	167	221	104	(14)	1,781		
TOTAL 2015	496	873	154	159	98	0		1,780	
LIKE-FOR-LIKE CHANGE <i>(in %)</i>	(7.6)%	5.2%	5.7%	12.1%	(10.2)%	N/A			1.5%

* Europe excl. France and Mediterranean.

** "Worldwide Structures" corresponds to revenue (royalties) and costs that are not specific to a single geographic region.

The period-on-period EBITDAR variation breaks down as follows:

■ Like-for-like growth	+26 m€	+1.5%
■ Business expansion	+97 m€	+5.4%
■ Currency effects	(47) m€	(2.6)%
■ Disposals	(75) m€	(4.2)%
VARIATION IN 2016 EBITDAR	+1 M€	+0.1%

D.3. EBITDA

<i>(in millions of euros)</i>	France	Europe*	Mediterranean, Middle East and Africa	Asia- Pacific	Americas	Worldwide Structures**	2016	2015	Like-for-like change <i>(in %)</i>
HOTELSERVICES	110	129	54	112	33	13	450	399	5.7%
HOTELINVEST	118	402	52	26	24	41	663	654	3.2%
CORPORATE & INTERCOS	-	-	-	-	-	(76)	(76)	(66)	(6.0)%
TOTAL 2016	228	530	106	138	58	(22)	1,037		
TOTAL 2015	248	512	83	97	48	(2)		986	
LIKE-FOR-LIKE CHANGE <i>(in %)</i>	(8.0)%	8.1%	8.5%	20.6%	(12.6)%	N/A			4.0%

* Europe excl. France and Mediterranean.

** "Worldwide Structures" corresponds to revenue (royalties) and costs that are not specific to a single geographic region.

The period-on-period EBITDA variation breaks down as follows:

■ Like-for-like growth	+40 m€	+4.0%
■ Business expansion	+68 m€	+6.9%
■ Currency effects	(25) m€	(2.6)%
■ Disposals	(31) m€	(3.2)%
VARIATION IN 2016 EBITDA	+51 M€	+5.2%

D.4. EBIT

<i>(in millions of euros)</i>	France	Europe*	Mediterranean, Middle East and Africa	Asia- Pacific	Americas	Worldwide Structures**	2016	2015	Like-for-like change <i>(in %)</i>
HOTELSERVICES	109	125	51	99	26	(16)	393	359	4.6%
HOTELINVEST	42	256	27	16	6	39	385	378	3.9%
CORPORATE & INTERCOS	-	-	-	-	-	(82)	(82)	(71)	(8.3)%
TOTAL 2016	150	381	77	115	31	(59)	696		
TOTAL 2015	171	369	55	71	29	(31)		665	
LIKE-FOR-LIKE CHANGE <i>(in %)</i>	(13)%	9%	13%	32%	(18)%	N/A			3.8%

* Europe excl. France and Mediterranean.

** "Worldwide Structures" corresponds to revenue (royalties) and costs that are not specific to a single geographic region.

The period-on-period EBIT variation breaks down as follows:

■ Like-for-like growth	+25 m€	+3.8%
■ Business expansion	+38 m€	+5.7%
■ Currency effects	(18) m€	(2.7)%
■ Disposals	(15) m€	(2.3)%
VARIATION IN 2016 EBIT	+30 M€	+4.5%

E. Restated information

As indicated previously, and despite the reclassification of HotelInvest business as a discontinued operation in a single line item in the income statement, the revenue earned with HotelInvest hotels continues to be eliminated from the consolidated financial statements in accordance with consolidation principles. In addition, as explained in Notes 1 and 4, the proposed sale transaction will concern substantially all of the HotelInvest business, but some hotels will be retained by the AccorHotels Group.

For these reasons, neither the revenue presented in the consolidated financial statements nor the HotelServices revenue presented above is representative of the AccorHotels Group revenue (and related margin) that will be reported once the Booster transaction has been completed.

This note presents the main Group Financial indicators in its future scope provided that it integrates the FHRI Group 6 months' activity in 2016.

At December 31, 2016 <i>(in millions of euros)</i>	Total reported	Restatements	Total restated
Revenue	1,603	554	2,157
EBITDA	494	-	494
<i>EBITDA Margin</i>	30.8%	-	22.9%
EBIT	389	-	389
<i>EBIT Margin</i>	24.3%	-	18.0%

At December 31, 2015 <i>(in millions of euros)</i>	Total reported	Restatements	Total restated
Revenue	1,368	563	1,931
EBITDA	450	-	450
<i>EBITDA Margin</i>	32.9%	-	23.3%
EBIT	370	-	370
<i>EBIT Margin</i>	27.0%	-	19.2%

The AccorHotels Group's restated revenue amounted to €2,157 million in 2016 and €1,931 million in 2015, after taking into account:

- the fees billed by the HotelServices business to the hotels included in the Booster transaction that are eliminated in consolidation. These fees have been added back to revenue in the restated financial information for €463 million in 2016 (€483 million in 2015);
- purchasing commissions recorded as a deduction from expenses in the consolidated financial statements. In the restated financial information, they are included in revenue for €66 million (€60 million in 2015). This reclassification has no impact on EBIT;

- reimbursements to owned and leased hotels related to the redemption of rewards points for a stay by members of the loyalty program "Le Club AccorHotels", recorded as a deduction from revenue in the consolidated financial statements. In the restated financial information, they are presented as operating expenses, similarly to reimbursements to managed and franchised hotels, for €25 million (€20 million in 2015). This reclassification has no impact on EBIT.

Restated EBIT margin over the period stands at around 18%-19%.

NOTE 5 OPERATING EXPENSE

<i>(in millions of euros)</i>	2015*	2016
Cost of goods sold	(62)	(61)
Employee benefits expense ⁽¹⁾	(630)	(706)
Energy, maintenance and repairs	(48)	(49)
Taxes, insurance and service charges (co-owned properties)	(50)	(44)
Other operating expense ⁽²⁾	(15)	(137)
Operating expense (excl. rents)	(805)	(998)
Rents ⁽³⁾	(114)	(110)
OPERATING EXPENSE	(918)	(1,109)

* Restated amounts in application of IFRS 5.

(1) The Ratio employee benefits expense/Full-time equivalent (FTE) is presented as follows:

	2015*	2016
Full-time equivalent		
Full-time equivalent**	16,371	17,486
Ratio employee benefits expense/FTE <i>(in thousand of euros)</i>	(38)	(40)

* Restated amounts in application of IFRS 5.

** Full time equivalent are based on the ratio between the number of hours worked during the period and the total working legal hours for the period. There is no employee number for associates.
Over 2016, employee benefits expense includes €11 million related to stock option plans and performance share plans (€10 million in 2015) (see Note 18).

(2) Other operating expense consists mainly of marketing, advertising, promotional, selling and information systems costs. The total also includes various fee payments.

(3) Rental expense concerns the Group headquarters and the country headquarters.

NOTE 6 DEPRECIATION, AMORTIZATION AND PROVISION EXPENSE

Depreciation, amortization and provision expense can be analyzed as follows:

<i>(in millions of euros)</i>	2015*	2016
Depreciation and amortization	(89)	(105)
Provision	9	(0)
DEPRECIATION, AMORTIZATION AND PROVISION EXPENSE	(80)	(105)

* Restated amounts in application of IFRS 5.

NOTE 7 NET FINANCIAL EXPENSE

<i>(in millions of euros)</i>	2015*	2016
Cost of net debt	(64)	(70)
Other financial income and expenses	(6)	(47)
NET FINANCIAL EXPENSE	(70)	(117)

* Restated amounts in application of IFRS 5.

Cost of net debt includes interest received or paid on loans, receivables and debts measured at amortized cost, and gains and losses corresponding to the ineffective portion of related hedges. It also includes investment income from marketable securities and miscellaneous income from banks.

Other financial income and expenses mainly include gains and losses corresponding to the ineffective portion of hedges, dividend income from non-consolidated companies, exchange gains and losses and movements in provisions.

Other financial income and expenses include the following items:

<i>(in millions of euros)</i>	2015*	2016
Dividend income from non-consolidated companies	2	7
Exchange gains and losses (excl. financial instruments at fair value)	(3)	(17)
Movements in provisions	(2)	(2)
Hedging	(4)	(34)
OTHER FINANCIAL INCOME AND EXPENSES	(6)	(47)

* Restated amounts in application of IFRS 5.

The €41 million negative change is mainly attributable to:

- a €20 million negative fair value adjustment to an interest rate hedge set up in order to secure lease financing for a real estate acquisition.

The purpose of the finance lease, which has a deferred start date of end-2018, is to secure financing conditions for a call option relating to a real estate investment (Group's headquarters). While fair value adjustments on the instrument will impact AccorHotels' income statement until the transaction has been finalized, a withdrawal from the transaction would result in a payment being made by the Group. The €20 million loss

The decrease of cost of net debt for €6 million mainly reflects:

- a €10 million decrease in financial income from marketable securities;
- a €2 million decrease in interest on the Group's bond issues and other financial expenses.

variation is attributable to the sharp decline in interest rates; an increase in rates would reverse the trend and have a positive impact on the income statement;

- a €13 million loss corresponding to the ineffective portion of the hedge set up in connection with the Fairmont Raffles Hotels International Group acquisition;
- €14 million in net exchange losses, mainly resulting from the steep drop in the Egyptian pound in the latter part of the year;
- dividends received from non-consolidated companies (mainly FRHI Group companies) for €5 million.

NOTE 8 NON-RECURRING INCOME AND EXPENSE

<i>(in millions of euros)</i>	2015 (*)	2016
Impairment losses	(7)	(16)
Restructuring expenses ⁽¹⁾	(10)	(104)
Gains and losses on management of hotel properties ⁽²⁾	(12)	78
Other non-recurring income and expense ⁽³⁾	(63)	(67)
NON-RECURRING INCOME AND EXPENSE	(93)	(110)

* Restated amounts in application of IFRS 5.

At December 31, 2016, non-recurring income and expense mainly include:

- (1) restructuring expenses linked with Group reorganization mainly following the acquisition of Fairmont Raffles Hotels International Group (FRHI) for €69 million;
- (2) a gain on management of hotel properties of €66 million regarding the strategic alliance with Huazhu, including a gain on disposal of activities and associated hotels for €36 million, the remeasurement at fair value of previously held interests for €13 million and the recycling in net result of the period of currency translation adjustment previously recorded in other comprehensive income for €17 million;
- (3) non-recurring income and expense in connection with the acquisition and integration of Fairmont Raffles Hotels International Group (FRHI) for €29 million and the implementation of Booster project for €14 million (mainly composed of fees).

At December 31, 2015, other income and expenses mainly included expenses in connection with the moving of headquarters and acquisition of FRHI Group for €37 million.

NOTE 9 INCOME TAX EXPENSE

Note 9.1 Income tax expense for the period

<i>(in millions of euros)</i>	2015*	2016
Current tax	(68)	(83)
CURRENT TAX	(68)	(83)
Deferred taxes (expense) income on new temporary differences and reversals of temporary differences arising in prior periods	9	87
Deferred taxes arising from changes in tax rates or tax laws	(1)	-
DEFERRED TAX	8	87
TAX	(59)	4

* Restated amounts in application of IFRS 5.

Note 9.2 Effective tax rate

<i>(in millions of euros)</i>	2015*	2016
OPERATING PROFIT BEFORE TAX	(A) 215	169
Non deductible impairment losses	-	(7)
Tax on share of profit (loss) of associates	4	8
Other	25	(20)
PERMANENT DIFFERENCES (NON-DEDUCTIBLE EXPENSES)	(B) 30	(19)
UNTAXED PROFIT AND PROFIT TAXED AT A REDUCED RATE	(C) 18	(196)
Profit taxed at standard rate	(D) = (A) + (B) + (C) 263	(46)
STANDARD TAX RATE IN FRANCE	(E) 38.00%	34.43%
TAX AT STANDARD FRENCH TAX RATE	(F) = (D) X (E) (100)	16
Effects on tax at standard French tax rate of:		
■ Differences in foreign tax rates	45	8
■ Unrecognized tax losses for the period	(4)	(58)
■ Utilization of tax loss carryforwards	6	65
■ Share of profit (loss) of associates	4	8
■ Net charges to/reversals of provisions for tax risks	11	3
■ Effect of CET business tax in France (see Note 1.L)	(6)	(4)
■ Other items	(15)	(34)
EFFECTS ON TAX AT STANDARD FRENCH TAX RATE	(G) 41	(12)
INCOME TAX EXPENSE	(H) = (F) + (G) (59)	4

* Restated amounts in application of IFRS 5.

At December 31, 2015, the standard tax rate in France includes the 3.3% "contribution sociale de solidarité" tax and the 10.7% "contribution additionnelle" surtax, both calculated on the 33.3% corporate income tax.

At December 31, 2016, the standard tax rate in France includes only the 3.3% "contribution sociale de solidarité" tax calculated on the 33.3% corporate income tax.

At December 31, 2016, the effective tax rate amounts to 14.6%.

Note 9.3 Details of deferred tax (statement of financial position)

<i>(in millions of euros)</i>	Dec. 2015	Dec. 2016
TIMING DIFFERENCES BREAK DOWN AS FOLLOWS:		
Intangible assets ⁽¹⁾	(13)	(522)
Property, plant and equipment	(47)	(14)
Recognized tax losses ⁽²⁾	25	91
Provision for employee benefits	49	42
Impairment losses	16	17
Others	15	19
DEFERRED TAX ASSETS, NET (LIABILITIES)	44	(366)
Deferred tax assets	73	233
Deferred tax liabilities	29	599

(1) Deferred taxes on intangible assets mainly concerned the FRHI Group acquired in 2016 for €(514) million, of which €(295) million recognized in connection with fair value measurements of acquired assets.

(2) Deferred tax assets recognized on tax loss carryforwards include €62 million in respect of the tax losses of Sofitel USA (US ALNA) recorded in 2016 following the merger with FHRUSI (FRHI Group) which has taxable profits.

Note 9.4 Unrecognized deferred tax assets

Unrecognized deferred tax assets amounted to €366 million at December 31, 2016 (€812 million at December 31, 2015).

Unrecognized deferred tax assets will expire in the following periods if not utilized:

<i>(in millions of euros)</i>	Deductible temporary differences	Tax loss carryforwards	Tax credits	Total
Y+1	-	18	-	18
Y+2	-	-	-	0
Y+3	-	-	-	0
Y+4	-	-	-	0
Y+5 and beyond	-	173	-	173
Evergreen	3	172	-	175
DEFERRED TAX, NET	3	363	0	366

In accordance with IAS 12, deferred tax assets are recognized for ordinary and evergreen tax loss carry forwards only to the extent that it is probable that future taxable profits will be available against which the assets can be utilized. The Group generally estimates those future profits over a five-year period, and each year reviews the projections and assumptions on which its estimates are based, in accordance with the applicable tax rules.

NOTE 10 GOODWILL

<i>(in millions of euros)</i>	Dec. 2015	Dec. 2016
Goodwill (gross value)	792	1,562
Less impairment losses	(94)	(66)
GOODWILL, NET	697	1,496

Changes in the carrying amount of goodwill over the period were as follows:

<i>(in millions of euros)</i>	Dec. 2015	Perimeter impacts	Impairment losses	Translation adjustments & others	IFRS 5 Reclass.	Dec. 2016
Australia	127	-	-	3	-	130
France	113	-	-	(24)	-	89
Germany	84	-	-	-	-	84
America	60	-	-	(60)	-	-
Asia	48	-	-	2	-	49
Others	8	1,038	-	67	-	1,113
HOTELSERVICES	440	1,038	-	(12)	-	1,467
Germany	74	-	-	-	(74)	-
France	62	11	(0)	4	(76)	-
America	40	33	(1)	(0)	(65)	8
Others	82	52	(8)	2	(107)	22
HOTELINVEST	257	97	(9)	5	(321)	29
GOODWILL, NET	697	1,135	(9)	(7)	(321)	1,496

Movements over the period mainly relate to the acquisition of FRHI Hotels & Resorts (€798 million), onefinestay (€135 million) and John Paul (€106 million, representing provisional goodwill at December 31, 2016) (see Note 1). FRHI goodwill has been allocated as follows:

- to the HotelInvest business for €53 million (of which €35 million allocated to the two leased hotels in Singapore and €14 million to the hotel owned in Bermuda);

- to the HotelServices business for €745 million, corresponding to goodwill on hotels operated under management contracts (at this stage, this amount is presented in the line "Others").

Goodwill allocated to the hotels included in the planned HotelInvest disposal perimeter amounted to €321 million at December 31, 2016 and includes the goodwill allocated to FRHI hotels (see Note 3).

NOTE 11 INTANGIBLE ASSETS

<i>(in millions of euros)</i>	Dec. 2015	Dec. 2016
Brands and rights	21	1,537
Licenses, software	55	70
Other intangible assets	231	794
INTANGIBLE ASSETS, NET	307	2,401

Changes in the carrying amount of intangible assets in 2016 were as follows:

<i>(in millions of euros)</i>	Dec. 2015	Increase	Disposals	Translation differences	IFRS 5 Reclass.	Dec. 2016
Brands and concessions	57	1,459	0	73	(18)	1,572
Licenses, software	220	27	(4)	24	(32)	235
Other intangible assets	307	607	(11)	(2)	(17)	885
Gross value	584	2,093	(14)	95	(67)	2,692
Brands and concessions	(3)	(1)	-	-	4	(0)
Licenses, software	(165)	(32)	3	(0)	28	(165)
Other intangible assets	(76)	(25)	5	2	5	(88)
AMORTIZATION	(244)	(57)	8	1	38	(254)
Brands and concessions	(34)	-	-	(1)	-	(34)
Other intangible assets	-	(2)	-	-	-	(2)
IMPAIRMENT LOSSES	(34)	(2)	0	(1)	0	(37)
Accumulated amortization and impairment losses	(278)	(59)	8	0	38	(291)
INTAGIBLE ASSETS, NET	307	2,027		96	(29)	2,401

At December 31, 2016, the net carrying amount of brands and rights with an indefinite life was €1,537 million, mainly comprising the Fairmont, Raffles and Swissôtel brands (€1,507 million) and onefinestay brand (€22 million) acquired over the period.

<i>(in millions of euros)</i>	Dec. 2015	Dec. 2016
Fairmont Brand	-	1,087
Swissôtel Brand	-	261
Raffles Brand	-	159
Onefinestay Brand	-	22
Sebel Brand (Australia)	5	5
Other brands and concessions	2	3
CARRYING AMOUNT AT END OF PERIOD	6	1,537

The €794 million net carrying amount of other intangible assets includes:

- €580 million related to hotel management contracts for (of which €550 million related to hotels operated by FRHI Group acquired during the exercise);
- €78 million related to key money paid to secure management contracts (of which €23 million paid during the period in the United Kingdom);
- €72 million related to lease premium of in Eastern Europe.

In 2016, investments related to the Digital Plan amounted to €42 million (license and software purchases and internally-developed intangible assets).

Translation differences of the period mainly concern the intangible assets of the FRHI Group.

NOTE 12 PROPERTY, PLANT AND EQUIPMENT

<i>(in millions of euros)</i>	Dec. 2015	Dec. 2016
Land	276	33
Buildings	1,508	329
Fixtures	645	85
Equipment and furniture	349	94
Constructions in progress	247	21
PROPERTY, PLANT AND EQUIPMENT, NET	3,024	562

Changes in the carrying amount of property, plant and equipment in 2016 were as follows:

<i>(in millions of euros)</i>	Dec. 2015	Increase	Decrease	Translation differences	IFRS 5 Reclass.	Dec. 2016
Land	284	163	(9)	8	(412)	34
Buildings	2,298	307	(59)	(14)	(1,867)	664
Fixtures	1,566	191	(56)	(2)	(1,483)	216
Equipment and furniture	1,323	169	(107)	(22)	(1,134)	229
Constructions in progress	261	268	(0)	(8)	(494)	26
Property, plant and equipment, at cost	5,731	1,097	(231)	(38)	(5,390)	1,169
Buildings	(690)	(83)	18	13	429	(312)
Fixtures	(868)	(120)	49	1	810	(128)
Equipment and furniture	(951)	(126)	87	17	841	(132)
Constructions in progress	(3)	(1)	-	-	4	-
DEPRECIATIONS	(2,512)	(330)	154	32	2,084	(572)
Land	(8)	(0)	4	(0)	3	(1)
Buildings	(100)	(14)	30	(1)	61	(23)
Fixtures	(53)	(14)	4	(1)	61	(3)
Equipment and furniture	(23)	2	3	(0)	17	(2)
Constructions in progress	(11)	-	-	-	6	(5)
IMPAIRMENT LOSSES	(195)	(27)	42	(1)	147	(35)
Accumulated depreciation and impairment losses	(2,707)	(356)	196	30	2,231	(606)
PROPERTY, PLANT AND EQUIPMENT, NET	3,024	706		(8)	(3,159)	562

Increases over the period mainly concern:

- buybacks of real estate and businesses previously leased or franchised for €404 million (mainly in France and Germany);
- acquisitions for €250 million, including €167 million related to FRHI and €23 million related to the Santa Teresa operation in Brazil;

- development expenditure related to constructions for €136 million (mainly in the United Kingdom and France);
- renovation and maintenance expenditure for €234 million (mainly in France and Germany).

At December 31, 2016, assets reclassified as held for sale related to the Booster project amount to €3,119 million (see Note 3).

NOTE 13 IMPAIRMENT TESTS

A. HotelServices

For HotelServices strategic business, impairment tests are performed for each CGU including the tangible and intangible assets (and goodwill) related to a region or a country. The recoverable amount is estimated using the value in use determined on the basis of discounted cash flows.

The core assumptions used to determine the recoverable amount of an asset are consistent with those used to prepare the Group's business plans and budgets. They reflect past experience and also take into account information from external sources such as hotel industry growth forecasts and forecasts concerning geopolitical and macro-economic developments in the regions concerned.

The main other assumptions used to estimate recoverable amounts were as follows:

December 2016	Germany	France	Asia	Australia	Americas
Growth rate	1.50%	2.00%	2.00%	2.00%	4.25%
Discount rate	7.38%	7.38%	7.56%	6.56%	11.24%
December 2015	Germany	France	Asia	Australia	Americas
Growth rate	2.00%	2.00%	2.00%	2.00%	4.24%
Discount rate	8.02%	8.02%	8.79%	7.33%	11.94%

Sensitivity tests performed on the main CGUs at December 31, 2016 showed that:

- in Australia, the CGU's carrying amount would exceed its recoverable amount if the discount rate increased by 1,466 basis points or the growth rate to perpetuity was reduced by 5,593 basis points;
- in America, the CGU's carrying amount would exceed its recoverable amount if the discount rate increased by 1,543 basis points or the growth rate to perpetuity was reduced by 5,054 basis points;
- in Germany and in Asia, the CGU's carrying amount would exceed its recoverable amount if the discount rate increased by 2,781 and 5,108 basis points respectively. As the enterprise value would be recovered in five years based on projected discounted cash flows, its carrying amount would represent less than its recoverable amount whatever the growth rate to perpetuity used for the calculation;
- in France, the CGU's carrying amount would exceed its recoverable amount if the discount rate increased by 18,042 basis points. As the enterprise value would be recovered by five years' worth of discounted cash flows, the carrying amount would remain below the recoverable amount whatever the growth rate to perpetuity.

Sensitivity tests on these recoverable amounts show that a 10% decline in projected discounted operating cash flows would not result in the recognition of any impairment loss.

In 2016, no impairment loss was recorded for HotelServices.

B. HotelInvest

For HotelInvest strategic business, the recoverable amount is first estimated using fair values based on a standard EBITDA multiple. This method provides the best estimate of a hotel asset's realizable value in a sale transaction. The multiples used correspond to the averages observed for comparable transactions, taking into account the type of hotel and its geographic location. They are presented in Note 2.

Over 2016, an impairment loss of €16 million was recorded on the HotelInvest assets to be retained by the Group (and therefore not reclassified at December 31, 2016 as held for sale as part of the Booster project). This amount breaks down as follows:

- goodwill for 4 million euros mainly in Asia;
- property, plant and equipment for 10 million euros, of which 4 million euros in China and 4 million euros in Czech Republic;
- intangible assets for €2 million euros, mainly in Brazil.

The probability of the EBITDA of all the hotels in a given CGU being affected to the same extent and at the same time by changing macro-economic conditions is extremely remote, with the result that an overall sensitivity analysis would not provide useful insight. However, if the carrying amount of certain hotels with a significant individual value was found to be sensitive to changes in macro-economic factors, a sensitivity analysis would be provided for the hotels concerned.

NOTE 14 LONG-TERM LOANS

(in millions of euros)	Dec. 2015	Dec. 2016
Gross value	125	81
Accumulated impairment losses	(7)	(4)
LONG-TERM LOANS, NET	118	77

<i>(in millions of euros)</i>	Dec. 2015	Dec. 2016
Hotels, Asia-Pacific	52	54
Other	66	23
TOTAL	118	77

At December 31, 2016, loans to hotels in the Asia-Pacific region mainly consisted of:

- a loan to A.P.V.C. Finance Pty Limited (a timeshare financing company) for an amount of €19 million at December 31, 2016, paying interest at an average rate of 14.75% and a €9 million loan made to Darling Harbour Hotel Trust, the future owner of the Sydney Darling Harbour Sofitel;
- a loan to Shree Naman Hotels Private to finance the development of the Mumbai Sofitel in India amounting to €19 million.

At December 31, 2016, loans to hotels excluding the Asia-Pacific region mainly consisted of:

- the remaining €7 million guaranteed minimum rent on the Paris Tour Eiffel Pullman payable following the change of owner and the extension of the management contract (€18 million at December 31, 2015). The loan granted to the owner (SHTE) to finance the development of the hotel had been repaid in full at December 31, 2016 (the balance outstanding at December 31, 2015 was €11 million);
- the loan to Laser Mercure Trading Co for the refurbishment of hotels operated under management contracts in the United Kingdom, representing €11 million at an average 3.6% interest (€11 million at December 31, 2015).

NOTE 15 ASSOCIATES AND JOINT VENTURES

Note 15.1 Investments in associates and joint ventures

The main contributions are as follows:

<i>(in millions of euros)</i>	2015		2016	
	Share of profit	Investment	Share of profit	Investments
China Lodging Group	-	-	NC	191
Asia-Pacific Hotels*	(2)	158	(16)	147
25Hours	-	-	-	35
Mama Shelter	(1)	28	(0)	28
TGRE (Sofitel The Grand, Netherlands)	(1)	12	-	-
Fairmont Dubai	-	-	1	13
Swissotel Lima	-	-	(3)	11
SERHR (Orféa)	4	5	5	5
Société Hôtelière Paris Les Halles	2	13	-	-
Other (including Risma)	(1)	81	15	115
Associates	2	297	2	546
SIEHA (hospitality Algeria)	2	22	0	22
Reef Casinos	4	19	3	19
Adagio	2	7	2	8
Other	(0)	2	0	1
Joint ventures	9	49	5	50
ASSOCIATES	10	346	6	596

* The Asia-Pacific investments primarily include Interglobe Hotels Entreprises Limited (the development company for ibis hotel in India) for €59 million, Caddie Hotels (the development company for a Novotel and a Pullman in New Delhi) for €32 million, a joint-venture for development partnerships under ibis and Novotel brands in India (Triguna) for €19 million and Ambassador Inc., Ambastel and Ambatel Inc (South Korea) for €30 million.

In 2016, AccorHotels increased its stake in China Lodging Group (Huazhu) from 1.8% to 10.8% pursuant to a strategic alliance entered into with the company in January 2016, and acquired shares of 25Hours, Oasis Collection and Squarebreak (see Note 1).

At December 31, 2016, investments in associates reclassified as “Assets held for sale” amounted to €88 million (including investments in TGRE Sofitel The Grand and Société Hôtelière Paris les Halles).

In 2015, the Group’s total share of profit of associates and joint ventures amounted to €10 million, of which €2 million was reclassified under “Net profit or loss from discontinued operations”.

<i>(in millions of euros)</i>	2015	2016
Share of profit of associates before tax	12	14
Share of tax of associates	(4)	(8)
SHARE OF PROFIT OF ASSOCIATES AFTER TAX	8	6

Note 15.2 Information about material associates and joint ventures

The following associates and joint ventures are material to the Group:

- Huazhu Hotels Group (China Lodging Group), which is a Chinese group listed on Nasdaq. For confidentiality reasons, AccorHotels does is not allowed to disclose any Huazhu financial information.
- Interglobe Hotels, which owns and operates ibis hotels in India that are managed by AccorHotels under management contracts. Key financials for Interglobe Hotels are as follows:

Interglobe Hotels (Hotels ibis India) Development ibis India <i>(in millions of euros)</i>	March 2015	March 2016
Revenue	22	27
Net profit (loss)	(6)	(7)
Total current Assets	14	18
Total non-current Assets	209	207
Equity (including currency translation reserve)	142	135
Total current Liabilities	13	11
Total non-current Liabilities	67	80
Net cash/(Net debt)	(34)	(34)
Market capitalization	N/A	N/A
Dividends paid by the compagny to AccorHotels during the period	-	-
% interest held	40.00%	40.00%

As Interglobe Hotels has a March 31 year-end, the key figures shown above are extracted from Interglobe’s latest audited and published financial statements.

Note 15.3 Other information

To the best of the Group’s knowledge, there are no material restrictions on the ability of any associate or joint venture to transfer funds to AccorHotels in the form of cash dividends or to repay any loans or other liabilities.

NOTE 16 OTHER FINANCIAL ASSETS

<i>(in millions of euros)</i>	Dec. 2015	Dec. 2016
Investments in non-consolidated companies (Available for sale financial assets)	121	121
Deposits (Loans and Receivables)	90	65
OTHER FINANCIAL ASSETS, AT COST	211	186
Accumulated impairment losses	(21)	(15)
OTHER FINANCIAL ASSETS, NET	191	171

At December 31, 2016, the fair value reserve for assets classified as available-for-sale amounts to €(7) million (see Note 20), and amounted to €7 million at December 31, 2015.

Accumulated impairment losses relate almost entirely to investments in non-consolidated companies.

