

5

INFORMATION ON THE BUSINESS ACTIVITIES OF THE COMPANY AND THE GROUP

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Items appearing in the Annual Financial Report are cross-referenced with the following symbol **AFR**

5.1 BUSINESS ACTIVITIES AND STRATEGY

AFR

The Lagardère group is a global leader in content publishing, production, broadcasting and distribution, whose powerful brands leverage its virtual and physical networks to attract and enjoy qualified audiences. Operating in 40 countries, Lagardère has four business divisions: Books and e-Books; Travel Retail; Press, Audiovisual, Digital and Advertising Sales Brokerage; Sports and Entertainment.

Lagardère Publishing⁽¹⁾ includes the Group's **Book Publishing and e-Publishing businesses**, which cover such areas as Education, General Literature, Illustrated Books, Partworks, Dictionaries, Youth Works and Distribution. The division operates predominantly in the three main language groups: English, French and Spanish.

Hachette Livre is the world's third-largest trade book publisher for the general public and educational markets (number one in France, number two in the United Kingdom, number three in Spain, number four in the United States).

There are several key success factors in Hachette Livre's strategy:

- ▶ well-balanced positioning (across geographic areas and publishing segments), allowing it to capitalise on the fastest-growing markets;
- ▶ decentralised organisation, giving a large degree of autonomy to its different entities and publishing houses;
- ▶ sustained investment in digital technologies.

In the field of digital technology and the Internet, Lagardère Publishing offers products suited to multiple formats, distribution channels and media, in line with emerging market trends. The division is also implementing an innovation strategy by acquiring digital start-ups active in businesses related to publishing, such as mobile applications.

Lagardère Travel Retail consists of retail operations in travel areas and concessions in three fields: Travel Essentials, Duty Free & Fashion, and Foodservice.

Lagardère Travel Retail finalised its withdrawal from the Press Distribution business in February 2017, a process that it initiated in 2014.

The division's strategy is focused on the following priorities:

- ▶ continuing the integration of Paradies and the new concessions awarded since 2015 (Auckland, Avancorpo in Rome, Warsaw, Krakow, Gdansk, Nice, Luxembourg, Saudi Arabia, Estonia, etc.);
- ▶ continuing the diversification of the product mix in Travel Essentials by rolling out the new Relay concept in all countries where Lagardère Travel Retail operates and by modernising concepts;
- ▶ developing the Duty Free & Luxury and Foodservice segments;
- ▶ stepping up the pace of expansion in Asia-Pacific, the Middle East and Africa;
- ▶ taking initiatives to improve profitability and cash generation.

Lagardère Active encompasses the **Press, Audiovisual (Radio, Television, Audiovisual Production and Distribution), Digital and Advertising Sales Brokerage businesses**.

Lagardère Active occupies a central place in the French media through its iconic and respected brands.

The division will continue to deploy its transformation strategy, using the following levers:

- ▶ consolidating its leading positions by growing market share in areas where activities are contracting, including Magazine Publishing;
- ▶ rebalancing its portfolio in favour of audiovisual activities;

- ▶ making Europe 1 a powerful comprehensive media broadcasting in all formats by revitalising its programming and capitalising on its digital successes;
- ▶ expanding e-health activities;
- ▶ growing data offering and B2B services;
- ▶ developing its audiovisual activities internationally;
- ▶ improving its operating performance through cost-containment measures.

Lagardère Sports and Entertainment is a globally integrated Sports and Entertainment marketing agency delivering a full range of services for sports rights holders, brands, athletes and media companies including:

- ▶ marketing, sponsorship and brand partnerships;
- ▶ content creation, media rights, production and distribution;
- ▶ brand consulting, activation and digital solutions;
- ▶ stadium and arena management solutions;
- ▶ athlete management;
- ▶ event management;
- ▶ live shows and production;
- ▶ venue management.

Lagardère Sports and Entertainment has more than 1,600 employees worldwide and over 50 years of experience in the world of sports and entertainment.

Lagardère Sports and Entertainment aims to continue developing its portfolio in several key areas including football, golf, Olympic sports and major events, media, brand consulting and digital services, with a view to consolidating its leadership position.

Over the last ten years, the strategy implemented by the Lagardère group has resulted in significant changes in its business portfolio:

- ▶ significant reinforcement of the Group's leadership positions in its markets;
- ▶ development of businesses with growth potential (Travel Retail, TV Production, Digital, sports rights management);
- ▶ disposal of non-strategic assets and minority stakes;
- ▶ pronounced internationalisation of its activities, particularly in emerging countries.

Today, the Group is embarking on a phase of faster expansion:

- ▶ priority to organic growth, without ruling out targeted acquisitions;
- ▶ growth spread over a more balanced geographical base, with less focus on France;
- ▶ growth based on changing business models, in which innovation is an essential component:
 - Travel Retail: development of Duty Free & Fashion and Foodservice;
 - Publishing: support for the digital transition, especially in the field of education;
 - Sports: consulting activities, talent representation, management and operation of stadiums;
 - Audiovisual: international development;
 - Big Data: new uses, new value, new business models.

Items appearing in the Annual Financial Report are cross-referenced with the following symbol **AFR**

(1) The Reference Document refers to this activity indifferently as Hachette Livre or Lagardère Publishing.

5.2 THE GROUP'S PRINCIPAL ACTIVITIES AND MAIN MARKETS – OPERATIONS DURING 2016: LAGARDÈRE MEDIA⁽¹⁾

AFR

	2016	2015	2014	2013	2012
Contribution to consolidated revenue	7,391	7,193	7,170	7,216	7,370
Contribution to consolidated recurring operating profit of fully consolidated companies ⁽¹⁾	414	399	379	372	358
Number of employees ⁽²⁾	28,079	29,531	25,933	23,767	23,818

(1) Recurring EBIT of fully consolidated companies (as defined in note 3.3 to the consolidated financial statements).

(2) Average number of employees (full-time equivalent) including staff on permanent, fixed-term, temporary and other types of contract.

Segment information by division is given in note 5.1 to the consolidated financial statements.

5.2.1 LAGARDÈRE PUBLISHING

A) PRINCIPAL ACTIVITIES AND MAIN MARKETS

The world's third-largest trade book publisher for the general public and educational markets⁽²⁾ (number one in France⁽³⁾, number two in the United Kingdom⁽⁴⁾, number three in Spain⁽⁵⁾, number four in the United States⁽⁶⁾), Lagardère Publishing is a federation of publishing companies with a large degree of editorial independence. They are united by common management rules, a concerted effort to expand in digital activities, a coordinated strategy in respect of the global distribution giants, and the same high standards required of the people appointed to positions of responsibility in each company.

Since its foundation in 1826, Hachette Livre has consistently sought to publish, sell and distribute high-quality innovative books that satisfy its readers' thirst for knowledge, culture and entertainment. The company's employees, who contribute to the growth and ongoing success of this division, continue to pursue this goal.

Hachette Livre has a well-balanced, diversified portfolio that covers much of the editorial spectrum (Education, General Literature, Illustrated Books, Partworks, Dictionaries, Youth Works, Distribution, etc.). Publishing is predominantly in the three main language groups: English, Spanish and French. The portfolio offers new bases for expansion by geographic area and business line, allowing Lagardère Publishing to capitalise on the most buoyant segments and the most dynamic markets.

The division's business model is present throughout the entire book publishing/distribution value chain. Thanks to its highly reputed publishing houses and brand names, it is able to draw the fullest benefit from its close relationships with authors, the expertise of its sales force, the rigorous logistics organisation of its distribution network and the commitment of its highly trained employees.

The autonomy of the publishing houses, which are independent and fully responsible for their own creative processes and editorial decisions, encourages both creativity and internal competition. The large degree of autonomy that Hachette Livre allows each of its operating divisions is one of the key factors of its success, since each division of Lagardère Publishing forms a federation of small and medium-sized independent publishing houses with their own corporate culture and specific – not to say unique – editorial tone.

Each publishing house is responsible for relations with its own authors. Excellent individual relationships enable publishers to control the copyright portfolio and offer seamless supply to the paperback sector. In France, they also give rise to merchandising opportunities.

Items appearing in the Annual Financial Report are cross-referenced with the following symbol **AFR**

(1) Lagardère Media is the holding company for all media operations.

(2) World publishing rankings prepared internally by Hachette Livre based on:

- the annual financial reports of the groups in question (most cases);
- rankings appearing each year in *Livres Hebdo* (rankings prepared with Rüdiger Wischenbart Content and Consulting, and generally used subsequently in partnership with *The Bookseller*, *Publishers Weekly* and *Buchreport*), and which are sometimes based on direct contacts with the groups in question (i.e., when annual financial reports are not available);
- the ranking takes into account private publishing companies in the Textbook market (excluding professional, and scientific, technical and medical publishing) and general interest (Trade).

(3) Source: internal analyses based on statistics from the GfK survey panel and the data from the education group of the French publishers association.

(4) Source: internal data based on Nielsen BookScan in the United Kingdom.

(5) Source: internal estimates.

(6) Source: internal analyses based on Nielsen BookScan in the United States.

Central management functions in turn allow Hachette Livre to develop a single strategy for digital technologies, strengthen its financial position, and negotiate on the best possible terms with its major customers and suppliers.

These combined assets make Hachette Livre France's leading publishing group, ahead of such prominent competitors as Editis, Gallimard-Flammarion, Albin Michel, La Martinière-Le Seuil and Média-Participations. Hachette Livre ranks second in the fragmented General Adult Literature market, and first in literature for Youth and Illustrated Books, as well as in the traditionally more concentrated Textbook and Dictionaries segments.

Outside France, Hachette Livre conducts its business alongside competitors such as Pearson, McGraw-Hill Education, Penguin Random House, Scholastic, Simon & Schuster, HarperCollins and Holtzbrinck. In just a few years, it has succeeded in moving up from thirteenth to third position among private-capital publishers worldwide.

Most of its new publications are also available in digital format – in France and the United Kingdom, as well as in the United States – and sold as e-books on all platforms.

A.1 In France⁽¹⁾

General Literature comprises prestigious publishing houses such as Grasset, Fayard, Stock, Calmann-Lévy and Lattès. Each is prominent in a specific domain, but competes with the Group's other publishing houses and with rival publishing groups' brands. The Livre de Poche paperback releases reprints for all of the division's publishing houses as well as for many non-Group publishers.

Hachette Illustré covers the entire range of illustrated works. It is number one in France for both practical guides (Hachette Pratique and Marabout) and travel guides (Hachette Tourisme and Le Routard). Hachette Illustré is also number one in the art book market with two prestigious publishers, Editions du Chêne and Hazan, and in youth works (Hachette JD, Hachette Jeunesse Roman and Livre de Poche Jeunesse). Hachette Livre boasts valuable editorial assets in this market, including characters such as Babar, Noddy, Astérix and Fantômette.

In Textbooks, Hachette Livre is the leading publisher in France⁽²⁾ thanks to two separate entities, Hachette Education and the Alexandre Hatier group. These entities include such reputed publishers as Hachette, Hatier, Didier and Foucher and other strong brands (Bled, Bescherelle, Passeport, Littré, Gaffiot), enabling Hachette Livre to occupy a leading position on the extra-curricular book segment.

In Reference and Dictionaries, famous assets include the brands Larousse, Hachette and Harrap's. Hachette Livre is number one in France for both monolingual and bilingual dictionaries. With its international reputation, Larousse generates more than 40% of its revenue outside France, and is particularly well established as a brand in Spanish books.

The Academic and Professional activity includes Dunod-Armand Colin, leader in France's higher education market.

Distribution for Hachette Livre and other non-Group publishing houses under exclusive contracts is carried out through a distribution network managed from the national centre in Maurepas. Hachette Livre handles 250 million copies per year and supplies 12,000 bookshops, newsagents, newsstands and supermarkets in France. Hachette Livre Distribution, the number one distributor in France, also operates in Belgium, Switzerland and French-speaking Canada.

A.2 Outside France⁽³⁾

In the United Kingdom, Hachette UK was the second-largest publisher in 2016, with 13% of the printed trade book market, the same as in 2015 (see section 5.2.1 – A). It has six divisions: Octopus for illustrated books; Orion; Hodder & Stoughton; Headline; Little, Brown for general literature; and Hachette Children's Books in the youth works segment.

These six divisions and their range of brand names have also enabled Hachette Livre to develop operations in Australia and New Zealand, as well as in India.

Hachette Livre is also a key player in the textbook market with Hodder Education, which ranks third in the market.

Hachette Livre has a distribution activity in the United Kingdom via its two centres, Bookpoint and LBS (Littlehampton Book Services). The two entities are currently being merged.

Hachette Livre Spain has been the third-largest publisher in Spain since Santillana's acquisition by Penguin Random House, and ranks as the leading publisher of textbooks through Anaya and Bruño. These two publishing houses are key players in the Education market, as well as in the Extra-curricular Book, General Adult Literature and Youth Works segments. It is also very well established in Latin America, through its Larousse, Anaya, Bruño, Alianza, Algaída, Barcanova, Xerais and Salvat brands. In Mexico, Hachette Livre is one of the leading textbook publishers, under the Patria brand.

In the United States, Hachette Book Group is the fourth-largest trade book publisher thanks to such publishing houses as Grand Central Publishing, Little, Brown, as well as Little, Brown Books for Young Readers in the youth works segment; FaithWords in the religious literature segment; Orbit in science fiction; Perseus in non-fiction; and Mulholland in crime fiction.

Hachette Livre also has distribution operations in the United States.

Partworks are published by the Collections division, and are sold per issue in news-stands and by subscription. The Collections division has expanded internationally: Partworks are now published in 15 languages and 33 countries through subsidiaries based in France, the United Kingdom, Italy, Spain, Poland, Japan and Russia.

This activity's marketing skills and capacity to create new products rigorously tested for compatibility with each market make it the number two player worldwide, and a driving force behind Hachette Livre's overall performance.

Worldwide, Hachette Livre is represented either directly or indirectly in more than 70 countries across all of its business lines.

(1) Hachette Livre's competitive positions reflect data provided by the GfK panels to which the division subscribes.

(2) Source: internal estimates.

(3) Source: internal data, based on Nielsen BookScan in the United Kingdom, internal sources in Spain and Nielsen BookScan data in the United States.

B) OPERATIONS DURING 2016

Contribution to consolidated revenue in 2016: €2,264 million (€2,206 million in 2015).

Breakdown of revenue by activity

	2016	2015
Education	16.7%	15.9%
Illustrated Books	13.1%	16.6%
General Literature	43.6%	40.5%
Partworks	11.4%	10.9%
Other (including Reference)	15.2%	16.1%
Total	100%	100%

Breakdown of revenue by geographic area

	2016	2015
France	28.1%	29.3%
United Kingdom	18.5%	20.3%
United States	24.7%	22.8%
Spain	6.3%	6.4%
Other	22.4%	21.2%
Total	100%	100%

In 2016, the global market was characterised by a decline of 1.8% in printed books (excluding textbooks) in France⁽¹⁾, contrasting with sharp volume growth in the United States (up 3.3%) and the United Kingdom (up 2.3%)⁽²⁾, and a contraction in digital formats in both those markets.

The decline in the digital segment for the second consecutive year in the English-speaking markets was attributable to several factors. First, the e-reader market appears to have reached saturation point in the United States, with sales of devices down sharply. Second, in the United States and the United Kingdom alike, the new agency agreement between the major publishers and retailers has heralded the end of discounted e-book prices. Hachette Livre reaped its full share of the upturn in its markets, particularly in the United Kingdom, where Hachette UK (HUK) achieved remarkable success in General Literature, notably with *Harry Potter and the Cursed Child*, and in Textbooks. Recent acquisitions, particularly Quercus in General Literature and Rising Stars in Education, made a powerful contribution to HUK's results.

Illustrated Books continued to sell very well, driven by the runaway success of *Simpplissime*, which has become an international publishing phenomenon. In the United States, sales of printed books increased in line with the market, and a robust cost-containment plan resulted in firmer margins.

Trends in foreign exchange rates had a negative impact overall on Lagardère Publishing's results given the fall in sterling against the euro.

Lagardère Publishing's eight-pronged strategy is unchanged:

1. constant search for growth opportunities through value-creating acquisitions needed to keep Lagardère Publishing among the top-ranking publishing groups worldwide, which is an essential

advantage conferring extra influence in negotiations with major customers;

2. spreading risks across a significant number of markets and market segments in order to smooth out the cyclical effects specific to each one;
3. concentrating acquisitions and new subsidiaries in countries belonging to language areas that offer a critical size for potential markets;
4. broad editorial independence for publishing subsidiaries, with an emphasis on creativity, rapid response and team motivation;
5. actively seeking out international bestsellers able to attract an extensive readership in all markets where the division operates;
6. managing distribution both as a cost centre and a strategic link in the book value chain, in all the markets where the division operates;
7. sustained investment in digital technologies so as to better understand and satisfy authors, booksellers and readers;
8. selective investments in high-growth markets such as Russia, India and China.

Lagardère Publishing's success in the Digital segment is the result of a rigorously implemented strategy seeking to:

1. continue to digitise all new content and selected past works by formatting files so that they are compatible with all digital platforms in the market;
2. encourage the creation of as many new digital platforms selling e-books as possible;
3. strengthen ties between Lagardère Publishing houses and their creators and authors by offering a comprehensive range of digital services and unrivalled expertise in marketing and advertising on

(1) Source: GfK.

(2) Source: Nielsen BookScan.

the Internet and on social networks to avoid “disintermediation” benefiting operators with no added value;

4. encourage Lagardère Publishing publishers to develop works not easily transferable into digital format (high-quality illustrated books, box sets, partworks, comic strips, etc.);
5. fight piracy aggressively and methodically;
6. offer dynamic, selective logistics services to attract other partners undetermined by the digital revolution to Lagardère Publishing, thereby maintaining the workload and profitability of its distribution infrastructure without assuming any commercial risk or taking any financial interest in their activities.

B.1 In France

France once again confirmed its essential contribution to Lagardère Publishing's performance, thanks in large part to Education, which benefited from the first wave of curriculum reform since 2010, bearing on middle school programmes. The reform, spread over two years, allowed Hachette Education, and above all the Alexandre Hatier group, to bring their results back to levels worthy of their best years.

Although not as rich as 2015, when Hachette Livr e won an impressive number of prizes, the 2016 autumn literary season in France nevertheless saw several successes, including *Petit pays*, by Gaël Faye (Fnac and Goncourt des lycéens awards, 370,000 copies), *Le dernier des nôtres*, by Adélaïde de Clermont-Tonnerre (Grand prix de l'Académie française, 150,000 copies), both published by Grasset, and *Et tu trouveras le trésor qui dort en toi*, by Laurent Gounelle (190,000 copies), published by Kero, as well as *Un président ne devrait pas dire ça*, a non-fiction work by Gérard Davet and Fabrice Lhomme (220,000 copies).

Illustrated Books also did well thanks to *Simplissime*, the simplest cookbook in the world – and now a global success – by Jean-François Mallet. The first volume, which has sold a total of 450,000 copies since its publication, has been adapted in several themes and formats, increasing the number of copies available for sale to 1.32 million at the end of the year, not to mention its translations into twelve languages and fifteen regions. The Spanish, English, American, Chinese and Russian editions were published by Hachette Livre publishers, which goes to show the potential for synergies when one of the division's entities publishes an international bestseller.

B.2 Outside France

United States

The American book market experienced contrasting trends in 2016: while sales of e-books continued to decline in the first half before stabilising in the second half at approximately 20% of the market, downloadable audio books regained further ground throughout the year (up 32%)⁽¹⁾, and the printed book market recorded a second consecutive year of healthy growth, at a pace of 3.1%⁽²⁾.

In this favourable context, Hachette Book Group (HBG) increased its market share, notably thanks to the acquisition in January of Perseus Books and its five brands, which together publish 500 essays and documents every year, including *Stamped from the Beginning*, by Ibram X. Kendi, winner of the National Book Award of 2016, published by PublicAffairs.

In addition, HBG handed over control of Yen Press to Kadokawa, the Japanese publisher that supplies it with content, while retaining a minority stake in the capital as well as responsibility for the circulation and distribution of this manga brand.

Once again, HBG dominated the bestseller lists, placing 215 printed or digital titles on *The New York Times* lists (an increase of 18%

compared with 2015), of which 43 reached the number one spot (27% more than in 2015).

To accommodate the production of Perseus and its new partners, HBG has built a third warehouse at its Lebanon site in Indiana, bringing the floor space of its distribution centre to 200,000 square metres.

United Kingdom and the Commonwealth

2016 was a particularly good year for Hachette UK (HUK), in both General Literature and Textbooks, in a market characterised, like in the United States, by stagnating sales of e-books and significantly stronger sales of printed books (up 8.8%).

Harry Potter and the Cursed Child, published by Little, Brown in July, became the biggest selling large-format book in the United Kingdom for ten years in the space of just a few weeks, with four million copies sold. It also broke sales records in all Commonwealth countries, while *Fantastic Beasts and Famous Five for Grown-ups* sold 1 million and 1.5 million copies respectively.

Several titles reaped prizes and enjoyed excellent sales: *The Lonely*, by Andrew Michael Hurley (John Murray), won the Book of the Year prize at the Book Industry Awards and the Costa First Novel Award, while *The Invention of Nature: The Adventures of Alexander von Humboldt*, by Andrea Wulf (also published by John Murray), was awarded the Costa Book of the Year Award and the Royal Society Science Book Prize.

In total, HUK placed 102 titles on The Sunday Times bestseller lists in 2016, 18 of which made it to first place.

Hodder Education, which was named Textbook Publisher of the Year for the second consecutive year, has doubled its market share to 22.6% over the last five years (22% in 2015). The acquisition of Rising Stars at the end of 2014, like the Pearson catalogues in the West Indies (end of 2014) and Singapore (end of 2015), paid off in 2016, accelerating HUK's breakthrough in international English-speaking markets and creating the conditions for sustained growth.

HUK also announced the merger of its LBS and Bookpoint distribution centres, which handle 37 million and 26 million books a year respectively, on a single site near Oxford. Construction of the new warehouse started in September 2016.

HUK believes, in the absence of official statistics, that it is the leading publisher of e-books in the UK, with estimated market share of 22%. It has acquired mobile games company Neon Play as part of a corporate strategy of promoting innovation through acquisitions in related universes (see paragraph 5.2.1 – B.3).

Spain and Latin America

In 2016, the second year of curriculum reform, Hachette España's Education brands continued to concentrate their efforts on introducing new materials for the textbook market in Spain, in accordance with the timetable for the implementation of the new education law, *Ley Orgánica de Mejora de la Calidad Educativa* (LOMCE), with new products for the following classes: 2^o and 4^o ESO (middle school), 1^o Bachillerato (senior school), as well as new books specific to Andalusia for levels 1^o and 3^o ESO and 1^o and 2^o Bachillerato, this region having benefited from extra time to implement the new law.

An alliance was formed with Pearson Educación, offering a unique and rich variety of English textbooks fully adapted to classroom learning, for both ESO (middle school) with “Next Move” and Bachillerato (senior school) with “Performance”.

Anaya Infantil y Juvenil put a special focus in 2016 on the four hundredth anniversaries of the deaths of Cervantes and Shakespeare

(1) Source: APA (American Audiobook Publishers).

(2) Source: AAP (Association of American Publishers).

with the release of titles targeting readers of all ages. In the field of prescriptive works, the "Plan Lector Anaya Educación" reading program was completed for the four levels of middle school. The materials included in this program are fully adapted to the new education laws.

For Alianza Editorial, 2016 was a year of intense editorial activity motivated above all by the celebration of the 50th anniversary of the series *El Libro de Bolsillo*, which marked Alianza's debut in publishing.

In General Literature, the year's bestsellers, based on Spain's leading rankings, were:

- ▶ *Del otro lado*, by Michael Connelly, published by Alianza de Novelas/AdN;
- ▶ *Cuentos de Navidad*, by Charles Dickens, published by Alianza Editorial;
- ▶ *Cocina sana para disfrutar*, by Isabel Llano, published by Oberon.

Hachette España published a total of 3,029 new titles in 2016, as well as 4,536 reprints. These figures, along with the 326 new titles and 621 reprints in Latin America, illustrate the highly fragmented nature of the Hispanic market, while the ratio of reprints to new releases highlights Hachette España's ability to use its catalogues profitably.

Partworks

2016 was an excellent year for the Collections division, thanks notably to strong growth in Japan.

Fifty-five new titles were published over the year. The countless successful collections include:

- ▶ Japan: *Disney Tsum Tsum*, *Cars in Japan*, *F14* and *Nissan* models;
- ▶ France: *Cars*, *Tout L'Univers*, *Marvel*, *Fire engines*;
- ▶ United Kingdom: colouring with *Art Therapy*, creative hobbies with *Knitting and Crochet*, and books with *Marvel*;
- ▶ Italy: *Fiat tractor* and *Fiat 500* models, and a collection of books on philosophers;
- ▶ Germany: *tractor and globe* models to build, *Marvel*;
- ▶ Poland: *Disney Golden Books*;
- ▶ Spain: *DC Comics*;
- ▶ Argentina: *Marvel and Cars*;
- ▶ Russia: *the Tsars*.

B.3 Objectives and achievements in 2016

Lagardère Publishing had set itself four priorities for 2016:

1. successfully integrate Perseus into Hachette Book Group (HBG);
2. contain HBG's variable costs in order to restore profitability, subject to the combined pressure of falling sales of e-books and the inflationary nature of rights under the auction system;
3. take advantage of school reform in France to bring the contributory capacity of Education back to its customary levels;

4. implement an innovation strategy by acquiring digital start-ups operating in businesses related to publishing.

These objectives were largely achieved:

1. the integration of the 200 employees of Perseus Books, which became HBG's eighth editorial division, was achieved in optimal conditions. Part of the staff moved into HBG's offices in New York; the rest were split between the sites in Philadelphia, Berkeley and Boulder. Perseus's distribution, currently performed by Ingram, will pass to HBG on 1 March 2017. The site in Lebanon, Indiana, has been expanded to receive and process Perseus's schedule of 500 new releases every year and its catalogue of 6,000 titles;
2. control of variable costs and the rigorous risk management implemented by HBG, combined with a greater number of bestsellers, boosted its profitability by 44% over the year at 2015 exchange rates;
3. Hachette Livre's Education divisions, Hachette Education and the Alexandre Hatier group, rose to the challenge of curriculum reform in France despite the very short time between the release of programmes and the deadline for delivery of new textbooks. However, the shortage of time left academic staff with a considerable additional workload, which in turn resulted in marginal costs. Everything is expected to return to normal in 2017, the second year of the reform;
4. the development strategy laid out by Hachette Livre in 2015 took shape with the acquisition by Hachette UK of Neon Play, a British studio specialising in video game design for mobiles and tablets. Neon Play has created more than 30 games that together have notched up over 60 million downloads. In June of the same year, Hachette Livre took a majority stake in UK-based Brainbow, which in 2014 launched the mobile application Peak, the fun subscription-based brain training application.

Downloaded 15 million times since its creation, it was named Apple Best App in 2014 and Google Play Best Self Improvement App in 2015 and 2016. These acquisitions gave Hachette Livre a foothold in the mobile market, allowing it to combine its editorial expertise with the digital skills of pure players with a view to emphasising their complementary nature, and offering it the chance to benefit from growth in digital platforms.

C) OUTLOOK

2017 is set to continue the trends seen in 2016, barring a major macroeconomic event.

The second year of curriculum reform in France should continue to bolster the Education divisions, while a new *Astérix* album is scheduled for release in the autumn. A new *Dan Brown* book and the fifth instalment of the *Fifty Shades of Grey* saga are also due for release by Lattès, again in France.

These releases will be particularly welcome in that election years are notoriously difficult for literature.

One or two new acquisitions of digital start-ups are being considered to round out the organisation initiated in 2016.

5.2.2 LAGARDÈRE TRAVEL RETAIL

A) PRINCIPAL ACTIVITIES AND MAIN MARKETS

After the United States and Switzerland in 2015, Lagardère Travel Retail divested its Press Distribution activities in Spain, Canada and Belgium in 2016. The division also sold its LS Distribution SAS holding company, including operating activities in Hungary, on 7 February 2017. This concluded the process of withdrawing from the Press Distribution business, a process dating back to 2014.

With operations in 32 countries and four continents, Lagardère Travel Retail is a pure player and global leader in Travel Retail.

At the end of 2016, Lagardère Travel Retail operated a total of 4,291 sales outlets⁽¹⁾. The geographic breakdown is as follows: 3,167 in Europe, Middle East and Africa, 310 in Asia-Pacific and 814 in North America.

