ACCORHOTELS

Feel Welcome

REGISTRATION DOCUMENT

AND ANNUAL FINANCIAL REPORT

2017

CONTENT

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

2017

REGISTRATION DOCUMENT

AND ANNUAL FINANCIAL REPORT

AUTORITÉ DES MARCHÉS FINANCIERS AMF

The original French version of this translated Registration Document was filed with the Autorité des Marchés Financiers on March 29, 2018 in accordance with article 212-13 of the General Regulations of the Autorité des Marchés Financiers.

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

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

MESSAGE FROM THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Since 2013, AccorHotels has been reinventing its businesses. We have pushed back the boundaries of traditional hospitality, transformed our business and management model, anticipated and embraced the digital revolution and the sharing economy, and are spearheading many social changes.

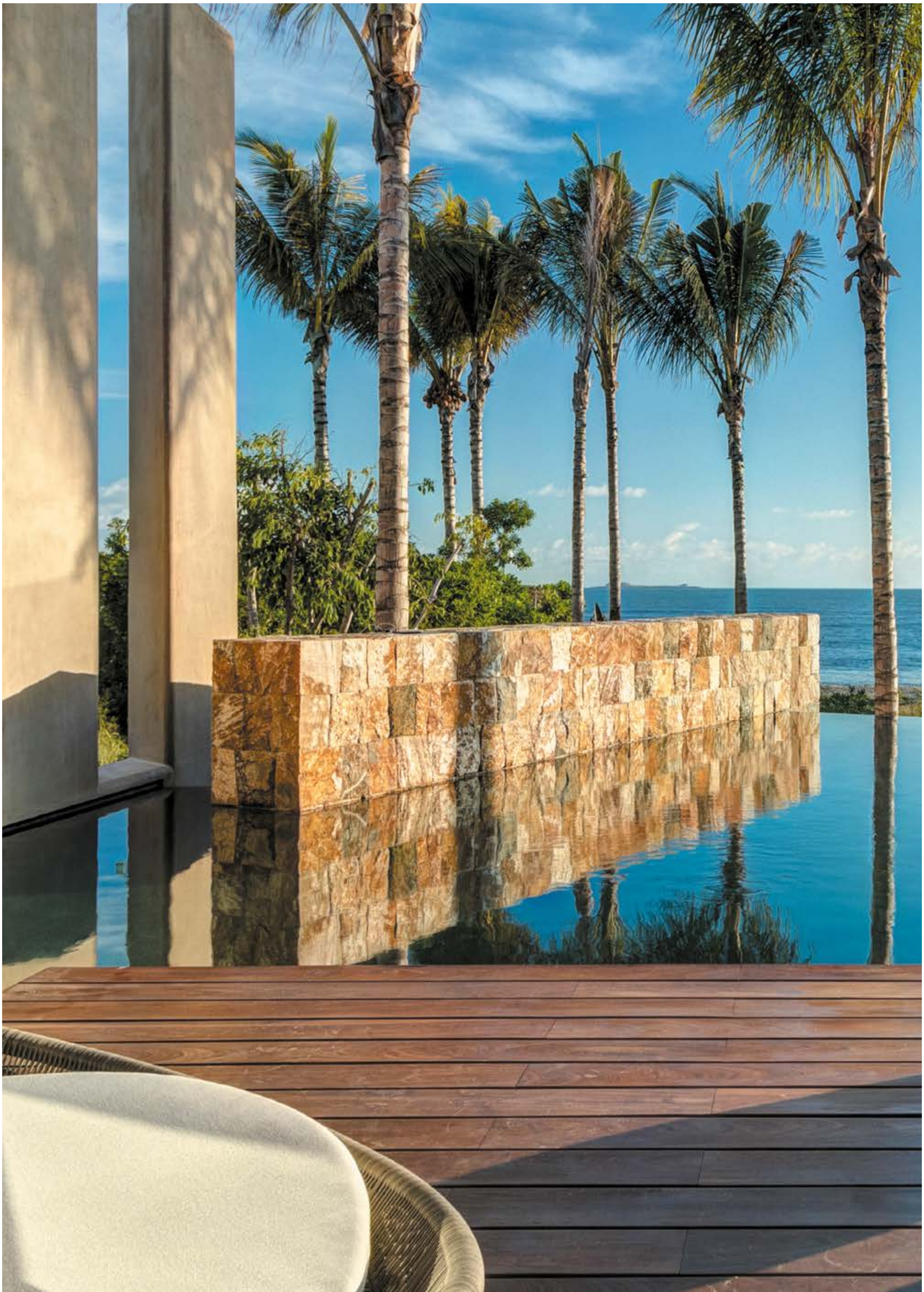
We now have a comprehensive portfolio of 25 brands spanning all segments of the hospitality market, as well as a range of high-quality services and solutions. Our portfolio of Luxury brands was further enhanced in 2017 and we are now the world's number one provider of luxury private rentals. The Group is stronger and more balanced than ever and the market leader in all of our target regions. Our BtoB expertise in revenue management, distribution, loyalty programs and customized service is widely recognized by our partners.

For all of these reasons, we now rank among the leaders of our industry. With this position comes the special responsibility of helping to transform the world around us through our own process of transformation. It is also our duty to inspire our employees, suppliers and partners to join us in the drive toward change, engagement and respect for the planet and for the men and women who inhabit it.

Last year's achievements in all aspects of our business prove that we know how to be pioneering, responsible standard-setters. When we launched AccorLocal – a new community-level service offered by our hotels – we began creating links both on a local and human scale through initiatives designed to bring substantial social or environmental benefits. Whenever we acquire new businesses, they are incorporated into our Planet 21 program, which aims to see them achieve the best possible ethical, social and environmental performance. When we came up with the Heartist® Journey program to reveal the hidden talents of our 250,000 employees, a managerial revolution was set in motion, breaking away from the classic hospitality industry codes and allowing each employee the freedom to express their own interpretation what it means to truly *Feel Welcome*.

Our businesses lie at the center of the community, the center of life. We are involved in all the major issues facing today's society and, with the support of our 250,000 employees worldwide, we want to make a difference. The future of hospitality depends on it.

Sébastien Bazin
Chairman and Chief Executive Officer



1

CORPORATE PRESENTATION

1.1 CORPORATE PROFILE

AccorHotels is a world-leading travel & lifestyle group and digital innovator offering unique experiences in nearly 4,300 hotels, resorts and residences, and 10,000 of the finest private homes around the globe. Benefiting from dual expertise as an investor and operator, AccorHotels operates in 100 countries. Its portfolio comprises internationally acclaimed luxury brands including Raffles, Sofitel Legend, Fairmont, SO Sofitel, Sofitel, onefinestay, Rixos, MGallery by Sofitel, Pullman, Swissôtel and 25hours Hotels; the popular midscale brands Novotel, Mercure, Mama Shelter and Adagio; much-prized economy brands including JO&JOE, ibis, ibis Styles, ibis *budget* and the regional brands Grand Mercure, The Sebel and hotelF1. AccorHotels provides innovative end-to-end services across the entire traveler experience, notably through the acquisition of John n Paul, the world leader in concierge services.

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

AccorHotels is active in its local communities and committed to sustainable development and solidarity through PLANET 21, a comprehensive program that brings together employees, guests and partners to drive sustainable growth.

1.2 MILESTONES

1967

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

1974

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

1975

- Acquisition of Mercure.

1976

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

1980

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

1981

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

1982

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

1983

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

1985

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

1988

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

1989

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

1990

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

1991

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

1993

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

1994

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

1995

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

1996

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

1997

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

1998

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

1999

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

2000

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

2001

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

2002

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

2003

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

2004

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

2005

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

2006

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

2007

- Accor sells two other US Sofitel units in New York and Philadelphia to a joint venture comprised of GEM Realty Capital, Whitehall Street Global Real Estate Limited Partnership and Accor. Accor remains a 25% shareholder in the venture and continues to manage the hotels under the Sofitel brand through a 25-year management contract.
- As part of the ongoing shift in the Hotels business model, Accor sells 47 hotel properties in France and 10 in Switzerland to a real estate consortium comprising two investment funds managed by AXA Real Estate Investment Managers and Caisse des Dépôts et Consignations. Accor continues to operate the hotels under 12-year leases with variable rents and no guaranteed minimum, renewable six times per hotel at Accor's option.
- Also as part of the sustained implementation of the Hotels strategy, Accor sells 30 hotels in the United Kingdom to Land Securities and leases them back under 12-year leases with variable rents and no guaranteed minimum, renewable six times.
- In addition, a memorandum of understanding is signed with Moor Park Real Estate for the sale of 72 hotels in Germany and 19 in the Netherlands, with Accor continuing to operate the units under similar leaseback conditions.

- Accor Services acquires Kadeos, Prepay Technologies and Surf Gold.
- Red Roof Inn is sold to Citigroup Inc.'s Global Special Situations Group and Westbridge Hospitality Fund II, LP.
- The Italian food services business is sold to Barclays Private Equity.
- 28,400 new rooms opened during the year.

2008

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

2009

- Gilles Pélisson, Chief Executive Officer, is appointed Chairman of the Board of Directors.
- Accor raises its stake in Groupe Lucien Barrière to 49%.
- In late August, the Board of Directors approves Gilles Pélisson's recommendation to conduct a review of the potential benefits of demerging the Hotels and Prepaid Services businesses into two self-managing companies, each with its own strategy and resources for growth. The findings demonstrate the sustainable, profitable nature of each business, as well as their ability to meet the challenges of future growth and development. At year-end, the Board of Directors therefore approves the potential benefits of demerging the two businesses.
- In line with its ongoing asset-right strategy, Accor announces a major real estate transaction in the budget segment in France, with the sale of 158 hotelF1 properties, representing a total of 12,300 rooms.
- 27,300 new rooms are opened during the year.

2010

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

2011

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

2012

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

2013

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

2014

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

2015

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

2016

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

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

2017

AccorHotels strengthens its leadership and continues its transformation, to become a global multi-service travel and mobility specialist.

- The Group diversifies its accommodation solutions into the rental of luxury private homes with the acquisition of Travel Keys and Squarebreak, now grouped together under the onefinestay brand, as well as into the rental of collaborative workspaces with the acquisition of Nextdoor.
- AccorHotels consolidates its digital services division dedicated to independent hotels through the acquisition of Availpro, thereby rounding out Fastbooking's range of services.
- The Group enhances its accommodation solutions with gastronomy and entertainment services by acquiring stakes in Noctis and Potel & Chabot.
- AccorHotels diversifies its distribution channels into private sales of hotel accommodation and luxury holidays by acquiring VeryChic, and into hotel bookings for business customers with Gekko (January 2018).
- The Group expands its business among new customers by launching AccorLocal, which provides local services to people living near its hotels in France.
- AccorHotels increases the number of brands in its portfolio to 25, rebalancing its business toward the Luxury/Upscale segment with Banyan Tree, Rixos Hotels and Orient Express.
- The Group has cemented its leading positions in Brazil with the acquisition of BHG and in Australia with the signing of a new agreement to acquire Mantra, and has continued its fast-paced development in China thanks to Huazhu.
- AccorHotels makes a major change in its model by agreeing to the sale of 55% of AccorInvest to long-term investors, with the transaction to be effective in the second quarter of 2018.

1.3 CORE BUSINESSES

1.3.1 HOSPITALITY

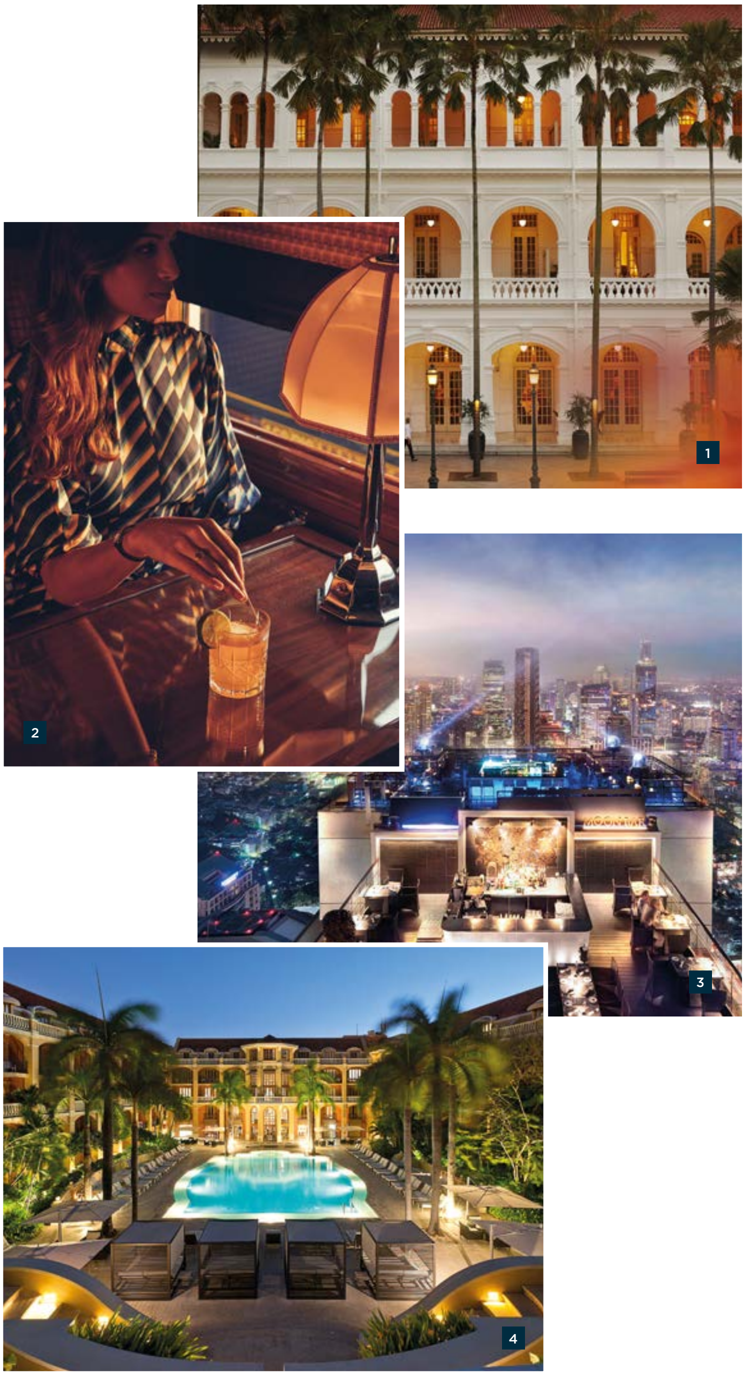
AccorHotels offers a comprehensive range of hospitality experiences to ensure customers can find the right brand for their budget and needs.

It is also why, from the most upscale to the most economic option, the Group continues to innovate and develop new hotel services, with the same passion and energy. All of the teams at AccorHotels share the same goal: to make sure guests "Feel Welcome", 24 hours a day, 365 days a year.

A wide range of hospitality services

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

Luxury and Upscale



RAFFLES

1 Each hotel of the iconic Raffles brand offers services that are as elegant as they are discreet, bringing all the delights of luxury to the traveler. Entering a Raffles hotel is a unique experience, with special attention and hospitality that is personalized, generous and faithful to the spirit of the place and the destination. Legendary service since 1887.

Network: 11 hotels, or 1,927 rooms, in 10 countries, and 1,049 rooms in the pipeline.

ORIENT EXPRESS

2 A cosmopolitan icon for more than 130 years, Orient Express to this day remains the very definition of timeless luxury. This legendary blend of exotic opulence and superlative refinement will soon be transposed to an international collection of Orient Express hotels, offering a new journey to absolute sophistication.

Network: 10 addresses in 2025.

BANYAN TREE

3 Banyan Tree Hotels are an oasis of peace in some of the world's most beautiful settings, allowing guests to regenerate body and mind. They offer the romance of travel, guaranteeing authentic and memorable experiences.

Network: 23 hotels, or 2,559 rooms, in 10 countries, and 1,874 rooms in the pipeline.

Guests: 9% business – 91% leisure.

SOFITEL LEGEND

4 Legendary addresses where Heritage meets French *art de vivre*. Exceptional architecture and settings for ultimate luxury experiences.

Network: 5 hotels, or 873 rooms, in 5 countries.

Luxury and Upscale

5


6


7


8

Fairmont

5 Fairmont offers guests the chance to enjoy matchless hospitality in legendary venues, unique living spaces inspired by local design, and refined classic cuisine. A treasured brand dating back to 1907.

Network: 76 hotels, or 29,697 rooms, in 25 countries, and 6,939 rooms in the pipeline.

SO/ SOFITEL

6 A sparkling cocktail of refinement and style mixed with a burst of slightly offbeat local energy to create an inimitable experience. Guests come to these places to see or be seen, but also to be surrounded by like-minded individuals.

Network: 5 hotels, or 619 rooms, in 3 countries, and 1,274 rooms in the pipeline.

SOFITEL

7 Imagine luxurious, contemporary hotels where the essence of each destination blends harmoniously with French *art de vivre* to create refined and incomparable experiences. Sofitel hotels win acclaim from those among today's travelers who are blessed with an innate sense of style.

Network: 126 hotels, or 31,939 rooms, in 43 countries, and 5,197 rooms in the pipeline.

Guests: 43% business – 57% leisure.

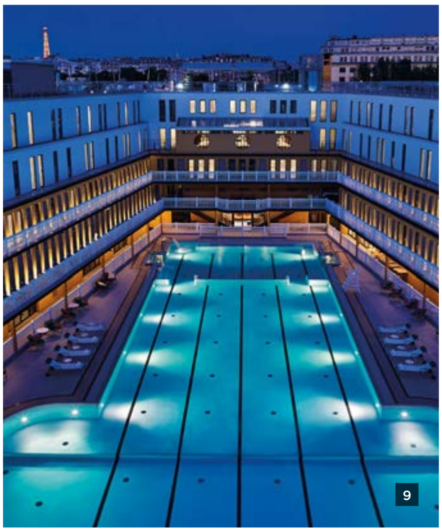
RIXOS

8 Dedicated to sharing the sense of Turkish hospitality and offering the experience of absolute well-being in luxury settings, Rixos hotels are exceptional holiday resorts. At Rixos, "all-inclusive" means exclusive.

Network: 22 hotels, or 8,244 rooms, in 6 countries, and 2,531 rooms in the pipeline.

Guests: 4% business – 96% leisure.

Luxury and Upscale



MGallery

9 MGallery is a collection of boutique hotels steeped in history, where guests discover the world and more. All addresses are designed for delightful and unique experiences inspired by local culture and the history of the hotel itself.

Network: 91 hotels, or 9,495 rooms, in 25 countries, and 4,425 rooms in the pipeline.

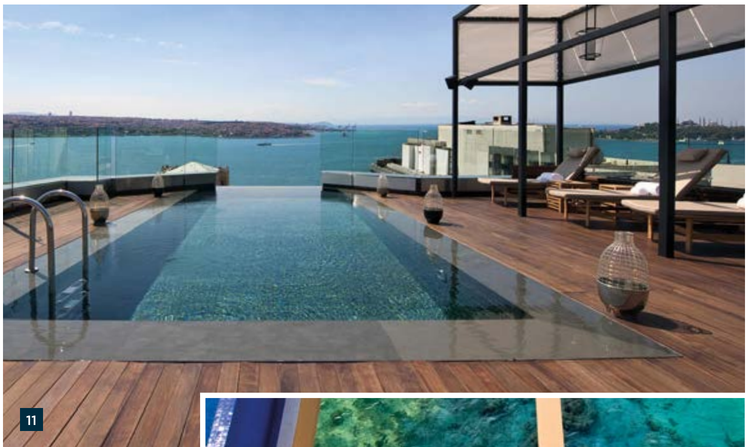
Guests: 38% business – 62% leisure.

pullman

10 Hotels and resorts in tune with today's world, where performance and well-being combine. A vibrant environment, where nomads who roam the world experience a sense of affinity, where they can feel in step with themselves, revitalized.

Network: 121 hotels, or 36,174 rooms, in 33 countries, and 14,975 rooms in the pipeline.

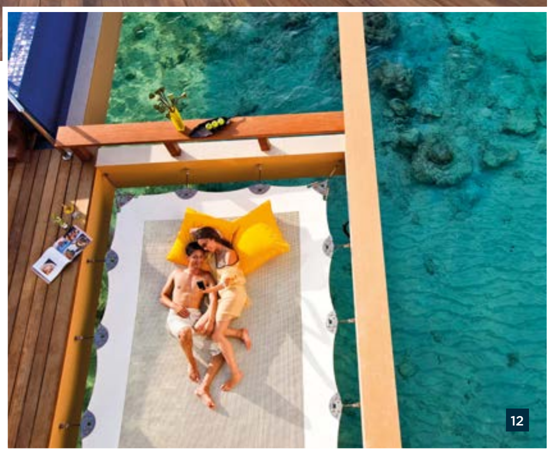
Guests: 53% business – 47% leisure.



swissôtel

11 Contemporary hotels characterized by the excellence and attention to detail typical of Swiss hospitality. We are Swiss at heart and open to the world by nature. We offer our customers the vitality and peace of mind they need to explore the world and get the best of life.

Network: 31 hotels, or 13,431 rooms, in 17 countries, and 4,780 rooms in the pipeline.



ANGSANA

12 Angsana whets your appetite for adventure, whatever your age and desire for travel. A successful alliance of local elegance and vibrant and entertaining experiences, Angsana offers a prodigious choice of destinations around the world for you to explore.

Network: 13 hotels, or 1,630 rooms, in 8 countries, and 1,906 rooms in the pipeline.

Guests: 17% business – 83% leisure.

Luxury and Upscale

25h twenty five hours hotels

13 At 25hours, we create unique, bespoke hotels with personality in vibrant cities. Every 25hours hotel has its very own soul, inspired by the location and shaped by art, culture, gastronomy and local history.

Network: 10 hotels, or 1,347 rooms, in 3 countries, and 841 rooms in the pipeline.

Guests: 30% business – 70% leisure.

GRAND MERCURE

14 Each Grand Mercure hotel is anchored in its surroundings, offering the keys to local cultures and traditions. Our attentive staff bring stories to life and welcome you with elegance, drawing on an innate sense of hospitality.

Network: 48 hotels, or 11,086 rooms, in 12 countries, and 6,185 rooms in the pipeline.

Guests: 57% business – 43% leisure.

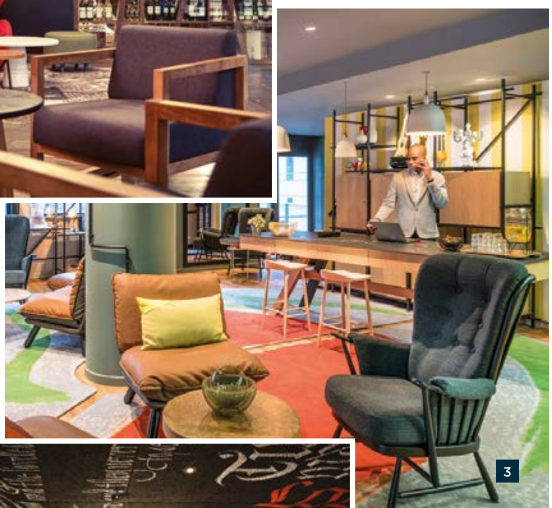
THE SEBEL

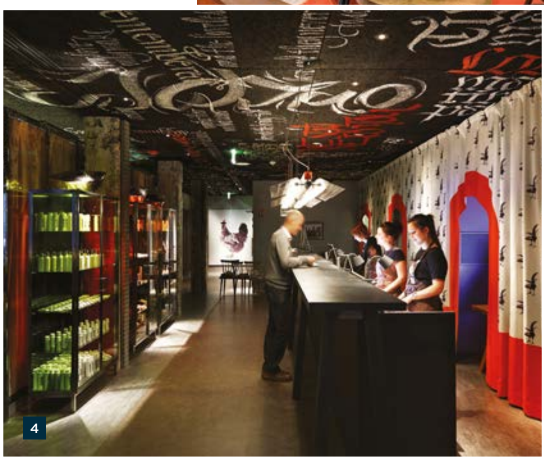
15 Superbly designed, The Sebel apartment hotels provide the perfect setting for relaxing and taking a break. The Sebel experience is the promise of a warm, personal and thoughtful welcome.

Network: 25 properties, or 1,622 apartments, in 3 countries, and 503 rooms in the pipeline.

Guests: 59% business – 41% leisure.

Midscale





NOVOTEL

1 An aesthetic yet functional, modern yet timeless and simple yet reliable design makes each hotel a source of inspiration. The perfect place to grab a quick drink and a bite to eat, work, play or simply relax, guests at Novotel enjoy life to the fullest.

Network: 496 hotels, or 96,771 rooms, in 58 countries, and 26,506 rooms in the pipeline.

Guests: 51% business – 49% leisure.

Mercure

2 Each Mercure hotel is a window onto the destination. Staff know their city perfectly, and every detail of the decoration tells a story about the location and its cultural heritage. And while our Mercure hotels are all unique, they share the same passion for high quality service.

Network: 779 hotels, or 100,160 rooms, in 61 countries, and 22,017 rooms in the pipeline.

Guests: 60% business – 40% leisure.

adagio

3 How can you be out of town and yet enjoy all the comfort of home, all while discovering a new city? Adagio Aparthotels are functional apartments with hotel services and easy-going hospitality. Located in the heart of cities, the brand offers three ranges: Adagio, Adagio access and Adagio premium.

Network: 105 aparthotels, or 11,459 rooms, in 11 countries, and 6,671 rooms in the pipeline.

Guests: 60% business – 40% leisure.

MAMA SHELTER

4 Mama is more than just a place to eat and sleep. It's an urban kibbutz, a place for meeting and sharing. It's like being in your mother's arms – a cozy place where you feel good. Mama takes care of your stomach too, with tasty and unique dishes designed by fantastic chefs. Like a mom, Mama takes care of you!

Network: 7 hotels, or 797 rooms, in 3 countries, and 759 rooms in the pipeline.

Economy

ibis

1 At ibis, our guests benefit from attentive staff available 24/7, the best bedding, contemporary and cozy rooms, and living spaces just like home away from home, always at the best price. Welcome to Europe's leading economy hotel chain!

Network: 1,137 hotels, or 145,081 rooms, in 67 countries, and 24,186 rooms in the pipeline.

Guests: 58% business – 42% leisure.

ibis Styles

2 Each ibis Styles hotel offers a healthy dose of creativity and good humor. Each has its own thematic decoration and imagination is boundless! Welcome to the most stylish economy hotel brand!

Network: 422 hotels, or 43,213 rooms, in 45 countries, and 25,568 rooms in the pipeline.

Guests: 51% business – 49% leisure.

ibis budget

3 Simple, relaxed and at a great price: that just about sums up ibis *budget*. Contemporary rooms, XL showers, comfortable bedding and an all-you-can-eat buffet breakfast – we've got it all! Welcome to ibis budget, the smartest hotel brand!

Network: 588 hotels, or 58,096 rooms in 19 countries, and 10,513 rooms in the pipeline.

Guests: 51% business – 49% leisure.

JO&JOE

4 Designed especially for Millennials, neighbors and travelers, JO&JOE hotels are lively and accessible "open houses", where everyone has a place and can do what they like! The first JO&JOE opened in Hossegor; the second will welcome its guests in Paris in late 2018.

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

hotelF1

5 Who has never dreamed of traveling the roads of France and venturing off the beaten track? For more than 30 years, our hotels have offered quality rooms at economical prices, so that our guests can continue to enjoy their travels in complete freedom.

Network: 170 hotels, or 12,975 rooms, in France.

Guests: 85% business – 15% leisure.

Augmented hospitality

Augmented hospitality means anticipating a customer's every need. Whether organizing upscale events, delivering personalized services, creating unique experiences or offering digital solutions, AccorHotels' vision of augmented hospitality is not just about planning for tomorrow, it is about designing tomorrow.

1.3.2 LUXURY PRIVATE RENTALS

AccorHotels' offer extends beyond conventional hospitality to include the fresh experience of staying in a luxury private home, with bespoke premium concierge services to accommodate the needs of each guest.

onefinestay

1 As the leading luxury private rental brand, onefinestay is redefining hospitality for discerning travelers, offering personalized vacations and services in beautifully appointed homes around the world.

Network: 10,000 properties in more than 180 destinations and 33 countries.

1.3.3 COWORKING

nextdoor

1 Each Nextdoor workspace is designed to help you be as productive as possible. Whether you're a freelancer or an entrepreneur looking for a friendly place to work, or a company looking for flexible and private offices, Nextdoor has the perfect space to bring more energy and creativity to your professional life!

Network: 9 workspaces covering 41,000 sq.m. and 15 workspaces in the pipeline.

MAMAWORKS

2 Mama Works is a real cocoon for inspiration and concentration. It's an invigorating agora where teams can get together to debate, discuss and create. A bright loft where ideas, people and energies circulate freely. Mama Works is all about freedom and flexibility, a rallying point for anyone from forward-thinking CEOs to promising entrepreneurs and freelancers.

Network: 1 space covering 1,812 sq.m. and 3 spaces covering 6,400 sq.m. in the pipeline.

1.3.4 CONCIERGE SERVICES

JOHN PAUL

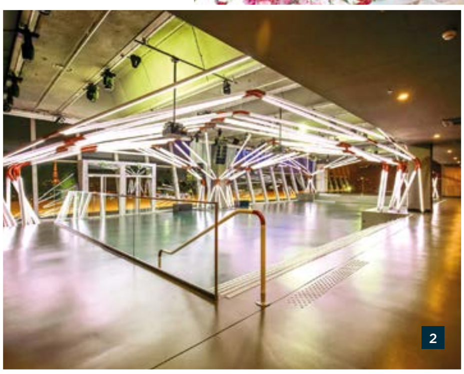
1 Back in its early days in 2008, John Paul offered tailor-made services to individual private customers, before starting to work with companies. Today, John Paul creates and implements bespoke loyalty programs, and ranks as the world leader in concierge services.

Network: 1,000 employees available 24/7 worldwide and 50,000 exclusive partners.

ACCOR LOCAL

2 AccorLocal is the new way to enjoy all that AccorHotels addresses have to offer, even when you're not a guest. Thanks to a dedicated application, you can easily access services offered by our hotels or by local merchants. Delivery of a bouquet of flowers, yoga classes, parking or Sunday morning brunch: with AccorLocal, our hotels become part of the neighborhood – places open to guests and neighbors alike.

1.3.5 FOOD & BEVERAGE AND EVENTS



POTEL & CHABOT

1 Potel & Chabot has been reinventing the art of gastronomy since 1820. Proud champion of French cuisine, its know-how and excellence are now part of the AccorHotels portfolio. With 7 spectacular sites in Paris and a catalog of 600 prestigious venues in France and abroad, Potel & Chabot can organize events of any size.

Some exclusive addresses: Pavillon Gabriel, Pavillon Kléber, Pavillon Dauphine, Hôtel d'Évreux.

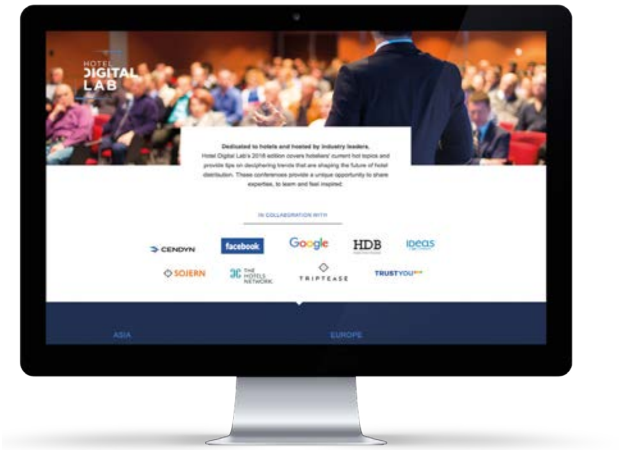
NOCTIS

2 In just under 10 years, Groupe Noctis has become a leader in events, hospitality and entertainment in France.

Some iconic addresses:
Terminal 7, Monsieur Bleu, Loulou, Raspoutine, Le Rooftop R2, plus 9 prestigious projects in the pipeline.

Activity: 3,000 events organized each year.

1.3.6 DIGITAL SOLUTIONS



1

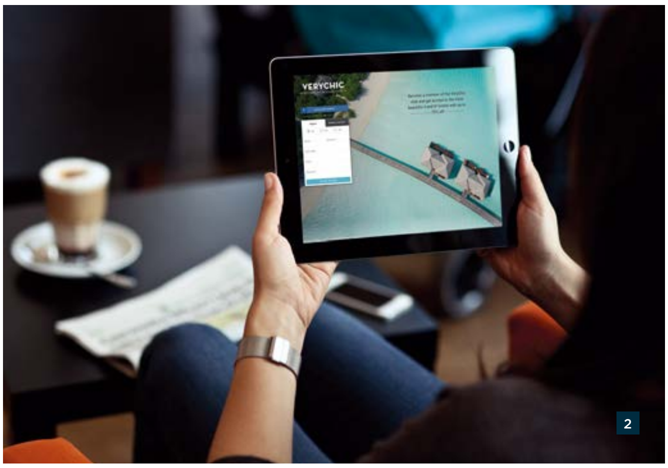
availpro

FASTBOOKING

1 Availpro and Fastbooking work together to provide independent hotel operators with powerful technological tools to optimize their direct or indirect digital distribution, to maximize their revenues and drive their business.

Network: more than 10,500 hotels and 450 partners.

Activity: 30.6 billion visits processed, 15.5 million bookings, 38 million nights sold.



2

GEKKO

Gekko is the European leader in hotel reservation platforms. Through its brands, it offers innovative solutions in business and leisure travel, as well as wholesaler distribution solutions.

Activity: 300 corporate customers, 14,000 travel agencies in 7 countries, 600,000 hotels and private rentals spread around the world.

VERYCHIC

2 VeryChic offers its members exclusive offers in exceptional hotels, with discounts of up to 70%. More than 4,000 partner hotels optimize their distribution *via* VeryChic.

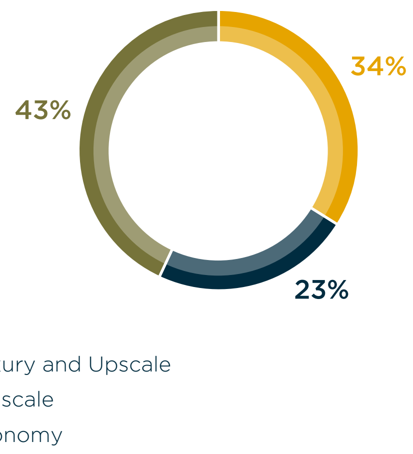
Network: 7 million members, 4,000 partner hotels in 50 countries.

1.3.7 Global coverage spanning all market segments

AccorHotels operates on six continents and covers all market segments, from Economy to Luxury/Upscale.

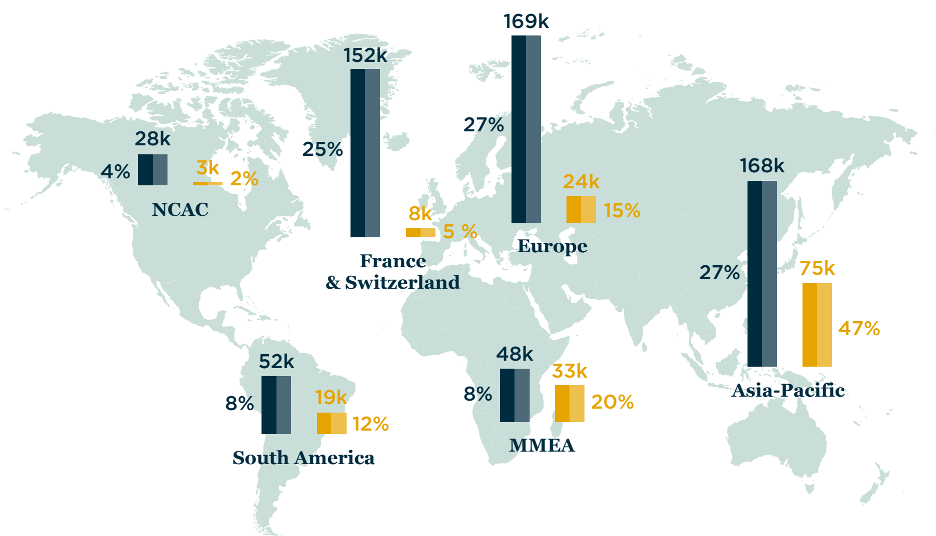
Hotel portfolio by segment at December 31, 2017

(% based on number of rooms)



Hotel portfolio and pipeline by region at December 31, 2017

(% based on number of rooms)



The Group's largest market for historical reasons, Europe is home to AccorHotels' densest network: its 2,834 hotels and 320,402 rooms represented 52% of its total portfolio by number of rooms at the end of 2017.

At the same time, AccorHotels has also captured new growth drivers in other parts of the world thanks to energetic development in Asia-Pacific with 834 hotels (27% of rooms), North America, Central America & the Caribbean with 82 hotels (4% of rooms), South America with 329 hotels (8% of rooms) and the Middle East & Africa with 204 hotels (8% of rooms).

Hotel portfolio by region and brand at December 31, 2017

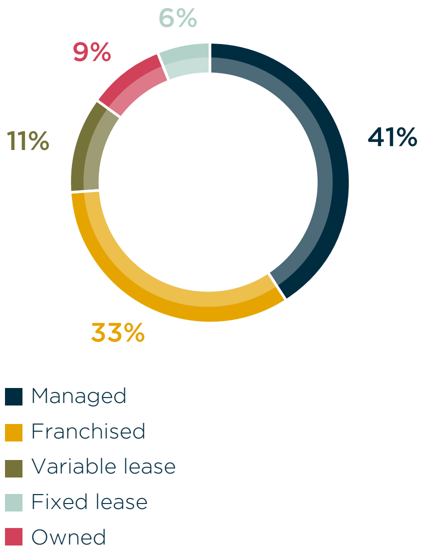
	France & Switzerland		Europe		Middle East & Africa		Asia-Pacific		North America, Central America & the Caribbean		South America		Total	
Brand	**Hotels**	**Rooms**	**Hotels**	**Rooms**	**Hotels**	**Rooms**	**Hotels**	**Rooms**	**Hotels**	**Rooms**	**Hotels**	**Rooms**	**Hotels**	**Rooms**
Raffles	1	149	1	185	3	552	6	1,041	-	-	-	-	11	1,927
Fairmont	2	838	7	1,850	16	5,222	10	3,273	41	18,514	-	-	76	29,697
Sofitel	12	1,613	22	5,125	25	6,386	53	15,481	6	1,909	8	1,425	126	31,939
Pullman	12	3,483	18	4,712	12	3,994	71	21,277	3	1,204	5	1,504	121	36,174
MGallery	30	2,322	24	2,762	5	668	29	3,384	-	-	3	359	91	9,495
Swissôtel	2	585	10	2,516	4	3,731	12	5,318	1	661	2	620	31	13,431
Grand Mercure	-	-	-	-	2	552	39	8,678	-	-	7	1,856	48	11,086
The Sebel	-	-	-	-	-	-	25	1,622	-	-	-	-	25	1,622
Rixos	1	49	10	4,472	5	2,608	-	-	-	-	-	-	16	7,129
Luxury and Upscale	**60**	**9,039**	**92**	**21,622**	**72**	**23,713**	**245**	**60,074**	**51**	**22,288**	**25**	**5,764**	**545**	**142,500**
Novotel	120	16,686	142	28,319	27	5,789	141	35,172	11	2,590	23	4,287	464	92,843
Novotel Suites	21	2,383	8	1,162	3	383	-	-	-	-	-	-	32	3,928
Mercure	248	24,040	321	41,410	25	5,029	119	21,068	1	178	65	8,435	779	100,160
adagio	31	3,524	12	1,530	4	679	-	-	-	-	8	960	55	6,693
Mama Shelter	-	-	-	-	-	-	-	-	-	-	2	178	2	178
Midscale	**420**	**46,633**	**483**	**72,421**	**59**	**11,880**	**260**	**56,240**	**12**	**2,768**	**98**	**13,860**	**1,332**	**203,802**
Multi-brand	**5**	**268**	**3**	**432**	**9**	**1,332**	**25**	**3,295**	**1**	**323**	**-**	**-**	**43**	**5,650**
ibis	411	36,454	336	45,813	48	8,628	186	31,193	16	2,151	140	20,842	1,137	145,081
ibis Styles	193	13,960	107	10,630	12	1,914	83	13,299	2	172	25	3,238	422	43,213
ibis *budget*	348	27,770	161	17,677	4	484	35	4,274	-	-	40	7,891	588	58,096
adagio access	42	4,340	2	270	-	-	-	-	-	-	1	156	45	4,766
hotelF1	170	12,975	-	-	-	-	-	-	-	-	-	-	170	12,975
Jo&Joe	1	98	-	-	-	-	-	-	-	-	-	-	1	98
Economy	**1,165**	**95,597**	**606**	**74,390**	**64**	**11,026**	**304**	**48,766**	**18**	**2,323**	**206**	**32,127**	**2,363**	**264,229**
TOTAL	**1,650**	**151,537**	**1,184**	**168,865**	**204**	**47,951**	**834**	**168,375**	**82**	**27,702**	**329**	**51,751**	**4,283**	**616,181**

1.3.8 Operating structures refocused on management contracts and franchise agreements

Historically, AccorHotels has had four main modes of affiliation: management contracts and franchise agreements, which help reduce the volatility of hotel earnings, as well as lease contracts and ownership.