Other financial assets breakdown is as follows:

<i>(in millions of euros)</i>	Dec. 2015	Dec. 2016
Avendra	-	65
Pullman Tour Eiffel receivable	21	15
A-HTrust (Singapore investment fund)	22	21
Huazhu	36	-
Sofitel Santa Clara purchase price payment	22	-
Stone (French property company)	11	-
Other investments and deposits	79	70
OTHER FINANCIAL INVESTMENTS, NET	191	171

At December 31, 2016, the Avendra shares with a carrying amount of €65 million were acquired as part of the FRHI Group acquisition. The investment in Huazhu is now accounted for by the equity method, following an increase in the Group's interest during the period (see Note 1).

At that date, other financial assets reclassified as "Assets held for sale" amounted to €37 million (including shares in Stone).

NOTE 17 RECEIVABLES AND PAYABLES

Note 17.1 Trade receivables and related provision

<i>(in millions of euros)</i>	Dec. 2015	Dec. 2016
Gross value	476	437
Provisions	(44)	(63)
RECEIVABLES AND PAYABLES, NET	432	374

At December 31, 2016, the net trade receivables reclassified as assets held for sale amount to €135 million.

Provisions for impairment in value of trade receivables correspond to numerous separate provisions, none of which are material. Past-due receivables are tracked individually and regular estimates are made of potential losses in order to increase the related provisions if and when required. Past-due receivables not covered by provisions are not material.

Note 17.2 Details of other receivables and accruals

<i>(in millions of euros)</i>	Dec. 2015	Dec. 2016
Recoverable VAT	146	85
Prepaid wages and salaries and payroll taxes	3	2
Other prepaid and recoverable taxes	42	8
Other receivables	243	131
Other prepaid expenses	75	34
OTHER RECEIVABLES AND ACCRUALS, AT COST	509	260
PROVISIONS	(38)	(7)
OTHER RECEIVABLES AND ACCRUALS, NET	471	252

Over the period, the decrease of net other receivables and accruals is mainly explained by the reclassification in assets held for sale for €275 million.

Note 17.3 Details of other payables

<i>(in millions of euros)</i>	Dec. 2015	Dec. 2016
VAT payable	88	35
Wages salaries and payroll tax payables	331	180
Other tax payables	80	10
Other payables	427	289
Deferred income	85	74
OTHER PAYABLES AND INCOME TAX PAYABLE	1,012	587

Over the period, the decrease of other payables and income tax payable is mainly explained by the reclassification in liabilities associated with assets held for sale for €462 million.

Note 17.4 Analysis of other receivables/payables' periods

The following analysis by maturity covers receivables and payables other than deferred revenue and prepaid expenses.

<i>(in millions of euros)</i>	< 1 year	1 to 5 years	> 5 years	Dec. 2016	Dec. 2015
Inventories	8	-	-	8	37
Trade receivables	374	-	-	374	432
Recoverable VAT	84	1	-	85	146
Prepaid payroll taxes	2	-	-	2	3
Other prepaid and recoverable taxes	8	-	-	8	42
Other receivables	123	-	-	123	205
CURRENT ASSETS	599	1	-	601	865
Trade payables	384	-	-	384	736
VAT payable	35	-	-	35	88
Wages and salaries and payroll taxes payable	178	1	-	180	331
Other taxes payable	10	-	-	10	80
Other payables	289	0	-	289	427
CURRENT LIABILITIES	896	1	-	898	1,663

NOTE 18 SHAREHOLDERS' EQUITY

Note 18.1 Changes in share capital

At December 31, 2016, the number of outstanding shares and the number of potential shares that could be issued break down as follows:

Number of issued shares at January 1, 2016	235,352,425
Performance shares granted	416,910
Shares issued on exercise of stock options	249,874
Shares issued in payment of dividends	2,048,461
Shares issued for FRHI acquisition	46,700,000
Number of issued shares at December 31, 2016	284,767,670
Stock option plans	2,123,250
Performance shares plans	1,093,899
Potential number of shares	287,984,819

At December 31, 2016, the share's par value was €3.

Note 18.2 Diluted earnings per share

At December 31, 2016, the average number of ordinary shares before and after dilution is presented as follows:

Outstanding shares at December 31, 2016	284,767,670
Effect of share issues on the weighted average number of shares	(182,365)
Adjustment for stock option plans exercised during the period	(132,801)
Effect of stock dividends on weighted average number of shares	(772,371)
Capital increase for the acquisition of FRHI	(24,625,956)
Weighted average number of ordinary shares during the period	259,054,177

Diluted earnings per share were therefore calculated as follows:

<i>(in millions of euros)</i>	2015	2016
NET PROFIT, GROUP SHARE (continuing and discontinued operations)	244	265
Hybrid capital dividend payment	(37)	(37)
Adjusted Net profit, Group share	207	228
Weighted average number of ordinary shares <i>(in thousands)</i>	234,387	259,054
Number of shares resulting from the exercise of stock options <i>(in thousands)</i>	1,073	557
Number of shares resulting from performance shares grants <i>(in thousands)</i>	529	314
Fully diluted weighted average number of shares <i>(in thousands)</i>	235,989	259,925
Earnings per share <i>(in euros)</i>	0.88	0.88
DILUTED EARNINGS PER SHARE <i>(in euros)</i>	0.88	0.88

Note 18.3 Exchange differences on translating foreign operations

Exchange differences on translating foreign operations between December 31, 2015 and December 31, 2016, representing a positive impact of €139 million, mainly concern changes in exchange rates against the euro of the US Dollar (€156 million positive impact), the Brazilian Real (€44 million positive impact), the Australian Dollar (€11 million positive impact), the Pound Sterling (€54 million negative impact) and the Chinese Yuan (€25 million negative impact).

The period-end euro/local currency exchange rates applied to prepare the consolidated financial statements were as follows:

	USD	AUD	PLN	GBP	CNY
December 2015	1.0887	1.4897	4.2639	0.7340	7.0608
December 2016	1.0541	1.4596	4.4103	0.8562	7.3202

Note 18.4 Payment of dividends

The 2015 and 2016 dividends were as follows:

<i>In euros</i>	2015	2016
Dividend per Share	1.00	1.05

Part of the 2015 dividend was paid in cash and part in stock.

Note 18.5 Share-based payments

The total cost recognized in profit or loss by adjusting equity in respect of share-based payments amounted to €14 million

in 2016 (*versus* €13 million in 2015), and were mainly related to performance share plans.

The attributable part to the HotelInvest business that was held for sale at December 31, 2016 was €3 million in both 2016 and 2015.

A. Performance share plans

The movements over the period are as follows:

<i>(in number of options)</i>	2015	2016
Performance shares at beginning of period	817,504	1,045,048
Options granted	480,090	506,215
Options cancelled or expired during the period	(17,901)	(40,454)
Options exercised	(234,645)	(416,910)
Performance shares at end of period	1,045,048	1,093,899

Performance shares granted in 2016

On June 16, 2016 AccorHotels granted 504,500 performance shares to managers and employees. The shares have a three-year vesting period, not followed by any lock-up period, and are subject to three performance conditions. At the grant date, the fair value per performance share was €30.72, corresponding to the quoted share price of €36.01 less the discounted present value of dividends not received during the vesting period, and taking into account the estimated probability of the external performance conditions (see below) being fulfilled. During the period, 6 employees have been deprived of their rights (corresponding to 12,810 performance shares) following their refusal or the non reception of their acceptance, leading to the grant of 491,690 performance shares as part of this plan.

On October 26, 2016, 14,525 performance shares were granted to managers and employees with the same performance conditions as for the June plan. At that date, the fair value per performance share calculated using the same principles was €29.41, based on the quoted share price of €34.57.

The performance shares vest if the grantee is still employed by the Group at the end of the vesting period and the following three performance conditions are fulfilled over the three years 2016, 2017 and 2018:

- **internal conditions** (80% weighting): Actual *versus* Budgeted EBIT margin and Actual *versus* Budgeted free cash flow (net cash provided by operating activities, +/- net cash from/(used in) investments/divestments and +/- decrease (increase) in operating working capital);
- **external condition** (20% weighting): based on growth in AccorHotels' Total Shareholder Return (TSR) compared with growth in the TSR of other international hotel groups and the CAC 40. The estimated probability of this performance condition being met reduces the performance shares' fair value on the grant date.

The total fair value of performance shares granted under the two 2016 plans, in the amount of €16 million, will be recognized on a straight-line basis over the vesting period under "Employee benefits expense" with a corresponding adjustment to equity.

The cost recognized in 2016 in respect of the two plans amounted to €3 million.

Expense recorded over the period

(in millions of euros)	2015	2016	Fair value
2013 Plan	1	0	7
2014 Plan	7	3	17
2015 Plan	4	8	20
2016 Plan	0	3	16
TOTAL	13	14	

B. Stock options plans

The movements over the period are as follows:

	December 31, 2015		December 31, 2016	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding at beginning of period	4,521,862	€27.29	2,385,431	€26.93
Options cancelled or expired during the period	(224,527)	€30.03	(12,307)	€26.09
Options exercised during the period	(1,911,904)	€27.41	(249,874)	€24.48
Options outstanding at end of period	2,385,431	€26.93	2,123,250	€27.22
Options exercisable at end of period	1,830,169	€27.00	2,083,250	€27.16

Outstanding options at December 31, 2016 are as follows:

Plan	Grant date	Number of outstanding options	Remaining life	Exercise price
Plan 19	March 31, 2009	187,373	3 months	€18.20
Plan 20	April 2, 2010	834,913	1 year and 3 months	€26.66
Plan 21	April 2, 2010	56,197	1 year and 3 months	€26.66
Plan 22	November 22, 2010	89,440	1 year and 11 months	€30.49
Plan 23	April 4, 2011	443,054	2 years and 3 months	€31.72
Plan 24	April 4, 2011	32,031	2 years and 3 months	€31.72
Plan 25	March 27, 2012	419,515	3 years and 3 months	€26.41
Plan 26	March 27, 2012	20,727	3 years and 3 months	€26.41
Plan 27	September 26, 2013	40,000	4 years and 9 months	€30.13

Note 18.6 Perpetual subordinated notes

On June 30, 2014, AccorHotels issued €900 million worth of perpetual subordinated notes. The interest rate on the notes is set at 4.125% up until June 30, 2020 and will be re-set every five years thereafter, with a 25-bps step-up in June 2020 and a 275-bps step-up in June 2040.

The notes have no fixed maturity. They are repayable at AccorHotels' option on June 30, 2020, June 30, 2025 and on

each anniversary of the issue date thereafter. Dividend payment (interest) is payable on the notes only in those periods for which a dividend is paid to shareholders.

Due to their characteristics and in accordance with IAS 32 (see Note 2.J.3), the notes were recorded in equity upon receipt of the issue proceeds for €887 million (net of transaction costs). The dividend payments are also recorded in equity.

In 2016, dividend payment on perpetual subordinated notes amounted to €37 million.

NOTE 19 MINORITY INTERESTS

Note 19.1 Changes in minority interests

Changes in minority interests break down as follows:

(in millions of euros)

DECEMBER 31, 2014	213
Minority interests in net profit for the period	27
Dividends paid to minority interests	(15)
Increase in capital	0
Translation adjustment	(0)
Changes in consolidation perimeter	1
DECEMBER 31, 2015	225
Minority interests in net profit for the period	33
Dividends paid to minority interests	(18)
Capital increase	(0)
Translation adjustment	(7)
Changes in consolidation perimeter	34
DECEMBER 31, 2016	267

Changes consolidation perimeter correspond to minority interests related to acquisitions of the period, of which €17 million related to FRHI Group and €10 million related to acquisitions in South America.

Note 19.2 Information about material minority interests

Material minority interests are as follows:

Orbis/Hekon (Poland)	% interests	% voting rights	Minority interests in net profit for the period	Minority interests in equity at period-end	Dividends paid by AccorHotels to minority interests during the period
December 31, 2015	47.31%	47.31%	19	180	8
December 31, 2016	47.31%	47.31%	23	190	7

Selected financial information about the subsidiary

Orbis/Hekon (Poland)	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenue	Net Profit or Loss
December 31, 2015	96	486	66	516	300	40
December 31, 2016	147	479	59	566	312	49

This financial information includes adjustments recorded in 2008 when the Group acquired control of Orbis. To the best of the Group's knowledge, no minority shareholders have any particular protective rights that could materially affect AccorHotels' ability to use and dispose of its subsidiaries' assets or use and settle their liabilities.

NOTE 20 COMPREHENSIVE INCOME

The tax impact of other components of comprehensive income can be analyzed as follows:

<i>(in millions of euros)</i>	2015			2016		
	Before tax	Income tax expense	Net of tax	Before tax	Income tax expense	Net of tax
Currency translation adjustment	(3)	-	(3)	109	-	109
Change in fair value resulting from available-for-sale financial assets	12	-	12	(14)	-	(14)
Effective portion of gains and losses on hedging instruments in a cash flow hedge	(3)	-	(3)	2	-	2
Actuarial gains and losses on defined benefits plans	(14)	5	(9)	(5)	(3)	(3)
OTHER COMPREHENSIVE INCOME	(8)	5	(3)	92	(3)	122

Fair value adjustments on financial instruments reserve break down as follows:

<i>(in millions of euros)</i>	Dec. 2015	Dec. 2016
Interest rate and currency swaps	(3)	(0)
Fair value adjustments to non-consolidated investments	7	(7)
FAIR VALUE ADJUSTMENTS ON FINANCIAL INSTRUMENTS RESERVE	4	(7)

NOTE 21 DEBT BY CURRENCY AND MATURITY

Note 21.1 Analysis of long and short-term debt by nature

Long and short-term debt at December 31, 2016 breaks down as follows:

<i>(in millions of euros)</i>	Dec. 2015	Dec. 2016	IFRS 5 Impact	Dec. 2016 Reported
Bonds	2,582	2,635	-	2,635
Bank borrowings	123	135	(68)	67
Other borrowings	5	10	(4)	6
Long and short-term borrowings	2,710	2,780	(72)	2,708
Long and short-term finance lease liabilities	72	59	(58)	1
Purchase commitments (minority put on interests)	10	116	(13)	103
Liability derivatives	15	35	(1)	34
Other financial liabilities and bank overdrafts	48	62	(0)	62
LONG AND SHORT-TERM DEBT	2,855	3,052	(144)	2,908

At December 31, 2016, the HotelInvest business's long and short-term debt was reclassified under "Liabilities associated with assets classified as held for sale" for €144 million. However, this reclassification is not taken into account in internal analyses of debt, which are carried out at the level of the Group as a whole. Consequently, the following analyses are presented before the effects of applying IFRS 5.

Note 21.2 Bonds

Bonds at December 31, 2016 break down as follows:

Nominal amount (in local currency)	Date of issuance	Maturity	Initial effective interest rate (in %)	Dec. 2015 (in millions of euros)	Dec. 2016 (in millions of euros)
250 M EUR	August 2009	November 2017	6.04%	250	250
700 M EUR	June 2012	June 2017	2.88%	367	367
600 M EUR	March 2013	March 2019	2.50%	334	334
900 M EUR	February 2014	February 2021	2.63%	902	906
150 M CHF	June 2014	June 2022	1.75%	138	140
60 M EUR	December 2014	February 2022	1.68%	60	60
300 M PLN	June 2015	June 2020	2.76%	71	68
500 M EUR	September 2015	September 2023	2.38%	461	466
200 M PLN	July 2016	July 2021	2.69%	-	45
BONDS				2,582	2,635

Note 21.3 Analysis of long and short-term debt by maturity

At December 31, 2016, maturities of long and short-term debt before IFRS 5 were as follows:

(in millions of euros)	Dec. 2015	Dec. 2016
Year N + 1	110	749
Year N + 2	633	33
Year N + 3	16	401
Year N + 4	350	135
Year N + 5	119	993
Year N + 6	908	208
Beyond	719	533
LONG AND SHORT-TERM DEBT	2,855	3,052

The maturity profile of debt is one of the indicators used to assess the Group's liquidity position.

In this presentation, the fair value of derivative interest rate and currency hedges are classified as short term. Interest rate and currency hedges are analyzed by expiry date in Note 21.8 "Financial instruments". Foreign currency borrowings and investments are translated at year-end exchange rates.

December 2016 financial costs amount to €70 million. Future financial costs are estimated at €252 million for the period from January 2017 to January 2020 and €69 million thereafter.

2015 financial costs amounted to €64 million. Future financial costs are estimated at €253 million for the period from January 2016 to January 2019 and €85 million thereafter.

These estimates are based on the average cost of debt of the end of the period, after hedging. They have been determined by applying the assumption that no facilities will be rolled over at maturity.

Note 21.4 Analysis of long and short-term debt by currency before and after hedging

(in millions of euros)	Before hedging			After hedging		
	Amount	Rate	% of total debt	Amount	Rate	% of total debt
Euro	2,422	2.87%	87%	2,329	2.87%	84%
Swiss franc	149	1.73%	5%	199	1.73%	7%
Polish zloty	141	2.83%	5%	141	2.76%	5%
Japanese yen	-	0.00%	-	35	-0.06%	1%
Mauritian rupee	25	7.68%	1%	25	7.68%	1%
CFA franc	18	7.82%	1%	18	7.66%	1%
Other currencies	25	7.43%	1%	34	5.65%	1%
LONG AND SHORT-TERM DEBT	2,780	2.91%	100%	2,780	2.85%	100%

Note 21.5 Analysis of long and short-term debt by interest rate after hedging

At December 31, 2016, 85% of long and short-term debt was fixed rate, with an average rate of 2.93%, and 15% was variable rate, with an average rate of 2.39%.

At December 31, 2016, fixed rate debt was denominated primarily in EUR (86%), while variable rate debt was denominated mainly in euro (74%), in polish zloty (19%) and in Mauritian rupee (3%).

Note 21.6 Covenants

None of the loan agreements include any rating triggers. However, certain loan agreements include acceleration clauses that may be triggered in the event of a change of control, following the acquisition of more than 50% of outstanding voting rights. Of the overall gross debt of €2,780 million, a total of €2,636 million worth

is subject to such clauses. In the case of bonds, the acceleration clause can be triggered only if the change of control leads to AccorHotels' credit rating being downgraded to non-investment grade.

Note, however, that in the case of the syndicated loan renegotiated in June 2014, the acceleration clause can be triggered if AccorHotels does not comply with the leverage ratio covenant (consolidated net debt to consolidated EBITDA).

None of the loan agreements include a cross default clause requiring immediate repayment in the event of default on another facility. Cross acceleration clauses only concern loans for periods of at least three years; these clauses would be triggered solely for borrowings and only if material amounts were concerned.

Note 21.7 Unused confirmed credit line

At December 31, 2016, unused long-term committed line is amounting to €1,800 million, expiring in June 2019.

Note 21.8 Financial instruments

1. Currency hedges

The following tables analyzes the nominal amount of currency hedges by maturity and the carrying amount of these instruments in the statement of financial position, corresponding to their fair value, at December 31, 2016:

Currency swaps (in millions of euros)	Maturity 2017	Dec. 2016	
		Nominal amount	Fair value
Japanese yen	37	37	2
American dollar	60	60	2
British pound	7	7	(0)
Australian dollar	93	93	(1)
Polish zloty	9	9	0
Other currencies	4	4	(0)
CURRENCY HEDGING	210	210	3

For each currency, the nominal amount corresponds to the amount of currency sold or purchased forward. Fair value corresponds to the difference between the amount of the currency sold (purchased) and the amount of the currency purchased (sold), converted in both cases at the period-end forward exchange rate.

All the currency instruments purchased by the Group are designated and documented fair value hedges of intra-group loans.

At December 31, 2016, the total fair value of currency derivatives was €3 million, recorded in liabilities.

2. Interest rate hedges

The following table analyse the notional amount of interest rate hedges by maturity and the carrying amount of these instruments in the statement of financial position, corresponding to their fair value, at December 31, 2016:

(in millions of euros)	2016	2017	2018	Beyond	Dec. 2016	
					Nominal Amount	Fair Value
Rate swaps	-	-	-	721	721	17
Interest rate hedges	-	-	-	721	721	17

The “notional amount” corresponds to the amount covered by the interest rate hedge. “Fair value” corresponds to the amount that would be payable or receivable if the positions were unwound on the market.

The portfolio comprises:

- interest rate swaps converting interest on part of the Group’s bond debt to variable rate (fair value of the swap: €12 million);
- a cross-currency swap (fair value: €(0) million) converting EUR debt into CHF in addition to another CHF bond issue, matched by an intragroup loan for the same amount;

- interest rate swaps set up in connection with a future real estate finance lease (fair value: €(29) million).

Only the fixed-to-variable rate swaps on bond debt represent designated and documented fair value hedges.

At December 31, 2016, the total fair value of rates derivatives was €17 million, recorded in liabilities.

3. Fair value

3.1 Fair value of financial instruments

The carrying amount and fair value of financial instruments at December 31, 2016 are as follows:

(in millions of euros)	Dec. 2016 Reported	IFRS 5 Impact	Dec. 2016	Dec. 2016 Fair value
FINANCIAL LIABILITIES	2,908	(144)	3,052	3,247
Bonds ⁽¹⁾	2,635	-	2,635	2,830
Bank borrowings	67	(68)	135	135
Finance lease liabilities	1	(58)	59	59
Other financial liabilities	171	(17)	188	188
Derivative instruments – liabilities ⁽²⁾	34	(1)	35	35
FINANCIAL ASSETS	(1,226)	338	(1,564)	(1,565)
Money market securities	(1,110)	46	(1,156)	(1,157)
Cash	(59)	247	(306)	(306)
Other	(42)	45	(87)	(87)
Derivative instruments – assets ⁽²⁾	(15)	-	(15)	(15)
NET DEBT	1,682	194	1,488	1,682

(1) The fair value of listed bonds corresponds to their quoted market value on the Luxembourg Stock Exchange and on Bloomberg on the last day of the period (level 1 valuation technique according to IFRS 13).

(2) The fair value of forward foreign exchange contracts and interest rate and currency swaps corresponds to the market price that the Group would have to pay or receive to unwind these contracts (level 2 valuation technique according to IFRS 13).

3.2 Fair value of money market securities

The carrying amount and fair value of money market securities at December 31, 2016 are as follows:

<i>(in millions of euros)</i>	Dec. 2016	Dec. 2016 Fair value
Other negotiable debt securities	(720)	(720)
Mutual funds units convertible into cash in less than three months*	(436)	(437)
MONEY MARKET SECURITIES	(1,156)	(1,157)

* The fair value of mutual fund units corresponds to their net asset value (level 1 valuation technique according to IFRS 13).

NOTE 22 ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES

At December 31, 2016 <i>(in millions of euros)</i>	Breakdown by accounting category					Fair value for financial instruments recognized at fair value			
	Fair value through profit or loss	Assets held for sale	Loans, receivables and debts at amortized cost	Derivatives	Carrying amount	Level 1*	Level 2*	Level 3*	Fair value of the class
Loans			96		96				-
Other financial investments		106	65		171	21		85	106
Trade receivables			374		374				-
Receivables on disposals of assets			24		24				-
Cash and cash equivalents		434	735	15	1,184	437	15		452
ASSETS	-	540	1,294	15	1,849	458	15	85	558
Bonds			2,635		2,635				-
Bank borrowings			67		67				-
Finance lease liabilities			1		1				-
Trade payables			384		384				-
Other debts	34		171		205		34		34
LIABILITIES	34	-	3,258	-	3,292	-	34	-	34

* The fair value hierarchies have three levels: see Note 2.D. Fair value hierarchies are presented only for financial instruments measured at fair value. The methods used to measure the fair value of derivative instruments, mutual fund unit convertible into cash and bonds are described in Note 21. The method used to measure the fair value of investments in non-consolidated companies is described in Note 2.E.5.

At December 31, 2015 (in millions of euros)	Breakdown by accounting category					Fair value for financial instruments recognized at fair value			
	Fair value through profit or loss	Assets held for sale	Loans, receivables and debts at amortized cost	Other derivatives	Carrying amount	Level 1*	Level 2*	Level 3*	Fair value of the class
Loans			161		161				-
Other financial investments		100	90		191	58		42	100
Trade receivables			432		432				-
Receivables on disposals of assets			44		44				-
Cash and cash equivalents	4	1,266	1,689	4	2,963	1,268	8		1,276
ASSETS	4	1,366	2,416	4	3,790	1,326	8	42	1,376
Bonds			2,582		2,582				-
Bank borrowings			117		117				-
Finance lease liabilities			72		72				-
Trade payables			736		736				-
Other debts	15		69		84		15		15
LIABILITIES	15	-	3,576	-	3,592	-	15	-	15

* The fair value hierarchies have three levels: see Note 2.D. Fair value hierarchies are presented only for financial instruments measured at fair value. The methods used to measure the fair value of derivative instruments, mutual fund unit convertible into cash and bonds are described in Note 21. The method used to measure the fair value of investments in non-consolidated companies is described in Note 2.E.5.

NOTE 23 PROVISIONS

Movements in provisions between December 31, 2015 and December 31, 2016 can be analysed as follows:

(in millions of euros)	Dec. 2015	Equity impact	Increases	Utilizations	Reversals of unused provisions	Translation adjustment	Change in scope and reclassification	IFRS 5 reclass.	Dec. 2016
Provisions for pensions	120	5	25	(8)	(11)	1	14	(47)	100
Provisions for loyalty bonuses	19	-	3	(2)	(1)	0	8	(13)	14
Provisions for claims, litigations and others contingencies ⁽¹⁾	2	-	2	-	(2)	1	21	(5)	19
LONG-TERM PROVISIONS	142	5	30	(10)	(14)	2	43	(65)	133
Tax provisions	28	-	3	(4)	(0)	0	0	(4)	24
Restructuring provisions ⁽³⁾	17	-	89	(60)	(3)	1	32	(7)	70
Provisions for claims, litigations and others contingencies ⁽²⁾	128	-	35	(40)	(31)	(1)	2	(35)	57
SHORT-TERM PROVISIONS	173	-	127	(104)	(34)	0	34	(45)	151
o/w provisions associated with discontinued operations	112	3	34	(30)	(13)	-	4	(110)	-

(1) Long-term claims, litigations and others contingencies.

At December 31, 2016, provisions for long-term litigation and others mainly include provisions recognized as part of the acquisition of FRHI for €15 million (mainly relating to tax litigations existing at the date of the acquisition).

(2) Short-term claims, litigations and other contingencies.

At December 31, 2016, ordinary provisions for claims, litigations and others include:

- €31 million in provisions for sinister claims;
- €20 million in provisions for other contingencies;
- €6 million in provisions for employee-related claims.

At December 31, 2016, ordinary provisions for claims, litigations and other contingencies reclassified as held for sale amounted to €(35) million, of which €(8) million for employee-related claims.

(3) Restructuring provisions.

At December 31, 2016, restructuring provisions mainly include:

- €33 million on ongoing plan on Pullman Montparnasse;
- €22 million linked to the integration of FRHI Group.

Provisions for pensions and other post-employment benefits.

A. Description of the plans

Group employees receive various short-term benefits (paid vacation, paid sick leave and profit-shares), long-term benefits (long-service awards, long-term disability benefits, loyalty bonuses and seniority bonuses), as well as various post-employment benefits provided under defined contribution and defined benefit plans (length-of-service awards payable on retirement, pension benefits).

Short-term benefit obligations are recognized in the statements of financial position of the Group entities concerned.

Post-employment benefits are provided under either defined contribution or defined benefit plans.

Defined contribution plans

Obligations under these plans are funded by periodic contributions to external organizations that are responsible for the administrative and financial management of the plans. The external organization

is responsible for all benefit payments and the Group has no liability beyond the payment of contributions. Examples of defined contribution plans include the government-sponsored basic pension and supplementary pension (ARRCO/AGIRC) schemes in France and defined contribution pension schemes in other countries.

Contributions to these plans are recognized in the period to which they relate.

Defined benefit plans

Benefits paid under the Group's defined benefit plans are determined based on employees' years of service with the Group. The benefit obligation is generally funded by plan assets, with any unfunded portion recognized as a liability in the statement of financial position.

The value of the obligation recorded consists of an actuarial valuation performed according to the projected unit credit method. The method is described in Note 2.H.

At AccorHotels, the main post-employment defined benefit plans concern:

- length-of-service awards in France:
 - these are lump-sum payments made to employees on retirement. They are determined by reference to the employee's years of service and end-of-career salary,
 - the calculation is based on parameters defined by Corporate Finance and Human Resources once a year during the second half,
 - the related obligation is covered by a provision;
- length-of-service awards in Italy:
 - these are lump-sum payments made to employees on retirement. They are determined by reference to the employee's years of service, end-of-career salary, and whether they leave on their own initiative or on that of the Company,
- the related obligation is covered by a provision;
- pensions: the main defined benefit pension plans are for employees in FRHI (42% of the obligation), in France and in the Worldwide Structures (28% of the obligation), in the Netherlands (17% of the obligation), in Belgium (4% of the obligation) and in Germany (3% of the obligation). The plan in the Netherlands is closed to new participants and is fully funded, with the result that no provision has been recognized in the statement of financial position for this plan. Pension benefit obligations are determined by reference to employees' years of service and end-of-career salary. They are funded by payments to external organizations that are legally separate from AccorHotels Group. In the Worldwide Structures, the pension plan concerns senior executives. Pension rights are unvested and plan participants receive a regular pension, not a lump sum. In the Netherlands, the plan concerns all employees and provides for the payment of a lump sum to participants on retirement.

B. Actuarial assumptions

Actuarial valuations are based on a certain number of long-term parameters supplied by the Group, which are reviewed each year.

The main assumptions made by the Group to estimate the obligations at December 31, 2016 and at December 31, 2015 are as follows:

	France		Netherlands		Germany		Belgium		Switzerland		FRHI		Worldwide Structures			
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015		
Rate of future salary increases	3.0%	3.0%	1.0%	2.0%	1.5%	1.5%	2.8%	3.0%	1.0%	1.0%	3.0%	3.0%	- 4.3%	- 4.5%	3.0%	4.5%
Discount rate	1.5%	2.0%	1.5%	2.0%	1.5%	2.0%	1.5%	2.0%	0.5%	1.0%	2.3%	2.8%	- 3.5%	- 4.0%	2.8%	4.0%

The assumptions concerning the discount rate applied to calculate the present value of benefit obligations were determined based on the recommendations of independent experts. For subsidiaries located in the euro zone, the discount rate is determined based on the iBoxx Corporate AA 10+ euro zone index. For subsidiaries

outside the euro zone, the discount rate is based on an analysis of investment grade corporate bond yields in each region. The calculation method is designed to obtain a discount rate that is appropriate in light of the timing of cash flows under the plan. In all other cases, the discount rate is based on government bond rates.