Lagardère Travel Retail, whose strategy is to become the leading travel retailer and the preferred partner for licensors on all market segments, operates in travel areas and concessions in three business segments:

- ▶ Travel Essentials;
- ▶ Duty Free & Fashion;
- ▶ Foodservice.

And three geographic areas:

- ▶ EMEA, which covers Europe and expansion in the Middle East and Africa;
- ▶ ASPAC, which covers the Asia-Pacific region;
- ▶ North America, which covers the retail businesses in Canada and the United States. Following the acquisition of Paradies in 2015, the weighting of the North America region has increased significantly, representing 24% of Travel Retail operations in 2016.

Travel Retail: retail sales dedicated to travellers

Travel Retail is one of the most attractive niches in retailing. In the past few years, the market has undergone profound change, globalising, integrating, consolidating and becoming more sophisticated.

Lagardère Travel Retail is stepping up its expansion in this segment by:

- ▶ leveraging its current positions to increase effectiveness and brand awareness;
- ▶ expanding its commercial offering in all markets;
- ▶ building on a unique competitive positioning through its expertise in three business segments;
- ▶ intensifying its organic growth, particularly in the most dynamic markets with the gain at the end of December 2016 of three tenders in Saudi Arabia (Riyadh, Dammam and Jeddah) in partnership with local operators, on top of the December 2015 gain of the tender for the new Midfield terminal at Abu Dhabi airport (tobacco, alcohol, confectionery, gourmet food and perfume/cosmetics concession on some sales outlets and a number of Foodservice outlets);
- ▶ stepping up its external growth with the significant acquisition in October 2015 and successful integration in 2016 of Paradies, which operates sales outlets in 75 airports in the United States and Canada, making Lagardère Travel Retail number three⁽²⁾ in the North American Travel Essentials and Foodservice markets.

In the wake of recent market consolidation, Lagardère Travel Retail is now the third-largest⁽²⁾ global operator in Travel Retail, and the biggest full-spectrum operator across the three business lines (Travel Essentials, Duty Free & Fashion and Foodservice). Since 2014, its geographic organisation has been complemented by a matrix-based organisation to optimise the management of its various businesses. As such, Lagardère Travel Retail:

- ▶ runs the largest international network of stores dedicated to Travel Essentials;
- ▶ is the world leader⁽²⁾ in the Travel Retail Fashion segment;
- ▶ ranks among the top 10⁽²⁾ operators in Core Duty Free;
- ▶ is the fourth-largest⁽²⁾ operator in Foodservice in travel areas worldwide.

Change in market share over the last two years has been mainly impacted by:

- ▶ recent acquisitions by Lagardère Travel Retail, including Paradies in the United States in 2015, and Airst, mainly in Italy, and Gerzon in the Netherlands in 2014;
- ▶ the gain of a number of tenders in Asia-Pacific and Europe; and
- ▶ sector consolidation with the acquisition by Dufry of Nuance and World Duty Free.

The Moodie Report website (www.moodiereport.com) regularly publishes changes in the market share of Travel Retail operators. It is recognised as a benchmark in the industry.

The network includes the following sales outlets, operated:

- ▶ under its own store names, either international (Relay, Hubiz, 1Minute, Hub Convenience, Discover, Tech2go, Aelia Duty Free, The Fashion Gallery, The Fashion Place, Eye Love, So Chocolate, Bread&Co., Hello!, So! Coffee, deCanto, Trib's, etc.) or with a strong local identity (Sydney Opera House, Buy Paris Duty Free, Frankfurter Markthalle);
- ▶ under franchise or licence with retail partners such as Fnac, iStore, Marks & Spencer, Hermès, Victoria's Secret, Nespresso, Costa Coffee, Burger King and Paul.

a. World leader⁽²⁾ in Travel Essentials

With the Relay, Hubiz, 1Minute and Hub Convenience stores, as well as local store names, Lagardère Travel Retail currently runs the world's largest international network of travel essentials stores located in travel areas, including more than 220 international airports.

The new Relay concept brings together all travel essentials. Relay targets all travellers, offering each of them a suitable selection of essentials to facilitate and enhance their journey. The offer is now built around six major product categories: food, press, gifts and souvenirs, books, travel and children.

In train stations and airports, Lagardère Travel Retail also operates a large number of stores selling electronic devices under the Fnac, iStore, Tech2go and eSavvy names (notably in France, Italy, Germany, Poland, Hungary, Australia, New Zealand, Canada and the United States).

Lastly, Lagardère Travel Retail is a souvenir store operator with the international Discover concept (France, United Kingdom, Italy, Spain, Romania, Canada, Germany, Poland, Australia, China, Hong Kong, Singapore), as well as Air de Paris and other local brands related to concessions (Eiffel Tower, Sydney Opera House, etc.).

(1) Excluding Hungary (Distribution).

(2) Source: Moodie Report; Lagardère Travel Retail Strategy Department; company annual reports.

Competition in convenience stores and news-stands in travel areas, which was previously local, is becoming global: Hudson News operates in 16 countries and WH Smith in 22; HMShost operates in North America; Valora and Eckert in Germany, Austria, Switzerland and Luxembourg; and Areas in 13 countries, principally Spain.

b. A top player worldwide in Duty Free & Fashion

Lagardère Travel Retail designs and operates duty-free shops (alcohol, tobacco, perfume, cosmetics, food) and specialist concept stores, under its own names (Aelia Duty Free, Buy Paris Duty Free, So Chocolate, The Fashion Gallery, etc.) and under international brand licences (Hermès, Longchamp, Hugo Boss, Ferragamo, Victoria's Secret, etc.).

In recent years, Lagardère Travel Retail has become the world leader⁽¹⁾ in Fashion sales in travel areas, particularly following the 2014 acquisition of Gerzon (fashion outlets at Schiphol Airport), the gain of fashion tenders in Spain in 2014, the 2015 acquisition of Paradies and fashion outlets in Terminal 4 of John F. Kennedy Airport in New York and recent tender wins in Asia (mainly China and Singapore). The segment counted 351 stores at the end of 2016.

Lagardère Travel Retail also handles onboard sales of high-end products on behalf of certain airlines, including Air France, Alitalia and Iberia, in partnership with the Servair group (acquired by Chinese company HNA in 2016).

Aside from Lagardère Travel Retail, the leading global players in duty-free sales and specialist concept stores in travel areas are Dufry, DFS (LVMH), Lotte and Heinemann.

c. Fast-growing operator in Foodservice

Lagardère Travel Retail operates nearly 800 Foodservice outlets in 17 countries (France, Poland, Czech Republic, Germany, Italy, Australia, Bulgaria, Romania, Iceland, Spain, Austria, Slovenia, United Arab Emirates, China and Singapore, but also the United States and Canada, two markets strengthened by the acquisition of Paradies in late 2015):

- ▶ under its own store names, (So! Coffee, Bread & Co, Trib's, Decanto, Bricco, etc.);
- ▶ through concepts tailored to meet the specific needs of licensors and locations (La Plage and Pan Gami at Nice airport and L'Étoile du Nord at Gare du Nord railway station in Paris in partnership with Thierry Marx, Loksins Bar at Keflavik airport in Iceland, Bar Symon at Pittsburgh airport in the United States, etc.);
- ▶ under franchise agreements with major international brands (Starbucks, Costa Coffee, Prêt à Manger, Burger King, Eric Kayser, Paul, etc.) or local brands (SumoSalad, Java U, etc.).

As such, this broad brand portfolio, balanced between brands designed specifically for Travel Retail and brands operated through partnerships with leading brands offering unique and differentiating customised concepts, allows Lagardère Travel Retail to cover all the specific needs of its B2B and B2C customers with diversified and innovative product offerings.

The operational excellence demonstrated by Lagardère Travel Retail in Foodservice, together with a customised approach for each platform and skilful responses to tenders are major assets when bidding for new concessions in an environment where licensors worldwide are constantly raising the bar on sector standards.

B) OPERATIONS DURING 2016

Contribution to consolidated revenue in 2016: €3,695 million (€3,510 million in 2015).

Breakdown of revenue by activity

	2016	2015
- Travel Retail	84.8%	72.5%
- Distribution	15.2%	27.5%
Total	100%	100%

Breakdown of revenue by geographic area (Travel Retail)

	2016	2015
France	25.8%	31.7%
Europe (excl. France)	38.2%	42.7%
North America	24.0%	11.2%
Asia-Pacific	12.0%	14.4%
Total	100%	100%

Travel Retail revenue increased by 23% on a reported basis and 7.1% on a like-for-like basis in 2016.

Travel Retail accounted for 84.8% of consolidated revenue in 2016, compared with 72.5% in 2015, thanks to the disposal of Distribution operations in 2016, acquisitions made in 2015 (Paradies and Terminal 4 of John F. Kennedy Airport in New York), and the ramp-up of new concessions (Auckland Duty Free, Foodservice in France and Europe, Fashion in China and Spain, Warsaw and Krakow in Poland).

The 2016 market environment was marked by continued growth in air traffic, but in a climate of extreme geopolitical tension showing the scars of the succession of terrorist attacks in Europe.

Moreover, the volatility of certain currencies (especially the yuan and the rouble), Brexit, Chinese regulatory measures limiting group travel and constraining lavish spending, and the continued decline in the press market put further pressure on activity.

(1) Source: Moodie Report; Lagardère Travel Retail Strategy Department; company annual reports.

► Continued growth in air traffic

After growth of 5.0% in 2011, 4.2% in 2012, 3.9% in 2013, 4.9% in 2014 and 6.1% in 2015, 2016 saw a slight slowdown in the pace of air traffic growth to 5.5% worldwide, mainly as a result of terrorist attacks in Europe. By region, air traffic growth broke down as follows: 4.5% in Europe (5.2% in 2015), 4.1% in North America (5.3% in 2015) but 9.3% in Asia-Pacific (8.0% in 2015⁽¹⁾).

► Further decline in print media revenue

The decline in the press market continued, with volumes down between 5% and 10% depending on the country.

Lower volumes have been partially offset by higher prices.

Against this backdrop, growth in Travel Retail results was attributable to:

- growth in air traffic;
- network expansion (through organic and external growth) and the modernisation of stores;
- the ongoing strategy of modulating concepts and lines in favour of products enjoying growth (Duty Free, Foodservice and convenience stores, for example);
- improved purchasing conditions.

B.1 Travel Retail

Europe, Middle East and Africa (EMEA)

In **France**, managed revenue⁽²⁾ at directly operated stores across the three segments was down 1.4% compared with 2015, with contrasting situations in the different segments.

The Travel Essentials network reported growth of 0.9%, while the Foodservice segment grew strongly by 10.2%. 2016 was held back throughout the year by the effects of the 13 November 2015 attacks in Paris and the 14 July 2016 attack in Nice. Despite this, strong growth in revenue from food and beverage products (up 12.7%) helped offset the decline in press revenue (down 10.1%). Hospital networks and regional airports reported growth of 4.8% and 5.4% respectively year on year, with the gain of tenders and the modernisation of store concepts. Lastly, souvenir activity at the Eiffel Tower was strongly impacted by the attacks, the UEFA European Championship fan zone and strikes at year-end.

The Duty Free & Fashion business recorded a 4.4% decline in managed revenue⁽²⁾ year on year, the significant impact of terrorist attacks and tighter security checks not having been offset by air traffic growth: increases of 1.8% in the Paris airports (0.3% at Paris-Charles de Gaulle and 5.3% at Paris-Orly), 9.8% in Lyon, 3.3% in Nice and 2.7% in Marseille.

Paris-Charles de Gaulle Airport was hurt above all by a deterioration in traffic quality (Duty Free-Duty Paid mix) and unfavourable exchange rates (yuan, rouble and pound sterling) driving down the average spend, as well as stop-ratios, especially on Asian legs.

In **Italy**, with the acquisition of Aeroporti di Roma Retail in 2012 and that of Airst in 2014, Lagardère Travel Retail now ranks as the leading player in Duty Free & Fashion, second in Travel Essentials and fifth in Foodservice.

Total revenue grew by 6.7% in 2016. On 21 December 2016, the new non-Schengen terminal at Avancorpo Airport in Rome opened with an Aelia Duty Free flagship (1,900 sq.m.), five Fashion stores and three Foodservice outlets. As of end-2016, Lagardère Travel Retail had 131 points of sale in Italy.

In **Poland**, consolidated revenue increased by 25%, driven primarily by growth in Duty Free, where business was up 33%. This increase is attributable first to the full-year effect of the opening of Terminal 1

at Warsaw airport in May 2015 and second to a significant increase in revenue (at constant scope) at Krakow airport, driven by traffic growth of 20%. The performance of the Foodservice activities (up 19.2%) was attributable chiefly to a scope effect (opening of 19 outlets). Travel Essentials activities grew by 16.2%, part of which can be ascribed to the development of the network with the opening of 40 outlets (mainly Relay and 1Minute).

The Polish network had a total of 874 outlets at the end of 2016 (an increase of 67 compared with 2015), including 472 Inmedio outlets (consolidated by the equity method).

In the **Czech Republic**, the 5.3% increase in revenue in 2016 was driven by the expansion of the Foodservice network (opening of 15 new outlets). Revenue in the legacy Relay and Inmedio outlets increased by 4.4%. Duty Free business (22 sales outlets in airports), which is very sensitive to Russian passengers (impacted by the rouble's sharp decline and events in Ukraine), was stable (down 0.5%).

In **Spain**, revenue fell by a slight 1.8% year on year, mainly due to the closure of La Cure Gourmande and Jeff de Bruges outlets in 2015 and 2016 respectively. The revenue of the legacy Travel Essentials activity grew by 1.2% thanks to the increasing weight of food products, which offset the decline in press revenue (down 5.2% compared with 2015).

The **United Kingdom** recorded revenue growth of 16.8% compared with 2015 driven by the opening of the new Duty Free outlet at Luton Airport (London) in April. There was also a very significant increase in air traffic across all platforms following the devaluation of the pound triggered by the vote in favour of Brexit.

Revenue in **Germany, Austria and Slovenia** increased by 1.2% despite the impact of various terrorist attacks in 2016, particularly in Germany. Growth was driven chiefly by the development of Foodservice operations in Germany (up 4.6%).

The scope now covers a total of 155 outlets, including 68 in Foodservice (33 in Germany, 28 in Austria and 7 in Slovenia).

Revenue in the **Netherlands** grew by 10.0% following the reopening of our modernised outlets at Terminal 2 of Schiphol Airport in Amsterdam.

In **Romania**, the 19.6% increase in revenue in 2016 was driven by the existing network, with a strong improvement in revenue in the Food & Beverage and Tobacco categories.

In **Bulgaria**, revenue increased by 11.6% in 2016 thanks to very good results on a constant-network basis (up 8.6% in 2016) and the strong performance of the Onda outlets in Sofia opened in 2016.

In **Iceland**, revenue increased by 62% in 2016 thanks to a full year of operations (compared with nine months in 2015), the very positive effect of Euro 2016 and very sustained traffic (up 40%).

Asia-Pacific

In the **Pacific**, revenue rose sharply (up 9.5%) thanks to the full-year impact of the acquisition at the end of June 2015 of part of the Duty Free outlets of Auckland Airport in New Zealand, as well as the opening of new concepts in Australia and New Zealand (Amuse Beauty Studio, Victoria's Secret, Desigual, Bath and Body Works). Travel Essentials revenue was down 9.1% due to the loss in 2015 of concessions in Terminal 1 of Sydney Airport and the closure for works of most of the outlets located in Terminal 2 of Melbourne Airport. Press revenue also continued to decline (down 15.0% at constant scope).

In **Asia**, revenue continued to grow (up 5.3%) despite a relatively difficult environment under the effects of (i) the reallocation of many Singapore Airlines flights, strongly impacting operations at Terminal 2

(1) Source: ACI, at end-October 2016 and end-December 2015.

(2) Managed revenue corresponds to 100% of revenue from the relevant activities regardless of Lagardère Travel Retail's level of control or ownership of them.

in Singapore, (ii) the drop in spending per passenger prompted by unfavourable exchange rates and restrictive policies on international spending by Chinese nationals, and (iii) network effects, namely the loss of part of the Relay network and the So Chocolate concession in Hong Kong, partly offset by the opening of five fashion outlets.

Growth was driven mainly by the full-year effect of 2015 developments in the Fashion activity in China (opening of nine new outlets in Kunming in September 2015, and three new outlets in Hong Kong in November and December 2015) and by the continued growth of souvenir sales and the extension of the network of confectionery outlets in Singapore (opening of four stores in Terminal 2).

North America

In 2016, the North America scope was boosted by the October 2015 acquisition of Paradies, representing a network of over 550 outlets in 75 airports in that zone.

2016 revenue over the region as a whole breaks down as follows between the various segments: Travel Essentials 78%, Duty Free & Fashion 13% and Foodservice 9%. The Foodservice business grew significantly, lifted by the opening of five restaurants during the year (mainly at Denver and Washington airports).

Revenue growth was slightly higher than anticipated in the acquisition plan, and integration operations are going to plan.

The total network in the North America region increased by 44 units in 2016 and now stands at a total of 814 outlets.

B.2 Objectives and achievements in 2016

Travel Retail

The first objective for 2016 was the successful integration of Paradies. The merger of the two organisations took place over the year and will be completed in 2017. The level of synergies in the years to 2019 is in line with expectations.

The second objective was to further optimise the product mix in Travel Essentials. To meet this objective, Lagardère Travel Retail focused its efforts on:

- ▶ the establishment in several countries of the new Relay concept bringing the six main categories of travel essentials (food, press, gifts and souvenirs, books, travel and child) together under one roof;
- ▶ the implementation of innovative business initiatives to boost revenue.

The third objective involved stepping up the pace of expansion in emerging regions. In Asia, revenue continued to grow, rising by 5% year on year, reflecting the strong performance of recent concessions won in Hong Kong, Singapore and China (Shenzhen and Xi'an).

The fourth objective was to accelerate organic and external growth. The most significant achievements of 2016 in this regard were:

- ▶ the gain of the Foodservice tender for the new Midfield terminal of Abu Dhabi International Airport (United Arab Emirates) on top of the gain of the Duty Free concession in late 2015. Operations

are scheduled to start in 2018, as part of a joint venture with Abu Dhabi Capital Group;

- ▶ the gain of Duty Free tenders in Riyadh, Dammam and Jeddah (Saudi Arabia). Operations are scheduled to start in spring 2017, as part of a joint venture with local partners SACC (Saudi Airlines Catering Company) and AGHL (Arabian Ground Handling Logistic Company);
- ▶ the gain of various tenders in Europe, the most significant of which are three Foodservice concessions in the new terminal of Avancorpo Airport in Rome (Italy), the master concession in Gdansk (Poland), nine Duty Free sales outlets in Prague (Czech Republic) and four Souvenir & Gourmet concessions at Schiphol Airport (Netherlands);
- ▶ the gain of various tenders in Asia and the Pacific including two Fashion concessions in Singapore, Foodservice concessions in Kunming and Shanghai (China), a master concession in Wuhan (China) and the Duty Free & Specialty concession in Cairns (Australia);
- ▶ the gain in the United States of eight concessions at Phoenix-Sky Harbor International and a Foodservice concession in San Francisco;
- ▶ the acquisition of Duty Free activities from Gategroup in Estonia in November 2015.

Press Distribution

The division is committed to refocusing on its core Travel Retail business and had set itself the objective of selling its Press Distribution business. An update on the disposal process is provided in section A above.

C) OUTLOOK

Lagardère Travel Retail's 2017 trading outlook hinges primarily on changes in airport traffic and currencies, as well as broader economic and geopolitical trends.

Objectives are focused on:

- ▶ continuing the integration of Paradies and the new concessions awarded since 2015 (Auckland, Avancorpo in Rome, Warsaw, Krakow, Gdansk, Nice, Luxembourg, Saudi Arabia, Estonia, etc.);
- ▶ continuing the enrichment of the product mix in Travel Essentials by rolling out the new Relay concept in all countries where Lagardère Travel Retail operates and by modernising concepts;
- ▶ developing the Duty Free & Luxury and Foodservice segments;
- ▶ stepping up the pace of expansion in Asia-Pacific, the Middle East and Africa;
- ▶ taking initiatives to improve profitability and cash generation.

Lagardère Travel Retail, which is acknowledged for its leadership positions in its business lines, its operational rigour, its performance culture and its international brands, has a number of assets to help it meet these objectives.

5.2.3 LAGARDÈRE ACTIVE

The following comments describe the position of Lagardère Active based on its 2016 scope and business developments. They therefore reflect the disposal of the magazine Parents and the parental portal to Uni-Editions in January 2016 and the disposal of the LeGuide.com website to Kelkoo in September 2016.

A) PRINCIPAL ACTIVITIES AND MAIN MARKETS

Lagardère Active encompasses the Magazine Publishing, Radio, Television channels, Audiovisual Production and Distribution, Advertising Sales Brokerage and Digital businesses.

A.1 Magazine Publishing

Lagardère Active is a leader in Magazine Publishing for the general public in France, boasting 13 press titles plus other licensed titles published internationally (80 publications and more than 50 websites).

Women's magazines form the core magazine portfolio, which also includes titles covering current affairs, interior design, youth and leisure.

Flagship publications include *Elle*, *Paris Match*, *Le Journal du Dimanche*, *Version Femina* and *Télé 7 Jours*, which are available in both print and online editions.

Revenue is derived primarily from print and digital advertising sales, magazine distribution and diversification.

Other market players in the Magazine Publishing segment for the general public are either non-specialist groups with operations in one or two countries (such as Time Inc. in the United States and the United Kingdom, Mondadori in Italy and France, etc.), or brands with global ambitions (Hearst and Condé Nast).

A.2 Radio

Roughly a third of Radio sales are generated outside France. Radio station revenues are largely made up of radio and digital advertising revenue, which depend greatly on audience ratings and the state of the advertising market.

In France, Lagardère Active is one of the major players on the radio broadcasting market, boasting three national networks.

Europe 1

Europe 1, France's benchmark radio station, with nearly 4.4 million listeners every day⁽¹⁾, remains faithful to its traditional fare of general interest, high-quality output for the general public.

Virgin Radio

Virgin Radio is a music station for 25- to 34-year-olds, blending creativity and a dynamic, interactive format. Virgin Radio plays a mix of well-known pop, rock and electro hits and new tracks. It has nearly 2.8 million listeners every day⁽²⁾.

RFM

RFM, a music station aimed at a "contemporary adult" audience, is known for its diverse musical programming and its "Le meilleur de la musique" ("All the best hits") slogan. It attracts 2.3 million listeners every day⁽²⁾.

International radio

Lagardère Active Radio International (LARI) is successfully developing the division's radio broadcasting skills in nine countries in Central Europe, Germany, South Africa, French-speaking sub-Saharan Africa, and starting this year, Cambodia

In all the countries where its operations are well established (23 stations), LARI is a major player in the private radio station market:

- ▶ number one in the Czech Republic, where it has five radio stations, including Evropa 2 and Frekvence 1, the country's second and third most popular stations respectively⁽³⁾;
- ▶ number two in Poland, where it has five radio stations, including Radio Zet, one of the country's leading stations, with more than 5.5 million listeners daily⁽⁴⁾;
- ▶ number two in Romania, where it has three radio stations, including Europa FM, the country's leading private radio station⁽⁵⁾;
- ▶ leading radio station in Saarland, Germany, with Radio Saarlouis⁽⁶⁾;
- ▶ leading privately-owned regional radio station in South Africa, with Jacaranda⁽⁷⁾;
- ▶ among the top four radio stations in Slovakia, with Europa 2⁽⁸⁾.

In France and abroad, these radio broadcasting activities are subject to national and EU laws and regulations governing the audiovisual and telecommunications industries. In France, radio broadcasters must be approved by the French broadcasting authority (*Conseil supérieur de l'audiovisuel* – CSA) (see section 3.3.1.2).

A.3 Television channels

Television channel broadcasters have two main revenue streams. The first is made up of fees paid by the operators broadcasting the programmes, which constitute the lion's share of revenue for cable, satellite and ADSL channels, plus incidental advertising revenues. The second, for freeview DTT channels available to all viewers, is derived from advertising.

Lagardère Active's theme channels are focused on two main segments:

- ▶ channels targeting a youth and family audience, including TiJi (for children aged 3-6) and Canal J (children aged 6-12), which are available on Canal, Bouygues Telecom, Orange and SFR, as well as Free via the Canal Panorama offer, in France. Two channels, TiJi Russia and Gulli Girl, are available in Russia, on a subscription-based business model, where they benefit from satellite broadcasting with dedicated programmes.

The youth offer also features Gulli, a freeview DTT channel, wholly owned by Lagardère Active since November 2014.

Lagardère Active's package for the youth and family market is the leader in its segment, and is also the best-known offer in France (98% of households with children know at least one of these channels⁽⁹⁾);

- ▶ the entertainment offering for young adults of both sexes consists of music channels MCM, RFM TV (formerly MCM Pop) and MCM Top, as well as Elle Girl. This new "chic and cool" theme channel,

(1) Source: Médiamétrie 126,000; Monday-Friday; 13+; cumulative audience 5am-midnight; September-December 2016 wave.

(2) Source: Médiamétrie 126,000; average Monday-Friday; 5am-midnight; November-December 2016 wave.

(3) Source: Radio Project; Q2+Q3 2016; LV12+.

(4) Source: SMG KRC Radio Track; July-September 2016; LV15+.

(5) Source: IMAS; May-August 2016; LV11+ Urban.

(6) Source: AS&S MA II 2016 and EMA II 2016; LV10+.

(7) Source: BRC RAM Radio Listening; January-September 2016.

(8) Source: MML SK; Q2+Q3 2016; LV14+.

(9) Source: CSA; 2016 CSA Research Observatory on awareness of additional channels, May 2016.

launched on 15 September 2016, targets women aged 18-49. Elle Girl is broadcast exclusively in the Canal deals, as well as on Free and Orange. MCM is accessible via Canal and is also distributed by ISPs. In the same music universe, two offshoots of the division's music radio stations were launched in 2014: Virgin Radio TV and RFM TV. Virgin Radio TV is distributed by ISPs, as is RFM TV, which is also available on Canal.

Lagardère Active's offer also extends outside France, through Mezzo and Mezzo Live HD, which are now available to more than 54 million homes in nearly 60 countries. They have carved themselves a reputation as the international benchmark for classical music, jazz and dance on television. Mezzo is 40%-owned by France Télévisions. Mezzo Live HD has also been available in the Asia-Pacific region since 2014, and in North America (mainly Canada) since April 2015.

Gulli Africa, launched in 2015 in partnership with the Canal+ Group, celebrated its first anniversary in March 2016. It already has 2 million subscribers.

Thanks to this diverse offering, Lagardère Active is a major player in the television market. In 2016, Gulli logged the tenth-largest audience share⁽¹⁾ of all DTT channels, with 1.6% of viewers aged 4 years and over across the whole of France. It was once again the leading offer for children aged 4-10 during the day (6am-8pm), with 16.6% audience share⁽¹⁾ (well ahead of TF1, with 12.9%). Note that France 4 repositioned itself as a youth channel on 31 March 2014, and has therefore naturally progressed in the 4-10 age group. During the day (6am-8pm), its audience share increased to 10.8% in 2016⁽¹⁾ from 7.1% in 2015, although it remains well behind Gulli. Four years ago, in late 2012, six new channels were added to the DTT line-up. They have been available throughout France since mid-2015.

A.4 Audiovisual Production and Distribution

In the field of Audiovisual Production and Distribution, Lagardère Active, through its Lagardère Studios subsidiary, provides archive programmes (drama, documentaries) and programmes for immediate broadcast (features, light entertainment, etc.) to a large majority of broadcasters in France and Spain. Lagardère Studios also produces corporate and web videos.

In 2016, Lagardère Studios maintained its position as France's leading producer of drama, with more than 46 hours of original programming broadcast in prime time between 1 September 2015 and 31 August 2016⁽²⁾.

Lagardère Studios is also the second-largest producer of programmes for immediate broadcast⁽³⁾, with over 1,000 hours broadcast on French channels over the same period.

In Spain, Lagardère Studios is the leading independent audiovisual production group, with more than 1,100 hours of programming delivered⁽³⁾.

Revenue generated by the audiovisual production activity consists of broadcaster financing. Other sources of financing such as co-producers, local and regional authorities, and the French national cinema board (CNC) help fund production.

The audiovisual distribution activity is based on a portfolio of broadcasting rights for audiovisual works supplied among others by the Lagardère Studios production activity.

Audiovisual distribution revenue is derived from the sale of these broadcasting rights for audiovisual works for specific markets and a specific length of time.

A.5 Advertising Sales Brokerage

The advertising sales brokerage markets a rich and varied media offering and smart media solutions closely matched to the needs of advertisers, media agencies and consultancies.