As of December 31, 2017, a total of 41% of the hotel base was operated under management contracts, 33% under franchise agreements and 26% was owned or leased.

Hotel portfolio by operating structure at December 31, 2017
(% based on number of rooms)



Approved in 2014, the Group's reorganization into HotelServices and HotelInvest saw owned and leased hotels become subsidiaries of HotelInvest before being legally attached to AccorInvest in 2017. These assets continue to be operated under management contracts by HotelServices, which also provides hospitality services for franchised hotels.

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

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

The Group's strategy is to choose the operating structure of its hotels in accordance with:

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

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

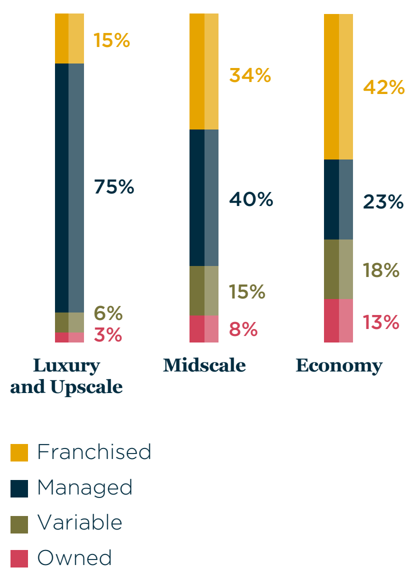
- management contracts in the Luxury segment;
- management contracts and franchise agreements in the upscale segment;
- management contracts and/or franchise agreements in the Midscale segment;
- franchise agreements in the Economy segment in Europe.

In emerging markets, the Group focuses on:

- management contracts in the Luxury and Upscale segments.

In keeping with its asset-light strategy, franchise agreements and management contracts already represented the lion's share of AccorHotels' hotel portfolio in relation to leased and owned hotels at the end of 2017 (74% *vs*. 26%). Their proportion will increase even further after the sale of AccorInvest, climbing to 95%.

Hotel portfolio by segment and operating structure at December 31, 2017
(% based on number of rooms)



In 2017, 90% of contracts in place in the Luxury/Upscale segment were under management contracts or franchise agreements, compared with 65% in the Economy segment. More specifically, while management contracts have largely dominated the Luxury/Upscale segment (75% *vs*. 15% under a franchise agreement), this proportion dropped to only 23% in the Economy segment (*vs*. 42% under a franchise agreement).

The sale of AccorInvest will therefore not trigger much change in the Luxury/Upscale segment business model. But it will significantly alter that of the Economy segment, where owned and leased hotels make up 39% of the portfolio, by taking the overheads on these establishments (rents and investments) away from AccorHotels.

Hotel portfolio by brand and operating structure at December 31, 2017

	Owned		Fixed lease		Variable lease		Managed		Franchised		Total	
Brand	**Hotels**	**Rooms**	**Hotels**	**Rooms**	**Hotels**	**Rooms**	**Hotels**	**Rooms**	**Hotels**	**Rooms**	**Hotels**	**Rooms**
Raffles	-	-	-	-	-	-	11	1,927	-	-	11	1,927
Fairmont	1	593	1	769	-	-	73	28,077	1	258	76	29,697
Sofitel	16	2,906	3	842	4	569	100	26,426	3	1,196	126	31,939
Pullman	5	1,119	3	907	6	2,147	81	24,036	26	7,965	121	36,174
MGallery	2	219	6	731	3	432	35	4,104	45	4,009	91	9,495
Swissôtel	-	-	2	1,807	3	784	23	9,813	3	1,027	31	13,431
Grand Mercure	-	-	-	-	-	-	33	9,090	15	1,996	48	11,086
The Sebel	-	-	-	-	-	-	11	897	14	725	25	1,622
Rixos	-	-	-	-	-	-	8	3,025	8	4,104	16	7,129
Luxury and Upscale	**24**	**4,837**	**15**	**5,056**	**16**	**3,932**	**375**	**107,395**	**115**	**21,280**	**545**	**142,500**
Novotel	52	11,279	29	5,524	83	14,837	180	43,526	120	17,677	464	92,843
Novotel Suites	1	118	6	971	11	1,396	5	637	9	806	32	3,928
Mercure	31	5,893	36	5,576	46	7,418	196	31,145	470	50,128	779	100,160
adagio	2	207	9	992	9	1,325	31	3,732	4	437	55	6,693
Mama Shelter	1	55	-	-	-	-	1	123	-	-	2	178
Midscale	**87**	**17,552**	**80**	**13,063**	**149**	**24,976**	**413**	**79,163**	**603**	**69,048**	**1,332**	**203,802**
Multi-brand	**-**	**-**	**1**	**51**	**-**	**-**	**28**	**4,068**	**14**	**1,531**	**43**	**5,650**
ibis	112	17,307	69	9,517	172	27,019	180	33,858	604	57,380	1,137	145,081
ibis Styles	7	864	3	308	11	2,124	89	14,552	312	25,365	422	43,213
ibis *budget*	78	8,341	61	7,153	72	10,154	49	7,092	328	25,356	588	58,096
adagio access	-	-	5	467	2	316	38	3,983	-	-	45	4,766
hotelF1	115	9,121	-	-	1	386	-	-	54	3,468	170	12,975
Jo&Joe	-	-	1	98	-	-	-	-	-	-	1	98
Economy	**312**	**35,633**	**139**	**17,543**	**258**	**39,999**	**356**	**59,485**	**1,298**	**111,569**	**2,363**	**264,229**
TOTAL	**423**	**58,022**	**235**	**35,713**	**423**	**68,907**	**1,172**	**250,111**	**2,030**	**203,428**	**4,283**	**616,181**

From a geographical perspective, AccorHotels selects operating structures based on its priorities, constraints set by local laws and negotiations with real estate partners who, depending on the situation, may be sellers of hotel portfolios or partners in construction projects.

Hotel portfolio by region and operating structure at December 31, 2017

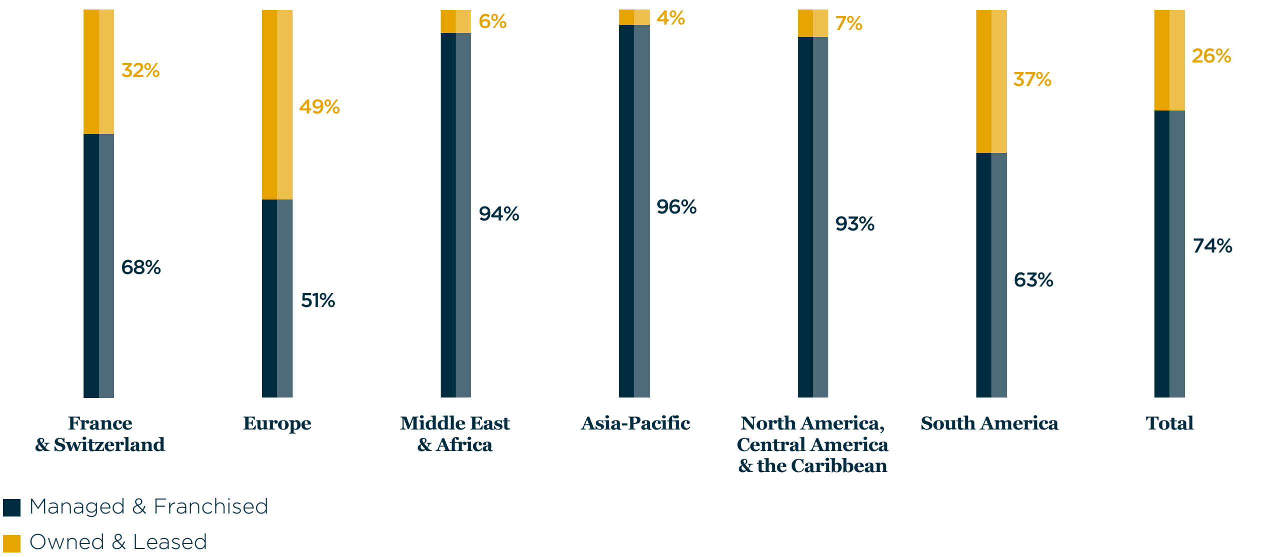
	Owned		Fixed lease		Variable lease		Managed		Franchised		Total	
	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms
France & Switzerland	174	17,310	44	4,866	171	26,640	139	17,709	1,122	85,012	1,650	151,537
Europe	184	30,381	179	26,534	170	26,492	129	21,727	522	63,731	1,184	168,865
Middle East & Africa	16	2,857	-	-	1	258	166	40,997	21	3,839	204	47,951
Asia-Pacific	18	1,987	10	4,025	1	208	548	125,988	257	36,167	834	168,375
North America, Central America & the Caribbean	1	593	-	-	9	1,375	60	23,075	12	2,659	82	27,702
South America	30	4,894	2	288	71	13,934	130	20,615	96	12,020	329	51,751
TOTAL	**423**	**58,022**	**235**	**35,713**	**423**	**68,907**	**1,172**	**250,111**	**2,030**	**203,428**	**4,283**	**616,181**

At the end of 2017, 96% of the Group's hotels in Asia-Pacific were operated under management contracts and franchise agreements. The Middle East & Africa, North America, Central America & the Caribbean and South America regions accounted for 94%, 93% and 63% of hotels under management contracts and franchise agreements, respectively.

France and Europe had among the lowest proportions of hotels under management contracts and franchise agreements, with only 68% and 51% of hotels respectively. These are the two regions where the majority of assets were transferred by AccorHotels to AccorInvest, representing 84% of AccorInvest's portfolio.

Breakdown of the hotel portfolio by region and operating structure at December 31, 2017

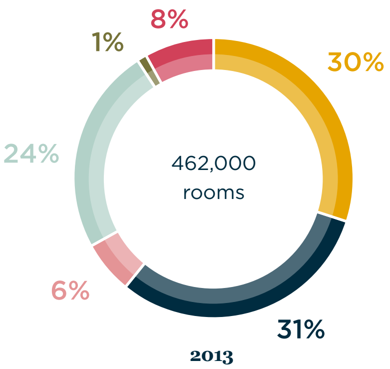
(% based on number of rooms)

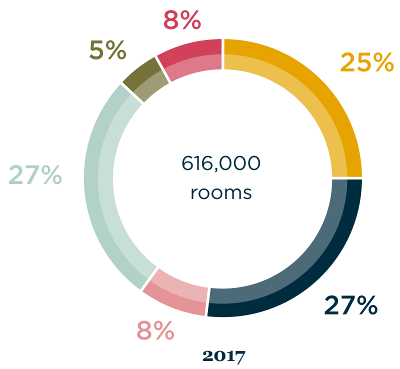


1.3.9 A strategic focus on emerging markets and the Luxury segment

Whether through the restructuring of its real estate by HotelInvest since 2014, external growth transactions with the acquisitions of FRHI, BHG and soon Mantra, or through partnerships with Huazhu, Banyan Tree, Rixos, Orient Express, 25hours and Mama Shelter, much greater priority has been given to management contracts and franchise agreements. Transactions of this nature have consolidated AccorHotels' operations in fast-growing areas, whose weighting in the portfolio increased by more than 7 points between 2013 and 2017, accelerating growth in the Group's fee income.

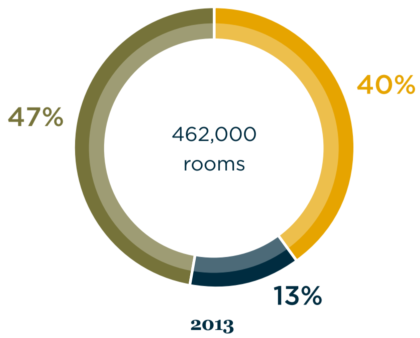
Breakdown of the hotel portfolio by region at December 31, 2013 and December 31, 2017
(% based on number of rooms)

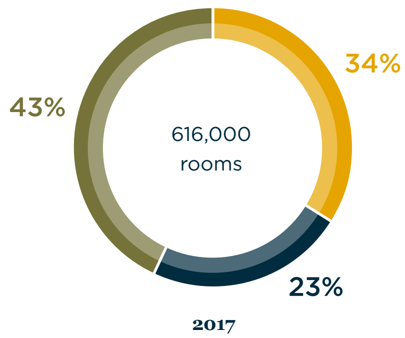




- France & Switzerland
- Europe
- Middle East & Africa
- Asia-Pacific
- North America, Central America & the Caribbean
- South America

Breakdown of the hotel portfolio by segment at December 31, 2013 and December 31, 2017
(% based on number of rooms)

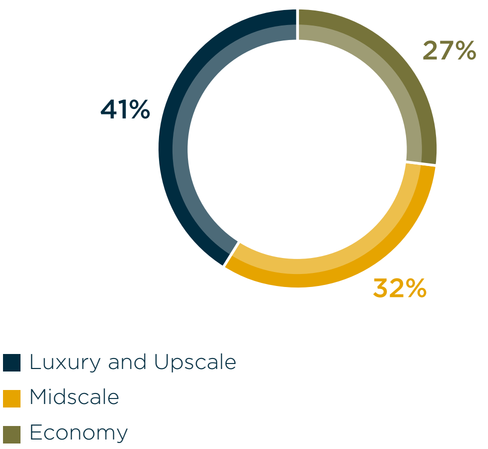




- Luxury and Upscale
- Midscale
- Economy

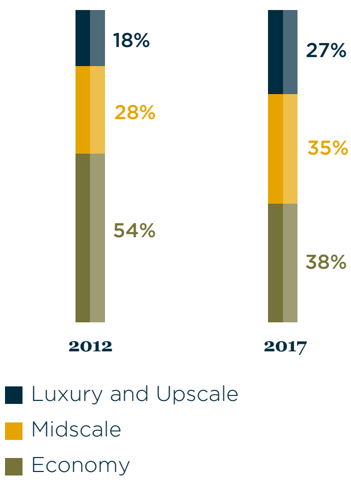
From 2013 to 2017, the share of Luxury/Upscale addresses in the Group's hotel portfolio increased by 10 points, from 13% to 23%, thanks in large part to the addition of Fairmont, Raffles and Swissôtel. AccorHotels derived 41% of fees collected in 2017 from the Luxury/Upscale segment, a significant increase of 19 points from 22% in 2013 in the space of four years.

Breakdown of fees by segment at December 31, 2017



The structure of the pipeline at end-2017 points to a continuation of this trend in the coming years, with the Luxury/Upscale segment set to gain a further 9 points to 27%, the Midscale segment an additional 7 points to 35%, and the Economy segment poised to shed 16 points from 54% to 38%. This is expected to keep the Group's margins at a high level.

Breakdown of the pipeline by segment at December 31, 2017
(% based on number of rooms)



The range of 24 hotel brands offered by the Group as of December 31, 2017 covers all segments. The strong international development of its various banners, particularly in fast-growing markets, allows AccorHotels to take full advantage of a very dynamic global hotel market.

1.3.10 Markets and competition

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

Hotel companies ranked by number of rooms worldwide at January 1, 2018

Rank	Group	Number of rooms	Number of hotels
1	Marriott International	1,235,512	6,431
2	Hilton Worldwide	848,014	5,236
3	International Hotels Group	798,075	5,348
4	Wyndham Hotel Group	728,195	8,422
5	Jin Jiang	680,111	6,794
6	**AccorHotels**	**616,181**	**4,283**
7	Choice Hotels International	525,573	6,627

Source: Hospitality ON – March 2018.

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

European hospitality groups by number of rooms at January 1, 2018 (28 European Union countries)

Rank	Group	Number of rooms	Number of hotels
1	**AccorHotels**	**291,429**	**2,673**
2	Intercontinental Hotels Group	96,712	616
3	Marriott International	90,360	446
4	Best Western	78,051	1,103
5	Jin Jiang / Louvre Hotels	71,104	1,008

Source: Hospitality ON – January 2018.

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

European integrated hotel chains by number of rooms at January 1, 2018 (28 European Union countries)

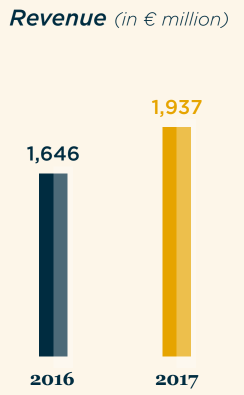
Rank	Chain	Number of rooms	Number of hotels
1	**ibis megabrand (ibis, ibis Styles, ibis *budget*)**	**141,113**	**1,474**
2	Best Western	78,772	1,106
3	Holiday Inn/Holiday Inn Express	69,590	487
4	Premier Inn	65,988	789
5	**Mercure**	**61,386**	**541**
6	NH Hoteles	45,414	304
7	**Novotel/Suite Novotel**	**43,982**	**266**
8	Travelodge	41,830	557
9	B&B Hotels	36,357	421
10	Hilton International	33,576	120

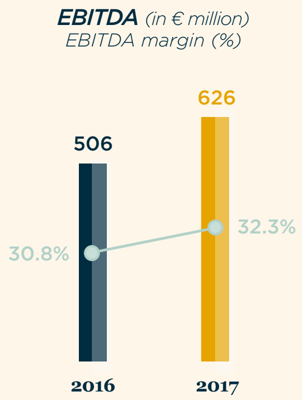
Source: Hospitality ON – January 2018.

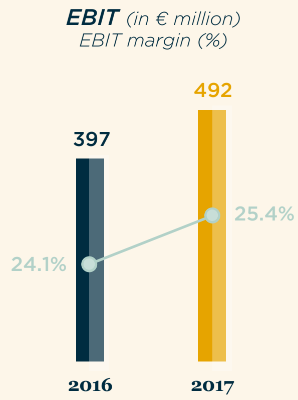
1.4 KEY FIGURES

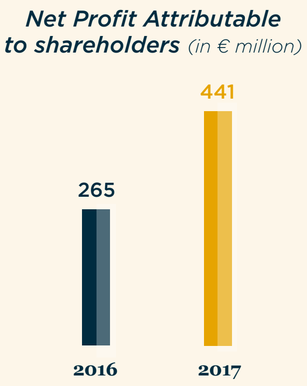
GROSS VOLUME	REVENUE	NET PROFIT ATTRIBUTABLE to Shareholders	MARKET CAPITALISATION at December 31, 2017
€17.9 billion	€1.9 billion	€441 million	€12.5 billion

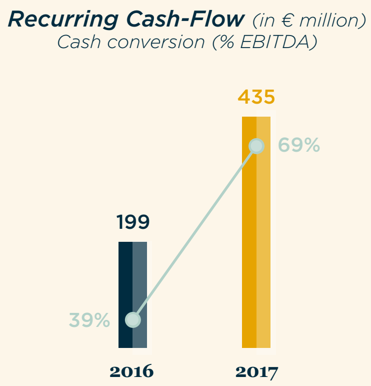
GROUP

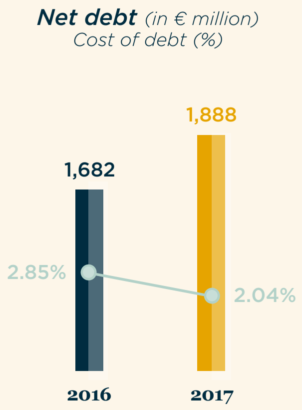


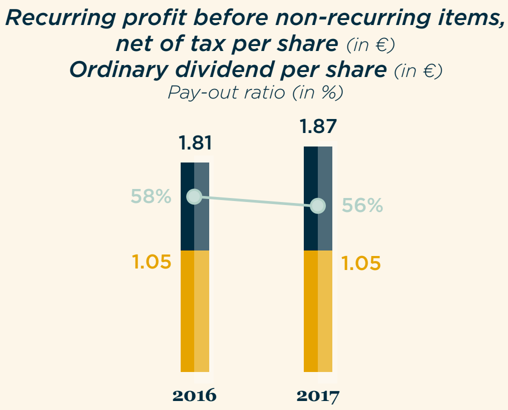












4,283
HOTELS

10,000
LUXURY PRIVATE HOMES

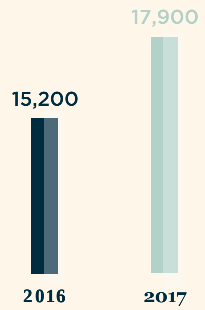
250,000
EMPLOYEES WORKING FOR ACCORHOTELS BRANDS

99
COUNTRIES

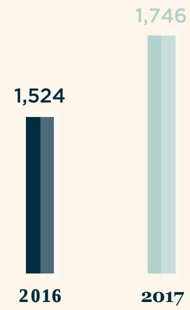
BY ACTIVITY

HotelServices

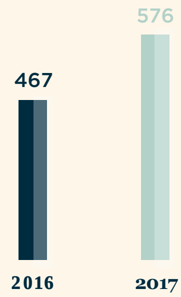
Gross volume
(in € million)



Revenue
(in € million)

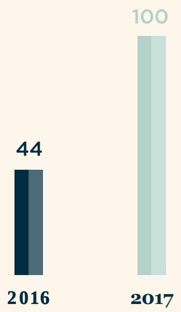


EBIT
(in € million)

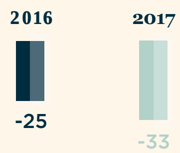


New Businesses

Revenue
(in € million)

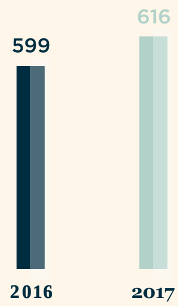


EBIT
(in € million)

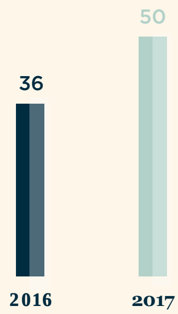


Hotel Assets

Revenue
(in € million)



EBIT
(in € million)



1.5 STRATEGY AND OUTLOOK

In a rapidly changing world, the hotel industry is completely reinventing itself to move closer in line with the expectations of travelers, and to meet a range of challenges including geographical coverage, segmentation, brand development, property portfolio, loyalty, synergies and offerings.

After a transformative year in 2016, when it strengthened its business model in luxury hotels and built a complementary model in the world of travel and concierge services, 2017 marked a turning point for AccorHotels, whose shareholders approved the legal separation of HotelServices and HotelInvest (now AccorInvest) prior to the sale of a majority stake in AccorInvest in the second quarter of 2018, giving the two businesses the opportunity to develop their respective growth models as fully as possible.

AccorHotels also continued to expand its brand portfolio with new concepts and new addresses through the acquisition of BHG in Brazil and Mantra in Australia, New Zealand, Indonesia and Hawaii. The Group additionally forged a strategic partnership with SNCF based on the Orient Express brand, a symbol of the art of luxury travel, imbued with culture, splendor and refinement, which both groups have pledged to develop over time.

AccorHotels consolidated its digital operations by acquiring Availpro, creating the leading European provider of digital services for independent hotels in combination with Fastbooking, which it acquired in 2015.

The Group also diversified its activities in private sales of hotel accommodation and luxury holidays by acquiring VeryChic. It strengthened its operations in hotel bookings for business customers with the acquisition of Gekko 2018, and moved into the rental of collaborative workspaces by forming a partnership with Bouygues Immobilier *via* the acquisition of 50% of Nextdoor.

AccorHotels also became the global leader in the private sale of luxury and high-end holidays following the full acquisition of Travel Keys, Squarebreak and onefinestay, all of which are now grouped together under the onefinestay brand, the Group's provider of luxury serviced home rentals.

Lastly, AccorHotels seized complementary growth opportunities in events, food and beverage, and entertainment by acquiring stakes in Potel & Chabot and Noctis.

Enjoying strong growth in virtually all of its markets, the Group delivered a robust operating and financial performance, driven by both very substantial development of 51,413 rooms during the year and the consolidation of acquisitions and equity investments.

Bolstered by the cementing of its leadership, its diversification strategy and its digital innovations, the Group's robust fundamentals and broader ecosystem today position it as a leader in hospitality and a specialist in travel and mobility.

In 2018, which is expected to be a further year of very strong growth for the tourism market in the Group's key markets, AccorHotels' strategy will be based on the following priorities:

- sale of a majority stake in AccorInvest in the second quarter of 2018;
- faster organic development estimated at 45,000 rooms per year;
- consolidation of accretive new acquisitions in the hospitality industry;
- formation of new partnerships enhancing the Group's ecosystem;
- reinforcement of the Group's business model by combining acquired activities to design innovative service offerings, sources of unparalleled value;
- ramp-up of new initiatives, including convenience services.

In this way, AccorHotels aims to bring together a broad portfolio of offerings and expertise in the hotel industry, particularly the luxury segment and in new concepts for the Group such as lifestyle and resorts, and to consolidate its operations in non-hotel travel solutions (home rentals, etc.) and convenience services through strategic acquisitions and the launch of AccorLocal.

The Group will intensify its geographical expansion. In particular, it will step up its growth in highly dynamic markets, in China and emerging economies.

The digital plan will further strengthen the Group's digital and loyalty capabilities, and new digital solutions will be developed during the year.

Each of these strategic areas will be instrumental in driving the Group's performance today and in the future.

1.5.1 AccorHotels, a winner in a competitive sector

In line with 2016, AccorHotels continued its development at a rapid pace in 2017, in a favorable economic environment.

Sustained development, meeting growing global demand

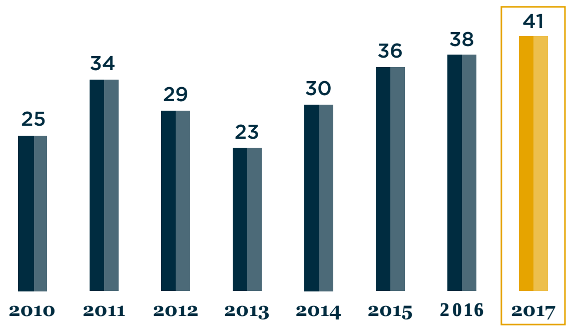
AccorHotels' dynamic development and prime locations are key assets its growth.

A rapidly expanding hotel base

Organic growth for AccorHotels reached a record high in 2017, with the Group opening 264 hotels and 40,802 rooms worldwide. This development is poised to intensify in the coming years, stabilizing at an average of roughly 45,000 rooms per year at cruising speed.

Record organic growth

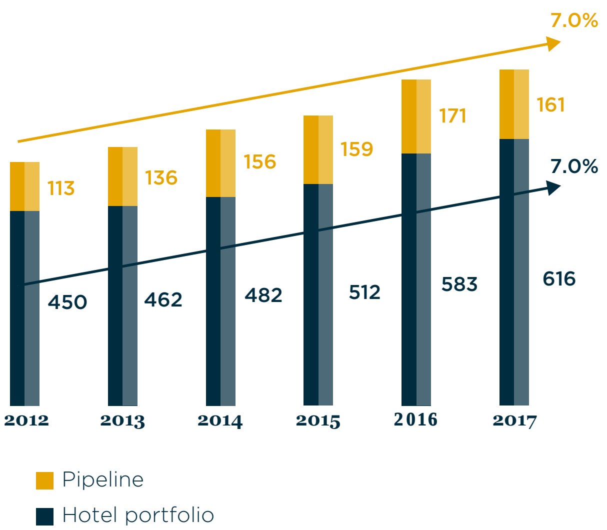
(gross, in thousands of rooms)



More broadly, in line with the Group's overall growth strategy, management contracts and franchise agreements accounted for 94% of development, representing more than two hotel openings every three days and 140 rooms per day.

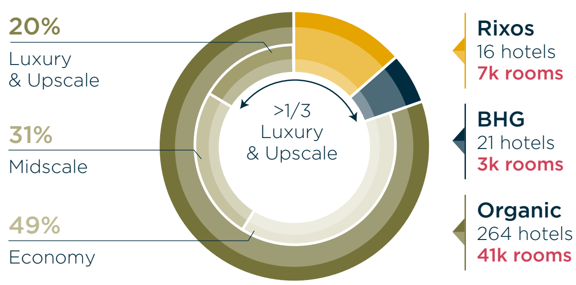
From 2012 to 2017, the Group's hotel portfolio and pipeline grew by an average of 7.0% each year, representing a conversion rate of 111%[(1)].

Robust growth in hotel portfolio and pipeline



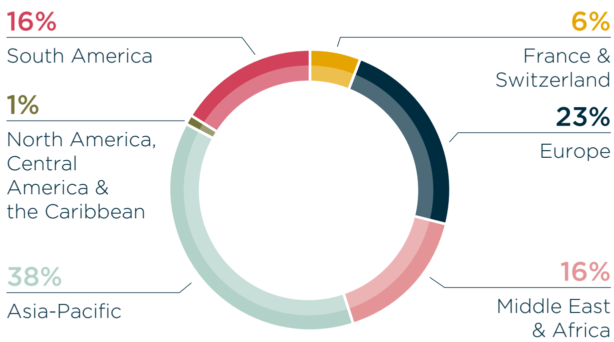
New hotels were opened in all market segments, in the same proportions as in prior years, with half in the ibis family which confirmed its strong potential throughout the world, a third in the Midscale segment and the rest in the Luxury segment where AccorHotels acquired strategic market shares, particularly in North America, with the integration of the Raffles, Fairmont and Swissôtel brands (FRS).

Breakdown of openings by segment at December 31, 2017



Breakdown of openings by region at December 31, 2017

(gross, in thousands of rooms)



71% of openings in 2017 were outside Europe: 38% in Asia-Pacific, 16% in the Middle East & Africa, 16% in South America and 1% in North America, Central America & the Caribbean.

In Asia-Pacific, China was the driving force of the Group's development thanks to the strength of its strategic partner, Huazhu.

Fast development in China, boosted by Huazhu

The Group's development in China was excellent, thanks to the strategic alliance with Huazhu signed in January 2016. Since the alliance was formed, AccorHotels has experienced a sharp acceleration in growth in the country through its Economy and Midscale brands, signing contracts with 177 hotels in 2017. More than 280 are currently under negotiation.

A total of 1,055 of the Group's hotels can now be booked *via* the Huazhu distribution platforms and 495 Huazhu hotels can be booked *via* the accorhotels.com platform. Members of the Huazhu loyalty program can also take advantage of AccorHotel's loyalty program.

Moreover, in view of Huazhu's strong growth in China, the 10.8% equity interest acquired in January 2016 for $193 million was worth $1.1 billion as of December 31, 2017. The 450% increase in two years has exceeded the Group's initial expectations and substantially contributed to its performance.

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

(1) The conversion rate corresponds to the Group's organic growth from 2012 to 2017 based on the 2012 pipeline.

Stronger leadership in Brazil

On March 2, 2017, AccorHotels announced that it had consolidated its leadership in Brazil, with the acquisition of 26 new hotels under management contracts (representing some 4,400 rooms) in the country's main hotel markets, for a total of €60 million.

Brazil offers considerable growth opportunities. The portfolio of hotels owned or managed by Brazil Hospitality Group (BHG), the country's third-largest hospitality group, represents a very good strategic fit with AccorHotels' Brazilian network. Thanks to the addition of a number of iconic hotels, the Group will significantly increase recognition of its brands in all segments of the Brazilian market.

The hotels will be extensively refurbished and repositioned. They will be transferred to AccorHotels banners by the end of 2019 under long-term management contracts.

The Group has also strengthened its presence in Asia-Pacific.

Reinforcing AccorHotels' leadership in Asia-Pacific

In October 2017, AccorHotels announced the signing of an agreement to acquire 100% of Mantra Group Limited, subject to the approval of the Australian regulatory authorities and Mantra shareholders. Under the terms of this agreement, AccorHotels will pay approximately €900 million in cash to the shareholders of Mantra Group Limited.

Trading under the Peppers, Mantra and BreakFree banners, Mantra Group Limited's establishments range from luxury beach resorts to hotel apartments in cities and major tourist destinations. Mantra Group Limited's know-how in apartment management represents a new growth opportunity for AccorHotels, allowing it to access new locations, new forms of accommodation and new customers, and complementing its hotel offering in Australia, New Zealand, Indonesia and Hawaii.

The merger of the two Groups will provide the new entity with new facilities, know-how and complementary offers, as well as better distribution and improved operating systems, reinforcing its growth.

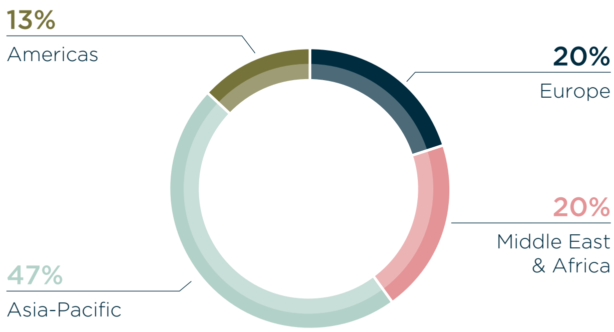
A pipeline supported by acquisitions and strategic partnerships

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

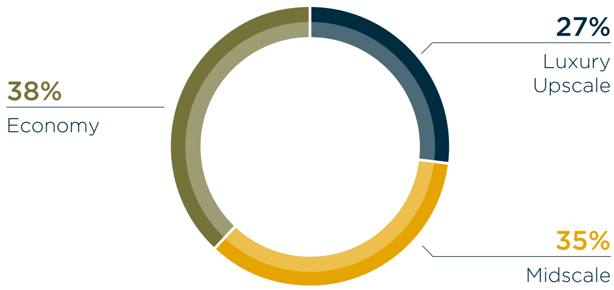
Since the addition of the Fairmont, Raffles and Swissôtel brands to the Group's portfolio in July 2016, AccorHotels has launched the development of 36 hotels (representing 26% of the total pipeline) and is expected to generate €65 million in synergies in 2018.

More generally, AccorHotels' development pipeline as of December 31, 2017 includes 874 hotels (161,000 rooms), with nearly 81% in fast-growing markets and 47% in the Asia-Pacific region.

Pipeline by region at December 31, 2017



Pipeline by segment at December 31, 2017



Accounting for 26% of the portfolio at the end of 2017, the pipeline spans all AccorHotels brands and segments. Markets tapped by the Group through partnerships and investments concluded over the last two years secure growth prospects and the promise of sustained development in the coming years.

As of December 31, 2017, the hotel base comprised 4,283 hotels and 616,181 rooms.

A solid global presence that benefits from a worldwide shortage of hotels

The hotel industry is the world's second most dynamic business sector. It is expected to drive 23% of job creations worldwide over the coming 10 years, and also to account for 7% of global exports[1].

Europe represents 50% of international tourism (global inbound tourist arrivals total 1.3 billion, of which 650 million for Europe and 85 million for France). Overnight stays booked in hotels worldwide totaled 7 billion in 2010 and 8.5 billion in 2017, and are expected to reach roughly 10.5 billion by 2020.

Spending on tourism and travel grew by 28% between 2010 and 2017, *i.e.* 3.5% per year, a pace that is poised to double to approximately 7% per year between 2017 and 2020.

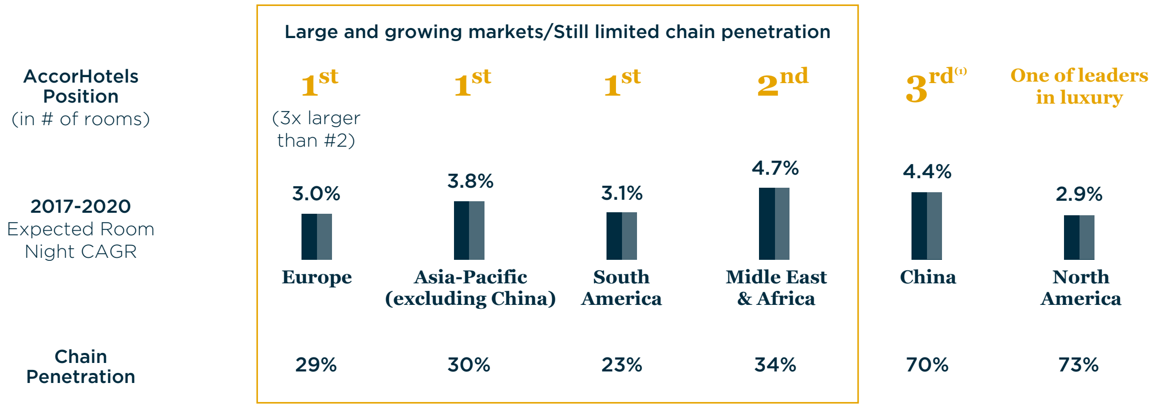
The Group expects its growth to benefit greatly from this momentum in the coming years. With nearly 320,000 rooms in Europe, AccorHotels boasts the broadest footprint in Europe and France, bigger than those of its three main competitors combined. The same applies in emerging markets, where growth is strongest: in South America and Asia-Pacific (excluding China) where the Group is also leader, in the Middle East & Africa, and in China with its partner Huazhu.

(1) World Travel & Tourism Council (WTTC).

Projected growth in tourism is significant in each of these regions, although hotel chain penetration rates remain relatively low.

Growth in overnight stays is set to continue in Asia-Pacific and the Middle East & Africa where hotel chain penetration stands at a respective 30% and 34% of supply, with projected annual rates of 3.8% and 4.7% respectively until 2020. The same goes for Latin America, where annual growth is expected to average 3.1% in the years to 2020, and where the hotel chain penetration rate is running at just 23%. It is also true of China, where hotel chain penetration is already much stronger (70%), in a persistently buoyant market, where growth is expected to average 4.9% per year until 2020.

Competitive positioning and development prospects in key markets



(1) Including Huazhu.

Overall growth is inversely proportional to the maturity of the markets in question. Europe's growth projection is a moderate 3.0%. However, spending on travel is greatest in these areas, and is projected to grow to $1 trillion between 2016 and 2020. By contrast, while spending on travel is lower in emerging markets, be they in Asia, South America or the Middle East & Africa, these markets enjoy higher growth rates in tourism, offsetting a lower average spend.

Benefiting from a balanced global footprint, the Group accordingly stands to benefit significantly from growth in international tourism flows in the coming years.

Chinese tourism abroad is intensifying each year, and Chinese tourists already spend twice as much as their American counterparts. Tourist arrivals are currently enjoying the fastest growth in Europe and Asia-Pacific, with rates of 8% and 5% respectively, compared with just 2% in North America.

But despite being very significant, these international tourist flows represent only about 30% of the global tourism market. Domestic travel accounts for more than 70% of travel and tourism expenditure, which is why the Group is also reinforcing its positions in countries where it is already a leader. Leisure also makes up a very large proportion of travelers' expenses, accounting for more than 75% of their overall budget. This is why the Group's acquisition strategy in the world of resorts makes so much sense.

The factors explaining the strength of emerging markets include burgeoning middle classes, as well as the advent of new generations who are more inclined, or more motivated to travel.