C. Status of post-employment defined benefit plans

The amounts recognized in the balance sheet and the movements over the year are as follows:

<i>(in millions of euros)</i>	Defined benefit pension plans				
	Present value of obligation	Fair value of plan assets	Irrecoverable surplus impact	Net provision	Other benefits
SITUATION AT JANUARY 1, 2016	232	(112)	-	120	19
Current service cost	8	-	-	8	1
Interest (income)/ cost	5	(3)	-	2	0
(Gains) losses on curtailments/settlements	(9)	1	-	(8)	(0)
COST RECOGNIZED IN NET PROFIT OR LOSS - CONTINUING OPERATIONS	4	(3)	-	2	0
COST RECOGNIZED IN NET PROFIT OR LOSS - DISCONTINUED OPERATIONS	13	0	-	13	2
Expense for the period	(8)	8	-	(1)	(1)
Employer contributions for the period	-	(4)	-	(4)	-
Employee contributions for the period	0	(0)	-	-	-
BENEFITS PAID - CONTINUING OPERATIONS	(8)	3	-	(5)	(1)
BENEFITS PAID - DISCONTINUED OPERATIONS	(3)	(1)	-	(4)	(1)
Actuarial gains and losses related to experience adjustments	5	(5)	-	0	-
Actuarial gains and losses related to changes in demographic assumptions	0	-	-	0	-
Actuarial gains and losses related to changes in financial assumptions	1	-	-	1	-
Change in irrecoverable surplus (without net interest)	-	-	1	1	-
ACTUARIAL (GAINS) LOSSES - CONTINUING OPERATIONS	7	(5)	1	2	-
ACTUARIAL (GAINS) LOSSES - DISCONTINUED OPERATIONS	4	(1)	-	3	-
Scope changes	133	(127)	3	9	8
Exchange differences and Other	(6)	3	-	(3)	-
Impact of reclassification in discontinued operations	(69)	22	-	(46)	(13)
SITUATION AT DECEMBER 31, 2016	306	(219)	4	91	14

At December 31, 2016, net post-employment benefit liabilities comprised €100 million recorded under "Provisions" in the consolidated statement of financial position and €9 million recorded under "Other non-current assets" corresponding to surpluses on two pension plans. The surplus recognized is limited to the asset ceiling, determined as the present value of available future reductions in future contributions.

At December 31, 2016, pension obligations break down by region as follows:

<i>(in millions of euros)</i>	France	Netherlands	Germany	Belgium	Switzerland	FRHI	Worldwide Structures	Other countries	Total
Actuarial debt	5	53	10	12	5	130	85	7	306
(Fair value of plan assets)	-	(53)	(3)	(7)	(4)	(123)	(30)	(0)	(219)
Irrecoverable surplus	-	-	-	-	-	4	-	-	4
Funded status	5	-	8	5	1	11	55	7	91

The present value of unfunded obligation amounts to €29 million at December 31, 2016 (of which €15 million related to pensions and €14 million related to other benefits). At December 31, 2015 it amounted to €64 million (of which €45 million related to pensions and €19 million related to other benefits).

Detail of plan assets

The assets of insured defined benefit plans are invested in investment funds held by insurance companies in each of the countries concerned except for Worldwide Structures.

The following table shows the breakdown of these plan assets by country:

Detail of plan assets <i>(in millions of euros)</i>	Netherlands	Germany	Belgium	Switzerland	FRHI	Worldwide Structures	Total
Bonds	-	3	6	1	55	24	89
Real Estate	-	-	1	1	-	2	3
Shares	-	-	0	1	11	3	16
Liquidity	-	-	0	0	2	-	3
Insurance contracts	53	-	-	-	32	-	85
Other	-	-	0	0	22	1	23
VALUE OF PLAN ASSETS	53	3	7	4	123	30	219

The AccorHotels Group's pension obligations are funded under insured plans or by external funds. Plan assets therefore consist mainly of the classes of assets held in insurers' general portfolios managed according to conservative investment strategies. The expected long-term return on plan assets is matched to the discount rate.

Sensitivity analysis

At December 31, 2016, the sensitivity of provisions for pensions and other post-employment benefits to a change in discount rate is as follows: a 0.5 point increase in the discount rate would lead

to a €18 million reduction in the projected benefit obligation, a 0.5 point decrease in the discount rate would lead to a €19 million increase in the projected benefit obligation. The impact on the cost for the year would not be material.

At December 31, 2015, the sensitivity of provisions for pensions and other post-employment benefits to a change in discount rate is as follows: a 0.5 point increase in the discount rate would lead to a €13 million reduction in the projected benefit obligation, a 0.5 point decrease in the discount rate would lead to a €15 million increase in the projected benefit obligation. The impact on the cost for the year would not be material.

Expected cash flows

The following table shows expected cash outflows for the coming years, without taking account any cash inflows generated by plan assets:

Expected cash flows <i>(in millions of euros)</i>	France	Netherlands	Germany	Belgium	Switzerland	FRHI	Worldwide Structures	Other countries	Total
Expected benefits payment in 2017	0	2	0	0	0	7	2	1	13
Expected benefits payment in 2018	0	2	0	-	0	7	2	1	12
Expected benefits payment from 2018 to 2026	1	14	4	5	1	53	18	6	103
Expected contributions in 2017	-	-	0	0	0	2	-	-	2

NOTE 24 CHANGE IN WORKING CAPITAL

The change in Working Capital can be analyzed as follows:

<i>(in millions of euros)</i>	Dec. 2015	Dec. 2016	Variation
Inventories	37	8	(29)
Trade receivables	432	374	(57)
Other receivables and accruals	471	252	(218)
WORKING CAPITAL ASSETS	940	635	(305)
Trade payables	736	384	(352)
Other payables	1,012	587	(424)
WORKING CAPITAL LIABILITIES	1,748	971	(776)
NET WORKING CAPITAL	808	336	(471)

NET WORKING CAPITAL AS OF DECEMBER 31, 2015	808
Change in operating working capital	2
Change in operating working capital of discontinued operations	(90)
Working capital items included in development expenditure	49
Working capital items included in assets disposals and assets reclassified as held for sale	(0)
Translation adjustment	(3)
Change in provisions	4
Reclassifications	(33)
Working capital reclassifications - discontinued operations	(399)
NET CHANGE IN WORKING CAPITAL	(471)
NET WORKING CAPITAL AS OF DECEMBER 31, 2016	336

NOTE 25 RENOVATION AND MAINTENANCE AND DEVELOPMENT EXPENDITURE

The amounts reported under "Renovation and maintenance expenditure" correspond to capitalized costs for maintaining or improving the quality of assets held by the Group at the beginning of each period (January 1) as a condition of their continuing operation.

Development expenditure corresponds to the property, plant and equipment, and acquired net debt of newly consolidated companies and includes the purchase or construction of new assets and the exercise of call options under sale-and-leaseback transactions, as follows:

<i>(in millions of euros)</i>	2015*	2016
Renovation and maintenance expenditure	(72)	(137)
Development expenditure	(189)	(3,067)
RENOVATION AND MAINTENANCE AND DEVELOPMENT EXPENDITURE	(261)	(3,204)

* Restated amounts in application of IFRS 5.

At December 31, 2016, most important development expenditure concern:

- €2,466 million related to the acquisition of Fairmont Raffles Hotels International Group (FRHI);
- €154 million related to the acquisition of onefinestay;
- €155 million related to the acquisition of John Paul;
- €152 million related to the additional acquisition of 9% in Huazhu;
- €35 million related to the acquisition of a 30% stake in 25Hours;
- €29 million related to the buyback of two hotels in Hungary;
- €19 million related to the reimbursement of Risma bonds redeemable as shares;
- €14 million related to the acquisition of a 28% stake in Oasis collections and 49% stake in Squarebreak.

NOTE 26 CLAIMS AND LITIGATION

Note 26.1 Dividend withholding tax (précompte)

In 2002, Accor SA mounted a legal challenge to its obligation to pay "précompte" dividend withholding tax on the redistribution of European source dividends.

Until 2004, French parent companies were entitled to a 50% tax credit on dividends received from French subsidiaries, which could be set off against the "précompte" dividend withholding tax. However, no tax credit was attached to European source dividends. Accor SA contested this rule, on the grounds that it breached European Union rules.

In the dispute between Accor SA and the French State, on December 21, 2006 the Versailles Administrative Court ruled that Accor SA was entitled to a refund of the "précompte" dividend withholding tax paid in the period 1999 to 2001, in the amount of €156 million. The amount of €156 million was refunded to Accor SA during the first half of 2007, together with €36 million in late interest due by the French State. However, on March 8, 2007, the French State appealed the ruling before the Versailles Administrative Court of Appeal. The French State's appeal was rejected on May 20, 2008, thereby confirming Accor SA's right to the refund decided by the Versailles Administrative Court. As the State had not yet exhausted all avenues of appeal, a liability was recognized for the amounts received and the financial impact of the rulings by the Versailles Administrative Court and Court of Appeal was not recognized in the financial statements.

On July 3, 2009, the French Supreme Court of Appeal announced that it would postpone ruling on the French State's appeal and on August 4, 2009, it applied to the Court of Justice of the European Communities (ECJ) for a preliminary ruling on this issue. After reviewing the matter, the ECJ's final ruling was handed down on September 15, 2011. In this ruling, the ECJ held that the French précompte/tax credit system restricts the freedom of establishment and free movement of capital.

In its ruling handed down on December 10, 2012, the French Supreme Court of Appeal considered that the dividend tax credit and précompte withholding tax systems had been shown to be incompatible. However, the Court also considered that the amount to be refunded was subject to strict rules which, to all intents and purposes, restricted Accor SA's right to a refund. Accordingly, the Court found that Accor SA was entitled to only approximately €6 million of the €156 million in principal already refunded. In addition to the €150 million to be returned to the French State, Accor SA was also required to repay the late interest received in 2007, amounting to approximately €36 million, less the portion related to the retained refund of €6 million. In all, €185 million in principal and interest was repaid to the French State during first-half 2013.

In the 2012 financial statements, the €6 million "précompte" dividend withholding tax refunded to Accor SA and not repayable to the French State was credited to a reserve account. The estimated €1 million in late interest received on this amount was considered as offsetting the early payment of tax, and was therefore recorded as a tax benefit in the income statement. AccorHotels has noted the Supreme Court of Appeal's decision and intends to continue to use the avenues available to it to defend its position in the dispute with the French tax authorities.

On February 7, 2007, Accor SA filed an application originating proceedings before the Cergy-Pontoise Court on the same grounds, to obtain a refund of the €187 million in "précompte"

dividend withholding tax paid in the period 2002 to 2004. In a ruling handed down on May 27, 2014, the Cergy-Pontoise Court applied the restrictive principles governing the calculation of refunds described by the French Supreme Court of Appeal (*Conseil d'État*) in a decision dated December 10, 2012. In line with these principles, the Court found that Accor SA was entitled to a refund of €7 million in respect of the "précompte" dividend withholding tax for the years 2002, 2003 and 2004 together with interest of €3 million. These amounts are recorded in the statement of financial position since June 30, 2014, as Accor SA appealed the decision before the Versailles Administrative Court of Appeal on July 23, 2014 and the ruling is therefore not final.

Note 26.2 Tax audit at Accor SA

A tax audit is currently in progress at Accor SA. On December 26, 2013, the tax authorities notified the Company of proposed adjustments to its 2010 and 2011 accounts. The proposal was timed to interrupt the statute of limitations that was due to expire for claims by the tax authorities on December 31, 2013 and December 31, 2014. The tax authorities have not yet provided any indication of the financial consequences of the proposed adjustments for the tax group of which Accor SA is the filing entity, but the total risk including late interest is estimated at €30 million.

The tax authorities were challenging the independent valuation of the Accor Services brands that was used by Accor SA to calculate the taxable capital gain on the brands contributed at the time of the Group's demerger in 2010. They have also queried the alleged waiver by Accor SA of income due by its wholly-owned Brazilian subsidiary, Hotelaria Accor Brasil S.A., which they say had corporate income tax and withholding tax implications. This represents a relatively minor risk.

Accor SA wrote to the tax authorities in February 2014 and December 2014 contesting the proposed adjustments, but has nevertheless recorded a contingency provision of €15 million in its 2014 financial statements. Following an appeal to the department head, on July 21, 2015 the tax authorities dropped the reassessment of the taxable capital gain on the brands contributed at the time of the Group's demerger in 2010 but maintained the reassessment concerning the alleged waiver of income from its Brazilian subsidiary, Hotelaria Accor Brasil S.A. This led to a reduction in back taxes due as a result of the reassessments, from €30 million to €8 million (including late interests), of which €4 million paid to the tax authorities in 2015 and the outstanding amount in 2016. As a consequence, the contingency provision reduced to €4 million at December 31, 2015 has been fully reversed in 2016.

Note 26.3 Other claims and litigation

In the normal course of its business, the Group is exposed to claims, litigations and proceedings that may be in progress, pending or threatened. The Company believes that these claims, litigations and proceedings have not and will not give rise to any material costs at Group level and have not and will not have a material adverse effect on the Group's financial position, business and/or results of operations.

NOTE 27 OFF-BALANCE SHEET COMMITMENTS

Note 27.1 Off-balance sheets commitments given

Off-balance sheet commitments (which are not discounted) given at December 31, 2016 break down as follows:

<i>(in millions of euros)</i>	Less than 1 year	1 to 5 years	Beyond 5 years	Total
Security interests given on assets ⁽¹⁾	-	81	-	81
Purchase commitments ⁽²⁾	107	1	1	109
Capex Commitments	10	4	-	14
Loan guarantees given ⁽³⁾	86	223	266	575
Commitments given in the normal course of business	27	43	12	82
Contingent liabilities	-	1	-	1
OFF-BALANCE SHEETS COMMITMENTS GIVEN	230	354	279	863

- (1) Security interests given on assets correspond to pledges and mortgages valued at the net book value of the underlying assets.
- In connection with the bond issue carried out in Poland in June, 2015, assets worth €48 million have been mortgaged in favor of the bank. The amount of the mortgage corresponds to the carrying amount of two hotel properties, Warszawa Centrum Novotel and Warszawa Centrum Mercure. This mortgage amounted to €42 million at December 31, 2016.
 - In connection with the transfer by AccorHotels to Orbis of the management of its Central European operations, a facility agreement was signed with a bank. Drawdowns on this facility are secured by a €43 million mortgage. The amount of the mortgage corresponds to the carrying amount of two hotel properties, Warszawa Grand Mercure and Warsaw Victoria Sofitel. They represented €39 million at December 31, 2016.
- (2) In connection with property development projects:
- The Group is committed to acquiring five hotel Kft., owner of five hotels in Hungary, for €70 million,
 - The Group is also committed to acquiring a 50% stake in a management company (NewCo) located in the Netherlands and owner of Rixos and several management contracts for €36 million.
- (3) Other guarantees that increase debt mainly include rent guarantees for the headquarters buildings in the amount of €282 million (€200 million discounted at 7%) and for the first time at December 31, 2016, rent guarantees for hotels related to continued activities (Orbis, etc.) in the amount of €244 million (€169 million discounted at 7%).

Off-balance sheet commitments given related to discontinued activities are not presented in the table above. These commitments amounted to €3,345 million at December 31, 2016, including commitments for the payment of hotel rents for €3,057 million (€1,974 million discounted at 7%), purchase commitments for €89 million, security interests given on assets for €71 million, renovation commitments for €70 million and commitments given in the normal course of business for €33 million.

The Group commits in most of the cases to spend a specified amount on hotel maintenance, generally expressed as a percentage

of revenue. These commitments are not included in the above table due to the difficulty of estimating the amounts involved.

From time to time the Group may also issue performance guarantees to the owners of managed hotels. The guarantee may include a clawback clause applicable if the hotel's performance improves in subsequent years.

To the best of the Group's knowledge and in accordance with generally accepted accounting principles, no commitments given have been omitted from the above list.

Note 27.2 Off-balance sheet commitments received

Off-balance sheet commitments (not discounted) received at December 31, 2016 break down as follows:

<i>(in millions of euros)</i>	Less than 1 year	1 to 5 years	Beyond 5 years	Total
Other guarantees received in the normal course of business	0	0	16	17
OFF-BALANCE SHEET COMMITMENTS RECEIVED	0	0	16	17

At December 31, 2016, off-balance sheet commitments received regarding discontinued operations amount to €60 million and mainly concern guarantees received in the normal course of the business for €41 million.

Purchase options under finance leases are not included in this table.

NOTE 28 MAIN CONSOLIDATED COMPANIES

The main subsidiaries and associates represent 98% of consolidated revenue, 98% of EBITDAR and 87% of EBIT. The other subsidiaries and associates represent individually less than 0.07% of these aggregates.

To the best of the Group's knowledge, there are no material restrictions on the use and sale by AccorHotels of the assets of subsidiaries controlled by the Group.

ACCOR SA

				HOSPITALITY					
France				Société Commerciale des Hôtels Économiques (SCHE)					
Golfe d'Ajaccio	France	IG	100.00%	France	IG	99.96%			
Société Hôtelière du Forum	France	IG	100.00%	France	IG	100.00%			
Sofitel Luxury Hotels France	France	IG	100.00%	Ibis Budget	France	IG	96.00%		
Ibis Styles Hotels	France	IG	100.00%	Société d'Étude et de Promotion Hôtelière International (SEPHI)			France	IG	100.00%
Sté Padacrina	France	IG	100.00%	Accor Redevances France	France	IG	100.00%		
Snc Nmp France	France	IG	100.00%	Mer & Montagne	France	IG	100.00%		
Sté Hôtelière 61 Quai de Grenelle	France	IG	100.00%	NCEE					
Pradotel	France	IG	100.00%	Accorhotels Germany GMBH	Germany	IG	100.00%		
Sté du Domaine de Marlioz et Extensions	France	IG	100.00%	Accor Uk Business & Leisure	United Kingdom	IG	100.00%		
Paris Porte de Saint Cloud	France	IG	100.00%	Accor Uk Economy Hotels Ltd			United Kingdom	IG	100.00%
SHORET	France	IG	100.00%	Accor Hospitality Nederland N.v.			The Netherlands	IG	100.00%
Montreuilloise	France	IG	100.00%	Orbis	Poland	IG	52.69%		
Varoise SHTCV	France	IG	94.91%	Accor Hotels Belgium	Belgium	IG	100.00%		
Cie Etap Hôtel Bagnolet	France	IG	96.00%	Accor Gestion Hôtelière & Services Sa			Switzerland	IG	100.00%
Sté Porte Montreuil	France	IG	99.96%	Accor Hotelbetriebs GMBH	Austria	IG	100.00%		
Sigest 1	France	IG	100.00%	Accor - Pannonia Hotels ZRT	Hungary	IG	99.94%		
Sté Exploitation Hôtel Monégasque (SEHM)	Monaco	IG	100.00%	Hekon-Hotele Ekonomiczne	Poland	IG	52.69%		
Gestal	France	IG	96.00%	Katerinska Hotel Jur	Czech Republic	IG	100.00%		
Académie France	France	IG	100.00%	Berne Messe	Switzerland	IG	60.00%		
Sté Hôtelière Paris Eiffel Suffren	France	IG	75.00%	Accor Hotels Romania	Romania	IG	100.00%		
Paris Clichy	France	IG	100.00%	Russian Management Hotel Company LLC			Russia	IG	100.00%
Sh Défense Grande Arche	France	IG	100.00%	Société d'Exploitation Hôtelière			Switzerland	IG	99.77%
Frhi France	France	IG	100.00%	Accor Hotels Luxembourg	Luxembourg	IG	100.00%		
Exhotel	France	IG	100.00%	Frhi Ner	Switzerland	IG	100.00%		
Compagnie Toulonnaise d'Investissements et de Développement	France	IG	100.00%	Accor Pannonia Slovakia S.r.o	Slovakia	IG	99.94%		
SOGECA	France	IG	100.00%	Uab Hekon	Lithuania	IG	52.69%		
Société de Management Intermarques	France	IG	100.00%	Accor Ahs	Sweden	IG	100.00%		
Société Hôtelière de Montparnasse (SHDM)	France	IG	100.00%	Moshotel	Russia	IG	100.00%		
Thalamer	France	IG	100.00%	Balhotel	Switzerland	IG	70.00%		
Société Hôtelière d'Exploitation Économique (HOTEXCO)	France	IG	100.00%	Groen Brugge Hotel	Belgium	IG	100.00%		
Compagnie Etap Hôtel Roissy	France	IG	96.00%	ASAPAC					
Snc Exploitation Hôtels Suitehotel	France	IG	100.00%	Accor Asia Pacific Corp.	New Zealand	IG	100.00%		
Sté Hot Exploitation Marseille	France	IG	100.00%	Frhi Aspac	Singapore	IG	100.00%		
Ecotel	France	IG	99.45%	Aapc India Hotel Management Private Hs			India	IG	70.00%
Société Hôtelière Toulouse Centre	France	IG	51.44%	Aapc Properties Pty Ltd	Australia	IG	100.00%		
Shnm	France	IG	100.00%						

ACCOR SA

Americas

Hotelaria Accor Brasil Sa	Brazil	IG	100.00%
Frhi North & Central America & Caribbean	Canada	IG	100.00%
Posadas Do Brasil	Brazil	IG	100.00%
Hotelaria Accor Brasil	Brazil	IG	100.00%
Si Hotelera De Mexico Jur	Mexico	IG	100.00%
Accor Hospitality Arg SA	Argentina	IG	100.00%
Accor Chile	Chile	IG	100.00%
Sofitel Support Usa Hi	USA	IG	100.00%
Hotel Santa Clara	Colombia	IG	62.00%
Caesar Park Argentina	Argentina	IG	100.00%
Sociedad de Desarrollo De Hoteles Peruanos S.a (Sdhp)	Peru	IG	100.00%
Accor Business and Leisure North America	USA	IG	100.00%
Accor Canada Inc	Canada	IG	100.00%
Sociedad Inmobiliaria y de Hoteles Larcomar (Sihlsa)	Peru	IG	100.00%
Posadas de Chile	Chile	IG	100.00%
Sogedetu	Dominican Republic	IG	100.00%

MMEA

Accor Hoteles España S.a.	Spain	IG	100.00%
Accor Hospitality Italia Srl	Italy	IG	100.00%
Portis - Hotéis Portugueses, S.a.	Portugal	IG	100.00%
Accor Hotel Sae	Egypt	IG	99.78%
Tamaris Turizm Try	Turkey	IG	100.00%
Frhi Mmea	United Arab Emirates	IG	100.00%
Saudi French Company Hotel MGT	Saudi Arabia	IG	99.98%
Accor Gestion Maroc	Morocco	IG	77.99%
Société Hôtelière Barachois	Senegal	IG	90.58%
Sté Hôtelière La Lagune	Ivory Coast	IG	100.00%
Upsite - Investimentos Hoteleiros, S.a.	Portugal	IG	100.00%
Société Abidjanaise d'Hôtellerie	Ivory Coast	IG	99.99%
Belle Rivière Hôtel (BRH)	Mauritius	IG	100.00%
Sté Hôtelière Athènes Centre	Greece	IG	100.00%
Cie Hôtelière Plateau Abidjan	Ivory Coast	IG	90.85%
El Gezirah Hotels Tourism CY	Egypt	IG	65.71%
Sté Hôtelière de L'autoroute (SHA)	Ivory Coast	IG	94.70%
Pierre Loti S.a	Cameroon	IG	100.00%
Hotel Union Pullman	Senegal	IG	100.00%

OTHER SERVICES

MAMA SHELTER	France	MEE	36.60%
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COMPAGNIE INTERNATIONALE DES WAGONS LITS & DU TOURISME* - BELGIUM

Treno*	Italie	Asset held for sale	99.77%
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* These entities are not held directly by Accor SA

IG : fully consolidated.

MEE : accounted by the equity method.

The percentages correspond to the Group's percentage interest.

NOTE 29 RELATED PARTY TRANSACTIONS

For the purpose of applying IAS 24, the Group has identified the following related parties:

- all fully consolidated companies and all associated companies accounted for by the equity method;
- all members of the Executive Committee and the Board of Directors and the members of their direct families;
- all companies in which a member of the Executive Committee or the Board of Directors holds material voting rights;
- companies that exercise significant influence over AccorHotels in accordance with IAS 28, and companies fully or jointly controlled by a company that exercises significant influence over AccorHotels.

Fully consolidated companies and all associated companies accounted for by the equity method

Relationships between the parent company and its subsidiaries, joint ventures and associates are presented in Note 28. Transactions between the parent company and its subsidiaries - which constitute related party transactions - are eliminated in consolidation and are therefore not disclosed in these notes. Transactions between the parent company and its joint ventures and associates were not material in 2015 and 2016.

Members of the Executive Committee and the Board of Directors

Transactions with members of the Executive Committee and Board of Directors are disclosed in full in Note 30. Commitments towards members of the Executive Committee and the Board of Directors, and direct or indirect agreements with one or several Board members not entered into on arm's length terms in the normal course of business are described in the Auditors' special report on related party agreements included in the 2016 Registration Document.

Companies in which a member of the Executive Committee or the Board of Directors holds material voting rights

All transactions with companies in which a member of the Executive Committee or the Board of Directors holds material voting rights are conducted in the normal course of business on arm's length terms and are not material. Any agreements that did not fulfill this criterion would be discussed in the Statutory Auditors' special report on related-party agreements and commitments.

Companies that exercise significant influence over AccorHotels

At December 31, 2016, Colony Capital and Eurazeo, acting in concert, together exercise significant influence over AccorHotels through their shareholders' pact.

During the first half of 2016, in connection with the sale of a portfolio of 85 hotels in Europe to Grape Hospitality, a company controlled by Eurazeo that is accounted for by the equity method in the Group's consolidated financial statements on a 30% basis (see Note 3), a related party agreement was signed with Eurazeo providing for:

- the subscription by Accor, either directly or indirectly, of a 30% interest in the share capital of Grape Hospitality Holding;
- the signature of a shareholders' agreement between Accor and Eurazeo as shareholders of Grape Hospitality Holding;
- the sale by Accor of 85 hotels to Grape Hospitality Holding;
- the signature of franchise agreements for the ongoing operation under AccorHotels brands of the hotels sold;
- a letter of guarantee from Accor that the Accor subsidiaries party to the framework agreement will comply with their obligations thereunder.

An agreement with a Colony Group company concluded on a previous period is discussed in the Statutory Auditors' special report on related-party agreements and commitments.

Furthermore, in the frame of the acquisition of Fairmont Raffles Hotels International Group (FRHI), the vendors Qatar Investment Authority (QIA) and Kingdom Holding Company of Saudi Arabia (KHC) respectively got 10.36% and 5.79% in Accor SA's share capital (representing 9.38% and 5.25% of the voting rights). QIA also has two members in the Board of Directors of Accor SA, whereas KHC has one. At December 31, 2016, these two companies exercise significant influence over AccorHotels regarding IAS 28.

NOTE 30 CORPORATE OFFICER'S COMPENSATION

<i>(in millions of euros)</i>	2015		2016	
	Expenses	Balance sheet amount	Expenses	Balance sheet amount
Short-term benefits received	16	9	16	7
Post-employment benefits	3	17	3	23
Compensation for loss of office	2	-	2	-
Share-based payments	4	-	4	-
COMPENSATION	24	27	25	30

Corporate officers are defined as members of the Executive Committee which had thirteen members at the end of December 31, 2016 and December 31, 2015 and the Board of Directors.

The compensation data for corporate officers presented above includes all the different forms of compensation received by the members of the Executive Committee.

Members of the Board of Directors do not receive any compensation and receive only attendance fees. Attendance fees paid by the Group to the members of the Supervisory Board for 2016 amounted to €1,120,000.

NOTE 31 FEES PAID TO THE AUDITORS

The table below shows the total fees billed by the Auditors recognized in the total Group income statements in 2016 and prior year.

<i>(in millions of euros)</i>	2015	2016
Fees related to certification of accounts	(8)	(9)
Fees for services other than certification of accounts	(2)	(4)
FEES BILLED BY THE AUDITORS	(10)	(13)

NOTE 32 SUBSEQUENT EVENTS

A. Bond issue

On January 18, 2017, AccorHotels successfully set the terms of a 7 year bond issue for an amount of €600 million with an annual coupon of 1.25%. With this issue, AccorHotels took advantage of the favorable conditions on the credit market to optimize its average cost of debt and extend the average maturity.

B. Exclusive negotiations to acquire Travel Keys

On February 5, 2017, AccorHotels announced it has begun exclusive negotiations for the acquisition of 100% of Travel Keys, one of the leading players in the private vacation rental market.

Founded in 1991, Travel Keys is an elite travel broker representing a luxury collection of over 5,000 highly curated villas across more than 100 destinations across the Caribbean, Mexico, Hawaii & the United States, Europe, Asia and Africa. A pioneer in the industry, the Atlanta-based company focuses on guest satisfaction, offering professional vacation planning and 24/7 concierge services.

The combination of Travel Keys with onefinestay and Squarebreak will provide AccorHotels with a unique offering of about 8,500 addresses in the luxury private rental market, with highly curated properties in both the vacation & urban segments.

The transaction is expected to close over the second quarter of 2017 after customary due diligence.

C. Change in share capital

On January 31, 2017, Colony Capital disclosed that it had sold the 10,395,214 shares making up its entire interest in AccorHotels and that it no longer held any shares or voting rights. The concert group between Colony Capital and Eurazeo therefore ceased to exist as of that date. Eurazeo continues to hold 4.28% of AccorHotels' capital and 7.71% of the voting rights.

NOTE 33 RESTATEMENT OF COMPARATIVE INFORMATION

As mentioned in Note 1, the profit and cash flows attributable to the HotelInvest business under the process of being sold are presented separately as discontinued operations in the 2016 consolidated financial statements. In application of IFRS 5, the comparative financial statements for 2015 have been restated on the same basis. The impact of these restatements on the 2015 consolidated financial statements is presented below.