Lagardère Publicité enjoys unique positioning in France, with more than 100 brands marketed via six media (press, radio, television, Internet, mobiles and tablets):

- ▶ the leading French press advertising sales agency, with leadership positions in women's, current affairs, decorating and TV magazines (other than special issues)⁽⁴⁾: 20.5 million readers, or 39% of individuals aged 15 and over, read at least one title with connections to Lagardère Publicité;
- ▶ in television, a major brokerage catering to all audiences, through its Youth branch (Gulli, Canal J and Tiji) and its Adult branch (RTL9, MCM and Elle Girl);
- ▶ in radio, it has a strong position on influential targets: it is the leader in private advertising sales targeting upper occupational groups⁽⁵⁾, with a commercial audience share of 28%⁽⁶⁾;
- ▶ a digital offering consisting of 50 websites (including 20 premium sites) providing a gateway to nearly half of the connected population, or nearly 20 million unique visitors⁽⁷⁾. Lagardère Publicité is positioned as the sixth-largest advertising sales brokerage in the market. With its offering of 11 smartphone applications and eight tablet applications, Lagardère Publicité is the benchmark advertising sales brokerage, and a pioneer in digital applications.

A.6 Digital Pure Player

Besides being one of the leading media groups in both the desktop Internet, with over 15 million unique visitors (UV)⁽⁸⁾ in France, and the mobile Internet, with over 12 million UVs⁽⁹⁾, Lagardère Active has pure digital assets in diverse markets.

- ▶ Doctissimo.fr publishes the leading health information and wellness website;
- ▶ MonDocteur.fr offers a unique service for booking medical appointments in France;
- ▶ Doctipharma.fr provides French pharmacies with the tools needed to sell their drugstore products online;
- ▶ Newsweb, France's leading financial information service and publisher of Boursier.com, markets monetisation expertise for third-party websites;
- ▶ BilletReduc.com offers discounted theatre and concert tickets.

(1) Source: Médiamétrie - Médiamat 2016; cumulative audience. Audience share is expressed as a percentage and calculated by dividing the audience for a given channel by the total audience for the media as a whole.

(2) Source: *Écran Total* - 2016 ranking of drama producers.

(3) Source: *Écran Total* - 2016 ranking of producers of programmes for immediate broadcast.

(4) Source: ACPM One 2015-2016; coverage for insertion into the Lagardère Publicité titles; ACPM One Global 2016V3 audience 30 days (One 2015-2016/Médiamétrie MNR fixed-mobile-tablet; June 2016).

(5) Upper occupational groups = company heads, executives and managers, intellectual professions; cumulative audience share of Lagardère Publicité, IP Radio, NRJ Global, TF1 Publicité Radios, RMC, Radio Classique, Skyrock, Nova & Friends brokerages.

(6) Source: Médiamétrie 126.000 Radio; September-October 2016; Monday-Friday; 5am-midnight.

(7) Source: Médiamétrie NetRatings; Fixed Internet; October 2016.

(8) Source: Médiamétrie; November 2016.

(9) Source: Médiamétrie; September 2016.

B) OPERATIONS DURING 2016

Contribution to consolidated revenue in 2016: €915 million (€962 million in 2015).

Breakdown of revenue by activity

	Reported 2016	Reported 2015
Press	46.4%	46.5%
of which: Magazine Publishing	38.1%	40.0%
Other activities including pure play and B2B Digital activities	8.3%	6.5%
Audiovisual	53.6%	53.5%
of which: Radio	21.9%	21.2%
Television production and channels	31.7%	32.3%
Total	100%	100%

Breakdown of revenue by geographic area

	2016	2015
France	75.9%	80.8%
International	24.1%	19.2%
Total	100%	100%

B.1 France Magazine Publishing

In 2016, Lagardère Active maintained its position among the leaders in circulation and advertising in Magazine Publishing, both overall and in virtually all of its markets.

There was a great deal of pressure on per-issue sales, and circulation revenue was down 5.2% on a like-for-like basis. Lower volumes of per-issue sales were offset by the impact of price increases on key titles.

- ▶ In the highly competitive environment of high-end women's magazines, *Elle* turned in a very good performance in 2016, with per-issue sales⁽¹⁾ up 0.5% compared with 2015. Per-issue sales were down 5.9%, a much better performance than the market for high-end weeklies (down 10.7%) and monthlies (down 9.1%). Among weeklies, *Elle's* market share increased by 1.3 percentage points to 24.7%⁽¹⁾ (versus 23.4% in 2015).
- ▶ In 2016, in the decoration segment, two Lagardère Active titles (*Elle Décoration* and *Art & Décoration*) led the high-end market. *Elle Décoration* reported a 2% increase in circulation⁽¹⁾ year on year, driven chiefly by per-issue sales (up 3.8%). *Art & Décoration* maintained its leadership in circulation⁽¹⁾ and per-issue sales⁽²⁾.
- ▶ In a highly competitive news-stand market down slightly (down 0.8%), *Elle à Table* managed to maintain its market share at 16% and increase its per-issue sales (up 1%)⁽³⁾ in 2016.

- ▶ The 4.3% decline posted by *Version Femina*⁽⁴⁾ was less severe than that of its direct competitor *Femme Actuelle* (down 6.3 %)⁽⁴⁾.
- ▶ Like the majority of the national dailies, *Le Journal du Dimanche* recorded a decline in paid circulation in 2016, but its year-on-year performance (down 9.3%) was among the best in its segment: *Le Figaro* (down 13.7%), *Le Monde* (down 13%) and *Les Échos* (down 17%)⁽⁴⁾.
- ▶ *Paris Match* maintained its leading position in per-issue sales. It was one of only a handful of titles to see subscriptions remain virtually stable (down 0.8%)⁽⁴⁾.
- ▶ *France Dimanche*, down 5.2%⁽⁴⁾, remained the leader in terms of circulation⁽¹⁾ and per-issue sales. *Ici Paris* was down 3.9%⁽⁴⁾. The title ranked second in its segment in terms of per-issue sales behind *France Dimanche*. Both titles outperformed the broader market (down 7.2%). *Public* posted a more pronounced decline, since young readers are more prone to switch to digital formats. The integration of digital versions of *Public* in SFR's press deal has given the title good momentum.
- ▶ With a decline of 4.3%⁽⁴⁾, *Télé 7 Jours* performed well, doing better than the average of its segment (down 4.9%). It continues to boast France's biggest subscriber portfolio (excluding special issues/brand magazines).

(1) Paid circulation in France, 2015-2016. This is used to measure the advertising potential of a magazine and corresponds to the average number of paying copies per issue. It mainly includes copies sold at news-stands and through subscriptions. Weeklies segment with three titles (*Grazia*, *Gala* and *Madame Figaro*); monthly segment with seven titles (*Version Femina*, *Marie Claire*, *Cosmopolitan*, *Psychologies Magazine*, *Biba*, *Glamour* and *Vogue*).

(2) Decorating segment with 10 titles (*Art & Décoration*, *Côté Sud*, *Côté Ouest*, *Côté Paris*, *Marie Claire Maison*, *Ideat*, *AD*, *Elle Décoration*, *Résidence Déco* and *Maison Créative*).

(3) High-end segment with seven titles (*EAT*, *Cuisine et Vins de France*, *Marmiton*, *Saveurs*, *Régal*, *Vital Food* and *Zeste*).

(4) ACPM OJD DFP 2015-2016 versus 2014-2015.

In Advertising, Magazine Publishing revenue fell in a challenging economic environment.

- ▶ In a depressed market, *Elle* remained the undisputed leader in its segment, with market share of 27.4% (versus 27.8% in 2015), 8.7 percentage points above its main competitor, *Madame Figaro*⁽¹⁾.
- ▶ *Version Femina* recorded an increase in advertising page volume and market share in 2016. Advertising page volume increased slightly in the segment, with *Femme Actuelle* losing 2 percentage points of market share, primarily to *Maxi* and *Prima*⁽¹⁾.
- ▶ *Elle Décoration* delivered a good performance in a flat decorating market, growing by 3.8%. The title retained its leadership, with market share of 26.6% (versus 20.1% in 2015). *Art & Décoration* turned in the best growth in this segment, with market share of 14% (versus 12.2% in 2015), a gain of 1.7 percentage points⁽¹⁾.
- ▶ *Elle à Table* demonstrated resilience in a declining market, with market share of 31%, 4.2 percentage points above its nearest rival, *Cuisine et Vins de France* (Marie Claire group)⁽¹⁾.
- ▶ With advertising page volume up 1.7%, *Paris Match* outperformed the market, gaining 0.6 percentage points of market share (versus market share of 10.7% in 2015) in the news segment⁽¹⁾.
- ▶ *Le Journal du Dimanche* consolidated its market share (gain of 0.5 percentage points in 2016 on market share of 6.3% in 2015), with a 2.3% increase in advertising page volume⁽¹⁾.
- ▶ *Télé 7 Jours*, in a television news segment in structural decline, recorded negative trends in advertising page volume (down 13%) and market share (down 2.2 percentage points⁽¹⁾) in 2016 on market share of 18.7% in 2015).
- ▶ *France Dimanche* and *Ici Paris* recorded increases in their advertising page volume.
- ▶ In a significantly contracted market, *Public* recorded a drop in advertising page volume⁽¹⁾.

Elle's international licensing was marked by numerous print and digital developments in 2016 (launch of *Elle Décoration* in Vietnam, launch of numerous special issues and spin-offs on the themes of marriage and children, launch of the Ellekazakhstan.com website), as well as the development of diversified operations: events promoted by Elle (Elle International Beauty Awards, Elle Active Japan, China and Italy) and Elle Décoration (Elle Deco International Design Awards). Also noteworthy was the launch of the Elle Shop activity in China. The Elle.fr website consolidated its audience, attracting more than 2.7 million unique visitors⁽²⁾ each month.

Addressing a target of millennials (people aged 15-34), Public continues its conquest of the mobile audience (70% of site visits) and climbed into the Top 3⁽³⁾ of celebrity brands among mobile

applications. With over 250 million page views per month⁽⁴⁾, the Public app ranks among the Top 10 applications across all media, and is the leading application among celebrity and women's magazines.

The Télé 7 Jours website continued to grow, with a 21%⁽⁵⁾ increase year on year to more than 42 million visits per month and 105 million page views⁽⁶⁾.

The ParisMatch.com website continues to grow in digital formats, with audience up in terms of visits (up 25.9%) and page views (up 13.9%) compared with 2015.

The brand's strike force is further strengthened by significant presence on social media, from Facebook to Twitter and Instagram, as well as Snapchat Discover⁽⁶⁾ since September 2016.

B.2 Radio

Europe 1

With audience share of 6.6% over the beginning of the season (versus 7.4% over the same period in 2015), Europe 1 was the second most popular private radio station in France, and the leading station among upper occupational groups, a particularly demanding and popular target for advertisers (market share of 9.7% in 2016, versus 9.5% over the same period in 2015)⁽⁷⁾.

Resolutely modern, Europe 1 aims to keep its finger on the pulse, rolling out its strategy in each of its three preferred formats.

Well placed in the major information hubs (especially with Thomas Sotto's morning slot, Maxime Switek's noon slot and Nicolas Poincaré's evening slot), Europe 1 offers a unique reading of current events in its hallmark lively and approachable ambience.

Thomas Sotto's morning slot remains the main driver of the station's audience, with:

- ▶ cumulative audience share of 5.4%, or 2.9 million daily listeners;
- ▶ 9.6% market share⁽⁸⁾.

Since September 2016, Europe 1 has further strengthened its position in humour and entertainment with the arrival on air of Anne Roumanoff, one of France's most popular comedians, with Alessandra Sublet providing entertainment in the afternoon.

With over 1.4 million listeners tuning in daily, Nicolas Canteloup is the highlight of the morning slot⁽⁹⁾.

Culture and knowledge are to be found in radio programmes offering an insight into history presented by historian Franck Ferrand and, since September 2016, by Christophe Hondelatte.

Cultural news is present through interviews by Nikos Aliagas, the special guests of Frédéric Taddei, and with Europe 1 reporters covering the best of French and international cultural life every day.

(1) Source: Kantar Media; January-December 2016 (aggregate week 1 to 51). January to December 2015 for 2015 data.

Version Femina, *Paris Match*, *France Dimanche*, *Ici Paris* and *Public*: pages excluding inserts, miscellaneous advertising, humanitarian and infomedia excluding TV.

Le Journal du Dimanche: pages excluding inserts, miscellaneous advertising, humanitarian and infomedia excluding TV, legal notices and financial advertising.

Télé 7 Jours: pages excluding inserts, miscellaneous advertising, real estate and infomedia excluding TV.

Elle: pages excluding inserts, miscellaneous advertising excluding TV and humanitarian.

Art & Décoration and *Elle Décoration*: pages excluding inserts, miscellaneous advertising, infomedia, real estate, publishing, humanitarian associations, education and training, and culture and leisure including special issues.

Elle à Table: pages excluding inserts, miscellaneous advertising, education and training, publishing, culture and leisure, and infomedia.

(2) Source: Médiamétrie NetRatings; desktop; Average January-November 2016.

(3) Source: Médiamétrie; Mobile audience; September 2016.

(4) Source: ACPM OJD; November 2016.

(5) Source: AT; January-December 2016.

(6) Source: ACPM OJD JD2016 versus JD2015.

(7) Médiamétrie 126,000; Monday-Friday; market share 5am-midnight; September-December 2016 wave.

(8) Médiamétrie 126,000; Monday-Friday; 13+; 6.30-9.00am; September-December 2016 wave.

(9) Médiamétrie 126,000; Monday-Friday; 13+; 8.45am; September-December 2016 wave.

Music radio

With over 1.7 million listeners each morning between 6am and 9:30am and audience share of 3.2%⁽¹⁾ for the *Virgin Tonic* morning slot hosted by Camille Combal, Virgin Radio logged its best performance in cumulative audience and audience share in nine years. *Virgin Tonic* is France's second-highest-rating morning slot on the 25-49 age bracket⁽²⁾.

In the space of a year, the radio has gained 121,000 listeners. With 3% audience share⁽³⁾ (versus 2.8% in 2015), the station gained 0.2 percentage points over the year. Between 10.00am and 9.00pm, all musical slots recorded increases in cumulative audience and audience share over the year.

A total of 2,781,000 listeners tune into Virgin Radio for an average of 1 hour and 20 minutes every day⁽³⁾.

Virgin Radio has intensified its presence in the field with the *Electroshock* evenings and regional showcases.

With its mix of pop, rock and electro music, its programmes, music events, and TV and digital offshoots, Virgin Radio is becoming

the preferred radio station of an active, laid-back and connected generation. *Virgin Tonic* is France's third most popular radio station on the 25-49 age bracket⁽²⁾.

RFM ranks as France's second most popular adult music station, with 2,334,000 listeners and market share⁽³⁾ of 3.1% (as in 2015). The loyalty of its listeners allows the station to record the best listening time among music stations: 1 hour and 42 minutes⁽³⁾.

Le Meilleur des Réveils, presented by Elodie Gossuin and Albert Spano since September, gained 114,000 listeners in a single survey wave, or an extra 0.2 percentage points of cumulative audience⁽⁴⁾. Each day, 1,242,000 listeners tune in to the broadcast between 6.00am and 9.30am⁽⁴⁾.

In the station's target 35-59 age bracket, *Le Meilleur des Réveils* is ahead of all its competitors (Nostalgie, RTL2 and Chérie FM), with 3.9% audience share⁽⁵⁾. With a new formula enriched with a fresh helping of good humour and more music, the RFM morning slot attracts and keeps more listeners every day.

Changes in Lagardère Active's cumulative radio audience in France are as follows (5am-midnight; 13+; Monday-Friday):

	Nov.-Dec. 2016	Sept.-Oct. 2016	Nov.-Dec. 2015	Nov.-Dec. 2014	Nov.-Dec. 2013	Nov.-Dec. 2012
Virgin Radio	5.2%	4.8%	4.9%	4.3%	4.1%	4.1%
RFM	4.3%	4.4%	4.4%	4.8%	4.7%	4.2%
Europe 1	8.1%	8.1%	9.1%	8.7%	9.4%	9.1%

Source: Médiamétrie 126,000; average Monday-Friday; 5am-midnight; November-December 2016 wave.

The Europe 1 website was the leading digital radio website for the fifth consecutive month⁽⁶⁾, with 8.4 million unique visitors per month across all devices.

Europe1.fr's strategy has three main thrusts: mobile, social networks and video.

The mobile radio website has been completely redesigned for optimal user experience from a smartphone. Today, 60% of visits are from mobile devices.

Europe 1 has a community of more than 3 million subscribers⁽⁷⁾ on Facebook, Twitter and Instagram.

Four hundred videos are produced each week, not counting the 16 hours of live broadcasts daily, in optimised image quality. This represents 12 million video views per month across all media.

Since September, the station has notched up 11 million podcasts per month⁽⁸⁾.

iTunes has classified the Christophe Hondelatte program and the Jérôme Commandeur cameo among the "top 10 favourite podcasts" of 2016.

International radio

Internationally, 2016 was a year of strong growth in advertising activity, driven to a large extent by excellent performances in Poland, the Czech Republic and Romania.

After the recent launch of two radio stations in Senegal and Côte d'Ivoire in September 2014 and September 2015 respectively, Lagardère Active Radio International (LARI) finalised the acquisition in June 2016 of a 49% stake in LVMG, a media group that holds two radio networks in Cambodia, one of which was given a new lease on life under the Vibe Radio brand from September 2016.

LARI's move into a new continent, Asia, marked a new stage in its development. Cambodia and the Phnom Penh offices will serve as a bridgehead for future expansion in South East Asia.

Other projects for the creation or acquisition of stations are accordingly being explored in Africa and Asia, with the objective of continuing to roll out the Vibe Radio brand in media greenfields with high growth potential.

In cumulative terms, LARI's radio stations each day attract:

- ▶ 6.6 million listeners in Poland⁽⁹⁾ (down 0.4 million year on year);
- ▶ 2.0 million listeners in Romania⁽¹⁰⁾ (down 0.1 million year on year);
- ▶ 1.7 million listeners in the Czech Republic⁽¹¹⁾ (stable year on year);

(1) Médiamétrie 126,000; Monday-Friday; 13+; 6-9.30am; September-December 2016 wave.

(2) Médiamétrie 126,000; Monday-Friday; 25-49; 5am-midnight; November-December 2016 wave.

(3) Médiamétrie 126,000; Monday-Friday; 13+; 5am-midnight; November-December 2016 wave.

(4) Médiamétrie 126,000; Monday-Friday; 13+; 6-9.30am; November-December 2016 wave.

(5) Médiamétrie 126,000; Monday-Friday; 35-59; 6-9.30am; November-December 2016 wave.

(6) Source: Médiamétrie NetRatings; aggregate Internet audience; France; October 2016.

(7) Source: aggregate Facebook fans, Twitter followers and Instagram subscribers across all pages.

(8) Source: Médiamétrie eStat.

(9) Source: SMG/KRC Radio Track October-December 2016; LV15+.

(10) Source: IMAS May-August 2016; LV11+ National and IMAS; May-August 2016; LV11+ Bucharest.

(11) Source: Radio Project; Q2+Q3 2016; LV12+.

- ▶ 1.1 million listeners in South Africa⁽¹⁾;
- ▶ 0.6 million listeners in Germany⁽²⁾ (stable year on year);
- ▶ over 300,000 listeners in Slovakia⁽³⁾ (stable year on year);
- ▶ over 100,000 listeners in Senegal and Côte d'Ivoire⁽⁴⁾.

LARI also continued its digital expansion in 2016:

- ▶ by consolidating the editorial strategy of its digital products (content, videos, etc.), but also their marketing (social networks, SEO, etc.) and technical (mobile first, user experience, etc.) strategies;
- ▶ by developing new products related to the world of radio, such as the Omega.ro "infotainment" offers launched in Romania in March 2016, which attracted 200,000 visitors per month after only eight months of existence;
- ▶ by optimising the marketing of its digital offering: optimisation of revenue processes, development of marketable content (real-time bidding with display, mobile and video) and diversification of methods (special operations, partnerships, native advertising and brand content).

In 2016, LARI's digital offer totalled 10 million unique visitors per month (up 86% year on year) and 43 million page views (up 30% year on year) in its nine host countries⁽⁵⁾.

B.3 Television channels

First-generation DTT channels (launched in 2005) recorded audience share of 21.5% in 2016, unchanged versus 2015⁽⁶⁾.

The six new HD DTT channels, launched in late 2012, had audience share of 7.9% in 2016, up from 5.5% in 2015 (up 44% year on year)⁽⁷⁾.

This means that the new HD channels are progressing essentially at the expense of incumbent terrestrial channels, which lost 2.3 percentage points in audience share (60.6% versus 62.9% in 2015)⁽⁷⁾. Theme channels were stable, with audience share of 10%⁽⁷⁾.

In 2016, Gulli reached an average 29,679,917 viewers⁽⁷⁾ aged 4 and over every month (versus 31,586,000 viewers in 2015). It logged a record audience with the film *Chicken Run*: 954,000 viewers aged 4 and over on average.

Canal J and TiJi are respectively in the sixth and tenth positions on cable and satellite television (for pay channels) in the 4-10 age group, with audience share of 2.1% and 1.6% respectively⁽⁸⁾.

Lagardère Active's youth channels hold 33% of the audience for children's channels⁽⁹⁾ (versus 34% in 2015). Lagardère Active's offer makes it the leader on this theme.

The localised versions of TiJi and Gulli in Russia, broadcast in Russian and launched in May 2009 on the NTV+ satellite platform, have reached their optimal viewing figures in Russian-speaking regions. At the end of November 2016, a total of 14.7 million households were subscribed to TiJi in nine countries (up from 14.4 million in 2015) and 6.7 million to Gulli (up from 6.5 million in 2015).

The channels in the Lagardère Group's musical offer, MCM, MCM TOP and RFM TV (formerly MCM POP), attract nearly 6 million viewers on average each month⁽⁶⁾.

Moreover, the TV division has stepped into the digital age in order to optimise brand positioning, raise profiles and anticipate new television consumption patterns by imagining new ways of supplying content, developing apps for mobiles, tablets and connected TV, Xbox, catch-up TV, video on demand and websites.

Examples include:

- ▶ nearly 22.9 million monthly views on average for Gulli Replay in 2016, up from 20.5 million in 2015. This represents an increase of 11% compared with the previous year;
- ▶ the number of views on YouTube in 2016 also increased by over 140% to 60 million.

Diversification also continued, notably around the Gulli brand. A sixth Gulli Park was opened in Thiais (France), the marketing of Gulli touch pads continued, and numerous special operations were held in winter sports resorts. Gulli connected watches were also launched.

Lastly, programming reflected the ongoing commitment of youth and family-oriented channels to promoting environmental protection, sport and healthy eating.

B.4 Audiovisual Production and Distribution

Three of Lagardère Studios' main customers in France saw their organisation and leadership change profoundly between mid-2015 and mid-2016 (TF1, France Télévisions and Canal+ Group). The numerous consequences for Lagardère Studios in 2016 included the cancellation of two long-running prime-time series (*Famille d'accueil* and *Boulevard du Palais* produced by GMT), as well as the daily show *Toute une histoire* (Réervoir Prod) and *C Politique* (Maximal Prod). However, two new prime-time series made successful debuts (*Agathe Koltes* produced by GMT and *Tandem* produced by DEMD), and two new afternoon programmes on France 2 are co-produced by companies belonging to Lagardère Studios (*Mille et une vies* co-produced by Réservoir Prod and *Amanda* co-produced by Carson).

In France, Lagardère Studios' other recurring prime-time series continued to attract good viewing figures, particularly *Joséphine, ange gardien*, *Clem* and *Cain*, as did its short programme *Nos chers voisins*. Programmes for immediate broadcast, such as *Maison à vendre*, *Recherche appartement ou maison* and *C'est mon choix*, continued to enjoy good ratings, while *C dans l'air* recorded the best start to the season in its history. New programmes for immediate broadcast were also produced in 2016. They include *La revanche des ex* (909 Productions) and *L'amour food* (Réervoir Prod).

Jour polaire, an international co-production by Atlantic Productions, was a great success in both Sweden and France, and won the audience prize at the *Séries Mania* festival.

In Spain, the recurring programmes of Grupo Boomerang TV, ranging from daily drama series *El Secreto de Puente Viejo* and *Acacias 38* to prime-time immediate broadcast programmes (*La Voz* and *Peñin Express*) and the second season of the prime-time series *Mar de plástico* continued to enjoy success.

(1) Source: BRC RAM; Q3 2016; LV15+.

(2) Source: AS&S MAII 2016 and EMA II 2016; LV10+.

(3) Source: MML SK; Q1+Q2 2016; LV14+.

(4) Source: TNS Sofres; H1 2016; LV15+.

(5) Source: Google Analytics; December 2016.

(6) Source: Médiamétrie - Médiamat; cumulative audience.

Historical terrestrial TV channels: TF1, France 2, France 3, Canal+, France 5 24/24, Arte 24/24 and M6. DTT channels: BFM TV, CB, France 4, Gulli, i>Télé, LCP, NRJ12, NT1, TMC, CStar, W9, LCI and France Ô. New HD DTT channels: HD1, L'Équipe, 6ter, Numéro 23, RMC Découverte HD and Chérie 25.

Special interest channels: Total TV (historical terrestrial TV channels + DTT channels).

(7) Source: Médiamétrie - Médiamat; cumulative audience.

(8) Source: Médiamétrie - Médiamat Thématic; January-June 2016; cumulative audience; pay channels.

(9) Source: Médiamétrie - Médiamat Thématic; January-June 2016; cumulative audience; audience share 4-10-year-olds; extended channels; average Monday-Sunday; 3pm-5pm.

Finally Grupo Boomerang's daily drama series, and particularly *El Secreto de Puente Viejo*, enjoyed great success in Italy, which had a very positive impact on the distribution activity.

Lastly, 2016 saw Lagardère Studios continue its development in the production of corporate and Internet videos through its labels Tempora Prod and LED. Lagardère Studios also operates in Africa, both in production with the launch of the second season of *C'est la vie* (Keewu), and in distribution through its subsidiary Diffa. Its growth continues in this market.

B.5 Digital

In 2016:

- ▶ Doctissimo.fr, leader in health and wellness information with nearly 5.5 million unique visitors (UV)⁽¹⁾ (up from 6 million in 2015)⁽²⁾ consolidated its position in the e-health sector;
- ▶ MonDocteur.fr, the first portal offering a service for booking medical appointments in France and developer of appointment management software for healthcare professionals, continued to gain momentum. It manages more than 1.5 million appointments on its platforms each month, and its subscriber portfolio (professionals and health institutions ranging from private practitioners to health centres and private hospitals) grew fourfold in 2016;
- ▶ BilletReduc.com consolidated its leading position in discount ticket bookings in France, with over 3 million tickets sold;
- ▶ Newsweb, which publishes Boursier.com and is France's leading financial information service, developed a monetisation activity for third-party websites.

B.6 Objectives and achievements in 2016

In 2015, Lagardère Active prepared a strategic plan to rally the division around a major goal: strengthen its positioning as a premium multi-media group, bringing together leading brands in their segment, with considerable digital and diversification potential, and prospects for international development.

2016 was accordingly marked by the continued development of Lagardère Active's core brands.

The division continued its international development in the audiovisual sector:

- ▶ in radio, with the acquisition of a radio network in Cambodia and the development of radio stations under the Vibe Radio brand in Côte d'Ivoire and Senegal;

- ▶ in audiovisual production, with the very good performance of Grupo Boomerang TV, acquired in May 2015.

The audiovisual division was also buoyed by the good results of its music radio stations in France. Thus, the Audiovisual activities represented the majority of the division's revenue for the second consecutive year.

The digital transformation continued, with strong growth of investment in e-health (MonDocteur.fr), the noteworthy success of BilletReduc.com and the implementation of video, data and customer relationship management (CRM) tools. Moreover, LeGuide.com was sold to Kelkoo in September 2016.

Lastly, Lagardère Active remains highly focused on measures designed to contain expenses in order to improve its overall operating performance. A voluntary redundancy scheme was implemented in the first quarter of 2016 to reorganise the press, advertising brokerages and functional departments.

C) OUTLOOK

In 2017, Lagardère Active will continue to deploy the transformation strategy launched in 2015.