This is especially so since the overall cost of travel has declined in recent years, in large part thanks to private home rental platforms, which offer cheaper alternatives to hotels. Travelers want greater authenticity and originality, and their demand for this type of accommodation has surged over the last 10 years, as it has for cruises and other less standardized experiences.

Against this backdrop, while the hotel industry is growing, it only managed to keep its share of all types of accommodation stable at 75% between 2005 and 2015, at a time when demand for overnight stays surged from 7.7 to 11.3 billion (+46%)[1].

This shows that the hotel industry has kept pace with growth in global demand, but that demand has at the same time turned to other types of accommodation, which have managed to secure their market share at roughly 25% since 2005.

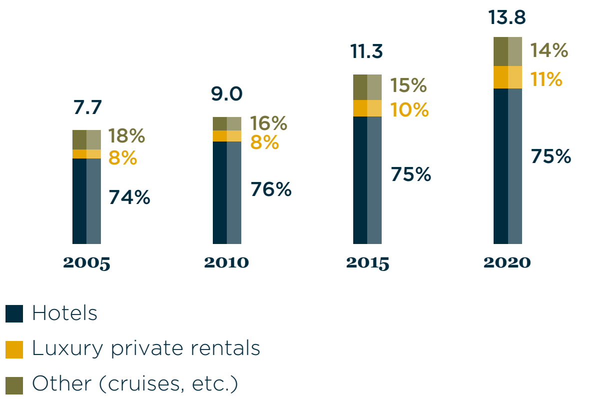
Between 2005 and 2015, private home rental platforms (10% of accommodation at the end of 2015) gained 2 points on other types of accommodation (cruises, B&B, representing 15% of accommodations at the end of 2015).

These trends are expected to continue in the years to 2020, with growth in demand for overnight stays expected to average roughly 22% between 2015 and 2020[1].

The hotel industry's share is expected to remain stable at 75%, but the share of private home rental platforms is set to continue growing at the expense of other types of accommodation. This is what explains the Group's decision to acquire onefinestay in 2016, and Squarebreak and Travel Keys in 2017.

(1) World Tourism Organization, Euromonitor International and the World Bank.

Demand by type of accommodation
(in billions of overnight stays)



While growth in the global hotel base will necessarily be restricted to around 2 to 2.5% per year due to the time needed to complete construction work, overall demand for accommodation is estimated at approximately 5%. Structurally superior to supply, this trend is set to stay, guaranteeing the sector significant growth potential going forward.

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

Consolidation of the global hotel sector

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

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

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

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

In addition to covering more geographic markets, hospitality groups with large brand portfolios cover a wide variety of segments; they are able to diversify their offering and propose a personalized guest experience. AccorHotels has chosen to position itself as its customers' travel companion by maximizing hotel comfort and developing service offerings backed by digital innovation to facilitate their stays.

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

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

Taking advantage of these strengths, AccorHotels made a major contribution to sector consolidation with its July 2016 acquisition of the Fairmont Raffles Hotels International Group (FRHI) and its three flagship brands, Fairmont, Raffles and Swissôtel (FRS).

In the wake of this acquisition, which made the Group a world leader in luxury hotels, our teams signed 38 new contracts in the period to end-2017, marking not only the success of the integration of FRHI into AccorHotels, but also demonstrating the intensification of the Group's development.

In line with consolidation between hotel players in recent years, digital technology has profoundly transformed the competitive landscape within the sector, enriching hotel service offerings in the process.

The industry's digital transformation, and its new players

Digital technology has been driving innovation at the very heart of the tourism and travel industry for several years. Numerous players in the digital field have penetrated the market, prompting the Group to put together an ambitious and innovative digital strategy geared towards serving its customers, partners and employees.

The multiplication of digital intermediaries

Online travel agencies, metasearch engines and, more recently, players in the collaborative economy have carved out big places for themselves in the hospitality industry in recent years.

Their power lies precisely in being able to escape bricks-and-mortar constraints to focus their resources and expertise closely on the preliminary steps before the customer actually books a room, by publishing consumer opinions, highlighting the hosting ads generating the highest commissions for them and connecting people looking for accommodation with people who can provide it.

Online travel agencies

The online travel agency business model is built on combining the widest possible choice of offers, delivering an excellent experience to site users, investing in the brand to generate growth, and forging close ties with hotel operators and owners of rental properties.

The technologies implemented by these disruptors have quickly launched them on the wave of new customer consumption patterns, allowing them to gather significant amounts of personal information and to combine a vast number of offers.

Metasearch engines or aggregators

While exerting real influence on consumer behavior, metasearch engines also impact the reality of competition between hotel operators and online travel agencies – not to mention their margins – by taking the accommodation offers of the most generous hotel and digital players directly to prospects.

Unlike online travel agencies, which are paid by hotel operators on a commission basis for each booking made through them, metasearch engines allow hotel operators to freely set the price they would like to pay for each click made by a prospect on their advertisement, determining the price display ranking on the results page on that basis. This transforms digital players into advertising channels that hotel operators evaluate on the basis of the return they offer on their advertising spend.

Moreover, two metasearch engines recently decided to expand their business into direct hotel bookings *via* their website. Building on their joint digital expertise with online travel agencies, a number of metasearch engines have been purchased by such agencies in recent years. Other hybrid formats are also blossoming, combining a pay-per-click model based on the total cost of the potential booking and a performance-based model taking a percentage of the bookings made.

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

More balanced regulation of the hotel offer

Commission-based digital platforms can generate between 7% and 20% of a hotel group's total sales. The challenge for hospitality groups is to increase their direct sales *via* their hotels or websites.

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

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

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

The challenge lies in striking the right balance between online agencies, which provide hotel operators with business volumes that they would not have secured otherwise, and the hotel operators' freedom to conduct their business on their own terms, bearing in mind that the agencies' technology-driven business model leads them to invest heavily in raising the visibility of the hotels presented in their catalogues, while hotel operators have obligations, cost structures and margins that cannot be undermined or they will not survive.

The key challenge for AccorHotels is to tap customers who would not have chosen one of its hotels without the intermediation of these agencies by making them want to make their future hotel bookings directly through the Group rather than *via* online agencies.

Other digital disruptors, competing more directly with conventional hotels, have also made the choice to offer their customers the rental of private homes.

Alternatives to conventional hotels matching new expectations

This new form of competition, operated by rental platforms offering private homes, is being waged outside the hotel market, in the market for private residences made available to these platforms by their owners. Some platforms simply put people looking for accommodation in contact with people who can provide it, without providing any other services, while others enhance the relationship by offering additional services.

Responding to new consumer aspirations, their offerings focus on residences marketed as authentic and unique, providing an exclusive customer experience by virtue of their personalized nature.

The Group saw this new trend – which is akin to offering basic hotel services without being a hotel – as an opportunity for diversification, in the same way as the private sale of luxury vacations, hotel distribution for business customers, and new service offerings that the Group has taken on board through acquisitions made in 2016 and 2017.

More digital, these new activities nevertheless place the customer experience at the center of their strategy.

1.5.2 Creating an ecosystem of coherent services

In an environment shaped by the accelerating pace of change in both technologies and usage, the arrival of new digital disruptors and the need to refresh the codes of the conventional hotel market, the Group has meticulously crafted a new ecosystem in a comprehensive approach to digital challenges, with a view to enhancing the exclusive nature of the experiences offered to guests.

Digital innovation as a customer experience enhancer

The hotel operator, central to the exclusive experience sought by guests

Hotel operators benefit from undeniable competitive advantages when it comes to making a difference on the ground and pursuing their growth in a very competitive environment. They can create customer preference by offering a wide choice of products, strong brands, competitive prices, innovative digital tools and – last but not least – memorable experiences to attract and retain them, fostering closer relationships through the loyalty program.

This is compounded by the fact that guests have upstream access to all the necessary information on hotels and their services *via* online agencies and metasearch engines, allowing them very quickly to get a good grasp of the products on offer and access the opinions of fellow consumers.

Undoubtedly, this is what makes the human touch so important as a differentiating factor in today's market. Regardless of the distribution channel used by the guest, the operator is still central to the customer's experience in the hotel. Ensuring that the experience of staying in the hotel is a pleasurable one is the only way to retain loyalty to the hotel, the brand or the Group, thereby prompting guests to use the AccorHotels distribution channels the next time they travel *via* the loyalty program. The relationship established between an agency or a metasearch engine and a customer cannot be self-sufficient, precisely because the intermediary is in no way the custodian of or responsible for the hotel services provided to guests by the hotel operator. This is why service must be as closely aligned with customer expectations as possible.

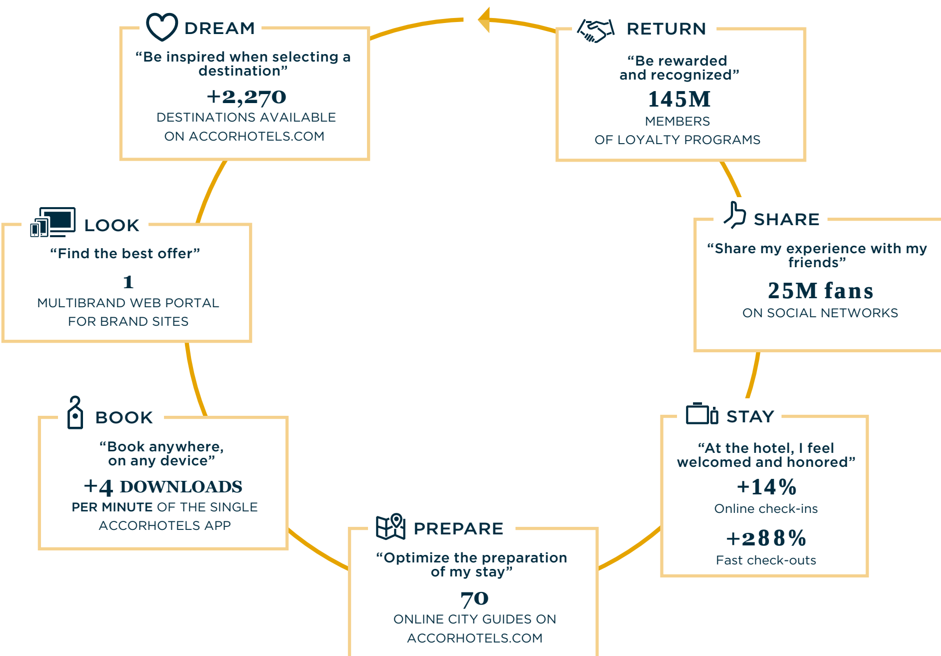
Today's travelers are looking for personalized experiences, which was not the case a decade ago. They want to be pleasantly surprised by the service in their hotel, by its staff – and by its setting. This puts the onus on the hotel operator to work on the design, architecture, furniture or food and beverage offerings of its various venues.

Hotel operators have the capacity to provide the services sought by guests, and the viral nature of information – considerably amplified by price comparison websites that are an integral part of the competitive space – must be leveraged to drive growth. To integrate these new trends into its business model and profoundly modernize its digital tools and the digital experience of its customers, partners and employees, the Group has over the last four years implemented a wide-ranging digital plan aimed at meeting these different challenges.

An efficient digital sales and loyalty ecosystem to ensure the best experience for group customers and to drive value creation for its partners

Digital technology is a potent accelerator of personalization. This is why AccorHotels has profoundly modernized its digital services at all stages of the customer experience and started rolling out a database known as the Accor Customer Digital Card (ACDC) to gather customer data with a view to facilitating predictive analysis of individual preferences and delivering the highest level of personalization during peoples' stays. Already in place in 1,500 hotels at the end of December 2017, ACDC will from June 2018 allow all of the Group's hotels to know their customers better, drawing lessons from their previous stays and their consumption patterns to inform them of any specific expectations in terms of welcome, service...

It all starts with a desire to travel. With that in mind, to help prospects choose the offer corresponding to their needs among the 24 hotel brands and 4,283 hotels comprising the Group at December 31, 2017, accorhotels.com lists some 2,270 different destinations. Six new brands were added to the platform in 2017. Translated into 18 languages, accorhotels.com receives an average of 12 million visits each month.



At the same time, AccorHotels decided to facilitate its customers' mobile uses, rolling out a single mobile app combining its 25 brands, along with services designed to streamline service before, during and after their stays. It allows one-click booking, which makes it a lot easier to book a stay. The French travel industry's second-most-popular mobile application, the AccorHotels app is downloaded an average of four times each minute. Recording 2.9 million monthly visits, it increased its revenue by 66% year on year in 2017.

Downstream, the AccorHotels reservation system (TARS) is extremely efficient. Registering an annual business volume of €7.7 billion, it responds each second to 280 availability requests, adjusting 9 million prices every day and logging 1.7 bookings per second. In 2017, the system recorded its 400 millionth booking since its implementation in 1996 and logged a record 210,000 bookings per day in October. The look-to-book ratio, reflecting the number of queries on our IT infrastructure prior to each reservation, was up 65% in 2017 compared with 2016, and has increased by 450% since 2014.

In support of these essential tools as leverage for booking volumes, AccorHotels sends its customers 1.2 billion increasingly personalized e-mails every year.

Partnering with roughly 20 search engines, its activity also involves the mobilization of 47 sales offices and the commitment of 700 sales representatives.

To give its customers as much help as possible in preparing their stays, AccorHotels also offers travelers 70 guides to the world's most popular cities on accorhotels.com.

Once at their hotel, customers have the option of checking in online instead of at the reception desk. Up 14% in 2017 compared to 2016, this option is increasingly popular, as are the fast check-out solution (up 288%) and the dematerialization of payment solutions.

Lastly, once their stay is over, AccorHotels gives its customers the opportunity to share their feedback on Voice of the Guests, a centralized customer platform accessible in each of the Group's hotels since the end of 2015 and developed by TrustYou, international leader in e-reputation management. TrustYou's role is to analyze customer feedback, share it with employees, interact with customers *via* satisfaction surveys, and respond to them on social media and customer review sites. It also compares the performance of the Group's hotels with those of competitors. The system is of critical importance for AccorHotels, enabling it to assess the quality of the services it provides the 25 million fans who regularly share their experiences of AccorHotels' hotels on social networks.

After its customers' stays, AccorHotels awards them loyalty points, maintaining frequent contact with them through its loyalty program, Le Club AccorHotels.

This is the whole purpose of the loyalty policy, and the Group's work to recast it in recent years is already starting to pay off.

Le Club AccorHotels: loyalty as a growth driver

21,000 new members join Le Club AccorHotels each day.

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

Le Club AccorHotels members proportionally consume more than other guests because they can redeem their loyalty points, which tends to encourage consumption. They are also generally more active and generate more revenue for the Group.

With this in mind, the Group's loyalty programs have been largely recast over the past four years, resulting in a 100% increase in the number of cardholders since 2014, bringing their number to 41 million at the end of December 2017. Forty partnerships, particularly in the automotive, rail, hotel and restaurant sectors, have been concluded for Club members.

The Group's various loyalty programs – Le Club AccorHotels but also the programs operated by Raffles, Fairmont and Swissôtel, and that of Huazhu, the Group's partner in China – have increased its visibility with 145 million cardholders, including 100 million in China, through earn, burn and other benefits.

Cardholder growth is central to the strategy to expand AccorHotels' market share, as it directly influences the Club's contribution to total revenue. This contribution has grown steadily over the last four years, climbing from 24% in 2014 to 28% in 2015, 30% in 2016 and 31% in 2017, captured directly through Group loyalty programs. Locking in a growing share of revenue is an essential defensive weapon against all forms of competitive attack, because the revenue concerned is not controlled by other market players and does not risk being appropriated by them.

The Group's Only-on program offering special rates to Club members who book on line has further helped to lock in new cardholders, who contribute more to revenue, while also providing the Group with high-quality customer data.

Securing customers is eminently strategic in a sector as competitive as the hotel industry. But independant hotel operators who do not belong to a network often do not have the means to capitalize on a sufficient base of loyal customers guaranteeing their profitability, and as a result depend on their online visibility to attract new guests. The use of costly online travel agencies takes too much off their margins to be sustainable over time.

This is what inspired AccorHotels to acquire Fastbooking and Availpro, with a view to offering dedicated digital services to independent hotel operators, helping them find a space on the internet and beef up their distribution.

Consolidation of digital services for independent hotels

AccorHotels took over Fastbooking in June 2015. Specializing in independent hotel services, it is the backbone of the Group's digital factory.

Fastbooking is developing a broad range of digital services that enable hotel operators to improve their e-reputation and build up their online visibility and reinforce their direct distribution strategy.

In April 2017, AccorHotels announced the acquisition of Availpro with a view to broadening and strengthening Fastbooking's service offerings and creating the European leader in digital services for independent hotels.

Acquisition of Availpro

Created in 2001, Availpro is the leader in France and one of the leading European providers of digital solutions to hoteliers, with more than 6,500 clients.

In an expanding and highly competitive sector, the companies will work together for the benefit of hotel operators, who are increasingly calling for decision-support solutions and will now have access to a whole range of management tools and assistance services to enhance their online distribution and increase their revenue.

The "channel management" solution, which provides an innovative management tool, together with various software packages developed by Availpro, complement the products and services currently provided to hoteliers by Fastbooking.

The consolidation of these two major players will create the leading European digital services provider for independent hotels, ranked the third largest global player in its sector.

By combining the talents of these two companies – whose expertise is recognized in more than 50 countries worldwide – AccorHotels is now able to offer its hotelier clients an ever wider, more innovative and high performance application suite, enabling them to increase their online visibility and sales. Availpro clients also benefit from the know-how of the Fastbooking teams in terms of digital marketing.

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

Consolidation of the luxury serviced home rentals business

Diversify by capitalizing on hotel expertise and tailored concierge services.

In just over a year, AccorHotels has become the world leader in the rental of luxury private residences, complementing its traditional hotel business with new, non-hotel offers offering significant growth potential.

Enriching the Group's legacy core business, this new segment is aimed at different customers whose aspirations are focused on authentic and personalized products. AccorHotels felt it was important to broaden the range of its products to tap this new demand, where the booking average is higher than in the hotel business at roughly five nights for four people, compared with average bookings of roughly two nights for two people in hotels.

So after acquiring the onefinestay luxury home rental platform and acquiring a stake in Squarebreak, AccorHotels pursued its investments in 2017, creating a new business unit specializing in luxury serviced home rentals.

Acquisition of Travel Keys

AccorHotels acquired Travel Keys in February 2017. Travel Keys is a world leader in the luxury private rental market, offering a catalog of more than 5,000 exceptional villas benefiting from very high-end hotel services.

The deal allowed the Group to add to its promise of exceptional customer experiences some of in the most beautiful private homes in the most stunning settings in the world, in the Caribbean, Mexico, Hawaii, the United States, Europe, Asia and Africa.

Acquisition of Squarebreak

AccorHotels also signed an agreement with the founders of Squarebreak in July 2017 to buy the company in full. AccorHotels had previously acquired a 49% stake in this leading French villa rental company in February 2016.

By combining onefinestay, Travel Keys and Squarebreak, AccorHotels has crafted a unique offering of nearly 10,000 addresses in the luxury home rental market, in both vacation and urban settings.

To consolidate these three networks positioned in the same segment, the Group decided at the same time to create a specific business unit dedicated to renting exceptional homes, combining the three companies under the onefinestay brand.

Combination of Squarebreak, Travel Keys and onefinestay under the onefinestay brand, the world leader in the rental of luxury private villas

The integration of the three innovative platforms will allow onefinestay customers to access nearly 10,000 of the world's finest residences, villas and apartments together with professional hotel and concierge services.

Under the supervision of managers hailing from the three brands, onefinestay covers the world's most popular destinations – cities including Paris, New York, Los Angeles, Rome and San Francisco, exotic islands such as Saint-Barthélemy and Bali, and Mediterranean getaways in France, Italy and Greece.

This new step in consolidating onefinestay's leadership endows the new business unit with a robust platform, a broad and complementary offer and efficient distribution giving it great scope for international growth.

At the same time, the Group expanded its distribution activities by acquiring Gekko, a specialist in hotel distribution solutions for business customers, and VeryChic, a digital platform for the private sale of luxury hotel rooms, apartments, cruises, vacations and packages.

Diversification of the Group's distribution channels and customers

Acquisition of Gekko

The acquisition of Gekko in January 2018 is part of AccorHotels' strategy of strengthening its leadership across the customer value chain by rounding out its service offering for business travelers. AccorHotels' strong international presence combined with Gekko's technological leadership has created a world leader in B2B hotel distribution.

Business tourism is a key part of the Group's business. Gekko can meet the specific needs of business customers throughout the value chain, through its subsidiaries HCorpo (key accounts), Teldar Travel (leisure travel agencies), Teldar Travel Biz (travel agencies for SMEs), Miles Attack (loyalty program) and Infinite Hotel (wholesaler dedicated to independent French hotels).

Gekko gives the Group a network of 300 large companies and 14,000 travel agencies, and extends its sphere of influence in terms of distribution *via* a connected interface to 600,000 hotels around the world, across all segments. The Group now also has a range of innovative turnkey management tools for these customers, enabling them to manage their payments online, and to track and optimize their expenses.

The Group has also acquired VeryChic, a European leader in the private sale of luxury and upscale vacations.

Acquisition of VeryChic

Created in 2011, VeryChic has 7 million members worldwide and enables more than 4,000 luxury and upscale hotel partners to optimize their distribution through its private sales. VeryChic carefully selects the hotels on offer, located in approximately 40 countries worldwide, to guarantee a unique experience for each of its members.

Thanks to a robust business model, VeryChic offers, *via* its website and mobile application, more than 4,000 exclusive private sales at attractive prices throughout the year to more than 5 million members. The quality and competitiveness of its offers mean 50% of customers are repeat customers.

Generating significant booking volumes, nearly half of which on mobile devices, VeryChic will strengthen AccorHotels' expertise in the design of exceptional private sales, and AccorHotels will boost VeryChic's international development to make it the world leader in its sector.

The Group has also acquired a 50% stake in Nextdoor, a company specializing in the rental of collaborative workspaces, in partnership with Bouygues Immobilier.

Diversification into corporate property

Acquisition of 50% of Nextdoor in partnership with Bouygues Immobilier

The collaborative workspace market is expanding rapidly. Within five years, flexible spaces are expected to represent between 10% and 20% of office space in France, up from just 2% today.

To take full advantage of this growth, AccorHotels and Bouygues Immobilier joined forces in July 2017 to create Nextdoor, the European leader in hospitality business. This alliance brings AccorHotels into a new segment that meets the shifting needs of businesses, which are looking for increased flexibility and digitization, better quality of working life, professional mobility and new collaborations.

At the end of 2017, Nextdoor had more than 4,000 customers and already operated eight sites in France. Integrating an innovative property offering, these new workplaces offer an expanded choice of services and solutions to facilitate networking and 24/7 availability.

Nextdoor's main short-term priority will be to secure the best locations and quickly achieve critical mass in Europe, with the goal of creating 80 workspaces in Europe by 2022, opening 10 to 15 new sites each year starting in 2018.

The Group has also made targeted equity investments in the food and beverage, entertainment, and events segments through Noctis and Potel & Chabot.

Diversification in food and beverage, entertainment, and events services

Acquisition of 31% of Groupe Noctis

AccorHotels has acquired 31% of Groupe Noctis, a key player in events, food and beverage, and entertainment, drawing on a catalog of superlative venues in France and abroad.

By investing in this top-tier Paris-based entertainment specialist, the Group is cementing its leadership among international and local customers in search of new and exclusive venues, and enriching the experience of its customers, wherever they hail from.

Noctis has 800 employees and organizes more than 3,000 events each year. Endowed with one of the most prestigious and emblematic portfolios of assets in Paris (including Monsieur Bleu, Loulou, Pavillons des Etangs, YOYO, Château de Longchamp, Rasputin and Castel), the Group plans to open a further ten establishments that will intensify AccorHotels' commitment to the hospitality and entertainment market.

At the same time, AccorHotels will take advantage of Noctis' expertise in customer experience, loyalty and high-end personalized services to meet the needs of business customers.

AccorHotels has also acquired 40% of Potel & Chabot, the French leader in prestigious receptions.

Acquisition of 40% of Potel & Chabot

Through this alliance, AccorHotels is joining forces with an iconic brand boasting an unrivaled position in France topped off by important international growth potential.

With unparalleled expertise in the organization of tailor-made prestige receptions, Potel & Chabot has become the leading player in the luxury and premium segments, organizing its events in some 600 international locations.

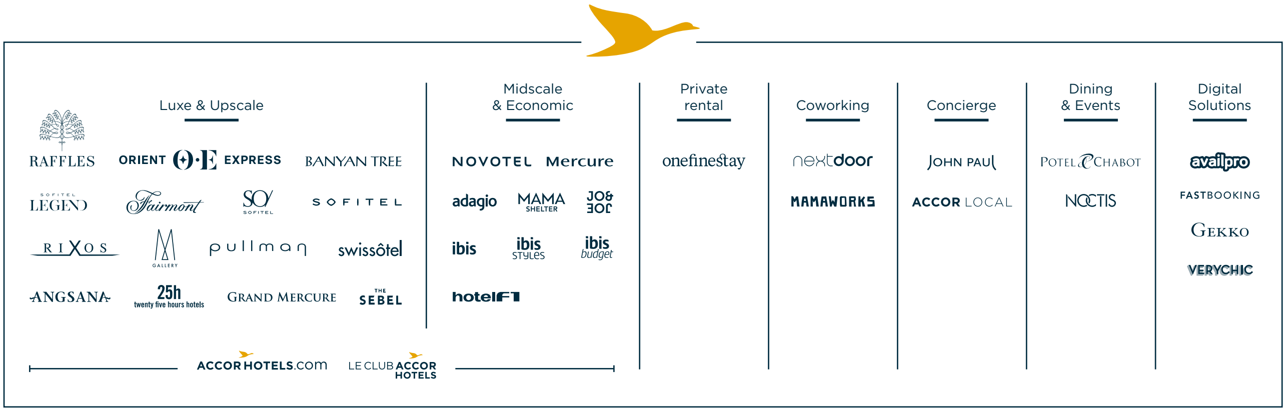
Potel & Chabot's offering is spread over three activities, mainly B2B, very complementary to those of AccorHotels: receptions for large companies and private customers, exclusive management of unique reception venues in central Paris (Pavillon Vendôme, Pavillon Seine, Pavillon Kléber, Pavillon Gabriel, Hôtel d'Evreux, Pavillon Cambon Capucines and Pavillon Dauphin), and major sporting, industrial and cultural events (including the Roland Garros French Open, the Biennale des Antiquaires, the 24H du Mans and the Saut Hermès).

AccorHotels plans to leverage Potel & Chabot to develop innovative and refined food and beverage solutions for its customers in hotels, its guests in private residences and local residents seeking personalized concierge services.

Through these various investments, AccorHotels is not only keeping pace with the trends shaping its industry, it is also reinventing itself by capitalizing on new growth and value-creation drivers. Countless opportunities for emulation and synergies exist between AccorHotels and its partners, as well as between its partners themselves, each contributing to a rich ecosystem of hospitality services that offers new growth prospects.

At the same time, AccorHotels continued to expand the number of brands in its portfolio, bringing it to 25 in 2017.

1.5.3 Expansion of the AccorHotels brand portfolio



Consolidation of the luxury brand portfolio

In July 2016, AccorHotels acquired the flagship brands Fairmont, Raffles and Swissôtel (FRS), considerably strengthening its positions in the luxury market. The Group has also entered into strategic partnerships with Banyan Tree and Rixos Hotels to round out its coverage of the international luxury resort market.

Strategic partnership with Banyan Tree

Luxury resorts are one of the most dynamic markets in the hotel industry. To benefit from growth in this market and extend their leadership in this segment, AccorHotels and Banyan Tree have concluded an alliance facilitating the development and management of new hotels by AccorHotels, under the Banyan Tree, Angsana, Cassia and Dhawa brands.

With key positions in Asia, Banyan Tree operates 43 hotels and properties, 64 spas, 77 shopping malls and three golf courses in 28 countries. Banyan Tree adds to the wide array of brands and experiences associated with AccorHotels. Leveraging the Group's international presence and its expertise in distribution and loyalty, Banyan Tree's brands are distributed on the AccorHotels bookings and sales platform, and are eligible for the Le Club AccorHotels loyalty program.

AccorHotels further strengthened its position in this segment by entering into a partnership with Rixos Hotels in February 2017.

Strategic partnership with Rixos Hotels

Rixos Hotels is one of the world's fastest-growing resort operators in the Europe, Middle East and Africa region, with a strong presence in Turkey, the United Arab Emirates, Egypt, Russia and Europe. The partnership will allow AccorHotels to add attractive leisure destinations to its offer, making it one of the leading operators of resorts in a rapidly expanding market.

AccorHotels and Rixos Hotels will jointly develop and manage Rixos-brand resorts and hotels throughout the world. AccorHotels has already added its 15 flagship hotels in the upscale resort markets to its network, and plans to add a further eight, including three in Dubai, Abu Dhabi and the Maldives, by the end of 2018.

Combining traditional Turkish hospitality, a unique spa experience in an idyllic setting and a luxury atmosphere, the Rixos Hotels resorts are renowned for the exceptional quality of their infrastructure, food and beverage offering and leisure activities. The partnership will therefore enable AccorHotels to further enrich the range of its offerings by operating hotels located in large leisure complexes.

As such, these strategic alliances serve to raise AccorHotels' brand awareness and give it a more balanced brand portfolio. They also broaden its footprint in previously unexplored markets and open up new development prospects.

AccorHotels took this strategy further in October 2017 by signing a strategic partnership with SNCF to develop a new collection of prestigious hotels under the Orient Express brand on an international scale.

Acquisition of 50% of Orient Express in partnership with SNCF

The Orient Express brand is a timeless symbol of the art of luxury travel, imbued with culture, splendor and refinement. Orient Express further expands AccorHotels' luxury hotel offering by opening up a new field where its know-how in the art of travel can express itself, offering its customers the chance to benefit from a prestigious offer of services and unique experiences.

A quintessence of the art of travel, symbolized by the legendary train that marked history, the future collection of prestigious hotels will offer a unique experience, brimming with history, blending the luxury, exoticism and refinement of East and West in emblematic destinations.

Operated by Orient Express, the seven historic cars will also provide an exceptional setting for the organization of travel, events and private functions, in connection with other AccorHotels activities such as those of Potel & Chabot, Noctis and John Paul.

The various acquisitions and equity investments made by AccorHotels in 2017, whether in expanding its brand portfolio or diversifying its activities, will enable the Group to build up a coherent ecosystem of complementary offers and services, giving it new growth drivers in areas such as convenience services.

Diversification into local services with AccorLocal

Capitalizing upon the John Paul's expertise, AccorHotels is expanding its business model by becoming a multi-service specialist in travel and mobility.

AccorHotels' 80 million annual customers visit a Group hotel on average three times a year. The challenge for the Group is therefore to be present at every stage of the customer journey and thereby increase the number of contact points and opportunities to interact with customers, whether they are using its private residence rental platforms, its hotel chains or the various services that the Group offers through its ecosystem, in gastronomy, concierge services, entertainment or workspaces.

It is with this in mind that AccorHotels has marked a new stage in the diversification of its activities with the launch in France of AccorLocal.

Capitalize on the Group's hotel expertise and assets to offer new services and reach new customers

For 50 years, AccorHotels' hotels have welcomed travelers throughout the year, offering them the best experiences. Millions of guests around the world have placed their trust in its hotel expertise. Whenever they walk through the doors of one of its hotels, at any time of the day, they are assured of finding a range of customized services offered by more than 250,000 enthusiastic staff with unique know-how in the field of reception and service.

Operating in 99 countries, the Group's hotels have to date only interacted with their customers during their travels, without imagining that their location could also give them a greater role, particularly among locals. People living near AccorHotels hotels represent roughly six times the traveling population worldwide, and as such constitute a considerable potential growth driver.

This makes AccorLocal and its array of services look like a particularly compelling means for each of the Group's hotels to forge links with local residents, not only as a means of making them more aware of the AccorHotels ecosystem but also to cultivate their long-term loyalty. AccorLocal is moreover an opportunity to make hotels and their opening hours more profitable by increasing their activity, especially during quieter times of the day.

Services that facilitate and enrich local residents' daily lives

As genuine living spaces in the heart of cities, today's hotel are expanding their activities to other hospitality solutions. AccorLocal allows residents to access the services of local craftsmen, shops and other service providers in AccorHotels hotels operating in their neighborhood, and to access a range of hotel services offered by these hotels.

Through AccorLocal, hotels are now able to define the range of services they wish to offer based on identified local needs (including through partnerships) and their own relationships with local small businesses and traders.

AccorLocal is currently up and running in major cities and capitals around the world, offering nearly 3,000 active users access to hundreds of services in more than 250 hotels in France *via* a dedicated e-concierge application. The app presents the local service selected by the customer for the desired time, and tells the selected hotel and merchant what services to prepare. The Group brings together local experience, hotel expertise and digital fluidity to offer residents, hotels and local businesses a new way of interacting with their neighborhood.

In line with the initiatives taken in the lifestyle segment, these hotels will open their doors to the people living in the neighborhood, quickly turning them into places where people can interact and work together, giving them a role in local life in the spirit of the Jo&Joe brand's Open House concept.

By placing the wealth of its offerings at the service of neighborhood life, AccorHotels is inventing a new model that creates social bonds and value for small businesses, local communities and hotel operators alike.

1.5.4 AccorHotels' future model

2017, AccorHotels' 50th anniversary year, marks a turning point in its history. AccorHotels decided to undertake a major transformation of its business model by creating the conditions for new development potential, for itself and for AccorInvest.

AccorInvest, a central but soon-to-be-separate AccorHotels partner

Formerly an owner-investor, AccorHotels is refocusing on an asset-light model, following the lead of its rivals, which separated their businesses back in the 1990s.

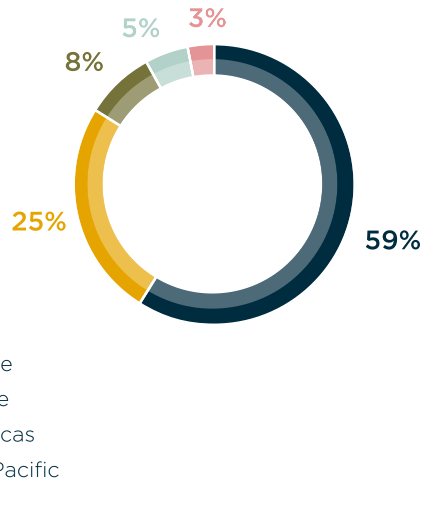
AccorInvest enjoys the legacy of HotelInvest's sound fundamentals

The HotelInvest business line has undergone a major transformation since November 2013 and has helped to improve the Group's performance and value creation model.

Now restructured and consisting of attractive hotels generating robust cash flows, the HotelInvest portfolio, renamed AccorInvest, today delivers performances comparable with those of the world's leading property companies. The portfolio still enjoys immense growth potential in a European hotel industry that is still far from mature.

Breakdown of the hotel portfolio by region at December 31, 2017

(% based on number of rooms)



84% of the hotels owned by AccorInvest are located in Europe, which is renowned for its stable property markets and easily predictable returns.

The valuations of 80% of the Group's sites are immune to wide fluctuations, being located in city centers or in highly sought-after locations.

With 90% of Economy and Midscale hotels operating under the ibis, Novotel and Mercure brands, the portfolio is also fairly well sheltered against cyclical swings in business volumes.

Lastly, with 60% of the hotels fully owned, AccorInvest's portfolio offers management flexibility, making it adaptable to the Group's future restructuring needs.

Determined by aggregating its various portfolios, AccorInvest's gross asset value, corresponding to the fair value of the hotel properties owned outright and the fair value of all the hotels' goodwill, whatever the operating method, is a reliable estimate of its value.

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

Between the end of 2013 and 2016, the gross value of AccorInvest's assets increased by 69%, from €4.5 billion to €7.6 billion, with €1.1 billion from portfolio restructuring (nearly €2 billion in acquisitions and €800 million in disposals) and €0.7 billion from development through hotel acquisitions and construction, representing a total net investment of €1.8 billion. Asset performance has improved significantly in the wake of more than 600 real estate transactions. Sources of losses have been eliminated by selling unprofitable hotels, renegotiating high rents and buying portfolios of rented hotels. The dynamic management of these assets and restructuring increased the value of AccorInvest's portfolio by €1.5 billion. Profitability has at the same time staged an impressive recovery, with the operating margin firming from 4.0% in 2013 to 8.3% in 2016.

Between restructuring and value creation derived from hotel earnings in the amount of €1.2 billion, the Group created total value of €2.7 billion between the end of 2013 and the end of 2016, with the total number of hotels concurrently declining from 1,500 to fewer than 1,200.

AccorInvest enjoys attractive growth prospects

The significant nature of the recovery achieved in just three years does not limit scope for growth going forward. Five-year growth projections point to the achievement of EBITDA of €900 million (up from €600 million in 2016) and an EBITDA margin of 25% (up from 15% in 2017). The value of the asset portfolio is also poised to climb from a gross asset value of €6.6 billion at the end of 2016 to €10 billion by 2021.

	HotelInvest 2013	HotelInvest 2016	HotelInvest 2021
Hotels	1,250	1,000	900
No. of rooms (in thousands)	160	135	100
Revenue (€ billion)	4.1	3.9	3.7
EBITDA (€ million)	425	600	900
EBITDA margin	10%	15%	25%
Gross asset value (€ billion)	4.0	6.6	10
% owned	-	58%	77%

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

- ongoing restructuring focused on the best-performing assets, with some portfolios still subject to variable-rent leases for which solutions are currently being sought;
- hotel repositioning operations, with a major capital spending budget earmarked for bringing many hotels into compliance with current market standards based on their location, changes in local supply and the potential offered by each market. AccorInvest already has a specific plan in this respect, hotel by hotel, so that planned renovations consolidate the Group's market share and create value;
- renewed development momentum, backed up by hotel building and acquisition plans in key locations.

A sale to free up new resources and increase growth for both groups

AccorInvest has demonstrated an ability to deliver convincing results dating back to HotelInvest's creation in 2013, underscoring the credibility of its teams. This acknowledged expertise is further compounded by the unwavering stability and assurance provided by long-term management contracts with AccorHotels as a basis for future growth.

The spin-off and sale of AccorInvest to investors is an essential step aimed at giving both groups the means to intensify their growth.

The challenge is to bolster their respective capacity for action by freeing up new financial resources allowing them to focus fully on their own interests, which differ greatly due to the nature of their respective businesses.

- AccorHotels becomes a Group dedicated to cash generation, with high margins matching those of its main competitors;
- AccorInvest is fully focused on the return on its real estate investments and the optimization of its portfolio.

AccorInvest needs significant resources to continue buying property, to reposition and renovate its hotels, and to open new ones. The financing needs underpinning this strategy are high. At the same time, AccorHotels must invest in its brands, in the gain of new management contracts, in new services, and in digital technology.

In addition to accelerating their development, the arrival of new investors within AccorInvest will give the two groups the financial capacity to strengthen their resources, allowing them to seize new growth opportunities while leveraging the strong synergies offered by their close business ties.

AccorHotels and AccorInvest will both have balance sheets suited to their respective models, with little debt and few assets for AccorHotels, and a greater volume of assets and liabilities for AccorInvest. The two companies' performances will now be measured on the basis of very distinct criteria, corresponding to the reality of their business.

Their financial resources, their profitability and their growth will henceforth be totally focused on the interests of their respective business models and the creation of value for their shareholders. The consolidation of their leadership positions will be assessed on the basis of valuations that reflect solely the intrinsic quality of their specific models and growth outlooks.

Process to turn AccorInvest into a subsidiary and sell a majority of its capital

Structuring of the AccorInvest Group

Internal reorganizations on a global scale, essentially a legal separation of the HotelInvest and HotelServices activities (involving more than 400 subsidiaries), were completed at the end of the first half of 2017, as were the tax processes resulting a moderate tax impact of €270 million, and processes relating to employees. Frank discussions took place with staff representatives, in an exemplary climate of respect, transparency, mutual understanding and responsibility, and a sense of shared interest.