Note 33.1 Restated consolidated income statement

<i>(in millions of euros)</i>	Year ended December 31, 2015		
	Reported	IFRS 5 impacts	Restated
CONSOLIDATED REVENUE	5,581	(4,213)	1,368
Operating expense	(3,801)	2,997	(805)
EBITDAR	1,780	(1,216)	564
Rental expense	(794)	680	(114)
EBITDA	986	(536)	450
Depreciation, amortization and provision expense	(321)	241	(80)
EBIT	665	(295)	370
Net financial expense	(71)	1	(70)
Share of profit of associates after tax	10	(3)	8
OPERATING PROFIT BEFORE TAX & NON RECURRING ITEMS INCL. FINANCIAL RESULT	605	(297)	308
Non-recurring income and expense	(197)	104	(93)
OPERATING PROFIT BEFORE TAX INCLUDING FINANCIAL RESULT	408	(194)	215
Income tax expense	(136)	76	(59)
PROFIT FROM CONTINUING OPERATIONS	273	(117)	155
Net profit or Loss from discontinued operations	(1)	117	116
NET PROFIT OR LOSS	271	(0)	271
Net Profit, Group share from continuing operations	246	(112)	134
Net Profit or Loss, Group share from discontinued operations	(1)	112	110
Net Profit or Loss, Group share	244	(0)	244
Net Profit, Minority interests from continuing operations	27	(6)	21
Net Profit or Loss, Minority interests from discontinued operations	-	6	6
Net Profit, Minority interests	27	0	27
Weighted average number of shares outstanding <i>(in thousands)</i>	234,387	0	234,387
Earnings per share <i>(in euro)</i>	0.88	-	0.88
Diluted earnings per share <i>(in euro)</i>	0.88	(0.00)	0.88

<i>(in millions of euros)</i>	Year ended December 31, 2015		
	Reported	IFRS 5	Restated
NET PROFIT OR LOSS	271	-	271
Currency translation adjustment	(3)	15	12
Effective portion of gains and losses on hedging instruments in a cash flow hedge	(3)	-	(3)
Change in fair value resulting from available-for-sale financial assets	12	-	12
Other comprehensive income arising from discontinued operations	-	(15)	(15)
Comprehensive income that will be reclassified subsequently to profit or loss	6	-	6
Actuarial gains and losses on defined benefit plans	(9)	-	(9)
Other comprehensive income arising from discontinued operations	-	(0)	(0)
Comprehensive income that will never be reclassified subsequently to profit or loss	(9)	-	(9)
Comprehensive income, net of tax	(3)	-	(3)
PROFIT OR LOSS	268	-	268
Profit or loss, Group share	241	-	241
Profit or loss, Minority interests	27	-	27

Note 33.2 Restated cash flow statement

<i>(in millions of euros)</i>	Year ended December 31, 2015		
	Reported	IFRS 5 impacts	Restated
+ EBITDA	986	(536)	450
+ Cost of net debt*	(71)	1	(70)
+ Income tax expense	(171)	93	(78)
- Non cash revenue and expense included in EBITDA	21	(5)	16
- Elimination of provision movements included in net financial expense and non-recurring taxes	35	(22)	13
+ Dividends received from associates	16	(1)	15
+ Impact of discontinued operations	(2)	471	469
= FUNDS FROM OPERATIONS EXCLUDING NON-RECURRING TRANSACTIONS	814	(0)	814
+ Decrease (increase) in operating working capital	72	(11)	60
+ Impact of discontinued operations	(0)	11	11
= NET CASH FROM OPERATING ACTIVITIES	886	0	886
+ Cash received (paid) on non-recurring transactions (included restructuring costs and non-recurring taxes)*	(101)	32	(69)
+ Impact of discontinued operations	-	(32)	(32)
= NET CASH FROM OPERATING ACTIVITIES INCLUDING NON-RECURRING TRANSACTIONS (A)	785	(0)	785
- Renovation and maintenance expenditure	(269)	197	(72)
- Development expenditure	(366)	177	(189)
+ Proceeds from disposals of assets	356	(321)	35
+ Impact of discontinued operations	1	(54)	(53)
= NET CASH USED IN INVESTMENTS/DIVESTMENTS (B)	(280)	(0)	(280)
+ Proceeds from issue of share capital	52	0	52
- Dividends paid	(174)	3	(171)
- Hybrid capital dividend payment	(37)	-	(37)
- Repayment of long-term debt	(688)	4	(684)
- Payment of finance lease liabilities	(8)	8	-
+ New long term debt	673	(16)	657
= INCREASE (DECREASE) IN LONG-TERM DEBT	(23)	(4)	(27)
+ Increase (decrease) in short-term debt	(47)	26	(21)
+ Impact of discontinued operations	-	(26)	(26)
= NET CASH FROM FINANCING ACTIVITIES (C)	(230)	0	(230)
+ Effect of changes in exchange rates (D)	(10)	12	2
+ Effect of changes in exchange rates on discontinued operations (D)	-	(12)	(12)
= NET CHANGE IN CASH AND CASH EQUIVALENTS (E) = (A) + (B) + (C) + (D)	266	(1)	266
- Cash and cash equivalents at beginning of period	2,677	0	2,677
- Net change in cash and cash equivalents for discontinued operations	1	(0)	1
+ Cash and cash equivalents at end of period	2,944	(0)	2,944
= NET CHANGE IN CASH AND CASH EQUIVALENTS	266	(0)	266

* To facilitate readability, net financial expense is now broken out between cost of net debt (included in "Funds from operations excluding non-recurring transactions") and other financial income and expenses, net (reported under "Cash received (paid) on non-recurring transactions"). Both components continue to be included in "Net cash from operating activities including non-recurring transactions".

5.3 STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

Year ended December 31, 2016

This is a free translation into English of the statutory auditors' report issued in French and is provided solely for the convenience of English speaking users. The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the financial statements. This report should be read in conjunction and construed in accordance with French law and professional auditing standards applicable in France.

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting, we hereby report to you, for the year ended December 31, 2016 on:

- the audit of the accompanying financial statements of ACCOR;
- the justification of our assessments;
- the specific verification and information required by law.

These financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

I. OPINION ON THE FINANCIAL STATEMENTS

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and the financial position of the Company as of December 31, 2016 and of the results of its operations for the year then ended in accordance with French generally accepted accounting principles.

II. JUSTIFICATION OF OUR ASSESSMENTS

In accordance with the requirements of Article L. 823-9 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

- Note 1.c to the financial statements sets out the accounting policies and methods used to value shares in subsidiaries and affiliates and other long-term investments. We have verified the appropriateness of these accounting policies and methods and of the related disclosures in the notes to the financial statements. We have also examined the consistency of the data and assumptions used and the supporting documentation provided, and on these bases have assessed the reasonableness of the estimates made.

These assessments were made as part of our audit of the financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III. SPECIFIC PROCEDURES AND DISCLOSURES

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of Board of Directors and in the documents addressed to shareholders with respect to the financial position and the financial statements.

Concerning the information given in accordance with the requirements of Article L. 225-102-1 of the French Commercial Code (*Code de commerce*) relating to remunerations and benefits received by the directors and any other commitments made in their favor, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your company from companies controlling your company or controlled by it. Based on this work, we attest the accuracy and fair presentation of this information.

In accordance with French law, we have verified that the management report contains the appropriate disclosures as to the acquisition of equity and controlling interests, and the identity of shareholders and holders of voting rights.

Paris-La Défense and Neuilly-sur-Seine, March 22, 2017

The Statutory Auditors

ERNST & YOUNG et Autres
Jacques Pierres

DELOITTE & ASSOCIÉS
David Dupont-Noel Guillaume Crunelle

5.4 PARENT COMPANY FINANCIAL STATEMENTS AND NOTES

5.4.1 2016 BALANCE SHEET

ASSETS

<i>(in millions of euros)</i>	Notes	Net Value at Dec. 31, 2015	Net Value at Dec. 31, 2016
Licenses, trademarks and rights of use	(2-3-4)	87	94
Networks	(2-3-4-7)	19	14
Other intangible assets	(2)	29	52
INTANGIBLE ASSETS		135	160
Land	(2-4)	4	4
Buildings	(2-3-4)	29	26
Machinery and equipment	(2-4)	3	5
Other	(2-4)	27	31
Assets under construction	(2)	6	3
Prepayments to suppliers of property and equipment	(2)	0	0
PROPERTY AND EQUIPMENT		69	69
Shares in subsidiaries and affiliates	(2-6-7-19)	4,296	7,114
Loans and advances to subsidiaries and affiliates	(2-7-11-18-19)	296	333
Other investment securities	(2-6-7-19)	33	13
Other loans	(2-7-11-18)	15	1
Other investments	(2-7-18)	49	32
INVESTMENTS		4,689	7,493
Fixed assets		4,893	7,722
Prepayments to suppliers	(5)	12	9
Trade receivables	(5-7-11-18-19)	292	265
Other receivables	(5-7-11-18-19)	386	579
Marketable securities	(8-11)	1,811	659
Cash and cash equivalents	(11)	1,142	478
Current assets		3,643	1,990
<i>Accruals and other assets</i>			
Prepaid expenses	(9-18)	7	7
Deferred charges	(9)	54	45
Bond redemption premiums		1	1
Unrealized foreign exchange losses	(10)	24	31
Accruals and other assets		86	84
ASSETS	(1)	8,622	9,796

LIABILITIES AND EQUITY

<i>(in millions of euros)</i>	Notes	Net Value at Dec. 31, 2015	Net Value at Dec. 31, 2016
Share capital	(13-14)	706	854
Additional paid-in capital	(13-14)	1,104	2,612
Legal reserve	(13)	69	71
Untaxed reserves	(13)	9	9
Other reserves	(13-14)	13	11
Retained earnings	(13)	17	-
Net profit for the year	(13)	130	(9)
Untaxed provisions	(7-13)	8	8
Shareholders' equity		2,056	3,556
Proceeds from issue of non-voting securities (perpetual hybrid bonds)	(15)	894	894
Other equity		894	894
Provisions for contingencies	(7)	53	49
Provisions for charges	(7)	98	79
Provisions for contingencies and charges		151	128
Other bonds	(12-16-17)	2,593	2,594
Bank borrowings	(12-17)	481	306
Other borrowings	(12-17-19)	2,058	1,928
Trade payables	(12-17-19)	251	254
Accrued taxes and payroll costs	(12-17-24)	91	80
Due to suppliers of fixed assets	(17)	11	10
Other payables	(12-17)	10	14
Liabilities		5,495	5,186
Deferred income	(9-17)	3	-
Unrealized foreign exchange gains	(10)	23	32
Accruals and other liabilities		26	32
LIABILITIES AND EQUITY	(1)	8,622	9,796

5.4.2 2016 INCOME STATEMENT

<i>(in millions of euros)</i>	Notes	2015	2016
Sales of goods and services		881	895
NET REVENUE	(20)	881	895
Own work capitalized		33	45
Reversals of depreciation, amortization and provisions and expense transfers		22	20
Other income		-	0
Operating income		936	960
Purchases of goods for resale		0	0
Purchases of raw materials and supplies		0	0
Other purchases and external charges		710	786
Taxes other than on income		12	13
Wages and salaries	(21)	93	107
Payroll taxes		45	47
Depreciation, amortization and provision expense			
■ Depreciation and amortization of fixed assets	(4)	37	45
■ Additions to provisions for fixed assets		0	0
■ Additions to provisions for current assets		2	2
■ Additions to provisions for contingencies and charges		25	16
Other expenses	(21)	3	4
Operating expenses		927	1,020
OPERATING PROFIT		9	(60)
Share of profits from non-managed joint ventures or transferred losses of managed joint ventures		-	-
Share of losses of non-managed joint ventures and transferred profits from managed joint ventures		-	-
Joint ventures			
Income from investments in subsidiaries and affiliates	(19)	220	142
Income from investment securities and long-term loans		1	-
Other interest income	(19)	25	20
Provision reversals and expense transfers		136	74
Foreign exchange gains		48	31
Financial income		430	267
Amortization and provisions - financial assets		157	64
Interest expense	(19)	182	146
Foreign exchange losses		47	28
Financial expenses		386	238
NET FINANCIAL INCOME	(22)	44	29
RECURRING INCOME (EXPENSE) BEFORE TAX		53	(31)

<i>(in millions of euros)</i>	Notes	2015	2016
Non-recurring income from revenue transactions		21	0
Non-recurring income from capital transactions		95	119
Exceptional provision reversals and expense transfers		25	884
Non-recurring income		141	1,003
Non-recurring expenses on revenue transactions		11	27
Non-recurring expenses on capital transactions		49	973
Exceptional additions to depreciation, amortization and provisions		24	5
Non-recurring expenses		84	1,005
NET NON-RECURRING INCOME (EXPENSE)	(23)	(57)	(2)
Income tax expense	(24)	(20)	(24)
TOTAL INCOME		1,507	2,230
TOTAL EXPENSES		1,377	2,239
NET PROFIT (LOSS)		130	(9)

The financial statements of Accor SA have been prepared in accordance with French generally accepted accounting principles. All amounts are stated in millions of euros unless otherwise specified.

The notes below relate to the balance sheet at December 31, 2016 before appropriation of net profit for the year, which shows total assets of €9,796 million, and to the income statement for the year then ended, which shows a net loss of €9 million.

The financial statements cover the 12-month period from January 1 to December 31, 2016.

Accor SA's individual financial statements are included in the consolidated financial statements of the Accor Group.

The preparation of financial statements requires the use of estimates and assumptions that can affect the carrying amount of certain assets and liabilities, income and expenses, and the information disclosed in the notes to the financial statements. Management reviews these estimates and assumptions on a regular basis to ensure that they are appropriate based on past experience and the current economic situation. Items in future financial statements may differ from current estimates as a result of changes in these assumptions.

The main estimates and judgments made by Management in the preparation of these financial statements concern the valuation and useful lives of intangible assets, property and equipment, and financial assets, as well as the amount of provisions for claims, litigation and contingencies and the assumptions underlying the calculation of pension obligations.

The main assumptions applied by the Company are presented in the relevant notes to the financial statements.

Accor SA's revenue rose by 1.6% in 2016 compared with 2015.

In 2016, Accor relocated all of its Parisian sites to a single location, Tour Sequana in Issy-Les-Moulineaux.

In July 2016, Accor initiated a project to turn HotelInvest into a subsidiary to accelerate its transformation and growth. The related costs have already been recognized in the 2016 financial statements.

During the year, Accor continued its "Leading Digital Hospitality" digital transformation. It will make significant investments as part of the five-year investment plan launched in 2014.

5.4.3 NOTES TO THE FINANCIAL STATEMENTS

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Notes 1 to 28 set out below form an integral part of the financial statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accor SA's balance sheet and income statement have been prepared in accordance with French legal requirements, particularly regulation no. 2014-03 issued by the French accounting standards authority (*Autorité des Normes Comptables* – ANC).

The financial statements of Accor SA have been prepared in accordance with French generally accepted accounting principles, including the principles of prudence, materiality and segregation of accounting periods, for the purpose of giving a true and fair view of the assets, liabilities and financial position of the Company and the results of its operations.

They are presented on a going concern basis and accounting methods have been applied consistently from one year to the next.

Assets recorded in the balance sheet are stated at historical cost or contributed value, as applicable.

The significant accounting policies used are described below:

Property and equipment and intangible assets are recognized when the following two conditions are met:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the Company;
- the cost or value of the asset can be reliably measured.

a) Intangible assets

Purchased intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses. Intangible assets with finite useful lives are amortized on a straight-line basis over their estimated useful lives, corresponding to between two and five years for software and between three and five years for licenses.

Leasehold rights, networks and trademarks with indefinite useful lives are not amortized. Their value is assessed whenever events or circumstances indicate that they may be impaired. If an assessment of fair value based on the same criteria as at the time of acquisition indicates the existence of a prolonged impairment in value, a provision is recorded.

b) Property and equipment

Property and equipment are stated at cost, corresponding to i) the asset's purchase price, ii) any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by Management, and iii) borrowing costs directly attributable to the construction or production of the asset.

Property and equipment are depreciated on a straight-line basis over their estimated useful lives, as follows:

- buildings: 35 to 50 years;
- fixtures and fittings: 7 to 25 years;
- other property and equipment: 5 to 15 years.

a and b bis) Fair values of intangible assets and property and equipment

At each year-end, the Company determines whether there are any indicators of impairment in value of intangible assets or property and equipment. Impairment indicators include obsolescence, physical damage, significant changes in the manner in which the asset is used, lower-than-expected economic performance, a steep fall in revenues, or other external indicators. Where there is an indication that the value of an asset may be impaired, its present value is assessed and compared with its carrying amount for the purpose of calculating the potential impairment charge.

The present value of an asset is deemed to be the higher of its fair value or value in use.

c) Investments

Shares in subsidiaries and affiliates are stated at cost. Transaction costs on these assets are recorded in the income statement.

At each year-end, the Company determines whether there are any indicators of impairment in value of its investments. Impairment indicators include lower-than-expected economic performance, a drop in share price, rating downgrades and steep falls in revenue or earnings.

Where there is an indication that the value of an asset may be impaired, its present value is assessed and compared with its carrying amount for the purpose of calculating the potential impairment charge. The present value of an investment is deemed to be the higher of its fair value or value in use.

Accor considers that the most appropriate method for measuring the fair value of its investments is to calculate its equity in the underlying net assets of the subsidiaries and affiliates concerned. Another method used for investments in hotel companies is to calculate their average EBITDA for the last two years and apply a multiple based on the type of hotels owned by the company concerned and their financial position. Accor also uses comparable recent transactions for the purpose of calculating fair values.

If the fair value of an investment is lower than the asset's carrying amount, the Company then also determines the investment's value in use, which corresponds to the present value of the future cash flows expected to be derived from the investment.

The value in use of investments in subsidiaries and affiliates is assessed using a range of indicators, including:

- the historical data used to value the investment at the time of acquisition;
- current profitability data and the current value of the underlying net assets;
- projections of future profitability, realizable values and economic trends.

If shares in subsidiaries and affiliates or other investment securities are deemed to be impaired, they are written down to the lower of their fair value or value in use, based on the impairment tests performed and taking into account their financial position. Where the company concerned is not certain of achieving operating profitability in the future, the investment is written down to an amount corresponding to the Company's equity in the underlying net assets. The measurement process also takes into account i) the maturity of the business (for example no provision is recorded for investments in companies that are in the start-up phase if their future profitability is assured) and ii) the fair value of certain of the subsidiary's assets that are not included in the balance sheet (e.g. trademarks). Provisions for impairment recognized on these investments are not permanent and may be reversed if the financial position of the company concerned improves.

However, any reversals of impairment provisions may not result in the investment's carrying amount being increased to above its historical cost. Additional provisions may be recorded to write down loans and advances to the company concerned and, where necessary, a provision for contingencies is also recorded.

d) Inventory

Inventory is measured at the lower of cost or probable realizable value. Cost is determined by the weighted average cost method.

e) Deferred charges

In accordance with the applicable French accounting standards relating to assets, since January 1, 2005 deferred charges have consisted solely of debt issuance costs, which are amortized over the life of the related debt.

f) Receivables

Receivables are recognized at nominal value and provisions for impairment are subsequently recorded if their fair value is lower than their carrying amount.

g) Marketable securities

Marketable securities are stated at the lower of cost or market value.

h) Revenue

Revenue includes the amount of services and contractual fees (i.e. management and franchise fees) billed to managed and franchised hotels, subsidiaries and non-related parties. It also includes amounts billed under real estate and business lease contracts as well as fees received in return for rent and debt guarantees issued by the Company.

Revenue from product sales is recognized when the product is delivered and ownership is transferred to the buyer. Revenue from sales of services is recognized when the service is rendered.

Consequently:

- rental and business lease revenues are recognized on a straight-line basis over the life of the contract;
- fees billed to subsidiaries and non-related parties are recognized on a straight-line basis over the life of the contract;
- fees for guarantees are recognized on a straight-line basis over the term of the guarantee concerned;
- revenue from other services is recognized when the service is rendered.

i) Untaxed provisions

Hotel fixed assets may be depreciated by the reducing balance method for tax purposes. Any difference between straight-line depreciation recorded in the accounts and reducing balance depreciation calculated for tax purposes is recorded as excess tax depreciation in shareholders' equity.

j) Provisions for contingencies and charges

A provision is recorded when the Company has an obligation towards a third party, which is probable or certain of giving rise to an outflow of economic resources without any inflow of economic resources of at least an equivalent value being expected.

k) Provisions for pensions and other post-employment benefit obligations

The Company's total obligation for the payment of pensions and other post-retirement benefits is provided for in the balance sheet. This obligation concerns statutory length-of-service awards payable in France and other defined benefit plans. The projected benefit obligation is recognized on a straight-line basis over the vesting period of the plans concerned, taking into account the probability of employees leaving the Company before retirement age. The provision recorded in the balance sheet is equal to the discounted value of the defined benefit obligation, plus or minus any actuarial differences, which are taken to the income statement in the year in which they arise.

In addition to these statutory benefit plans, certain employees are members of:

- a defined contribution supplementary pension plan funded by periodic contributions to an external organization that is responsible for the administrative and financial management of the plan as well as for payment of the related annuities. The contributions made by Accor under this plan are expensed as incurred;
- a defined benefit supplementary pension plan under which beneficiaries are entitled to pension benefits calculated based on their salary and the duration of their participation in the plan. The provision recorded for the Company's obligation under this plan takes into account any amounts funded through an external organization (plan assets).

l) Plain vanilla bonds

For plain vanilla bonds issued at a discount to face value, the difference between the issue proceeds and the face value of the bonds is amortized on a straight-line basis over the life of the bonds.

m) Other equity

On June 30, 2014, Accor placed a €900 million issue of perpetual hybrid bonds. The bonds have no maturity date but are first callable as from June 30, 2020.

They have been classified as "Other equity" in the Company's balance sheet and the €6 million issue premium has been recorded as a deduction from the nominal amount of the debt.

The interest payable on the bonds is included in "Other borrowings" and the related debt issuance costs are being amortized through the income statement.

n) Foreign currency transactions

Income and expenses in foreign currencies are converted into euros at the exchange rate prevailing on the transaction date.

Payables, receivables, currency swaps and cash balances in foreign currencies are converted at the year-end exchange rate.

Conversion differences on payables, receivables and currency swaps are recorded in «Accruals and other assets/liabilities» in the balance sheet and cash conversion differences are recorded in the income statement.

No provision for exchange losses is recorded for loans and borrowings denominated in the same currency with broadly equivalent maturities.

o) Currency risks

Currency risks arising on the conversion of euro cash reserves into foreign currencies to meet part of the financing needs of foreign subsidiaries are hedged by currency swaps with the same maturities as the loans to subsidiaries.

p) Corporate income tax

Accor has elected for group relief in application of the French Act of December 31, 1987. Under the group relief system, tax losses of companies in the tax group can be netted off against the profits of other companies in the Group, provided that certain conditions are met. The applicable tax rules are defined in Articles 223 A *et seq.* of the French General Tax Code.

Each company in the tax group records in its accounts the tax charge it would have incurred if it had been taxed on a standalone basis. The Group relief benefit or charge is recorded in the balance sheet of Accor SA as head of the tax group.

In accordance with tax regulations applicable since January 1, 2005, provisions for unrealized long-term losses on securities are not offset against unrealized capital gains on the same class of investments.

q) Stock options and performance shares

In compliance with the «Fillon 3 Act», the Company uses the fair values of stock options and performance shares measured in accordance with IFRS 2 as the basis for calculating the related *contribution sociale* surtax.

Accor SA launches performance share plans and/or employee stock option plans each year and has launched several plans since 2006, with vesting periods of between two and four years. New shares will be issued when the rights under these plans vest. Consequently, no provision has been recorded for the cost of these plans in the financial statements at December 31, 2016.

NOTE 2 MOVEMENTS IN FIXED ASSETS

<i>(in millions of euros)</i>	Gross value at Jan. 1, 2016	Acquisitions and inter-item transfers	Retirements and disposals and inter-item transfers	Other	Gross value at Dec. 31, 2016
Trademarks and rights of use	59	-	-	-	59
Licenses and software	176	30	-	-	206
Networks	57	-	(39)	-	18
Other intangible assets	31	46	(23)	-	54
Prepayments to suppliers of intangible assets	-	-	-	-	-
Intangible assets	323	76	(62)	-	337
Land	5	-	-	-	5
Buildings	81	-	(6)	-	75
Machinery and equipment	26	5	(7)	-	24
Other property and equipment	92	31	(32)	-	91
Assets under construction	6	2	(5)	-	3
Prepayments to suppliers of property and equipment	0	-	-	-	0
Property and equipment	210	38	(50)	-	198
Shares in subsidiaries and affiliates ⁽¹⁾	7,225	2,821	(29)	(859)	9,158
Loans and advances to subsidiaries and affiliates ⁽²⁾	372	81	(47)	(2)	404
Other investment securities ⁽¹⁾	34	-	(20)	-	14
Other loans	22	-	(14)	-	8
Other investments	48	-	(16)	-	32
Investments	7,701	2,902	(126)	(861)	9,616
FIXED ASSETS	8,234	3,016	(238)	(861)	10,151

(1) See note 6 for a breakdown of the aggregate €1,193 million increase in these items.

(2) The decrease in this item reflects the combined effect of new loan originations and loans maturing during the year.

NOTE 3 PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

Trademarks and rights of use

This item mainly relates to the valuation of the Novotel trademark and rights granted to subsidiaries to use the Accor Group's trademarks.

Licenses and software

These correspond to IT licenses and software used by the Company in its operating activities.

Networks

Networks primarily correspond to the hotel networks of Novotel and Suite Novotel.

Buildings and fixtures and fittings

These items mainly correspond to buildings and fixtures and fittings related to hotels, headquarters premises and the Group's training center.

NOTE 4 MOVEMENTS IN DEPRECIATION AND AMORTIZATION

<i>(in millions of euros)</i>	At Jan. 1, 2016	Increase	Decrease	At Dec. 31, 2016
Trademarks and rights of use	-	-	-	-
Licenses and software	132	22	-	154
Networks	38	-	(34)	4
Other intangible assets	2	-	-	2
Intangible assets	172	22	(34)	160
Land	1	-	-	1
Buildings	51	2	(5)	48
Machinery and equipment	23	1	(5)	19
Other property and equipment	65	12	(18)	59
Property and equipment	140	15	(28)	127
FIXED ASSETS	312	37	(62)	287

NOTE 5 RECEIVABLES⁽¹⁾

<i>(in millions of euros)</i>	Dec. 2015 Gross amount	Dec. 2016 Gross amount
Prepayments to suppliers	12	9
Trade receivables	305	278
Other receivables	415	612
Supplier-related receivables	1	3
Recoverable VAT and other taxes	88	113
Current accounts with subsidiaries	285	482
Other	41	14
RECEIVABLES	732	899

(1) Including prepayments to suppliers.

NOTE 6 MOVEMENTS IN SHARES IN SUBSIDIARIES AND AFFILIATES AND OTHER INVESTMENT SECURITIES

	Number of shares acquired	Amount <i>(in millions of euros)</i>	% interest at Dec. 31, 2016
Business acquisitions and purchases of newly-issued shares			
HOTEL HOMES (SQUAREBREAK)	10,270	3	49.20%
OASIS LUXURY RENTALS INCORPORATED	768,347	11	27.83%
FRHI HOLDINGS LIMITED	2,497,838	2,420	100.00%
CONCIERGE HOLDING COMPANY LIMITED	23,299,852	94	76.30%
AH FLEET SERVICES	30,690	31	99.00%
25HOURS HOTELS COMPANY	7,500	35	30.00%
ACQUISITIONS		2,594	

Additional investments	Number of shares acquired	% acquired	Amount (in millions of euros)	% interest at Dec. 31, 2016
RISMA	2,122,932	-	19	33.34% ⁽⁴⁾
ACCOR UK	53,000,000	-	63	100.00% ⁽²⁾
SCI DES HÔTELS DE TOURS ET ORLY	1,012,000	25.10%	15	95.10% ⁽²⁾
SCI MÉTROPOLE SURESNES	63	12.57%	1	49.30% ⁽²⁾
EEPLE (MELTY)	9,109	-	1	20.03% ⁽²⁾
ACCOR HOTELS BELGIUM	-	-	88	100.00% ⁽³⁾
ACCOR LODGING NORTH AMERICA	685	37.87%	40	100.00% ⁽¹⁾
ACQUISITIONS			227	

(1) Percent interest held following a purchase of new shares and before a sale, capital reduction or merger – see next section.

(2) Partial or full take-up of shares in connection with a share issue.

(3) Participation in a capital increase not entailing the issue of shares.

(4) Acquisition upon conversion of convertible bonds.

Disposals	Number of shares sold	% sold	Carrying amount derecognized (in millions of euros)	% interest at Dec. 31, 2016
HÔTEL DU PARVIS DE L'EUROPE	45,000	45.00%	(1)	0.00%
SOCIÉTÉ D'INVESTISSEMENT ET DE DÉVELOPPEMENT HÔTELIER ALBERTVILLE	870	46.40%	(1)	0.00%
SHTE	962,415	5.00%	(6)	0.00%
SOGEDETU	4,797,234	100.00%	(21)	0.00%
Sales			(29)	
Liquidations			-	
SALES AND LIQUIDATIONS			(29)	

Other movements	Number of shares	% involved	Amount (in millions of euros)	% interest at Dec. 31, 2016
Bonds				
RISMA	(2,122,932)		(20)	-(4)
Universal transfer of assets				
ACCOR CENTRE CONTACT CLIENTS	(1,002,810)	100.00%	(19)	0.00% ⁽⁵⁾
Mergers/demergers				
FAIRMONT HOTELS AND RESORTS (US) INC.	4,911		81	15.41%
Merger of ACCOR LODGING NORTH AMERICA into Fairmont Hotels and Resorts (US)	(1,809)		(921)	0.00%
OTHER MOVEMENTS			(879)	

(4) Acquisition upon conversion of convertible bonds.