The strategy uses the following levers:

- ▶ consolidate Lagardère Active's leading positions by expanding market share in the areas where activities are contracting, including magazines;
- ▶ rebalance the portfolio in favour of audiovisual activities;
- ▶ make Europe 1 a powerful comprehensive media broadcasting in all formats by revitalising its programming and capitalising on its digital successes;
- ▶ continue and expand the development of e-health activities;
- ▶ propose, outside the media, B2B services and enhance data offers;
- ▶ consolidate Lagardère Studios' leading position in France and Spain;
- ▶ seize international opportunities around Lagardère Studios, Lagardère Active Radio International and the TV division;
- ▶ improve operating performance further through cost-containment measures.

Lagardère Active will remain focused on the implementation and proper execution of action plans based on these levers.

(1) Source: Médiamétrie: average January-December 2016.

(2) Source: Médiamétrie: average January-December 2015

5.2.4 LAGARDÈRE SPORTS AND ENTERTAINMENT

A) PRINCIPAL ACTIVITIES AND MAIN MARKETS

Lagardère Sports and Entertainment is a globally integrated sports and entertainment marketing agency, delivering a full range of services for sports rights holders, brands, athletes and media companies including:

- ▶ Marketing, sponsorship and brand partnerships;
- ▶ Content creation, media rights, production and distribution;
- ▶ Brand consulting, activation and digital services;
- ▶ Stadium and arena management solutions;
- ▶ Athlete management;
- ▶ Event management;
- ▶ Live shows and production;
- ▶ Venue management.

With more than 1,600 employees worldwide and over 50 years of experience in the industry, Lagardère Sports and Entertainment has a global network of experts dedicated to delivering innovative solutions.

A.1 Lagardère Sports

A.1.1 Football

Europe

Lagardère Sports works with more than 100 football clubs across Europe.

In Germany, Lagardère Sports has exclusive marketing agreements with 16 football clubs in the top three divisions and is also a non-exclusive partner of many other clubs.

In France, Lagardère Sports has comprehensive marketing agreements with seven Ligue 1 and Ligue 2 clubs and is also a non-exclusive partner of many other Ligue 1 clubs.

In the United Kingdom, Lagardère Sports manages sales and advertising helping football clubs in the Premier League and the Football League maximise value from their commercial rights.

Lagardère Sports also works with clubs and governing bodies in Sweden, the Netherlands, Poland and Hungary.

Africa

In Africa, Lagardère Sports manages the media and marketing rights of the Confédération Africaine de Football (CAF), which includes events such as the AFCON (African Cup of Nations) and the CAF Champions League.

Asia

In Asia, the Lagardère Sports' portfolio includes all the commercial media and marketing rights for the Asian Football Confederation (AFC), which includes events such as the AFC Asian Cup and the AFC Champions League.

Lagardère Sports works closely with the South Asia Football Federation (SAFF) and ASEAN Football Federation (AFF), and is involved in Asian football at regional and club level. The AFF Suzuki Cup is a hugely successful event managed by the agency and is followed avidly throughout South East Asia.

A.1.2 Golf

The golf business of Lagardère Sports includes athlete and event management.

Lagardère Sports' golf talent portfolio includes over 100 players, with more than 45 on the PGA Tour. Lagardère Sports is also involved in golf events globally:

- ▶ United States: three PGA events (Safeway Open, The Greenbrier Classics, CareerBuilder Challenge) and five Web.com Tour tournaments as well as charity events;

- ▶ Europe: Nordea Masters (European Tour);

- ▶ Asia-Pacific: Emirates Australian Open, SMBC Singapore Open.

A.1.3 Tennis

Lagardère Sports' tennis business includes athlete management, events ownership and management, content production and marketing of media rights.

Lagardère Sports represents players from the WTA and ATP. Lagardère Sports is also involved in the management of tennis tournaments across three continents. In Europe, Lagardère Sports is the owner and organiser of the Ericsson Open and the SkiStar Swedish Open in Båstad (Sweden), and also organises the ATP 250 IF Stockholm Open. In Asia, Lagardère Sports organised the third edition of the BNP Paribas WTA Finals Singapore presented by SC Global. Finally, in the United States, Lagardère Sports organises the Citi Open in Washington DC (ATP 500 event and WTA International event).

Furthermore, Lagardère Sports markets a diverse portfolio of prestigious media rights for tennis including Grand Slam events (Roland Garros), and a large selection of ATP 250 Series events.

A.1.4 Olympic sports and major events

Lagardère Sports' Olympic sports and major events business includes sponsorship rights management, consulting services, marketing of media rights and managing bid processes.

Lagardère Sports advises and represents a diverse portfolio of sports bodies at all levels of the Olympic movement: National Olympic Committees (NOCs), major international multi-sport events (including the Commonwealth Games) and Olympic sports federations (including British Swimming).

Its media rights portfolio includes the Olympic Games and Olympic sports on behalf of international federations such as the International Swimming Federation (FINA), International Gymnastics Federation (FIG) and the International Table Tennis Federation (ITTF).

Through its specialist agency Event Knowledge Services (EKS), Lagardère Sports manages bid processes for Olympic Games and major events, including creating bid strategies and supporting the development of detailed technical aspects of a Games plan. Involvement may begin at the earliest stages of bid preparation and continue well beyond the closing ceremony.

A.1.5 Media

Lagardère Sports represents over 200 sports rights holders. Its portfolio covers broadcast rights for major events such as the Olympic Games. Lagardère Sports has also established itself as a leading player in sports media rights, with a portfolio of more than 10,000 hours of programming. Lagardère Sports also provides rights-holders with production and post-production services globally.

A.1.6 Brand consulting and rights activation

Lagardère Sports builds brands and businesses. It provides advisory and activation services for some of the largest and most recognised brands in the world, helping them to maximise their investments in sport, entertainment, and lifestyle properties. Lagardère Sports also offers innovative digital solutions and provides consulting to rights holders and brands to help them rethink their digital strategies and increase revenue in this area.

The agency's global consulting and activation offering to clients includes two consulting hubs in the United States and across Europe. The consulting division in Europe includes the expertise of leading consulting, activation and digital agencies akzio!, Zaechel, Sponsorship 360 and VIP Sportstravel.

Globally the division has a huge range of experience in creating, managing and activating sponsorship and talent campaigns, a deep understanding of fans across web, mobile and social media and a track record of innovative activation campaigns with premium properties and brands.

A.1.7 Stadiums and arenas

Lagardère Sports advises its clients on the development, management and operation of stadiums and multipurpose venues as well as guiding them through the process of implementing once-in-a-lifetime projects. It also advises several rights-holders of European football stadiums and sports leagues.

Lagardère Sports' approach to stadium and arena solutions spans the entire range of services needed to successfully design, finance, build, operate and market a modern and attractive venue.

Lagardère Sports is also a member of the consortium formed to build the Singapore Sports Hub, a complex opened in 2014 and

comprising a 55,000-seater stadium, an indoor aquatic complex and a 41,000 sq.m. shopping centre.

A.2 Lagardère Entertainment Live

A.2.1 Live shows and production

Lagardère Live Entertainment produces music shows and live entertainment throughout France. It produces and co-produces several musicals including the illusionist Enzo's *l'Insaissable* show, Florent Pagny's tour, *Les Schtroumpfs* and *Les Choristes*.

A.2.2 Venue management

Lagardère Live Entertainment holds a 20% share in the company that operates the Zenith de Paris, 100% and 99.99% shares in the companies that operate the Folies Bergère and the Casino de Paris respectively, and 100% in the company that operates the Floirac venue, currently under construction in Bordeaux. Lagardère Live Entertainment also owns and operates the Bataclan theatre.

B) OPERATIONS DURING 2016

Contribution to consolidated revenue in 2016: €517 million (€515 million in 2015).

Breakdown of revenue by activity

	2016	2015
TV rights and production	21.2%	26.2%
Marketing rights	43.8%	41.6%
Other	35.0%	32.2%
Total	100%	100%

Breakdown of revenue by geographic area

	2016	2015
Europe	61.3%	57.6%
Asia-Pacific	18.1%	17.3%
United States and South America	11.2%	8.8%
Africa	8.8%	12.9%
Middle East	0.6%	3.4%
Total	100%	100%

The share of "**Media**" activities declined (21% in 2016, down from 26% in 2015). This mainly reflects the absence of major sporting events in 2016 that were held in 2015, specifically the AFC Asian Cup 2015 and the Orange Africa Cup of Nations 2015, which generated significant media revenue.

Revenue from "**Marketing**" activities grew in 2016, mainly driven by strong performances in Europe – especially from football clubs in France and Germany, and activities in the United Kingdom. This growth explains the increase in the relative weighting of Marketing in total revenue (44% in 2016, up from 42% in 2015).

Lastly, the share of "**Other**" activities increased from 32% in 2015 to 35% in 2016. Other activities mainly cover:

- ▶ athlete management;
- ▶ brand consulting;
- ▶ venue consulting and events organisation;
- ▶ live entertainment in France.

The growth in brand consulting in 2016 and the management by Lagardère Sports of the Tour Eiffel Fan Zone during the UEFA Euro 2016 explains why the relative weighting of the other activities increased despite overall revenue remaining stable.

Geographically speaking, the relative weighting of the **Africa** region decreased (9% in 2016, down from 13% in 2015), due primarily to the absence during the year of the Orange Africa Cup of Nations, which is held every other year.

The relative weighting of **Asia** increased from 17% in 2015 to 18% in 2016. In absolute terms, revenue recorded in this geographic area rose slightly, and its share of divisional revenue also increased, reflecting stable or weaker growth in other regions, particularly Africa and the Middle East.

The share of revenue represented by the **United States** and **South America** area advanced to 11% in 2016 from 9% in 2015, resulting chiefly from the growth in brand consulting and, to a lesser extent, the organisation of the 2016 Summer Olympics in Rio de Janeiro.

The relative weighting of **Europe** increased from 58% in 2015 to 61% in 2016. This increase is mainly attributable to the management by Lagardère Sports of the main Fan Zone of the competition during the UEFA Euro 2016, the growth in brand consulting and the solid performance by the Marketing activities.

The share of **"Football"** in overall revenue retreated from 53% in 2015 to 49% in 2016. This is due to the absence in 2016 of two major events held in 2015: the AFC Asian Cup 2015 and the Orange Africa Cup of Nations 2015. The growth in other sports also explains the decline in football's share in overall revenue.

The share of revenue represented by **"Tennis"** increased from 9.0% in 2015 to 9.5% in 2016. This modest growth in percentage and absolute terms was driven chiefly by activities in Asia.

The share of **"Golf"** rose from 5% in 2015 to 6% in 2016, mainly due to the organisation in 2016 of the new SMBC Singapore Open tournament.

The share of revenue represented by **"Other"** activities climbed to 35% in 2016 from 33% in 2015. This increase reflects growth in consulting – including brand consulting and consulting in the management and operation of venues – and events organisation activities, such as the management by Lagardère Sports of the Tour Eiffel Fan Zone during the UEFA Euro 2016.

Cyclical nature of Lagardère Sports and Entertainment's activities and competitive environment

The world's major sporting events follow two- to four-year cycles. This has an impact on all elements of the business of sport, depending on the calendar of sports events.

In view of the business cycles of Lagardère Sports and Entertainment's current portfolio, as in 2012, 2016 was a strong year and was relatively in line with 2015.

Lagardère Sports and Entertainment's competitive environment mainly comprises a limited number of international agencies that operate in several businesses, sports and geographic areas, as well as more local players in each of its markets.

B.1 Lagardère Sports

B.1.1 Football

Europe

In 2016, Lagardère Sports further strengthened its position in European Football with partnerships with more than 100 rights holders.

In Germany, the first territorial sponsorship for Borussia Dortmund was sold in Asia and the exclusive marketing partnership with Karlsruher SC was renewed. Lagardère Sports' portfolio of exclusive commercial relationships was strengthened with the signing of new clubs including Germany (SC Preußen Münster) and Sweden (IK Sirius), as well as a new partnership with the Polish Football Association.

In the United Kingdom, Lagardère Sports expanded its portfolio of clubs it partners with for perimeter advertising, and activated major sponsorship on behalf of clients across premium assets including the UEFA Champions League, the UEFA Euro 2016, the Premier League and clubs in La Liga, Bundesliga and French Ligue 1.

Lagardère Sports also delivered a unique fan experience in Paris during the UEFA Euro 2016 tournament – reinforcing its wide range of capabilities within football. This included the design, build and operation of the Tour Eiffel Fan Zone which saw 1.2 million visitors over 26 days, hospitality sales in selected territories, and advertising sales for qualification games. The project also allowed Lagardère Sports to work with other divisions within the Group,

including Lagardère Studios (a subsidiary of Lagardère Active), on the organisation of concerts at the fan zone.

Africa

In 2016, Lagardère Sports managed the sale of marketing and media rights, and provided television production services for the Confédération Africaine de Football's biggest tournaments including the African Nations Championship, the CAF Super Cup, the CAF Champions League and the CAF Confederation Cup, as well as managing the distribution of media rights and providing television production services for the 2018 FIFA World Cup Russia™ African Qualifiers.

Asia

In 2016, Lagardère Sports managed the marketing and media rights of the Asian Football Confederation (AFC), including the AFC Champions League and the AFC Cup, as well as the 2018 FIFA World Cup™ Asian Qualifiers, and AFC Champions League – the region's number one club competition.

Providing further value for clients in Asia, Lagardère Sports utilised the commercial rights of the AFF Suzuki Cup, an event followed throughout South East Asia.

B.1.2 Golf

In 2016, Lagardère Sports continued its work as a golf talent agency, representing more than 45 players on the PGA Tour. The roster includes Jordan Spieth, Phil Mickelson, Keegan Bradley and Brandt Snedeker.

Lagardère Sports organised tournaments in the United States, including PGA Tour event The Safeway Open, and in Asia, including the SMBC Singapore Open and Emirates Australian Open. Similarly, in Europe, Lagardère Sports organised the Nordea Masters.

B.1.3 Tennis

In 2016, Lagardère Sports continued organising the BNP Paribas WTA Finals Singapore presented by SC Global. The last tournament of the women's tennis season was the third in a series of five planned to be held in Singapore until 2018.

In Europe, Lagardère Sports also continued to organise the ATP 250 SkiStar Swedish Open, the Ericsson Open as well as the ATP 250 IF Stockholm Open.

In the United States, Lagardère Sports organised the Citi Open in Washington (ATP 500 event and WTA International).

Lagardère Sports continued to operate its diverse portfolio of prestigious tennis media rights, including ATP 250 and WTA International events and Grand Slam tournaments and continued to market to broadcasters around the globe.

Lagardère Sports also represents a portfolio of players including Caroline Wozniacki and Richard Gasquet.

B.1.4 Olympic sports and major events

In 2016, Lagardère Sports contributed to the success of the Rio Olympic Games on behalf of clients including the Australian Olympic Committee, French Olympic Committee, broadcasters across 40 European territories and over 1,500 hospitality clients.

Moreover, through its specialist agency, EKS, Lagardère Sports was commissioned by the Budapest Bid Committee to lead an international consortium to advise Budapest on its bid to host the 2024 Olympic and Paralympic Games⁽¹⁾. Lagardère Sports created a bid strategy and led the development of the candidature's technical plan, including the Games concept, master plan, legacy and delivery plan, leveraging its long-standing expertise in the Olympic sector and major multi-sport event space.

(1) The international consortium of advisors included Lagardère Sports, through Event Knowledge Services (EKS), PwC Hungary and M-is, who will together support the Budapest bid to host the 2024 Olympic and Paralympic Games.

B.1.5 Brand consulting and rights activation

In 2016, Lagardère Sports invested in developing its consulting business through the acquisition of a key agency in the United States – Rooftop2 Productions. Rooftop2 Productions, founded in 2012 and based in New York, has built a strong reputation for creating and producing live marketing experiences that connect brands with consumers. The agency's services include live event development and production, sporting event design and management, experiential marketing and activation, media and content production and hospitality solutions. It works with a premier roster of clients across diverse industries including automotive, broadcasting, entertainment, non-profits, sports, and wireless providers.

In France, Sponsorship 360 also came on board. Sponsorship 360 is dedicated to delivering solutions to brands in order to create communication platforms through sports. The agency works from the leverage of strategic partnerships through to the deployment of 360 degree activation programs.

B.1.6 More sports

In 2016, Lagardère Sports continued to make its mark in rugby by providing consultancy services and representing the marketing rights for the European Rugby Champions Cup and Challenge Cup. It was also selected by the NFL to promote its brand by amplifying the league's social media and digital platforms in Germany.

In basketball it signed an exclusive deal with the VTB United League to sell the media broadcasting rights for the annual European basketball league worldwide (excluding participating countries).

Lagardère Sports developed a mobile app for the International Federation of Gymnastics and sold sponsorship for the 2016 World Cup of Hockey.

Moreover, Lagardère Sports' athlete management continued to grow too – it now represents more than 70 NFL players, including 25 Pro Bowlers, and 60 professional and retired baseball players. Additionally, Lagardère Sports worked towards strategically building additional team sports, talent marketing, and broadcasting practices within its talent representation portfolio.

B.2 Lagardère Live Entertainment

B.2.1 Live shows and production

In 2016, Lagardère Live Entertainment was very successful with the Florent Pagny tour, which sold out in every city (99% fill rate). Lagardère Live Entertainment also relaunched the illusionist Enzo's *l'Insaisissable* show at the Casino de Paris as well as *Les Schtroumpfs* and *Les Choristes* at the Folies Bergère.

B.2.2 Venue management

Lagardère Live Entertainment continued to manage its portfolio of venues, which includes the Bataclan, the Folies Bergère, the Casino de Paris and a minority share in Zenith de Paris. In 2016, the Bataclan re-opened and artists and the public took possession of the emblematic hall of French popular culture. Both looked forward to coming back and, since the opening, every concert that took place has been a success. Lagardère Live Entertainment also has a great programme scheduled for 2017.

B.3 Objectives and achievements in 2016

In 2016, Lagardère Sports and Entertainment successfully pursued the development of its portfolio in key areas, and delivered extensive services and events.

In 2016, Arnaud Lagardère, General and Managing Partner of Lagardère SCA, appointed Andrew Georgiou as Chief Executive Officer of Lagardère Sports and Entertainment. Andrew Georgiou had served as Chief Operating Officer of Lagardère Sports and Entertainment since 2014, overseeing the operations of the Group's global sports and entertainment businesses.

2016 proved to be another big year for the company's football business globally. Lagardère Sports was chosen to manage the design, development and operation of the official UEFA Euro 2016 fan zone in Paris. The Tour Eiffel Fan Zone provided entertainment and excitement for spectators and sponsors alike. With special opening and closing concerts and all the matches shown on a giant 420 sq.m. screen, the area saw over one million fans celebrate and soak in the electric atmosphere of the tournament.

In Africa, Total become the title sponsor for CAF's ten principal competitions, whilst Orange renewed its relationship with CAF and signed a new eight-year partnership as an official sponsor. Both deals were brokered by Lagardère Sports.

In Asia, Lagardère Sports managed the marketing and media rights for AFF's biennial tournament the AFF Suzuki Cup and achieved its commercial objectives by securing 17 Official Sponsors and Supporters for the tournament. Lagardère Sports also secured Tsingtao Beer's continued partnership with the Asian Football Confederation, further extending its expertise in China.

In the Olympic space, Lagardère Sports began leading Budapest's 2024 Olympic and Paralympic Games bid. In 2016, Lagardère Sports managed the broadcast of the Rio 2016 Games across 40 European territories, working closely with more than 60 media partners.

Another highlight for the business was the successful management of media rights sales as well key contract renewals and acquisitions. It renewed contracts for the media distribution rights to various ATP 250 events as well as extending its portfolio.

Event management in golf continued to go from strength to strength with Lagardère Sports successfully organising the PGA Tour-sanctioned Safeway Open in the Napa Valley.

Finally, Lagardère Sports continued to hold a profitable position in 2016.

C) OUTLOOK

In 2017, Lagardère Sports and Entertainment will continue the development of its portfolio in key areas including football, golf, Olympic sports and major events, media, brand consulting and digital services.

As the industry develops, the agency will look to use its unique insights and expertise to bridge the gap between consumer trends, sponsorship opportunities and brands while continuing to provide clients with integrated solutions to the challenges they face.

Overall, Lagardère Sports and Entertainment continues to cement its leadership position and expects 2017 to be another good year for the company.

5.3 CORPORATE SOCIAL RESPONSIBILITY AND CORPORATE CITIZENSHIP – ETHICS

AFR

5.3.1 CSR – KEY PRIORITIES, STAKEHOLDERS AND RESPONSIBLE GOVERNANCE

Create purpose. Foster personal fulfilment at work. Offer guidance to its employees in diversity and innovation. Combine excellence with corporate responsibility in a changing society. Align respect for objectives with respect for the planet. These challenges are directly related to the businesses of the Lagardère group and reflected in its social and environmental commitments. Lagardère has implemented a Corporate Social Responsibility (CSR) policy to reach three objectives: meet increasingly stringent regulatory requirements, align its CSR approach with its development strategy, and strengthen stakeholder relations.

Guided by the principles of responsible governance, the 2015-2020 CSR roadmap focuses on strategic priorities relating to developing talent, responsible digital management, the impact of media content and the environmental sustainability of the Group's activities. A materiality matrix compiled at the end of 2016 in collaboration with a wide range of internal and external stakeholders will enable the Group to further clarify the relevance of its key priorities in 2017 and gauge the impact of the actions implemented.

In implementing its CSR programme, Lagardère was able in 2016 to remain in the following four ESG indices: Eur onext Vigeo Europe 120, Eurozone 120, MSCI (Global Sustainability Indices) and STOXX® Global ESG Leaders. For the second year running, the Lagardère group was also ranked in the Sustainability Leader 2016 list for the media industry by asset management firm RobecoSAM.

5.3.1.1. CSR POLICY OBJECTIVES

A) MEETING INCREASINGLY STRINGENT REGULATORY REQUIREMENTS

The CSR reference framework applies both nationally and internationally.

In France, non-financial disclosure requirements have become stricter over the years. For the fifth consecutive year, in application of the implementing order of article 225⁽¹⁾ of France's Grenelle 2 law of 12 July 2010, the Lagardère group⁽²⁾ has the disclosure and fairness of the social and environmental information in this report verified by an independent third party (refer to section 5.3.5 for independent third-party report). For the 2016 report, this chapter on CSR information has been divided into two sections to improve readability and to differentiate between information provided on the strategic priorities of the CSR roadmap (with some information stipulated in the above-mentioned implementing order) and other social and environmental information included in line with the French Commercial Code.

An initial cross-reference index is provided at the end of the chapter (see section 5.3.4.3 A) to compare the information disclosed in this report with the requirements listed in article R. 225-105-1 of the French Commercial Code, in line with article 225 of the Grenelle 2 law. A second cross-reference index (see section 5.3.4.3 B) is also included to find the information corresponding to the indicators set out in the GRI G4 Guidelines⁽³⁾.

Internationally, Lagardère applies a number of founding documents on CSR, such as the ILO⁽⁴⁾ and the OECD⁽⁵⁾ guidelines aimed at multinational corporations.

As in previous years, the Group's General and Managing Partner Arnaud Lagardère maintains his commitment to the principles of the United Nations Global Compact in the statement below.

Items appearing in the Annual Financial Report are cross-referenced with the following symbol **AFR**

- (1) Decree 2012-557 of 24 April 2012 on companies' disclosure requirements concerning social and environmental matters, amending articles R. 225 105 1 and R. 225-105-2 of the French Commercial Code.
- (2) For 2016, Hachette Livre is also subject to the verification requirement concerning the disclosure of information listed in the French Commercial Code.
- (3) G4 Guidelines are the fourth version of the sustainability reporting guidelines published by the Global Reporting Initiative, which Lagardère has used as a reference since 2009.
- (4) International Labour Organization. Its principles are included in the commitments of the United Nations Global Compact.
- (5) Organisation for Economic Co-operation and Development.

With operations on all continents, the Lagardère group is one of the world's leading media companies. As an international Group, we must be rigorous and exemplary in promoting rights and principles that are universally recognised and adopted to ensure that globalisation is more respectful of man and his environment. This international commitment is expressed through the Group's membership of the United Nations Global Compact, which we joined in 2003, and which encourages businesses to operate responsibly.

In addition to this basic commitment, Lagardère is a member of the Global Compact France non-profit organisation, which represents France in the Global Compact's National Networks.

To reassert our commitment, each year we report on the progress made by our Group in the Compact's ten principles.

HUMAN RIGHTS

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights.

Principle 2: Businesses should make sure that they are not complicit in human rights abuses.

LABOUR

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.

Principle 4: Businesses should uphold the elimination of all forms of forced and compulsory labour.

Principle 5: Businesses should uphold the effective abolition of child labour.

Principle 6: Businesses should uphold the elimination of discrimination in respect of employment and occupation.

ENVIRONMENT

Principle 7: Businesses should support a precautionary approach to environmental challenges.

Principle 8: Businesses should undertake initiatives to promote greater environmental responsibility.

Principle 9: Businesses should encourage the development and diffusion of environmentally friendly technologies.

ANTI-CORRUPTION MEASURES

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

Arnaud Lagardère

General and Managing Partner of Lagardère SCA

Numerous standards offer the Lagardère group guidance in conducting its operations. For example, ISO 26000 was used as a basis in drafting the Lagardère group Code of Conduct, which was updated in 2012.

Lagardère's CSR practices also apply Unesco's Convention on the Protection and Promotion of the Diversity of Cultural Expressions and Unicef's Implementation Handbook for the Convention on the Rights of the Child.

The Lagardère group also ensures that its CSR policy ties in with the 17 sustainable development goals adopted by the United Nations in 2015.

B) ADAPTING CSR TO GROUP STRATEGY AND DEVELOPMENT

The Lagardère group aligns its CSR policy with its development strategy for its various businesses. Its roadmap has therefore been linked for several years to:

- ▶ *the development of digital businesses:* although the responsible management of the entire paper life cycle remains a priority, especially for Lagardère Publishing and Lagardère Active, CSR issues related to digital activities (training in new digital fields, personal data protection, piracy, waste electrical and electronic equipment recycling, etc.) are becoming increasingly relevant for Lagardère;
- ▶ *the development of new businesses,* such as the Lagardère Travel Retail division's Foodservice business. While the expansion of Travel Retail means that greater attention needs to be paid to the eco-efficiency of its stores (which can be an advantage when

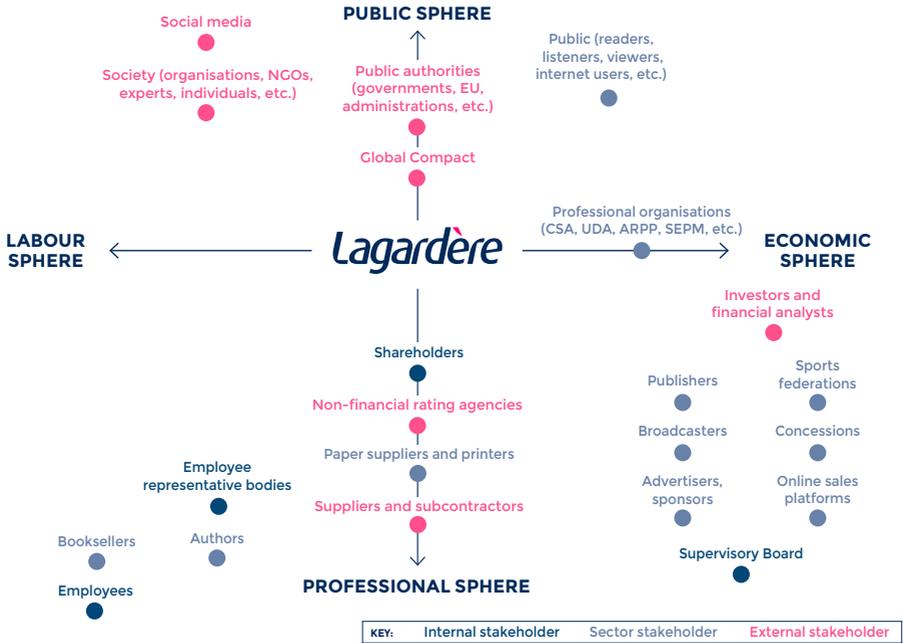
responding to tenders), the steady development of the Foodservice businesses since 2014 by definition makes food hygiene and safety a key issue;

- ▶ *the development of businesses in new markets.* The development of Lagardère Entertainment's Audiovisual Production businesses in Africa and of the LARI radio stations (particularly in Cambodia in 2016)⁽¹⁾ has a social impact on local populations, through the promotion of talent and cultural diversity and by providing access to content.

C) STRENGTHENING STAKEHOLDER RELATIONS

Authors and other artists, readers and listeners, internet users and television viewers, employees and suppliers, rights holders and advertisers, concession granters and the travelling public, customers, investors, consumers and shareholders. Lagardère's numerous stakeholders – internal, external, public or sector – are mapped out in the diagram below.