The transfer of assets held by the Group's subsidiaries in continental Europe, Africa, Latin America, Australia, Japan, Singapore and the United Kingdom has been completed.

The Group's shareholders met for an Extraordinary General Meeting on June 30, 2017, and approved with a 99.67% majority the decision to contribute assets held by Accor SA in HotelInvest in France, Belgium and Spain, valued at €817 million, to AccorInvest.

Characteristics of the AccorInvest Group

Since the completion of these transactions AccorInvest has 30,000 employees in 27 countries worldwide, and owns 891 hotels (128,000 rooms) out of the 1,182 assets owned and leased by AccorHotels. Of these, 324 are wholly owned by AccorInvest and 567 operated through fixed- and variable-rent leases.

New management contracts governing the relationship between AccorHotels and AccorInvest, including the fees paid by AccorInvest to AccorHotels, have now been formalized. AccorHotels naturally retains the management contracts relating to the operation of these hotels for a very long term, *i.e.* 50 years with 15-year renewal options for Luxury and Upscale hotels, and an average of 30 years with 10-year renewal options for Midscale and Economy hotels. The management agreements were negotiated on an arm's length basis. For better alignment, fees will be more strongly correlated than previously to the hotel's EBITDAR (incentive fees), which is expected to increase significantly thanks to major investments devoted to increase the performance of all the hotels in the AccorInvest portfolio.

AccorInvest's funding in the amount of €3.6 billion has been secured with some 20 international banks.

Sale of 55% of AccorInvest approved, effective in the second quarter of 2018

Talks regarding the sale of a majority stake in AccorInvest's capital to long-term investors, both French and international, resulted in the signing of an agreement on February 27, 2018.

The new investors, combining Public Investment Fund (PIF) and GIC, sovereign wealth funds, institutional investors Crédit Agricole Assurances, Colony NorthStar, Amundi and others, have offered to acquire 55% of AccorInvest.

The transaction, based on an enterprise value of €6.25 billion, fully reflects the value of AccorInvest's asset portfolio in its current shape.

The investors view AccorInvest as an attractive growth vehicle; they also value the quality of AccorHotels' signature, both as a party to long-term management contracts with AccorInvest and as an AccorInvest shareholder.

Upon completion of the transaction, AccorHotels will benefit from a gross cash injection of €4.4 billion.

At the same time, AccorHotels continues its transformation and diversification, becoming a hospitality services group specializing in travel and mobility, committed to serving its guests and its partners.

AccorHotels, a wide-ranging hospitality services group with a new growth model

Focused on the customer experience in the various service universes it develops for them and offers, AccorHotels has for two years been extending the principle of hospitality under three complementary verticals, namely hotels, the world of travel and local services.

Disciplined investments to create a virtuous ecosystem

Over the last four years, AccorHotels has accelerated its investments by seizing opportunities allowing it to consolidate its business model. The Group invested a total of €6.3 billion over this period, mainly in its core hotel business.

In 2014 and 2015, AccorHotels significantly restructured its hotel portfolio by investing €2 billion in the acquisition of asset portfolios, representing 30% of the investments made by the Group since 2014, in order to strengthen its portfolio of profitable assets and to dispose of those that did not meet its investment criteria. As mentioned above, this policy had the effect of improving the overall value of the AccorInvest property portfolio by €1.5 billion.

AccorHotels has also gained market share with new customer segments. It has acquired or partnered with new brands that have significantly strengthened its operations in the Luxury/Upscale segment. Since 2014, AccorHotels has invested €2.8 billion in the acquisitions of Fairmont, Raffles and Swissôtel, as well as Mama Shelter, BHG and Mantra. Strategic partnerships have also been concluded with Huazhu, 25hours, Orient Express, Banyan Tree and Rixos. The challenge for AccorHotels going forward will be to reinforce its geographic positions by repositioning itself on segments with high added value. Investments in hospitality accounted for 60% of the Group's total capital expenditure over the last four years, or €3.7 billion.

AccorHotels has also committed €600 million to new businesses considered as future growth drivers for the Group. Representing 10% of the investments made by AccorHotels over the last four years, these transactions have served to enrich its accommodation offerings with personalized services (John Paul) and innovative services in events, gastronomy and entertainment (Noctis and Potel & Chabot). The Group has also extended its accommodation activities for the rental of private residences (onefinestay, Travel Keys and Squarebreak), collaborative workspaces (Nextdoor), and has expanded into digital services for independent hotels (Fastbooking and Availpro) and distribution activities such as private sales of hotel accommodation and luxury vacations (VeryChic), and hotel bookings for business customers (Gekko).

Each of these levers contributes to the construction of a virtuous ecosystem, composed of mutually complementary activities, foremost among which is hotels.

The Group's hotel business: HotelServices' new look

AccorHotels' hotel model has evolved significantly in recent years, and will continue to do so at an even greater pace in 2018 as the focus turns almost exclusively to hotel management and franchising.

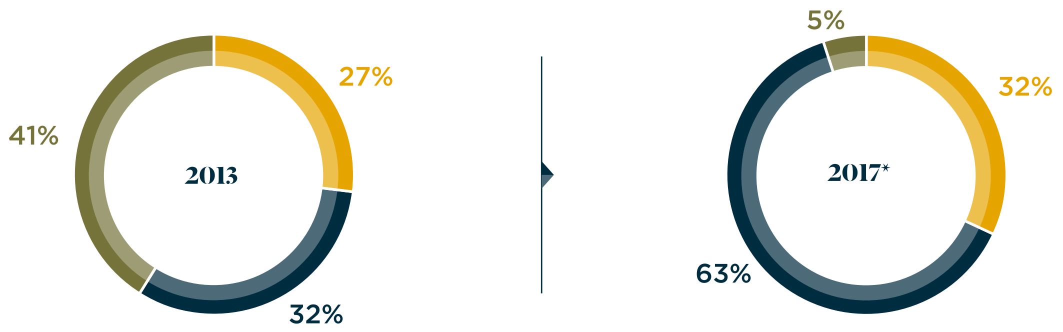
Hotel activities refocused on management contracts and franchise agreements

Between 2013 and 2017, AccorHotels' portfolio grew by almost a third, and at the same time was restructured by focusing on franchise agreements and management contracts.

In 2018, the Group will complete this policy by selling off almost all of its leased and owned assets, which still represent more than a third of its portfolio prior to the deconsolidation of AccorInvest. After this transaction, the AccorHotels hotel portfolio will be 95%-composed of hotels operated under management contracts and franchise agreements, leaving 5% of assets owned or leased, compared with 59% under management contracts and franchise agreements and 41% leased or owned in 2013.

Breakdown of the hotel portfolio by operating structure at December 31, 2013 and December 31, 2017*

(% based on number of rooms)

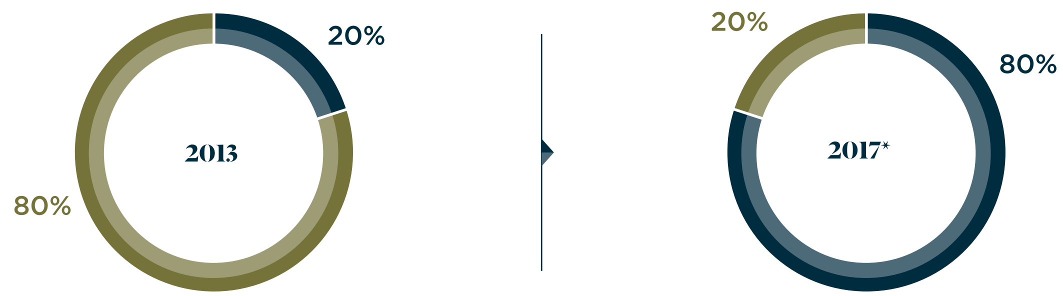


■ Managed
■ Franchised
■ Owned & Leased

** After deconsolidation of Accorinvest.*

The same applies to the Group's revenue, which in 2013 was from hotels operated under a management contract or franchise agreement (20%) and from leased and owned hotels (80%). This proportion will be reversed after the deconsolidation of AccorInvest, with 80% of revenue derived from hotels operated under management contracts and franchise agreements, and only 20% from owned or leased hotels.

Breakdown in revenue by operating structure at December 31, 2013 and December 31, 2017*



■ Franchised & Managed
■ Owned & Leased

** After deconsolidation of Accorinvest.*

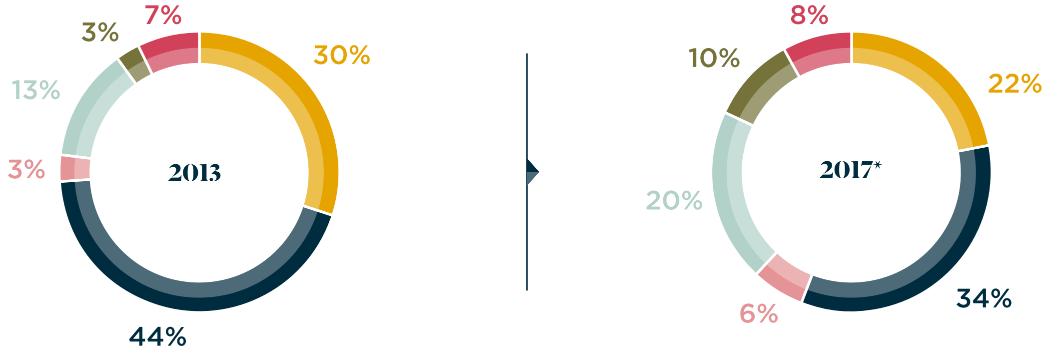
The sale of 55% of AccorInvest completes AccorHotels' transformation by changing the very nature of its model, making it lean and much more agile.

A more balanced breakdown of the Group's results

The refocus will at the same time rebalance the weight of the various regions in the Group's revenue and EBITDA, while improving its defensive profile.

The weight of Europe (including France) in revenue will narrow from 74% to 56% in favor of emerging markets, whose weighting will at the same time firm from 26% to 44%.

Breakdown in revenue by region at December 31, 2013 and December 31, 2017*

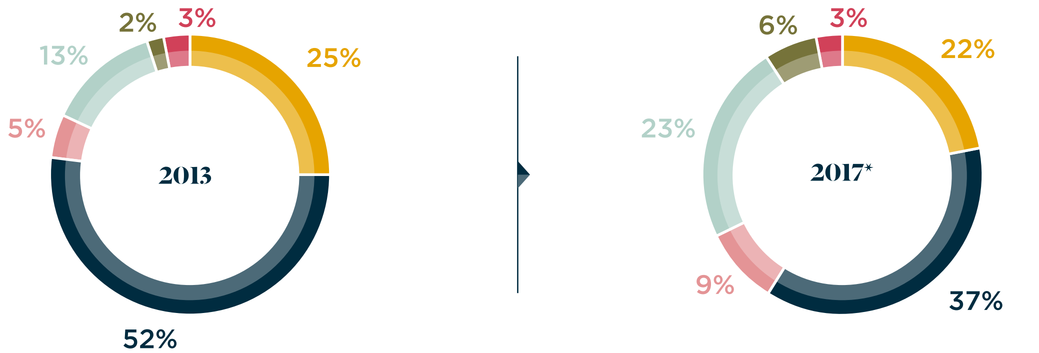


- France & Switzerland
- Europe
- Middle East & Africa
- Asia-Pacific
- North America, Central America & the Caribbean
- South America

** After deconsolidation of Accorinvest.*

Similarly, while 77% of EBITDA came from Europe and only 23% from emerging markets in 2013, the respective share of these two segments will come to 59% and 41% after the deconsolidation of AccorInvest.

Breakdown in EBIDTA by region at December 31, 2013 and December 31, 2017*



- France & Switzerland
- Europe
- Middle East & Africa
- Asia-Pacific
- North America, Central America & the Caribbean
- South America

** After deconsolidation of Accorinvest.*

Anticipating annual organic development of 45,000 rooms at a cruising speed from 2018, the Group will now display a closer correlation between the growth of its fees and that of its network and revenue per room observed in its various markets.

Its development will continue to be driven by the Luxury/Upscale segment, which is more profitable and already the largest contributor in terms of revenue.

AccorHotels' five-year growth target

Change in the AccorHotels business model is aimed at doubling the Group's EBITDA to €1.1 billion by 2021, with 70% of earnings growth coming from the hotels and 30% from new business lines. As such, the EBITDA of €500 million achieved in 2016 will be compounded by the €350 million generated by the hotels by 2021 and a further €150 million by new initiatives, representing 15% of EBITDA by that date.

Investments aimed at extending and cementing the Group's leadership in its various business lines will continue on the basis of exacting financial indicators (EPS, EBITDA, ROCE, FCF), whether to accelerate AccorHotels' growth in specific markets or segments, or to round out its service offerings.

Medium-sized companies will be targeted primarily for their earnings, growth and integration potential and the scope they offer to enrich the Group's ecosystem.

AccorHotels will commit the majority of its investment outlay to developing HotelServices and growing Hotel Assets and digital initiatives, while devoting 10% to new businesses.

A broader business model, with a more robust financial structure

Many strategic levers have been used over the past four years to achieve a profound transformation at AccorHotels and to strengthen its leadership in a highly competitive hotel sector:

- product diversification (hotels, residences, apartments, office spaces, etc.);
- expansion of the customer base (leisure, business, millennials, independent hotel operators, local residents);
- broadening of the brand portfolio, diversification of service offerings;
- consolidation of geographical leadership, strengthening in fast-growing areas;
- reinforcement in the Luxury/Upscale segment, in new segments;
- digital innovations in hotels, distribution and CRM, etc.

AccorHotels is tirelessly expanding its network and cementing its leadership thanks to dynamic development and the optimization of its coverage of all geographies and segments. At the same time, the Group is consolidating its multi-faceted skills as an operator in the field of hospitality services by gradually developing an abundant ecosystem of businesses and consistent services enabling it to offer innovative and exclusive personalized experiences.

By selling 55% of AccorInvest, AccorHotels will significantly reduce the number of assets owned and leased by the Group, as well as the debt contracted to finance them. In its asset-light form, AccorHotels will only invest very little in real estate, and will benefit from lighter overheads based on an optimized fee-based model. This will reduce the Group's exposure to the ups and downs of business cycles.

The sale will also provide it with a gross cash injection of €4.4 billion, which will strengthen its balance sheet and allow it to pursue its external growth and diversification in adjacent high-potential businesses. The new cash will allow it to buy back own shares representing approximately 10% of its share capital over the coming two years.

Together, the new cash and new model will gave AccorHotels significant financial flexibility, supported by structurally larger cash flows. Its investment and shareholder return capacity will also be strengthened.

A new dividend policy will be implemented as early as 2018, directly linked to the profitability of the operating cycle and the Group's value creation. The dividend will no longer be set on the basis of recurring profit after tax, but on recurring free cash flow, to which a payout ratio of 50% will be applied. In the future, while ensuring the quality of its credit profile and its rating, the Group will allocate its excess cash flow to further growth transactions or additional returns to shareholders.

In this context, building on its long-standing strengths, and now more agile, innovative and richer in areas adjacent to its core business, the Group is confident in its ability to intensify its growth in the coming years. The various transactions carried out in recent years to make it stronger by making it more present in the daily lives of its customers, more profitable and more value-creating, have already started to pay off nicely in 2017, and make it possible to look to the future with confidence.

1.6 A CSR STRATEGY INTEGRATED INTO THE ECONOMIC MODEL

1.6.1 Contribution of AccorHotels to the UN sustainable development goals through its economic model

For more than 15 years, AccorHotels has been committed to an active approach to sustainable development. Its CSR strategy is in line with its economic model and responds to the environmental, social and societal challenges it faces. The Group is developing programs as part of an ongoing improvement process for the Group and its stakeholders, thus contributing to the achievement of the United Nations Sustainable Development Goals (see page 52).

AccorHotels regularly conducts studies to determine the steps required to gain a detailed understanding of its impacts. For example, the evaluation of the **socioeconomic footprint** published in 2016 shows that, like other companies in the labor-intensive hotel sector, AccorHotels indirectly creates around 4 other jobs for each of its 250,000 direct jobs; through its business activity, AccorHotels therefore supports some 1.2 million jobs worldwide, 70% of which are based near its hotels. In addition to the jobs created and supported indirectly, AccorHotels' business activity has a strong impact on local economies, contributing €1.70 to local GDP for every €1 of revenue generated by the Group. Fully 87% of the value created by the Group benefits local development, particularly local education and healthcare, as well as administration. Lastly, agriculture features prominently among the impacted sectors, with 0.5 job supported for every job created within the Group.

By maintaining this capacity for local development and job creation, AccorHotels contributes to UN Sustainable Development Goal (SDG) no. 8 (the full titles of the SDGs are listed below). The Group performs its responsibilities as an employer by endeavoring to reconcile the working life of its employees and subcontractors with their continued health and well-being, respecting all forms of diversity. In this way, AccorHotels contributes to SDG 5.

The **environmental footprint** of AccorHotels, measured in 2011 and updated in 2016, shows that its overall carbon footprint is 4.5 million tCO_2eq. Buildings are the biggest source of greenhouse gas emissions in the Group (77%). Managing this property portfolio shows how critical it is to control water consumption (25% of its hotels are in areas of high water stress). Committed to controlling and reducing the environmental footprint of its buildings, the Group has made it one of the main pillars of its CSR strategy, Planet 21 – Acting Here (see page 129). The targets set and the action plans implemented enable it to contribute to SDG 7, SDG 6 and, to a lesser extent, SDG 13, whose implementation tends to be more the responsibility of governments. The environmental footprint also shows that, due to the environmental impacts of upstream farming operations, food and drink consumption in the hotels and their restaurants represents a large part of the Group's environmental footprint for water (40%) and biodiversity (88%). AccorHotels is deeply committed to these issues, thereby contributing to SDG 2 and, to a lesser extent, SDGs 14 and 15.

AccorHotels is also exposed to general but significant impacts linked to its product and services offering. Its ecodesign and guest awareness/engagement programs enable the Group to contribute to SDG 12.

Present in urban, tourist environments, the Group also endeavors to participate in the development of resilient cities (SDG 11). Lastly, AccorHotels is involved in child protection, a key issue for the tourism industry, and thus supports several targets under SDG 16.

Assessing the materiality of issues

In 2016, AccorHotels updated its original 2013 assessment of the materiality of these issues. Three major studies conducted by the Group helped it to quantify various issues: the environmental footprint, socioeconomic footprint and a study of how guests perceived sustainable development. Once identified and quantified, these issues were compared against stakeholder concerns and plotted in a graph along two axes: "Importance of the issue for stakeholders", and "Impact on the Group's business". As such, an analysis on the importance of the issues completes the studies on quantitative footprints with a full-range evaluation of the strategic challenges that AccorHotels is facing.

This analysis was updated in 2017 and examined from the perspective of the UN Sustainable Development Goals (SDGs), to which the AccorHotels Group contributes through its activities and CSR strategy, Planet 21 – Acting Here.

United Nations Sustainable Development Goals to which AccorHotels actively contributes

- 2 Zero hunger: End hunger, achieve food security, improve nutrition and promote sustainable agriculture
- 7 Affordable and clean energy: Ensure access to affordable, reliable, sustainable and modern energy for all
- 8 Decent work and economic growth: Promote inclusive and sustainable economic growth, employment and decent work for all
- 12 Responsible consumption and production: Ensure sustainable consumption and production patterns
- 16 Peace, justice and strong institutions: Promote just, peaceful and inclusive societies*

Particular targets:
16.2: End abuse, exploitation, trafficking and all forms of violence against and torture of children.
16.5: Substantially reduce corruption and bribery in all their forms .

United Nations Sustainable Development Goals to which AccorHotels indirectly contributes

- 4 Quality education: Ensure inclusive and quality education for all and promote lifelong learning
- 5 Gender equality: Achieve gender equality and empower all women and girls
- 6 Clean water and sanitation: Ensure access to water and sanitation for all
- 11 Sustainable cities and communities: Make cities inclusive, safe, resilient and sustainable
- 13 Climate action: Take urgent action to combat climate change and its impacts
- 14 Life below water: Conserve and sustainably use the oceans, seas and marine resources
- 15 Life on land: Sustainably manage forests, combat desertification, halt and reverse land degradation, halt biodiversity loss

Details of AccorHotels' contributions to the UN SDGs and targets can be found in the table on page 157.

This materiality matrix, which focuses on the hotel industry, only partially includes the new businesses recently developed or acquired by AccorHotels (John Paul, Onefinestay, Pottel and Chabot, etc.), which currently represent only a small part of the Group's revenue. In 2018, the risk map for ethical and CSR issues will be comprehensively updated on the basis of that materiality analysis. During this process, AccorHotels' new businesses will be fully taken into account.

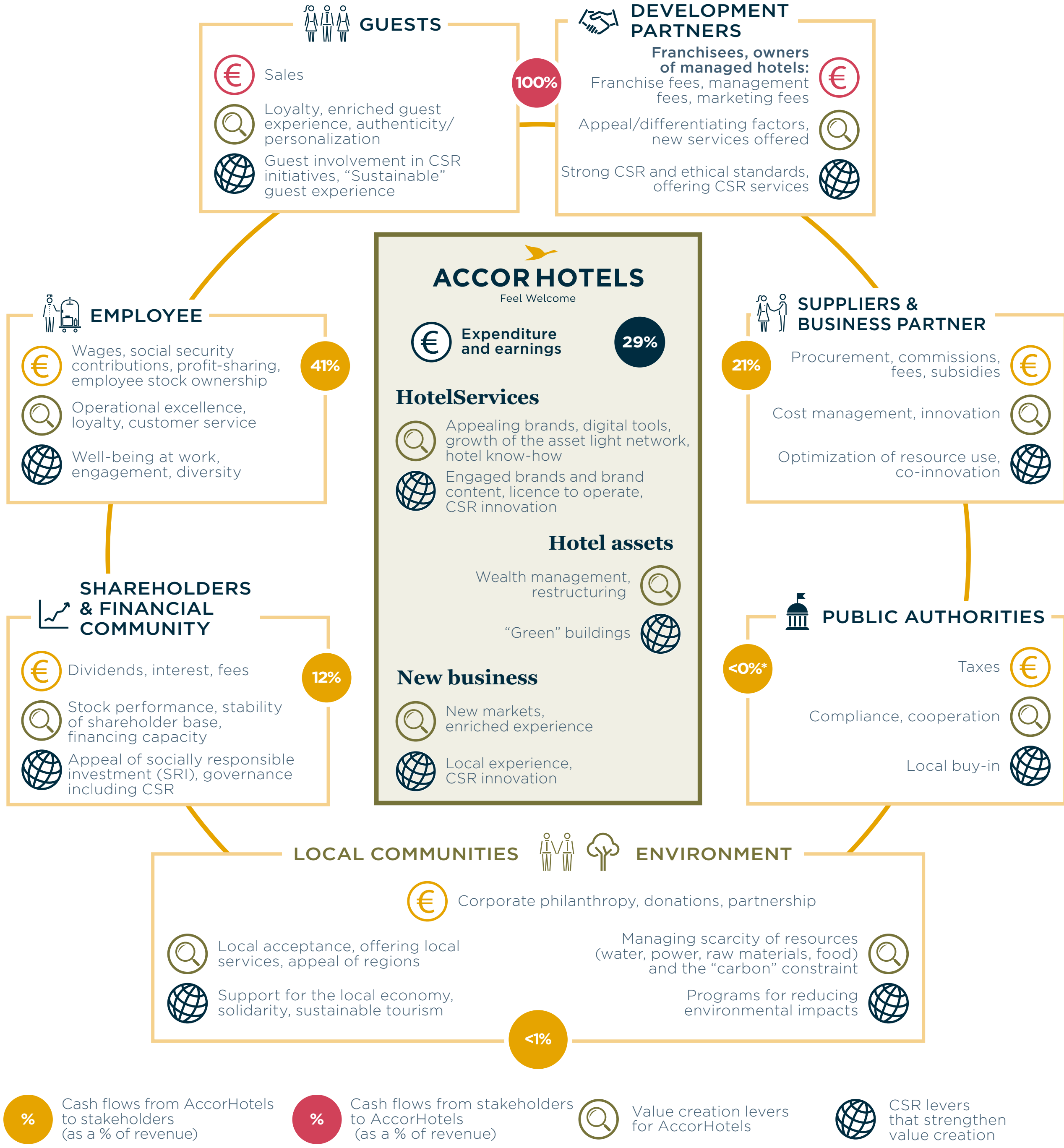
CSR issues are included among the threats identified in the Group's risk map. The overall risk management structure of the Group is detailed in Chapter 3 "Risk Factors".

1.6.2 Cross-sectional analysis of the economic model and CSR challenges

Before the new Planet 21 – Acting Here strategy was defined for the 2016-2020 period, an in-depth study was carried out of the AccorHotels economic model. First, the study analyzed the components that currently create value and are expected to create value in the future for the Group. It then identified how CSR initiatives help to create value and reinforce the strategy and ongoing success of the Group. This approach has led to the CSR strategy really becoming part of the business strategy of the Group. It was particularly impactful in the creation of the Planet 21 – Acting Here program.

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

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



* Percentage less than 0 due to deferred tax assets generated by the spin-off of AccorInvest and by the reduction in corporate income tax in the United States.

1.6.3 Planet 21 – Acting Here, an ambitious plan for the CSR strategy

A vision of our commitment to social and corporate responsibility

By launching its CSR strategy Planet 21 – Acting Here in 2016, AccorHotels reaffirmed its vision: "Wherever we are, let us drive the change towards positive hospitality".

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

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

This positive hospitality will minimize the negative impacts from its business on climate, water, waste, and local communities. It will have a positive effect on human rights, labor and working conditions, and the overall environment and well-being of employees, guests, partners, and communities.

A program built around four main themes and two priorities

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

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

AccorHotels' CSR Strategy for 2016-2020, Planet 21 – Acting Here, is built around four main themes and two priorities chosen in direct response to the business, environmental, and societal challenges identified by the Group (see "Assessing the materiality of issues", page 48):

- **Being an inclusive company** and taking steps to ensure employee well-being. AccorHotels is committed to being open and inclusive, respecting individual diversity and developing talent. This ambition is reflected in the Group's promise to make its employees "Feel Valued".
- **Getting guests involved in multiplying the positive effects** of the actions taken by the Group, its hotels, and its employees. AccorHotels seeks to give its guests a hotel experience that is increasingly responsible and encourages them to be part of that effort. Closely involving guests leads to high expectations for the services provided, which include a strong environmental and social dimension, irrespective of the brand or the country.
- **The Group builds sustainable relationships with its partners,** since AccorHotels' business and performance are closely connected to those of its partners, be they suppliers, the owners of its hotels, or independent hotels with ties to the Group. Maintaining its reputation means broadening its commitment to company, social, and environmental responsibility with its partners so that everyone in the value chain of the hotel can benefit.
- **Taking action in local communities,** because making a change for the better doesn't stop at the hotel door. The Group intends to continue supporting initiatives for local economic and social development and solidarity.

Ultimately, the lessons learned from Group's environmental footprint are clear: two of its strategic priorities – developing its real estate holdings and its restaurant line – are also the main areas where it can reduce its environmental impact. AccorHotels will therefore focus on these two areas with its 2020 vision:

- **Offering guests healthy and sustainable food,** while eliminating food waste. The Group wants to offer healthy food, support the transition of agriculture to a more sustainable model, and drastically reduce any form of food waste.
- **Drawing its hotels into the green energy** shift by focusing on carbon-neutral buildings. AccorHotels plans to design buildings that are increasingly sustainable, regularly upgrade its hotels to improve their energy performance and reduce water consumption, and develop models based on the circular economy.

Specific targets have been set for each of these areas by 2020. These will be monitored each year (see pages 87 to 89).

The following diagram illustrates the six areas of the Planet 21 – Acting Here program and the SDGs to which they contribute.

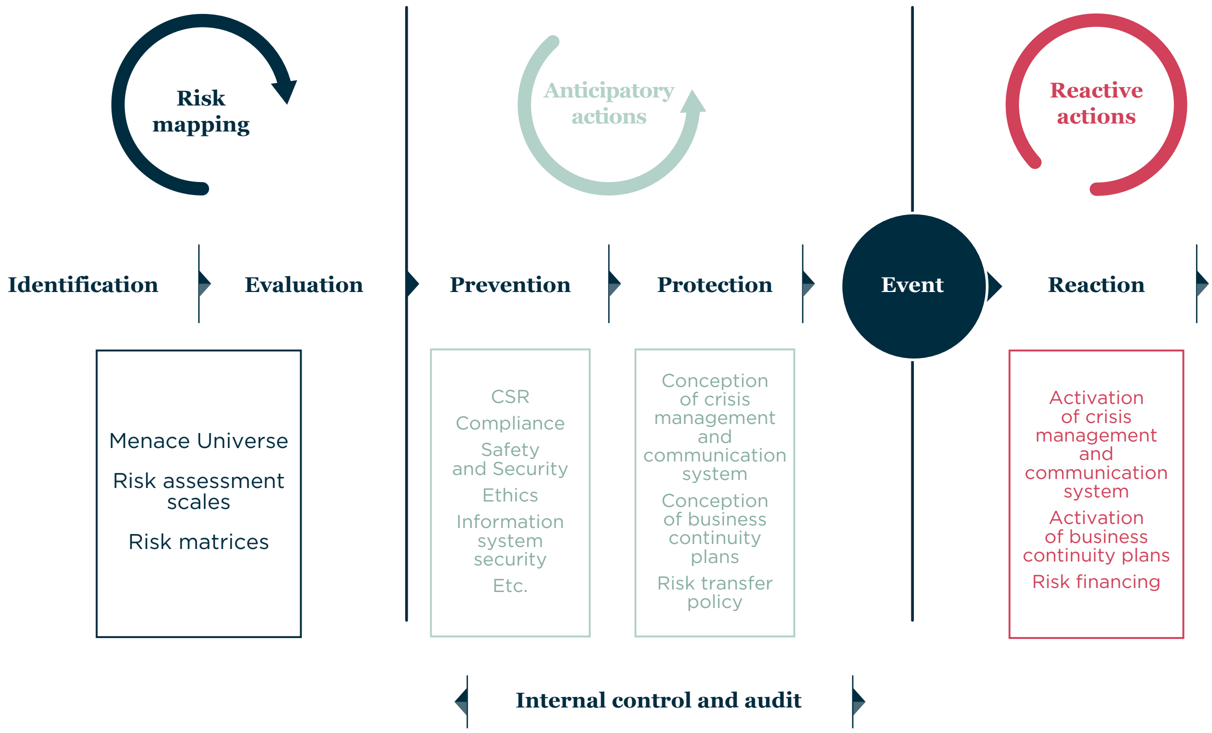
** SDGs also covered by other topics. Details of AccorHotels' contribution to the SDGs and related targets can be found on page 157 of the appendix.*

1.7 RISK MANAGEMENT

1.7.1 Risk Management Strategy

Global Risk Management Strategy

AccorHotels' risk management system is underpinned by a structured approach for identifying, analyzing and assessing risks and implementing appropriate prevention and protection action plans.



The system is aimed at:

- preventing major risks that may jeopardize the achievement of the Group's objectives;
- protecting guests, employees, assets, brands and data, as well as the clientele portfolio;
- informing stakeholders of the risks to which the Group is exposed.

It is structured around:

- a global risk management system that factors in all types of risks;
- a common system for both operating divisions and corporate functions.

One of the core aims of this approach is to ensure that identified risks are properly taken into account and addressed using a standard methodology whenever possible.

Risk Management and Insurance department

The six-member Risk Management and Insurance Department is tasked with ensuring that processes for identifying and analyzing major risks are properly implemented and its findings are presented to the Audit and Risks Committee every year in December.

In particular, as part of the overall process for preventing hotel risks, it defines, promotes and coordinates safety procedures. It ensures, through controls, that these procedures are properly implemented.

As part of the Group's protection strategy, it is responsible for arranging appropriate coverage for the Group's risks, notably by setting up insurance policies.

In light of the strategic importance of data for the Group and of the related security risks, the Department is also in charge of identifying and analyzing the data breach risks to which the Group is exposed and managing them.

Safety & Security department

The Safety & Security Department, reporting directly to the Deputy Chief Executive Officer, is responsible for defining and rolling out group-wide safety and security policies.

It helps devise the Group travel policy by producing recommendations, circulating security and safety-related information and supporting the deployment of training initiatives and dedicated applications.

The Safety & Security Department is responsible for deploying, coordinating and monitoring measures aimed at preventing malicious damage in Group hotels. Its duties include consulting, performing audits, providing operational support and helping to protect employees, guests and infrastructures.

It has developed a crisis management system and ensures that all Group hotels are incorporated and monitored accordingly (see section 1.7.4, "Crisis management").

The Safety & Security Department tracks the safety and security situation on a daily basis, reviewing the geopolitical context and public health and hygiene conditions, as well as risks relating to extreme weather events and social unrest.

Central Risk Management Coordination Committee

The Central Risk Management Coordination Committee is tasked with:

- monitoring the rollout of the yearly map of major risks;
- helping priority risk owners in their risk mitigation processes;
- monitoring the implementation of risk prevention and protection plans put in place by these risk owners;
- ensuring that the risk mitigation measures taken by the regions and corporate functions are aligned.

In 2017, members of the Committee were as follows:

- the Deputy Chief Executive Officer;
- the Chief Digital Officer, in charge of Digital, Distribution, Sales and Information systems;
- the Chief Talent & Culture Officer;
- the CEO HotelServices MEA and New Businesses;
- the Group General Counsel and Board Secretary;
- the Chief Safety and Security Officer;
- the Senior Vice-President, Internal Audit;
- the Senior Vice-President, Risk Management and Insurance.

Operations were represented by two regional CEOs.

1.7.2 Risk factors

To identify and assess major risks, the risk mapping process is based on the value creation process. The map provides a consolidated overview of major risks. A major risk is defined as a risk that negatively impacts the Group's ability to achieve its objectives.

The assessment of major risks, which is carried out based on a threat landscape that is common to the entire Group, makes it possible to position each risk on a matrix according to two criteria: probability of occurrence and intensity of impact.

Risks related to the business environment

Risks related to the legislative and regulatory environment

Legal and regulatory instability

Description of the risk	Mitigation measures
Some governments may introduce new laws or taxes or increase existing taxes (such as carbon tax or VAT) or tighten existing legislation (such as data protection laws). Unstable laws and regulations that apply to the Group's business, including the possible introduction of prospective or retrospective protectionist measures in one or several host countries, could have an adverse effect on the business and growth in the countries concerned and negatively impact the Group's results. More specifically, global concern about environmental issues, particularly climate change, may lead to stricter regulatory requirements.	AccorHotels' international presence and broad geographical distribution, as described in section 1.5.4, helps to limit the potential impact of these risks on the Group's results. In addition, the legal teams in subsidiaries throughout the world work with professional organizations to track and anticipate these legislative and regulatory changes so that they can be integrated into the Group's policies. Lastly, in response to the objective of a massive reduction in greenhouse gas emissions set out in the Paris Agreement on Climate Change and in order to anticipate changes in sustainable development regulations, the Group is transitioning its hotel base towards buildings that are carbon-neutral and more energy efficient. The Planet 21 objective to "Make all our buildings carbon neutral" is described in section 2.7.

Risks related to the geopolitical, health and social environment

Acts of terrorism or political instability

Description of the risk	Mitigation measures
The evolving geopolitical situation exposes the Group to the risk of terrorist attacks in most of its host countries. Terrorists could specifically target one of the Group's hotels or a hotel's location. The occurrence of such events could have a direct or indirect impact on the guests, employees and assets of the Group and its partners, and adversely affect the Group's financial position and possibly its reputation. In addition, acts of terrorism, political upheaval or an outbreak of war would affect tourism and the Group's business (by triggering a fall in guest numbers, hotel closures and abandoned development projects) in the region(s) concerned, as well as threatening employees' safety.	Protecting guests and employees is a priority for the Group. To effectively protect them against the main identified threats, the Group has developed a safety and security strategy aligned with the severity of the estimated risks at each hotel. The strategy is based on an organization, a monitoring system and appropriate safety and security measures that evolve in line with developments in each situation. These measures, which are described in section 1.7.3, are designed to guarantee the safety of guests, employees and assets, while also ensuring the continuity of operations. In the event of an alert, the crisis management system described in section 1.7.4 is activated immediately to ensure guests' and employees' safety. Property damage and related potential business interruption losses are covered by the Group's insurance program (see section 1.7.4).

Epidemics

Description of the risk	Mitigation measures
The Group's operations could be affected by the occurrence of epidemics in its host regions or by global epidemics. Events such as the SARS, H1N1, Ebola and Zika epidemics could trigger a fall in guest numbers and adversely affect the Group's revenue.	AccorHotels tracks on an ongoing basis any public health risks that could harm its guests or employees or adversely affect its business. In response to the risk of epidemics, business continuity plans have been developed to ensure the continuity of its hotel operations, while also ensuring the health and safety of guests and employees.

Risks related to the competitive environment

Changes in the competitive environment

Description of the risk	Mitigation measures
AccorHotels operates in a highly competitive environment in its various markets, shaped by the accelerating pace of technological innovations and their rapid take-up. Competition may become even more intense in several regions due to the arrival in the market of new players, new products or brands launched by competitors or a process of industry concentration. The more complex competitive environment may lead to a fall in the Group's business volumes and adversely affect its results.	Raising its brands' recognition and enhancing their attractiveness is a key priority for the Group. In an environment shaped by rapid technological change, its teams work continuously to upgrade the brands and align them with the expectations of a demanding clientele, in order to avoid losing business to competitors. The brand portfolio was expanded in 2016 with the acquisition of three iconic luxury hotel brands – Fairmont, Raffles and Swissôtel – along with the signature of strategic partnerships with 25hours and Banyan Tree and the launch of Jo&Joe. In 2017, an agreement was signed for the acquisition of the entire capital of Mantra Group Limited, Australia's second largest hotel operator which also has operations in New Zealand, Indonesia and Hawaii, and a strategic partnership was established with Rixos Hotels in the international resort segment (see section 1.5.3). In addition, a plan was launched to revitalize the hotelF1 brand and the Group teamed up with SNCF to develop a new collection of prestigious hotels under the Orient Express banner (see section 1.5.3). The Group also acquired VeryChic, a digital platform for the private sale of hotel rooms and apartments, cruises, stays and luxury packages (see section 1.5.2). Another strategic priority is to strengthen AccorHotels' leadership across the entire guest experience. In line with the goal of enhancing the range of services offered to business travelers, in January 2018, AccorHotels announced the acquisition of Gekko, a specialist in hotel distribution solutions dedicated to this customer segment (see section 1.5.2). The Group also took its first steps in the area of artificial intelligence. Since October 2017, leisure travelers have been able to interact with Phil, the AccorHotels chatbot, *via* Google Assistant. Phil is on hand to answer travelers' questions before, during and after their stay. Initially available on Google Assistant in France, as from 2018 the service will be available in both French and English for American, Canadian and British users. Lastly, after the acquisition of Fastbooking in 2015, the Group announced the acquisition of Availpro (see section 1.5.2), thus creating the European leader in digital services for independent hotels.

Risks related to the economic environment

Unfavorable change in the economic environment

Description of the risk	Mitigation measures
Sharply lower economic growth in a given region or worldwide could expose the Group to a steep decline in business, particularly if it led people to travel less. In addition, as explained in section 1.5.4, the Group's operations are still fairly heavily focused on Europe. Any unfavorable change in the economic situation in Europe would have an adverse effect on the Group's business and revenue.	The organic growth and acquisitions strategy is designed to reduce exposure to this risk. For example, the acquisition of the FRHI Group in 2016, followed in 2017 by an agreement for the acquisition of 100% of Mantra Group Limited, the strategic partnership with Rixos Hotels and the acquisition of a hotel portfolio from Brazil Hospitality Group have all helped to lessen the Group's European exposure. Added to this, 71% of the 264 hotels opened in 2017 are located outside Europe, including 38% in the Asia-Pacific region – partly thanks to the strategic partnership with Huazhu described in section 1.5.1, 16% in the Middle East/Africa region, 16% in South America and 1% in North and Central America and the Caribbean. The development pipeline is also focused on markets outside Europe, with 47% of planned rooms located in the Asia-Pacific region, 13% in the Americas and 20% in the Middle East/Africa region (see section 1.5.1).