(5) Share cancellation following the transfer of all of the subsidiary's assets and liabilities.

TOTAL ACQUISITIONS			2,821	-
TOTAL DISPOSALS AND LIQUIDATIONS			(29)	-
TOTAL OTHER MOVEMENTS			(879)	-
TOTAL MOVEMENTS			1,913	

NOTE 7 MOVEMENTS IN PROVISIONS

(in millions of euros)	At Jan. 1, 2016	Increase	provisions		Other movements	At Dec. 31, 2016
			Surplus	Utilized		
Excess tax depreciation	8	1	(1)	-	-	8
UNTAXED PROVISIONS	8	1	(1)	-	-	8
Claims and litigation	4	1	(1)	-	-	4
Foreign exchange losses	1	-	-	-	-	1
Other ⁽¹⁾	48	11	(11)	(4)	-	44
PROVISIONS FOR CONTINGENCIES	53	12	(12)	(4)	-	49
Pensions and other post-employment benefit obligations ⁽⁴⁾	57	9	(10)	-	-	56
Taxes	18	2	-	(4)	-	16
Other	23	6	(8)	(13)	-	8
PROVISIONS FOR CHARGES⁽²⁾	98	17	(18)	(17)	-	80
Untaxed provisions and provisions for contingencies and charges	159	30	(31)	(21)	-	137
Intangible assets	17	-	-	-	-	17
Property and equipment	1	-	-	-	-	1
Investments*	3,012	40	(915)	-	(16)	2,121
Trade receivables	13	2	(2)	-	-	13
Other receivables*	30	9	(6)	-	-	33
Provisions for impairment in value⁽³⁾	3,073	51	(923)	-	(16)	2,185
PROVISIONS	3,232	81	(954)	(21)	(16)	2,322

Income statement impact of movements in provisions	Increase	Decrease
Operating income and expenses	18	(20)
Financial income and expenses	62	(72)
Non-recurring income and expenses	1	(883)
TOTAL	81	(975)

* Recorded in accordance with the accounting policy described in note 1c.

(1) Other provisions for contingencies mainly comprised €43 million in provisions for risks related to subsidiaries. These provisions are set aside after taking into account provisions for shares in and loans and advances to subsidiaries and affiliates.

Movements in this item primarily reflect i) additions to provisions for subsidiaries in an amount of €10 million, ii) reversals of provisions for subsidiaries amounting to €8 million and iii) a €4 million reversal for penalties.

(2) At the year-end, total provisions for charges included i) €56 million in provisions for pensions and other post-employment benefit obligations, ii) €16 million in provisions for taxes and iii) €7 million in restructuring provisions.

Additions to and reversals of provisions for pensions and other post-employment benefit obligations amounted to €9 million and €10 million respectively. A total of €2 million was added to provisions for taxes in connection with a tax audit relating to 2013 and €4 million was reversed from these provisions following the payment of reassessed tax following an audit relating to the years 2010 and 2011.

Movements in other provisions for charges corresponded to €6 million in additions (primarily for restructuring costs) and €21 million in reversals (of which €6 million from restructuring provisions and €2 million from provisions for costs related to the relocation of the head office).

(3) These provisions mainly concern impairment in value of shares in subsidiaries and affiliates, and current accounts and loans and advances to subsidiaries and affiliates, with the 2016 year-end balance primarily corresponding to write-downs of CIVLT (€842 million), IBL (€635 million), Accor Partecipazione Italia (€105 million), SHNM (€69 million), STARTOM Hospitality (€54 million), Belle Rivière Hôtel (€51 million), Accor Hoteles Espana (€42 million), Sofitel Luxury Hotels France (€36 million), La Thermale de France (€30 million), HOLPA (€29 million), SPFH (€24 million) and Accor Hospitality Argentina (€24 million).

Movements in these provisions in 2016 broke down as €51 million in additions and €923 million in reversals. Additions included €8 million for SCHE, €8 million for Fastbooking, €7 million for SHDM, €7 million for Accor Hospitality Argentina and €6 million for SLHF. Reversals included €840 million for ALNA, €16 million for SOGEDETU, €10 million for Accor Partecipazione Italia, €8 million for SHNM and €8 million for SPFH.

(4) Pension benefit obligations and underlying actuarial assumptions.

	2015	2016
Discount rate	2.0%	1.5%
Mortality tables	TG05 Générationnelle INSEE	TG05 Générationnelle INSEE
Rate of future salary increases*	3.00%	3.00%
Retirement age	65 years	65 years
Voluntary or compulsory retirement	Voluntary	Voluntary
Staff turnover rate	Rate progressively decreasing in line with age: ■ ranging between 7.1% and 0% for non-managerial employees and 0% as from 44 years of age; ■ between 5.2% and 0% for managerial employees and 0% as from 55 years of age.	Rate progressively decreasing in line with age: ■ ranging between 7.1% and 0% for non-managerial employees and 0% as from 44 years of age; ■ between 5.2% and 0% for managerial employees and 0% as from 55 years of age.
Payroll tax rate	46.00%	46.00%

* This rate has been set at 4% for defined benefit plans.

	Dec. 2015	Dec. 2016
Provisions for pensions and other post-employment benefit obligations at Jan. 1	38	57
Service cost	4	6
Interest expense	1	1
Actuarial (gains)/losses	(15)	(1)
Curtailments and settlements	(1)	(5)
Benefits/contributions paid	0	-
Other movements	0	(2)
PROVISIONS FOR PENSIONS AND OTHER POST-EMPLOYMENT BENEFIT OBLIGATIONS AT DEC. 31	57	56

NOTE 8 MARKETABLE SECURITIES PORTFOLIO

(in millions of euros)	Dec. 2015 Gross value	Dec. 2016 Gross value
Mutual fund units	31	30
Money market funds	1,230	380
Term deposits	550	250
TOTAL	1,811	660

No provisions for impairment in value were set aside in 2016 for marketable securities as their fair value exceeded or was equal to their carrying amount.

NOTE 9 ACCRUALS AND OTHER ASSETS/LIABILITIES

<i>(in millions of euros)</i>	Net at Jan. 1, 2016	Increase	Decrease	Net at Dec. 31, 2016
Debt issuance costs	54	-	(9)	45
DEFERRED CHARGES	54	-	(9)	45
Issue premiums	1	2	(2)	1
BOND ISSUE PREMIUMS	1	2	(2)	1
Prepaid IT rental and maintenance costs	2	1	-	3
Prepaid property rents	1	-	-	1
Other	4	-	(1)	3
PREPAID EXPENSES	7	1	(1)	7
Marketing fund	3	-	(3)	-
DEFERRED INCOME	3	-	(3)	-

NOTE 10 UNREALIZED FOREIGN EXCHANGE GAINS AND LOSSES

<i>(in millions of euros)</i>	Dec. 2015	Dec. 2016
Decrease in receivables	2	5
Increase in payables	22	26
ASSETS	24	31

<i>(in millions of euros)</i>	2015	2016
Increase in receivables	23	27
Decrease in payables	1	5
LIABILITIES AND EQUITY	24	32

NOTE 11 ACCRUED INCOME

Accrued income is included in the following balance sheet items <i>(in millions of euros)</i>	Dec. 2015	Dec. 2016
Loans and advances to subsidiaries and affiliates	3	3
Trade receivables	241	182
Other loans	1	1
Current accounts with subsidiaries	0	0
Marketable securities	0	0
Cash and cash equivalents	5	8
ACCRUED INCOME	250	194

NOTE 12 ACCRUED EXPENSES

Accrued expenses are included in the following balance sheet items (in millions of euros)	Dec. 2015	Dec. 2016
Bonds	41	41
Bank borrowings	23	22
Other borrowings	2	1
Trade payables	181	186
Accrued taxes and payroll costs	51	51
Other payables	3	6
ACCRUED EXPENSES	301	307

NOTE 13 CHANGES IN SHAREHOLDERS' EQUITY

(in millions of euros)	At Dec. 31, 2015	Appropriation of 2015 net profit	Capital increase/ reduction	Merger/ acquisition	Other	2016 net profit	At Dec. 31, 2016
Number of shares making up the Company's capital ⁽¹⁾	235,352,425	-	666,784	46,700,000	2,048,461	-	284,767,670
Share capital	706	-	2	140	6	-	854
Additional paid-in capital	1,104	(90)	5	1,528	65	-	2,612
Legal reserve	69	2	-	-	-	-	71
Untaxed reserves	9	-	-	-	-	-	9
Other reserves	13	-	(2)	-	-	-	11
Retained earnings	17	(17)	-	-	-	-	-
Net profit	130	(130)	-	-	-	(20)	(20)
Untaxed provisions	8	-	-	-	0	-	8
SHAREHOLDERS' EQUITY	2,056	(235)⁽²⁾	5⁽³⁾	1,668	71⁽⁴⁾	(20)	3,545

(1) With a par value of €3 per share.

(2) €235 million in dividends paid on June 18, 2016.

(3) Shares issued on the exercise of employee stock options.

(4) Part of the 2015 dividend was paid in shares, which resulted in the issuance of 2,048,461 new Accor shares and a €71 million capital increase.

Potential shares: if all employee stock options had been exercised and performance shares granted at December 31, 2016, the number of issued shares would have been increased by 3,217,149, raising the Company's capital by €58 million.

NOTE 14 STOCK OPTION AND PERFORMANCE SHARE PLANS

Stock option plans	Plan 19	Plan 20	Plan 21	Plan 22	Plan 23	Plan 24	Plan 25	Plan 26	Plan 27
Grant date	31/03/2009	02/04/2010	02/04/2010	22/11/2010	04/04/2011	04/04/2011	27/03/2012	27/03/2012	26/09/2013
Expiration date	31/03/2017	02/04/2018	02/04/2018	22/11/2018	04/04/2019	04/04/2019	27/03/2020	27/03/2020	26/09/2021
Post-demerger exercise price (in euros)	18.20	26.66	26.66	30.49	31.72	31.72	26.41	26.41	30.13
Value used for calculating the contribution sociale surtax (in euros) ⁽¹⁾	5.78	10.28	9.44	9.25	7.99	7.99	7.88	6.50	6.30
Vesting conditions	4 years of seniority	4 years of seniority	4 years of seniority + performance conditions ⁽²⁾	4 years of seniority	4 years of seniority	4 years of seniority + performance conditions ⁽³⁾	4 years of seniority	4 years of seniority + performance conditions ⁽³⁾	4 years of seniority + performance conditions ⁽³⁾
NUMBER OF OPTIONS OUTSTANDING AT DEC. 31, 2015	262,971	924,928	56,197	90,948	463,094	32,031	494,535	20,727	40,000
Number of options granted in 2016	-	-	-	-	-	-	-	-	-
Number of options exercised in 2016	74,511	82,775	-	1,508	19,440	-	71,640	-	-
Number of options cancelled in 2016	1,087	7,240	-	-	600	-	3,380	-	-
NUMBER OF OPTIONS OUTSTANDING AT DEC. 31, 2016	187,373	834,913	56,197	89,440	443,054	32,031	419,515	20,727	40,000
Number of options exercised since the plan launch	1,074,679	1,288,766	20,994	3,008	135,250	1,172	75,390	-	-
Number of options cancelled since the plan launch	167,404	495,091	76,287	-	43,450	19,922	32,610	26,648	-

(1) Surtax of 10% for options granted until 2011 and 14% for options granted after 2012.

(2) Performance condition based on the Accor share performance relative to the overall performance of the CAC 40 index for 2010, 2011, 2012 and 2013.

(3) Performance condition based on the Accor TSR versus the TSR of eight other international hotel groups.

Performance share plans	2012 Plan	2012 Plan	2012 Plan	2013 Plan	2013 Plan	2013 Plan
Grant date	27/03/2012	27/03/2012	27/03/2012	15/04/2013	15/04/2013	15/04/2013
Expiration date	27/03/2016	27/03/2016	27/03/2016	15/04/2017	15/04/2017	15/04/2017
Value used for calculating the <i>contribution sociale surtax</i> (in euros)	25.32	24.16	25.32	23.40	22.94	21.10
Vesting conditions	2 years of seniority + performance conditions ⁽¹⁾	4 years of seniority + performance conditions ⁽¹⁾	2 years of seniority + performance conditions ⁽²⁾	Performance conditions ⁽³⁾	Performance conditions ⁽³⁾	Performance conditions ⁽⁴⁾
Number of options granted at the plan launch	170,332	67,269	47,375	169,605	48,445	72,500
POTENTIAL NUMBER OF NEW SHARES ISSUABLE AT DEC. 31, 2015 IF PERFORMANCE CONDITIONS MET	-	57,330	-	-	45,730	-
Number of performance shares granted in 2016	-	-	-	-	-	-
Number of performance shares vested in 2016	-	54,772	-	-	-	-
Number of performance shares forfeited in 2016	-	2,558	-	-	1,765	-
Number of performance shares cancelled in 2016 due to failure to achieve the performance conditions	-	-	-	-	-	-
POTENTIAL NUMBER OF NEW SHARES ISSUABLE AT DEC. 31, 2016 IF PERFORMANCE CONDITIONS MET	-	-	-	-	43,965	-
Number of performance shares vested since the plan launch	152,027	54,772	37,504	160,370	-	41,331
Number of performance shares cancelled since the plan launch	18,305	12,497	9,871	9,235	4,480	31,169

(1) Performance condition based on actual versus budgeted EBIT margin, and actual versus budgeted operating cash flow excluding acquisitions and disposals.

(2) Performance condition based on actual versus budgeted EBIT margin, actual versus budgeted operating cash flow excluding acquisitions and disposals, and the degree of completion of the asset disposal plan included in the budget.

(3) Performance condition based on actual versus budgeted EBIT margin, and actual versus budgeted operating cash flow excluding acquisitions and disposals.

(4) Performance condition based on actual versus budgeted EBIT margin, actual versus budgeted operating cash flow excluding acquisitions and disposals, the degree of completion of the asset disposal plan included in the budget, and Accor's TSR versus the TSR of eight other international hotel groups.

(5) Performance condition based on actual versus budgeted EBIT margin, and actual versus budgeted operating cash flow excluding acquisitions and disposals.

(6) Performance condition based on actual versus budgeted EBIT margin, actual versus budgeted operating cash flow excluding acquisitions and disposals, the degree of completion of the asset disposal plan included in the budget, and Accor TSR versus the TSR of eight other international hotel groups and compared with that of other CAC 40 companies.

(7) Performance condition based on actual versus budgeted EBIT margin, actual versus budgeted free cash flow excluding acquisitions and disposals, after change in working capital, and Accor TSR versus the TSR of eight other international hotel groups and compared with that of other CAC 40 companies.

2014 Plan	2014 Plan	2014 Plan	2014 Plan	2015 Plan	2015 Plan	2016 Plan	2016 Plan
18/06/2014	18/06/2014	18/06/2014	18/06/2014	16/06/2015	16/06/2015	16/06/2016	26/10/2016
18/06/2016	18/06/2018	18/06/2016	18/06/2018	16/06/2019	16/06/2019	16/06/2019	26/10/2019
35,31	34,82	33,10	32,93	42,00	38,40	30,72	29,41
2 performance conditions ⁽³⁾	2 performance conditions ⁽³⁾	4 performance conditions ⁽⁴⁾	4 performance conditions ⁽⁴⁾	2 performance conditions ⁽⁵⁾	4 performance conditions ⁽⁶⁾	3 performance conditions ⁽⁷⁾	3 performance conditions ⁽⁷⁾
206,050	79,850	176,500	22,000	326,290	153,800	491,690	14,525
197,000	75,300	172,088	21,450	322,350	153,800	-	-
-	-	-	-	-	-	491,690	14,525
190,050	-	172,088	-	-	-	-	-
6,950	2,300	-	-	13,550	2,625	995	100
-	-	-	-	-	9,611	-	-
-	73,000	-	21,450	308,800	141,564	490,695	14,425
191,450	-	172,088	-	-	-	-	-
14,600	6,850	4,412	550	17,490	12,236	995	100

NOTE 15 OTHER EQUITY

In line with its strategy of increasing the maturity of its borrowings and ensuring the sustainability of its financial resources, in 2014 Accor placed a €900 million issue of perpetual hybrid bonds.

These bonds have no maturity date, but are first callable as from June 30, 2020.

<i>(in millions of euros)</i>	Currency	Original issue amount	Fixed/variable rate	Interest rate	Outstanding principal at Dec. 31, 2015	Outstanding principal at Dec. 31, 2016
June 2014 issue of perpetual hybrid bonds	Euros	900	Fixed	4.125%	900	900
Issue premium on perpetual hybrid bonds	Euros				(6)	(6)
OTHER EQUITY					894	894

NOTE 16 OTHER BONDS

<i>(in millions of currency units)</i>	Currency	Original issue amount <i>(in currency units)</i>	Original issue amount <i>(in euros)</i>	Fixed/variable rate	Interest rate	Term	Outstanding principal at Dec. 31, 2015	Outstanding principal at Dec. 31, 2016
July 2009 bond issue	Euros	250	250	Fixed	6.039%	8 years	250	250
June 2012 bond issue	Euros	700	700	Fixed	2.875%	5 years	367	367
March 2013 bond issue	Euros	600	600	Fixed	2.500%	6 years	335	335
February 2014 bond issue	Euros	900	900	Fixed	2.625%	7 years	900	900
June 2014 bond issue	Swiss francs	150	123	Fixed	1.750%	8 years	139	140
December 2014 bond issue	Euros	60	60	Fixed	1.679%	7 years and 2 months	60	60
September 2015 bond issue	Euros	500	500	Fixed	2.375%	8 years	500	500
OTHER BONDS							2,551	2,552

NOTE 17 LIABILITIES BY MATURITY

<i>(in millions of euros)</i>	Gross amount	Due within 1 year	Due in 1-5 years	Due beyond 5 years
Other bonds ^{(1) (3)}	2,594	659	1,235	700
Bank borrowings ^{(1) (3)}	306	306	-	-
Other borrowings ^{(1) (2) (3)}	1,929	1,929	-	-
BORROWINGS	4,829	2,894	1,235	700
Trade payables ⁽³⁾	254	254	-	-
OPERATING PAYABLES	254	254	-	-
Accrued taxes and payroll costs ⁽³⁾	80	80	-	-
Due to suppliers of fixed assets ⁽³⁾	10	10	-	-
Other payables ⁽³⁾	14	14	-	-
Deferred income ⁽³⁾	1	1	-	-
MISCELLANEOUS PAYABLES	105	105	-	-
LIABILITIES	5,188	3,253	1,235	700

- (1) Gross amount of new borrowings during the year: €143 million.
Gross amount of borrowings repaid during the year: €443 million.
(2) Including €1,927 million due to related parties.
(3) Breaking down as follows by currency:

Liabilities by currency

AUD	127
CHF	220
CNY	4
EUR	4,687
GBP	28
HKD	7
ILS	2
MXN	4
NZD	15
PLN	9
SGD	1
USD	84
BY CURRENCY	5,188

Financing policy

At December 31, 2016, Accor had a confirmed line of credit maturing in more than one year. The unused portion of this facility totaled €1,800 million, expiring in 2019.

NOTE 18 RECEIVABLES BY MATURITY

<i>(in millions of euros)</i>	Gross amount	Due within 1 year	Due beyond 1 year
Loans and advances to subsidiaries and affiliates	404	38	366
Other loans	8	8	
Other investments	32	-	32
FIXED ASSETS	444	46	398
Trade receivables	278	278	-
Other receivables	612	612	-
Prepaid expenses	8	8	-
CURRENT ASSETS	898	898	-
RECEIVABLES⁽¹⁾	1,342	944	398

(1) Breaking down as follows by currency:

Receivables by currency

AED	3
AUD	34
CHF	272
CNY	4
EUR	890
GBP	35
HKD	6
ILS	2
JPY	35
NZD	15
SGD	1
USD	45
BY CURRENCY	1,342

NOTE 19 RELATED PARTY ITEMS⁽¹⁾

<i>(in millions of euros)</i>	Dec. 2015	Dec. 2016
Shares in subsidiaries and affiliates	7,119	8,988
Loans and advances to subsidiaries and affiliates	371	398
Trade receivables	176	161
Other receivables	285	491
Borrowings	2,058	1,928
Trade payables	48	52
Income from investments in subsidiaries and affiliates	210	133
Other financial income	13	11
Financial expenses	24	13

(1) Companies that are fully consolidated in the Group's consolidated financial statements are deemed to be related parties.

NOTE 20 BREAKDOWN OF NET REVENUE

<i>(in millions of euros)</i>	2015	2016
France	565	560
International	316	335
NET REVENUE	881	895

NOTE 21 DIRECTORS' FEES, EXECUTIVE COMPENSATION AND HEADCOUNT

Compensation paid to members of the Company's administrative and supervisory bodies

<i>(in millions of euros)</i>	Dec. 2015	Dec. 2016
Directors' fees	0.50	1.60
Members of the Executive Committee (excl. payroll taxes)	8.41	10.54

Headcount

Employee category	Dec. 2015	Dec. 2016
Managerial staff	903	1,011
Supervisors	153	157
Administrative staff	48	65
Apprentices	41	42
HEADCOUNT	1,145	1,275

The Company had 1,275 employees at December 31, 2016, including 27 whose salaries are rebilled to subsidiaries.

Training entitlement

The CPF (*compte personnel de formation* – personal training account) replaced the DIF (*droit individuel à la formation* – statutory training entitlement) on January 1, 2016, with the right to utilize unused DIF training hours for a period of six years.

NOTE 22 FINANCIAL INCOME AND EXPENSES

<i>(in millions of euros)</i>	2015	2016
Dividends received from subsidiaries	212	135
Interest received on intragroup loans and receivables	8	7
INCOME FROM INVESTMENTS IN SUBSIDIARIES AND AFFILIATES	220	142
INCOME FROM INVESTMENT SECURITIES AND LONG-TERM LOANS	1	0
Interest on current accounts	4	4
Interest on loans and advances	1	1
Interest on marketable securities	7	4
Interest on bank deposits	6	3
Interest on interest rate swaps	4	8
Interest on currency swaps	2	(1)
Other	1	1
OTHER INTEREST INCOME	25	20
Bond issue premiums	1	2
Reversals of provisions for shares in subsidiaries and affiliates	77	48
Reversals of provisions for loans and advances to subsidiaries and affiliates	-	9
Reversals of provisions for other receivables	-	7
Reversals of provisions for contingencies and charges	24	8
Expense transfers	(34)	-
REVERSALS OF PROVISIONS FOR FINANCIAL ITEMS	136	74
FOREIGN EXCHANGE GAINS	48	31
Financial income	430	267
Interest on bonds	(76)	(73)
Interest on bank borrowings	(37)	(37)
Interest on other borrowings	(30)	(20)
Interest on interest rate swaps	(3)	(6)
Interest on currency swaps	(1)	3
Other	(35)	(13)
INTEREST EXPENSE	(182)	(146)
Additions to provisions for shares in subsidiaries and affiliates	(136)	(37)
Additions to provisions for loans	(5)	(4)
Additions to provisions for current assets	(10)	(9)
Amortization of bond issue premiums	(2)	(2)
Additions to provisions for contingencies and charges	(4)	(12)
AMORTIZATION AND PROVISIONS - FINANCIAL ASSETS	(157)	(64)
FOREIGN EXCHANGE LOSSES	(47)	(28)
Financial expenses	(386)	(238)
NET FINANCIAL INCOME	44	29

NOTE 23 NON-RECURRING INCOME AND EXPENSES

In 2016, total non-recurring items before tax represented a net expense of €2 million.

Non-recurring items break down as follows:

<i>(in millions of euros)</i>	2015	2016
Non-recurring income and expenses on revenue transactions ⁽¹⁾	9	(27)
Gains (losses) on disposals of intangible assets and property and equipment	1	(3)
Gains (losses) on disposals and liquidations of investments ⁽²⁾	46	(852)
Reversals of provisions for contingencies and charges ⁽³⁾	11	25
Additions to provisions for contingencies and charges	(21)	(1)
Reversals of provisions for shares in subsidiaries and affiliates ⁽⁴⁾	14	858
Additions to provisions for excess tax depreciation	(1)	-
Reversals of provisions for excess tax depreciation	1	1
Accelerated depreciation	(3)	(3)
NET NON-RECURRING INCOME (EXPENSE)	57	(2)

(1) Mainly corresponding to €22 million in costs related to the relocation of the head office and €4 million in costs related to an indemnity paid in connection with the restructuring of operations in Eastern Europe.

(2) Mainly corresponding to €16 million in losses on disposals of investments and €840 in losses on mergers.

(3) Mainly corresponding to €16 million in reversals of provisions for costs related to the relocation of the head office and €4 million in reversals of provisions for tax risks related to the 2010 and 2011 audits.

(4) Mainly corresponding to provision reversals recorded following disposals of subsidiaries and affiliates in an amount of €17 million and mergers in an amount of €840 million.

NOTE 24 INCOME TAX

A. Accor SA income tax

<i>(in millions of euros)</i>	2015	2016
Group relief	25	32
Adjustment to prior-year tax benefit	-	-
Corporate income tax, withholding tax and other taxes	(5)	(8)
INCOME TAX	20	24

In 2016, the Company's contribution to the tax group was a loss of €218.4 million taxed at the standard rate.

B. Group relief

Group relief for the Company in its capacity as head of the French tax group amounted to €31.5 million in 2016.

C. Tax group

The tax group headed by Accor SA comprises the following 68 subsidiaries:

ACCOR Afrique	IBL	SHNM
Actimos	Immobilière Perrache SNC	SHORET
Blanche Neige SCI	La Thermale de France	SIGEST 1
Chammans Finance	Lionest SCI	SNC Management Hôtels
Cie d'Exploitation Hôtelière de Bagnolet	MARCQ HÔTEL	SOETIS
Cie d'Exploitation Hôtelière de Roissy	Mer et Montagne SNC	Sofitel Luxury Hôtels France
Cie Toulon. d'Invest. et de Développement	NMP France	SOLUXURY HMC SARL
CIWLT Succursale France	NOVOBIENS	SOPARAC
DEVIMCO	Paris Clichy	SOPARFI
Domaine de Marlioz	Paris Porte de St-Cloud	SPARHE
ECOTEL	P.I.H.	Sté Commerciale des Hôtels Économiques
EHS SNC	PRADOTEL	Sté Comtoise Hôtels Brochets
EVPA SCI	PROFID	Sté de Construction des Hôtels Suite
EXHOTEL	Roissypole Management Hôtels SNC	Sté Française de Participations et d'Investissements Européens
Fastbooking	SA des Hôtels de Tradition	Sté Internationale de Participations
FIMAKER	SEORIM	Sté Management Intermarkes
GESTAL	SEPHI	Sté Participations et d'Investissements de Motels
HOSPITEL	SH 61 QG	Sté Participations d'Île-de-France
Hôtel de Porticcio	SH Du Montparnasse SNC	Sté de Participations Financières d'hôtellerie
HÔTEL MÉTROPOLE SURESNES	SH de Thalasso Côte Varoise	SUDAIX SCI
HOTEXCO	SH Forum	THALAMER
IBIS <i>budget</i>	SH Porte de Sèvres	TOURS ORLY SCI
IBIS Styles Hôtels	SHEMA	

D. Provision recognized in accordance with Article 322-1 of ANC regulation 2014

In 2014, Accor applied Recommendation 2005-G issued on October 12, 2005 by the French National Accounting Board's Urgent Issues Task Force concerning the conditions applicable for recognizing a provision within a parent company that has set up a tax group.

Under the Group relief agreement between Accor SA and its subsidiaries, the tax benefits resulting from the utilization by the tax group of a subsidiary's tax losses revert to the subsidiary if it leaves the tax group.

As required by Article 322-1 of ANC regulation 2014, a provision is recorded for the Company's liability when it is probable that the tax benefit will be transferred as a result of a subsidiary leaving the tax group.

In practice, over the past five years the majority of the companies that have left the tax group have done so as a result of a liquidation, merger or disposal not requiring any transfer of tax benefits.

E. Dividend withholding tax (*précompte*)

In 2002, Accor SA launched a legal challenge to its obligation to pay withholding tax on the redistribution of European-source dividends.

Until 2004, French parent companies that received dividends from their French subsidiaries were entitled to a 50% tax credit, which could be set off against the withholding tax payable on redistribution of the dividends. However, no such tax credit was available for European-source dividends.

Accor SA claimed that the absence of a tax credit on European-source dividends breached European Union rules.

Ruling on a dispute between Accor SA and the French State, on December 21, 2006 the Versailles Administrative Court ordered the State to refund the *précompte* withholding tax paid by Accor SA in the period from 1999 to 2001, for a total of €156 million.

The amount of €156 million was refunded to Accor SA during the first half of 2007, together with €36.4 million in late payment interest due by the French State.

However, on March 8, 2007, the French State appealed the ruling to the Versailles Administrative Court of Appeal. On May 20, 2008, the Versailles Administrative Court of Appeal ruled in favor of Accor SA and confirmed the Company's right to the refunded amount.

The French State went on to appeal the ruling to the French Supreme Court and a provision was therefore booked for the amount of the refund and the late payment interest, with the result that the decisions of the Versailles Administrative Court and Administrative Court of Appeal had no net impact on the 2011 accounts.

On July 3, 2009, the French Supreme Court of Appeal announced that it would postpone ruling on the French State's appeal and on August 4, 2009, it applied to the Court of Justice of the European Communities (ECJ) for a preliminary ruling on this issue.

After reviewing the matter, the ECJ's final ruling was handed down on September 15, 2011. In this ruling, the ECJ held that the French *précompte*/tax credit system restricts the freedom of establishment and free movement of capital.

In its ruling handed down on December 10, 2012, the French Supreme Court of Appeal considered that the dividend tax credit and *précompte* withholding tax systems had been shown to be incompatible. However, the Court also considered that the amount to be refunded was subject to strict rules which, to all intents and purposes, restricted Accor SA's right to a refund. Accordingly, the Court found that Accor was entitled to only approximately €6.3 million of the €156 million in principal already refunded. In addition to the €149.7 million to be returned to the French State, Accor SA is also required to repay the late interest received in 2007, amounting to approximately €36.4 million, less

the portion related to the retained refund of €6.3 million. In all, €184.7 million in principal and interest was repaid to the French State during first-half 2013. In the 2012 financial statements, the €6.3 million *précompte* dividend withholding tax refunded to Accor SA and not repayable to the French State was credited to a reserve account. The estimated €1.4 million in late interest received on this amount has been considered as offsetting the early payment of tax, and was therefore recorded as a tax benefit in the income statement.