(1) Lagardère Active Radio International.



To strengthen relations with its stakeholders, in 2015 Lagardère set up a stakeholder panel, an advisory body that seeks to improve the Group's CSR practices. Lagardère's stakeholder panel is chaired by Thierry Funck-Brentano, one of the Co-Managing Partners of Lagardère SCA, and coordinated by the Sustainable Development Department. Its 13 members are appointed for two years and represent the main CSR issues, businesses, expertise and the Group and both its internal and external stakeholders.

The panel met twice in 2016 with the aim of:

- ▶ establishing regular dialogue at Group level between Lagardère and its stakeholders;
- ▶ better understanding stakeholders' perception and expectations of the Group;
- ▶ supporting Lagardère's forward-looking strategy for its main social and environmental priorities.

In 2016 the stakeholder panel tackled issues relating to the Group's development in Africa, based on the theme of "how to combine business and sense". Then, in December, it focused on the materiality matrix project that drew on the consultation of a huge number of internal and external stakeholders. This matrix will enable Lagardère to meet the requirements of the European directive (still being enacted) on extra-financial reporting and to deal with its most relevant CSR issues more effectively.

5.3.1.2 CSR PLAYERS AND GOVERNANCE

Each of the Group's divisions has its own CSR policy led by a Sustainable Development/CSR manager, who coordinates the networks of internal correspondents or forms local steering committees.

Each division coordinates its own employee training and awareness programmes on environmental protection issues. For example,

Lagardère Publishing and Lagardère Active ran environmental awareness campaigns about the paper cycle and organised training on carbon audits,

The divisions are also responsible for implementing the measures needed to obtain certification as, for example, Lagardère Sports and Entertainment did in June 2016 when it obtained ISO 20121 certification in connection with the design, creation and operation of the Eiffel Tower fan zone during UEFA Euro 2016 Championship in Paris.

At Group level, a Sustainable Development Department, which reports to the Managing Partners, coordinates a Steering Committee composed of CSR managers from each business line and representatives from several cross-functional departments. The Committee is chaired by the Group's Chief Human Relations, Communications and Sustainable Development Officer, who is also a Co-Managing Partner of the Lagardère group.

This Committee fine tunes the Group's CSR strategy and proposes initiatives to be undertaken at Group level while promoting the exchange of best practice between the divisions.

The Sustainable Development Department also helps steer various focus groups dealing with key issues, such as responsible purchasing, in collaboration with the Group's Purchasing Department, and the promotion of diversity, with the Human Resources Department. It also coordinates dialogue with the stakeholder panel.

Since 2015, the Supervisory Board has incorporated CSR within the duties of the Appointments, Remuneration and Governance Committee. Consequently, in September 2016, the head of the Sustainable Development Department came to give an update on the Group's CSR strategy.

5.3.2 IMPLEMENTATION OF THE CSR POLICY, THE STRATEGIC PRIORITIES

Responsible governance forms the basis of the Lagardère group's CSR roadmap, which is guided by four strategic priorities, namely developing talent, digital, responsibility for media content and the environmental sustainability of the Group's activities.

The Group's approach to responsible governance is reflected in its ethical principles, in compliance programmes (see section 7.4.1.6.D) applicable to its employees and in its adherence to strict rules governing child protection and advertising.

The Lagardère group Code of Conduct sets out a collection of guidelines at Group level, deriving directly from the values of Lagardère and providing a set of shared standards for all Lagardère employees. The Code of Conduct is one of the founding documents used to define the Group's CSR policy. Its guidelines apply to all Lagardère group companies and to all subcontractors, consultants, freelance workers and volunteers it works with.

The Code was amended in 2016 to add clarity to the sections devoted to diversity (particularly religious diversity) and living side by side. In a new chapter under the heading "Mutual respect and discrimination", the Group states that "*Objectivity, fairness, common sense, open-mindedness and dialogue must form the basis of all actions and decisions taken by management*" and reiterates its neutrality with respect to all religions.

The Code also includes provisions on prohibiting corruption in France and abroad in the chapter entitled "Relations with external partners and competitors"⁽¹⁾.

Lagardère also extends the provisions of its Code of Conduct concerning employees with several charters, which employees undertake to apply.

The Confidentiality and Market Ethics Charter Applicable to Lagardère group Associates, in addition to the provisions of the Lagardère group Code of Conduct on confidentiality and securities transactions, defines the rules under which Group employees may trade in the Lagardère share, and implements preventative measures to limit situations that could give rise to insider misconduct.

An IT Charter setting out the rules for using IT systems also applies to all Group employees.

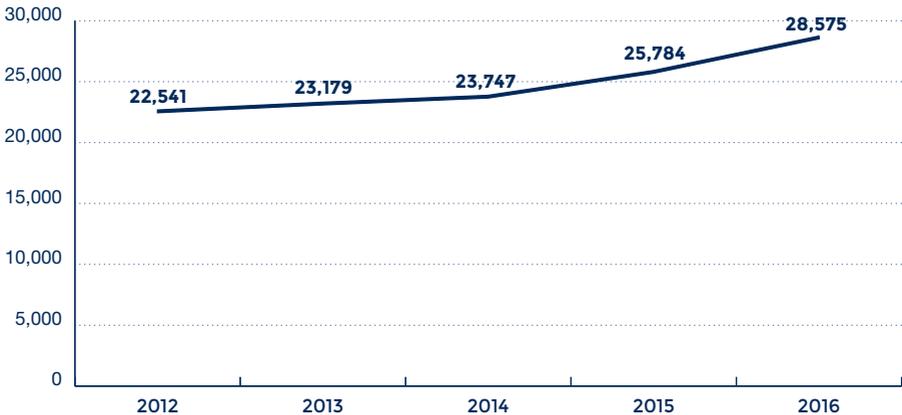
At Lagardère Active, the journalists' Code of Conduct lays down the fundamental values of journalism and aims to guarantee freedom of the press and independence of content.

5.3.2.1 PROMOTING EMPLOYEE DIVERSITY, TRAINING AND INVOLVEMENT

The Lagardère group's performance depends directly on the skills of its employees and the suitability of its resources. To allow for optimum leverage of human resources and adaptation to the nature of the Group's various business lines, the operating units manage their own human resources but follow priorities, principles and commitments common to all the divisions and formalised at Group level in agreement with the business lines' human resources directors.

Promoting talent diversity and gender balance, and then supporting employees in terms of training, innovation and involvement are two key CSR priorities. The other labour information required by regulations is covered in the section on compliance information (see section 5.3.3.1).

Changes in permanent workforce at 31 December 2016⁽²⁾



(1) See also section 5.3.3.3.C.

(2) Permanent workforce numbers set out here and in the following paragraphs correspond to the number of employees on permanent contracts who were actually in service on the last day of the year concerned.

Workforce by division at 31 December 2016

Division	Women	Men	Total	2015/2016 change
Lagardère Publishing	3,969	2,684	6,653	4.66%
Lagardère Travel Retail	11,577	5,473	17,050	15.31%
Lagardère Active	1,817	1,468	3,285	5.73%
Lagardère Sports and Entertainment	526	914	1,440	4.05%
Other Activities	82	65	147	-2.00%
Group total 2016	17,971	10,604	28,575	10.82%

The main changes include:

- ▶ **Lagardère Publishing:** the increase in the workforce reflects the acquisition of a new company, Perseus, and organic growth in the United States.
- ▶ **Lagardère Travel Retail:** the sharp rise in headcount stems primarily from the inclusion of Lagardère Paradies (United States and Canada) in the reporting scope. It is also due to organic growth and business development (particularly in Foodservice).
- ▶ **Lagardère Active:** the rise in the number of employees is largely attributable to the integration of Spanish production company Boomerang in the reporting scope.
- ▶ **Lagardère Sports and Entertainment:** this division also saw an increase in headcount due to:
 - the inclusion of new companies entering the reporting scope (notably in Germany with Akzio, and in the United States with Rooftop2 Productions);
 - organic growth (France and Singapore) from the development of consulting businesses, Olympic-related activities and the division's increasing involvement in football.

Workforce by geographic area at 31 December 2016**FRANCE**

Lagardère Publishing	2,319
Lagardère Travel Retail	3,987
Lagardère Active	2,538
Lagardère Sports and Entertainment	456
Other Activities	147
Total	9,447

EUROPE (EXCL. FRANCE)

Lagardère Publishing	2,490
Lagardère Travel Retail	5,081
Lagardère Active	728
Lagardère Sports and Entertainment	604
Total	8,903

NORTH AND SOUTH AMERICA

Lagardère Publishing	1,638
Lagardère Travel Retail	5,794
Lagardère Sports and Entertainment	147
Total	7,579

ASIA-PACIFIC

Lagardère Publishing	126
Lagardère Travel Retail	2,188
Lagardère Sports and Entertainment	233
Total	2,547

AFRICA

Lagardère Publishing	80
Lagardère Active	19
Total	99

A) PROMOTING DIVERSITY, GENDER BALANCE AND EQUAL OPPORTUNITY

A.1 Strategy

Adapting to local cultures, the diversity of consumers and the increasing number of markets are strategic to the development of all Group businesses. Given its wide range of business activities and the broad array of expertise provided by its workforce, the Lagardère group is keen to promote diversity in its divisions.

Lagardère is opposed to all forms of discrimination based on a person's origin, lifestyle, age, sex, political or religious opinions, trade union affiliation, disability or sexual orientation.

It works to apply and promote the ILO's fundamental principles on eliminating discrimination in respect of employment and occupation and eliminating forced and compulsory labour.

As a result, Lagardère's equal opportunity policy has translated these principles into three main focuses:

- ▶ the place of women in the Group;
- ▶ integrating employees with disabilities;
- ▶ breaking stereotypes based on race or social class.

A.2 Application

The place of women in the Group

While already representing the majority, the proportion of women in the Group's workforce increased further in 2016. Women represented 63% of the Group's total permanent workforce, 42% of executives and 55% of managers, and the majority of training participants (women took 61% of the training hours given, and 66% of the total number of trained employees were women).

Promotions also broke down evenly between men and women. In terms of pay increases, 61% were awarded to women.

Although the Group has achieved an overall balance, there are still disparities in some divisions due to the nature of their businesses. At Group level, 42% of executives were women in 2016 (compared with 39% in 2015), although this percentage can vary by division, from 7% at Lagardère Sports and Entertainment to 54% at Lagardère Publishing.

In terms of training hours allocated to women, Lagardère Active launched – through the Elle Active Forum (see below) – the Elle Active Academy for its employees in the second half of 2016, allowing around fifty female employees to benefit from training.

In the area of equality and the representation of women in the media, the Radio-Television unit of Lagardère Active has, since 2015, applied the requirement of the French regulator CSA to track and promote the presence of women on the air. For example, Europe 1 meticulously quantified the multitude of people brought in for its broadcasts – journalists, hosts, reporters, experts, politicians and other guests – in 2016.

Europe 1 has continued to bring women more into the limelight, either as news presenters and guests, or through the subjects it selects.

As a result, the portion of women on air rose from 31% to 38% between May and October 2016.

Integrating employees with a disability

In its partnership with Michaël Jérémiasz, the wheelchair tennis champion, the Lagardère group led initiatives aimed at raising employee awareness about disability, including a disability awareness week organised by Lagardère Active in November 2016.

Lagardère Active's Mission Handicap project also continued its efforts, particularly its HFA (Hachette Filipacchi Associés) branch

which signed a fourth company-wide agreement (2016-2018). This new agreement sets out measures aimed at assisting disabled job applicants, students and employees.

At Lagardère Active, the Charter for promoting the training and professional integration of people with disabilities in the audiovisual communications sector, signed in 2014, enables initiatives to be set up in the audiovisual domain, such as providing traineeships and highlighting the various possible career paths.

In partnership with Lagardère Active's Mission Handicap project and the Arpejeh association (which supports disabled school children and college students with educational projects), the Radio/Television unit spent a morning showcasing audiovisual careers to a group of six disabled school children.

Breaking down stereotypes based on race or social class

This theme is relevant day to day, across all businesses. The broad diversity of employees at Lagardère Travel Retail for instance reflects both the large number of regions in which it operates and the diversity of the customer base.

At Lagardère Active, a number of companies – Lagardère Studios, Gulli, Europe 1 and HFA – have signed the Diversity Charter. This Charter expresses a company's willingness to improve the degree to which their workforce reflects the diversity of French society.

At the Group level, a new analysis of recruitment procedures was launched in 2016 to test the selection criteria for candidates applying for full employment and work placements at all of its entities.

In the wake of awareness-raising workshops given to the human resources departments and executive committees of each division, a new programme was set up in 2016 to train managers on decisional bias linked to stereotypes. Several dozen managers received training.

Following on from previous years, numerous initiatives, conducted in partnership with charitable associations promoting cultural or social diversity, were continued:

- ▶ The Group, its divisions and its Foundations (Elle and Jean-Luc Lagardère) thus maintained their partnerships with various organisations, including *École Miroir*, *Nos Quartiers ont des Talents*, *Sport dans la ville*, the Divertimento Symphony Orchestra, etc. which help young people from problem neighbourhoods to gain access to the training or employment opportunities that they sometimes miss out on due to their ethnic or social backgrounds.
- ▶ Lagardère Active continued its partnership with the organisation *Un Stage et Après* (which sets up short-term work placements for students from secondary schools to teach them about the media industry) and set up a new partnership with the association *La Chance aux Concours* which provides advice and assistance each year to 70 scholarship students seeking to take competitive examinations to gain a place at one of the journalism schools. The aim of this partnership is to help these students gain access to the business world and discover the world of journalism ahead of their examinations.

Finally, with regard to **religious diversity**, the modification of the Code of Conduct (see above) in 2016 helped re-emphasise the importance of neutrality towards all religions. This neutrality helps to ensure equal opportunities for all employees and to reiterate that no religious practice can undermine the smooth-running of the Group's operations or the professional activities of an employee. This complex issue has also been the subject of an awareness campaign targeting the Group's entire human resources network and led by Patrick Banon, writer, associate researcher for the Management & Diversity Chair at Paris-Dauphine University and a specialist in the management of religious diversity in the workplace.

A.3 Performance*Gender balance***Permanent workforce at 31 December 2016, by occupational group and by gender⁽¹⁾**

Occupational group & gender	Executives		Managers		Journalists and photographers		Other employees		Total		
	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	Total
Lagardère Publishing	184	155	1,749	1,081	0	0	2,036	1,448	3,969	2,684	6,653
Lagardère Travel Retail	50	92	1,040	1,022	0	0	10,487	4,359	11,577	5,473	17,050
Lagardère Active	26	44	796	660	498	398	497	366	1,817	1,468	3,285
Lagardère Sports and Entertainment	5	62	119	290	1	3	401	559	526	914	1,440
Other Activities	5	21	39	38	0	0	38	6	82	65	147
Group total 2016	270	374	3,743	3,091	499	401	13,459	6,738	17,971	10,604	28,575
Group total 2015	255	391	3,604	3,052	490	406	11,298	6,288	15,647	10,137	25,784

Occupational group & gender	Executives		Managers		Journalists and photographers		Other employees		Total	
	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men
Lagardère Publishing	54%	46%	62%	38%	0%	0%	58%	42%	60%	40%
Lagardère Travel Retail	35%	65%	50%	50%	0%	0%	71%	29%	68%	32%
Lagardère Active	37%	63%	55%	45%	56%	44%	58%	42%	55%	45%
Lagardère Sports and Entertainment	7%	93%	29%	71%	25%	75%	42%	58%	37%	63%
Other Activities	19%	81%	51%	49%	0%	0%	86%	14%	56%	44%
Group total 2016	42%	58%	55%	45%	55%	45%	67%	33%	63%	37%
Group total 2015	39%	61%	54%	46%	55%	45%	64%	36%	61%	39%

(1) Actual workforce in service at 31 December 2016.

Breakdown of staff recruitments in 2016, by occupational group and gender

Division	Recruitments		Merger/Absorption		Contract conversions		Internal mobility	
	Women	Men	Women	Men	Women	Men	Women	Men
Lagardère Publishing	499	281	121	68	118	33	41	16
Lagardère Travel Retail	4,500	2,138	0	2	142	101	11	16
Lagardère Active	217	200	81	24	81	90	18	14
Lagardère Sports and Entertainment	98	148	5	8	26	60	2	17
Other Activities	6	5	0	0	3	1	1	1
Group total 2016	5,320	2,772	207	102	370	285	73	64
Breakdown 2016	66%	34%	67%	33%	56%	44%	53%	47%
Breakdown 2015	60%	40%	-	-	56%	44%	60%	40%

Permanent workforce given a pay rise in 2016, by gender

Division	Women	Men	Total	Women	Men
Lagardère Publishing	3,245	2,307	5,552	58%	42%
Lagardère Travel Retail	5,781	3,019	8,800	66%	34%
Lagardère Active	380	367	747	51%	49%
Lagardère Sports and Entertainment	306	516	822	37%	63%
Other Activities	70	54	124	56%	44%
Group total 2016	9,782	6,263	16,045	61%	39%
Group total 2015	9,770	6,685	16,455	59%	41%

Training expenditure by gender⁽¹⁾

Division	Training expenditure (in €)			Breakdown in expenditure	
	Women	Men	Total	Women	Men
Lagardère Publishing	902,718	518,598	1,421,316	64%	36%
Lagardère Travel Retail	2,589,208	1,491,566	4,080,773	63%	37%
Lagardère Active	889,060	492,560	1,381,620	64%	36%
Lagardère Sports and Entertainment	113,613	173,921	287,533	40%	60%
Other Activities	73,180	42,678	115,858	63%	37%
Group total 2016	4,567,779	2,719,322	7,287,102	63%	37%
Group total 2015	4,550,325	3,245,170	7,795,495	58%	42%

(1) The average budget per employee who participated in at least one training course came to more than €305 in 2016.

Hours of training by gender

Division	Training hours			Breakdown in hours	
	Women	Men	Total	Women	Men
Lagardère Publishing	28,440	24,544	52,983	54%	46%
Lagardère Travel Retail	142,202	81,700	223,902	64%	36%
Lagardère Active	20,857	14,436	35,293	59%	41%
Lagardère Sports and Entertainment	3,189	4,546	7,735	41%	59%
Other Activities	1,164	721	1,885	62%	38%
Group total 2016	195,851	125,946	321,797	61%	39%
Group total 2015	167,608	110,886	278,494	60%	40%

Employees who participated in at least one training course by gender

Division	Women	Men	Total	Women	Men
Lagardère Publishing	2,644	1,656	4,300	61%	39%
Lagardère Travel Retail	11,530	5,458	16,988	68%	32%
Lagardère Active	961	700	1,661	58%	42%
Lagardère Sports and Entertainment	169	240	409	41%	59%
Other Activities	49	34	83	59%	41%
Group total 2016	15,353	8,088	23,441	65%	35%
Group total 2015	10,191	6,254	16,445	62%	38%

*Disability***Number of employees with a disability⁽¹⁾**

Division	France	Europe	Americas	Asia-Pacific	Africa	Total
Lagardère Publishing	55	16	1	0	0	72
Lagardère Travel Retail	37	76	4	0	NA	117
Lagardère Active	33	4	NA	NA	0	37
Lagardère Sports and Entertainment	7	3	0	0	NA	10
Other Activities	2	NA	NA	NA	NA	2
Group total 2016	134	99	5	0	0	238
Group total 2015	140	111	6	1	0	258

*Breaking stereotypes***Number of formal litigation cases involving discrimination⁽²⁾**

Six formal litigation cases involving discrimination were recorded in the United States in 2016. Two are still under investigation, while the other cases were all resolved with the good faith of the company having been proven on each occasion.

(1) Actual workforce in service at 31 December 2016.

(2) Formal litigation means any legal action or claim officially filed with any competent authority. Discrimination refers to unequal treatment of an individual (unusual working conditions and/or workloads, refusal of benefits typically due, etc.) due to his or her race, skin colour, gender, political or religious beliefs or social or ethnic background.

B) BOOSTING EMPLOYEE TRAINING, INNOVATION AND INVOLVEMENT

B.1 Strategy

Developing the professional expertise and individual responsibilities of employees is crucial to the success of the Lagardère group, whose strength is based on the quality and diversity of its employees. It focuses on the growth of its employees, through promotion, internal mobility and training to enhance their employability.

In addition to the Group-wide career management policy and in keeping with the policy of independence, each division takes initiatives adapted to its business line and activities.

Lagardère also invests in guidance and training for young people by promoting the use and development of work-study placements and programmes.

Offering support for employees, by boosting their innovation capacity throughout their time with the company and by encouraging them to get involved in their community, also forms part of any social responsibility policy.

B.2 Application

Since employee guidance starts early, by establishing regular dialogue with students when they are still potential candidates, the Group makes a point of being present at forums organised by France's top schools (HEC, ESCP Europe, ESSEC, EDHEC and EM Lyon) by sending recruiters from its different divisions.

These events provide an opportunity to present the Lagardère group and its brands to students and graduates and to offer work placements, work-study contracts or jobs, while also giving advice on first career choices.

The Group has also partnered, since it was created seven years ago, the World Academic Sport Challenge with France's top schools and universities. This one-day sports competition brings together students and companies and includes actions to promote the integration of employees with a disability, along with the chance to discuss the businesses of partner companies.

To offer employees guidance throughout their career, the Lagardère group offers a vast selection of training options available to all its employees in a broad range of areas, including digital, management, communication, health and safety, foreign languages, businesses, etc.

Lagardère has also implemented an in-house career development training programme at Group level.

The programme begins with the annual orientation day, an event that brought together 150 recently hired managers in June 2016, with a view to presenting Lagardère's different businesses through creative activities and meetings with executives, thereby contributing to the emergence of a common culture.

The Lagardère group also offers a three-day leadership programme for high-potential Group managers, which helps them to boost innovation, lead a cross-divisional project and become an agent for change.

The divisions also organise their own in-house training sessions. For example, Hachette Livre introduced its Hachette Livre forum, three one-day events that take place over the course of the year to provide all Group employees with the opportunity to learn more about the publishing business.

At Lagardère Travel Retail, training is very important. The division allocates 5% of its total payroll costs to training and has spent several years developing a highly innovative internal training programme for its commercial teams.

Guidance in new technology

As part of its strategy for over ten years, the Lagardère group has been offering its employees a guidance programme to help them deal with the digital transformation of their profession.

This programme draws extensively on Lagardère's partnership with Netexplo. This observatory examines the use of digital technology and publishes a trend report every year on digital innovations, based on an international spotter network of experts and university professors.

Through this partnership, Group employees are able to take part in Netexplo's annual forum and its various management and marketing workshops.

Internal mobility

With regard to developing the skills and expertise of its employees, internal mobility is also seen as a key priority for the Lagardère group, which has developed a special process to evaluate the different opportunities and the profiles of the candidates who have submitted a request for mobility.

The inter-divisional committee (made up of HR representatives in charge of mobility) handled around 10 mobility transfers in 2016 and reviewed more than 80 jobs and 37 candidates.

Supporting employees in their community involvement initiatives

The Lagardère group is also keen to encourage its employees to get involved in their community.

Eight years ago, the Elle Foundation was a pioneer in supporting Lagardère Active employees in their community involvement. In 2016, a total of 280 employees, i.e., 20 more than in the previous year, took part in workshops and initiatives organised by the Elle Foundation to support its partner associations.

Meanwhile, the Jean-Luc Lagardère Foundation has since 2014 presented solidarity awards to community projects sponsored by Group employees.

Since 2016, each award that is presented is worth €10,000. For the first time ever in 2016, Lagardère group employees were able to vote online to select the three winning projects via Enter, the Group's intranet.

Additionally, as a result of the partnership between the Jean-Luc Lagardère Foundation and Sciences Po which aims to support high-level athletes (see below), two Lagardère Sports and Entertainment employees will sponsor two athletes (a judoka and a swimmer) with a view to helping them prepare for their professional futures after retirement from sport.

The Group has also continued to work in partnership with Alter'Actions, an organisation which offers innovative ways of contributing to the social economy by bringing together students from top schools who do consulting work and the executives who mentor them. Nine Group managers have taken part in 14 projects with organisations acting to promote women's education and integration, the integration of people with a disability, environmental protection or prison reading programmes.

Hachette Livre's Charitable Action Committee aims to offer funding to organisations supported by employees and focused on the following themes: assisting disadvantaged people and people in distress, integration, insertion, education, helping lonely or disabled people, combating illiteracy, environmental protection and rehabilitation, or more generally, any charitable or environmental cause. Consequently, ten organisations received €42,000 worth of funding in 2016.

Within Lagardère Travel Retail, Lagardère Duty Free renewed its partnership with Action Against Hunger (*Action Contre la Faim*) in 2016, and gave 60 employees a day out to help the Aurore Association repaint an emergency accommodation centre for migrants.

B.3 Performance

Offering guidance for young people

Number of work placements and work-study programmes

Division	Number of work-study programmes	Number of interns
Lagardère Publishing	229	420
Lagardère Travel Retail	87	132
Lagardère Active	166	446
Lagardère Sports and Entertainment	36	321
Other Activities	8	35
Group total 2016	526	1,354
Group total 2015	609	1,513

Training**Training hours by occupational group**

Division	Executives	Managers	Journalists and photographers	Other employees	Total
Lagardère Publishing	2,555	25,404	0	25,025	52,983
Lagardère Travel Retail	3,323	44,991	0	175,588	223,902
Lagardère Active	1,141	15,623	7,290	11,239	35,293
Lagardère Sports and Entertainment	201	1,487	3	6,044	7,735
Other Activities	235	1,318	0	332	1,885
Group total 2016	7,455	88,822	7,293	218,228	321,797
Group total 2015	6,845	84,692	6,407	180,550	278,494



The data on training hours broken down by occupational group are provided to show that the Lagardère group believes in training all employees and ensuring that these training hours break down proportionately among the different groups.



The breakdown in training hours by type highlights how well adapted the Group's training policy is. Out of total training, 65% of training hours focus on "business" and "management". These training courses closely tie in with employee performance in their current position and their professional development potential.

5.3.2.2 SUPPORTING RESPONSIBLE DIGITAL MANAGEMENT

The reinforcement of its digital activities brings with it new challenges for the Lagardère group, which will have to create new financial models, rethink jobs and understand new forms of public relations.

A) STRATEGY

Driving growth for the Lagardère group, the development of digital technology also means greater responsibility in personal data protection and the fight against piracy. Personal data protection concerns both employee and customer data. Protecting intellectual property is a central priority at Lagardère Publishing, as its publishers are the custodians of their authors' rights.

Even though Lagardère produces content and not the devices on which its content is broadcast, the Group cannot ignore the environmental impact of these digital devices. As the Group itself uses many of these devices (computers, mobile phones, servers, etc.), it must be mindful of their environmental footprint.

B) APPLICATION

The increasing importance of the Group's digital activities was reflected by the creation of the Lagardère Innovation Network, as well as its investment in two innovation funds and the acquisitions and digital development partnerships that were set up with technology companies by the divisions, especially Lagardère Publishing and Lagardère Active, in 2016.

Protecting personal data

The Group IT Department and Risk Department, in collaboration with the Compliance Department which reports to the Legal Department, oversee the system for personal data protection. It does this partly through a self-assessment questionnaire, which is intended to raise awareness among the people concerned and ensure that best practices are being used at the IT Department and in the Group's digital solutions. The measurement campaign carried out in 2015 was followed up in 2016 by a list of recommendations being sent to each entity concerned. An updated version of this methodology was drawn up in 2016, using the latest versions of the applicable standards and the recommendations of cyber-security and internet fraud experts. This is the version that will be used for the next campaign in 2017.

The system focuses on three main areas:

1. Regulatory compliance;
2. The creation of IT policies and guidelines;
3. The implementation of technical protection solutions (encryption, electronic signatures, the right to know, firewalls, etc.).

The Group applies regulatory and statutory provisions in force in France (the French Data Protection Act, CNIL reporting) and equivalent provisions in other countries in which it operates. When a data processing system is centralised, agreements between the parties define the rules and use based on the regulations in the respective countries.

An employee awareness campaign was conducted again in 2016, featuring an online educational game and the publication of awareness-raising articles on various media.

In order to prepare for compliance with new European regulations that will come into force for the divisions concerned in May 2018, the Group put in place a new programme in 2016 with a view to

informing the entities, drawing their attention to the targeted action plan and setting up a structure to oversee both the transition and normal operations thereafter. A Group-level Head of Data Protection was subsequently appointed. In 2017 he will finish setting up the network, relying on local teams to ensure the introduction of an online guide which will be available via a common platform.