Risks related to the natural environment

Natural events

Description of the risk	Mitigation measures
In the majority of host countries, the Group is exposed to the risk of extreme natural events (such as earthquakes and tsunamis) and weather events (such as floods, hurricanes and cyclones) whose frequency and/or severity may be amplified by climate change. The occurrence of such an event could have a direct or indirect impact on the Group's guests, employees, business and assets as well as those of its partners, and adversely affect the Group's financial position. Other risks associated with climate change may adversely affect the Group's longer-term objectives. These risks and their potential consequences are discussed in section 2.7.	Protecting guests and employees is a priority for the Group. For this reason, permanent or temporary protection measures are implemented as soon as these risks are identified, such as evacuating hotels in accordance with Group procedures. For seismic risks in particular, drills are carried out by teams in the countries concerned, so that they can respond effectively in the event of an earthquake. In addition, the Safety & Security Department tracks the safety and security situation in all host countries on a daily basis. In the event of an alert, the crisis management system described in section 1.7.4 is activated immediately to ensure guests' and employees' safety. The Group's broad geographical distribution, as described in section 1.5.4, helps to limit the potential impacts of these risks on results. The insurance policy described in section 1.7.4 helps to reduce the financial impact of property damage and business interruption losses resulting from this type of event.

Risks related to the social environment

New consumer trends

Description of the risk	Mitigation measures
Faced with i) changing consumer behaviors (with a shift towards self-catering options and apartment and house swaps) and traveler preferences (for "experiences" and personalized travel); ii) the arrival in the market of new players whose offers and business models are disrupting hospitality industry codes; and iii) an aging guest mix (with younger travelers turning their backs on the Group's offer in favor of new concepts), AccorHotels needs to expand its offer to diversify the opportunities proposed to travelers and better meet their expectations, reduce the average age of guests and attract new ones. If the Group fails to spot new consumer behaviors and respond quickly by offering appropriate experiences to its guests, its overall market share and business will be adversely affected, with a negative impact on both revenue and profit.	The Group needs to respond to these changes by embracing new products and practices, new generations and new businesses. Part of this response consisted, in 2016, of setting up a "shadow executive committee", a unit dedicated to exploring new business and innovation opportunities, and a new Lifestyle division organized around the Jo&Joe, Mama Shelter and 25hours brands. In the same vein, the Group acquired TravelKeys in February 2017 in order to accelerate the development of its luxury home rental offer. The regrouping of the onefinestay, Squarebreak and TravelKeys brands under a single onefinestay brand makes it the market leader in the rental of luxury homes with concierge services (see section 1.5.2). At the same time, the expertise of John Paul was leveraged to support the rollout of AccorLocal in France (see section 1.5.3), which extends the range of services offered by the Group's hotels to include services for local residents. Lastly, in placing innovation and the guest experience at the heart of its business, the Group is transforming its culture with Heartist® (§ 2.3.2), a commitment that unites employees around a single passion – the client. In order to improve the welcome afforded to guests every time they visit a Group hotel and fulfil the promise behind the slogan "We are all heartists", the AccorHotels Customer Digital Card has been created to collect and share guest data throughout the world (see section 1.5.2).

Smear campaign and libel risks

Description of the risk	Mitigation measures
If the Group were to make a mistake in the conduct of its business or if some of its practices were to be considered unacceptable by certain stakeholders, it could face criticism or a smear campaign or calls to boycott its hotels. Any such campaign would have a negative impact on the Group's image and reputation, and would adversely affect its business and growth outlook. The Group is also exposed to a risk of libel, or of unfounded or false accusations adversely affecting its image and reputation. Any such accusations would have a negative impact on its business. Any such criticisms or accusations, whether founded or not, could spread rapidly *via* social media.	Protecting employees and guests is a priority for the Group and every effort is made to guarantee their safety. The systems in place to prevent hotel risks and Safety & Security systems are described in section 1.7.3. The Group's CSR and Ethics commitments and Compliance program presented in section 2 "Corporate Responsibility" aim to prevent risks associated with doing business and with the Group's corporate social responsibility. Nevertheless, to ward against negative publicity, the Group uses media tracking systems to detect any early warning signs. At the level of the individual hotels, the "Voice of the Guest" platform provides a central repository for guest feedback gathered from all channels and provides the hotels with a clear and intuitive interface to help them manage their on-line reputation. If a criticism or allegation leveled against the Group were to spread rapidly, crisis management and communication procedures could be triggered.

Operational Risks specific to the Group's Business and Organization

Legal and regulatory risks

Non compliance with laws and regulations

Description of the risk	Mitigation measures
AccorHotels and its subsidiaries are exposed to non compliance risk arising from inadequate knowledge of the laws and regulations in force in their host countries. The Group is not subject to any specific regulations that could have a major impact on its operations. However, it is required to comply with national regulations applicable to public access buildings in all of its host countries. The Group is also exposed to the potential negative repercussions of any legal proceedings that may be brought against it before the courts or administrative authorities. Information concerning claims, litigation and arbitration proceedings that could have – or in 2017 had – a material adverse effect on the Group's financial position is provided in Note 14.2 to the consolidated financial statements of this Registration Document. Management considers that except as explained in this note, there are no governmental, legal or arbitration proceedings (including any threatened proceedings of which the Group was aware as of the date of filing) that could have – or had in 2017 – a material adverse effect on the Group's financial position.	The Group has legislative and regulatory watch systems in all of its host regions to guard against risks arising from failure to apply any new laws or regulations. These systems are implemented by legal teams throughout the world who oversee compliance with applicable laws and regulations by all Group entities in all host countries. The Group's tax policy ensures full compliance with all tax laws and regulations applicable in its host countries. Tax risks are managed at Group level by the Corporate Tax Department supported by the Internal Audit Department. Action plans are developed to defend the Group's interests regarding compliance with applicable local rules and international tax treaties. These plans are described in section 2.2.4. Lastly, if the Group receives a summons in a legal action, an assessment of the related risk is carried out jointly with its external counsel and based on this assessment a provision is recognized where appropriate. Details of these provisions are presented in Note 10 to the consolidated financial statements. Liabilities are recognized and provided for in accordance with the applicable accounting standards (see Note 10 to the consolidated financial statements).

Industrial and environmental risks

Damage to the environment

Description of the risk	Mitigation measures
No environmental risks were identified during the annual major risk-mapping exercise. AccorHotels considers that in the hotels business, the risks mainly concern the storage of gas and fuel oil in or near hotels, the malfunction of transformers containing polychlorinated biphenyls (PCBs), spillage of chemical cleaning products, contamination from cooling towers and inappropriate treatment of hazardous waste. The fight against climate change is a collective challenge and the construction industry has a huge influence on world greenhouse gas emissions; AccorHotels therefore has a role to play (see section 2.7).	The risk of causing environmental damage remains generally low in the hotels business. The Group uses very few toxic or hazardous products and the risk of accidental pollution with an impact beyond the hotel concerned is remote. In seawater spas, however, procedures have been introduced to alert the public authorities in the event of non-compliant wastewater analyses. Furthermore, aware of the effects of climate change and in order to manage operating costs more efficiently, the Group is taking action to limit the CO_2 emissions generated by its operations, through energy-saving measures, renewable energy solutions and sourcing of food products with a low environmental impact. The Planet 21 objective to "Make all our buildings carbon neutral" is described in section 2.7. No material provisions were set aside for environmental risks in 2017.

Impact of climate change and "carbon-light" strategy

Description of the risk	Mitigation measures
AccorHotels' first environmental footprint study was carried out in 2011 (scopes 1, 2 and 3, excluding customer transport) and updated in 2015. The carbon footprint of our hotels is related to energy and food consumption. In addition, an initial analysis of climate change risks highlighted the exposure of our businesses to the potential financial consequences of an increasing number of extreme weather events and regulatory requirements concerning the carbon footprint of buildings.	Under the leadership of the Ethics & CSR Committee, preliminary work was undertaken in 2017 to determine the trajectory we will need to follow to contribute to the collective goal of limiting global warming to 2°C. Based on initial estimates, we will need to reduce our carbon intensity – measured in kgCO_2eq/room/year – by around 60% by 2030 and around 90% by 2050. In 2018, we will use this outline trajectory to start building a roadmap with the following milestones: ◗ Prepare more detailed trajectory calculations and define clear objectives. ◗ Strengthen the hotels' energy and carbon footprint management. ◗ Assess the extent to which each lever (lower energy use, increased energy efficiency, transition to a mix of carbon-free energy sources, offsets, etc.) has the potential to reduce our carbon intensity. ◗ Improve governance structures, processes and tools in order to better integrate "carbon" issues in all strategic decisions (hotel network development decisions, decisions on the development of new concepts, offers or solutions, etc.). ◗ Identify the pre-requisites for hotel owners to embrace the carbon challenge and the tools needed to support them in the drive to reduce their carbon footprint. Without waiting for this "2°C" roadmap to be launched, the Group has already started transitioning the hotel network towards carbon neutral buildings. The phased approach involves systematically obtaining environmental certifications for all new hotels, deploying a carbon-light approach to all hotel construction and refurbishment projects and, ultimately, building and operating 100% carbon-neutral hotels. On the eve of the One Planet Summit, AccorHotels signed the French Business Climate Pledge affirming the need to collectively change course in order to drastically reduce greenhouse gas emissions (GHG).

Data risks

Breaches of data availability, integrity or confidentiality

Description of the risk	Mitigation measures
The Group's businesses are based on an array of processes and applications that support employees and hotel managers in their daily work and guests in their travel plans. Some of these processes and applications are dependent on complex information systems and IT infrastructure for the collection, processing, storage and dissemination of increasing quantities of operational and strategic data that are essential to support the value creation process. These data, which are collected, stored, processed and disseminated directly by the Group and its partners or by outside service providers, may suffer accidental or malicious damage. The Group's systems or those of its IT service providers may be subject to viruses, denial-of-service or other attacks, technical failures of hardware or software, sabotage, physical intrusion or hacking adversely affecting data availability, integrity and confidentiality. These threats may also originate internally and be due to malicious intent, an error or infrastructure obsolescence. Whatever the origin, any alteration, theft, disclosure or unavailability of Group data may have a negative impact on its business, reputation and development projects.	Guaranteeing the safety, security and availability of operational and strategic data in the Group's possession is a key priority. The Information Systems Security Department is tasked with securing all of the IT infrastructure, systems and applications necessary for the Group's operations. Its role consists of i) preventing intrusions, viruses and attacks by administering all dedicated systems security hardware and software and performing regular intruder tests and application code reviews, and ii) conducting awareness campaigns and training seminars for employees, for example to alert them to phishing risks. Renewal of the central systems' PCI DSS certification is a key factor in the prevention of risks affecting guests' bank details. This compliance approach is currently being deployed throughout the Group in order to guarantee optimal protection of these data. Preparations for application of the General Data Protection Regulation, launched in 2016 under the supervision of the Governance Committee, are an additional preventative measure to protect personal data held by the Group (see section 2.2.2). This approach is presented in section 2.4.4 "A guest-centered culture". The Group also has a specific Information Systems Internal Audit team, which reports to Corporate Internal Audit and is dedicated to ensuring that information systems work effectively and securely. Details of these audits are provided in section 1.8.4. If an incident were to occur despite these preventive measures, a business continuity plan has been developed to guarantee continuity of service and to preserve data confidentiality. Lastly, cyber risk insurance has been taken out in addition to the existing property and casualty, business interruption and liability cover. Together, these policies cover the Group against all losses caused to third parties and all business interruption losses arising from the unavailability, alteration, theft and/or unauthorized disclosure of guest and operating data, as well as all costs incurred in managing the incident.

Talent risks

Competition in the job market

Description of the risk	Mitigation measures
Fulfilling the "Feel Welcome" customer experience promise depends on the availability, engagement and passion of talents. If AccorHotels' attractiveness as an employer were to be impaired, its ability to attract and retain the talent it needs could be affected, with direct consequences not only for the Group's business but also for its image and reputation. The challenges associated with the digital transformation program and the reinvention of the Group's businesses could similarly affect the guest experience, with negative consequences for the Group's image and reputation.	The Group's employees are its most valuable resource, and attracting and retaining the best talents is a key priority. The new "Feel Welcome" guest promise is supported by the "Feel Valued" promise to employees. Mirroring the Guest Experience, the Talent Experience described in section 2.3.10, draws a parallel between the experience of an employee working for the Group and that of a guest who stays in one of its hotels. This approach reflects the Group's commitment to being an attractive employer attentive to the well-being and safety of its employees and engaged in supporting their professional growth. To develop its employer brand, AccorHotels is present on several social networks, which have become the partners of choice for communicating the Group's news and values, publicizing job offers and establishing an interactive relationship with candidates. The Group's attractiveness to future employees also depends on its participation in job fairs and trade fairs, and on its active relations and partnerships with hotel management colleges, business schools and universities. These events represent excellent opportunities to meet the young people who represent the talents of the future, help them to discover what AccorHotels and its brands have to offer and answer their questions. The department responsible for relations with schools and universities also leads the network of students who volunteer to act as "AccorHotels Ambassadors" on their campus. The Group's competitive and fair compensation policy (see section 2.3.6) which rewards individual performance is another factor in building the Group's attractiveness as an employer. Guaranteeing the safety and well-being of employees in the workplace is a major concern for the Group. The initiatives to improve worklife quality, promote health and a good work/life balance, and prevent workplace accidents and occupational illness are described in section 2.3.5. To retain the best talents, the Group supports them throughout their career with the Group. Priority is given to ensuring they acquire the necessary skills to fully master the tasks they are asked to perform. Performance reviews give employees an opportunity to express their career goals so that an appropriate development plan can be prepared. The talent development strategy and the AccorHotels Academy are presented in section 2.3.9 "Learning solutions key to skills development". The Talent & Culture department has set up a dedicated team to support employees in deploying the digital transformation plan and reinventing the Group's businesses (see section 2.3.8). Lastly, AccorHotels considers that the quality of relations with employee representatives is of critical importance. In the belief that effective social dialogue is a driver of cohesion and performance, the Group does everything it can to establish open and constructive exchanges of views to support the Group's transformation process (see section 2.3.4 "Promoting open dialogue").

Risks concerning relations with business partners

Breaches by partners of the Group's ethical and CSR standards and commitments

Description of the risk	Mitigation measures
Most hotels are operated under management and franchise contracts and the Group's business and development are therefore heavily reliant on partners. Any breach of the AccorHotels ethical and CSR standards and commitments by these partners could have a negative impact on the Group's image and reputation and adversely affect its business and growth projects.	To ensure uniform application of its brand procedures and policies, the Group includes in its hotel franchise and management contracts specific clauses requiring compliance with their key aspects. The Group facilitates compliance by partners by supporting them in the initial implementation and ongoing execution of the contracts. Partners are given all the documentation needed to operate the hotels in full compliance with Group policies and procedures. This documentation notably includes brand standards, hygiene standards, health and safety policies (fire, legionella) and PCI-DSS standards. Regular compliance inspections are performed by Operations Managers and Franchising Managers. Partners can now easily download updated versions of these documents and the inspection reports from the partner portal launched in 2016 and currently in the process of being deployed. Securing partners' compliance with the Group's CSR commitments is one of the undertakings of the AccorHotels Planet 21 program "Cultivating shared ethics to promote best practices" (see section 2.5.2). To support this undertaking, all partners were given a copy of the Ethics & CSR Charter in 2016. Also, effective from 2016, all new and rolled over contracts include a non-negotiable ethics and CSR clause. Lastly, a "know your counterparty" process was launched in 2017 to ensure that proposed new partners share AccorHotels' values and standards before the Group enters into any commitments with them (2.5.2).

Ethics and CSR risks

Harassment

Description of the risk	Mitigation measures
The hospitality sector has been identified as being exposed to harassment risk (see section 2.2.4). An employee or guest could be subject to harassment by another guest or employee. This type of situation could undermine the physical or psychological integrity of guests or employees, potentially damaging the Group's image and reputation.	The Group plans to equip employees with an alert mechanism that they can use if they are victims of sexual harassment. The mechanism will be trialled in several pilot hotels during the second quarter of 2018 and will be deployed worldwide during the first half of 2019 (see section 2.2.4).

Corruption risks

Description of the risk	Mitigation measures
AccorHotels operates worldwide, with a hotel portfolio spanning 99 countries. The Group's operations, international presence and growth ambitions, in some cases in countries where corruption risk is viewed as high, expose the Group to the risk of both active and passive corruption amongst its employees or partners. Public and judicial authorities take a zero-tolerance approach to breaches of business ethics and this type of practice is also judged severely by public opinion. Accusations of bribery levied against the Group would expose the Group and the incriminated employees to criminal and financial penalties, while the bad press would stain its image and reputation. No legal or administrative proceedings for alleged bribery were initiated against the Group in 2017 and no provisions were recognized for bribery-related risks.	AccorHotels adopts a zero-tolerance policy towards attempted bribery of government officials and private individuals. The Group also ensures that no commission is paid directly or indirectly to any elected or appointed public official to secure contracts or smooth relations with government agencies. The Group's purchasing and sales procedures strictly prohibit the use of bribes. These principles and prohibitions are listed in the AccorHotels Ethics & CSR Charter, Gift Policy and Bribery Prevention policy. Their application is verified by the internal auditors and is also covered by the Anti-Bribery Compliance program. The Ethics & CSR Charter is the cornerstone of the Group's ethical commitments, ensuring that it conducts and grows the business in accordance with AccorHotels' values without endangering any of the Group's physical or intangible assets. To help employees put these fundamental principles into practice, the Ethics & CSR Charter provides real-world examples of situations they could encounter and describes the right way to handle them. In 2015, the Group went a step further in its drive to combat conflicts of interest and bribery by introducing a Gift policy. The principle is that an employee may not accept or make any gifts in connection with a business relationship. The policy establishes the rules for dealing with exceptions to this principle that may be authorized to take account of standard business practices, and describes the appropriate behavior in various situations. The Compliance program aims to instill a strong compliance culture throughout the Group using internal communication campaigns, support measures and other prevention initiatives such as training for front-line employees and publication of clear behavior guidelines and policies. In 2017, corruption-preventing strategies were further strengthened by the adoption of a Bribery Prevention policy, the aim of which is to prevent behaviors within the Group or at its partners' sites that, whether voluntarily or involuntarily, could lead to liability proceedings against the Group or its employees, endangering its reputation, integrity and assets. In addition, over 900 of the most exposed employees in the Group's various host countries have received training in how to avoid corruption risks. The internal auditors support these awareness raising initiatives by auditing certain processes that are considered as giving rise to a corruption risk, including hotel development and purchasing processes. If employees have a question about a specific situation, such as how to respond to a request for a bribe, they can speak to their manager or contact the compliance officers or the Talent & Culture or Legal Affairs Departments in their country. Led by the Group's General Counsel, who has also taken on the mantle of Chief Compliance Offer, the Compliance function described in section 2.2.3 promotes implementation of the Group's anti-corruption policy throughout the organization. This policy is relayed by management and the network of local compliance officers, supported by the Ethics & CSR Committee and the Governance, Compliance & Corporate Social Responsibility Committee of the Board of Directors (see section 3.4.3 "Ethics and CSR governance").

Financial Risks

In the course of its business, the Group is exposed to financial risk, particularly in the areas of liquidity, counterparties, currencies and interest rates. Policies are in place to manage these risks with the three objectives of security, liquidity and an acceptable return. Most are deployed centrally by the Group Treasury, Financing and Credit Management Department, which reports directly to the Chief Financial Officer, who is a member of the Executive Committee.

Liquidity risk

Cash pooling management enables the Group to offset cash needs and cash surpluses internally, in addition to or instead of raising funds in the financial markets.

AccorHotels' financing policies are designed to ensure that it has immediate, timely access, at the lowest possible cost, to all the liquid resources it needs to meet short-term cash requirements, finance its strategy and fund expansion.

AccorHotels currently has:

- an undrawn long-term committed credit line of €1,800 million with leading banks expiring in June 2019;
- an undrawn long-term committed credit line of €350 million with a leading bank expiring in June 2018.

These two credit lines for a total of €2,150 million strengthen the Group's liquidity position (see Note 11.3.2 to the consolidated financial statements, page 310).

In addition, in February 2018, AccorHotels set up an 18-month bridge loan for €900 million to finance the acquisition of Mantra.

Lastly, AccorHotels has €875 million in cash investments with an average maturity of 1.8 months, fully available at any time (see Note 11.3.3 to the consolidated financial statements, page 311). These investments consist mainly of short-term deposits with leading financial institutions.

Consequently, as at December 31, 2017, AccorHotels had a total of €3,025 million in available liquidity resources (excluding the bridge loan for the acquisition of Mantra).

The Group also has access to diversified financial resources (on debt and equity markets, bank borrowings, etc.) to finance its medium and long-term development.

AccorHotels is not subject to any restrictions on the use of its funds that could significantly impact its operations.

The maturities of the Group's financial assets and liabilities were as follows at December 31, 2017:

	Within 1 year	Between one and three years	Beyond three years	Total
Bonds	138	407	2,204	2,748
Bank and other borrowings	5	(1)	35	40
Finance lease liabilities	1			1
Derivatives (liabilities)	24			24
Bank overdrafts and other	69	41	82	192
Financial liabilities	**237**	**447**	**2,321**	**3,005**
Marketable securities	(875)			(875)
Other current financial assets	(242)			(242)
Current financial assets	**(1,117)**			**(1,117)**
NET DEBT	**(880)**	**447**	**2,321**	**1,888**

None of the Group's loan agreements include any rating triggers for early repayment. However, certain agreements include acceleration clauses that may be triggered in the event of a change of control, *i.e.* if a third party acquires more than 50% of the Company's voting rights. In the case of bonds, the acceleration clause can be triggered only if the change of control leads to the Company's credit rating being downgraded to non-investment grade.

For the lines of credit of €1,800 million and €350 million, the acceleration clause can be triggered if the Group does not comply with the leverage ratio covenant (consolidated net debt to consolidated EBITDA).

None of the Group's loan agreements include a cross default clause requiring immediate repayment in the event of default on another facility. They include cross acceleration clauses only, which are triggered solely for borrowings and only if material amounts are concerned.

The ratings assigned to AccorHotels by Standard & Poor's and Fitch Ratings are as follows:

Rating agency	Long-term debt	Short-term debt	Most recent rating confirmation	Outlook	Most recent outlook update
Standard & Poor's	BBB-	A-3	03/14/2018	Stable	03/14/2018
Fitch Ratings	BBB-	F3	03/22/2018	Positive	03/22/2018

Standard & Poor's and Fitch Ratings confirmed AccorHotels' ratings and outlooks on March 14, 2018 and March 22, 2018 respectively.

Counterparty and country risk

While the Group is exposed to counterparty risk in the course of its financial management, the actual risk is non-material due to the breadth and geographic diversity of the Group's customer and supplier portfolio.

This risk is managed by:

- carrying out transactions only with leading counterparties, depending on country risks;
- diversifying the portfolio of counterparties;
- setting exposure limits per counterparty; and
- continuously monitoring counterparties' creditworthiness (based on credit ratings issued by rating agencies).

In view of the Group's broad geographic footprint, country risk is limited.

Cash pooling arrangements set up by the Corporate Treasury, Financing and Credit Management Department are used to manage most cash investments.

Currency and interest rate risks

A variety of financial instruments, including swaps and forward purchases and sales of foreign currencies, are used to manage and hedge interest rate and currency risks arising in the normal course of business. The use of these instruments forms part of the Group's investment, financing and hedging policies designed to help manage debt and minimize risks on business transactions. A dedicated treasury management information system is used to track the breakdown of debt by fixed/floating rate and currency.

Management of currency risks

Long-term investment policy

When AccorHotels invests directly or indirectly in a foreign subsidiary, the investment is generally made in the subsidiary's local currency. These are very long-term positions and so far, the policy has been not to hedge the related currency risk.

Financing

An internationally recognized signature allows AccorHotels to raise various forms of financing, including through bond issues, private placements and bank loans.

From time to time, the Group also takes advantage of market opportunities to raise financing in a given currency and at a given rate of interest and then use a swap to convert the facility into the currency and interest rate required to finance business needs (see Note 11.3.2 to the consolidated financial statements, page 309).

Generally, the Group's policy is to finance its assets and operating requirements in the currency of the country concerned in order to create a natural hedge and avoid any currency risk.

By using its subsidiaries' surplus cash as well as the financial instruments described above, the Group is able to optimize the cost of its resources while reducing currency risks.

Other currency hedges

Currency hedges are rarely used other than for financing transactions because revenues are generally denominated in the same currency as the related operating costs.

The Group does not generally hedge currency risk arising on the translation of foreign subsidiaries' financial statements.

At December 31, 2017, the volume of forward sales and purchases of foreign currencies represented €141 million and €823 million respectively. At December 31, 2017, the operations consisted primarily of a contingent forward of AUD 1.1 billion for the acquisition of the Mantra Group (to cover part of the fixed acquisition price in Australian dollars which will be paid in cash). All of the related instruments expire in 2018.

Management of interest rate risks

After currency hedging, 86% of consolidated gross debt is denominated in euros, with 86% at fixed rates and 14% at floating rates (an analysis of the Group's exposure to interest rate risks before and after hedging is provided in Note 11.5.2 to the consolidated financial statements, page 313). Target breakdowns between fixed and floating rate debt (for new borrowings or the repayment of existing borrowings) may be modified to reflect anticipated trends in interest rates and changes in the composition of the Group's bond and bank debt.

These target breakdowns are reviewed at regular intervals by the Corporate Treasury, Financing and Credit Management Department and revised targets for future periods may be submitted to Executive Management.

At December 31, 2017, the volume of interest rate hedges represented €746 million.

The interest rate and currency instruments used by the Group are contracted with banks based on the model recommended by the French Banking Federation.

AccorHotels does not conduct any speculative transactions and has no plans to engage in any financial transactions that are not connected to the Group's general requirements for its business. Neither the parent company nor the Group has any open currency or interest rate positions that would be likely to expose the Group to significant risks.

Sensitivity Analysis

Based on reported 2017 data, sensitivity analyses have been performed to measure the impact on EBIT of any changes in (i) RevPAR (revenue per available room, as calculated by multiplying the occupancy rate by the average room rate) and (ii) the euro exchange rate against the main operating currencies. A sensitivity analysis has also been conducted to assess the impact on operating profit before tax and non-recurring items of fluctuations in interest rates.

Sensitivity to RevPAR

A 1% change in RevPAR would impact EBIT as follows:

Sensitivity to RevPAR

1% decrease in RevPAR	Hotel Services	HotelInvest	Total
Impact on EBIT(1)	€(5) million	€(1) million	€(6) million

(1) Earnings before interest and tax.

Sensitivity to RevPAR

1% increase in RevPAR	Hotel Services	HotelInvest	Total
Impact on EBIT(1)	+€5 million	+€1 million	+€6 million

(1) Earnings before interest and tax.

In absolute value, a 1% decline in RevPAR has a larger impact on EBIT(1) than a 1% increase.

Any rebound in hotel demand initially results in an increase in occupancy rates. This feeds through to higher variable costs, which in turn weigh on growth in EBIT. In a second phase, the stronger demand drives an increase in average room rates, which does not affect operating costs and therefore has a stronger impact on growth in EBIT. The flow-through ratio(2) for a 1% increase in RevPAR resulting from higher average room rates is higher than the flow-through ratio(2) for a 1% increase in RevPAR resulting from higher occupancy rates.

Sensitivity to exchange rates

A 10% increase or decrease in exchange rates would have the following impact on EBIT:

Sensitivity to exchange rates			
Currency		EBIT(1) impact of a 10% increase in exchange rates	EBIT(1) impact of a 10% decrease in exchange rates
GBP	United Kingdom	+€0.8 million	€(0.7) million
CNY	China	+€2.4 million	€(2.0) million
AUD	Australia	+€4.3 million	€(3.5) million
CHF	Switzerland	+€1.4 million	€(1.2) million
USD	United States, Southeast Asia	+€18.4 million	€(15.0) million
PLN	Poland	+€4.3 million	€(3.5) million
HUF	Hungary	+€2.3 million	€(1.9) million

(1) Earnings before interest and tax.

Sensitivity to interest rates

Based on the Group's net debt and amount of invested cash, a 50-basis point rise in interest rates would feed through to a €2 million increase in consolidated interest income.

(1) Earnings before interest and tax.
(2) When like-for-like revenue goes up, the ratio of the change in like-for-like EBITDAR/change in like-for-like revenue is known as the flow-through ratio.

1.7.3 Prevention

Hotel risk prevention

Addressing guest expectations in the area of safety is a key priority for AccorHotels. To help prevent the primary risks faced by a hotel, such as fires and food or health-related incidents, group-wide safety procedures are in place:

- hotels must comply with local building and fire protection legislation, in such areas as regular inspections of utilities and equipment, employee training and evacuation drills. They are also subject to the additional criteria set out in the Group's fire safety policy. These are based on the Management, Building and Systems (MBS) methodology developed by HOTREC, the umbrella association for hotels, restaurants and cafés in Europe, which is recognized throughout the region;
- since 2002, a maintenance and inspection program – that includes preventive measures – has helped to combat the development and spread of legionella bacteria, with samples taken annually from hotel installations and analyzed by outside laboratories. In addition, hotels track the risk of Legionnaire's disease *via* the SET regulatory monitoring application. Country organizations take action to ensure compliance with consumer safety and other legislation, in accordance with local standards;
- in addition, kitchen health inspections are performed by using the Hazard Analysis & Critical Control Points (HACCP) system and applying a similar process to the one used for legionella bacteria inspections.

Safety and security, protecting guests and employees

AccorHotels has a duty to ensure the physical protection of its guests, employees and equipment. To this end, the Safety & Security Department:

- monitors and assesses the security situation in the Group's host countries and the regions targeted for expansion;
- leads relations with local diplomatic networks and local authorities, directly and/or through correspondents;
- leverages the expertise and feedback of its private-sector contacts such as consultants, and international networks of security and safety officers;
- performs safety and security assessments at the Group's hotels and recommends improvements where necessary;
- approves or prohibits employee travel to countries considered as unsafe;
- communicates information to employees designed to instill a strong safety and security culture throughout the organization;
- participates in initiatives to uncover, prevent and combat people trafficking;
- includes safety and security issues in Products & Services audits in order to i) obtain assurance concerning the hotels' compliance with the Group safety and security policy and ii) deploy the necessary action plans to ensure consistency across the network.

In an environment where the risk of terrorist attack is high, the safety and security measures deployed in each hotel are determined based on the local situation, the site's vulnerability and the international context. Regular reminders are issued about the need to remain vigilant and the Group is constantly alert to the needs of the hotels in terms of advice and training.

The support provided to employees during business travel has been upgraded, to become more interactive and also more responsive. A group-wide project is currently being finalized.

Data risk management

Protecting guest data is of paramount importance for the Group. As the risk of cyber attacks increases, the development of the necessary personal data protection systems is an overriding priority for AccorHotels.

For example, it provides all Group hotels with a tool to achieve and maintain compliance with the PCI DSS standard.

The Group is also committed to complying with the General Data Protection Regulation (GDPR), which will come into force on May 25, 2018.

Ethics & CSR charter

The Ethics & CSR Charter described in section 2 is a preventive resource designed to ensure that the Group complies with all of the applicable laws and regulations, including the International Labour Organization's fundamental conventions. It presents the Group's values and provides a frame of reference for the Group's business ethics commitments.

Compliance

The Compliance function set up in 2016, which is described in section 2, is designed to prevent corruption and breaches of competition law.

1.7.4 Protection

Crisis management

The Group has set up a structured, aligned crisis management organization with specifically-designated teams for the head office and for the operating units in the 99 host countries, in order to quickly ensure the safety of local employees, guests and on-site service providers in the event of a crisis.

The Safety & Security Department and Risk Management Department operate a 24/7 crisis hotline.

Business continuity

The implementation of business continuity plans is intended to become systematic and to be seen as a risk mitigation tool for the most exposed businesses.

Transferring risk: insurance

The Group's "asset light" business model and the fact that its entities are spread across the globe mean that it is largely shielded against the risk of material damage, particularly property damage. Property damage and business interruption cover is determined based on the Group site with the highest estimated maximum loss. In the case of liability insurance, estimated maximum loss has been benchmarked with industry practices for similar operations, taking into account the fact that hotels are sometimes located in large property complexes or near sensitive sites such as airports or train stations.

The majority of the Group's risks are covered by worldwide insurance programs written on an "all risks" basis (subject to named exclusions) covering property damage, business interruption and liability risks. In accordance with the Group's insurance policy, as validated by the Executive Committee, this program is applied wherever possible under local laws and regulations.

As part of a move to standardize insurance coverage across the Group's banners, the owners of franchised and managed hotels can also benefit from the Group program.

This program offers:

- separate property damage coverage for AccorHotels and its subsidiaries on the one hand, and for the owners of franchised and managed hotels on the other;
- the possibility for owners of franchised and managed hotels to benefit from some of the Group's liability coverage, so as to enhance the compensation paid out to guests in settlement of their claims.

As the property damage coverage for subsidiaries is separate from that for franchised and managed hotels, the maximum coverage that the Group needs to take out is €150 million per policy.

For the Fairmont, Raffles and Swissôtel, specific property damage coverage is in place with a maximum per claim coverage of €700 million.

In the case of liability claims, the maximum per claim coverage currently stands at €500 million.

Protection against natural disaster risk is a particular priority and special terms have been negotiated on a country-by-country basis wherever possible in the local insurance markets for subsidiaries on the one hand and for franchised and managed hotels on the other. Similarly, specific coverage has been taken out for terrorism risks for countries where local coverage is not mandatory and where it is possible to do so under local legislation. This coverage is renewed each year.

All frequent property and liability risks covered by the Group's global insurance program are self-insured through a subsidiary reinsurance company, with all units sharing the related costs. The least frequent but more severe risks are reinsured in the global market in order to limit the Group's commitments and avoid exhausting the capacity of the reinsurance subsidiary. Direct access to the reinsurance markets provides the Group with a more diverse range of market players, creating beneficial competition and a wider range of options.

Local insurance programs have been set up in certain countries, such as Australia, New Zealand and India. In Australia and New Zealand, heavy exposure to natural disaster risks combined with favorable conditions in the local insurance market prompted the Group to take out local coverage for property damage and business interruption risks. In India, insurance legislation has made local programs mandatory.

The Group has not incurred any major uninsured losses and therefore considers that its insurance coverage is adequate. Its self-insurance capacity is also considered adequate, based on loss experience.

The Group organizes fire prevention inspections to reduce risk exposure and obtain cover on a cost-effective basis, taking into account conditions in the insurance and reinsurance markets. Changes in market insurance rates are closely tracked and, where appropriate, risks are self-insured in order to limit the insurance costs incurred by the various businesses and to avoid steep increases. The centralized risk management database rolled out in 2008 has enabled tighter tracking of loss experience, allowing the Technical Department to take swift measures to reduce the related risk exposure. It has now been extended to include hotels in the FRHI sub-group.

New functions have been added to the database to accompany the changes in the AccorHotels business model and also enable the insurance coverage directly taken out by the owners who are not members of Group programs to be tracked.

Other forms of global insurance, such as for construction-related risks and fraud, are also set up centrally in order to optimize insurance costs and ensure the quality of purchased coverage. Moreover, in view of the importance of guest data and IT security in the AccorHotels business model, the Group has taken out a cyber risk insurance cover.

Following the acquisition of FRHI, a tender process was carried out in 2017, in order to bring all insured sites under a single program and standardize the related policies as far as possible.

1.8 INTERNAL CONTROL AND INTERNAL AUDIT

1.8.1 Internal Control Objectives of The Parent Company

The Group applies the internationally recognized definition of internal control formulated by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). According to this definition, internal control is a process, effected by an entity's Board of Directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- effectiveness and efficiency of operations;
- reliability of financial reporting;
- compliance with applicable laws and regulations.

This definition complies with that set out in the Reference Framework for Risk Management and Internal Control Systems issued by the AMF, which states:

- "Internal control is a Company's system, defined and implemented under its responsibility, which aims to ensure that:
  - laws and regulations are complied with,
  - the instructions and directional guidelines fixed by Executive Management or the Management Board are applied,
  - the Company's internal processes are functioning correctly, particularly those implicating the security of its assets,
  - financial reporting is reliable; and
- generally, contributes to the control over its activities, to the efficiency of its operations and to the efficient utilization of its resources".

By helping to anticipate and control the risks involved in not meeting the objectives the Company has set for itself, the internal control system plays a key role in conducting and monitoring its various activities.

One of the objectives of the internal control system is therefore to anticipate and control the risks arising in the course of the Company's business, as well as the risk of errors or fraud, particularly in the areas of accounting and finance. However, as stated in the AMF's Reference Framework, internal control procedures cannot provide an absolute guarantee that the Company's objectives will be achieved, no matter how well the system is designed or how well the procedures are applied.

The following description of the Company's internal control and risk management systems was prepared based on the aforementioned Reference Framework and its application guide.

1.8.2 Summary Description of Internal Control and Internal Audit Procedures

The internal control and risk management procedures described below cover the parent company and all of its consolidated subsidiaries. Whenever a new entity is consolidated, it implements a systematic plan to deploy the internal control procedures and it is included in the audit plan on a priority basis. The Audit and Risks Committee pays particular attention to ensuring that these plans are properly implemented.

Overall organization of the internal control

Main participants

Internal control and risk management procedures are part of the policies defined by the Board of Directors and are implemented under the direct responsibility of the operating divisions and corporate functions. Internal control and risk management are everyone's responsibility, from executive officers to front-line employees.

In this regard, the main structures responsible for overseeing the internal control and risk management systems are as follows:

Executive Management

In accordance with the law and the Company's Bylaws, the Chairman and Chief Executive Officer represents the Company in its dealings with third parties and has the broadest powers to act on behalf of the Company in all circumstances. The situations where exercise of the Chairman and Chief Executive Officer's powers is subject to the prior approval of the Board of Directors are detailed in paragraph 3.2.1 of this report.

The Chairman and Chief Executive Officer has structured the Group around two core competencies:

- hotel operator and brand franchisor: AccorHotels;
- hotel owner and investor: AccorInvest.

For the purpose of carrying out his duties, the Chairman and Chief Executive Officer is assisted by an Executive Committee which includes representatives from all of the operating divisions and corporate functions. This Committee comprises the following members:

- the Deputy Chief Executive Officer in charge of Group Procurement, Audit, Legal and Security & Safety as well as AccorHotels, Africa and the Middle East;
- the Chief Talent & Culture Officer;
- the Chief Development Officer;
- the Chief Financial Officer;
- the CEO Group Food & Beverage;
- the Chief Digital Officer, in charge of Digital, Distribution, Sales and Information systems;
- the CEO Luxury Brands and CEO AccorHotels, North America, Central America and the Caribbean;
- the CEO New Businesses and Chief Disruption & Growth Officer New Businesses;
- the CEO AccorHotels, Europe;
- the deputy CEO AccorHotels, Europe and CEO AccorHotels, Central Europe;
- the CEO AccorHotels, Asia-Pacific;
- the CEO AccorHotels, Latin America;
- the CEO AccorInvest.

In addition, several corporate departments that provide services to both AccorHotels and AccorInvest report directly to the Chairman and Chief Executive Officer, namely:

- the Institutional Relations Department;
- the Group Media Relations Department;
- the Marketing Department.

Group Finance

The Chief Financial Officer ensures that the Group's financial policies are properly implemented, in particular by circulating to the Divisions the accounting principles and standards used to prepare the consolidated financial statements.