AccorHotels has noted the Supreme Court of Appeal's decision and intends to continue to use the avenues available to it to defend its position in disputes with the French tax authorities.

In addition, on February 7, 2007, Accor SA filed an application originating proceedings before the Cergy-Pontoise Administrative Court to obtain a refund of the €187 million in *précompte* withholding tax paid in the years 2002 to 2004.

In a ruling handed down on May 27, 2014, the Cergy-Pontoise Court applied the restrictive principles governing the calculation of refunds described by the French Supreme Court in its decision dated December 10, 2012. In line with these principles, the Court found that Accor SA was entitled to a refund of €71 million in respect of the *précompte* dividend withholding tax for the years 2002, 2003 and 2004 together with late payment interest of €3.3 million.

These amounts were recorded in the balance sheet at December 31, 2014. They had no impact on the income statement as Accor SA appealed the decision to the Versailles Administrative Court of Appeal on July 23, 2014 (which is currently investigating the case) and the ruling is therefore not final.

NOTE 25 DEFERRED TAX

Additions and reversals of non-deductible provisions recorded in 2016 by subsidiaries that form part of the Accor tax group represented a net non-taxable reversal of provisions of €39 million,

resulting in a €13 million reduction in deferred tax assets calculated at the rate of 33.33% excluding the 3.3% *contribution sociale* surtax and the 10.7% special contribution.

NOTE 26 OFF-BALANCE SHEET COMMITMENTS GIVEN AND RECEIVED

Lease commitments

Commitments given by Accor SA to its subsidiaries concerning fixed and variable lease payments were as follows at December 31, 2016 and 2015:

At December 31 (in millions of euros)	Dec. 2015	Dec. 2016
Fixed lease payment commitments given to subsidiaries	1,042	826
Variable lease payment commitments given to subsidiaries	1,022	1,098
LEASE PAYMENT COMMITMENTS GIVEN	2,065	1,925

Other off-balance sheet commitments

Other off-balance sheet commitments given at December 31, 2016 and 2015 break down as follows:

At December 31 (in millions of euros)	Dec. 2015	Dec. 2016
COMMITMENTS GIVEN (LIABILITIES)		
Pledge of BRH shares ⁽¹⁾	0	0
Hotel purchase commitments	39	0
Other purchase commitments ⁽²⁾	4	36
Pledge of networks and securities - France	1	1
PURCHASE COMMITMENTS	44	37
Construction performance bonds - France ⁽³⁾	107	25
WORKS COMMITMENTS	107	25
Guarantees given ⁽⁴⁾	53	47
Guarantees for confirmed credit lines ⁽⁵⁾	25	11
Guarantees for bank borrowings ⁽⁵⁾	24	9
Guarantees given to third parties ⁽⁶⁾	42	54
Guarantees for liabilities ^{(7) (8)}	281	314
GUARANTEE COMMITMENTS	425	436
COMMITMENTS GIVEN IN THE NORMAL COURSE OF BUSINESS	-	-
COMMITMENTS GIVEN	576	498

(1) Security interests given on assets correspond to pledges and mortgages valued at the acquisition cost of the underlying assets.

Accor has fully written down its original €25.7 million interest in BRH, which has been pledged as collateral for a loan in the same amount granted to BRH by Mauritius Commercial Bank. As this pledge was indexed to the net value of the shares held by Accor SA, its amount was zero at December 31, 2016.

(2) In 2016, Accor committed to buying a 50% stake in Amsterdam-based management company NewCo which owns the RIXOS brand and a certain number of its management contracts for a total amount of €36 million.

(3) In connection with the development of a hotel complex in Orly, AccorHotels has agreed to act as guarantor on behalf of SCI des Hôtels de Tours et Orly for the payment of all the sums due, in an amount of €6 million.

Accor gave a €19 million financial guarantee on October 31, 2014 on behalf of its subsidiaries for performance bonds on construction work that they have taken on (Novotel Cœur d'Orly, ibis Cœur d'Orly and BAC Orly).

(4) This item includes various guarantees given on behalf of direct and indirect subsidiaries either to banks or directly to the subsidiaries' customers. Accor also stands as guarantor for six Adagio hotels, representing an aggregate amount of €35 million at December 31, 2016.

(5) Accor has given guarantees for borrowings (€9 million) and confirmed credit lines (€11 million).

(6) Total guarantees given to other third parties came to €54 million at December 31, 2016.

(7) Although the construction lease signed with Aéroport de Paris has been sold to IRIS, ibis Paris Roissy still stands as guarantor for interest and penalties related to a VAT reassessment and for €8 million in VAT until the expiration of the lease in 2023.

Accor granted a €10 million seller's warranty to WBA Saint-Honoré in connection with the sale of WBA that took place on March 28, 2013.

Accor has also given guarantees for liabilities of SNC limited partnerships (€293.9 million).

(8) Accor granted an asset and liability warranty to SHTE in connection with the sale of SNH SH 18 Suffren in October 2012. This warranty, which is capped at €1 million (excluding for tax, para-fiscal and payroll liabilities) expires in November 2017.

At December 31 <i>(in millions of euros)</i>	Dec. 2015	Dec. 2016
COMMITMENTS RECEIVED (ASSETS)	-	-
Non-cancelable commitments received for the purchase of financial assets	-	-
PURCHASE COMMITMENTS RECEIVE	-	-
Construction performance bonds - France	0	-
WORKS COMMITMENTS RECEIVED	0	-
Guarantees for confirmed credit lines	-	-
Guarantees received	-	-
Other commitments received	-	-
OTHER FINANCIAL GUARANTEES FOR BORROWINGS	-	-
COMMITMENTS RECEIVED	0	0

NOTE 27 SUBSEQUENT EVENTS

On January 25, 2017, Accor issued €600 million in seven-year 1.25% bonds.

It took advantage of favorable conditions in the credit market to optimize its financing costs and extend the average maturity of its debt.

NOTE 28 MAIN SUBSIDIARIES AND AFFILIATES AT DECEMBER 31, 2016

(in thousands of local currency units)

Subsidiaries and affiliates	Currency	Share capital	Reserves (retained earnings)	Percent interest
A. SUBSIDIARIES AND AFFILIATES WITH A BALANCE SHEET VALUE IN EXCESS OF 1% OF ACCOR'S CAPITAL				
1. Subsidiaries (at least 50%-owned)				
a) French subsidiaries				
SPFH, 2, rue de la Mare Neuve 91000 Évry ⁽²⁾	EUR	29,796	(23,910)	100.00%
SOCIÉTÉ HÔTELIÈRE DE MONTPARNASSE, 2, rue de la Mare Neuve 91000 Évry	EUR	16,008	68	100.00%
IBL, 82, rue Henri Farman 92130 Issy-les-Moulineaux ⁽²⁾	EUR	28,767	18,115	100.00%
STÉ DE CONSTRUCTION DES HÔTELS SUITES, 2, rue de la Mare Neuve 91000 Évry	EUR	29,296	107	100.00%
SOLUXURY HMC, 82, rue Henri Farman 92130 Issy-les-Moulineaux ⁽²⁾	EUR	10,226	3,042	100.00%
CHAMMANS, 82 rue Henri Farman 92130 Issy-les-Moulineaux ⁽²⁾	EUR	102,048	2,135	100.00%
PROFID, 2, rue de la Mare Neuve 91000 Évry	EUR	3,500	3,558	100.00%
SNC SH 61 QG, 2, rue de la Mare Neuve 91000 Évry	EUR	10,038	(10,285)	100.00%
STÉ DES HÔTELS DE TRADITION, 2, rue de la Mare Neuve 91000 Évry	EUR	13,366	(107)	100.00%
THALAMER, 2, rue de la Mare Neuve, 91000 Évry	EUR	15,384	(5,913)	100.00%
LA THERMALE DE FRANCE, 2, rue de la Mare Neuve 91000 Évry	EUR	23,905	(24,405)	100.00%
FASTBOOKING, 82, rue Henri Farman 92130 Issy-les-Moulineaux	EUR	18,331	(6,775)	100.00%
SEPHI, 6-8, rue du Bois Briard 91000 Évry	EUR	8,000	34,298	99.99%
SFPIE, 82, rue Henri Farman 92130 Issy-les-Moulineaux ⁽²⁾	EUR	15,129	(1,643)	99.99%
SOFITEL LUXURY HÔTELS FRANCE, 2, rue de la Mare Neuve 91000 Évry	EUR	2,338	(8,123)	99.99%
P.I.H., 2, rue de la Mare Neuve 91000 Évry ⁽²⁾	EUR	32,236	20,703	99.99%
HOTEXCO, 6-8, rue du Bois Briard 91000 Évry	EUR	39,071	52,854	99.99%
SPARHE, 2, rue de la Mare Neuve 91000 Évry	EUR	9,000	1,620	99.99%
SCHE, 6-8, rue du Bois Briard 91000 Évry	EUR	44,570	(861)	99.09%
AH FLEET SERVICES, 82 rue Henri Farman 92130 Issy-les-Moulineaux ⁽³⁾	EUR	31,000	31,000	99.00%
ACCOR AFRIQUE, 2, rue de la Mare Neuve 91000 Évry	EUR	29,709	24,850	97.22%
MARCQ HOTEL, 2, rue de la Mare Neuve 91000 Évry ⁽²⁾	EUR	6,789	4,064	96.91%
SCI DES HÔTELS DE TOURS ET ORLY, 6-8, rue du Bois Briard 91000 Évry	EUR	18,150	2,031	95.10%
SOCIÉTÉ DES HÔTELS NOVOTEL ET MERCURE, 2, rue de la Mare Neuve 91000 Évry ⁽²⁾	EUR	4,724	306,046	82.85%
SEORIM, 2, rue de la Mare Neuve 91000 Évry ⁽²⁾	EUR	31,359	2,534	70.94%
b) Foreign subsidiaries				
ACCOR SUISSE SA (Switzerland)	CHF	14,300	25,177	100.00%
SH ATHENES CENTRE (Greece)	EUR	2,933	(3,714)	100.00%
ACCOR POLSKA (Poland) ⁽²⁾	PLN	173,038	3,618	100.00%
ACCOR UK LTD (United Kingdom) ⁽²⁾	GBP	85,530	51,599	100.00%
ACCOR HOTELS BELGIUM (Belgium) ⁽²⁾	EUR	1,474,846	11,767	100.00%
EUR ACCOR HOSPITALITY GERMANY GMBH (Germany) ⁽²⁾	EUR	48,750	301,146	100.00%
BELLE RIVIÈRE HOTEL (Mauritius)	MUR	1,420,000	(2,438,457)	100.00%
ACCOR CHILE (Chile) ⁽²⁾	CLP	7,977,620	4,213,901	100.00%

(in thousands of euros)

Carrying amount of shares		Outstanding loans and advances granted by Accor SA	Guarantees given by Accor SA	Last published net revenue	Last published net profit (loss)	Dividends received by Accor SA during the year
Cost	Net					
29,796	5,587	-	-	-	534	-
34,623	17,800	-	-	55,032	(7,871)	1,441
706,501	71,368	-	-	-	14,723	26,466
33,887	29,424	-	-	1,592	156	254
10,226	10,226	-	-	53,705	16,344	17,385
108,151	108,151	46,106	-	-	(330)	-
13,903	13,364	-	-	145,164	7,032	-
10,038	-	7,964	-	43,803	(424)	-
13,095	-	9,092	-	4,565	(100)	-
20,286	20,286	8,713	-	50,320	(3,208)	-
31,548	1,889	143	-	-	873	-
22,141	14,625	-	-	17,389	(11,080)	-
40,399	40,399	-	8,000	101,969	8,481	8,850
24,640	24,640	-	-	-	(891)	-
26,390	-	16,116	-	39,385	(4,262)	-
29,263	29,263	-	-	-	1,067	2,619
12,469	12,469	-	-	82,102	7,730	855
12,845	12,845	-	-	10,666	537	840
65,382	43,834	-	-	111,706	(10,039)	-
30,690	30,690	3,391	-	N/A	N/A	-
76,681	76,681	-	-	10,256	12,484	-
9,392	9,050	-	-	1,973	13	877
24,281	22,559	16,918	5,664	2,108	(119)	-
345,663	276,929	-	-	69,786	3,993	3,914
22,164	22,164	-	-	-	4,144	793
25,907	25,907	-	-	-	14,337	-
10,362	-	-	-	5,174	41	-
60,481	60,481	-	-	-	997	22,165
156,066	156,066	34,563	-	-	1,479,878	-
1,414,923	1,414,923	32	-	99,088	1,135	-
407,919	407,919	-	-	787,372	64,771	-
35,315	-	15,626	-	5,403	(3,504)	-
10,498	10,498	-	3,404	18,099	2,402	-

(in thousands of local currency units)

Subsidiaries and affiliates	Currency	Share capital	Reserves (retained earnings)	Percent interest
STE IMMOBILIARIA HOT. DE MEXICO (Mexico)	MXN	350,450	(169,529)	100.00%
ACCOR AUSTRIA (Austria)	EUR	5,542	12,196	100.00%
ACCOR PARTICIPAZIONI Italia (Italy) ⁽²⁾	EUR	342,232	6,938	100.00%
TURAMBAR (Spain) ⁽²⁾	EUR	13,000	36,938	100.00%
FRHI HOLDINGS LIMITED (Cayman Islands)	USD	18,892	1,593,576	100.00%
COMPAGNIE DES WAGONS-LITS (Belgium) ⁽²⁾	EUR	50,676	251,868	99.93%
ACCOR HOSPITALITY ARGENTINA (Argentina) ⁽²⁾	ARS	13,535	165,323	95.00%
SOGECOL LTDA (Colombia)	COP	16,469,996	94,894,228	94.52%
JOHN PAUL - CONCIERGE HOLDING COMPANY LIMITED (United Kingdom)	EUR	116,006	625	76.30%
SHERATON GEZIRAH LE CAIRE (Egypt)	USD	16,476	5,138	65.01%
HOLPA (Luxembourg)	EUR	1,900	(382)	63.55%
ACCOR HOSPITALITY NEDERLAND (Netherlands)	EUR	6,930	99,929	58.09%

2. Affiliates (10 to 50%-owned)**a) French affiliates**

SHPS, 2 avenue du Lac 91080 Courcouronnes	EUR	48,909	5,865	40.89%
TOWN AND SHELTER, 61, rue Servan, 75011 Paris ⁽²⁾	EUR	8	4,535	30.00%
MAMA SHELTER, 61, rue Servan, 75011 Paris ⁽²⁾	EUR	1,822	12,458	20.19%

b) Foreign affiliates

ORBIS (Poland) ⁽²⁾	PLN	517,754	1,331,821	47.69%
RISMA (Morocco)	MAD	1,432,695	15,478	33.34%
25HOURS HOTELS COMPANY (Germany) ⁽²⁾	EUR	25,000	2,800,000	30.00%
OASIS LUXURY RENTALS INCORPORATED (British Virgin Islands)	N/D	N/D	N/D	27.83%
PROGETTO VENEZIA (Italy) ⁽¹⁾	EUR	20,750	(10,243)	20.00%
AAPC (Australia) ⁽²⁾	AUD	522,382	(350,343)	18.10%
ACCOR HOTELES ESPANA (Spain) ⁽²⁾	EUR	38,603	302,174	16.45%
FAIRMONT HOTELS & RESORTS (U.S.) INC. (United States)	USD	0	694,744	15.41%

B. OTHER INVESTMENTS IN COMPANIES WITH A BALANCE SHEET VALUE OF LESS THAN 1% OF ACCOR'S CAPITAL**1. Subsidiaries (at least 10%-owned)****a) French subsidiaries (aggregate)****b) Foreign subsidiaries (aggregate)****2. Other investments (less than 10%-owned)****a) French companies (aggregate)****b) Foreign companies (aggregate)****TOTAL**

(1) Balance sheets at December 31, 2004.

(2) Provisional or unaudited balance sheets.

(3) The subsidiary was created in 2016 and its first reporting period will run until December 31, 2017.

N/D = Not disclosed

N/A = Not applicable

(in thousands of euros)

Carrying amount of shares		Outstanding loans and advances granted by Accor SA	Guarantees given by Accor SA	Last published net revenue	Last published net profit (loss)	Dividends received by Accor SA during the year
Cost	Net					
28,707	9,841	-	-	18,515	2,012	-
21,573	21,573	-	-	2,753	13,183	-
460,863	356,326	-	2 611	-	32	-
180,970	180,970	-	-	-	(45)	-
2,419,885	2,419,885	43,025	-	13,960	1,110	-
1,151,340	308,857	105,328	-	737	853	-
28,067	4,208	-	-	19,222	(958)	-
31,240	31,240	-	-	1,902	796	-
93,520	93,520	16,702	-	N/D	N/D	-
33,913	33,720	-	-	11,953	5,341	4,081
30,374	1,445	-	-	-	(40)	-
17,746	17,746	-	-	167,083	27,446	-
20,000	20,000	-	-	11,778	3,025	2,900
12,995	12,995	-	-	737	2	-
15,802	15,802	3,723	-	14,470	806	-
206,534	206,534	-	-	167,134	35,461	7,667
64,061	52,865	-	-	48,512	5,821	-
34,773	34,773	-	-	58,839,960	3,800,000	-
11,174	11,174	-	-	N/D	N/D	-
8,568	-	-	-	-	-	-
66,758	66,758	-	-	7,288	(20,747)	-
97,594	56,069	-	2,410	126,747	10,520	-
81,023	81,023	-	-	25,537	(404)	-
106,927	73,246	196,601	-			20,949
55,602	34,278	70,799	12,375			4,040
11,627	11,088	7,556	-			267
3,554	1,036	-	-			8,554
9,171,115	7,127,009	602,398	34,464			134,917

5.4.4 FIVE-YEAR FINANCIAL SUMMARY

<i>(in millions of euros)</i>	2012	2013	2014	2015	2016
Capital at year-end					
Share capital	682	684	696	706	854
Number of shares in issue	227,277,972	228,053,102	231,836,399	235,352,425	284,767,670
Results of operations					
Net revenues	753	807	825	881	895
Profit before tax, depreciation, amortization and provisions	67	124	261	209	(879)
Income tax	(32)	(20)	(14)	(20)	(24)
Net profit (loss)	(584)	101	239	130	(9)
Dividends	173	183	220	235	299 ⁽¹⁾
Per-share data (in euros)					
Earnings per share after tax, before depreciation, amortization and provisions	0.44	0.63	1.18	0.97	(3.01)
Earnings (loss) per share	(3)	0.44	1.03	0.55	(0.03)
Dividend per share (before tax credit/allowance)	0.76	0.80	0.95	1.00	1.05 ⁽¹⁾
Employees					
Number of employees	1,069	1,051	1,033	1,145	1,275 ⁽²⁾
Total payroll and employee benefits	127	158	146	133	149

(1) Recommended dividend for 2016 proposed at the Annual Shareholders' Meeting of May 5, 2017 based on 284,767,670 shares outstanding at December 31, 2016.

(2) Number of employees on the Accor SA payroll at December 31, 2016.



6

CAPITAL AND OWNERSHIP STRUCTURE

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6.1 INFORMATION ABOUT THE COMPANY

COMPANY NAME

Accor

REGISTERED OFFICE

82, rue Henri Farman - 92130 Issy-les-Moulineaux, France.

LEGAL FORM

Joint stock company (*société anonyme*) governed by the applicable French laws and regulations, including Articles L. 225-17 to L. 225-56 of the French Commercial Code.

GOVERNING LAW

The laws and regulations of France.

TERM

The Company was incorporated on April 22, 1960.

and will be dissolved on April 22, 2059 unless it is wound up in advance or its term is extended.

CORPORATE PURPOSE

(Article 3 of the Bylaws)

The Company's corporate purpose is to engage in the following activities, in France and other countries, on its own behalf, or on behalf of third parties, or jointly with third parties:

- the ownership, financing and management, directly, indirectly, or under specified mandates, of hotels, restaurants and bars of any nature or category and, more generally, any establishment related to accommodation, food, tourism, leisure, and services;
- the economic, financial and technical review of projects and, generally, all services related to the development, organization and management of the above-mentioned establishments, including all actions related to their construction or the provision of any related consulting services;
- the review and provision of services intended to facilitate the supply of meals to employees in companies, institutions and other organizations;
- the creation of any new company and the acquisition of interests by any method in any company operating in any business;
- all civil, commercial, industrial and financial transactions, involving both securities and property, related to the purposes of the Company and all similar or related purposes.

TRADE REGISTER

The Company is registered in Nanterre under number 602 036 444. Business Identification (APE) Code: 7010Z.

DOCUMENTS ON DISPLAY

Corporate documents, including the Bylaws, balance sheets, income statements, Board of Directors' reports and Auditors' reports, may be inspected at the Company's registered office.

FISCAL YEAR

The Company's fiscal year begins on January 1 and ends on December 31.

PROFIT AVAILABLE FOR DISTRIBUTION

(Article 27 of the Bylaws)

Profit available for distribution consists of net profit for the year, less any losses brought forward from prior years and any amounts to be credited to reserves pursuant to the law, plus any unappropriated retained earnings brought forward from prior years.

After approving the accounts for the year, the Annual Shareholders' Meeting may decide to appropriate all or part of the profit available for distribution, if any, to the payment of a dividend. In the event of partial distribution, the Annual Shareholders' Meeting may decide to appropriate the remaining profit to one or more reserve accounts. Alternatively, the Annual Shareholders' Meeting may decide to appropriate all of the profit available for distribution to said reserve accounts.

SHAREHOLDERS' MEETINGS

Notice of Shareholders' Meetings

(Article 24 of the Bylaws)

Shareholders' Meetings shall be called as provided for by law. The meetings shall take place at the Company's registered office or at any other venue specified in the notice of meeting.

Attendance and representation

(Article 24 of the Bylaws)

In accordance with the applicable regulations, shareholders have the right to attend and participate in Shareholders' Meetings in person or by proxy, whatever the number of shares held, upon presentation of evidence that their shares have been recorded in a securities account opened in their name or in that of their accredited financial intermediary, as specified in the applicable laws and regulations.

In the case of bearer shares, such evidence shall take the form of a statement of share ownership («*attestation de participation*») issued by the accredited financial intermediary in accordance with the law.

ORGANIZATION OF SHAREHOLDERS' MEETINGS

(Article 25 of the Bylaws)

All shareholders have the right to attend or be represented at Shareholders' Meetings, under the conditions set by law. They may vote by post in accordance with Article L. 225-107 of the French Commercial Code. The proxy/postal voting form may be sent to the Company or to the Company's registrar in paper form or, by decision of the Board of Directors published in the notice of meeting, by electronic mail in accordance with the applicable laws and regulations.

In addition, if decided by the Board of Directors when the meeting is called, shareholders who participate in the meeting by videoconference or by any electronic means enabling their identification, on the basis and by the method stipulated in the applicable laws and regulations, will be considered as being physically present for the calculation of the quorum and voting majority.

To cast a vote or execute a proxy by electronic means, shareholders or their duly authorized representative or attorney must either:

- provide a secure electronic signature fulfilling the requirements of the applicable laws and regulations; or
- enter a unique username and password on the Company's website, if such a website exists, in accordance with the applicable laws and regulations. This type of electronic signature shall be considered a reliable mechanism for identifying shareholders and their votes, in compliance with the first sentence of paragraph 2 of Article 1316-4 of the French Civil Code.

Meetings are chaired by the Chairman of the Board of Directors or, in his or her absence, by a director designated by the Board. Otherwise, the meeting elects its own Chairman.

The function of Scrutineer of the meeting is fulfilled by the two shareholders present at the meeting who represent the largest number of voting rights and who consent to take on the role. The Bureau thus formed names a Secretary, who may or may not be a shareholder.

An attendance register is kept, pursuant to the law.

Copies or excerpts of the meeting minutes may be certified by the Chairman of the Board of Directors, the Chairman of the meeting, or the meeting Secretary.

Ordinary and Extraordinary Shareholders' Meetings fulfilling the relevant quorum and majority voting requirements exercise the powers vested in them by law.

DOUBLE VOTING RIGHTS

(Article 25 of the Bylaws)

All fully paid shares registered in the name of the same holder for at least two years carry double voting rights.

In the event of a capital increase through the capitalization of retained earnings, profits or additional paid-in capital, the resulting bonus shares distributed in respect of registered shares carrying double voting rights will similarly carry double voting rights.

Registered shares converted into bearer shares or sold to a different holder lose their double voting rights. However, transfers through inheritance, liquidation of marital assets, *inter vivos* transfers to a spouse or to a relative in the ascending or descending line do not result in the loss of double voting rights or a break in the qualifying period. The merger of the Company has no impact on double voting rights, provided that the Bylaws of the surviving company allow for their exercise.

When shares are held by beneficial and non-beneficial owners, voting rights in Ordinary and Extraordinary Shareholders' Meetings are exercised by the beneficial owner.

DISCLOSURE THRESHOLDS

(Article 9 of the Bylaws)

Any shareholder, acting alone or in concert with other shareholders within the meaning of Article L. 233-10 of the French Commercial Code, that directly or indirectly acquires an interest, or raises its interest, in the capital or voting rights of the Company, including any equivalent shares or voting rights as defined in Article L. 223-9-1 of the French Commercial Code, to above or below any statutory disclosure threshold is required to disclose its interest to the Company. In the case of failure to make such disclosure, the sanctions provided for by law will apply.

In addition, any shareholder that acquires or raises its interest to 1% of the capital or voting rights is required to disclose its interest to the Company by registered letter with return receipt requested sent to the head office, within five trading days of the transaction date or the signature of any agreement resulting in the disclosure threshold being crossed, whatever the date on which the shares are recorded in the holder's account. The notification must include details of the total number of shares and/or share equivalents held and the number of voting rights held as provided for above.

Above said 1% threshold, the same disclosure rules as defined above will apply to any increase in a shareholder's interest by any multiple of 0.5% of the capital or voting rights and to any reduction in a shareholder's interest by any multiple of 1% of the capital or voting rights.

For the application of the above paragraphs, the shares or voting rights referred to in paragraphs 1 to 8 of Article L. 233-9-1 of the French Commercial Code are considered as being equivalent to the shares or voting rights held by the shareholder.

RESTRICTIONS ON VOTING RIGHTS

(Article 9 of the Bylaws)

In the case of failure to comply with the applicable disclosure rules, at the request of one or several shareholders representing at least 3% of the Company's capital or voting rights, as duly recorded in the minutes of the Shareholders' Meeting, the undisclosed shares will be stripped of voting rights at all Shareholders' Meetings held in the two years following the date when the omission is remedied.

NOTIFICATION OF INTENTIONS

(Article 9 of the Bylaws)

Any shareholder that acquires or raises its interest to more than one-twentieth, three-twentieths or one-quarter of the capital or voting rights is required to notify the Company of its intentions over the following twelve months.

At the end of each successive twelve-month period, any shareholder that continues to hold a number of shares or voting rights in excess of the above fractions will be required to notify the Company of its intentions for the following twelve months.

In particular, the shareholder must inform the Company of whether it is acting alone or in concert with other shareholders, whether or not it plans to purchase additional shares, and whether or not it intends to acquire control of the Company or to request its election or the election of one or several candidates of its choice as directors of the Company. The Company will have the right to inform the public and shareholders of the said shareholder's disclosed intentions, or of the shareholder's failure to comply with this requirement.

For the application of the above paragraphs, the shares or voting rights referred to in paragraphs 1 to 8 of Article L. 233-9-1 of the French Commercial Code are considered as being equivalent to the shares or voting rights held by the shareholder.

6.2 SHARE CAPITAL

6.2.1 SHARE CAPITAL

At December 31, 2016, the Company's share capital amounted to €854,303,010 divided into 284,767,670 common shares with a par value of €3.00, all fully paid-up and in the same class.

Shares may be held in either registered or bearer form.

The Company avails itself of legal procedures to identify its shareholders.

Shares are freely transferable within legal and regulatory limits.

The transfer of shares, regardless of price or terms, is made by account transfer, pursuant to the regulations in force.

6.2.2 SHARE BUYBACK PROGRAM

AUTHORIZATION GRANTED BY THE ANNUAL MEETING OF APRIL 22, 2016

At the Annual Meeting on April 22, 2016, shareholders authorized the Board of Directors to buy back the Company's shares on the stock market. The authorization was given for a period of 18 months and superseded all previous authorizations.

The number of shares acquired under the authorization may not exceed 23,000,000, or 9.77% of the share capital at April 22, 2016 and the maximum total investment in the buyback program may not exceed €1.61 billion.

The authorization may be used to purchase shares for the following purposes:

- for cancellation at a later date in connection with a capital reduction decided or authorized by shareholders in an Extraordinary Meeting;
- for allocation upon exercise of stock options granted under plans governed by Articles L. 225-177 *et seq.* of the French Commercial Code, or to members of an employee stock ownership plan governed by Articles L. 3332-1 *et seq.* of the Labor Code or to recipients of stock grants made under plans governed by Articles L. 225-197-1 *et seq.* of the French Commercial Code;

- for allocation on the conversion, redemption, exchange or exercise of share equivalents;
- to be held in treasury for subsequent remittance in exchange or payment in connection with external growth transactions, a merger, demerger or asset contribution within a limit of 5% of the Company's capital;
- to make a market in the Company's shares under a liquidity contract that complies with the Code of Conduct recognized by the French securities regulator (*Autorité des marchés financiers* – AMF).

IMPLEMENTATION OF THE SHARE BUYBACK PROGRAM IN 2016

As of May 30, 2013, and for a period of twelve months tacitly renewable for successive twelve-month terms, Accor contracted with Rothschild & Cie Banque to implement a liquidity contract complying with the Code of Conduct issued by the French Financial Markets Association (AMAFI) and approved by the AMF on March 24, 2011. To fund the contract, €30 million has been allocated to the liquidity account.

At December 31, 2016, Accor did not hold any shares in treasury.

6.2.3 FINANCIAL AUTHORIZATIONS

Shareholders have granted the Board of Directors the following authorizations.