The Group's Compliance Department currently plans to roll out a programme on compliance with personal data protection standards, which includes information on topics such as policy, systems and procedures (charters, data compilation, statements, archiving, etc.), training and incident management.

Divisions are responsible for data protection and digital security, and each division took measures to raise awareness in 2016 in both France and abroad.

As part of a plan set up in 2015 to strengthen the Group's IT security, new tools were rolled out in 2016 to:

1. monitor the Group's assets online;
2. provide a certificate management platform (encryption, digital signatures);
3. strengthen the vulnerability detection system for websites;
4. strengthen the notification management system (subscription available for local managers);
5. initiate a review of a centralised intrusion detection solution that will be completed in 2017;
6. analyse the presence of Group content on the dark web and associated networks.

Combating piracy

At **Lagardère Publishing**, the legal departments are in charge of intellectual property protection, filing lawsuits when any infringement is noted, such as plagiarism, parasitism or overuse of quotations. In order to counter the pirating of digital files – which is the most serious infringement of authors' rights – Lagardère Publishing uses a specialised company that carries out web monitoring, detects fraudulent use of files that are the property of the business line, and serves the offenders with notices to terminate their activities.

Lagardère Active protects its Press content from pirating by using a specialised company whose services were commissioned by the SEPM for use by the union's members.

Furthermore, Lagardère Active promptly takes all appropriate legal measures if it learns about any cases of infringement concerning content to which it holds the intellectual property rights.

Environmental impact of digital tools

Lagardère is aware of the environmental footprint generated by its digital businesses (indirectly with the impact of manufacturing devices and their consumption). In 2013, the Lagardère group decided to monitor its own digital tools at the end of their useful life more closely by creating an indicator to monitor the weight of waste electrical and electronic equipment (WEEE) collected within the Group in France and transferred to state-approved organisations for processing and recycling.

Along with the extended useful life of devices, the Group has set high standards for the certification of the computer hardware it rents and buys. Lagardère continues to implement virtualisation technologies for both its hosting service contracts and its own infrastructure to optimise its assets (servers, networks, data storage), thereby reducing the carbon footprint of data centres.

C) PERFORMANCE

Indicator	Unit	2016	2015	2014
Weight of WEEE collected for recycling	Tonne	39.5	36.9	25.7
Total weight of WEEE collected for recycling (since 2013)	Tonne	135.1	95.6	58.7

Each Group entity collects its own WEEE, then stores it before calling an approved organisation, which picks up the waste when it exceeds a certain amount.

From one year to the next, changes in weights collected are due to different interpretations of inventory management and minimum amounts.

5.3.2.3 PROMOTING ACCESS TO CULTURE AND ENTERTAINMENT

Culture – sometimes referred to as the fourth pillar of sustainable development – plays a central role in Lagardère's businesses.

With its involvement in the worlds of culture, information, entertainment, sport and travel, Lagardère carries a particular responsibility as a media industry leader.

Aware of the impact of the content it puts out across all types of media, Lagardère co-founded the Media CSR Forum together with CSR departments from other media groups⁽¹⁾ and ORSE⁽²⁾. This forum leads discussion and exchange of best practices specific to the responsibility of the media sector.

Finally, the Lagardère group carries a responsibility to the community and to society at large through its range of brands. Lagardère works to foster social cohesion by promoting culture, sport, the education and emancipation of women in France and worldwide, accessibility of content, and child protection through its many partnership and sponsorship operations.

Community involvement lies at the heart of the Group's cultural priorities – The Foundations

Lagardère Active's audiovisual activities provide a key vehicle for the Group's community involvement efforts, through four distinct channels:

- ▶ direct collaboration with organisations, foundations or public bodies on editorialised programmes included in the programming schedule;
- ▶ offering free advertising space;
- ▶ specific programming broadcast in association with a particular event;
- ▶ giving awards, such as the Version Femina & Europe 1 Community Involvement award.

A total of 15 organisations or foundations were supported in 2016 by all Lagardère Active media, in a wide range of fields, ranging from health and social vulnerability to supporting refugees, the fight against obesity, child welfare and water preservation.

These causes also received support from all Group divisions, in the form of partnerships, events, awards and competitions or donations for the numerous community involvement initiatives they carried out in 2016.

At Group level, community involvement in the culture and sport domains is mainly encompassed by the **Jean-Luc Lagardère Foundation**, which was created in 1989 under the auspices of Fondation de France. It was set up to implement Lagardère's commitment to culture, community, youth and sport, and develops

a number of programmes to promote cultural diversity, encourage creation and promote access to education and culture for all.

At the heart of the Foundation's commitment to creativity lies the prestigious awards it presents to talented young people under the age of 30 (or under 35 for certain categories) in the culture and media domains. Prizes are awarded by prestigious juries in 11 categories: Writer, Film Producer, Television Scriptwriter, Musician (modern music, jazz and classical music), Bookseller, Print Journalist, Photographer, Documentary Film-maker, Animated Film-maker and Digital Artist.

Since it was created in 1990, 272 beneficiaries (11 in 2016) have received a total of €5,885,000, including €255,000 awarded in 2016.

Subsequently the winners regularly participate in other programmes run by the Foundation. For example, the French Academy in the Villa Medici in Rome welcomed three of the Foundation's prize-winners for a one-month residency in 2016. Similarly, as a result of the Foundation's collaboration with the Studio 13/16 cultural programme at the Pompidou Centre, which aims to bring teenagers right to the heart of the contemporary art scene, one of the prize-winners participated in the new *Hors les Murs du Studio* (Outside the studio walls) programme in 2016, by running recreational and artistic workshops at three Parisian schools.

The Foundation also continued its efforts to promote cultural diversity in 2016, through two key literary events:

- ▶ *Marathon des mots* in Toulouse, which runs a partnership programme with the Al Kalimat festival in Tunisia;
- ▶ The Prize for Arabic Fiction – jointly created in 2013 by the Jean-Luc Lagardère Foundation and the Institut du Monde Arabe (IMA), and the only French award to recognise Arabic creative writing, this prize was awarded to Inaam Kachachi for Tashari (Gallimard), a tragic story of the plight of Iraqi Christians. The Foundation reinforced its partnership with the IMA at the beginning of 2017 by launching a series of Arab literature readings once a month.

The Foundation also very much honoured its commitment to promote access to culture for all in 2016, through four partnerships involving:

- ▶ the Divertimento orchestra and its academy, which accompanies hundreds of young people, from beginners (mainly from priority education zones) to professionals, in their discovery of the symphonic orchestra.
- ▶ *Ecole Miroir* which enabled 11 students from working-class districts to benefit from top-level training in acting, directing and writing for a period of three years, free of charge.
- ▶ the Jules Rimet award (since 2012), which promotes sporting fiction while also encouraging reading at football clubs. In 2016 the award went to Daniel Rondeau for his work entitled 'Boxing Club' (Grasset).
- ▶ *Lire pour en Sortir* (Read for Release), which organises reading programmes for detainees at seven remand centres and offers them the chance, if they fully participate with the programme, to fill out readership questionnaires and obtain reductions in their sentences;

(1) Including the CSR departments of TF1, Vivendi, France Télévisions, Bayard Presse and Havas.

(2) French CSR monitoring body.

Finally, with regard to the education and promotion of sport and its values, the Foundation once again joined forces with Science Po, with which it has created educational programmes for high-level athletes. Since the scheme was launched in 2007, 101 athletes have benefited from educational training to help them prepare for their professional lives (including World Boxing Champion Sarah Ourahmoune and Judo Champion Teddy Riner), a further ten athletes received certificates in 2016 and 31 have signed up to the scheme in 2016-2017.

Lagardère Active's corporate foundation, the Elle Foundation, which is run by *Elle* magazine, embarked on 14 new projects in France and abroad in 2016, while continuing to pursue long-term commitments to projects initiated over the previous two years. The Foundation has a total budget of €299,000 for all these projects. Since 2004, a total of 80 projects have been supported across 25 different countries.

The Foundation also aims to involve employees in its projects and keep them informed of its activities. Consequently, in 2016, it held a number of awareness-raising events, revolving notably around the refugee crisis and violence towards women.

The Elle Foundation took eight other corporate foundations on the adventure of *Elles ont toute une histoire* (They all have a story), a series of short video segments giving extraordinary women from around the world the opportunity to make their voices heard. The series was directed by Nils Tavernier and aired in March 2016 on France Télévisions stations.

Promoting outside talent in fields related to Lagardère's activities

Beyond the projects led by the foundations, the Lagardère group and its divisions also supported initiatives aimed at promoting talented young people from outside the Group that work in similar fields to Lagardère. These initiatives have taken different forms, including a number of competitions and awards to honour young journalists, writers, animators, musicians and photographers.

A) CONTENT ACCESSIBILITY AND DIVERSITY, FREEDOM OF EXPRESSION, DIVERSITY IN IDEAS

A.1 Strategy

As a diversified media group, Lagardère must make its content accessible to all, especially those who do not have easy access to content due to geographic distance, social insecurity or physical disability.

Content diversity, diversity in ideas, promoting and defending the written word, reading and authors, combating illiteracy, and freedom of expression are all issues related to the activities and values of the Lagardère group.

A.2 Application

Accessibility

As is the case every year, all of Lagardère Active's television channels, including those targeted at both young (TJi, Gulli, Canal J) and older (MCM, RFM TV, Elle Girl, Mezzo) audiences, surpassed the requirements set by the French broadcasting authority (*Conseil supérieur de l'audiovisuel* – CSA) in terms of the percentage of subtitled programmes aired in 2016.

As a signatory of the Quality Charter for using French Sign Language on Television Programmes (*Charte de qualité pour l'usage de la Langue des Signes Française dans les programmes télévisés*), which sets quality standards for using sign language on television, Lagardère Active regularly airs sign language learning programmes on its three youth channels.

In February 2017, Gulli also launched a new programme which aimed to entertain and at the same time improve awareness of hearing impairment: *C'est bon signe*, which follows the daily life of Lucas,

a deaf teenager and his group of friends, as he tells of his romantic endeavours, his problems with new technologies or even with the metro, in a light and offbeat way.

Since 2008, Lagardère Publishing's audiobook brand Audiolib has helped people with a visual impairment or with reading difficulties, such as young dyslexics.

In promoting content and cultural diversity, each division takes its own approach.

Cultural diversity is the lifeblood of the Lagardère group. This is reflected in the diversity of the books published by Hachette Livre, reflecting a broad spectrum of opinions in more than 70 countries and 15 languages, the number of countries in which Lagardère Studio broadcasts its audiovisual content, the number of editions of *Elle* published worldwide, the reach of the Lagardère Travel Retail network (4,232 retail outlets at the end of 2016) and the broad range of products on offer, as well as the variety of sports and cultural talent represented by Lagardère Sports and Entertainment.

While Africa and Spain were key deployment regions for the Group's media activities in 2015, with Gulli Africa launched in 22 countries, the acquisition of Boomerang by Lagardère Studios and the launch of two new LARI radio stations in Abidjan and Dakar, in 2016 the focus shifted to Cambodia where LARI invested in two new radio stations.

Promoting diversity also carries implications for labour and social issues. For a media group, the diversity of in-house teams (see 5.3.2.1) must be reflected in the content broadcast through its various media and its radio and television programming, which is closely monitored by the CSA. The 2017 diversity commitments of the Radio-Television unit – Gulli and Europe 1 in particular – were sent to the French regulator CSA at the end of November 2016, in compliance with the CSA's requirements on this issue. Meetings between representatives of the CSA and the broadcasters are scheduled to take place in the spring of 2017.

In representing diversity, Lagardère held to the commitments made by its radio and television channels in 2016. For example, Gulli has taken steps to ensure that, from the programme order to the production phases and ultimately to broadcast, social and cultural diversity is fairly represented in all of its programming, fiction, events, games, and so forth. In 2016 the channel also strengthened its requirements with regard to external content providers, to get them to step up their efforts to combat sexism. In line with the French audiovisual regulator's recommendations (CSA – see below), Gulli undertook to quantify and assess the representation of women or female characters in its animated series and children's and family programming. This led to significant progress, as the portion of women rose from 40% to 54% between May and October 2016.

Additionally, on Bastille Day, the channel treated its viewers to a special themed schedule on citizenship, by re-broadcasting the programme *Gulli à l'Elysée* (Gulli at the Elysée) in which young reporters discover the Elysée Palace and meet the French president.

Throughout 2016, Europe 1 remained careful to ensure that all aspects of French society were properly represented in the participants on the air (hosts, journalists, guests, listeners) and its programming, in addition to the topics covered in its news broadcasts and shows. The initiatives on the air highlighted the vast diversity of French society, in terms of the ethnic and cultural backgrounds of the national community, socio-economic categories, gender and disability. Reflecting its support for these issues alongside Virgin Radio and RFM, Europe 1 also participated in the CSA initiative around the Bastille Day festivities, by broadcasting between 11 and 15 July 2016 and for the second year running, a segment that was developed and produced to promote diversity.

Europe 1 has carried out numerous off-air campaigns to promote diversity, through various cultural partnerships and special operations,

including the Version Femina & Europe 1 Community Involvement Award which recognises organisations focused on in areas such as the environment, community support, social inclusion, access to education and culture, healthcare, disability, fighting poverty and the defence of human rights.

Freedom of expression, i.e., the right to inform and be informed as specified in article 19 of the Universal Declaration of Human Rights, is one of the fundamental values of democracy. Outside the initiatives conducted through its media activities, the Lagardère group also tries to promote democracy in its other ventures.

Every year, the network of Relay sales outlets defends the work of *Reporters Sans Frontières* (Reporters Without Borders) to uphold freedom of expression, by selling the organisation's annual photo album to support its cause. Relay also promotes the organisation on its website and in its stores.

Hachette Livre is a founding member of the PEN International Publishers Circle. PEN International is an NGO formed in 1921 to protect freedom of expression, particularly that of persecuted writers, and to promote literature worldwide. In 2016, the Group published a number of books written by authors who have put their lives on the line for freedom of expression, such as Yeomni Park, a young activist born in North Korea who is a fervent human rights support. Additionally, the *Lettres à* (Letters to) collection, which began with *Lettres à la France* (Letters to France), continued to support freedom of expression in 2016, through *Lettres à la jeunesse* (Letters to the young) and *Lettres à Paris* (Letters to Paris), which were published as a tribute to the victims of the terrorist attacks at the Bataclan on 13 November 2015. Hachette Livre also published the book by Antoine Leiris, the partner of one of the victims of the Bataclan attack, entitled *Vous n'aurez pas ma haine* (You will not have my hate), written as a testimony to the victims.

A.3 Performance

Indicator	Unit	2016	2015	2014
Number of new books published in the Audiolib catalogue during the year	No.	73	78	70
Number of titles available in the Audiolib catalogue at year-end	No.	531	458	380
Percentage of Gulli air time per year with subtitled programmes	%	29.45	30.4	30.01
Percentage of Canal J air time per year with subtitled programmes	%	27	46.3	47.14
Number of hours of subtitled programmes devoted to the hearing impaired broadcast on youth channels during the year	Hours	4,680	6,521	6,460

B) EDUCATION, CHILD PROTECTION, PROMOTING READING, MEDIA LITERACY

B.1 Strategy

Child protection is part of the corporate social responsibility of the Lagardère group, which creates and produces content for young audiences in different formats. Certain media, such as television, have been subject to strict child protection regulations for many years, while others, such as the Internet, must be closely monitored every day.

Lagardère's television and radio broadcasters ensure compliance with the applicable laws and regulations, as well as with the agreements signed with the CSA. Each of the Group's channels has signed an agreement with the CSA stipulating the permitted broadcasting times of programmes depending on their classification. All Group media entities, particularly its youth channels, go beyond complying with regulations to place top priority on child protection and education, due obviously to their target audience, and also to the strong relationship of trust that they have forged with children, parents and teachers.

The Lagardère group states in its Code of Conduct that it firmly believes in adhering to and promoting certain universal principles and guidelines, including the ILO's fundamental convention on the effective abolition of child labour and Unicef's Implementation Handbook for the Convention on the Rights of the Child.

The European Union defines **media literacy** as "the ability to access the media, to understand and to critically evaluate different aspects of the media and media contents and to create communications in a variety of contexts [...] Media messages are informational and creative contents included in texts, sounds and images [...] and are an important part of our contemporary culture."

The development of critical thinking, the responsible use of content and the ability to analyse are part of the social priorities of a media group like Lagardère.

B.2 Application

In addition to their activity of publishing youth works and teaching manuals on all markets, Hachette Livre and Hatier are involved in Savoir Livre, a non-profit organisation that works with the French national education authority and the Books and Reading Department of the Ministry of Culture. Savoir Livre monitors the education system through studies, surveys, conferences and debates with the underlying aim of giving children the best chance of succeeding in life.

In 2013, Hatier also launched a contest called "Le T remplit Prépac" for secondary school students, with a prize of €5,000 to finance the winner's career project. Since its launch, 1,500 students have participated in the programme.

At Lagardère Active, all programmes pre-purchased and co-produced for the youth channels are closely monitored by the business line. This work is performed upstream, for example when characters, scripts, dialogue and graphics, etc. are selected.

Gulli established a Code of Conduct in December 2015 which covers new media used to deliver content through digital platforms, following approval from its Ethics Committee made up of qualified individuals and independent experts who are responsible for monitoring programme content and child protection.

The Group's radio stations and advertising sales brokerages are also involved in efforts to protect children by broadcasting advertisements and displaying online banner ads for organisations dedicated to this cause.

In preventing obesity, the Group's youth channels take action to promote balanced and healthy eating among their young viewers. The youth channels took part in discussions organised by the

CSA on drawing up a new five-year Charter, which was signed in November 2013. This text came into force in January 2014.

Aside from the quantitative commitment (see table below), the programmes broadcast in 2016 reflect the desire of Lagardère Active's youth channels to offer quality programming. In May 2016 the three channels also took action for European obesity day with special Manger Bouger (Eat, Move) schedule which aimed to raise awareness of the issues among young viewers.

In terms of educating the media, Europe 1 and Gulli once again teamed up to take part in the 27th Press and Media Week at School (*Semaine de la presse et des médias dans l'école*) held on 24 and 25 March 2016, an event coordinated by the centre for liaison between teaching and information media, or Clemi, and the French Ministry of Education to help children to understand the media system, to develop their critical analysis skills and their

interest in current issues, and to forge their identity as a citizen. Two of Lagardère's media entities invited two classes of school children aged 10 to 12 to their offices to discover the world of radio and television by participating in a variety of activities.

In promoting reading, Hachette Livre, whose publishing business is, by definition, permanently encouraging reading, is involved via the SNE (the French Publishers Union) in all public events related to combating illiteracy and inciting reading. In addition, many literary prizes are awarded by Lagardère's various entities to encourage reading across all population groups. These awards include the *Elle* readers' grand prize, the Version Femina book prize, the Gulli book prize, and the *Relay des voyageurs* prize.

Youth channels are also involved in promoting reading, for example by broadcasting programmes that teach children how to read and reading stories for children on air.

B.3 Performance

Indicator	Unit	2016	2015	2014
Number of hours of obesity prevention programmes broadcast on youth channels during the year	Hours	553h	536h	330h
Total number of hours of obesity prevention programmes broadcast on youth channels since 2009	Hours	2,593h	2,040h	1,504h
Number of formal litigation cases involving child labour	No.	0	0	0

C) RAISING AWARENESS ABOUT SOCIAL ISSUES AND SUSTAINABLE DEVELOPMENT

C.1 Strategy

Through the content they broadcast, all media activities can contribute to providing their audiences with an understanding of the major issues in contemporary society (environment, social justice, diversity, health, human rights, etc.).

C.2 Application

In 2016 Lagardère's media activities helped explain to various different audiences, both through content and partnerships, the most important social issues of the day. These issues include:

The promotion of women's rights – the main proponent being *Elle* magazine, both in terms of its content and the events it organises – is probably the most iconic theme for Lagardère Active. The *Elle* Active forum (partnered by Europe 1) was held on 8 and 9 April 2016 at the Economic, Social and Environmental Council offices in Paris, and also on 1 February in Lyon and 16 June in Bordeaux. *Elle et les femmes* (Elle and women), a day of discussion and debates, was also held on 17 January 2017 with a view to interviewing the candidates to the French presidential elections on the situation of women in France.

Health education

The Doctissimo website and its two extensions, Mon Docteur and Doctipharma, stand at the forefront in terms of health education. However, Lagardère Studios which produces the *C'est la vie* series in Africa, and Lagardère Radio Internationale (LARI), which broadcasts through Vibe Radio programmes such as *Parole aux jeunes* to African audiences, also played an active role in informing the public on health and preventative healthcare issues.

Promoting innovation

Launched in December 2015 to coincide with the UN Climate Change Conference in Paris, the environment awards organised by Europe 1 were transformed into *Trophées de l'avenir* (Future-looking awards) in 2016. These prizes sought to honour

highly innovative ideas in a broad range of fields, ranging from healthcare and environment to education.

5.3.2.4 STRENGTHENING OPERATIONAL SUSTAINABILITY

The Lagardère group's range of activities focuses on the services sector, and this tends to mitigate its direct environmental risks that are not caused by the paper cycle. But environmental protection and more generally sustainability are upheld as critical CSR issues at the Group all the same.

That is why Lagardère lays the groundwork by taking steps to ensure that the development and growth of its businesses preclude any conflict with the environment, while complying with international, national and local regulations in all countries where the Group operates.

The Group and its divisions can then each organise their own approach to sustainability, developing awareness campaigns and training programmes to help their employees understand the concerns specific to their particular business and the tools and measures available for managing them.

The Group's main environmental priorities are responsible paper management, which incorporates both conservation of natural resources and the circular economy, the fight against climate change and supply chain responsibility.

A) RESPONSIBLE PAPER MANAGEMENT

A.1 Strategy

The Lagardère group has long led a rigorous policy of responsible paper management which applies throughout the paper life cycle. From supply to production and ending with the management of returns, Lagardère works with all its trade partners involved at every stage.

The main raw material used to make paper is wood, which is a renewable resource. The wood is processed into a pulp which is used to make reels of paper. The reels are shipped to the printer to be made into books, magazines and newspapers. Once used,

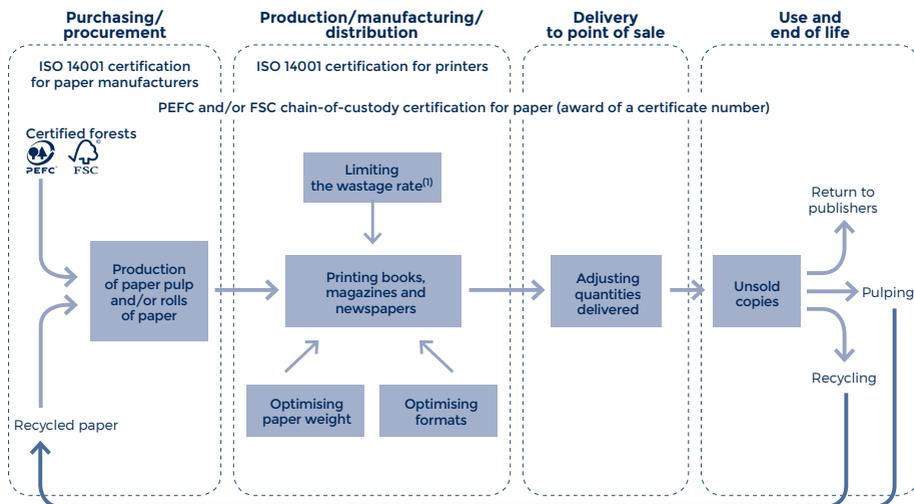
these products can be collected and recycled to be used as a raw material for the production of recycled paper pulp.

A sustainably managed forest is defined as land where the amount of wood harvested every year does not exceed biomass growth over that same year. This guarantees carbon sequestration in the forest, which does not occur in the case of overexploitation or deforestation.

Sustainable forest management involves controlling forest resources, but covers many other criteria beyond carbon. The productive function of forests, biological diversity, their protective function and forest health and vitality are also taken into account. Buying certified paper also has an impact on the preservation of biodiversity.

This sustainable use of natural resources helps gradually eliminate any negative impact of the Group's operations on endangered forests.

The Paper Cycle



A.2 Application

Paper procurement

Lagardère's goal is to increase the proportion of certified paper (paper from sustainably managed forests) it purchases every year and to use recycled paper whenever possible.

Initiatives focusing on traceability and monitoring of the quality of paper purchased by printers have made it possible to significantly reduce the proportion of fibres used for publications whose origin cannot be traced and/or to ensure that no fibres are used from forests that are not replanted. Lagardère Publishing asks its suppliers in Asia to ban certain qualities of paper that do not meet the requirements (traceability, fibres from sustainably managed forests, etc.).

In 2016, Hachette Book Group also launched a new programme to verify Asian fibres (see below).

In 2010, Lagardère Active launched a PEFC chain-of-custody certification process for paper. Following this process, the division received authorisation to include the certification logo in magazine mastheads or credits. This PEFC chain-of-custody certification process is now audited annually by an accredited independent firm⁽²⁾.

Recycled paper is very well suited to the production of newsprint. *Le Journal du Dimanche* is printed entirely on recycled paper. On the other hand, the supply of recycled paper for magazines is still limited because of the volumes required and the number of suppliers in the market. As a result Lagardère mainly uses certified paper.

Monitoring paper consumption

As part of their strategy to limit wastage during the production process, Lagardère Publishing and Lagardère Active have adopted a number of initiatives. The wastage rate refers to the percentage of paper wasted during the book and magazine manufacturing process (printing and after-press). It is calculated by comparing the amount of paper used in the printing process with the amount of paper delivered in the form of books or magazines. This rate varies greatly depending on the printing technology used (type of machine, colours) and the number of books and magazines produced (print-run).

As part of the policy for reducing the paper wastage rate, the teams concerned at Lagardère Publishing and Lagardère Active determine the best technical parameters and carry out detailed calculations of the amount of paper to be allocated to the printer. Improving wastage rates is a key factor in negotiations with printers.

Paper consumption and wastage rates are regularly monitored in France and abroad. This monitoring makes it possible to:

- ▶ validate the choices of printers, optimal printing techniques and paper (optimisation of reel width and paper size);
- ▶ calculate the number of copies of magazines and newspapers to print according to sales statistics;
- ▶ identify new technologies that could be used (rotating rapid-calibration tools, automatic setting of ink devices);
- ▶ implement rigorous printing press control procedures and optimised machine calibration (inking, size of paper cuts, etc.);

(1) Wastage rate: the percentage of paper wasted during the manufacturing process.

(2) The purpose of this audit is to check that all the physical and administrative flows provide adequate traceability throughout the service chain up to the layout service, which applies the logo to the magazine, certified under a unique number.

- ▶ inform editorial managers of the most economical formats to help them best meet market requirements;
- ▶ define and validate the best paper allocation schedules in conjunction with each supplier;
- ▶ identify areas for continuous improvement in conjunction with suppliers.

Adjusting the format of publications is another way of optimising book and magazine production. Lagardère Publishing offers a large number of single-format textbooks by title that are optimised to reduce the paper wastage rate in production. Compact textbooks have proved popular with teachers, buyers and pupils, who saw a reduction in the weight of their school bags. Lagardère Active proposes optimised formats to editorial managers. These new formats not only meet market demand but also reduce the weight of paper consumed and transported.

Print-on-demand technology, which allows books to be printed on an as-needed basis, also helps to reduce paper consumption, while limiting greenhouse gas emissions linked to production, storage and transportation. The Group has developed the use of this technology in France, the United States and the United Kingdom, and its catalogue was enlarged in 2016.

In France, Hachette Livre is also using this technology as part of a large-scale project it has launched in association with France's national library (Bibliothèque Nationale de France). As part of this project, 145,000 copyright free titles will be marketed via Hachette Livre's bookstore network, selected from the 200,000 digitised books available through Gallica, the Bibliothèque Nationale de France's digital library.

Waste paper

With regard to the circular economy (waste prevention and recycling), managing unsold printed material (books and magazines) represents the biggest environmental priority for the Lagardère group.