The Group Finance function is organized around the following departments:

- the General Control Department, in charge of Group financial control, Group financial information systems, Group consolidation, accounting studies and policies and parent company accounting;
- the Strategy and Corporate Finance Department;
- the Group Corporate Treasury, Financing and Credit Management Department;
- the Group and France Tax Department, which is tasked with implementing and coordinating Group tax planning measures, particularly relating to cross-border transactions;
- the Financial Communication and Investor Relations Department, which is in charge of releasing information on the Group's strategy and results to the financial markets;
- the Finance Department of the Company in charge of the Group's loyalty program and Distribution and Marketing management control;
- the Finance Mergers Acquisitions Department, which is responsible for monitoring and integrating acquisitions, mergers and joint ventures;
- the Project Finance Department, which coordinates the Finance Department's cross-business projects.

Group Finance maintains regular contact with the Statutory Auditors, who audit the financial statements of the Company and the Group in accordance with the applicable laws and regulations.

Corporate Internal Audit

Corporate Internal Audit, which has a dotted-line reporting relationship with the Group Internal Control Committee (see section 3.2.2.5) and the Audit and Risks Committee, is the cornerstone of the internal control system. It is responsible for helping to develop internal control tools and standards, and for performing internal audits based on the annual audit program approved by the Group Internal Control Committee and the Audit and Risks Committee.

Corporate Internal Audit coordinates its audit plans with the Statutory Auditors' work plans. It is also responsible for coordinating the activities of the local Internal Audit Departments within the operational departments (Divisions).

At December 31, 2017, Corporate Internal Audit had a staff of 10 auditors. In addition, Group Information Systems Internal Audit, which reports to Corporate Internal Audit, had a team of 3 auditors at that date.

Local Internal Audit Departments in the Divisions

The local Internal Audit Departments set up in the main Divisions report to their Division's Finance Director and have a dotted-line reporting relationship with Corporate Internal Audit. The sole exception to this rule is the local Internal Audit Department for the Europe, Middle East and Africa region, which reports directly to the Senior Vice-President, Internal Audit.

These local departments have direct ties with Corporate Internal Audit, thereby ensuring that they comply with the fundamental principles of conduct and independence and follow the standards required of the Internal Audit profession, as well as the methods recommended by the Group. These ties also guarantee that the local Internal Audit Departments are given adequate resources to fulfill their objectives.

At end-2017, the local Internal Audit Departments in the Divisions had a total of 42 auditors.

The accounting and financial information system

The Group's accounting and financial information system is designed to ensure the security, reliability, availability and traceability of information.

It is based on an interfaced reporting and consolidation system that covers substantially all of the Group's operations with the aim of providing consistent accounting data at Company and Group level.

A specifically-designed user manual has been prepared and issued to the employees concerned, in order to guarantee that the systems are correctly used and that the information obtained is appropriate and relevant.

The Group has also set up processes to ensure the security of the accounting and financial information system, as well as the integrity of the data involved. These include regular back-ups and programmed controls that trigger warnings in the event of incorrect data entries.

The accounting and financial information system is regularly updated in line with the Group's specific needs.

Internal reporting

The Group ensures that relevant information is communicated in a timely manner to the appropriate persons so that they can exercise their duties in accordance with the Group's standards. To this end, a set of procedures defining best practices and reporting processes has been circulated internally.

Corporate values and principles

The Group's internal control system supports the corporate values expressed by the Board of Directors and Executive Management and communicated to all employees. AccorHotels has drawn up rules of conduct and integrity relating to employee behavior and relations with customers, shareholders, business partners and competitors, and in 2014 it replaced its Management Ethics Guide by a more comprehensive Ethics and Corporate Social Responsibility Charter. This new Charter provides a clear framework for the responsible conduct that the Group expects in terms of ethics, integrity, legal compliance and overall corporate social responsibility. In 2016, the Group adopted a Compliance program designed to tackle compliance risk, particularly bribery-related and anti-trust risks. (see chapter 2 related to the duty of care).

The Internal Audit Charter aims to provide a Group-level cross-functional view of Internal Audit resources and methodologies, as well as the methods used to communicate the results of internal audits. To this end, it defines the framework for Internal Audit activities within the Group, based on the professional standards issued by IFACI and other bodies, which set down strict codes of conduct for internal auditors. The Charter also formally describes the role, membership and procedural rules of the Group Internal Control Committee, as well as the procedure to be followed by Corporate Internal Audit to coordinate the activities of the local Internal Audit Departments.

The Internal Audit Charter has been signed by the Group's Chairman and Chief Executive Officer, the Deputy Chief Executive Officer, the Chief Financial Officer, the Senior Vice-President, Internal Audit, and the members of the Internal Control Committee, whose structure and roles are described in section 3.2.2.5 below.

Procedure manuals and accounting principles

The Finance Manual issued to all Finance Departments within the Group describes the closing process for the monthly management accounts and sets out the Group's charts of accounts, consolidation principles, accounting standards and policies. It also addresses specific issues related to the investment approval procedure and includes the Treasury Charter, which describes cash management procedures, the principles to be followed concerning the holding of payment instruments and the approval of expenditures, as well as the role and organization of cash pooling systems. Employees can download the manual from the Group's Intranet.

In addition, a presentation of International Accounting Standards/International Financial Reporting Standards, providing details on how to apply the standards to the Group's specific circumstances, has been prepared by Group Finance and provided to the Group employees concerned.

Lastly, consolidation instructions detailing the financial reporting schedule and specific points concerning consolidation adjustments to individual financial statements are issued every quarter to the various Finance Directors and consolidation teams, and are archived on the Finance Intranet.

Internal procedure manuals

Internal procedure manuals have been produced for the main businesses. The purpose of these manuals is to structure and firmly establish Group procedural guidelines, based on an assessment of the specific internal control risks of each business.

Internal control procedures are implemented under the direct responsibility of the operating divisions and corporate functions and form part of an ongoing process of identifying, assessing and managing risks.

Internal control self-assessments

The Group places considerable emphasis on preparing, issuing and monitoring internal control self-assessment procedures, which have now been rolled out to the majority of hotel operating units and head offices. These procedures interconnect with the Group's existing internal control standards and processes and are based on analyzing the internal control risks inherent in each business and identifying key control issues.

Data obtained from the internal control self-assessment process are periodically centralized at Division level, with the assistance of the internal auditors when required.

Internal Audit programs for units where the self-assessment system has been deployed include a quantitative measurement, *via* a rating system, of the gap between the self-assessment and the internal auditors' assessment of the level of internal control. By analyzing these gaps, it is possible to evaluate the quality of the self-assessment procedures implemented by the unit manager.

Internal Audit reports

A draft report is prepared after each Internal Audit, setting out observations, identified risks and recommendations. This report is sent to the management of the audited unit, which prepares an action plan when required. A summarized version of this draft report is also sent on request to the members of the Executive Committee.

The final report, which includes any corrective action plans prepared by the audited unit, is then sent to the managers in charge of overseeing operational and financial matters for the unit concerned and to the members of the Executive Committee.

The reports prepared by the local Internal Audit Departments are centralized by the Corporate Internal Audit Department and a summary of the work performed by these departments is presented to the Group Internal Control Committee and the Audit and Risks Committee.

The Audit and Risks Committee receives a quarterly summary of the internal audits carried out during the period, including a status report on the annual audit plan, an assessment of the quality of internal control in the audited units and the gap between the internal auditors' assessments and any self-assessments performed by the units, as well as the internal auditors' main observations, and action plans decided on by the parties concerned.

Once these reports are issued, Internal Audit tracks the action plans deployed by the auditees.

Reporting procedure

Group Financial Control is responsible for overseeing the reporting procedure specified in the Finance Manual. The procedure requires the Divisions to submit monthly reporting packages comprising an analysis of key business indicators and the main components of income, in the format prescribed by the Group. All reporting data submitted by the Divisions must be analyzable both by nature and by function.

The reporting procedure is designed to provide a detailed analysis of changes in financial and operating results, which helps the Group to provide support with resource allocation decisions and measure the efficiency of the various organizational structures in place.

1.8.3 Identifying and analyzing risks

Identifying risks

Internal control risk maps are prepared based on the Internal Audit assignments and self-assessments. These maps, which highlight issues that require priority action, are included in the relevant Internal Audit reports and are periodically presented in summary form to the Internal Control Committee and the Audit and Risks Committee.

1.8.4 Control activities

To improve control of identified risks, the Group has set up control procedures that comply with its standards and cover both operating and financial information processes.

Authorization process for expansion capital expenditure and disposals

A procedure has been set up for the prior authorization of capital expenditure projects, to ensure that they comply with Group strategy and return-on-investment-criteria. The procedure requires formal authorizations to be obtained from the appropriate line and staff managers, in a standard format. A similar authorization procedure has been established for disposals.

As part of this process, the Group has a Business Development and Investment Committee, which is tasked with analyzing all investment projects representing over €150,000.

The Committee comprises the Chief Financial Officer; the CEO AccorHotels of the region concerned (for management and franchise projects); the Senior Vice-President, Business Development; the Senior Vice-President, Strategy and the CEO and Chief Disruption & Growth Officer New Businesses.

The Committee meets around once a month.

Preparing and controlling the consolidated financial statements

The consolidated financial statements are prepared by Group Finance based on information reported by the subsidiaries' Chief Executive Officers and Finance Directors. The format of the consolidation packages is determined by the Group.

The subsidiaries are responsible for the information contained in their consolidation packages and are required to make formal representations to Group Finance about the fairness of reporting data and its conformity with Group accounting standards and policies.

The Consolidation Department carries out systematic controls of the consolidation packages submitted by the subsidiaries. A detailed schedule for reviewing the packages has been prepared and sent to the employees concerned.

In connection with their audit of the consolidated financial statements, the Statutory Auditors audit the consolidation packages transmitted by the subsidiaries included in the scope of their audit. Corporate Internal Audit also reviews from time to time the proper application of Group accounting standards and policies by the subsidiaries, and reports to Group Finance any issues identified during the review.

As the final stage of the process, the consolidated financial statements are examined by the General Controller and the Chief Financial Officer prior to their review by the Audit and Risks Committee. The Board of Directors then approves the consolidated financial statements based on the recommendations of the Audit and Risks Committee.

Corporate Internal Audit assignments

Corporate Internal Audit carries out its audit assignments based on an audit program validated by the Internal Control and Audit and Risks Committees. The main types of assignments, as described in the Internal Audit Charter, are as follows:

- **operational audits,** which are aimed at evaluating the reliability and effectiveness of the operating units' internal control systems as well as ensuring that they comply with Group standards. These audits notably include checking on a regular basis that the internal control self-assessments have been properly performed by the operating units;
- **head office audits (corporate functions),** which are designed to optimize internal control procedures applied at the head office and ensure that the head office is able to fulfill its role of overseeing and supporting operating units as effectively as possible. When carrying out their assignments within the Group's units, Corporate Internal Audit teams also verify that the main risks identified in the risk map are being monitored appropriately;
- **organizational and procedural audits,** which are aimed at helping the Divisions to optimize and adapt their procedures and operating processes, notably when rolling out cross-functional projects that lead to a change in organizational structures;
- **specific audits,** which are review assignments that comply with the professional standards applicable to internal auditors and fall within their remit. They can concern issues applicable to the integration of new businesses, one or more operating units, or to a particular country, function or process.

As part of their assignments, Internal Audit teams perform due diligence reviews to verify compliance with the anti-corruption principles and procedures specified in the Group's Ethics and Corporate Social Responsibility Charter and those set out in the vigilance plan.

Assignments performed by the local Internal Audit Departments

These departments perform internal audits, either on a stand-alone basis or jointly with Corporate Internal Audit, in line with the program approved by their Division's Internal Control Committee. They also provide ongoing assistance to finance and operating departments in managing and monitoring internal control issues within their Division's operating units.

They use methods, tools (including internal control assessment processes) and work programs that have been approved by Corporate Internal Audit due to their direct ties with this department.

In accordance with ethical principles, the local internal auditors do not audit head office or cross-functional departments, due to possible conflicts of interest arising from the fact that the auditors work in the Divisions.

Assignments performed by Group Information Systems Internal Audit

Reporting to Corporate Internal Audit, the Information Systems Internal Audit Department carries out assignments throughout the Group. The main types of audit are as follows:

- **information systems audits,** which are performed to ensure that best practices are applied in relation to the organization and monitoring of the audited units' information systems;
- **audits of applications and processes,** which are aimed at ensuring that manual or automated checks in place provide an appropriate level of internal control in view of the operations covered by the applications concerned;
- **project management audits,** which are designed to validate the implementation of best project management practices;
- **IT security audits,** which help to ensure the security of the Group's technological platforms. They are primarily performed by the Information Systems Security Department, which reports to Group Information Systems, and in some cases in response to queries raised by Information Systems Internal Audit.

1.8.5 Monitoring Internal Control and Internal Audit

Internal control and risk management procedures are regularly reviewed to ensure that they are appropriate and aligned with the Group's objectives, particularly in view of the risks specific to each business and the costs of performing the controls.

The main structures responsible for overseeing the internal control and risk management systems are as follows:

The Audit and Risks Committee

As described in the Board of Directors Bylaws (Appendix A to this report set out in section 3.2.1 above), the Audit and Risks Committee carries out the following three main tasks in relation to internal control and risk management:

- it reviews the Risk Management policy and ensures that adequate systems are in place;
- it is informed every year of the updates to the risk map and the results of the monitoring processes carried out for the Group's main risks;
- it obtains assurance concerning the effectiveness and efficiency of the Group's system of internal control, by reviewing the methods used to identify risks and the organizational principles and procedures of the Internal Audit Department. It is also informed of the Internal Audit program and given an overview of the internal audit findings.

Group Internal Control Committee

The Group Internal Control Committee comprises the Chairman and Chief Executive Officer, the Deputy Chief Executive Officer and other members of the Executive Committee (see list in the "Directors and Corporate Officers" section of this Registration Document). It also includes the Senior Vice-President, Group Information Systems; the Senior Vice-President, Internal Audit; and the Chief Finance Officer of the Group's main subsidiaries.

The Group Internal Control Committee guarantees the independence of the Internal Audit function. Its responsibilities are to:

- validate the annual Internal Audit program;
- review significant internal audit issues for the current year, in each of the audited areas, and approve the action plans for each audited unit;
- track changes in internal control levels within the Group;
- oversee the activities of the Internal Audit function, in terms of audit efficiency/optimization and the adequacy of the function's resources;
- track the action plans deployed by the auditees.

The Group Internal Control Committee meets once a year.

Division Internal Control Committees

Local Internal Control Committees have been set up in the Group's main operating Divisions. Each Committee is chaired by the Division's Chief Executive Officer and comprises members of the operating units and finance departments, as well as the Senior Vice-President, Internal Audit. The Committees meet at least once a year to prepare the work program for the local Internal Audit Departments (where appropriate, based on the instructions issued by the Group Internal Control Committee), review the reports on the internal audits performed during the period and assess the progress of previously defined action plans.

2

CORPORATE RESPONSIBILITY

2.1 A CSR STRATEGY INTEGRATED INTO THE ECONOMIC MODEL

See section 1.6 of this Registration Document.

2.2 MANAGING ETHICS, COMPLIANCE AND CSR

2.2.1 Commitments supported by the Ethics and CSR Charter

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

Our values
ETHICS AND CSR CHARTER

COMPLIANCE
=
COMPLIANCE WITH REGULATIONS
Business ethics, human rights, data protection, etc.

COMMITMENTS
=
BEYOND REGULATORY REQUIREMENTS
Company policy, Planet 21, Solidarity AccorHotels, etc.

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

- the six Group Values, including "sustainable performance": "We stand for creating value, for as many as possible, over the long term";
- the frame of reference that expresses the Group's commitment to systematic compliance with applicable laws and regulations, fundamental international principles[(1)]; such as the UN Global Compact, which the Group signed in 2003, or the Conventions of the International Labour Organization (ILO); or the principles of the Universal Declaration of Human Rights;
- the Group's ethical commitments in the way the Group conducts its business, in such areas as fairness and respect for people, compliance with good business practices and the protection of property and data;
- specific commitments made to the main categories of stakeholders: employees, guests, financial and business partners, suppliers, communities, and the environment;
- the process *via* which the Charter will be distributed is detailed therein: it is made available both internally and externally, especially to the partners of owned and leased hotels of the Group; involvement of the management or Talent & Culture or Legal teams.

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

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

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

2.2.2 Governance of Ethics, compliance and CSR

Governance, Compliance and Corporate Responsibility Committee

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

Its main responsibilities are:

- together with the Chairman and Chief Executive Officer, to prepare proposals for the implementation of the principles of corporate governance and to prepare evaluations of the work of the Board;
- to review compliance with the governance practices of the Group regarding the recommendations of the Corporate Governance Code that governs the Company;
- to regularly examine the situation of Directors in light of the independence criteria defined by the Board;
- to provide permanent oversight of changes to the Group's shareholder base and to reflect on methods, legal and otherwise, to enable better awareness of the shareholder base;
- to examine all conflicts of interest involving the shareholders or the Directors and any other conflicts of interest of which it becomes aware;

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

- to examine the organization and implementation of the methods used by the Group to ensure compliance and to stay abreast of the deployment of compliance policies;
- to examine the guidelines for CSR policy and to become informed of their results.

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

The Committee has at least two meetings per year.

Ethics and CSR Committee

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

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

Chaired by Sven Boinet, Deputy Chief Executive Officer, its members as of the end of 2017 were: three members of the Executive Committee (including one representing Europe), four representatives of operations (South-East Asia, Africa and the Middle East, Latin America and Luxury), and eight representatives of the Group support functions directly involved (Talent & Culture, Safety and Security, Legal, Sustainable Development, Procurement, Communication, Finance, Digital/IT).

The Committee met four times in 2017 to oversee the progress of the ethics and CSR roadmaps. There were various topics on the agenda, including the duty of vigilance, data protection, the compliance policy, follow-up on the results of the Planet 21 – Acting Here program, prevention of workplace bullying, freedom of association and respect for human rights, the Group's carbon strategy, the introduction of a whistleblowing mechanism, and combating the sex trade.

Reboot of the Ethics Charter and CSR

Following a 2017 review of the first three years of deployment and implementation of the Ethics & CSR Charter, and faced with growing regulatory pressure and risk exposure, the Ethics & CSR Committee decided to give renewed impetus to the Charter within the Group. The action plan, which will be launched in the first quarter of 2018, comprises:

- a revision of the Ethics & CSR Charter to make it more concise and informative. The key themes will be updated and it will cover all businesses, including recently developed activities and new acquisitions;
- guidelines issued to all Group departments by Sébastien Bazin, Chairman and Chief Executive Officer, and Sven Boinet, Deputy Chief Executive Officer and Chairman of the Ethics & CSR Committee, reminding staff of the importance of Ethics & CSR and proposing to strengthen local governance around these issues;
- increased awareness-raising and training on the topics covered by the Ethics & CSR Charter. Information packs will be regularly sent out to give the Group's employees an insight into the issues and associated risks and to guide them on the actions needed to prevent them. The first information packs were on combating bribery, tackling the sex trade, data protection, and anti-discrimination.

Data Governance Committee

The Data Governance Committee oversees preparations for the introduction of European Regulation (EU) 2016/679 of the European Parliament and of the Council of April 27, 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data. This Committee brings together all of the professions in the Group that are concerned by the use of data into two commissions:

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

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

The work carried out in 2017 to prepare for the introduction of the regulation is described on page 118.

Overseeing the CSR process

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

The Sustainable Development Department is in constant contact with the country operations, the brands and the support functions (Talent & Culture, Marketing, Procurement, Technical Affairs, etc.). It is backed by a network of 117 country correspondents and dedicated committees in certain countries. It interacts with the brands and the support functions *via* a network of dedicated correspondents.

The Sustainable Development Department is primarily responsible for:

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

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

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

The T&C community is organized around two clusters: firstly the "expert" cluster, *i.e.* Talent Management, Learning & Development, Recognition, Social Innovation and T&C Platform; secondly the T&C Business Partners cluster, which works with the business, Digital and Marketing, support functions (Finance, Legal, T&C, Communications, Development, Technical), New Business, Luxury and T&C Europe.

Solidarity AccorHotels, the AccorHotels Group endowment fund, was set up in 2008 to help prevent the economic and social exclusion of people living in precarious situations. It supports charitable projects that facilitate the training and employability of vulnerable people. The projects are run locally by the Group's employees with support from decision-making and advisory bodies: a Board of Directors, a Selection Committee, and a permanent team working with local correspondents. These correspondents, who come from the region concerned by the project or have worked there for several years, act as relays between Solidarity AccorHotels and local employees. They are vital to the success of these projects, not only because of the expertise they bring, but also their knowledge of the area, background and local stakeholders.

Through the fund, the Group also seeks to provide long-term support for emergency situations by helping local populations deal with the immediate and long-term consequences of humanitarian disaster.

Employees are able to add real value to the programs by providing their personal and professional expertise (cooking, service, on the floor, marketing, consulting, etc.). They are regularly involved in training programs to present various hospitality industry careers and share their expertise with trainees, and they are generally on hand to assist. The programs may include hotel visits, careers conferences, presentations about the Group, and internships at hotels.

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

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

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

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

Just like the reporting system used to send hotel data to AccorHotels, the method used for deploying our CSR commitments, policies, and programs depends on whether the hotels are owned, leased, managed, or franchised[1]. In the case of franchised hotels, if the program is included in the franchise agreement, it must be deployed. Otherwise, implementation is recommended to the owner, who makes the final decision.

The methods for rolling out the Talent & Culture policies and tools depend on the operating structure (see page 22). Most of them apply directly to owned, leased or managed hotels, with the exception of social dialogue, which is led at Group level only for owned and leased units. The Group offers franchised hotels recommendations and a variety of tools, but they remain responsible for their own Talent & Culture policies.

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

(1) *AccorHotels has four main modes of affiliation: franchise contracts, management contracts, lease contracts, and ownership. More information about these can be found on page 95.*

2.2.3 Compliance Program

In 2016, the AccorHotels Group adopted a Compliance Program to prevent any conduct within the Group or through its partners that could intentionally or unintentionally expose it to legal action, damage its reputation, or jeopardize its business.

The Compliance Program is divided into seven parts:

1. a dedicated organization;
2. major-risk assessment;
3. the implementation of policies and processes to prevent such risks;
4. awareness-raising and training for employees and partners on the Compliance Program;
5. a whistleblowing mechanism for reporting any violation of the Program so that it can be addressed;
6. checks and audits of policies and processes;
7. disciplinary action for violations of the Compliance Program by the Group's employees.

The AccorHotels Compliance Program is designed to govern all aspects of business ethics. However, the Group has identified three priority areas: prevention of bribery, prevention of infringements of competition law, and prevention of conflicts of interest. The Group's aim is to establish a uniform compliance culture across all functions and regions.

Overseeing the Compliance Process

This Compliance Program is led by a network of Compliance Officers, working under the Chief Compliance Officer (CCO), also the Chief Legal Officer of the Group and Secretary of the Board, who reports directly to Sébastien Bazin, Chairman and Chief Executive Officer of AccorHotels, acting in his role as CCO.

The network consists of 19 legal experts based in each region where the Group operates, all of whom received special training in early 2017.

The role of Compliance Officers is essentially two fold:

- to establish a compliance culture in their region, mainly through internal and external communication on the Compliance Program and the related policies and procedures, and to provide training for all employees involved. They also ensure that operations are in accordance with the Compliance Program and with applicable regulations on business ethics;
- to act as the preferred contact for all matters associated with the Compliance Program, since compliance is not just a question of policies and procedures. The Compliance Officer thus provides advice and answers questions from employees and partners. He or she may be contacted at any time by any Group employee who wants to raise concerns or report a potential violation of the Program.

The Compliance Program is being rolled out with the help of the Ethics and CSR Committee and under the supervision of the Governance, Compliance and Corporate Responsibility Committee within the Board of Directors.

Roll-out of the Compliance Program

The main focus in 2017 was on employee information, awareness-raising and training on the Compliance Program, alongside two of the Group's priorities: prevention of bribery and infringements of competition law.

Compliance Officers prioritized training for AccorHotels employees on preventing bribery and infringements of competition law. Various discussions were held on these subjects. In 2017, around 900 employees (head office staff and general managers) attended one of the training courses.

The aim of the courses, which were all classroom-based, was to train employees in these particular subjects, providing them with a general understanding of the basic concepts, and to inform them of developments affecting the Group's social and political environment. All over the world, tougher laws and regulations and zero tolerance towards this type of offense, together with the rise of social media and the speed at which information travels, have an impact on employee behavior.

Lastly, the Group published its anti-bribery policy in January 2018. The policy sets out clear principles, explaining what bribery is and how to recognize and resist different forms of bribery, illustrated by case studies. In tandem with this policy, a due diligence process for individuals with whom AccorHotels deals directly or indirectly was piloted with a view to its implementation in the first quarter of 2018.

In addition to the classroom training, a distance learning module will be launched in 2018, enabling all employees to take ownership of the Group's anti-bribery policy.

Policies for preventing infringements of competition law and for preventing conflicts of interest are also due to be phased in from the first half of 2018.

The Group's aim is to have a comprehensive program on the three priorities identified by the end of 2018.

Bribery risk map

To gain an insight into the bribery risks that the Group faces in its various businesses and regions, a specific risk assessment was undertaken jointly with the Group's risk management and insurance department. The mapping process covers the Corporate and Head Office areas of the different regions, as well as the Group's partners according to the concept of the "extended enterprise", *i.e.* the owners and staff of managed or franchised hotels.

To assess the Group's potential risks, interviews were conducted with the Group's management and employees previously identified as having extensive knowledge of the operational processes and tools implemented (heads of support or operational departments and members of the Executive Committee responsible for the various regions).

The risk mapping will gradually be extended to other non-compliance risks (such as competition). It will also be carried out in the different countries where the Group operates. The interviews must be conducted by Compliance Officers.

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

Introduction of a whistleblowing hotline

The Group's Ethics & CSR Charter provides that employees may raise questions or concerns with their line manager, or with the Talent & Culture or Legal Departments in their country. To offer greater protection to its employees and to encourage disclosure, the Group decided to set up a whistleblowing hotline for ethical, compliance and CSR issues (in addition to the possibility of contacting the above-mentioned individuals and Ethics & CSR and Compliance Officers). A working group comprising employees from different departments (Talent & Culture, Compliance, Internal Audit, IT Security, Legal, etc.) was set up to select a service provider, define the procedures for investigating allegations, and oversee the launch of the hotline. The Group plans to introduce this in each region in 2018.

2.2.4 Other Compliance policies

The AccorHotels Group Fiscal Policy

The AccorHotels Group fiscal policy is based on four concepts:

- tax compliance;
- tax risk management;
- operational support;
- tax transparency.

Tax compliance

Worldwide, AccorHotels' business generates significant taxes of various kinds. In addition to corporate income tax, the Group is required to pay other taxes in its various host countries, such as local taxes, customs duties, stamp duties and social security contributions.

AccorHotels ensures that the Group's various entities comply with all international laws, regulations and treaties. This involves filing the necessary tax returns and paying the taxes due on time.

Furthermore, AccorHotels constantly monitors changes in regulations.

For more complex issues, it consults external advisors and liaises with the tax authorities.

Tax risk management

The Fiscal Department is managed by the Chief Tax Officer, who reports to the Chief Financial Officer. The Chief Financial Officer, who sits on the Executive Committee, reports to the Chairman and Chief Executive Officer.

Tax risk is managed so that the reputation of AccorHotels is protected. This means:

- complying with all applicable regulations and paying taxes;
- mitigating tax risk through fiscal monitoring and the use of external advisors. Any tax reform that has an impact on the Group's business is therefore analyzed;
- closely monitoring tax audits and disputes.

The Audit Committee also examines how fiscal policy could impact the Group and its stakeholders. The Audit Committee is responsible for the quality and completeness of financial disclosure and for managing the Group's risk exposure. It ensures that any tax risk is fully addressed and is therefore periodically informed of the Group's tax risk.

In addition, AccorHotels publishes information about ongoing disputes with national tax authorities (see page 321).

Operational support

The AccorHotels Group fiscal policy reflects the Group's business and development. For example, the Fiscal Department is organized around a central team which works closely with the operational teams. In this supporting role, the Fiscal Department ensures that the most relevant tax options are implemented in accordance with the various regulations.

The Group is also involved directly, or through industry associations, in dialogue with the tax and legislative authorities in order to create an environment that is conducive to growth.

Tax transparency

AccorHotels complies with the international tax standards established by the OECD and ensures that its intercompany transactions conform to the arm's-length principle. Furthermore, the Group meets its Country-by-Country Reporting (CBCR) obligations and sends the required information to the French tax authorities in accordance with the law.

Details of AccorHotels' corporate income tax by geographical area

The Graph before presents the operating profit and corporate income tax according to IFRS 5, excluding deferred taxes and including the value-added contribution for businesses (CVAE).

Lastly, AccorHotels publishes the overall amount of its tax and its effective tax rate on page 315 of the Registration Document (after IFRS 5).

AccorHotels vigilance plan

In accordance with its international commitments and the Law of March 27, 2017 respecting the duty of vigilance, AccorHotels has established a vigilance plan with measures to identify risks and prevent serious abuses of human rights and fundamental freedoms, health and safety and the environment.

The Law on Vigilance requires measures to be put in place to identify the risks resulting from *"the activities of the Company and of the companies it controls as defined in Article L. 233-16-II (of the French Commercial Code)"*. In this respect, the AccorHotels Group takes into account the specific aspects of its organization as expressed in its various operating structures by applying the duty of vigilance to its owned and leased hotels and to its hotels operated under franchise agreements and management agreements.

To fully address all these issues, AccorHotels has set up a working group composed of representatives from the Procurement, Social Innovation, Legal and Sustainable Development Departments.

Risk mapping

Mapping of major risks

Each year, AccorHotels maps its major risks to identify threats associated with its business. The map is based on a major-risk identification, analysis and assessment methodology, which also involves monitoring the risk prevention and protection measures.

In 2016, the Group enhanced its risk-mapping methodology to take more account of HR, social and environmental issues. This will be further improved in 2018 to reflect the risks associated with the Group's main partners.

Some of the major risks identified in 2017 must be monitored and addressed as part of the duty of vigilance. The complete list can be found in Chapter "Risks Factors", on page 54.

The risk map is accompanied by a CSR materiality matrix. This provides an overview of all CSR issues along the value chain, including health and safety, human rights and the environment. The results of this materiality matrix can be found on page 49.

AccorHotels has supplemented the CSR materiality matrix with an environmental footprint study, which illustrates the Group's main environmental impacts. Two key issues emerge from this: managing the environmental impacts of its buildings and promoting sustainable food in its restaurants.

Lastly, in response to the requirement under Article 173 of the French energy transition law, the Group has conducted a detailed climate risk analysis (see page 129).

In 2018, these various risk maps will be joined by a special risk analysis on human rights and health and safety.

Risk mapping in business relations

The Group is committed to identifying the environmental and social risks that could arise from business relations with its suppliers. For this purpose, the procurement risk map, created in 2015, factors in procurement volumes, product families, exposure to guests and the influence AccorHotels has over its supplier relations. The 98 product families were classified into three levels: standard, at-risk or at high-risk. See page 120.

In late 2017, a working group was set up to improve procurement risk mapping to gain a better understanding of supplier and country risks. The working group, which calls on external expertise, uses a comprehensive list of international risks recognized and aligned with the recommendations of the United Nations Guiding Principles Reporting Framework (UNGP).

Preventing serious abuses

Measures to prevent serious abuses by the Group and its hotels

Ethics and CSR Charter

In its Ethics & CSR Charter, AccorHotels affirms its commitment to respecting fundamental principles, particularly human rights, health and safety and the environment. The Charter provides guidance to employees on the appropriate behavior to adopt and actions to take in this regard. See page 78.

To raise awareness among all employees of the subjects covered by the Ethics & CSR Charter, AccorHotels provides all hotels with awareness kits, which include web series, e-learning courses and educational videos.

AccorHotels promotes and implements its values and commitments through an Ethics & CSR Committee with 17 members (five of whom sit on the Executive Committee) and a global network of Ethics & CSR officers. Ethics and CSR governance is detailed on page 78.

Planet 21 – Acting Here

The Planet 21 – Acting Here program is built around commitments that directly address the HR, social and environmental issues identified by the Group. These commitments are binding for its hotels. A description of the program can be found on page 87. This program consists of a roadmap for hotels containing actions that cover the subjects linked to the duty of vigilance. Each of the following policies is described in different sections of the Registration Document:

Subjects linked to the duty of vigilance	Section of this Registration Document
Human rights	Action against the child sexual exploitation, Diversity and inclusion, Collective bargaining, Working conditions
Workplace health and safety	Employee wellness, postures and practices
Environment	Energy and carbon, water, waste, biodiversity, ecofriendly products

Sexual harassment policy

The various risk maps and an OECD[1] study have identified a significant risk of sexual harassment in the hospitality sector. To tackle this major risk, AccorHotels plans to issue its employees with a personal alarm that they can trigger if they are confronted with sexual harassment.

The policy is due to be introduced at several pilot hotels in the second quarter of 2018; this will be followed by a worldwide roll-out in the first half of 2019.

(1) *European Union Agency for Fundamental Rights – Violence against women – 2014.*

Preventing musculoskeletal disorders

AccorHotels is committed to preventing musculoskeletal disorders. To prevent these disorders, training is given to all employees worldwide and various measures are put in place. These measures are described on page 101.

Diversity and inclusion

The Group is committed to promoting diversity and inclusion. It is engaged in fighting all forms of discrimination through its various global programs:

- HeForShe solidarity movement (page 105);
- awareness-raising actions (page 105);
- Diversity & Inclusion champions (page 105);
- co-mentoring program (page 106);
- Women at AccorHotels Generation (WAAG) network (page 105).

Actions to prevent serious abuses by suppliers

AccorHotels seeks to ensure that its suppliers uphold its commitments and values. The Group sets out these requirements in its Procurement Charter 21. This contains a uniform and standardized list of its expectations and commitments in terms of compliance with international standards and norms. The aim is to raise awareness and secure a commitment from the Group's suppliers on the following topics: labor and human rights, health and safety, environmental management, ethics and fair trade, and responsible consumption. The Charter is available externally on the AccorHotels website.

Based on the risk of negative impacts identified during the mapping process, AccorHotels pays particular attention to the procurement categories most at risk. Procurement Charter 21 is attached to all calls for tender, signed when suppliers are selected, and then attached to contracts. For at-risk categories, the CSR criteria are taken into account throughout this process and a CSR clause is included in the contracts. The entire supplier risk management process is detailed on page 119.

Evaluation and monitoring procedure

Monitoring and follow-up of the Planet 21 – Acting Here program

As part of the Planet 21 – Acting Here program, several indicators are put in place covering all owned, leased, managed and franchised hotels of the Group. There are two types of indicators:

- monitoring the implementation rate of actions;
- performance indicators (water, waste, engagement).

These indicators enable the Group to monitor and check the application and effectiveness of the measures put in place and adherence to them. For example, monitoring is carried out *via* the Gaia application (described in Section 2.2.4, "CSR programs"), which hotels can use to evaluate their performance, define their priority goals, create action plans and track their progress. The data are then checked by the person in charge of Planet 21 In Action reporting at the country and Group level, as well as during audits.

Internal audits

Internal audits play an important role in identifying and preventing risks. The internal audit procedure is described on page 70. During its audits, Internal Audit also checks compliance with the principles and procedures set out in the Group's Ethics & CSR Charter, particularly those designed to prevent acts of bribery and those covered by the vigilance plan.

The Risks and Insurance Department coordinates major-risk mapping, the results of which are presented to the Audit and Risks Committee in December each year. By mapping all internal and external risks using a common framework, the degree of exposure perceived by the General Management and by each entity can be quantified.

In addition, internal control risks are mapped on the basis of internal audits, as well as on the basis of the self-assessment. These maps, which highlight the points that need to be prioritized for corrective actions, can be found in the relevant Internal Audit reports and are presented in the form of periodic summaries to the Internal Control Committee and to the Audit and Risks Committee.

Lastly, Internal Audit monitors the performance and effectiveness of the internal control system put in place within the Group.

Ethical and CSR risk management in supplier relations

AccorHotels has introduced an ethical and CSR risk management process to ensure the effectiveness and assess the quality of the measures implemented as part of a continuous improvement cycle. This process consists of assessing at-risk suppliers *via* a self-assessment platform managed by a third party, as well as external CSR on-site audits at high-risk suppliers, and delisting if any major non-compliance is detected. Details of the ethical and CSR risk management process for suppliers can be found on page 119.

Whistleblowing mechanism

The whistleblowing mechanism is described on page 82.

Procedures for updating the plan

This first plan catalogs all of the Group's practices linked to its duty of vigilance. In 2018, AccorHotels will strengthen its vigilance plan by setting up a hotline and introducing an anti-harassment policy. It will also supplement its existing maps with a special risk analysis.

Responsible lobbying policy

AccorHotels has relationships with the government and public authorities and institutions in most of its host countries. Thanks to these relationships, it can make a constructive and transparent contribution to public policy in the areas which concern the Group's business. The ultimate aim of this contribution was to influence the public decision-makers. In 2017, some of the subjects on which AccorHotels contributed were: sector environment and digital developments, including new forms of rental accommodation, financing of tourism promotion, several regulatory or fiscal aspects related to establishments or their operation (tourist tax, building standards, accessibility).

AccorHotels has made the following commitments, which are included in its Ethics & CSR Charter:

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

In general, the Group's lobbying actions must comply with OECD guidelines. They are developed in line with the principles underpinning its strategic actions and its sustainable development policies.

The AccorHotels Group's positions are always expressed by Sébastien Bazin, Chairman and Chief Executive Officer, the members of its Executive Committee, or by the international (WTTC, ITP, HOTREC, etc.) and domestic (UMIH, GNC, etc.) professional groups or organizations of which it is a member.

In France, under the law of December 9, 2016 on transparency, anti-corruption and economic modernization (the "Sapin II Law"), AccorHotels has entered the names of its authorized spokespersons in the transparency register managed by the *Haute Autorité pour la Transparence de la Vie Publique* (the French authority for transparency in public life). Lastly, the Group does not use an external agency in its dealings with governments and public authorities and institutions.

The main cash contributions paid by the AccorHotels Group are shown in the table below:

	Recipient organization	Amount
France	Union des Métiers et des Industries de l'Hôtellerie – Groupement National des Chaînes Hôtelières (UMIH-GNC)*	€250,000
	Alliance 46.2 (network of 21 companies from the tourism sector united to promote France as an attractive destination)	€30,000
	AFEP-Medef	€76,110
Europe	European Hotel Forum	€110,000
World	World Travel and Tourism Council (WTTC)	€68,000

* *Contribution covered by Group hotels.*

2.2.5 CSR programs

Planet 21 – Acting Here, the roadmap for 2020

Topics	2020 targets[1]	2016 results	2017 results	Trend	Comments
Act as an inclusive company for our people	The employee engagement index increases every year[2]	72%	**77%**		There has been a 5 percentage point increase on the achievement level in 2016, which puts the Group in the top quartile for engagement. The Group is 2 percentage points higher than the average for the "Hospitality" benchmark, which covers companies in the hotel, catering and tourism/leisure sectors. All AccorHotels regions have made progress. Engagement in hotels remains high at 78%, representing a 6 percentage point increase.
	Each country implements a health/wellbeing at work program	N/A	**N/A**		In 2017, the program was outlined, the countries selected the flagship themes of the program, and the roll-out began. 76% of respondents have established at least a health/well-being at work program, while 49% of them have already implemented it. The flagship themes of the programs launched include: work-related stress, health and safety, nutrition. An indicator to monitor the adoption rate in hotels will be put in place in 2018.
	35% of hotel General Managers are women by 2017	29%	**29%**		Progress was steady, reaching 29% at the end of 2017, compared with 27% in 2015. However, the target of 35% by the end of 2017 was not achieved. Franchised hotels achieved a rate of 34%. The target has been extended until 2020. The Group therefore plans to set up training courses for high-potential female candidates to become general managers. It will also increase its support for the WAAG network and raise managers' awareness of the correlation between gender diversity and performance.
	Employees' perception of the Group's high level of CSR engagement is increasing[3]	76%	**81%**		The index was up 5 percentage points on 2016. To build on this encouraging trend, a system for rallying employees behind actions that have a positive impact will be rolled out in 2018. This will incentivize them to change their everyday habits both at work and at home, and to share their engagement with colleagues and guests.
Engage our guests in a sustainable experience	Every year, one major innovation to interact with our guests around sustainable development[4]	N/A	**Completed**		A strategy has been drawn up which identifies various levels of interaction with guests around sustainable development. In 2017, the focus was on guest engagement through financial donations, notably with the "Give a Tree" scheme.
	100% of our hotels implement the 16 mandatory actions of Planet 21 In Action	45%	**64%**		The percentage of hotels meeting this ambitious target has risen from 45% to 64% in one year. This strong growth shows the extent to which hotels have bought into the Planet 21 – Acting Here program.
	The 10 key hospitality products categories are ecofriendly	N/A	**3/10**		The ecofriendly criteria have been defined for the 10 product families. Collaboration between procurement teams and brands has been stepped up to ensure that projects apply these criteria. In parallel, the implementation within hotels is now being monitored.