Type of authorization	Date of authorization	Nominal amount authorized	Term and expiry date	Utilization in 2016
Reduction of capital by canceling treasury stock	Annual Meeting of April 28, 2015 11 th resolution	10% of the share capital	24 months April 28, 2017	
Issuance of shares and share equivalents:	Annual Meeting of April 28, 2015 12 th to 16 th resolutions		26 months June 28, 2017	
■ with pre-emptive subscription rights		€347 million		
■ by public offering without pre-emptive subscription rights		€69 million with or without priority subscription rights		
■ by restricted offering without pre-emptive subscription rights		€69 million		
■ in connection with a stock-for-stock offer		€69 million		
■ to increase the amount of any issues that are oversubscribed		15% of the initial issue (or according to legislation prevailing on the issue date)		
■ in payment for contributed assets		€69 million		
Issuance of new shares by capitalizing reserves, retained earnings or additional paid-in capital	Annual Meeting of April 28, 2015 17 th resolution	€347 million	26 months June 28, 2017	
Blanket ceiling on the authorizations to issue shares and/or other securities (par value)	Annual Meeting of April 28, 2015 18 th resolution			
■ with or without pre-emptive subscription rights (12 th to 17 th resolutions)		€347 million		
■ without pre-emptive subscription rights (13 th to 16 th resolutions)		€69 million		
Employee share issue	Annual Meeting of April 28, 2015 19 th resolution	2% of the share capital at April 28, 2015	26 months June 28, 2017	
Stock option plans for employees and executive directors	Annual Meeting of April 25, 2013 20 th resolution	2.5% of the share capital at April 25, 2013 (blanket ceiling including stock granted without consideration by virtue of the 21 st resolution of the April 28, 2015 Annual Meeting)	38 months June 25, 2016	
Stock grants without consideration	Annual Meeting of April 22, 2016 10 th resolution	2.5% of the share capital at April 22, 2016 Directors: a cap of 15% of the share capital for all of the shares granted by virtue of the 11 th resolution of the April 22, 2016 Annual Meeting	38 months June 22, 2019	491,690 performance shares granted on June 16, 2016 and 14,525 performance shares granted on October 26, 2016

6.2.4 EMPLOYEE STOCK OWNERSHIP

The first employee share issue, open to participants in the «Accor en Actions» Corporate Savings Plan, was carried out in France in 1999, with 7,900 employees purchasing shares.

In 2000, AccorHotels launched its first international employee share issue in 23 countries, demonstrating its commitment to offering a significant number of employees worldwide the opportunity to become Accor shareholders by tailoring the plan rules to comply with legal and tax restrictions in each country. A total of 16,000 people participated in the offer.

International employee share issues were again carried out in 2002 in 25 host countries, with more than 12,600 employees taking part.

In 2004, another share issue for employees in over 20 countries took place. A total of 9,100 participated in the offer.

Lastly, in 2007, for the first time, a leveraged employee share ownership plan was offered in the 26 countries where such plans are permitted by local legislation, with 8,736 employees purchasing shares.

At December 31, 2016, 0.795% of the Company's capital was held by AccorHotels employees and former employees.

6.2.5 SHARES NOT REPRESENTING CAPITAL

None.

6.2.6 CHANGES IN CAPITAL

Year	Changes in capital over the past five years	Increase/(decrease) in capital (in euros)		New capital (in euros)	New shares outstanding
		Share capital	Additional paid-in capital		
2012	Exercise of stock options at €18.20	3,486	17,662	681,757,824	227,252,608
	Exercise of stock options at €21.50	4,074	25,123	681,761,898	227,253,966
	Exercise of stock options at €26.66	2,715	21,412	681,764,613	227,254,871
	Exercise of stock savings warrants at €22.51	69,303	450,701	681,833,916	227,277,972
2013	Exercise of stock options at €18.20	1,348,791	6,833,874	683,182,707	227,727,569
	Exercise of stock options at €30.81	367,635	3,407,976	683,550,342	227,850,114
	Vested performance shares	608,964	-	684,159,306	228,053,102
	Distribution of 2012 dividend	-	(58,768,161)	684,159,306	228,053,102
2014	Exercise of stock options at €18.20	754,008	3,820,307	684,913,314	228,304,438
	Exercise of stock options at €26.66	1,656,492	13,064,200	686,569,806	228,856,602
	Exercise of stock options at €28.32	213,672	1,803,392	686,783,478	228,927,826
	Exercise of stock options at €30.81	2,430,795	22,533,470	689,214,273	229,738,091
	Vested performance shares	609,045	-	689,823,318	229,941,106
	Distribution of 2013 dividend	-	(65,467,481)	689,823,318	229,941,106
	Dividend reinvestment at €31.73	5,685,879	54,451,768	695,509,197	231,836,399
2015	Exercise of stock options at €18.20	885,171	4,484,866	696,394,368	232,131,456
	Exercise of stock options at €26.41	11,250	87,788	696,405,618	232,135,206
	Exercise of stock options at €26.66	2,021,748	15,944,853	698,427,366	232,809,122
	Exercise of stock options at €28.32	93,960	793,022	698,521,326	232,840,442
	Exercise of stock options at €30.49	4,500	41,235	698,525,826	232,841,942
	Exercise of stock options at €30.81	2,365,770	21,930,688	700,891,596	233,630,532
	Exercise of stock options at €31.72	350,946	3,359,723	701,242,542	233,747,514
	Exercise of stock savings warrants at €40.08	2,367	29,256	701,244,909	233,748,303
	Vested performance shares	703,935	-	701,948,844	233,982,948
Dividend reinvestment at €46.20	4,108,431	59,158,667	706,057,275	235,352,425	
2016	Exercise of stock options at €18.20	223,533	1,132,567	706,280,808	235,426,936
	Exercise of stock options at €26.41	214,920	1,677,092	706,495,728	235,498,576
	Exercise of stock options at €26.66	248,325	1,958,457	706,744,053	235,581,351
	Exercise of stock options at €30.49	4,524	41,455	706,748,577	235,582,859
	Exercise of stock options at €31.72	58,320	558,317	706,806,897	235,602,299
	Vested performance shares	1,250,730	-	708,057,627	236,019,209
	Impact of acquisition of the FRHI Group	140,100,000	-	848,157,627	282,719,209
	Distribution of 2015 dividend	-	(90,123,965)	848,157,627	282,719,209
	Dividend reinvestment at €34.73	6,145,383	64,997,668	854,303,010	284,767,670

N.B.: There are no options outstanding to purchase existing shares of the Company. All options granted are to purchase new shares.

6.3 OWNERSHIP STRUCTURE

6.3.1 OWNERSHIP AND VOTING RIGHTS STRUCTURE

At December 31, 2016, the Company's capital consisted of 284,767,670 shares, representing a total of 314,454,229 voting rights, all of which were exercisable. There are 29,680,294 double voting rights outstanding.

The Company had 5,361 registered shareholders at December 31, 2016, representing 39.92% of the capital and 45.59% of total voting rights.

Shareholders at December 31, 2016

	Number of shares	Number of voting rights	% capital	% voting rights
JinJiang International Holdings Co., Limited	35,757,485	35,757,485	12.56%	11.37%
Qatar Investment Authority	29,505,060	29,505,060	10.36%	9.38%
ColDay A S.à.r.l./Legendre Holding 19 ⁽¹⁾⁽²⁾	22,580,517	45,037,022	7.93%	14.32%
Kingdom Hotels (Europe) LLC	16,494,440	16,494,440	5.79%	5.25%
Founders	3,823,044	7,646,088	1.34%	2.43%
Other members of the Board of Directors	63,798	75,292	0.02%	0.02%
Board members and founders	3,886,842	7,721,380	1.36%	2.46%
Other shareholders	176,543,326	179,938,842	62.00%	57.22%
OWNERSHIP STRUCTURE AT DECEMBER 31, 2016	284,767,670	314,454,229	100.00%	100.00%

(1) Shareholders acting in concert at December 31, 2016: ColDay A S.à.r.l. (Colony Capital, LLC), which owns 10,395,214 shares and 20,790,428 voting rights, and Legendre Holding 19 (controlled by Eurazeo), which owns 12,185,303 shares and 24,246,594 voting rights.

(2) On January 31, 2017, Colony Capital announced that it had sold 100% of its stake in Accor and that it no longer holds any voting rights. The concert group formed by ColDay S.à.r.l. (Colony Capital) and Legendre Holding 19 SAS (Eurazeo) was therefore terminated on the same date. After this transaction, Eurazeo remains a 4.28% shareholder in Accor, representing 7.71% of the voting rights.

At December 31, 2016, 2,262,473 shares (0.795% of total capital) and 4,434,462 voting rights (1.41% of the total) were held by AccorHotels employees and former employees.

During the year, the following registered intermediaries or fund managers notified the AMF of changes in their interests, in accordance with disclosure threshold rules:

Registered intermediary or fund manager	Disclosure date	AMF reference number	Increase or decrease in interest	Number of shares	% capital	Number of voting rights	% voting rights
JinJiang International Holdings Co., Limited	January 29, 2016	216C0333		12,935,322	5.50%	12,935,322	4.80%
JinJiang International Holdings Co., Limited	February 1, 2016	216C0347		14,202,468	6.03%	14,202,468	5.27%
BlackRock Inc	February 3, 2016	216C0396		12,125,063	5.15%	12,125,063	4.50%
BlackRock Inc	February 4, 2016	216C0409		11,296,260	4.80%	11,296,260	4.19%
JinJiang International Holdings Co., Limited	February 26, 2016	216C0572		27,527,216	11.70%	27,527,216	10.21%
JinJiang International Holdings Co., Limited	May 27, 2016	216C1237		35,757,485	15.06%	35,757,485	13.15%
Kingdom Hotels (Europe) LLC	July 14, 2016	216C1675		16,494,440	5.80%	16,494,440	5.18%
Qatar Investment Authority	July 14, 2016	216C1680		29,505,060	10.38%	29,505,060	9.26%
JinJiang International Holdings Co., Limited	July 18, 2016	216C1676		35,757,485	12.58%	35,757,485	11.22%
ColDay A S.à.r.l./Legendre Holding 19 acting in concert	July 19, 2016	216C1687		26,256,980	9.22%	52,092,262	16.39%

Changes in ownership structure over the past three years

	Dec. 31, 2014			Dec. 31, 2015			Dec. 31, 2016		
	Number of shares	% capital	% voting rights	Number of shares	% capital	% voting rights	Number of shares	% capital	% voting rights
JinJiang International Holdings Co., Limited	-	-	-	-	-	-	35,757,485	12.56%	11.37%
ColDay A S.à.r.l./Legendre Holding 19 acting in concert	48,673,442	20.99%	30.75%	26,080,517	11.08%	19.26%	22,580,517	7.93%	14.32%
Qatar Investment Authority	-	-	-	-	-	-	29,505,060	10.36%	9.38%
Kingdom Hotels (Europe) LLC	-	-	-	-	-	-	16,494,440	5.79%	5.25%
Founders	5,492,864	2.37%	3.96%	5,093,474	2.16%	3.78%	3,823,044	1.34%	2.43%
Other shareholders	177,670,093	76.64%	65.29%	204,178,434	86.75%	76.97%	176,607,124	62.02%	57.25%
OWNERSHIP STRUCTURE	231,836,399	100.00%	100.00%	235,352,425	100.00%	100.00%	284,767,670	100.00%	100.00%

Sources: Accor share register, disclosures made to the AMF and the Company.

At December 31, 2016, the Company did not hold any shares in treasury.

A Euroclear France survey of financial institutions holding at least 100,000 shares and of shareholders holding at least 250 shares at December 31, 2016 identified 11,344 shareholders owning an aggregate 57.55% of the Company's capital, representing 52.12% of total voting rights.

Analysis by shareholder category at December 31, 2016	% capital	% voting rights
Private shareholders	1.70%	1.54%
Institutional investors	55.86%	50.58%
<i>French institutions</i>	12.91%	11.69%
<i>Foreign institutions</i>	42.95%	38.89%
Unidentified in the Euroclear survey	42.44%	47.88%
OWNERSHIP STRUCTURE AT DECEMBER 31, 2016	100.00%	100.00%

Source: Euroclear France.

SHAREHOLDERS' AGREEMENTS RELATING TO THE SHARES MAKING UP THE COMPANY'S CAPITAL

To the best of the Company's knowledge, apart from the shareholders' agreements described below, there are no other agreements between shareholders concerning the Company's shares.

Concert group between Colony Capital and Eurazo terminated on January 31, 2017

On May 4, 2008, a memorandum of understanding was signed by Colony Capital (represented by ColTime⁽¹⁾ and ColDay⁽²⁾) and Eurazeo (represented by Legendre Holding 19⁽³⁾), acting in concert in accordance with the memorandum of understanding regarding their investment in Accor, which they had signed on January 27, 2008.

On December 18, 2009, an amendment to the memorandum was signed following the Accor Board of Directors' approval of the potential benefits of demerging the Group's Hotels and Prepaid Services businesses to create two separate listed companies. The purpose of the amendment was (i) to extend the provisions of the memorandum of understanding to the shares in Edenred, and (ii) to extend the undertaking in the memorandum not to sell their shares in Accor and Edenred until January 1, 2012.

The main clauses of the agreement were as follows:

- an undertaking to cast the same votes on strategic matters at Board of Directors' meetings;
- an undertaking to cast the same votes at Accor Shareholders' Meetings;
- an agreement that the parties should have equal representation on Accor's Board;
- an agreement that if either of the undertakings set out above with respect to voting were breached by one of the parties, the party that had breached the undertaking would offer to sell its Accor shares to the other party, at a price equal to 80% of the lower of (i) the weighted average price of the Accor share over the twenty trading days preceding the breach, and (ii) the closing price on the day of the breach. This offer would have had to be made and taken up within a month of the date of breach;

- an undertaking not to enter into any acquisition or other agreement with a third party that would have resulted in the concert group raising its interest to above one third of Accor's capital and/or voting rights;
- in the event that one of the parties decided to sell its shares to an identified purchaser, a right of first refusal for the other party, exercisable within ten days following notification of the intention to sell. The price for the shares sold would be proposed by the selling party;
- a duty for each party to give the other party four days' notice if they decided to sell their shares on the market to unidentified purchasers;
- in the event that one of the parties sold its shares, a right for the other party to sell the same proportion of shares, exercisable within ten days following the related notification;
- in the event that the two parties' existing shareholdings were equal, the obligation for either party that decided to purchase additional shares to propose the acquisition of the same number of shares to the other party;
- a priority share purchase right for the party holding the least number of shares. However, ColDay could freely acquire shares enabling it to raise its interest to 11% of Accor's capital and Eurazeo could freely acquire shares enabling it to raise its interest to 10% of the capital;
- in the event of a public offer initiated by a third party, if one of the two parties did not wish to tender its shares whereas the other one did, the right for the former to acquire the shares tendered to the offer by the other party at the offer price or at a higher price;
- in the event of a public offer initiated by one of the parties, in which the other party did not wish to participate, the right for either of the parties to terminate the concert arrangement. If the party not participating in the offer wished to sell its Accor shares, the right for the initiator of the offer to acquire said shares before filing the offer, at the offer price or at a higher price.

The shareholders' pact had a five-year term. After the end of the five-year period, the concert arrangement could be terminated with 30 days' notice.

On March 30, 2015, the concert group comprising ColDay S.à.r.l and Legendre Holding 19 reduced its interest in Accor to below 15% of the Company's capital and 20% of the voting rights, and at that date held 25,955,282 Accor shares, or 11.12% of the capital and 51,791,564 voting rights or 19.36% of total voting rights.

(1) ColTime S.à.r.l. is controlled by the investment funds ColonyInvestors VI, LP and ColyzeoInvestors LP, which are managed by the Colony Capital, LLC investment company.

(2) ColDay S.à.r.l. is controlled by the investment funds ColonyInvestors VIII, LP and ColyzeoInvestors II, LP, which are managed by the Colony Capital, LLC investment company.

(3) Controlled by Eurazeo SA.

On July 31, 2015, ColDay and Legendre Holding signed an amendment that, in particular, lowered the share ownership threshold below which the pact would be automatically terminated from 5% to 3% of the share capital.

On October 15, 2015, ColDay S.à.r.l transferred all of its Accor shares to ColDay A S.à.r.l. After this transaction, the concert group comprising ColDay A S.à.r.l and Legendre Holding 19 declared that it held 26,080,517 Accor shares, or 11.08% of the Company's capital and 51,915,799 voting rights, or 19.26% of total voting rights.

On July 12, 2016, the concert group comprising ColDay S.à.r.l and Legendre Holding 19 reduced its interest in Accor to below 11% and 10% of the Company's capital and 19%, 18% and 17% of the voting rights, and at that date held 26,256,980 Accor shares, or 9.22% of the capital and 52,092,262 voting rights or 16.39% of total voting rights.

On January 31, 2017, Colony Capital announced that it had sold its total stake in Accor and no longer held any shares. The concert group formed by ColDay S.à.r.l (Colony Capital) and Legendre Holding 19 SAS (Eurazeo) was therefore terminated on the same date.

Agreements concerning the governance of FRHI, acquired on July 12, 2016

On December 9, 2015, Accor entered into an agreement with the shareholders of FRHI Holdings Limited (FRHI) including subsidiaries of the Qatar Investment Authority (QIA) and Kingdom Holding Company, for the acquisition of FRHI for a combination of cash and Accor shares. Under the terms of this agreement, Qatar Investment Authority and Kingdom Holding agreed to sell their FRHI shares subject to certain conditions precedent, mainly approval of the transaction and related share issue by Accor shareholders.

The transaction and related share issue were approved at an Ordinary and Extraordinary Shareholders' Meeting held on July 12, 2016, after which Lodge Investment Company and Voyager Fund Enterprise I Ltd⁽¹⁾ received a total of 29,505,060 Accor shares representing 10.38% of the capital and 9.26% of the voting rights, and Kingdom Hotels⁽²⁾ received 16,494,440 Accor shares representing 5.80% of the capital and 5.18% of the voting rights.

Two shareholders' pacts were signed on the transaction completion date, with similar terms, between Accor and Qatar Investment Authority (through Lodge Investment Company⁽¹⁾, Voyager Fund Enterprise I Ltd⁽¹⁾ and Qatar Holding LLC⁽¹⁾ to which the rights were transferred) and between Accor and Kingdom Holding Company (through Kingdom Hotels (Europe) LLC⁽²⁾).

The main clauses of the pact between Accor and **Qatar Investment Authority** provide for:

- election to the Accor Board of Directors of two directors proposed by QIA, provided that it holds over 6% of Accor's capital, or one director if its interest stands at between 3% and 6% of Accor's capital. One of these two directors will also sit on the Commitments Committee and the Appointments and Compensation Committee;
- an undertaking by Qatar Investment Authority to hold all of the 29,505,060 Accor shares received in consideration for the contribution of FRHI shares for a period of 12 months after the transaction date, and then to hold 50% of the Accor shares received in consideration for the contribution until January 1, 2018, subject to the customary exceptions and unless the shares are transferred to companies owned by Kingdom Holding Company;

- an undertaking by QIA not to hold, alone or in concert, more than 57,556,980 Accor voting rights during a period of three years after the transaction date. The above cap may be raised in the event of certain corporate actions involving Accor shares. If QIA were to enter into a concert arrangement with Kingdom Holding Company, the cap would be raised to 91,100,000 voting rights and would apply to the combined interest of the concert group members;
- in the event of a third party tender offer for Accor shares that complies with French securities regulations as formulated by the AMF, the option for QIA to file a competing bid for all outstanding Accor shares;
- a right of first refusal for Accor in the event of a planned transfer of Accor shares to certain identified competitors of the AccorHotels Group;
- the orderly sale of Accor shares on the market in order to limit the impact on the share price;
- disclosure to Accor of any transfer of shares that leads to a direct or indirect, partial or total, immediate or deferred transfer of title;
- an undertaking to hold Accor shares in registered form;
- the possibility for QIA to act in concert, with regard to Accor, with another shareholder including Kingdom Holding Company but excluding certain identified competitors of Accor.

The pact came into effect on the transaction completion date (July 12, 2016) for a 12-year term. It will be terminated in advance if the combined interest of Lodge Investment Company, Voyager Fund Enterprise I Ltd and Qatar Holding LLC (direct Accor shareholders) is reduced to less than 3% of Accor's capital or if they cease to be wholly owned, directly or indirectly, by Qatar Investment Authority.

The main clauses of the pact between Accor and **Kingdom Holding Company** provide for:

- election to the Accor Board of Directors of a director proposed by Kingdom Holding Company, provided that it holds over 3% of Accor's capital. The director concerned will also sit on the Commitments Committee and the Appointments and Compensation Committee;
- an undertaking by Kingdom Holding Company to hold all of the 16,494,440 Accor shares received in consideration for the contribution of FRHI shares for a period of 12 months after the transaction date, and then to hold 50% of the Accor shares received in consideration for the contribution until January 1, 2018, subject to the customary exceptions and unless the shares are transferred to companies owned by QIA;
- an undertaking by Kingdom Holding Company not to hold, alone or in concert, more than 32,176,520 Accor voting rights during a period of three years after the transaction date. The above cap may be raised in the event of certain corporate actions involving Accor shares. If Kingdom Holding Company were to enter into a concert arrangement with QIA, the cap would be raised to 91,100,000 voting rights and would apply to the combined interest of the concert group members;
- in the event of a third party tender offer for Accor shares that complies with French securities regulations as formulated by the AMF, the option for Kingdom Holding Company to file a competing bid for all outstanding Accor shares;
- a right of first refusal for Accor in the event of a planned transfer of Accor shares to certain identified competitors of the AccorHotels Group;
- the orderly sale of Accor shares on the market in order to limit the impact on the share price;

(1) Companies ultimately controlled by Qatar Investment Authority.

(2) Company ultimately controlled by HRH Prince Alwaleed Bin Talal Bin Abdulaziz Al Saud.

- disclosure to Accor of any transfer of shares that leads to a direct or indirect, partial or total, immediate or deferred transfer of title;
- an undertaking to hold Accor shares in registered form;
- the possibility for Kingdom Holding Company to act in concert, with regard to Accor, with another shareholder including QIA but excluding certain identified competitors of Accor.

The pact came into effect on the transaction completion date (July 12, 2016) for a 12-year term. It will be terminated in advance if the interest of Kingdom Hotels (Europe) LLC (direct Accor shareholder) is reduced to less than 3% of Accor's capital or if it ceases to be wholly owned, directly or indirectly, by Kingdom Holding Company.

ITEMS LIKELY TO HAVE AN INFLUENCE IN THE EVENT OF A PUBLIC TAKEOVER OFFER

To the best of the issuer's knowledge, there are no items likely to have a material influence on the execution of lease, management or franchise contracts in the event of a public takeover bid.

On the other hand, as mentioned on page 162 and 163 above, certain financing contracts contain change of control clauses.

6.3.2 DIVIDENDS

Year	Shares outstanding at December 31	Dividend for the year (in euro)	Paid on	Share price (in euros)			Yield based on year-end closing price
				High	Low	Year-end closing	
2011	227,251,446	1.15	June 14, 2012	36.20	17.03	19.59	5.87%
2012	227,277,972	0.76	June 5, 2013	27.76	18.32	26.70	2.85%
2013	228,053,102	0.80	June 4, 2014	34.32	24.54	34.30	2.33%
2014	231,836,399	0.95	June 3, 2015	39.58	28.87	37.34	2.54%
2015	235,352,425	1.00	May 18, 2016	51.65	35.99	40.00	2.50%
2016	284,767,670	1.05 ⁽¹⁾	June 6, 2017	41.25	29.96	35.43	2.96%

(1) Submitted for approval at the Annual Shareholders' Meeting of May 5, 2017.

No interim dividend was paid. Dividends are paid through Euroclear France.

Dividends not claimed within five years from the date of payment are forfeited, as provided for by law.

The Board of Directors will recommend that shareholders at the Combined Ordinary and Extraordinary Shareholders' Meeting of May 5, 2017 approve the payment of a 2016 dividend of €1.05 per share. Shareholders may opt to receive the entire dividend in cash or to reinvest it in shares, at a 5% discount.

6.4 THE MARKET FOR ACCOR SECURITIES

THE MARKET FOR ACCOR SHARES

Accor shares are traded on the Euronext Paris stock exchange (Compartment A) and are included in the CAC 40 index.

At December 31, 2016, the Accor share closed at €35.43, and the Company's market capitalization stood at €10.1 billion.

They are also included in the main socially responsible investment stock indexes: FTSE4Good Global, Euronext Vigeo Eurozone 120, Ethibel Sustainability Index (ESI) Excellence Europe and Excellence Global, Standard Ethics French Index, MSCI Europe and Middle East ESG index rating, and STOXX Global ESG Leaders.

Accor share prices and trading volumes (ISIN: FR0000120404)

	Average closing price	High-Low		Trading volume
		High	Low	
2016				
January	35.32	39.78	31.21	41,454,515
February	34.09	39.15	29.96	49,356,173
March	38.30	40.36	36.49	30,359,813
April	38.52	41.25	35.41	24,726,501
May	38.83	40.49	37.43	20,091,459
June	37.29	41.25	32.74	34,013,110
July	36.89	39.56	33.32	24,087,975
August	34.97	37.60	33.58	20,516,182
September	35.34	36.38	33.83	26,998,914
October	34.11	36.10	32.12	25,050,957
November	33.55	34.80	32.23	21,558,106
December	35.25	37.46	32.64	24,356,109
2017				
January	37.99	39.03	35.17	22,059,909
February	38.32	39.46	36.81	17,769,414

Source: Euronext.



7

OTHER INFORMATION

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7.1 INVESTOR RELATIONS AND DOCUMENTS ON DISPLAY

In addition to the Annual Meeting and the events organized to present the annual results, AccorHotels keeps both individual and institutional shareholders informed of the latest developments on a highly responsive daily basis. This information is tailored to the specific needs of different types of shareholders and financial analysts while constantly complying with the principle of fair access to information.

MEETINGS WITH INVESTORS

In 2016, AccorHotels met with 596 representatives from more than 382 financial institutions and organized 27 roadshows and conferences in Europe, North America, Asia and Brazil.

These events included hotel visits that enabled investors to talk with line managers and gain a better understanding of management practices and processes. AccorHotels also took part in 15 investor conferences during the year, in France, the United Kingdom, Germany, Switzerland and the United States.

Held on April 22, 2016 at the Novotel Paris Est, the Annual Shareholders' Meeting was attended by 285 people and provided many opportunities for exchanging views and opinions.

A second Shareholders' Meeting was held on July 12, 2016 at the Group's new headquarters in Issy-les-Moulineaux. A total of 102 people attended and the acquisition of the Fairmont Raffles Hotels International Group was approved.

ACCORHOTELS SHAREHOLDERS CLUB

Created in May 2000, the AccorHotels Shareholders Club had 4,637 members at year-end 2016, with each one owning at least 50 bearer shares or one registered share.

Club members take advantage of dedicated benefits and events such as regular e-mail updates throughout the year with press releases, Shareholder webzines and other news, the possibility of subscribing to all of our other corporate publications, the opportunity to discover the Group's businesses in a more personal way through site visits, and VIP invitations to investor events in which AccorHotels participates.

During the first year after signing up, Shareholders Club members receive the Le Club Accorhotels loyalty program Gold Card, which offers a systematic upgrade whenever possible, a 7% discount in the form of points that can be saved and used in the AccorHotels network and with its partners, and exclusive offers and benefits offered by its partners.

SHAREHOLDER ADVISORY COMMITTEE

The Shareholder Advisory Committee serves as both a consultative body and a forum for discussion, to improve the way we communicate with our retail shareholders. The aim is to enhance our understanding of individual shareholders' expectations about the information they receive and their relationship with the Group in order to make the communication process as transparent as possible and align it more closely with their specific needs.

The Committee, which is composed of nine members, met twice in 2016 with the following agenda:

- on July 21, 2016 at the AccorHotels headquarters in Issy-les-Moulineaux:
 - presentation of the most recent real estate restructuring transactions and status report on the digital plan,
 - analysis of global industry challenges and detailed review of the Group's acquisition strategy:
 - acquisition of the Fairmont Raffles Hotels International Group (terms and conditions, refocusing on the Luxury segment, and integration and governance issues),
 - expansion of the Group's business model to include luxury private rentals *via* the acquisitions of onefinestay, Squarebreak and Oasis Collections,
 - presentation of the project to turn HotelInvest into a subsidiary and of the latest Food & Beverage projects,
 - lunch at the headquarters;
- on December 20, 2016 at the AccorHotels headquarters in Issy-les-Moulineaux:
 - a review of the most recent acquisitions carried out by the Group in order to expand and consolidate its business model:
 - presentation of the acquisitions of 25Hours and Banyan Tree aimed at consolidating the Group's private rental business,
 - presentation of the acquisition of John Paul, carried out by the Group with a view to stepping up its service offerings and customer relations expertise for the benefit of the customers of its hotel network and private rental platforms,
 - a tour of the Jo&Joe showroom, the new AccorHotels lifestyle brand aimed at *millennials*:
 - speech by Éric Peyrard, Managing Director France & Northern Europe of Fastbooking, on the challenges of digital technology for independent hotels. Discussions on direct and indirect distribution strategies and multichannel e-commerce strategies (mobile, social media, etc.) designed to help hotels increase their visibility on the internet and grow their market share;
 - lunch at the headquarters.

EASILY ACCESSIBLE INFORMATION TAILORED TO SHAREHOLDER PROFILES

All of the Group's financial news and publications can be accessed in the "Finance" section of the accorhotels-group.com website, which serves as a comprehensive investor relations database. The site carries live and deferred webcasts of results presentations, Investor Days and Annual Shareholders' Meetings. It also tracks the Accor share price in real time and features a dedicated section for retail shareholders and members of the Shareholders Club.

A wide array of documents far exceeding regulatory requirements may be viewed in the "Finance" section of the website.

These documents, which cover both current and previous years, include:

- the Registration Document filed with the *Autorité des Marchés Financiers* (available in electronic form since 1997);
- the Annual Report;
- a corporate brochure describing the Group and its values;

- information memoranda filed with the *Autorité des Marchés Financiers* concerning corporate actions;
- notices of Shareholders' Meetings, sent systematically to registered shareholders and on request to members of the Shareholders Club;
- the Shareholders webzine.