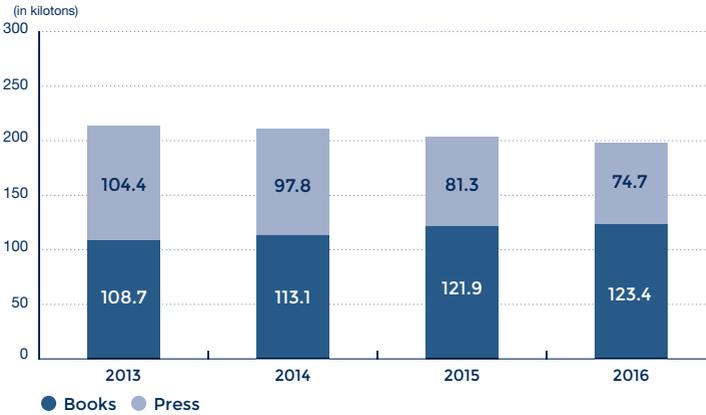
Lagardère Active's Magazine Publishing business takes action upstream to reduce the rate of returns by optimising the number of copies of each title sent to sales outlets. Returns are an inevitable part of newsstand sales, but to manage them as effectively as possible, the business unit regularly adjusts quantities printed and delivered via specialised software used by the sales managers of each title. Over the past twelve years, these actions have reduced its rates of returns to levels well below the average national rate.

Faced with the important economic, environmental and social priorities of the recovery and recycling of press titles that are sold or distributed free of charge, a group of professional bodies from the press industry in France (including SEPM, the French Union of Magazine Publishers) signed a "Voluntary Agreement to Raise Awareness on Sorting, Recovering and Recycling Paper in the Press Industry" in 2013, jointly with the French Ministry of Ecology, Sustainable Development and Energy, the Ministry of Culture and Communication and Ecofolio (an organisation accredited by the French government that promotes the recycling of graphic paper). As a result of this agreement and to help raise public awareness, 40 pages of advertising space in Lagardère Active magazines were donated to Ecofolio in 2016.

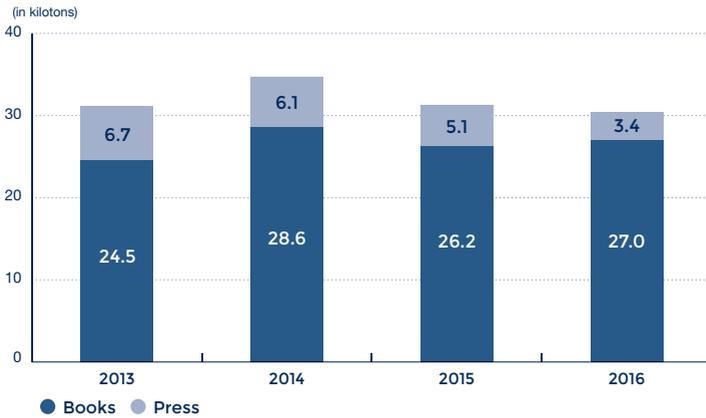
At Lagardère Publishing, the rate of returns for books relates to operations managed by Hachette Livre Distribution, i.e., all activities in France, Belgium, Switzerland and Canada as well as global export. Returns that are not pulped for recycling are added back to inventories.

A.3 Performance

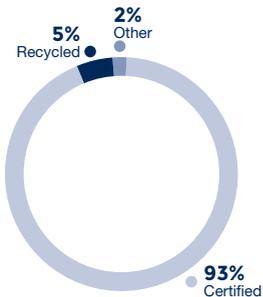
Total weight of paper purchased directly



Total weight of paper supplied by printers



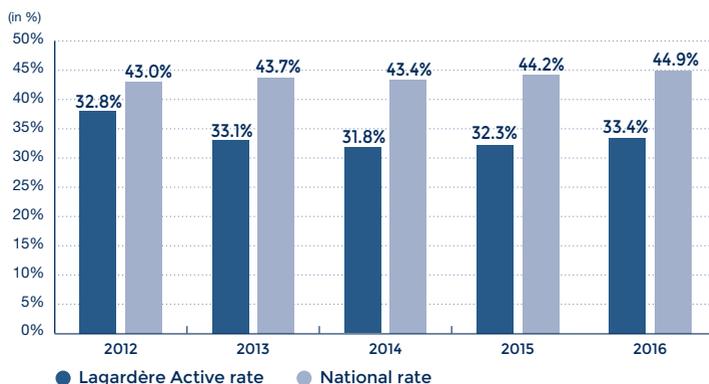
Breakdown of paper purchased and supplied in 2016



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Indicator	Unit	2016	2015	2014
Total weight of paper purchased directly	kiloton	198.1	203.2	210.9
Total weight of paper purchased and supplied	kiloton	228.5	234.5	245.6
Percentage of certified paper	%	93	91	88
Percentage of recycled paper	%	5	5	4
Number of PEFC-certified magazines	No.	27	28	29
Number of pages of advertising granted to Ecofolio in Lagardère Active magazines	No.	40	42	68

Comparison of rates of magazine return in France



Indicator	Unit	2016	2015	2014
Rate of returns for Lagardère Publishing	%	22	22	24.71
Percentage of returns pulped and recycled	%	73	76	57
Percentage of returns added back to inventories	%	27	24	43
Rate of returns for Lagardère Active	%	33.4	32.3	31.8
Percentage of returns recycled	%	96	94	92
Percentage of returns re-released on the market	%	4	6	8

B) CLIMATE CHANGE

B.1 Strategy

Fighting climate change involves reducing greenhouse gas emissions, which can come from a wide range of sources: energy consumption, deforestation, manufacturing, transportation and so on.

In order to identify the activities responsible for the highest greenhouse gas emissions and the actions that could be taken to reduce these emissions, in the first half of 2016, the Lagardère group conducted its first consolidated carbon audit, which covered all four divisions as well as the usage of the goods and services that the Group produces.

This process helped to confirm the various assumptions and indicate the extent of the situation. While the heaviest emitters are indirect entities that are directly linked to the Group's activities but over which

the Group has very little control (manufacturers of products sold at its points of sale and in particular the production of audiovisual appliances), the production of paper goods, transportation and the energy consumed by the Group's buildings constitute the main sources over which the Group can exert its influence.

The results therefore supported the low carbon strategy introduced several years ago, which focuses mainly on the production of paper products (books and magazines), reducing energy consumption in offices, points of sale and warehousing, and optimising logistical operations.

The Group does not have any operations in geographic areas likely to be impacted by the increase in frequency or intensity of climate-related incidents. Accordingly, since the Group considers that this situation is not likely to hinder the smooth functioning of its activities, it has not yet put in place any specific measures to adapt to the consequences of climate change.

B.2 Application**In offices**

In line with the Lagardère group's objective to increase its use of low-carbon energy sources, several of its premises in Paris are heated by a district heating system supplied by Compagnie Parisienne de Chauffage Urbain (CPCU). Similarly, the headquarters of the Lagardère group opted for the same energy mix several years ago to heat one of its two sites.

The building in Vanves that is home to Hachette Livre has obtained HQE NF high environmental standard certification for commercial buildings and the BBC energy efficiency label. The new headquarters of Hachette UK, Carmelite House, has obtained BREEAM certification.

From a general perspective, the Group's office buildings are increasingly being configured for optimal daily energy consumption (LED lighting, occupancy sensors, labelled computer equipment, equipment sharing, etc.).

At the business lines

At **Lagardère Publishing**, after conducting a third carbon audit for its operations in French-speaking countries in 2015, which highlighted a further 10% reduction in emissions versus the 2012 level, the division's American subsidiary introduced a new scheme at the end of 2016 to verify fibres used in the production of paper sourced from Asia. This new environmental performance tool which should be extended to the division's other markets

in 2017, rounds out the Cap Action Carbone programme which has enabled the division to display two labels on all its French language books over the last four years: the carbon footprint of the item and the source (certified or recycled) of the fibres used in their production.

Lagardère Active, alongside its paper management policy, constantly seeks to optimise transport in the manufacturing cycle by working with closely situated paper suppliers, printers, binders and transporters, and opting for transport methods with lower greenhouse gas emissions (train or boat where possible).

Lagardère Travel Retail's programme to refurbish its Relay stores in France provided the opportunity to test an upcycling project which has helped limit greenhouse gas emissions and to reduce transport-related emissions from warehouse deliveries. Since 2015, Lagardère Duty Free has operated a fleet of 12 hybrid vehicles.

B.3 Performance

The consumption figures reported in the table below are for all the Group's European activities (France, Germany, Austria, Belgium, Bulgaria, Spain, Hungary, Italy, Iceland, the Netherlands, Poland, Czech Republic, Romania, the United Kingdom, Slovakia, Sweden and Switzerland), which represented just over 64% of the permanent workforce at 31 December 2016.

The data takes into account the direct and indirect energy consumption of all the offices, points of sale, warehouses, server rooms, radio broadcasting sites, performance venues, sports academies and stadiums used for all the Group's activities in all the regions indicated above.

The Group's energy consumption in Europe

Division	Year	Gas (kWh)	Oil (kWh)	Electricity (kWh)	District heating system (kWh)	Total (kWh)
Lagardère Publishing	2016	17,045,552	3,359,565	28,370,697	388,203	49,164,016
	2015	12,388,715	2,699,245	26,713,516	1,811,817	43,613,293
Lagardère Travel Retail	2016	7,693,446	2,975,376	112,528,334	4,667,415	127,864,571
	2015	9,163,603	1,622,326	107,028,097	3,632,784	121,446,810
Lagardère Active	2016	2,918,262	182,437	17,951,152	1,966,450	23,018,301
	2015	3,069,256	398,689	20,675,208	2,585,850	26,729,003
Lagardère Sports and Entertainment	2016	8,145,953	169,290	6,523,794	657,970	15,497,007
	2015	7,663,776	188,854	7,092,760	658,902	15,604,292
Other Activities	2016	0	0	1,025,411	328,000	1,353,411
	2015	0	0	1,016,341	340,000	1,356,341
Total	2016	35,803,213	6,686,668	166,399,387	8,008,038	216,897,306
	2015	32,285,350	4,909,114	162,525,922	9,029,353	208,749,739

Year-on-year increases and decreases in energy consumption varied by branch and by source. The Group's overall energy consumption in Europe (including France) showed an upward trend. This is mainly attributable to the Lagardère Publishing and Lagardère Travel Retail

divisions, and reflects changes in consolidation scope that resulted in the inclusion of certain buildings not included in 2015, together with improvements in data collection processes.

CO₂ equivalents of the Group's tertiary energy consumption in Europe (in eq. t CO₂)

Division	Year	Scope 1	Scope 2	Total
Lagardère Publishing	2016	4,736.25	6,496.91	11,233.16
	2015	3,009.91	5,285.83	8,295.74
Lagardère Travel Retail	2016	2,610.42	44,273.95	46,884.36
	2015	2,126.81	44,668.53	46,795.34
Lagardère Active	2016	683.62	4,855.45	5,539.07
	2015	673.87	6,260.00	6,933.87
Lagardère Sports and Entertainment	2016	1,552.03	1,705.79	3,257.83
	2015	1,472.37	1,892.79	3,365.16
Other Activities	2016	0.00	148.04	148.04
	2015	0.00	145.57	145.57
Total	2016	9,582.32	57,480.15	67,062.46
	2015	7,282.96	58,252.72	65,535.68

Greenhouse gas emissions linked to the consumption identified above will have increased slightly at Group level in 2016. In particular, the inclusion over the full year of the new building occupied by the bulk of the Lagardère Publishing teams in the United Kingdom explains most of the increase within that division and within the Group as a whole.

In general the changes in reported energy consumption and greenhouse gas emissions, depending on the division and type of energy, reflected:

- ▶ changes in organisational structure, with new entities and/or new buildings entering the environmental reporting scope;
- ▶ a better understanding within an entity of the various sources of energy consumption;
- ▶ internal organisational changes (often due to refurbishment or renovation works) that may be temporary or permanent, and lead to increases or decreases in energy consumption;
- ▶ a change in the emissions factors used to convert energy into CO₂.

C) SOCIAL RESPONSIBILITY IN THE SUPPLY CHAIN**C.1 Strategy**

The Sustainable Procurement Policy in place since 2013 promotes issues such as respect for the environment, diversity and social inclusion, quality of governance and easier access to VSEs and SMEs to the Group's procurement specialists, and encourages them to take into account the cash flow of small suppliers and select sustainable suppliers.

Alongside this Sustainable Procurement Policy, the Lagardère group also has a Responsible Supplier Charter which is based on a certain number of international standards, such as the OECD Guidelines, the ILO Conventions and the UN Global Compact. All new suppliers working with a Group company have been required to systematically sign up to this Charter since 2013.

C.2 Application

The Group continued to conduct supplier assessments (238 scorecards in 2016) as part of the partnership signed with EcoVadis in 2016, which provides a collaborative platform for companies to assess the environmental and social performance of their suppliers. At the end of 2016, the Group decided, together with its partner, to increase its vigilance in this area by mapping out the CSR risks linked to its procurement.

Meanwhile, Lagardère Publishing and Lagardère Active have for some time run an efficient policy to raise awareness of environmental and labour issues with their paper suppliers and printers, both in and outside France, by encouraging certification. Consequently, more than 99% of the paper purchased by the two divisions in 2016 was sourced from ISO 14001-certified suppliers.

The Responsible Supplier Charter stipulates that the publisher can initiate compliance audits at the suppliers' and subcontractors' premises or at any of their production sites, with penalties applied for any infringement. Hachette Collections commissioned six such audits in 2016. Four audits validated compliance with the requirements. One audit revealed serious non-compliance which has since been corrected by the supplier, which was subsequently re-audited and found to be compliant.

C.3 Performance

Indicator	Unit	2016	2015	2014
Number of active responsible supplier charters at year-end	No.	378	248	-
Number of suppliers and subcontractors assessed via the EcoVadis platform at 31 December 2016	No.	238	164	-
Percentage of revenue generated with ISO 14001 certified printers – Lagardère Publishing	%	62	50	48
Percentage of revenue generated with ISO 14001 certified printers – Lagardère Active	%	23	25	22
Proportion of paper purchased directly from ISO 14001-certified suppliers – Lagardère Publishing	%	99	90	78
Proportion of paper purchased directly from ISO 14001-certified suppliers – Lagardère Active	%	99.5	99.5	99

D) FOOD HYGIENE AND SAFETY – FIGHTING FOOD WASTAGE

The steady expansion of Foodservice at Lagardère Travel Retail since 2014 means food hygiene and safety issues have become a priority as the division now offers food at nearly 800 sales outlets in 17 countries.

With the help of Eurofins, which specialises in food safety, Lagardère Travel Retail has drawn up a policy that is implemented through three vehicles:

1. Food Safety Guidelines, which are available in all countries. These set out the policy along with strict rules that must be adhered to (which are sometimes more demanding than the local hygiene regulations) and also provide tools for implementing action plans and objectives.
 - ▶ Setting up an HACCP⁽¹⁾ system for controlling food safety for both catering operations and the sale of packaged food items. Performing daily food hygiene and safety checks at each sales outlet, following strict and precise criteria, from the supplier delivery phase to final sale to the consumer.
2. An annual audit plan which is conducted at each of the subsidiaries. This includes in-depth questionnaires for each sales outlet and audits for the headquarters of each of the divisions. Eight countries were audited in 2016, while ten are expected to be audited in 2017 and 15 in 2018.

3. Awareness-raising programmes, conducted in all new Foodservice countries, such as the United States, China and Australia.

Alongside the food hygiene and safety issues, the division is becoming more and more aware of increasing demand from order-givers and consumers for healthier foods that promote traveller well-being. This awareness has led to partnerships with brands that are committed to improving the intrinsic quality of the products or to providing locally sourced products.

Finally, beyond the food hygiene and safety aspects and proposing healthy products, Lagardère Travel Retail is keen to prevent food wastage and therefore implements an efficient stock management programme at its warehouses. In 2016, Lagardère Travel Retail also put in place an initiative to redistribute any unsold products to charity organisations.

Consequently, a partnership was launched in France with the Chaïnon Manquant organisation which collects unsold food waste from the Relay H café at the Pitié-Salpêtrière Hospital in Paris with a view to redistributing it to those in need. As a result of this initiative, around 117kg of food was collected between September and December 2016.

(1) HACCP: Hazard Analysis Critical Control Point.

5.3.3 MONITORING OTHER REQUIRED DISCLOSURES

In addition to the information provided on the four strategic priorities (see section 5.3.2) and in line with article R. 225-105-1 of the French Commercial Code (as shown in the cross-reference index in section

5.3.4.3 A), the disclosures shown below cover the other labour, environmental and social information required by law.

5.3.3.1 LABOUR INFORMATION

Permanent workforce by age group

Division	Under 30	Age 31-40	Age 41-50	Age 51-60	Over 60	Total
Lagardère Publishing	1,223	1,843	1,863	1,420	304	6,653
Lagardère Travel Retail	5,862	4,301	3,482	2,509	896	17,050
Lagardère Active	577	1,048	1,009	577	74	3,285
Lagardère Sports and Entertainment	394	548	336	128	34	1,440
Other Activities	23	32	41	38	13	147
Group	8,079	7,772	6,731	4,672	1,321	28,575
Percentage	55%		24%	21%		

Staff recruitments/separations

The Lagardère group monitors the indicators on staff recruitments and separations, which reflect its ability to attract and keep talent.

Staff recruitments and separations by type

Division	Recruitments	Merger/ Absorption	Contract conversions	Internal mobility	Total
Lagardère Publishing	780	189	151	57	1,177
Lagardère Travel Retail	6,638	2	243	27	6,910
Lagardère Active	417	105	171	32	725
Lagardère Sports and Entertainment	246	13	86	19	364
Other Activities	11	0	4	2	17
Group total 2016	8,092	309	655	137	9,193
Group total 2015	5,560	-	631	152	6,343

Division	Resignations	Retirements	Redundancies	Dismissals for personal reasons	Separations by mutual agreement	Other reasons	Total
Lagardère Publishing	449	73	38	103	59	84	806
Lagardère Travel Retail	3,913	92	56	1,048	589	561	6,259
Lagardère Active	122	7	10	66	105	152	462
Lagardère Sports and Entertainment	171	5	44	49	51	11	331
Other Activities	4	2	0	2	6	9	23
Group total 2016	4,659	179	148	1,268	810	817	7,881
Group total 2015	3,261	149	406	810	1,614	821	7,061

In 2016, most staff recruitments at the Group – 95% of staff recruitments – involved new hires and conversions of fixed-term contracts into permanent contracts.

As is the case each year, most staff recruitments and departures took place at Lagardère Travel Retail, which is more susceptible to higher staff turnover than other Group activities, due to its positioning in the retail sector (sales outlets located at transport hubs). This effect has been reinforced as Lagardère Travel Retail has expanded into certain regions, such as the United States, where staff turnover generally tends to be very high. Lagardère Publishing also experienced a higher level of staff recruitments and departures in 2016.

Remuneration, employee welfare benefits

It is Group policy to use remuneration and pay rises to recognise and reward individual performance levels, based on quantitative and qualitative criteria defined by the subsidiaries.

To take into account employees' levels of skills, training and responsibility and the specific nature of the sectors they work in, individual rather than collective pay rises are increasingly common.

Regarding remuneration, most of the Group's entities make use of individual and collective performance incentives such as bonuses and variable pay. These practices allow an employee's remuneration to be linked to the achievement of personal objectives and collective objectives at the level of the subsidiary concerned.

In return for these individually tailored pay measures, to ensure optimum transparency between staff and their management on remuneration, the Group encourages annual interviews, which give employees a better perception of their fulfilment of the requirements of their job.

Lagardère also seeks to build loyalty among key talent with the regular award of shares in the parent company, Lagardère SCA.

Until 2006, this allocation took the form of share options but since 2007 the Group has used free share awards (see the special report of the Managing Partners in section 7.3.5).

Although the divisions are largely free to adapt their remuneration policy to their business line and context, the Group believes that each entity should cover its social security contributions in line with the requirements and practices of its home country.

Regarding employee welfare benefits, all Group employees in France have supplementary health and social welfare plans partially funded by the employer. Welfare benefits also exist or are offered to employees in other countries, depending on the state systems in place and local practices.

Average annual gross salary by geographic area (in €)

Continent	Executives	Managers	Journalists and photographers	Other employees
France	206,727	55,998	62,475	24,672
Rest of Europe	128,163	47,964	14,772	24,494
Americas	372,899	114,355	NA	20,241
Asia-Pacific	153,760	45,421	28,507	24,847
Africa	38,902	46,793	NA	9,847
Group average 2016	173,806	59,979	52,012	22,978
Group average 2015	177,875	55,470	55,792	25,676

Behind these salary averages – which are provided for information purposes – lie widely varying situations (due to the nature of the activities and their location, with lifestyles and the cost of living differing greatly from country to country), and no general conclusions or comparisons should be drawn from them.

Organisation of labour relations

Labour relations are an essential part of the Lagardère group's human resources policy, based on the acknowledged principle of maintaining a balance between economic and labour priorities, at all levels of the organisation (entities, divisions and Group).

The Lagardère group has freely elected independent employee representatives through whom it can regularly discuss labour issues that have an impact on employment such as working conditions and restructuring.

In all countries, Lagardère complies with rules entitling employees to form their own representative bodies.

As such, the Lagardère group works to apply and promote the ILO's fundamental principles on the freedom of association and the effective recognition of the right to collective bargaining.

In terms of labour relations, although it practices a policy of independence for its business lines, the Group also promotes cooperation and dialogue with employee representative bodies and between the various subsidiaries in France and the rest of the world.

Two committees have been set up to this end: the European Works Committee, set up in January 2003, and the Group Employees' Committee, set up in January 2002.

These two bodies have regular exchanges with Management about the key priorities and changes necessary for the Group's business activities.

The Group Employees' Committee comprises 30 employee members who represent the employees of the Lagardère group's French operations.

The European Works Committee also comprises 30 members who are employees of the Lagardère group in Europe. Since the committee was renewed on 1 July 2015, French employees hold 13 seats and the remaining 17 seats are held by representatives from ten other European countries – Austria, Belgium, the Czech Republic, Germany, Hungary, Italy, Poland, Romania, Spain and the United Kingdom.

New or existing members of both committees will be appointed or re-appointed in July 2017.

The articles of association of the Group Employees' Committee and the European Works Committee stipulate that each of these bodies must hold an annual ordinary meeting.

In addition to these annual meetings, extraordinary meetings or meetings between committee members and union representatives may be held if the situation so requires.

In 2016, the Group Employees' Committee and the European Works Committee held two ordinary general meetings. At these meetings, the committees assessed the activity of each division and reviewed their strategies.

The plan to sell Lagardère Travel Retail's distribution operations, which was finalised at the beginning of 2017, also led the European Works Committee to hold an extraordinary meeting in 2016, with

a view to keeping the employee representative bodies informed of the Group's progress on the deal.

Summary of collective agreements

Collective agreements signed during the year and agreements in place⁽¹⁾

Continent	Collective agreements in place at 31 December	Collective agreements signed during the year
France	540	56
Rest of Europe	104	19
Americas	14	5
Asia-Pacific	2	0
Group total 2016	660	80
Group total 2015	665	72

Percentage of the workforce covered by collective agreements, by type

Type of agreement	Gender balance	Hygiene, safety, working conditions	Integration of employees with a disability	Employee welfare benefits	Working hours	Training	Remuneration
Group total 2016	52%	55%	41%	57%	78%	36%	74%
Group total 2015	51%	61%	33%	62%	78%	31%	73%

Employee representation

Percentage of employees covered by employee representation

Group total 2016	70%
Group total 2015	71%

Organisation of working hours

Group entities have put in place work organisation schemes that provide the flexibility to meet the specific requirements of their operations, with overtime hours, fixed-term contracts and temporary employment. This flexibility – which is required for the organisation of working time – does not, however, jeopardise the Lagardère group's compliance with legal regulations specific to each country, particularly in terms of working hours and overtime.

Due to the nature of its press, audiovisual and live entertainment production activities, the Lagardère group calls on the services of specific types of employees, namely freelance journalists, entertainment workers, and other occasional employees such as proof readers and events and hospitality staff.

Calculated on a full-time equivalent (FTE⁽²⁾) basis, the total number of non-permanent and temporary workers stood at 11.4% of the Lagardère group's total FTE workforce in 2016, compared with 12.3% in 2015.

(1) At 31 December 2016.

(2) The FTE figure is obtained by adding together all the employees who worked for the Group during the year, based on their standard working hours and the hours they actually worked over the twelve months concerned. For example, an employee who works half a week for six months of the calendar year is counted as 0.25 FTE (0.50 x 0.50). This measure is particularly relevant for analysing the non-permanent workforce, given that reporting a figure as at 31 December would not reflect the actual situation for this occupational group.

Average daily and annual working hours

Region	France	Rest of Europe	Americas	Asia-Pacific	Africa	Group
Days worked per year	218.9	238.3	251.8	253.7	279.3	235.8
Hours worked per day	7.2	7.8	7.5	7.9	8.0	7.6
Hours worked per year	1,567.8	1,870.4	1,888.5	2,010.5	2,234.7	1,792.9

Employees on fixed-term contracts⁽¹⁾ (Full-Time Equivalent basis)⁽²⁾

Division	2016	2015
Lagardère Publishing	359.23	346.90
Lagardère Travel Retail	2,243.55	1,585.49
Lagardère Active	252.38	299.06
Lagardère Sports and Entertainment	259.19	170.94
Other Activities	3.01	5.88
Group	3,117.36	2,408.27

Occasional employees⁽³⁾ (Full-Time Equivalent basis)

Division	2016	2015
Lagardère Publishing	90.20	16.90
Lagardère Travel Retail	17.50	471.00
Lagardère Active	1,518.66	1,049.63
Lagardère Sports and Entertainment	1,082.54	1,043.08
Other Activities	1.75	25.00
Group	2,710.65	2,605.61

Number of overtime hours worked during the year on a full-time equivalent basis

Division	2016	2015
Lagardère Publishing	71.04	67.89
Lagardère Travel Retail	277.75	263.63
Lagardère Active	3.53	5.24
Lagardère Sports and Entertainment	3.81	4.34
Other Activities	0.01	0.02
Group total 2015	356.13	341.12

(1) Non-permanent employees = employees on fixed-term contracts.

(2) The FTE figure is obtained by adding together all the employees who worked for the Group over the course of the year, based on their standard working hours and the hours they actually worked over the twelve months concerned. For example, an employee who works half a week for six months of the calendar year is counted as 0.25 FTE (0.50 x 0.50). This measure is more appropriate for analysing the non-permanent workforce, given that reporting a figure as at 31 December would not reflect the actual situation for this occupational group.

(3) Occasional employees alternate between periods worked and periods not worked to meet the company's specific requirements.

Number of temporary hours⁽¹⁾ worked during the year on a full-time equivalent basis

Division	2016	2015
Lagardère Publishing	544.47	469.56
Lagardère Travel Retail	145.01	351.24
Lagardère Active	37.44	19.42
Lagardère Sports and Entertainment	57.40	60.06
Other Activities	0.50	0.07
Group	784.82	900.35

Percentage of part-time employees

Division	Femmes	Hommes	Total
Lagardère Publishing	12%	2%	8%
Lagardère Travel Retail	29%	20%	26%
Lagardère Active	10%	4%	8%
Lagardère Sports and Entertainment	15%	10%	12%
Other Activities	9%	8%	8%
Group total 2016	23%	12%	19%
Group total 2015	19%	9%	15%

Health and safety at work

Lagardère's business activities are mainly concentrated in the services sector, which has low exposure to health and safety risks. However, entities with logistics and distribution activities have a greater "safety culture" than other Group companies.

Each division implements a policy of reducing health and occupational risks through preventive action and training.

In terms of safety, Lagardère specifically monitors the indicators covering lost time due to sick leave and all indicators covering work-related accidents and sick leave, which are presented below.

Number of work accidents and days' absence due to sick leave

Division	Number of accidents	Number of days' absence due to sick leave
Lagardère Publishing	148	6,005
Lagardère Travel Retail	461	13,963
Lagardère Active	19	583
Lagardère Sports and Entertainment	26	763
Other Activities	0	0
Group total 2016	654	21,314
Group total 2015	584	16,382

(1) The number of temporary hours worked includes the use of employees from temporary employment agencies. Temporary employees sign a contract under which they provide their services for a fixed period, which is invoiced to the entity. The individual is not registered in the entity's payroll and is paid by the temporary employment agency.

Frequency and severity rate of work accidents⁽¹⁾

Division	Frequency rate and change		Severity rate and change	
	Rate	Change	Rate	Change
Lagardère Publishing	12.49	→	0.51	↑
Lagardère Travel Retail	15.80	↓	0.48	→
Lagardère Active	3.29	→	0.10	↑
Lagardère Sports and Entertainment	9.82	↑	0.13	→

Days' absence and lost time rate⁽²⁾ due to work accidents and sick leave

Division	Lost time due to sick leave and change		Lost time due to work accidents and change	
	Rate	Change	Rate	Change
Lagardère Publishing	2.22%	↓	0.39%	↑
Lagardère Travel Retail	3.41%	↓	0.36%	→
Lagardère Active	3.08%	→	0.08%	↑
Lagardère Sports and Entertainment	2.26%	↑	0.22%	↑
Other Activities	0.93%	↓	NA	NA

5.3.3.2 ENVIRONMENTAL INFORMATION

The information relating to the identification of environmental risks and pollution, along with any provisions or guarantees is provided in section 3.5.5 of this Reference Document.