(1) Scope of reporting: owned, leased, managed and franchised hotels, unless otherwise stated.
(2) Scope of reporting: employees at owned, leased and managed hotels and head office employees.
(3) Scope of reporting: employees at owned, leased, managed and franchised hotels and head office employees with more than three months' service.
(4) Scope of reporting: head offices, owned, leased, managed and franchised hotels.
(5) Scope of reporting: approved suppliers.
(6) Scope of reporting: owned and leased hotels.
(7) Scope: subsidiaries & managed hotels with validated data (cf. page 146).

Topics	2020 targets[1]	2016 results	2017 results	Trend	Comments
Co-innovate with our partners to open up new horizons	Every year, one major innovation to develop alternative and responsible models[4]	Completed	**Completed**		In 2017, AccorHotels launched AccorLocal, a bundle of services for local residents with a strong social component. In addition, the Group has extended its various partnerships and pilots with start-ups in the social economy and solidarity fields.
	Our CSR and ethical risk management process is implemented by 100% of our partners (suppliers)[5]	N/A	**53%**		The process was increasingly implemented in 2017. This year, the number of supplier audits is higher than in previous years and will be further increased in 2018. By the end of 2017, 94% of suppliers had signed the Procurement Charter 21, 20% had carried out a self-assessment for at-risk and high-risk product families, and 12% of suppliers of high-risk product families had been audited.
	Owners	N/A	**N/A**		In 2017, the policy and programs were strengthened for compliance, data protection and anti-discrimination. In 2018, a KYC ("know your counterparty") monitoring process will be formalized with the owners of our hotels.
Work hand-in-hand with local communities for a positive impact	100% hotels engaged in a citizen or solidarity project	75%	**80%**		The increase from 75% to 80% demonstrates the solid progress made, reflecting the level of engagement of hotels with local communities.
	100% of our hotels implement our program against child sexual exploitation	85%	**91%**		A positive reversal of the trend has been recorded, from 89% in 2015. This is due to the program's inclusion in the Planet 21 mandatory actions for hotels ("bronze" level of Planet 21 In Action) and the one-day event held in hotels to mark World Children's Day.
	10 million trees planted with our "Plant for the Planet" program by 2021[4]	5.0 million	**5.8 million**		The percentage of hotels participating in the program is 71%, compared with 58.4% in 2016. There has been a significant rise in the number of trees financed each year, from 481,000 to nearly 800,000. This is due to increased hotel involvement, alternative funding arrangements, and the contribution of Fairmont, Raffles and Swissôtel, which recently joined the Group.

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(7) Scope: subsidiaries & managed hotels with validated data (cf. page 146).

Topics	2020 targets[1]	2016 results	2017 results	Trend	Comments
Move towards carbon-neutral buildings	100% of our new or refurbished hotels are low-carbon buildings[6]	N/A	**N/A**		In 2017, the BBCA low-carbon building standard for new hotels was applied during the construction of Jo&Joe Gentilly. This hotel will open in 2018. In future, the BBCA or equivalent certification may be introduced as standard. Apart from the BBCA certification, Novotel Cœur d'Orly is in the process of finalizing its HQE certification. Three other hotels are also aiming for HQE certification for 2019.
	-5% of energy consumption per room by 2018[7]	-2.4%	**-2.0%**		The water and energy ratios are down sharply thanks to the performance of the teams in China, India, the United Kingdom and the Benelux countries.
	-5% of water consumption per night[7]	-1.8%	**-4.0%**		
	65% of waste from hotels operations is recovered	N/A	**47% (data from 410 hotels)**		In 2017, a new waste management application was designed and introduced at hotels. Data have been reported by 410 hotels, indicating that 47% of waste is recovered for this reporting scope. In 2018, the program is due to be extended to accompany the roll-out of the application to hotels. Solutions will also be identified to increase the recovery rate.
Strive for zero food waste & healthy, sustainable food	-30% of food waste	N/A	**-52% (data from 96 hotels)**		The application for food waste management was launched at the end of 2017. Third-party solutions have also been introduced at hotels. In 2017, 190 hotels began weighing their food waste. An encouraging 52% reduction in food waste was recorded for 96 hotels. This trend will need to be continued at other hotels over the next few years to achieve the overall target of -30%.
	100% of our restaurants follow our charter on healthy and sustainable food	N/A	**0.4%**		In 2017, the Food Charter was adapted for the various countries to take into account the local situation and food-related challenges. This ambitious Charter requires a long-term commitment from various teams. The current level of achievement is low (0.4%), but indicates compliance with all 20 commitments. However, the trend is encouraging, with 24% of hotels having already implemented at least 50% of the commitments.
	1,000 urban vegetable gardens in our hotels	521	**784**		Implementation is progressing rapidly, thanks to teams who are highly committed on this subject. This has led to a wide variety of vegetable gardens emerging (in-ground cultivation, rooftop beds, vertical planting, etc.).

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(5) Scope of reporting: approved suppliers.
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(7) Scope: subsidiaries & managed hotels with validated data (cf. page 146).

Key:

On target.

To be improved.

Target not reached.

Planet 21 In Action, the hotel roadmap

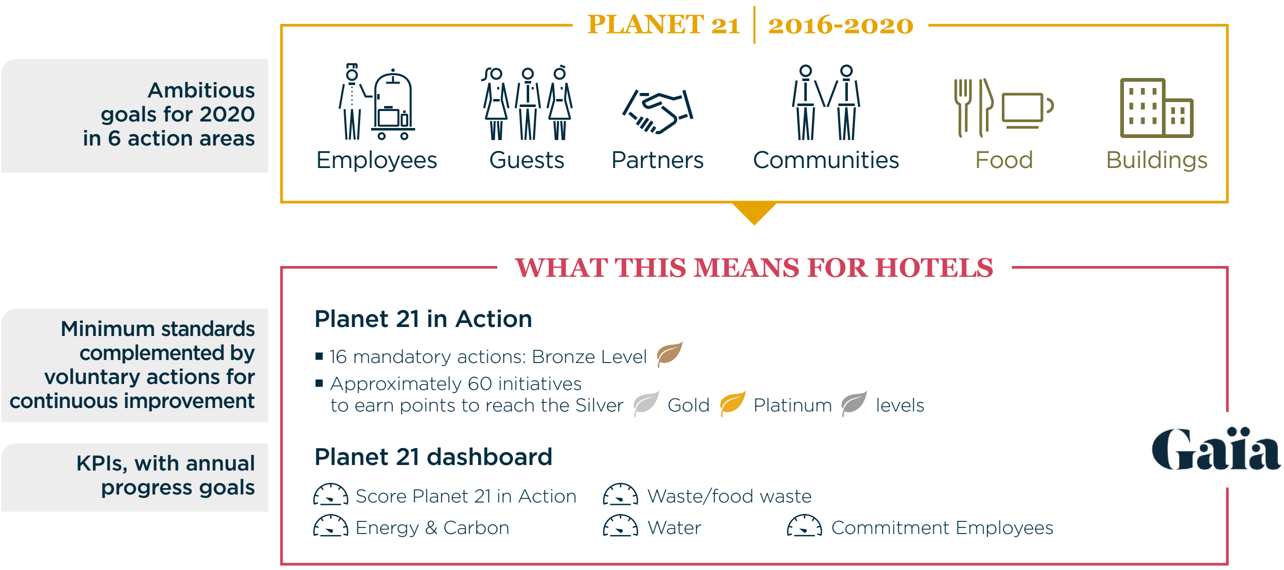
The Group's hotels are the main agents in our ambition to create positive hospitality. For years they have all been engaged in a process of continuous improvement around sustainable development.

The hotels have a roadmap: Planet 21 In Action. It defines 16 actions (presented in an appendix with 2017 results on page 151) that are mandatory for all and define the "Bronze" level before the higher "Silver", "Gold", or "Platinum" levels can be achieved. In line with its new ambitions, AccorHotels has raised the bar for these 16 basic actions. They range from introducing energy-saving light bulbs to conforming to AccorHotels Group standards and engaging with the Group's flagship programs, such as Plant for the Planet and child protection program WATCH.

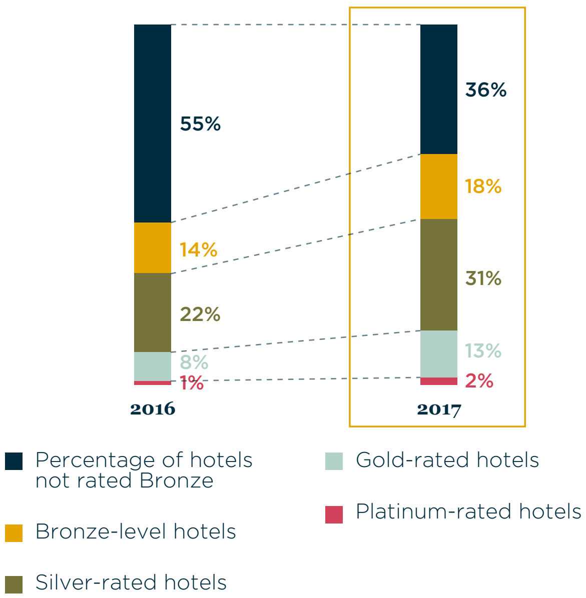
To achieve the higher levels, Planet 21 In Action is proposing approximately 60 initiatives with points assigned to them, among which hotels may freely choose. In this way, Planet 21 In Action allows hotels to progress and continuously improve their sustainable development performance. The program thus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

The Executive Committee and country operational managers monitor the actions of hotels through a monthly dashboard which includes the Planet 21 – Acting Here indicators.

The AccorHotels sustainable development performance management system



Planet 21 In Action level achieved by hotels in 2017



Gaia, an online application for comprehensive and detailed management

Gaia is the online application used by the Group to manage Planet 21 – Acting Here at each level (hotels, countries, Group). Designed as the nerve center for monitoring all sustainable development actions and technical issues, Gaia includes the Planet 21 In Action roadmap. Via this platform, each hotel sets its own targets and receives support with implementing the roadmap. Gaia allows hotels to evaluate themselves, set their priority goals, create their action plan, and monitor their progress. Designed with the technical teams, it can be used to monitor maintenance activities, manage energy performance, and ensure that installations comply with safety and environmental regulations.

In 2017, Gaia's functionalities were extended to monitoring water, energy and carbon data, verifying compliance with technical and regulatory requirements, and managing the hotels' involvement in Plant for the Planet. A module with applications for food and other waste is planned for 2018.

In terms of oversight, various mechanisms are in place to improve the reliability of the information reported in Gaia. First, the Planet 21 representatives in each region (as well as the technical representatives for water and energy data) are responsible for internal control of the data from hotels in their region. Specific insights generated by the Gaia application facilitate this, with access to all hotel responses to a specific action, as well as comments made by the hotel and the supporting documents or evidence of achievement, if uploaded to the platform. This information makes it easier for the Planet 21 representative to check and if necessary correct the hotel's response. External checks are also carried out to improve the reliability of the data: some of the key actions of Planet 21 In Action have been integrated into the "Brand Essentials" control process. These are then audited by a third party during "mystery visits", to assess how well the brand's standards have been implemented by each Group hotel. The Planet 21 In Action actions integrated are either Bronze level or linked to a Planet 21 – Acting Here KPI, visible to guests and directly auditable. However, despite the number and variety of checks, AccorHotels is conscious that no system can guarantee the complete absence of risk when it comes to the reliability of data. The Group therefore strives to improve its reporting and control procedures each year to enhance data quality.

2.2.6 AccorHotels working together with stakeholders

Dialogue policy and tools

Implementing the CSR process throughout the AccorHotels Group means maintaining an ongoing dialogue with stakeholders. That dialogue is a critical process that plays an inherent role in the business of the Group. Dialogue is therefore ongoing at every level of the organization and in every aspect of the business. A Group corporate stakeholder dialogue procedure defines the scope of application and implementation of the process, the responsibilities at every level (global, regional, local), and the resources used to enhance dialogue and keep stakeholders informed. The numerous partnerships that AccorHotels maintains also support this dialogue policy.

Stakeholder	Main expectations	Tools for dialogue, 2017 achievements and partnerships
Employees & representatives	Worklife quality Inclusion & Diversity Workplace health and safety Compliance with ethical commitments Compensation and recognition Training Social Dialogue Social innovation Accessibility Combating harassment and discrimination	The engagement survey is conducted every year to measure employee engagement and make it possible for each department to identify areas for improvement and action plans (page 97). The Group has a European Committee and a Group Committee in France, and a wide variety of ways to encourage social dialogue is in place in the various entities of the Group (page 98). The social network YAMMER is accessible to all employees, including those in hotels that do not have dedicated email addresses or computers. APPY is a platform that brings together mobile applications for employees that enable them to access their hotel planning, see the reviews posted by guests, access the advantages of the Bienvenue card, etc. (page 107). Group employees are able to take advantage of a yearly employment review with their immediate supervisors to evaluate the achievements of the previous year and set goals for the coming year (page 110). AccorHotels maintains and develops relationships and partnerships with more than 250 institutions of higher learning, business schools, hotel management schools and universities around the world, and it works to maintain and improve these relationships (page 109). The Group has created a "Shadow Executive Committee" made up of 14 men and women who are under 35 years of age to support the existing Executive Committee. All decisions made by the Executive Committee are run by the shadow committee for their thoughts.
Guests	Service quality and guest experience Health, safety and security Responsible eating Responsible product and services offering Personal data protection Local purchases Accessibility	The "Voice Of the Guest" platform (VOG) brings together all guest feedback in one place and presents it in a clear and intuitive interface, using semantic analysis for categories in more than 19 languages (page 116). Club AccorHotels is the rewards program of the Group. It allows closer interaction with our most loyal customers. Social Desk is a global platform to which all hoteliers can connect in order to act more efficiently on social networks, taking account of local specifics. AccorHotels took part in numerous international B2B trade shows: ITB Berlin, ATM Dubai, IMEX Frankfurt and America, WTM London, IBTM World Barcelona, ILTM Cannes, etc. These events attracted over 240,000 visitors including buyers, company travel managers, as well as the major tourist industry players. Many topics are discussed, including sustainable development. Each stand features a wall of greenery as a reminder of AccorHotels' commitment to the Planet 21 – Acting Here program.

Stakeholder	Main expectations	Tools for dialogue, 2017 achievements and partnerships
Partners	◗ Help with improving performance around sustainable development ◗ CSR risk management process and ethical undertakings ◗ Responsible product and services offering ◗ Social innovation ◗ Sustainable relationships ◗ CSR and human rights	◗ "Portail Partenaire" is a web-based one-stop shop dedicated to AccorHotels franchise partners. It highlights the brands and service offers available in each country and provides partners with customized information on the performance of their hotels. Over 400 partners currently use the portal. ◗ AccorHotels maintains close relationships with franchisee organizations and holds an annual conference for franchisees in Europe. ◗ In 2017, AccorHotels partnered the Viva Technology trade show for start-ups which took place in Paris. ◗ A partnership with TECHSTARS Paris was initiated in 2017 by the Innovation LAB team. ◗ AccorHotels is a partner of the "thecamp" international campus project launched in 2017.
Communities	◗ Solidarity ◗ Local employment ◗ Combating child sex tourism ◗ Local purchases	◗ Through its Plant for the Planet program, AccorHotels has been a partner since 2012 in the Pur Projet, (see below). ◗ AccorHotels is one of the founding members of the International Insetting Platform (page 127). ◗ AccorHotels has been fighting child sexual exploitation in its hotels since 2001 in partnership with ECPAT (see below). ◗ In 2016, the Group became a member of the Board of Directors of the NGO TheCode.org, which has a Code of Conduct for protecting children from sexual exploitation in the tourism industry, and also a member of the Executive Committee for the World Tourism Network on Child Protection, a network of the World Tourism Organization (page 126). ◗ AccorHotels was a Partner in Paris's candidacy to host the 2024 Olympic Games, with a significant focus on CSR.
Environment	◗ Climate change ◗ Water ◗ Biodiversity ◗ Circular economy and waste ◗ Energy ◗ Disamenities and ◗ pollution	◗ AccorHotels has been an official sponsor of the Energy Observer boat since 2015 (see below). ◗ The Energy Observer project relies on the know-how of CEA Tech, and since 2016, the Group has been experimenting in its hotels with technology used on the boat (see below). ◗ AccorHotels has a partnership with Humane Society International, to source eggs from free-range chickens (page 141). ◗ In 2016, the Group also entered into a partnership with CDC Biodiversité (page 128).

Strong outside partnerships to extend the process

In order to provide joint responses to major challenges, AccorHotels has entered into strong long-term partnerships:

ECPAT (End Child Prostitution, Pornography and Trafficking of Children for Sexual Purposes): AccorHotels has been fighting child sexual exploitation **since 2001** through its partnership with ECPAT International, an international NGO made up of 77 organizations active in more than 70 countries.

Pur Projet: This organization is dedicated to combating climate change through reforestation and forest conservation projects, with a focus on the involvement of local communities. **Since 2012,** a partnership with Pur Projet has supported the development of AccorHotels' Plant for the Planet program (see above and page 127).

Energy Observer: since 2015, AccorHotels has been an official sponsor of the Energy Observer boat which is used to demonstrate technology and acts as a renewable energy laboratory. The aim of the project is to involve scientists, researchers, engineers and journalists at 101 ports of call throughout the world. Alongside this initiative, AccorHotels has entered a technical and technology partnership with the CEA Tech, an applied research laboratory which specializes in alternative energies and has provided the technology for the boat. The idea behind the partnership is to test the Energy Observer electricity installations in a few hotels before considering a wider-scale roll-out.

Focus on open innovation

Over recent years, AccorHotels has been engaged in an open innovation process to support its corporate strategy. For AccorHotels, open innovation involves building and coordinating a large internal and external community to create an open approach, gain from each other's experience, and discover new territories that sometimes prove astonishing. It allows the Group to conquer the world with agility, anticipate its economic, environmental and social changes, and accelerate its transformation to co-create value for and with its customers, partners, employees, as well as society as a whole, for the good of the planet. AccorHotels' open innovation process involves four simple stages: identification and contact with AccorHotels teams, set-up of a pilot, validation and deployment of the model, and integration in the Group's activities. In 2017, the Group already had numerous open innovation partners working through various structures: RAISE, Échappée volée, The Camp & Sparklife Contest, BrightIdea platform, Innovation Factory & Webschool Factory, Centrale Supelec, Learning Expeditions, Students@AccorHotels Meet-Ups, Shadow Comex, the Web School, École Hôtelière Lausanne, WAAG, Bouygues, Paris Pionnières, Startup flow, BPI/Le hub, Energy Observer, TooGoodToGo, Winnow, Topager, Noocity, Farmili, Potag'home, Circul'R, Ticket for Change, Agripolis, etc. Partners also include large corporates such as Nespresso.

"Planet 21 research" – the open learning platform on csr in the hospitality sector

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

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

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

2.3 WE STRIVE TO BE RESPONSIBLE AND INCLUSIVE WITH OUR EMPLOYEES

Bolstered by its ability to create and sustain local jobs, AccorHotels is renewing its commitment to being a place of welcome and inclusiveness, with respect for diversity that is focused on developing everyone's talents. As an employer, the Group is committed to making its employees "Feel valued". It aims to be a company that makes life and work better, a company that is open to the world and engaged in local training and recruitment, and in supporting marginalized populations.

2.3.1 AccorHotels' employment model and human capital

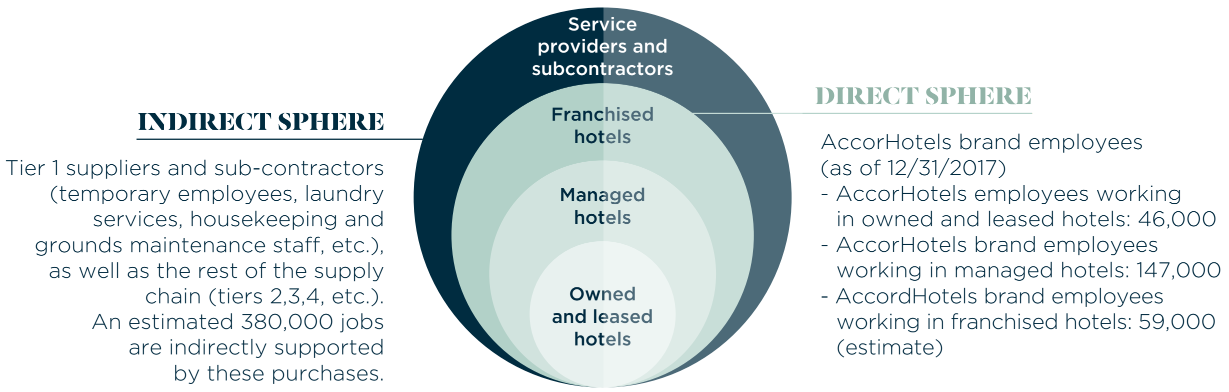
AccorHotels, a unique employment model

AccorHotels business creates and maintains many jobs in 99 countries. As of the end of December 2017, there were around 250,000 AccorHotels brand employees worldwide.

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

The transformation of HotelInvest – now AccorInvest – into a subsidiary in July 2017 and the upcoming split from AccorHotels will enable the AccorHotels Group to refocus on its core hotel trade while maintaining a labor policy applicable to employees of all brands.

Since July 1, 2017, AccorInvest has been operating 960 hotels with 40,000 employees across 26 countries. Its share capital is set to increase with the arrival of third-party investors.



* *Source: "Empreinte socio-économique du groupe AccorHotels", published in 2016.*

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

Direct sphere

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

AccorHotels' policies are applicable in **managed hotels.**

Even though the hotel owners are responsible for the direct daily management of employees, the Group's labor policies are implemented in a uniform way through management contracts for both collective and individual concerns.

Because AccorHotels has less influence over HR practices in franchised hotels, the Group strives to share its values and commitments in its communications and day-to-day interactions with franchisees.

The AccorHotels brand requires **franchised hotels** (where employees are paid by the franchisee) to fully adhere to the Group's values, in compliance with local rules. Indeed, AccorHotels brand employees are ambassadors for the hotel brand and its values.

This is done through three main channels:

- the AccorHotels Group Ethics and CSR commitments are shared with the franchisees from the very early stages of any arrangement before contracts are signed. A reference to the Ethics and CSR Charter has been systematically included in all new franchise contracts since 2016;
- in each region where the Group operates, franchisee conventions are held every year, with a regular focus on issues linked to the Group's ethics and CSR commitments. In France, Franchise Committees meet three or four times a year, depending on the brand, to present and make note of new developments in such areas as brand identity, marketing and Group processes;
- directors of Franchise Operations, who are in close and constant contact with the franchise operators in the regions and brands for which they act as ambassadors;
- access to dedicated content on the corporate Intranet and to the training courses provided by Académie AccorHotels.

Talent & Culture	Sphere of influence	Page
Working conditions	Owned, leased and managed hotels	100
Employee growth and career development	Owned, leased and managed hotels Training resources available to franchised hotels	107 and 109
Social Dialogue	Owned, leased and managed hotels	98
Assessing employee engagement and well-being	Engagement survey: owned, leased, and managed hotels	97
Diversity and Inclusion	Owned, leased and managed hotels Provided to franchised hotels for their information	104
Promoting employee health and well-being	Owned, leased, managed and franchised hotels	100
Hiring	Owned, leased and managed hotels Access to the AccorHotels jobs recruitment site for franchised hotels	105
Compensation and benefits	Owned, leased and managed hotels	102
The Women at AccorHotels Generation gender diversity	Owned, leased, managed and franchised hotels	105

Indirect sphere

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

The management of labor-related and other sub-contracting risks and the procedures implemented by AccorHotels to ensure that its commitments are shared with its suppliers and sub-contractors are described on pages 119 to 122.

AccorHotels' human capital

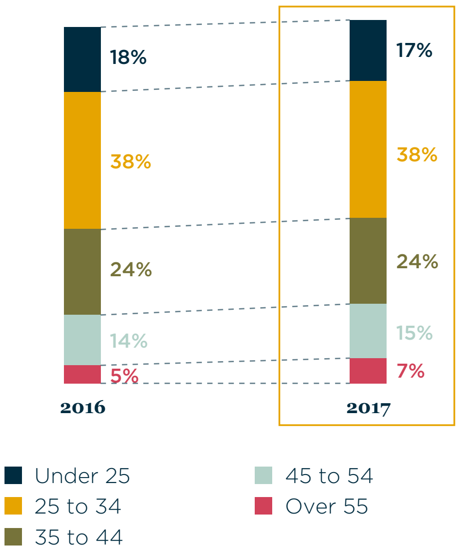
Employees by region

The number of employees working for AccorHotels brands worldwide is estimated at around 250,000.

The Group's employees are spread across every continent, in 99 countries, and work under three types of operating structures: owned and leased hotels accounting for 46,000 employees or 18% of the total, managed hotels representing 147,000 employees or 59%, and franchised hotels accounting for an estimated 59,000 employees or 23%.

Age pyramid

AccorHotels has a young workforce, with 55% of employees under 35.



Gender diversity

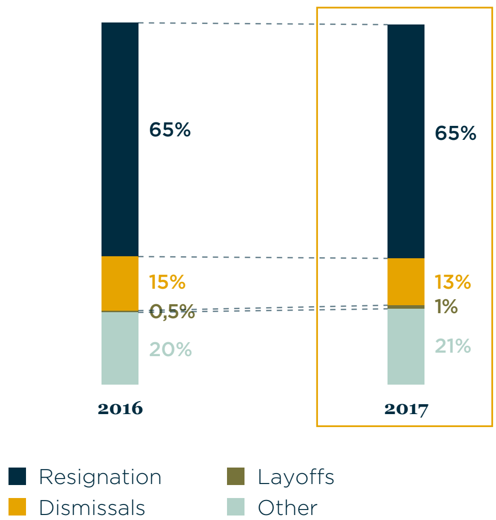
Women accounted for 44% of employees and 34% of hotel General Managers in owned, leased, managed and franchised hotels.

For more information on the programs rolled out by AccorHotels to promote gender diversity and equality, see page 105.

Hirings and separations

In 2017, 81,150 people were hired by AccorHotels and 77,878 left the Group. The increase in separations and hirings, compared to 2016, is due to the consolidation of Fairmont, Raffles and Swissôtel data.

Separations by reason, worldwide



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

Voluntary separations

The Group has a high resignation rate, which can be attributed to various factors, including the local economic environment, Countries with strong economic development recorded higher turnover. The location and age of the hotel also play a significant role. In 2017, 50,588 employees resigned. They accounted for 65% of all separations in 2017.

Absenteeism

The number of days of medical leave per employee fell between 2016 and 2017.

Average number of days absent per employee by cause	2016	2017
Medical leave	5	4.2
of which workplace accidents	0.4	0.4
Unauthorized leave	0.6	0.6

2.3.2 Supporting people through transformation

In 2014, AccorHotels initiated an in-depth transformation to cope with the major changes in its environment. This transformation is due to be finalized with the completion of the "Booster" project:

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

AccorHotels' economic and partnership ecosystem is also experiencing major changes. Guests' expectations are increasingly diverse and demanding, new hotel concepts are emerging, the profession is changing, new businesses are appearing, traditional industry operators are merging and others are expanding.

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

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

Making the "Feel Valued" and "Feel Welcome" promises a reality in 2017

Social Innovation within AccorHotels

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

- innovating in terms of social dialogue;
- developing our employees' skills;
- respecting and improving their working conditions;
- promoting a good work-life balance;
- promoting diversity and equal opportunities;
- supporting change, in particular the digital transformation.

As the basis for turning the "Feel Valued" promise into a reality, these principles are applied at every step of the employee's career path. Following the adoption of this Social Innovation policy by Executive Committees across all countries and regions, action plans for its implementation are in the process of being drafted at all Group levels, right down to the hotel network. These action plans are coordinated with the Planet 21 In Action program which, in its "Employees" facet, proposes four generic actions as an operational response to the principles contained in the Social Innovation policy. The effective implementation of the Group's Social Innovation policy is measured through regular monitoring of employee engagement survey scores.

Leadership Model to support a change of culture

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

In 2017, the Talent & Culture teams continued to incorporate the model into talent management processes, in particular in:

- the leadership skills checklist common to all brands, businesses and regions;
- the annual performance review so that a common language can be shared by everyone within the Group;
- the hiring process, job specifications and development programs.

The cultural transformation was also supported by the launch of the Leadership in Motion program. Aimed at the Group's top 400 to 500 managers (Executive Committee levels N-2 to Hotel Managers), the program is being deployed on the basis of a strong principle of diversity within training groups, *i.e.* diversity in terms of rank, gender, culture, business line and age. For a period of six to eight months, participants are asked to work individually, in pairs, or in groups, in the aim of developing their leadership skills in line with the Group model.

"We are all Heartists®", a corporate culture to emphasize the "Passionate about Guests" value

AccorHotels' business is built around quality of service and the guest experience. Accordingly, "Passionate about Guests" is one of the six values the Group shares with all its employees. The quality, enthusiasm and engagement demonstrated by employees when welcoming and serving guests represents a key link in its value creation chain. AccorHotels guides its employees in the care of guests, whose profiles and expectations are changing, as each of them wants to enjoy a hotel experience rather than just a stay, something meaningful which allows them to act as responsible consumers.

In 2016, the "One Brand" project made it possible to define the AccorHotels DNA, 85% of which consists of common elements throughout the Group across all regions, business lines and brands, with the remaining 15% being brand-specific. Based on this common DNA – and to focus its attention on the guest experience, on creating ties with guests, on personalized exchanges, on stirring emotions and on creating enthusiasm in daily interactions – AccorHotels is convinced that each employee must feel responsible and autonomous, learn from others, share knowledge and experience, and be able to rely on cutting-edge digital environments.

With its "Heartist® Journey" signature, AccorHotels is promoting a corporate culture which is common to all Group employees, where each person is recognized as a "Heartist®" who masters the art of welcoming and serving guests with heart, curiosity and inventiveness.

A vast effort to disseminate this corporate culture was deployed in 2017. In all regions and across all brands, 180 transformers were hired on the strength of their motivation, public-speaking ease and interpersonal skills. They received five days' training before going on to train Hotel Managers and one transformer per hotel. At the end of 2017, over 1,000 hotels had been covered. A similar program was rolled out to support head office teams. In 2017, a total of 600 people were trained in the Group's head offices; the workshops conducted prompt each employee to identify their personal transformation goals to become "Heartists®".

The rollout will continue in 2018. New employees, for instance, will benefit from a "New Heartist® Day" focused on the "Passionate about Guests" attitude and the art of being true to oneself in the way of welcoming guests.

Developing a digital platform for employees

To support its human and cultural transformation, AccorHotels has launched an ambitious project to create a digital platform that lives up to the "Feel Valued" employer promise. This multi-faceted platform will support employees, hotels and hotel owners in their common objective of enhancing the guest experience.

Designed as a talent engagement tool, this platform will be available as an Internet and smartphone application, through which every employee will be able to manage their profile to have a digital identity, access resources to improve their way of working, contact their colleagues or peers, highlight their achievements and be recognized for them, find out about opportunities open to them within the Group, etc.

The launch of this tool is scheduled for the end of 2018.

2.3.3 Deepening employees' engagement

ACTING HERE Planet 21

The Planet 21 commitment: the employee engagement index increases every year

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

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

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

In 2017, the scope of the survey was extended to Fairmont, Raffles and Swissôtels employees. All Group employees, from all of its brands, were thus invited to respond to a common questionnaire, available in 33 languages. The geographical scope of the survey was also extended to eight new countries: Armenia, Azerbaijan, Bermuda & Caribbean, Estonia, Israel, Iran, Kenya, Seychelles. The survey is now conducted in 87 countries. In addition, a space for free expression was added.

In 2017, out of the 177,742 employees approached, 158,074 responded to the engagement survey, representing a stable participation rate of 89%. The engagement rate for the 2017 edition of the global survey was 77%, up 5 points compared to 2016, confirming the positive dynamics targeted by AccorHotels.

The main areas for improvement proved to be ensuring good worklife quality, recognition of individual and team contributions, improvement of working conditions and organization.

The following year, after the implementation of actions plans based on the results of the survey, two specific questions are added: "The results of the last survey were communicated to me by my company" and "I was able to take part in the creation of action plans in connection with this survey". In 2017, 71% of employees gave a positive answer to that question. Part of the managers' variable compensation is subject to their involvement in the defining and implementation of action plans.

Such action plans vary greatly, depending on local contexts. For example, they include highlighting individual and collective achievements at service meetings, proposing a monthly lunch debate with a senior executive, installing WiFi in the employee rest area, proposing inter-team training, setting up a collaborative project management tool to eliminate silos, etc.

2.3.4 Promoting open dialogue

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

Dialogue forums and resources

The European Works Council, set up on May 31, 1996, is co-chaired by the Chairman & Chief Executive Officer and an IUF[1] representative. It meets at least once a year to examine the Group's organization, strategy and results, as well as cross-border issues. It may also be especially convened to discuss any measures being considered by the Group. In 2017, the European Works Council met four times and its members received training on the Booster project focused on the spin-off of AccorInvest.

In 2017, qualitative reporting concerned 95% of the hotels covered by quantitative reporting. On that basis, 56% of the hotels have an employee representative organization that meets on a regular basis. Across the Group, in units where there is no employee representative organization, employer-employee dialogue takes place in a variety of ways, depending on the contexts and cultures (*i.e.* open tables – informal round-table discussions with second-line executives, meetings with employee representatives in the hotel, information meetings concerning major projects and organizational changes, etc.).

Dialogue to support Group transformation

Numerous meetings and discussions also took place between Management and employee representatives in 2016 in preparation for the Booster project. The subsidiary was spun off on July 1, 2017. Employee representative organizations are progressively being put in place for AccorHotels and AccorInvest employees. Following the Booster operation, AccorHotels kept all of its employee representative organizations. AccorInvest will see the set-up of similar organizations in 2018. As requested by the Group, these bodies should be operational as soon as the new investors come in. In 2017, intense consultation took place in Europe in particular, as well as in Brazil and Asia.

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

Collective agreements

The table below shows the number of collective agreements signed in 2017, by country, and the issues covered. It does not include agreements signed prior to 2015 and still in effect.

Agreements signed by country and issues

Country	Number of agreements signed	Skills development	Social Dialogue	Diversity	Tools and Digital Process	Healthcare coverage	Compensation	Health & Safety	Working conditions and working hours	Other issue
Germany	22	X		X	X		X		X	X
Argentina	2						X			
Australia	2						X	X	X	
Barbados	1									X
Belgium	4						X			
Benin	1					X	X			X
Bermuda	1									X
Brazil	5						X			
Cambodia	2	X					X	X	X	X
Canada	8	X				X			X	X
Chile	3			X		X		X		
China	14	X	X	X	X	X	X	X	X	
Ivory coast	4		X	X		X	X			
Spain	3			X		X	X	X	X	
France	85		X	X		X	X		X	X
Greece	1						X			
Hungary	1						X			
India	1						X			
Indonesia	4	X	X			X	X	X	X	
Israel	1			X		X	X		X	
Italy	1						X			
Japan	9								X	
Mexico	20	X					X	X	X	X
New zealand	1						X	X	X	
Poland	1						X			
French polynesia	7		X				X			X
Romania	1	X	X	X	X	X	X	X	X	
Senegal	2	X	X	X		X	X			
Singapore	1	X		X		X	X		X	
Togo	1					X	X	X	X	
Vietnam	3	X	X	X	X	X	X	X	X	X
TOTAL	**212**									

2.3.5 Ongoing commitment to employee health, safety and worklife quality

As an employer, AccorHotels is responsible for ensuring employee health and safety. Accordingly, working conditions remain a key concern for the Group, along with worklife quality, in order to improve employee performance.

The measures taken to improve working conditions take many forms:

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

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

Improving worklife quality and promoting health

The Planet 21 commitment: each country implements a workplace health and well-being program

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

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

At the end of 2016, 43 of the 75 countries responding to the qualitative questionnaire had implemented a workplace health and well-being program. In 2017, in order to boost the involvement of the countries in this program, a toolbox was sent out, comprising a map of the main health/safety risks in the Hotel/Café/Restaurant sector, as well as a map of public health risks per major geographical area. The countries were thus spurred to define the topics of their Health and Well-Being programs, in keeping with local issues. Starting in 2018, they will also need to build tools that will be provided to their hotels to support the deployment of their Health and Well-Being programs. At the end of 2017, 65 countries (*i.e.* 76% of the countries queried) had defined the topic of the Health and Well-Being program which they felt was most relevant to the local context. For example, workplace stress, occupational health and safety, nutrition, and the environment are the main topics chosen by the countries.

Moreover, 32 countries (*i.e.* 38% of the countries queried) had set up a tool for the deployment of their Workplace Health and Well-Being program, confirming the positive dynamics targeted by the Group. The new countries to have initiated the process include Germany, Chile, Cuba, Indonesia, Fiji, New Zealand, Equatorial Guinea, and Togo.

A procedure to track the rate of deployment of each local Health and Well-Being program will be set up in 2018. This will make it possible to report to hotel employees on the progress of the program set-up.

Workweek organization and work-life balance

Working hours

Worldwide, working hours comply with ILO rules (Reduction of Hours of Work Recommendation, 1962), as well as European regulations in the Europe zone, and each country's laws and/or collective agreements. Overtime may be paid at a higher rate or taken in the form of additional time off, depending on the legislation and agreements applicable in each hotel and on the conditions defined in each employee's contract.

Workweek organization

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

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

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

Working from home

All employees of the French Hotels' headquarters and Group headquarters have the option to work from home one day a week under certain conditions. At end-2017, 20.4% of the employees concerned had adopted working from home, up from 18% at end-2016. This change is helping to bring head-office employees into the transformation process under way; it is getting the teams to rethink their organization and work differently on a daily basis.

Night work

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

This has been done in all European countries and in countries where night work is regulated (such as Brazil)[1].

Preventing workplace accidents and occupational illness

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

Preventing work-related risks

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

These assessments can cover potential risks to the Group:

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

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

Preventing musculoskeletal disorders

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

Preventive measures are taken and ergonomists are brought in when furniture is being designed, hotels are being renovated, and new room concepts and themed restaurants are being created, etc. These measures are, for example, being put into practice in France where various materials are gradually being introduced: motorized trolleys to refill minibars, trolleys with removable bases for breakfast trays, dishwashers with automatic safety housings, standing seats for receptionists, anti-fatigue mats in reception areas, and even Levly® hydraulic bed-lifting systems.

Moreover, among respondents to the qualitative report, 60,524 employees underwent special training in ergonomics.

In 2018, AccorHotels is planning the launch of an employee mobilization platform, centered on ecofriendly practices to boost individual contributions to Planet 21 (see page 111). These ecofriendly practices will also include the behaviors, practices and attitudes required to adopt to promote occupational health.