Legal documents are on display at the Company's primary business office, Tour Sequana, 82, rue Henri Farman, 92130 Issy-les-Moulineaux, France.

Since January 20, 2007, when the European Transparency Directive was transposed into French law, AccorHotels has issued its regulatory filings through a professional disclosure service that complies with the criteria set out in the AMF's General Regulations. The filings are also available on the corporate website.

SHAREHOLDER HOTLINE

Shareholders in France can call 0805 650 750 (free from a landline) at any time to obtain general information about the Group, the share price, the latest news and practical guidelines

for individual shareholders. Operators are available to answer questions from 9:00 a.m. to 6:00 p.m. from Monday to Friday. Messages left out of hours are answered as soon as possible.

SENIOR VICE-PRESIDENT, INVESTOR RELATIONS AND FINANCIAL COMMUNICATION

■ Sébastien Valentin
82, rue Henri Farman
92445 Issy-les-Moulineaux

Phone: + 33 (0)1 45 38 86 25
Fax: + 33 (0)1 45 38 85 95

Shareholder hotline (France only): 0805 650 750 (free from a landline)
E-mail: comfi@accor.com

7.2 PERSONS RESPONSIBLE FOR THE REGISTRATION DOCUMENT AND THE AUDIT OF THE ACCOUNTS

NAME AND POSITION OF THE PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT

- Sébastien Bazin
Chairman and Chief Executive Officer

STATEMENT BY THE PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT

I hereby declare that, having taken all reasonable care to ensure that such is the case, the information contained in this Registration Document is, to the best of my knowledge, in accordance with the facts and contains no omission likely to affect its import.

I further declare that, to the best of my knowledge, the financial statements included in the Registration Document have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets and liabilities, financial position and results of Accor and its subsidiaries, and that the management report represents a fair view of the business,

results and financial position of Accor and its subsidiaries and that it describes the main risks and uncertainties to which they are exposed.

I obtained a statement from the Statutory Auditors at the end of their engagement affirming that they have read the whole of the Registration Document and examined the information about the financial position and the accounts contained therein.

Paris – March 31, 2017

Sébastien Bazin

PERSONS RESPONSIBLE FOR INFORMATION

- François Pinon
Group General Counsel
Phone: + 33 (0)1 45 38 87 33

- Jean-Jacques Morin
Member of the Executive Committee – Chief Financial Officer
Phone: + 33 (0)1 45 38 87 03

- Sébastien Valentin
Senior Vice-President, Investor Relations and Financial Communications
Phone: + 33 (0)1 45 38 86 25

STATUTORY AUDITORS

STATUTORY AUDITORS

- Ernst & Young et Autres
Member of the Ernst & Young network
Jacques Pierres
1/2, place des Saisons
92400 Courbevoie – Paris-La Défense 1, France

Date of first appointment: June 16, 1995.

Re-appointed for six years at the April 25, 2013 Annual Shareholders' Meeting.

- Deloitte & Associés
David Dupont Noel
185, avenue Charles-de-Gaulle – BP 136
92203 Neuilly-sur-Seine Cedex, France

Date of first appointment: June 16, 1995.

Re-appointed for six years at the April 25, 2013 Annual Shareholders' Meeting.

ALTERNATE AUDITORS

- Auditex
Tour Ernst & Young – 11, allée de l'Arche
92037 Paris-La Défense Cedex, France

Appointed for six years at the April 25, 2013 Annual Shareholders' Meeting.

- BEAS
7, villa Houssay
92200 Neuilly-sur-Seine, France

Date of first appointment: May 29, 2001.

Re-appointed for six years at the April 25, 2013 Annual Shareholders' Meeting.

7.3 FEES PAID TO THE AUDITORS

The fees paid to the Auditors and the members of their networks by the Group may be analyzed as follows:

	Deloitte				Ernst & Young			
	2015		2016		2015		2016	
(in millions of euros)	Amount	%	Amount	%	Amount	%	Amount	%
FEES PAID IN RESPECT OF AUDIT SERVICES								
	4.6	65%	4.4	75%	3.6	95%	4.3	62%
Issuer	0.8	11%	0.7	12%	0.6	16%	0.7	10%
Subsidiaries	3.7	52%	3.7	63%	3.0	79%	3.6	52%
FEES PAID IN RESPECT OF NON-AUDIT SERVICES								
	2.6	37%	1.5	25%	0.2	5%	2.5	38%
Issuer	1.5	21%	1.1	19%	0.2	5%	1.8	28%
Subsidiaries	1.1	15%	0.4	7%	0.0	0%	0.6	10%
TOTAL	7.1	100%	5.9	100%	3.8	100%	6.8	100%

7.4 INFORMATION INCORPORATED BY REFERENCE

In accordance with Article 28 of European Commission Regulation (EC) **809/2004**, the Registration Document incorporates by reference the following information:

- the consolidated financial statements and the related Auditors' Reports contained in the 2015 Registration Document filed with the *Autorité des Marchés Financiers* on **March 24, 2016** under **no. D.16-0205** (pages **177 to 249**, and **176**);
- the financial information contained in pages **162 to 169** of the 2015 Registration Document filed with the *Autorité des Marchés Financiers* on **March 24, 2016** under **no. D.16-0205**;
- the consolidated financial statements and the related Auditors' Reports contained in the 2014 Registration Document filed with the *Autorité des Marchés Financiers* on **March 27, 2015** under **no. D.15-0219** (pages **167 to 265**, and **166**);
- the financial information contained in pages **152 to 159** of the 2014 Registration Document filed with the *Autorité des Marchés Financiers* on **March 27, 2015** under **no. D.15-0219**;
- sections of these documents that are not mentioned above are either not applicable to investors or are covered in another part of the Registration Document.

7.5 CROSS-REFERENCE TABLE FOR THE REGISTRATION DOCUMENT

The table below cross-references the pages in the Registration Document and the key information required under European Commission Regulation (EC) no. 809/2004 implementing EC Directive 2003/71/EC of the European Parliament and of the Council.

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7.6 CROSS-REFERENCE TABLE FOR THE ANNUAL FINANCIAL REPORT

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7.7 CROSS-REFERENCE TABLE FOR THE MANAGEMENT REPORT

The 2016 Registration Document contains all of the information in the management report governed by Article L. 225-100 *et seq.* of the French Commercial Code. To make this information easier to find, the following cross-reference table lists it by main topic.

	Page number
1. Parent company financial statements	276-309
2. Consolidated financial statements	213-274
3. Information provided in compliance with Article L. 225-100 of the French Commercial Code	
Revenue analysis	194; 233-236
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4. Information provided in compliance with Article L. 225-100-3 of the French Commercial Code	
Items likely to have an influence in the event of a public takeover offer	162-164; 318-322
5. Information provided in compliance with Article L. 225-211 of the French Commercial Code	
Share buybacks	314
6. Total compensation and benefits paid to each Executive Officer (Article L. 225-102-1 of the French Commercial Code)	
Remuneration and benefits in kind	64-65; 167-173; 270
Total amounts set aside or accrued to provide pension, retirement or similar benefits	171-172; 261-264; 280-281; 287-288
7. Statement by the persons responsible for the Annual Financial Report	328
8. Auditors' reports on the parent company and consolidated financial statements	212; 275
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10. Report of the Chairman on corporate governance and internal control (Article L. 225-37 of the French Commercial Code)	131-149
11. Auditors' report on the report of the Chairman on internal control	150
12. Social, environmental and societal information	34-108
13. Share capital and employee stock ownership	314-321

7.8 CROSS-REFERENCE TABLE FOR CORPORATE SOCIAL, SOCIETAL AND ENVIRONMENTAL RESPONSIBILITY (GRENELLE 2)

Grenelle 2 provision – Article 225	Principle of Global Compact	Section of chapter 2/ CSR indicators	Page of the Registration Document
GENERAL REPORTING PRINCIPLES			
The published information is presented “in such a manner as to make data comparison possible” (Law dated July 12, 2010). The report of the Board of Directors or the Management Board “presents data observed during the financial year just ended and, where applicable, during the previous year so as to make comparison between such data possible”.	NA	Methodological review	100
Among the information listed in the implementing decree, the report shall indicate such information which, in view of the nature of the activities or the organization of the Company, cannot be produced or do not appear to be relevant, by providing all relevant explanations.	NA	CSR correspondence table	99
Where a company voluntarily complies with a national or international social or environmental standard, the report may mention it by indicating the recommendations of this standard, which have been adopted and the consultation methods thereof.	NA	AccorHotels’ CSR reporting is part of the GRI standards. A correspondence table is available on internet (http://www.accorhotels.group/en/commitment/the-expert-room/our-csr-approach).	343
The social and environmental information that appears or must appear in the light of the legal and regulatory obligations are subject to verification by an independent third party [...]. This verification results in a notice that is sent to the shareholders’ or partners’ meeting at the same time as the report of the Board of Directors or the Executive Board.	NA	Independent verifier’s report on consolidated social, environmental and societal information presented in the management report	109
In its report, the independent verifier must include: <ul style="list-style-type: none"> ■ a) a statement relating to the presence of all the information specified by the decree, indicating, where appropriate, the information omitted and not accompanied by explanations; ■ b) limited assurance on: <ul style="list-style-type: none"> ● the fairness of the information presented in the management report; ● the relevance of the explanations provided, if appropriate, in the absence of certain information; ■ c) due diligence implemented to carry out its task of verification. 	NA	Independent verifier’s report on consolidated social, environmental and societal information presented in the management report	109
SOCIAL INFORMATION		EMPLOYMENT COMMITMENTS	55 TO 73
Employment			
Total number of payroll and non-payroll employees	Commitments 1, 3, and 6	AccorHotels, a unique employment model	55
Percentage of employees by gender		Gender diversity	58
		Promoting gender diversity and equality/Percentage of women by job category	67
Percentage of employees by age		Employees by age	57
Percentage of employees by geographical zone		Employees by region	57
Hirings		Hirings and separations	58
Dismissals		Hirings and separations	58
Compensation		Compensation policies	65
Change in compensation		These data are not yet consolidated at Group level, so the average salary raise cannot be reported.	N/A

Grenelle 2 provision – Article 225	Principle of Global Compact	Section of chapter 2/ CSR indicators	Page of the Registration Document
Workweek organization			
Working conditions	Commitments 1, 3, and 6	Workweek organization and work-life balance/Working hours/Workweek organization/Telecommuting/Night work	63
		Improving worklife quality and promoting health	62
Absenteeism		Absenteeism	58
Employer-employee relations			
Organization of social dialogue	Commitments 1, 3, and 6	Promoting open dialogue/ Dialogue forums and resources/ Dialogue to support Group transformation	60
Procedures for informing and consulting staff and negotiating with them		Promoting open dialogue/ Dialogue forums and resources/ Dialogue to support Group transformation	60
Record of collective agreements		Promoting open dialogue/ Collective agreements/ Agreements signed by country and issues	60
Health and safety			
Health and workplace safety conditions		Imagining solutions that bring work-life balance and a healthy work environment/Improving worklife quality and promoting health	62
		Preventing workplace accidents and occupational illness	63
Assessment of agreements signed with trade union organizations or workers' representatives in the field of health and safety at work		Promoting open dialogue/ Collective agreements/ Agreements signed by country and issues	60
Frequency and severity rate for workplace accidents		Lost-time injury rate Incident severity rate for workplace accidents	64
Occupational illness		Improving worklife quality and promoting health/Preventing workplace accidents and occupational illness	64
Training			
Training policies implemented		Learning solutions key to skills development	69
		Supporting employees throughout their careers/ Preparing the next generation of managers	71
Training hours		Training hours	69

Grenelle 2 provision - Article 225	Principle of Global Compact	Section of chapter 2/ CSR indicators	Page of the Registration Document
Equal treatment			
Policies implemented and measures undertaken for gender equality	Commitments 1, 3, and 6	Promoting diversity and inclusion/Promoting gender diversity and equality	67
Policies implemented and measures undertaken in favor of employing and integrating persons with disabilities		Promoting diversity and inclusion/Integration of persons with disabilities	67
Policy implemented and measures undertaken to fight discrimination and promote diversity		Promoting diversity and inclusion/Promoting cultural diversity	67
Promoting and adhering to the stipulations of the fundamental conventions of the International Labor Organization			
Respecting freedom of association and the right to unionize		Commitments supported by the Ethics and CSR Charter	42
Elimination of employment and professional discrimination		Commitments supported by the Ethics and CSR Charter	42
Elimination of forced or compulsory labor		Commitments supported by the Ethics and CSR Charter	42
Effective abolition of child labor		Commitments supported by the Ethics and CSR Charter	42
ENVIRONMENTAL INFORMATION		ENVIRONMENTAL COMMITMENTS	88 TO 98
General environmental policy			
Organization of the Company to take environmental issues into account	Commitments 7, 8, and 9	A CSR strategy integrated into the economic model Managing the Ethics and CSR approach	34 42
Environmental assessment or certification approach		Planet 21 in Action, a new roadmap for hotels	49
Training and informing employees in regards to environmental protection		Planet 21 commitment: Employees' perception grows to a high level of the Group's CSR commitment	72
Resources dedicated for the prevention of environmental risks and pollution	Commitment 7	Industrial risks related to the environment	158
Amount of provisions and guarantees for environmental risks		Industrial risks related to the environment	158
Pollution			
Measures for preventing, reducing and repairing discharges into air	Commitments 7, 8, and 9	Favor eco-friendly products Planet 21 commitment: Move towards carbon neutral buildings Planet 21 commitment: Buildings: (5)% energy consumption per room/ Planet 21 in Action - Buildings	76

	Principle of Global Compact	Section of chapter 2/ CSR indicators	Page of the Registration Document
Grenelle 2 provision – Article 225			
Measures for preventing, reducing and repairing discharges into water		Move towards carbon neutral buildings/Planet 21 commitment,	88
		Buildings: (5)% energy consumption per room and water use per night by 2018 (owned, leased and managed hotels) AccorHotels and the protection of biodiversity Planet 21 commitment: Buildings: (5)% energy consumption per room/ Planet 21 – Buildings in Action	89
Measures for preventing, reducing and repairing discharges into land		Application of the principle “apply or explain”/Land use	99
Consideration of noise pollution and any other form of pollution specific to a business		Application of the principle “apply or explain”/Inconveniences for the neighborhood	99
Circular economy			
Prevention and management of waste			
Measures for the prevention, recycling, reuse, other forms of waste recovery and elimination		Planet 21 commitment: 65% of waste from hotel operations shall be recovered by 2020/Move towards carbon neutral buildings/ Capitalize on the hidden value of waste	92
Actions to fight food waste		Planet 21 commitment: (30)% reduction in food waste by 2020	95
Sustainable use of resources			
Water use		Move towards carbon neutral buildings/Planet 21 commitment, Buildings: (5)% energy consumption per room and water use per night by 2018 (owned, leased and managed hotels)	89
Water supply depending on local constraints	Commitments 7, 8, and 9	Group’s environmental footprint	34
Raw material consumption		Planet 21 commitment: 100% of our restaurants shall follow the Healthy and Sustainable Food Charter by 2020/Planet 21 in Action – Communities and Buildings	97
Measures taken to improve the efficiency in the use of raw material		Planet 21 commitment, Buildings: 100% of our constructions and renovations are low carbon emission (hotels and owned and leased hotels)	88
		Reduce food waste/Offer food that is healthy and sustainable for the planet/Develop urban farming. Involve our guests in a sustainable experience/Favor eco-friendly products	95



Grenelle 2 provision – Article 225	Principle of Global Compact	Section of chapter 2/ CSR indicators	Page of the Registration Document
Energy consumption	Commitments 7, 8, and 9	Planet 21 commitment, Buildings: (5)% energy consumption per room and water use per night by 2018 (owned, leased and managed hotels)	89
Measures taken to improve energy efficiency		Planet 21 commitment, Buildings: 100% of our constructions and renovations are low carbon emission (hotels and owned and leased hotels) Planet 21 commitment: Buildings: (5)% energy consumption per room/ Planet 21 – Buildings in Action	88
Measures taken to improve the use of renewable energies		Planet 21 commitment, Buildings: 100% of our constructions and renovations are low carbon emission (hotels and owned and leased hotels) Planet 21 commitment: Buildings: (5)% energy consumption per room/ Planet 21 – Buildings in Action	88
Land use		Application of the principle “apply or explain”/Land use	99
Climate change			
Major category of greenhouse gas emissions generated as a result of the Company’s operations, in particular through the use of the goods and services it produces		Overview of the Challenges Facing AccorHotels/Group’s environmental footprint/ Consideration of scope 3 in measuring the environmental footprint/Favoring eco-friendly products	34
Adaptation to the consequences of climate change		Move towards carbon neutral building/Analysis of risks in link with the climate changes for the Group	88 151 348
Protection of the biodiversity			
Measures taken to protect or develop the biodiversity	Commitments 7, 8, and 9	AccorHotels and the protection of biodiversity “Plant for the Planet”, agroforestry for the development of communities and protection of the environment/Offer food that is healthy and sustainable for the planet	98 87
SOCIETAL INFORMATION		SOCIETAL COMMITMENT	84 TO 87

Grenelle 2 provision – Article 225	Principle of Global Compact	Section of chapter 2/ CSR indicators	Page of the Registration Document
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In terms of employment and regional development		AccorHotels, a unique employment model	55
Regarding host or local populations	/	Protecting children from abuse	85
		AccorHotels and the protection of biodiversity	98
		"Plant for the Planet", agroforestry for the development of communities and protection of the environment	87
		A commitment supported by the Group's endowment fund: AccorHotels Solidarity	84
Relations maintained with people or organizations interested in the Company's business, in particular			
Integration associations		A commitment supported by the Group's endowment fund: AccorHotels Solidarity	84
Educational institutions		Interaction of AccorHotels with its stakeholders/Dialogue policy and tools	45
Environment protections organizations		Interaction of AccorHotels with its stakeholders/Dialogue policy and tools/Focus on new partnerships in 2016/Outside partnerships to extend the process	45 47
Consumer associations		Interaction of AccorHotels with its stakeholders/Dialogue policy and tools	45
Host population		A commitment supported by the Group's endowment fund: AccorHotels Solidarity	84
Conditions for dialogue with people and organizations		Interaction of AccorHotels with its stakeholders/Dialogue policy and tools	45
Partnership or sponsorship actions		A commitment supported by the Group's endowment fund: AccorHotels Solidarity	84
Sub-contracting and suppliers			
Consideration of the social and environmental challenges in the purchase policy	Commitments 1 & 2	Engage in a sustainable relationship with partners/Planet 21 commitment – partners: Our CSR and ethical risk management process is deployed among 100% of our partners/In relations with suppliers	80 81
Importance of sub-contracting and consideration of CSR in relations with suppliers and sub-contractors		Engage in a sustainable relationship with partners/Planet 21 commitment – partners: Our CSR and ethical risk management process is deployed among 100% of our partners/In relations with suppliers	80 81

Grenelle 2 provision – Article 225	Principle of Global Compact	Section of chapter 2/ CSR indicators	Page of the Registration Document
Fair practices			
Measures taken to prevent corruption		Compliance policy and programs/ Adoption of a compliance program	42
		Engage in a sustainable relationship with partners/Planet 21 commitment – partners: Our CSR and ethical risk management process is deployed among 100% of our partners/In relations with hotel managers	45
Measures taken in favor of consumer health and safety		Favor eco-friendly products Offer food that is healthy and sustainable for the planet	76
Other measures taken in favor of human rights			
Measures taken in favor of human rights		Cultivating common ethics to foster best practices	81
Article 173 amending the sixth paragraph of Article L. 225-37 of the French Commercial Code		Chairman's report	151
Financial risks related to the effects of climate change and measures taken by the Company to reduce them by implementing a low carbon strategy in all the components of its business.		Chairman's report	151

CONTRIBUTION OF THE ACCORHOTELS GROUP TO THE UNITED NATIONS' OBJECTIVES OF SUSTAINABLE DEVELOPMENT



Planet 21	Objectives of Sustainable Development Targets	AccorHotels Contribution
 <p>EMPLOYEE</p>	<p>5. Work on gender equality and empower women and girls</p>	
	<p>5.1 End all forms of discrimination against women and girls worldwide</p>	<p>See page 66 on the fight against gender discrimination and the promotion of gender equality</p>
	<p>5.2 Eliminate all forms of violence against women and girls from public and private life, including trafficking and sexual exploitation and other forms of exploitation</p>	<p>See page 85 on the “We Act Together for Children” (WATCH) program against sexual exploitation of children.</p>
	<p>5.5 Ensure the full and effective participation of women and their equal access to leadership at all levels of decision-making in political, economic and public life</p>	<p>See page 66 on the fight against gender discrimination and the promotion of gender equality, UN’s “Women’s Empowerment Principles” to support the empowerment of women, the “HeForShe” solidarity movement, UN Women’s pilot program, and on the “Women At Accor Generation” (WAAG) network.</p>
 <p>GUESTS</p>	<p>12. Establish sustainable consumption and production patterns</p>	
	<p>12.2 By 2030, work towards sustainable management and rational use of natural resources</p>	<p>See page 77 on the 10 eco-friendly product families See page 88 on “Buildings”</p>
	<p>12.3 By 2030, reduce the amount of food waste per capita worldwide in terms of distribution and consumption and reduce loss of foodstuff throughout the production and supply chains, including post-harvest losses</p>	<p>See page 95 on reduction of food waste</p>
	<p>12.4 By 2020, establish environmentally sound management of chemicals and wastes throughout their life-cycle, in accordance with internationally approved guidelines, and considerably reduce their release into the air, water and soil, in order to minimize their adverse effects on health and the environment</p>	<p>See page 77 on eco-labeled cleaning products See page 158 on the minimization of cooling liquids See page 99 on waste water See page 93 on waste management</p>
	<p>12.5 By 2030, significantly reduce the production of waste through prevention, reduction, recycling and reuse</p>	<p>See page 93 on waste</p>
	<p>12.8 By 2030, ensure that people all over the world have the information and awareness necessary for sustainable development and a lifestyle in harmony with nature</p>	<p>See page 73 on awareness of hotel guests and in-house staff.</p>
	<p>12.b Develop and use tools to monitor impacts on sustainable development for sustainable tourism that creates jobs and showcases local crops and products</p>	<p>See page 34 on the commissioning of shared studies: Environmental footprint, and socio-economic footprint See page 54 on Planet 21 in Action, the roadmap of hotels on sustainable development.</p>

Planet 21	Objectives of Sustainable Development Targets	AccorHotels Contribution
	13. Take emergency measures to fight climate change and its repercussions	
	13.2 Incorporate measures relating to climate change in national policies, strategies and planning	See page 88 on measures relating to carbon. See page 89 on measures to reduce energy consumption
	13.3 Improve education, awareness and individual and institutional capacities to adapt to climate change, mitigate their effects and reduce their impact, and the early warning systems	See page 73 on awareness of hotel guests See page 73 on employee training
	15. Preserve and restore land ecosystems, ensuring their sustainable use, manage forests sustainably, combat desertification, stop and reverse the process of soil degradation and stop the loss of biodiversity	
 BUILDINGS	15.2 By 2020, promote the sustainable management of all types of forests, stop deforestation, restore degraded forests and considerably increase afforestation and reforestation at the global level	See page 87 on the “Plant for the Planet” program in favor of agroforestry. See page 77 on recycled or FSC or PEFC certified wood-based products or paper fibers.
	15.3 By 2030, combat desertification, restore degraded land and soils, particularly land affected by desertification, drought and floods, and strive for a world without soil degradation	See page 91 on reduction in water consumption See page 87 on the “Plant for the Planet” program in favor of agroforestry. See pages 98 and 99 on actions to limit soil pollution
	15.5 Take urgent and vigorous measures to reduce the degradation of the natural environment, stop the loss of biodiversity and, by 2020, protect endangered species and prevent their extinction	See page 97 on endangered species of fish eliminated
	15.b Mobilize substantial resources from all sources and at all levels to finance sustainable forest management and encourage developing countries to give priority to this type of management, particularly for the conservation of forests and reforestation	See page 87 on the “Plant for the Planet”, program funded through the savings generated by the reuse of towels.
		16. Promote the development of peaceful and inclusive societies for sustainable development, ensure access to justice for all and establish effective, accountable and inclusive institutions at all levels
 COMMUNITIES	16.2 End the abuse, exploitation, trafficking and all forms of violence and torture of children	See page 85 on the “We Act Together for Children” (WATCH) program against sexual exploitation of children.
	16.5 Considerably reduce corruption and bribery in all its forms	See page 42 on the Ethics and CSR Charter, and the compliance measure.

Planet 21	Objectives of Sustainable Development Targets	AccorHotels Contribution
 FOOD	2. Eliminate hunger, ensure food security, improve nutrition and promote sustainable agriculture	See page 97 on Healthy and Sustainable Food Charter and local sourcing See page 87 on agroforestry operations supported by the “Plant for the Planet” program, which secure market opportunities of producers.
	2.3 By 2030, double agricultural productivity and incomes of small-scale food producers, especially women, indigenous peoples, family farmers, cattle breeders and fishermen, including equal access to land, other productive resources and inputs, knowledge, financial services, markets, and non-agricultural opportunities for value addition and employment 2.4 By 2030, ensure the sustainability of food production systems and implement resilient agricultural practices that increase productivity and production, contribute to the conservation of ecosystems, enhance capacity to adapt to climate change, extreme weather events, drought, floods and other disasters, and gradually improve land and soil quality	See page 97 on Healthy and Sustainable Food Charter See page 87 on agroforestry operations supported by the “Plant for the Planet” program. Trees improve crop yield and quality, while diversifying producer resources (selling wood, biomass, fruits, etc.).
 PARTNERS	8. Promoting sustained, shared and sustainable economic growth, full and productive employment and decent work for all	See page 42 on the Ethics and CSR Charter, and the compliance measure.
	8.5 Achieve full and productive employment and ensure that all women and men, including youth and persons with disabilities, have decent work and equal pay for work of equal value.	
	8.6 By 2020, considerably reduce the proportion of young school drop-outs, without employment or training.	See page 66 about the fight against illiteracy and page 69 on AccorHotels Académie, which gives opportunity to people with no training to be trained in the tourism and hired by AccorHotels. See page 83 on the actions of the Solidarity AccorHotels Foundation to develop vocational training through vocational apprenticeship programs, particularly for vulnerable people.
	8.7 Take immediate and effective measures to eradicate forced labor, end modern slavery and human trafficking, prohibit and eliminate the worst forms of child labor, including the recruitment and use of child labor, child soldiers and, by 2025, put an end to child labor in all its forms.	See page 42 on the Ethics and CSR Charter and respect for major international fundamental principles, such as the UN Global Compact, of which the Group has been a signatory since 2003, or Conventions of the International Labor Organization (ILO); or the principles of the Universal Declaration of Human Rights. See page 81, on the CSR and ethical risk management process with our partners, owner and suppliers.
8.8 Defend workers’ rights, promote workplace safety and ensure the protection of all workers, including migrants, particularly women, and those in precarious employment.	See page 60 on framework agreements, social and collective dialogue, health and safety program, risk management at work.	
8.9 By 2030, develop and implement policies to develop sustainable tourism that creates jobs and showcases local culture and products.	See page 34 on the Planet 21 strategy See page 34 on the socio-economic footprint See page 97 on the Healthy and Sustainable Food Charter, based particularly on local products.	

GLOBAL REPORTING INITIATIVE CORRESPONDENCE

For its Registration Document, AccorHotels applies the principles of the Global Reporting Initiative launched in 2016, and declares its report “in compliance” with the G4 Guidelines, Core Option. An index specifying the GRI topics addressed and their location in the 2016 registration document is available on the Internet (<http://www.accorhotels.group/en/commitment/the-expert-room/our-csr-approach>).

CLIMATE CHANGE RISKS

AccorHotels' exposure to climate change risks	Exposure to risk	Consequences on AccorHotels' business	Time horizon*	Financial impact**
Availability of energy resources	Decline in the reserves of rare natural resources	Increase in structural costs	Short	+++
Standards and regulations	Increasing pressure on energy performance/carbon footprint of buildings/development of taxes	Increase in costs, financial penalties in case of non-compliance, trademark infringement, damage to the image	Short/ Medium	+++
Extreme meteorological events/ Natural disasters	Increase in the frequency and intensity of these events (drought, more and more irregular rains, floods, more frequent cyclones, etc.)	Partial or total destruction of assets and interruption of business. Decline in the attractiveness of some destinations, loss of revenue. Security threat for guests and employees. Increase in insurance costs	Medium	+++
Increase in the cost of transportation	Decline in the volume of travelers	Decline in number of visitors Moving guests to alternative mobility solutions (virtual reality)	Long	+++
Difficulty in food sourcing	Decline in agricultural yields (productivity), increase in commodity price volatility, extinction of species	Increase in costs, decline in quality, new regulations	Medium/ Long	++
Water stress	Reduction in water supplies, shortages, conflicts of use	Occasional closures, rising costs, new regulations	Medium	++
Increase in water levels and acidification of oceans	Floods, reduction in tourist areas. Deterioration/decrease in drinking water resources (saline water in water sources). Migration of population	Partial or total destruction of assets Decline in the attractiveness of some destinations, loss of revenue.	Long	++
Destruction of the biodiversity	Coastal erosion, destruction of wildlife, deterioration of coral reefs	Decline in the attractiveness of some destinations, loss of revenue.	Medium	+
Health/Epidemics	Increase in the temperature, development of new diseases Transportation, easy and quick adaptation and mutation of viruses.	Decline in the attractiveness of some destinations, loss of revenue. Security threat for guests and employees.	Long	+

* Short = 1 to 3 years; medium = 3 to 8 years; long = more than 8 years.

** Legend of the impact financier : + = weak / ++ = medium / +++ = significant.



Here, Sustainable development is serious!

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Feel Welcome

RAFFLES

LEGEND

SOY

SOFITEL

Fairmont

onefinestay



PULLMAN

swissôtel

25h
twenty five hours hotels

NOVOTEL

Mercure

adagio

MAMA
SHELTER

ibis

ibis
STYLES

ibis
budget

JOE
JOE

hotelF1