A) WATER CONSUMPTION AND SUPPLY IN ACCORDANCE WITH LOCAL CONSTRAINTS

Lagardère Publishing and Lagardère Active fully understand that paper production by definition uses large amounts of water. As such, they carefully monitor how their paper suppliers and printers optimise water consumption and the return of unpolluted water to the environment.

Several initiatives (closed loop recycling, isolation transformers) have been taken by the main paper suppliers, resulting in marked progress over the past ten years. The total amount of water used in

the paper manufacturing process has been substantially reduced, now standing at nearly half the amount recorded around 15 years ago. By continuously improving their paper manufacturing processes, paper suppliers also recycle most of their wastewater and release clean water back into their natural environment.

Printers have also taken an active approach to limiting water consumption and use all the advanced technology available to them (especially in closed loop rinse water systems) to reduce their consumption and return clean water to the environment.

To maintain transparency, the Lagardère group monitors its tertiary water consumption along with that of certain partners. This refers to the amount of water used at all types of physical sites where employees from the different divisions work (offices, warehouses, retail outlets, sports training academies etc.). The table below shows the amount of water used at each division worldwide in 2016.

The Group's water consumption (cu.m)

Division	Year		Water (cu.m)
	2016	2015	
Lagardère Publishing	2016	2015	54,930
			55,865
Lagardère Travel Retail	2016	2015	367,348
			304,240
Lagardère Active	2016	2015	34,357
			30,486
Lagardère Sports and Entertainment	2016	2015	104,908
			87,340
Total	2016	2015	561,544
			477,931

(1) Frequency rate = (number of work accidents resulting in lost time x 1,000,000)/number of hours worked. Severity rate = (number of days of lost time x 1,000)/number of hours worked.

(2) Lost time = (number of days absence x average number of hours worked per day)/(number of permanent FTEs over the year x average number of hours worked per year).

B) CIRCULAR ECONOMY

The management of office waste has been the subject of multiple improvement schemes, led autonomously and often at the local level, by each of the Group's divisions in France and abroad.

Aside from recycling paper at Lagardère Publishing and Lagardère Active, which represents the biggest priority with regards the circular economy at the Lagardère group, a number of initiatives introduced in other divisions also demonstrate efforts to accommodate the resource life cycle.

In addition to the upcycling scheme (transforming existing structures into equipment adapted to new offers) that was implemented as part of its programme to refurbish 30 Relay outlets in France, Lagardère Travel Retail organised partnerships with recycling companies to collect boxes and plastic wrapping from its warehouses as well as old furniture.

C) MEASURES TAKEN TO PRESERVE AND DEVELOP BIODIVERSITY

The Lagardère group's activities do not have a significant impact on biodiversity. The only aspects of its operations for which the protection of biodiversity could potentially be relevant are the use of wood and paper and responsible forestry management (see above).

5.3.3.3 SOCIAL INFORMATION**A) TERRITORIAL, ECONOMIC AND SOCIAL IMPACT OF OPERATIONS**

Wherever they are located, the divisions take account of the local impact of their activities on jobs and regional development.

Lagardère Publishing employs a large number of people outside major cities and pays close attention to the local characteristics of each region. Most of the business line's distribution centres are also located outside capital cities, such as the Maurepas site (Yvelines, France), Bookpoint (Oxfordshire, England), LBS (West Sussex, England) and HBG Distribution Services (Indiana, United States).

Lagardère Travel Retail's dense network of stores is highly integrated into the transport infrastructures used by a large number of people on a daily basis and also plays an important role in the development of the surrounding areas. Particular attention is paid to offering employment to people looking to reintegrate into society.

The supply chain is another important factor in social responsibility. About 90% of the fine foods sold at Lagardère Travel Retail's French sales outlets are made in France to limit transportation and promote employment in the country.

Outside France, more than 90% of the Group's executives were hired locally in 2015.

B) RELATIONS WITH PEOPLE OR ORGANISATIONS WITH AN INTEREST IN THE COMPANY'S ACTIVITIES

In addition to the Lagardère group's sponsorship programmes, the work of its foundations, and its support for employee engagement at the community level, each Group division is involved in community partnerships with a variety of organisations (see 5.3.2.1.B and 5.3.2.3).

C) FAIR BUSINESS PRACTICES AND ACTION UNDERTAKEN TO PREVENT CORRUPTION

The Lagardère group attaches the utmost importance to maintaining ethics and integrity in its practices in all its activities and regions. In 2013 it set up a Group Compliance department to assume responsibility for steering and implementing specific programmes, aimed at preventing, detecting and handling any incidents that might

arise (see 7.4.1.6.D). Designed to support the operating teams, these programmes have been implemented on the ground by the division-level compliance departments and by the international compliance correspondent networks.

The Group Compliance department, in direct collaboration with the divisions, therefore continued its efforts to work against corruption and ensure compliance with international economic sanctions in 2016.

Anti-corruption measures: the anti-corruption programme and existing procedures have been enhanced with a procedure aimed at handling any unwanted solicitations that constitute facilitating payments. This has led to the provision of training for employees in the most exposed roles. The level of checks and due diligence carried out on the Group's partners has also been intensified. Finally, an audit of the implementation of the Compliance department's anti-corruption programme was carried out by the Internal Audit department in 2016, and the recommendations and prescribed improvement measures are to be followed through in 2017.

Compliance with international economic sanctions: the Lagardère group, which has operations spanning five continents, endeavours to ensure that its partners are not subject to restrictions and that its planned activities are not subject to a ban. The deployment of the international economic sanctions programme therefore continued in 2016 and was enhanced with tools, such as reporting tools aimed at internal management, a subscription to a consolidated external data base that references all the different sanctions in place and the insertion of specific clauses into contracts.

Management of incidents: the Group also set up a procedure for the management of potential compliance issues, which is applicable for all programmes and designed to handle any sign or suspicion of an incident or any non-compliance with any compliance programme in a coordinated and efficient manner.

In 2016 a number of coordinated actions were conducted in collaboration with the Internal Control Department to improve the Group's visibility on the organisation of the compliance function within the operating units and on the efficient deployment of the compliance programmes.

In 2017 the Group intends to continue its efforts, in particular by updating its anti-corruption programme to take into account France's Sapin II Law and to launch a compliance programme that incorporates the protection of personal data, in compliance with European data protection regulations.

D) MEASURES TAKEN TO ENSURE CUSTOMER HEALTH AND SAFETY

Issues relating to consumer health and safety are relevant for many of the Group's activities and vary by division. For instance, the theme is also relevant to physical products (box sets, plus products), Foodservice products (food hygiene, see 5.3.2.4.D) and even content and responsibility in advertising.

At **Lagardère Publishing**, suppliers that produce box sets and accessories go through a listing procedure, and all production is checked to ensure that products comply with new product safety regulatory requirements or standards (toys, items in contact with food, etc.).

Since the end of 2012, Hachette Livre has provided compliance certificates on both a systematic and intermittent basis on a dedicated portal to French retailers and booksellers for products requiring certification.

Hachette Livre is a member of the French committee in charge of defining toy safety standards and has implemented new incident and crisis management procedures concerning product safety to better handle all incidents. These procedures went into effect in early 2015.

At **Lagardère Active**, Lagardère Publicité has self-regulation procedures concerning the advertisements it sells. It ensures compliance with advertising regulations with the support of Lagardère Active's Legal Department, which reviewed 350 advertising messages in 2016 before broadcasting them. The Legal Department answers any specific questions operational staff may have about the content of advertising messages broadcast through all media (television, radio, magazines and the Internet).

Lagardère Publicité also follows the recommendations of the French advertising self-regulatory agency (*Autorité de régulation professionnelle de la publicité* – ARPP) and regularly submits the content of advertising messages (systematically for television advertisements) for prior verification of compliance with the standards. As an advertising sales brokerage, Lagardère Publicité also provides advice to agencies and advertisers to ensure that their advertising messages comply with the ARPP's recommendations.

5.3.4 CSR METHODOLOGY AND INDICATORS

In terms of environmental issues, as the majority of Lagardère's activities are carried out in the services sector, not all of the data concerned is considered relevant to the Group, particularly data relating to the primary and secondary sectors of the economy.

This notably concerns:

- ▶ data relating to measures taken to prevent, reduce and clean up discharges into the air, water and soil that seriously affect the environment;
- ▶ data on the mitigation of noise and other forms of pollution related to a business activity;
- ▶ data on land use.

5.3.4.1 SCOPE OF CONSOLIDATION

The reporting system used to collect labour, social and environmental information is deployed in all the consolidated subsidiaries⁽¹⁾ whose operations are managed by the Group, with the exception of:

- ▶ entities that were disposed of or deconsolidated during the fiscal year;
- ▶ certain joint ventures at 31 December 2016 whose operations are managed by the Group;
- ▶ entities acquired during the year (after 30 June), for which the reporting system will be implemented gradually as they are integrated into the Group (provided that the business line wants to immediately include the newly-acquired companies in the reporting system);
- ▶ certain entities with fewer than five employees for labour data and fewer than ten employees for environmental data.

Beyond these four parameters, the decision to include entities in the reporting system is left, to a certain extent, to the discretion of the divisions which are better placed to assess whether it is relevant from an operating perspective. The following exclusions were made from the reporting scope on 2016:

- ▶ the Press Distribution businesses in Belgium, whose sale was finalised at the end of November 2016, from labour reporting;
- ▶ the Press Distribution businesses in Canada, whose sale was finalised in November 2016, from labour reporting;
- ▶ the LeGuide group, whose sale was finalised in September 2016, from labour reporting.

Labour, social and environmental information presented in this document is reported using a dedicated software package, which covered a total of more than 300 Group operating companies in 2016.

By covering France and the whole of Europe, the information on energy consumption and greenhouse gas emissions encompasses 64.2% of the Group's workforce at 31 December 2016.

5.3.4.2 REFERENCE BASE FOR INDICATORS AND REPORTING METHODS

Labour reporting follows the Group's Human Resources policy, taking the specific needs of each business line and/or geographic area into account. After an initial update in 2006, the reference base was revised again in 2010, to redefine the reporting base for indicators. This redefinition, which was more in line with the spirit of the GRI, provided an opportunity to streamline the reference base and make it more accessible to contributors.

The reference base for labour indicators was reviewed in detail in 2012 in order to make it easier to understand for contributors and more relevant as regards the Group's divisions and activities, and to take into account the provisions of the implementing order of article 225 of France's Grenelle 2 law.

Following the modest update in 2013, the labour reporting guidelines were revised again in 2014 in order to factor in the comments formulated by contributors during the 2013 reporting campaign. Days of absence are monitored in business days or calendar days, depending on the practices of each country. The method for qualifying absence due to long-term illnesses, which is not included in the calculation of lost time, is based on local legislation. The number of days' absence and the number of training hours were partly determined based on declarations at some Group entities, but this practice is not widespread in the reporting scope.

As every year, the labour reporting procedure was updated in 2016.

Environmental reporting follows the Group's sustainable development policy, also taking the specific needs of each business line and/or geographic area into account.

In 2012, specific work was carried out on the reference base for environmental indicators in order to simplify it and make it more reliable, and most importantly to make it more relevant in view of the Group's many activities. The environmental reporting guidelines were also updated in 2013, with a particular focus on harmonising the methods used for calculating the proportions of certified and recycled paper contained in the paper purchased by Lagardère Publishing and Lagardère Active. The update also enabled a Group-wide monitoring indicator to be added for WEEE in France. As every year, the environmental reporting procedure was updated in 2016.

Generally speaking, the updates of reporting guidelines aim to simplify and facilitate the work of contributors.

The data on energy consumption disclosed therefore concerns the energy used to produce and supply the goods and services related to the Group's activities in France as well as that used to heat and light the premises and sites where the Lagardère group's employees work in France (offices, storage warehouses and retail outlets). Data on Lagardère Active's electricity consumption also includes electricity used by the radio broadcasting sites that are directly managed by the Group.

(1) The list is provided in note 38 to the consolidated financial statements in this Reference Document.

Starting in 2015, all this information is reported on a per-building basis.

The greenhouse gas emissions data shown only concerns the above-mentioned energy consumption. The emissions are specified for each type of energy consumed (gas, oil, electricity, district heating) and then grouped together by "Scope", i.e., by category of emissions.

Scope 1 includes direct greenhouse gas emissions, and notably direct emissions from fixed sources of combustion (gas and oil). Scope 2 comprises indirect emissions related to purchases of energy, and notably consumption of electricity and district heating.

The emissions factors used by the Group in its calculations of greenhouse gas emissions and conversion into CO₂ equivalents are determined by reference to the Base Carbone, which is a French public database of emissions factors needed to establish carbon accounting.

Greenhouse gas emissions are calculated directly by the Group Sustainable Development Department based on the energy data mentioned above and in accordance with the methodology set out in the environmental guidelines.

The reporting method for labour, social and environmental data follows the same process. Data is entered by a contributor for each

Group subsidiary included in the reporting scope. This information is then validated/verified by the business line's Management (Human Resources Department or Finance Department) before being sent to the Group Sustainable Development Department, which checks the consistency of all the data reported.

Consistency checks aim to ensure the quality and fair presentation of the data reported and include a comparison with the data for previous periods, contributing to the reliability of the reporting system.

Although the Group seeks to make contributors' work as easy as possible, to define clear parameters for the reporting process and to effectively factor in the international nature of its operations and activities (objectives that have been made easier to achieve since the reporting guidelines were put in place), a number of difficulties, which can create uncertainty, may arise during the reporting process:

- ▶ inaccurate assessments;
- ▶ calculation errors;
- ▶ poorly understood questions;
- ▶ data entry errors;
- ▶ problems defining an indicator;
- ▶ problems responding because of legal and/or political reasons.

5.3.4.3 CROSS-REFERENCE INDICES**A) CROSS-REFERENCE INDEX WITH THE FRENCH COMMERCIAL CODE**

Cross reference index with article R. 225-105-1 of the French Commercial Code				
Information	Subject	Paragraph	Section	Pages
Labour	Employment	Total workforce and breakdown of employees	5.3.2.1	50
		Recruitments and redundancies/ dismissals	5.3.3.1	70
		Remuneration and pay rises	5.3.3.1	70
	Organisation of working hours	Organisation of working hours	5.3.3.1	70
		Lost time	5.3.3.1	70
	Labour relations	Organisation of labour relations	5.3.3.1	70
		Summary of collective agreements	5.3.3.1	70
	Health and safety	Health and safety conditions at work	5.3.3.1	70
		Summary of health and safety agreements	5.3.3.1	70
		Frequency and severity of work-related accidents and sick leave	5.3.3.1	70
	Training	Policies implemented	5.3.2.1 B1 & B2	56
		Total number of training hours	5.3.2.1 B3	57
	Equal opportunities	Measures taken to promote gender balance	5.3.2.1 A	52
		Measures taken to promote the employment and integration of people with a disability	5.3.2.1 A	52
		Anti-discrimination policy	5.3.2.1 A	52
	Promotion of and compliance with the fundamental principles of the ILO	Compliance and freedom of association and right to collective bargaining	5.3.3.1	70
		Elimination of discrimination in respect of employment and occupation	5.3.2.1 A	52
		Elimination of forced or compulsory labour	5.3.2.1 A	52
		Effective abolition of child labour	5.3.2.3 B3	62

Cross reference index with article R. 225-105-1 of the French Commercial Code				
Information	Subject	Paragraph	Section	Pages
Environmental	General policy	Organisation of the company and assessment and certification processes	5.3.1.2 & 5.3.2.4 A2	49 & 63
		Employee information and training initiatives	5.3.1.2	49
		Measures taken to prevent environmental risks and pollution	3.5.5	16
		Provisions and guarantees set aside for environmental risks	3.5.5	16
	Pollution	Measures taken to prevent reduce and clean up discharges into the air water and soil	Non pertinent	
		Mitigation of noise or other forms of pollution related to a business activity		
	Circular economy	Measures taken to prevent recycle and reuse waste other forms of recycling and waste elimination	5.3.3.2 B	76
		Fighting food wastage	5.3.2.4 D	69
		Water consumption and supply in accordance with local constraints	5.3.3.2 A	75
		Consumption of raw materials and measures taken to improve efficiency of use	5.3.2.4 A	62
		Energy consumption measures taken to improve energy efficiency and use of renewable energy	5.3.2.4 B	66
		Land use	Non pertinent	
	Climate change	Significant contributors to greenhouse gas emissions due to company activity for instance by using the goods and services it produces	5.3.2.4 B	66
		Adaptation to the consequences of climate change	5.3.2.4 B	66
	Preservation of biodiversity	Measures taken to preserve and develop biodiversity	5.3.3.2 C	76

Cross reference index with article R. 225-105-1 of the French Commercial Code				
Information	Subject	Paragraph	Section	Pages
Social	Territorial economic and social impact of the company's activities	Regional employment and development	5.3.3.3 A	76
		Resident and local populations	Non pertinent	
	Relations with people or organisations with an interest in the company's activities	Relations with people or organisations	5.3.3.3 B	76
		Partnership or sponsorship operations	5.3.2.1 B2 & 5.3.2.3	56 & 59
	Subcontractors and suppliers	Recognition of social and environmental priorities in the procurement policy	5.3.2.4 C	68
		Importance of subcontracting and recognition of subcontractors' and suppliers' corporate social responsibility in relations with them	5.3.2.4 C	68
	Fair business practices	Action undertaken to prevent corruption	5.3.3.3 C	76
		Measures taken to ensure customer health and safety	5.3.2.4 D & 5.3.3.3 D	69 & 76
	Other action undertaken to promote human rights	-	5.3.1.1 A	47

B) GRI G4 INDEX

GRI G4 General Standard Disclosures		ISO 26000 Clauses
Disclosures	Pages	
Strategy and analysis		
G4-1	47-49	4.7 – 6.2 – 7.2 – 7.4.2
Organisational profile		
G4-3	1	6.3.10 – 6.4.1 – 6.4.2 – 6.4.3 – 6.4.4 – 6.4.5 – 6.8.5 – 7.8
G4-4	1	
G4-5	1	
G4-6	51	
G4-7	1	
G4-8	27	
G4-9	8; 50	
G4-10	51; 53; 73	
G4-11	72	
G4-12	68	
G4-13	24	
G4-14	48	
G4-15	47	
G4-16	49	
Identified material aspects and scope		
G4-17	77	5.2 – 7.3.2 – 7.3.3 – 7.3.4
G4-18	47-49	
G4-19	77	
G4-20		
G4-21		
G4-22		
G4-23		
Stakeholder engagement		
G4-24	48	5.3
G4-25		
G4-26		
G4-27		
Report profile		
G4-28	77	7.5.3 – 7.6.2
G4-29		
G4-30		
G4-31	281	
G4-32	82	
G4-33	85	
Governance		
G4-34	192	6.2 – 7.4.3 – 7.7.5
Ethics and integrity		
G4-56	76	4.4 – 6.6.3

GRI G4 General Standard Disclosures		Pages	ISO 26000 Clauses
DMA and Indicators			
Category: Economic			
Aspect: Market presence			
G4-DMA	76	6.4.3 – 6.8.1 – 6.8.2 – 6.8.5 – 6.8.7	
G4-EC6			
Category: Environment			
Aspect: Materials			
G4-DMA	62	6.5.1 – 6.5.2 – 6.5.4	
G4-EN1	65		
G4-EN2	66		
Aspect: Energy			
G4-DMA	66	6.5.1 – 6.5.2 – 6.5.4	
G4-EN3	67	–	
Aspect: Water			
G4-DMA	75	6.5.1 – 6.5.2 – 6.5.4	
G4-EN8		–	
Aspect: Emissions			
G4-DMA	66	6.5.1 – 6.5.2 – 6.5.5	
G4-EN15	67		
G4-EN16			
Aspect: Effluents and waste			
G4-DMA	62; 76	6.5.1 – 6.5.2 – 6.5.3	
G4-EN23	66	–	
Aspect: Products and services			
G4-DMA	62	6.5.1 – 6.5.2 – 6.5.3 – 6.5.4 – 6.5.5 – 6.7.5	
G4-EN27		–	
Aspect: Supplier environmental assessment			
G4-DMA	68	6.6.1 – 6.6.2 – 6.6.3 – 6.6.6	
G4-EN32			
Category: Labour			
Aspect: Employment			
G4-DMA	70	6.4.1 – 6.4.2 – 6.4.3	
G4-LA1			
Aspect: Labour/management relations			
G4-DMA	72	6.4.1 – 6.4.2 – 6.4.3 – 6.4.5	
Aspect: Health and safety at work			
G4-DMA	74	6.4.1 – 6.4.2 – 6.4.6	
G4-LA6		–	
Aspect: Training and education			
G4-DMA	56	6.4.1 – 6.4.2 – 6.4.7 – 6.8.5	
G4-LA9	57		
G4-LA10	56		

GRI G4 General Standard Disclosures		ISO 26000 Clauses
DMA and Indicators	Pages	
Aspect: Diversity and equal opportunity		
G4-DMA	50	6.2.3 – 6.3.7 – 6.3.10 – 6.4.3
G4-LA12	53; 70	
Aspect: Non-discrimination		
G4-DMA	50	6.3.6 – 6.3.7 – 6.3.10 – 6.4.3
G4-HR3	55	
G4-HR12	62	6.3.6
Aspect: Anti-corruption		
G4-DMA	76	6.6.1 – 6.6.2 – 6.6.3 – 6.6.6
G4-SO4		
Aspect: Consumer health and safety		
G4-DMA	69; 76	4.6 – 6.7.1 – 6.7.2 – 6.7.3 – 6.7.4 – 6.7.5 – 6.7.9 – 6.8.8
Aspect: Product and service labelling		
G4-DMA	62	6.7.1 – 6.7.2 – 6.7.3 – 6.7.4 – 6.7.5 – 6.7.9
G4-PR3	63	
Segment information: media		
DMA and Indicators	Page	
G4-M2	59-62	
G4-M3		
G4-M4		
G4-M7		

5.3.5 REPORT OF THE INDEPENDENT THIRD-PARTY

Report by the independent third party, on the consolidated social, environmental and societal information included in the management report

To the Shareholders,

In our capacity as independent third party, certified by COFRAC Inspection under number 3-1058⁽¹⁾ and member of Mazars' network, Lagardère SCA's Statutory Auditor, we hereby report to you on the consolidated social, environmental and societal information for the year ended 31 December 2016, included in the management report (hereinafter named "CSR Information"), pursuant to article L.225-102-1 of the French Commercial Code (*Code de commerce*).

COMPANY'S RESPONSIBILITY

The Managing Partners are responsible for preparing a company's management report including the CSR Information required by article R.225-105-1 of the French Commercial Code in accordance with the protocols used by the Company (hereinafter the "Guidelines"), summarised in the management report and available on request from the company's head office.

INDEPENDENCE AND QUALITY CONTROL

Our independence is defined by regulatory texts, the French Code of ethics (*Code de déontologie*) of our profession and the requirements of article L.822-11 of the French Commercial Code. In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with the ethical requirements, professional guidance issued by the national auditing body (*Compagnie nationale des commissaires aux comptes*) and applicable legal and regulatory requirements.

RESPONSIBILITY OF THE INDEPENDENT THIRD PARTY

On the basis of our work, our responsibility is to:

- ▶ attest that the required CSR Information is included in the management report or, in the event of non-disclosure, that an explanation is provided in accordance with the third paragraph of article R.225-105 of the French Commercial Code (Attestation regarding the completeness of CSR Information);
- ▶ express a limited assurance conclusion that the CSR Information taken as a whole is, in all material respects, fairly presented in accordance with the Guidelines (Conclusion on the fairness of CSR Information).

Our work involved 6 persons and was conducted between December 2016 and March 2017 during a 8-week intervention period.

We performed our work in accordance with the professional guidance issued by the national auditing body and with the order dated 13 May 2013 defining the conditions under which the independent third party performs its engagement and with ISAE 3000⁽²⁾ concerning our conclusion on the fairness of CSR Information.

I. ATTESTATION REGARDING THE COMPLETENESS OF CSR INFORMATION

On the basis of interviews with the individuals in charge of the relevant departments, we obtained an understanding of the Company's sustainability strategy regarding social and environmental impacts of its activities and its societal commitments and, where applicable, any actions or programmes arising from them.

We compared the CSR Information presented in the management report with the list provided in article R.225-105-1 of the French Commercial Code.

For any consolidated information that is not disclosed, we verified that explanations were provided in accordance with article R.225-105, paragraph 3 of the French Commercial Code.

We verified that the CSR Information covers the scope of consolidation, i.e., the Company, its subsidiaries as defined by article L.233-1 and the controlled entities as defined by article L.233-3 of the French Commercial Code within the limitations set out in the methodological note, presented in the section "5.3.4 CSR methodology and indicators" of the management report.

Based on the work performed and given the limitations mentioned above, we attest that the required CSR Information has been disclosed in the management report.

II. CONCLUSION ON THE FAIRNESS OF CSR INFORMATION**Nature and scope of our work**

We conducted about twenty interviews with the persons responsible for preparing the CSR Information in the departments in charge of collecting the information and, where appropriate, responsible for internal control and risk management procedures, in order to:

- ▶ assess the suitability of the Guidelines in terms of their relevance, completeness, reliability, neutrality and understandability, and taking into account industry best practices where appropriate;
- ▶ verify the implementation of data-collection, compilation, processing and control process to reach completeness and consistency of the CSR Information and obtain an understanding of the internal control and risk management procedures used to prepare the CSR Information.

We determined the nature and scope of our tests and controls based on the nature and importance of the CSR Information with respect to the characteristics of the Company, the social and environmental challenges of its activities, its sustainability strategy and industry best practices.

(1) Whose scope is available at www.cofrac.fr.

(2) ISAE 3000 – Assurance engagements other than audits or reviews of historical financial information.

Regarding the CSR Information that we considered to be the most important⁽¹⁾:

- ▶ at parent entity level, we referred to documentary sources and conducted interviews to corroborate the qualitative information (organisation, policies, actions), performed analytical procedures on the quantitative information and verified, using sampling techniques, the calculations and the consolidation of the data. We also verified that the information was consistent and in agreement with the other information in the management report;
- ▶ at the level of a representative sample of entities selected by us⁽²⁾ on the basis of their activity, their contribution to the consolidated indicators, their location and a risk analysis, we conducted interviews to verify that procedures are properly applied and we performed tests of details, using sampling techniques, in order to verify the calculations and reconcile the data with the supporting documents.

The selected sample represents 23% of headcount and between 22% and 100% of quantitative environmental data disclosed.

For the remaining consolidated CSR Information, we assessed its consistency based on our understanding of the company.

We also assessed the relevance of explanations provided for any information that was not disclosed, either in whole or in part.

We believe that the sampling methods and sample sizes we have used, based on our professional judgement, are sufficient to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures. Due to the use of sampling techniques and other limitations inherent to information and internal control systems, the risk of not detecting a material misstatement in the CSR information cannot be totally eliminated.

CONCLUSION

Based on the work performed, no material misstatement has come to our attention that causes us to believe that the CSR Information, taken as a whole, is not presented fairly in accordance with the Guidelines.

French language original signed at Paris - La Défense, on 31 March 2017

The independent third party entity

MAZARS SAS

THIERRY BLANCHETIER

Partner

EDWIGE REY

CSR & Sustainable
Development partner

(1) Social information: permanent staff as of 31 December, permanent staff as of 31 December broken down by gender, age group, and geographical area, recruitments and departures of permanent staff by type and by gender, measures to promote equality of treatment between women and men, measures to promote employment and integration of disabled employees, anti-discrimination policy, training and skills development policies, total number of training hours and breakdown by type and gender.
Environmental information: overall weight of paper purchased by the Group and breakdown between certified and recycled paper, overall weight of paper purchased by printers and breakdown between certified and recycled paper, tertiary energy consumption of the Group in France and in Europe: electricity, gas, fuel and district heating, greenhouse gas emissions related to the energy consumption.
Societal information: conditions for dialogue with third people or organizations interested in company's activities, partnerships and sponsorship, actions in favour of health and safety of consumers.

(2) Social and societal information: Hachette Livre SA (France); Hachette Book Group (USA); Pôle presse (France); LARI (Czech Republic); LTR (France); LTR CZ (Czech Republic); Lagardère Sports (France); Environmental information: Hachette Livre SA (France); HFA (France); LTR (France), LTR CZ and LARI (Czech Republic) for energy consumptions and the associated greenhouse gas emissions.