Number of employees having attended special courses in ergonomics	2016	2017
France & Switzerland	428	896
Europe (excluding France and Switzerland)	5,122	4,242
Middle East Africa	6,264	5,328
Asia-Pacific	35,508	35,973
North/Central America & Caribbean	0	2,256
South America	11,425	11,829
TOTAL	**58,481**	**60,524**

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

	2015	2016	2017
Lost-time injury rate	11.9	12.1	12.5
Incident severity rate for workplace accidents	0.37	0.27	0.25

(1) *According to ILO Convention 171.*

In 2016, the method used for calculating the lost-time and severity rates was modified. It is now based on theoretical hours worked, resulting in non-comparative data. In 2017, the head offices as well as Adagio, Adagio Access hôtels and 49 other hotels were excluded from the calculation.

In 2017, AccorHotels was saddened by the deaths of four employees due to commuting accidents in France (one), Indonesia (one), Morocco (one) and Vietnam (one).

Preventing psychosocial risks

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

Employees regularly attend workplace stress management training. In France, in 2017, 513 employees received training in "Managing Difficult Guest situations", "Preventing and Managing Workplace Stress", "The Five Stress Management Tools", and "Achieving Greater Serenity and Effectiveness".

AccorHotels is committed to eliminating all forms of harassment from the workplace, including bullying and sexual harassment. Complaints against personnel must be reported to a senior manager or to the Human Resources Manager/Director. The same procedure is followed for incidents involving guests. In 2015, the European Works Council launched an initiative for the prevention of all forms of harassment in the workplace, including bullying and sexual harassment. A global plan to combat harassment is being defined and the tools provided to employees will be tested in pilot countries in 2018. The anti-harassment plan is conducted in close collaboration with an engineering college, the Talent and Culture teams (AccorHotels and AccorInvest), the Digital teams, the Operational teams (chambermaids, room service and Hotel Managers), in association with the trade unions. To date, hotlines have been set up in Brazil, India, and France. The hotline to be launched in 2018 (see page 82) will cover issues linked to harassment (see the vigilance plan on page 83).

Hotels mobilization at the end of 2017

Through Planet 21 In Action, hotels are encouraged to implement initiatives which promote occupational health and safety and employee well-being. The following chart shows the progress made in the deployment of a few of these initiatives.

Note that in 2018, a new program to raise employee awareness on the issues of "postures and practices" and "health & well-being" will be rolled out in the hotels, thus simplifying access to information and recommendations, and increasing employee involvement in these areas.

2.3.6 Recognizing and valuing employees

Celebrating the remarkable accomplishments of the Group's employees

Every year, AccorHotels honors employees from owned, leased, and managed hotels and the head offices for accomplishments considered exemplary and representative of the Group's corporate culture and values by giving them an award called the Bernaches. There are three types of awards: two for individual initiatives – the Gold Bernache and the Silver Bernache – and one for team initiatives – the Team Bernache. Accomplishments are anonymously assessed by a panel of fifteen judges from across the Group, based on an assessment grid containing AccorHotels' six Values. A Special Achievement Bernache can also be awarded at the discretion of the Chief Operating Officer or the Head of Talent & Culture to recognize an exceptional initiative or achievement, exceeding all expectations.

In 2018, the Group plans to award 15 Gold and Silver Bernaches (individual initiatives) and 15 Team Bernaches to the most successful initiatives conducted in 2017.

Compensation policies

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

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

AccorHotels ensures that compensation policies do not discriminate in any way with regard to age, gender, nationality or any other personal criteria. The Group is also committed to compensating every employee in line with market practices, based on global and local job maps prepared for each job track and a common job evaluation method.

Management receives a base salary as well as variable compensation. They may also receive long-term compensation in the form of performance shares that are awarded on the basis of potential and individual performance. The variable part of the annual compensation reflects their performance in meeting personal and team objectives. Over 28,000 employees receive annual variable compensation.

Since its revision in 2016, the variable compensation policy includes a criterion relating to the “Passionate about Guests” value (calculated using guest satisfaction scores) and a CSR criterion that reflects the “Sustainable Performance” value. Since January 1, 2016, it has covered team managers at head offices (including corporate officers – the Chairman and Chief Executive Officer and Chief Operating Officer) as well as all members of the Executive Committee and hotel managers from Supervisors to General Managers (for a total of over 25,000 employees across the Group).

FOCUS ON CSR CRITERIA IN ANNUAL VARIABLE COMPENSATION

In 2017, the calculation of variable compensation takes account of CSR criteria, which vary according to functions or job categories:

- for operational functions, managers define quantitative and qualitative goals from a list of previously identified CSR criteria. A reduction in water or energy consumption, and therefore in greenhouse gas emissions, is one of the criteria on which a portion of the variable compensation of hotel managers depends;
- for support functions, managers define a goal according to each business line, also drawn from a list of previously identified CSR criteria.

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

Payroll costs for the head offices and owned and leased hotels are presented in Note 4.2 on page 281.

Information tools available to employees

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

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

Specific information may be added throughout the year if the employee is awarded fringe benefits such as performance shares, supplementary pension plan, healthcare, insurance coverage, etc.

In recent years, Talent & Culture managers have been able to attend in-house training courses on topics such as compensation policies, the job classification and evaluation method, deferred compensation systems (performance shares) and employee benefits. In 2017, 43 people were trained in this way and are now able to support the implementation of compensation policies with the teams under their responsibility. A simplified version of the same module has also been designed, enabling trained individuals to regularly update their knowledge and skills.

Discretionary profit-sharing and employee savings in france

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

In 2017 in France, nearly €9.4 million in discretionary profit-shares earned in 2016 was paid to 24,515 employees in France, representing an average net amount of €382 per person.

On several occasions since 1999, employees around the world have been offered the opportunity to purchase new AccorHotels shares on preferential terms and conditions, as part of employee share issues. Again in 2017, Accor S.A. offered Group employees the opportunity to buy AccorHotels shares in nine countries. This offer reflects the will of AccorHotels to enable Group employees to fully benefit from the Company’s results. It is available as a leveraged offer in six countries *via* a company mutual fund, and as a direct offer in three countries. At December 21, 2017, 35% of eligible employees had subscribed to the offer. At December 31, 2017, the Group’s current and former employees thus held 0.936% of its share capital (see page 371).

In 2017, 59 non-discretionary profit-sharing agreements were signed in 10 countries. This number does not include agreements signed previously and still in effect. Every year since 1985, AccorHotels employees in France have been able to participate in a Corporate Savings Plan (PEEG). It allows them to invest in various mutual funds with matching funds provided by AccorHotels. In addition, in 2017, 6,084 employees invested in the PERCO group Retirement Savings Plan, which was set up to provide employees with additional income during retirement. Employees in France also receive non-discretionary profit-shares under a corporate agreement covering 75 companies in respect to 2016. Non-discretionary profit-shares earned in 2016 and paid in 2017 amounted to an aggregate net €3.5 million for 18,282 employees, or an average net amount of €191 per person. Since January 1, 2015, in addition to the conventional plan, the Group has a new savings plan called "Épargne Avenir", which offers an exceptional matching contribution for any employee payment into the "AccorHotels Investissement" fund consisting solely of AccorHotels shares. Its aim is to involve employees in the Group's development.

International benefits packages

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

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

Agreements on healthcare and insurance coverage were signed in 16 countries in 2017 (Benin, Cambodia, Canada, Chile, China, France, Indonesia, Israel, Ivory Coast, Philippines, Romania, Senegal, Singapore, Spain, Togo and Vietnam). More specifically, these agreements covered death and disability (25 agreements), supplementary pension benefits (12 agreements), pension savings (16 agreements) and supplementary health insurance (21 agreements).

2.3.7 Promoting diversity and inclusion

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

Initiatives designed to address four challenges

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

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

Governance and tools

AccorHotels' international commitments regarding diversity and inclusion

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

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

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

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

- fight against all forms of discrimination on the basis of ethnic, social or cultural origin, gender, age, physical characteristics, disabilities, religion, language, marital status, union membership, sexual orientation or other characteristics;
- give every employee the opportunity to succeed by placing skills at the heart of managerial and human resource policies, with the objective of welcoming, nurturing, and developing all talents in an equitable way;
- train employees and raise their awareness on diversity with the required tools and means to enable them to grasp the great value of their diversity, taking into consideration local situations;
- disseminate AccorHotels' commitments to promote diversity by informing employees and all Group partners of the policy and measures implemented;
- act as diversity ambassadors with guests and Group partners (suppliers, hotel owners, investors, etc.) with the goal of fostering a shared ethical commitment;
- integrate diversity in the service offerings by adapting to the diversity of guests;
- encourage dialogue and assess initiatives while ensuring that AccorHotels' management teams worldwide conduct in-depth diversity assessments based on internal opinion surveys, quantitative criteria, or qualitative findings;
- report to the Group Executive Committee on the diversity programs underway across the Group, to obtain the Committee's guidance and recommendations for pathways to improvement.

The employee engagement survey measures the "Equal opportunities" index, based on responses to two questions:

- AccorHotels promotes diversity in terms of age, gender, ethnic origin, language, education, qualifications, ideas, etc.;
- Our working environment is open and welcomes individual differences.

In 2017, the "Equal opportunities" index was 87%, up 5 points over 2016.

Strengthen the Diversity and inclusion Community

At the beginning of 2016, the Diversity & Inclusion community (D&I) was structured around D&I Champions. Their primary role was to roll out the D&I strategy across regions and countries and to ensure that action plans were implemented. Appointed by Operations Managers and regional Talent & Culture Heads, these Champions are the mouthpieces of the diversity initiative on local Executive Committees. In 2016, the focus was turned to sharing AccorHotels' vision in terms of diversity and inclusion. In 2017, each region deployed action plans focused on each of the four major priorities, drawing on their neighbors' best practices.

AccorHotels has two main ways of promoting diversity and combatting stereotyping: training employees and highlighting the best practices already being applied in the Group. To this effect, AccorHotels has gradually developed a wide range of general and issue-specific resources that reassert its commitments, provide access to related reference documents, improve understanding and mastery of the issues, and offer guidelines or examples for putting the commitments into practice. They include the corporate Diversity & Inclusion Intranet, the Diversity Glossary, programs focused on "non-discrimination" and "diversity & inclusion", a guide for recruiters and managers, the Recruitment Charter, the Disability Guide, and gender diversity guidelines.

Agreements on healthcare and insurance coverage were signed in 16 countries in 2017 (Benin, Cambodia, Canada, Chile, China, Ivory Coast, Spain, France, Indonesia, Israel, Philippines, Romania, Senegal, Singapore, Togo and Vietnam). More specifically, these agreements covered death and disability (25 agreements), supplementary pension benefits (14 agreements), pension savings (16 agreements) and supplementary health insurance (21 agreements).

Lastly, an initiative to raise awareness of the fight against illiteracy was included in the "Planet 21 In Action" roadmap. By the end of 2017, 51% of hotels were involved in this initiative.

Promoting gender diversity and equality

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

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

- equal representation of genders in management and equal pay with 35% female hotel managers by the end of 2017, 20% female members of the Executive Committee by the end of 2016 and 30% by the end of 2018;
- raising the awareness of male employees and fostering their support for gender diversity;
- changes in attitudes in line with changes in the hotel industry, in particular, to combat gender stereotyping;
- a local "gender diversity" action plan suited to each country's cultural and legal context, with a "toolbox" – the gender diversity guidelines – to facilitate its deployment.

Equal representation of genders in management and equal pay

With 29% female managers at the end of 2017 in owned, leased and managed hotels, these objectives have not yet been met and have been brought forward to 2020. The obstacles in each country were closely analyzed and action plans were defined in keeping with the needs of female employees. Thus, in 2017, a pilot project was conducted in France and Germany, while talent programs were introduced in the UK and Asia for high-potential female supervisors.

This gender equality commitment by the AccorHotels Group was made a reality with the 2015 signing of the Women's Empowerment Principles, championed by the UN.

Moreover, the Group was selected as Impact Champion by the "HeForShe" solidarity movement. Impact 10x10x10 is a global pilot initiative launched by UN Women that engages ten corporations, ten governments, and ten universities to improve behaviors and promote gender equality worldwide. In September 2017, Sébastien Bazin, Chairman and Chief Executive Officer of AccorHotels, represented the Group in New York for the launch of the Second Parity Report, jointly produced by the 30 Impact Champions of the HeForShe movement. The purpose of this report is to share good gender equality practices.

A gender equality analysis carried out in 2016 and 2017 showed that, for 60% of Hotel Managers[1] and Group functions, the wage gap was below 4%. Action plans were immediately launched to understand the reasons for the differences and rectify them.

For leadership training programs, increased attention is paid to female participation.

Raising the awareness of male employees and fostering their support for gender diversity.

The Group has set itself several targets:

- 35% male members in the gender diversity network – Women At AccorHotels Generation (WAAG) – by the end of 2017. This target was met in July 2017; at the end of December 2017, the WAAG network had over 10,000 members worldwide, including 37% men, and the mentoring program had 200 pairs;
- 50,000 employees involved in the HeForShe movement by the end of 2018.

Percentage of women payroll and non-payroll employees

Percentage of women by job category	2015	2016	2017
Total women	46%	46%	44%
Managers	42%	42%	43%
of which Hotel General Managers	*27%*	*29%*	*29%*

(1) This survey covered 72% of the Group's Hotel General Managers.

Integration of people with disabilities

AccorHotels is a pioneering member of the ILO Global Business and Disability Network, a United Nations initiative which, since June 2011, has brought together multinational companies committed to including people with disabilities in the workplace. In October 2015, AccorHotels signed the Charter of the "ILO Global Business and Disability Network", thereby committing to promoting the employment of people with disabilities in its businesses worldwide. Through this network – which AccorHotels vice-chaired in 2017 and will chair in 2018 – the Group is continuing to share good practices with members. At the third annual ILO congress held in October 2017, AccorHotels presented the "Smart Room" – a hotel room concept designed for mobility-impaired persons and suited to all Group brands.

On November 27, 2017, AccorHotels celebrated its International Day of Persons with Disabilities (officially celebrated on December 3 worldwide). On that occasion, a conference on the topics of accessibility and disabled sport was broadcast live throughout the Group. At the head office of Issy-les-Moulineaux (France), awareness-raising workshops took place in the presence of Paralympic athletes, followed by a cocktail lunch served by ESAT Garlande. On that occasion, employees were invited to take part in an access challenge called "Jaccede Challenge". With competitors from the Group's seven operating regions across the globe, this challenge consisted in recording hotels and sites' accessibility in the "Jaccede" and "Jaccede Challenge" applications. Over 900 participating employees recorded 12,593 accessible sites.

In 2017, the hotels owned, leased or managed by AccorHotels employed 1,721 people with disabilities recognized by local legislation, representing 1% of the total workforce. However, given the difficulty in obtaining accurate figures in some countries, the real number of disabled employees is probably higher. AccorHotels considers that the real number of disabled employees has been under-estimated.

Signed by AccorHotels and all employee representatives at the end of 2014, the 4th Group agreement for the integration and continued employment of people with disabilities came into force in 2015 for the 2015-2017 period. This agreement is focused on the prevention of disabilities and the continued employment of people with disabilities and reiterates the targets set by the Group on this issue. In France, the Integrating the Disabled Project (MIPH) adopted several measures to promote the integration of people with disabilities, in line with each of the objectives set forth in the Group agreement. At end 2017, the Group reached the quota of 4.3% of employees with disabilities in France.

Moreover, in France, AccorHotels purchases around €640,000 worth of products and services from organizations that help disabled people back into work and sheltered employment enterprises such as Handiprint, Atelier Garlande, Séquences Clés Productions, JOAM, CEDATRA and ATF GAIA.

Promoting cultural diversity and combatting discrimination

In 2017, AccorHotels made major efforts to promote diversity and combat discrimination, particularly in France. At end-2017, a large part of the action plan defined by the Group had been implemented:

- diversity and non-discrimination awareness-raising sessions (face-to-face and video) for Operations Managers, recruiters and Hotel General Managers;
- video to raise awareness of unconscious biases & stereotypes, broadcast in 2017 by the Diversity & Inclusion Champions network at numerous Executive Committee meetings and team meetings;
- set-up of a whistleblowing system on the AccorHotels Jobs website;
- creation of a practical guide and pocket leaflet on recruitment without discrimination, which was distributed to the hotels;
- creation of an e-learning course with a Diversity expert and Académie AccorHotels in France on the essentials of non-discrimination, available to all recruiters since mid-October 2017. An e-learning course on Non-Discrimination/Inclusion to be rolled out in 2018;
- set-up of a working group coordinated by diversity experts to deal with discrimination issues in all Talent processes, composed of trade union representatives and operational employees;
- launch of a test campaign with 200 hotels to verify the effectiveness of the action plan.

This action plan – presented to the AccorHotels European Works Council – is monitored by the Executive Committee in France.

Promoting intergenerational diversity

As a result of the "Stéréotype et Générations" study conducted by the IMS in 2015, in which AccorHotels took part, an intergenerational co-mentoring program was launched at the end of 2016.

The principle behind the 2017 pilot program was the following: two-person teams consisting of a "Smart Digit" and a "Smart Leader" share their respective knowledge and their ability to use digital tools (internal tools, social networks, apps, innovations, digital trends, etc.), as well as their knowledge of the Group and its culture. Fifty-two-person teams took part in this first pilot program, which proved to be a positive experience:

- 73% of participants would like to have access to a co-mentoring platform to enhance their experience;
- 87% of participants would like the program to be repeated;
- 96% think that the program should be rolled out on a larger scale at AccorHotels.

Given those good results, the Group launched a digital platform in February 2018, with the goal of rolling out the program worldwide.

In 2017, AccorHotels invited six young employees from different parts of the world to participate in the One Young World summit organized by the NGO of the same name, which brings together young leaders from around the world to enable them to build lasting ties and contribute to changing the world. Building on the reflections initiated during the summit, this team will be working on the issue of reintegration over a period of six months, with the goal of proposing to AccorHotels an inspiring project to be implemented within the Group.

2.3.8 Easing the transformation to digital and supporting social innovation

Helping men and women make the move to digital

Knowing that the success of its transformation is only possible with the right level of support (technological tools are merely "facilitators"), AccorHotels introduced a dedicated Talent & Culture team in 2015 to support digital transformation, working closely with local Talent & Culture teams in contact with the hotels.

Digital plan projects will be phased in after they have been tested in some 30 hotels, the "Hotel Labs". These hotels have been selected from all brands, sectors, and regions and will have 45 days to implement the project and to feed their impressions, problems, successes, and suggested changes back to the support teams. The aim is to be as pragmatic as possible and to offer the teams concrete suggestions.

In 2017, lots of initiatives were implemented to ramp up digital transformation in hotels. These initiatives were replicated and disseminated during Digital Deployment Days (DDDs) – of which there were three in 2017 – bringing together Hotel General Managers, along with one or two people from their teams, across all countries or regions in order to train them in the digital plan's priority projects. During the transformation period, understanding the objective sought is vital when it comes to making effective changes. The focus was, therefore, turned to the human dimension of the transformation to help these managers train their teams by giving meaning to the projects implemented. In 2017, for instance, a connection was made between the cultural transformation introduced by "Heartist®" (see page 97) and tools such as ACDC (Accor Digital Customer Card) (see page 117), dedicated to creating an exceptional, personalized guest experience. A content library (the DDD Library) comprising all the training content delivered during the DDDs and making it easily accessible to all was made available on line in 2017 *via* the employees' mobile services portal (APPY). The impacts of the digital transformation on the different business segments are being studied so as to anticipate the need for new core skills within the Group, as well as new workweek organization flows in hotels to facilitate an excellent guest experience.

Digital tools to support employees: the Employee-Friendly program

The "Employee-Friendly" program, one of nine digital plan programs, is geared towards the teams themselves and aims to help employees through the digital changes. This led, in particular, to the deployment of the applications platform (APPY) dedicated to hotel employees, enabling them to access their hotel schedules *via* their own smartphones (STAFF HUB application created in collaboration with Microsoft), as well as view the comments and reviews posted by guests during or after their hotel stays (Trust you Radar), access the advantages of the *Bienvenue* card, get training *via* Digit'all (a digital acclimatization e-learning course), share best practices on the guest experience (CXC platform), put forward ideas for digital innovations for field staff, etc. At the beginning of 2018, a carsharing module will also be tested in the Paris region. APPY is currently being deployed worldwide.

2.3.9 Learning solutions key to skills development

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

A "Learning & Development" strategy to accompany Group changes

AccorHotels' Learning & Development strategy is designed to support its transformation. With a focus on continuous learning, it aims to provide employees with the means to become more autonomous, embrace the continuous learning culture, and develop their skills in order to keep up with constant changes. Its promise is that "Everyone at AccorHotels has opportunities for lifelong learning. Everyone feels valued."

The new strategy – "Dream Big For Your Future" – sets out a shared global framework, which takes account of regional characteristics and promotes the Group's "Learn local, think local" philosophy. The strategy is intended to help AccorHotels meet its current and future learning needs, implement its digital development, continue to innovate and adapt to the fast-moving environment. It is designed to be inclusive and attractive to all generations. It also aims to support the Group-wide establishment and dissemination of the new shared Leadership Model and corporate culture – "The Heartist® Journey". Thus, in France, a "Service Culture and Management Culture" transformation course is offered by AccorHotels Académie. The COOC[1] version was followed by over 1,300 people.

The programs, which were developed to help it achieve its key local and global strategies, are continuously assessed using specific indicators with the aim of achieving ongoing improvements. Impact indicators, as well as methods to calculate the return on investment of training programs, are gradually being developed in the entities. In Australia, for example, the success of the "Peopleology" training program is measured with the NPS and RPS indicators, providing direct information on performance as perceived by guests. In the Benelux, the effectiveness of The Goose is Loose program is measured by additional sales and the profit margin generated in restaurants from the sale of drinks.

The "Learning & Development" (L&D) department is responsible for the deployment of the strategy and will make sure that each entity has its own organization in place and that the programs focus on the entity's strategic issues and objectives. A project for the total reworking of the L&D strategy was launched in 2017. Based on the information collected on the expectations of trendsetters and training program users, the transformation plan validated in December 2017 will be implemented as from 2018.

(1) COOC: Corporate Online Open Course.

AccorHotels Académie, supporting and structuring the Learning & development strategy

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

AccorHotels Académie is a dedicated training center for all AccorHotels employees, regardless of job family, educational background, position or seniority. This means that all of the owned, leased, managed and franchised hotels have access to the courses, which may be tailored to the specific needs of each hotel's management structure. AccorHotels Académie is an international and interdisciplinary organization with 18 sites around the world. It was created to support the changes within the Group, help it develop its talents and share its culture, disseminate its values and guarantee that its global procedures are properly implemented.

To mark its 30th anniversary, the AccorHotels Académie "30 Ways to Learn" challenge was launched worldwide in 2015. Employees were asked to illustrate new learning methods and ones that they were already using to incorporate the concept of "lifelong learning". The numerous contributions were made into an e-book, "30 Ways to Learn" – an interactive tool which offers all employees direct access to definitions, ways of learning, examples, videos, etc. In 2017, the second edition of this e-book was made available on AccorLive and Yammer, and with trainers. The "Learning Week" concept has continued to bear fruit in the countries, which adapt it according to their needs. In Brazil, for example, AccorHotels' 25th anniversary in the country will be marked by a Learning Week throughout the country.

To disseminate the learning culture and make each person autonomous in their learning and knowledge-transmission actions, AccorHotels Académie provides a real trainer development program: the Learning Campus. It is aimed at all employees and offers diverse tools and content to support them in all their efforts to pass on know-how or skills ("making a training video", "understanding ways of learning", "holding a virtual class", etc.). Within this course, the Trainer Pass is a training program offering three levels of accreditation: "Facilitation", "Content Creation" and "Coaching". Some 1,000 certified trainer-managers help to dispense brand and Group training and spread the culture. In 2017, the Learning Campus was supplemented with a Digital Track to give all operational staff the required teaching tools to produce high-impact videos.

2017 was also marked by the launch of the Leadership in Motion program, described on page 97.

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

At AccorHotels, skills acquisition extends well beyond AccorHotels Académie. Managers also lead training sessions, for example during the induction process or concerning brand-specific issues. These sessions are designed to have a direct impact on service quality and spirit and attendance is mandatory. AccorHotels managers deliver 69% of all training hours.

Training	2015	2016	2017
Training hours	3,042,472	3,091,413	3,911,135

Enhancing professionalism in every job family

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

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

- **Revenue Management:** in 2017, the Business Campus intended for revenue managers was updated and rolled out across all regions (over 4,000 participants). The goal is to enhance the capabilities of revenue managers and operational teams who help to optimize hotel revenue, such as General Managers.
- **Sales:** the Sales Campus program aims to ensure that the sales teams create added value for the guests as well as for the hotel partners. Through a methodology which is common to all sales approaches, the teams will be able to contribute to the optimization of the hotels' results. This program is available as a variety of modules, meeting the requirements of all employees who are in contact with guests. These employees include the Hotel General Manager, the head of bookings, the person in charge of banquets, as well as the sales representatives in charge of customer acquisition and customer relations. At the end of 2017, over 500 employees had been trained in these methods.

Fostering partnerships with educational institutions

In all the countries where the Group operates, AccorHotels has always maintained close relationships with educational establishments through institutional partnerships and the development of joint projects. The Group collaborates with over 250 educational establishments, schools and universities, covering all levels and specialization areas, ranging from vocational training in hotel schools to university doctorates. The Group's collaboration involves exchanges with a broad range of schools – from high-tech to janitorial services. Both short-term and long-term partnerships are targeted.

Regular visits are organized in the establishments and the Group is present in various student forums. It also welcomes student groups in its hotels worldwide to introduce them to the jobs and opportunities offered by the hotel industry.

Special partnerships are formed with various establishments. In France, they include IAE Savoie-Mont-Blanc for revenue management, Institut Paul Bocuse for various training courses, the Angers University (Esthua) for cooperation in Group projects (research, competitions and conferences), as well as partnerships with top-rate higher education establishments such as the Sorbonne University, Sciences-Po, and ESSEC. At the international level, partnerships are formed with establishments such as École Hôtelière de Lausanne, Sommet Éducation, SEG, Cornell University, Ryerson University, ITHQ, Beijing Hospitality Institute, Hong Kong Polytechnic University, Nanyang Business School, Blue Mountains International Hotel School, RMIT in Vietnam and numerous others.

Moreover, initiatives are conducted with students such as challenges taking place on social media (TakeOff ! with 600 participants from 80 schools across 21 countries), conferences broadcast on Facebook Live with the participation of the Group's senior executives, and original recruiting events such as "speed meetings ", "open doors recruitment ", "simulation lab ", etc.

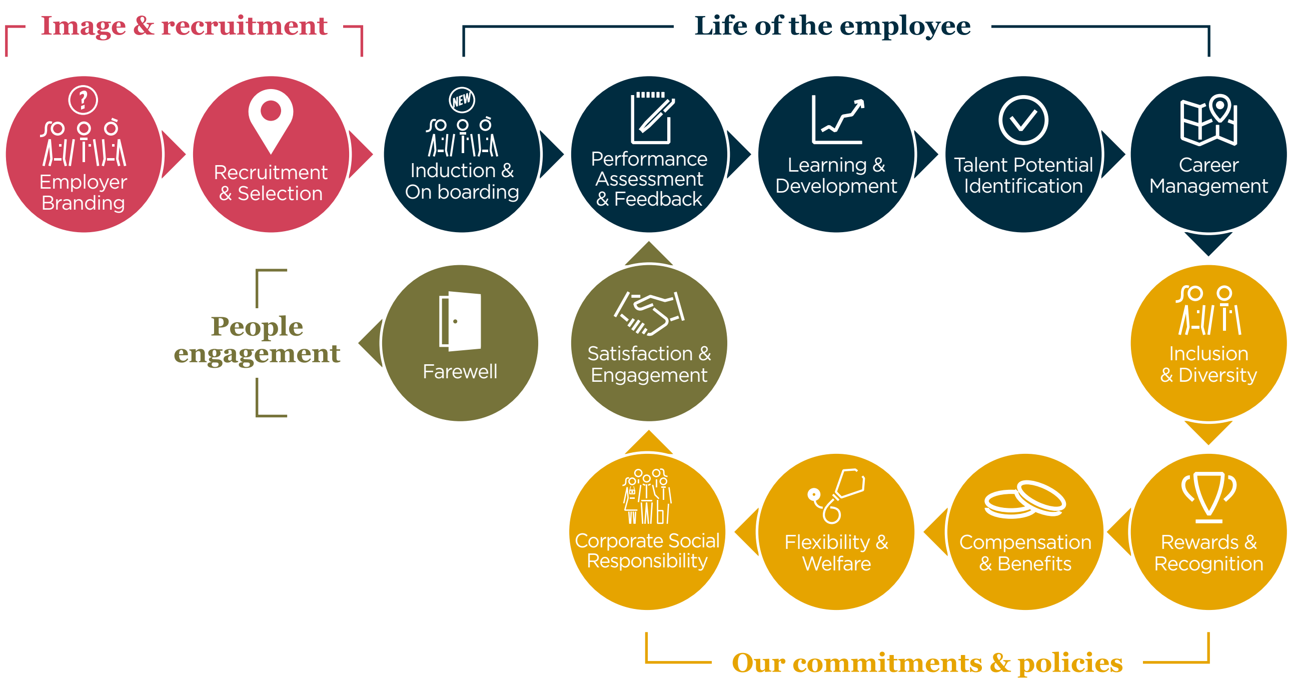
These diverse initiatives conducted worldwide create a tight-knit web of relations attracting numerous young people to the Group's professions. To cater for the Group's strong growth, the acquisition of young talents is at the heart of AccorHotels' Talent & Culture strategy.

2.3.10 Supporting employees throughout their career paths

AccorHotels looks after the 250,000 Talents who work in its hotels very well. Talent management is at the heart of the Group's culture, with a simple but ambitious objective: that each position in the Group is held by the right talent so that, together and individually, we can offer the best guest experience. AccorHotels is committed to supporting its employees throughout their careers within the Group.

Talent Journey: a systemic approach to employee career paths

Mirroring the "Guest Experience", which guides all of the Group's reflections and its transformation, the Talent Journey draws a parallel between the career path of an employee within the Group and the experience of a guest in one of its hotels. This approach emphasizes good management practices and their importance at each stage of the employee's career path by connecting them with the hotelier's core trade. For example: an employer brand that stands out from its competitors is just as important for attracting talent as a reputed hotel brand is for attracting guests. A talent's decision to apply for a post is just as crucial as a guest's decision to book a room: this is the first-contact stage, which lays the foundations of the future relationship.



The Talent Journey is now key to all of the Group's discussions on how to support employees.

The Group's talents have a yearly performance and development interview with their leader. This review is an opportunity to listen and exchange, discuss the past year's results, and set bonus-related objectives for the coming year. It also gives employees an opportunity to express their career goals so that an appropriate development plan can be prepared. The performance and development interview is based on the Leadership Model. Its procedures are common across all the Group's entities, and it gives a clear and consistent vision of what is expected from each talent to satisfy our guests' requirements, whatever the talent's position in the Group is. It is the benchmark for all the stages in the employee's career. It will be enriched in future years by feedback from "peers".

The "farewell" questionnaire which is completed by all the employees who leave the Group was rewritten in 2017. AccorHotels wishes to improve its action to keep its talents and this questionnaire is a tool to identify their motivations. It was tested in 2017 in four pilots in four different countries and continents and will be deployed to the whole Group in 2018.

Preparing the next generation of managers

AccorHotels' Talent Review process is an essential part of the Talent Management process to support the deployment of the Group and its talents, especially since at this time, its business model is being radically transformed. This process is based on the performance and potential assessment of each talent during his or her performance and development interview. It is supported by an approach and tools that are common to all Group entities and places special emphasis on gender equality. Over 60% of managers were followed up within the scope of the plan, and thus the Talent Review targets were met in 2017. All leaders will be included in the evaluation in 2018. The Group is striving to meet its goal of including all employees in the evaluation by 2020.

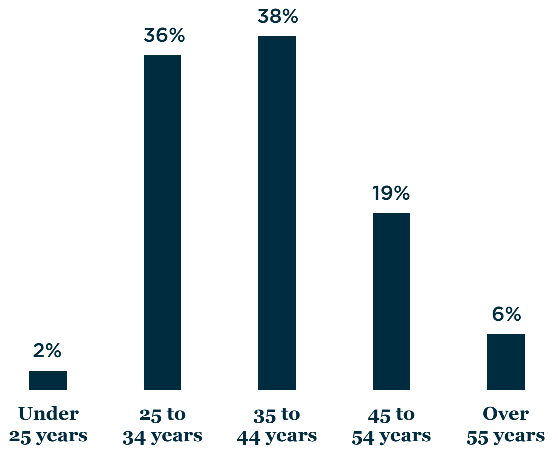
The Talent Review provides an overview of the talents that exist within the Group. It is used to establish development plans for each talent and to identify skills to be recruited or developed. It is also used to prepare succession plans and provides the Group with perspective on its pool of leaders and future leaders.

In terms of hiring, from 2018 AccorHotels expects to develop these processes and tools with the aim of fulfilling managers' specific needs within the context of the Group's rapid transformation. In terms of hiring, digital tools and innovation will also be harnessed to provide efficient services to improve the applicant's experience as well as that of the manager responsible for doing the hiring. With this in mind, a dedicated project team has been charged with defining the Group's future hiring strategy, in view of the rapid growth and societal changes under way. The first actions have focused on aligning the recruitment processes across all Group entities. The Talent & Culture Platform that is being designed will ensure that efficient, professional and "guest experience" oriented hiring processes are established.

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

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

Age pyramid for managers at Accor hotels in 2017



The Group is investing in several programs to develop Talents. The International Hospitality Management Program (IHMP) is one example. The IMHP was born out of a partnership with the ESSEC Business School. It attracts over 30 participants every year from all the world's regions. Launched in 1997, this program was completely overhauled in 2016 in order to satisfy the leadership and transformation challenges facing today's as well as tomorrow's managers. The pillars of this very demanding program are revenue growth, optimization of result, management and development of talents.

The third Boost Your Potential program, which was created in 2015 was launched in 2017. Its 30 participants include two "internal" advisers and two leader sponsors. The participants will spend six months working on some of the Group's major projects. The program focuses on entrepreneurship, collaboration and innovation to ensure individual and the collective development of the talents.

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

The development of talents, whether they are managers or not, is an important goal for the Group. The second Unveil Your Talent program in partnership with all regions worldwide enabled 50 talents from around the world to come to London for a guest event that was conceived and produced entirely by international junior teams. Recognition, development, commitment, retention and promotions are the objectives for this program for 2018.

Promoting international mobility

With operations in 99 countries, AccorHotels offers employees a wide range of international career opportunities. Talent & Culture teams and mobility experts are dedicated to supporting cross-border mobility by identifying the appropriate profiles, managing paperwork and practical issues, and ensuring compliance with Group mobility guidelines. They also ensure that the regions swap with one another in order to ease the inter-regional mobility flow: to this end, common tools were circulated in 2017 and conversations around mobility were reinforced between the regions.

2.3.11 The Planet 21 commitment: employees' perception of the Group's high level of CSR engagement is increasing

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

As part of the Planet 21 overhaul in 2016, AccorHotels made a commitment to make its employees more aware of its high level of CSR commitment between now and 2020.

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

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

This index has grown considerably since 2015.

	2016	2017
The Group's CSR index	76%	81%

To increase its CSR index, the Group plans to raise the profile of its commitments, to enable all employees to share best practices and social initiatives, be it within the context of Planet 21, Solidarity AccorHotels, or *via* very local initiatives, both at work and in the home. To this end, the Group is designing a digital platform oriented toward teaching about sustainable development and employee involvement that uses "gamification" techniques to encourage a maximum number of employees to get involved. Efforts in 2017 focused on consulting end users of the platform through questionnaires, several interviews and workshops with operational staff worldwide. The platform to involve employees in sustainable development will be deployed in 2018.

PLANET 21 DAY 2017 – "GREEN STARS CHALLENGE"

The "Green Stars" challenge was part of the 2017 Planet 21 Day (a worldwide mobilization around Planet 21 involving the large majority of General Managers and employees every year). Its purpose was to highlight and encourage the best sustainable food developments inside AccorHotels' hotels and to promote them externally, in particular to guests. There were three themes for the three categories of the challenge: Combatting food waste, developing vegetable gardens and encouraging healthy food. 400 of the Group's hotels and head offices rose to the challenge of creating a promotion which involved guests and encouraged a maximum number of people to "like" their promotion on a digital platform. The operation, which was open to the public for the first time, was a great success with close to 65,000 votes.

2.4 INVOLVING OUR GUESTS IN A SUSTAINABLE RELATIONSHIP

AccorHotels wants to give its guests a hotel experience that gets more responsible with each visit and encourage them to collaborate in that effort, because more than any other business, the hotel business is defined by a close relationship with its guests. This closeness brings high expectations for the services provided, including a strong environmental and social dimension, irrespective of the brand or the country. The Group is therefore committed to meeting minimum environmental standards in all its hotels and employing ecofriendly design for all products that are available in its rooms. This closeness with the customers also opens the door to deeper relationships with them as engaged citizens. Studies show that guests are sensitive to these issues and ready to work with the Group.

2.4.1 Leveraging the positive impact of Planet 21 – Acting Here

AccorHotels has developed a four-step strategy for transforming consumers' interest in environmental and related issues into a competitive advantage. This is not only to set itself apart but also to encourage a preference for its brands and to obtain the guests' adherence to common values:

1. **Communicate** and publicize its ambition, commitments and results: This information is directly communicated to guests on the Group's websites, in the hotels in various digital or hard-copy formats or through its employees, who are the best ambassadors for the Planet 21 – Acting Here initiative;
2. **Explain:** by providing pedagogical content about the challenges and actions required, AccorHotels enables its guests to transform their stay into a time of discovery and learning that they can prolong by adopting new and better habits when they return home;
3. **Encourage positive action:** the Group and its hotels want to encourage its guests to make financial contributions, participate in the hotels' actions in the local community or adopt ecofriendly habits in their daily lives. AccorHotels encourages action by removing the barriers both large and small that sometimes come between intention and action. All levers are used to transform intentions into tangible actions. AccorHotels is making a bet that helping people learn and encouraging them to take action are ways of creating customer loyalty;

4. **Involve:** AccorHotels wants to take the next step and involve its guests in sustainable development experiences by matching them with co-innovation projects and creating a community of guests who are deeply interested in environmental and social issues and driven by common values and the desire to innovate or become involved in a very meaningful experience.

Raising the visibility of hotel initiatives

It is a well established fact that the Group's hotels are committed to sustainable development. Nevertheless, guests are not always aware of the program. This is why AccorHotels began a program to increase the visibility and value of the Planet 21 – Acting Here program in its hotels (stages 1 and 2 above), which it considers to be the basis for dialogue and interaction with its guests.

A full range of tools has been developed and supplied to the Group's hotels to enable them to raise the visibility of their initiatives with guests and employees. With their focus on positive, fact-based messages and effective and recognizable visuals, communication tools such as beehive covers, signs in vegetable gardens, inserts for restaurant menus that promote local produce, or external signage on solar panels encourage guests to adopt simple gestures and enhance interaction with the hotel's teams.

These tools continued to be deployed in the hotels during 2017. They include:

- the outfitting of a few "flagship" hotels with personalized support and tailor-made communication tools;
- a challenge for hotels on the Yammer social network inviting them to suggest communication tools to enhance several joint actions. The five winning hotel guests received presents as prizes;
- in Switzerland, a roadshow exhibition on the Planet for the Planet program was exhibited in 48 hotels;
- "Ready to post" messages have also been supplied to hotels and countries for 30 Planet 21 In Action action plans to help hotels improve the visibility of their sustainable development actions on social media.

The Group launched the "Green Star Challenge" on Planet 21 Day for the first time in 2017. This website enables the concrete actions taken by the hotels to be displayed to the general public, who can vote to decide which hotels they consider to be the most committed. During the 2017 challenge, which was dedicated to sustainable food and combatting food waste, over 400 actions were posted by the hotels and voted on by employees and the general public, who were invited to choose the three best initiatives. Almost 65,000 votes were recorded on the site, thus confirming the public's interest.

Increasing the role of sustainable development in the guest experience

So that it can offer its customers a truly sustainable experience, the Marketing Department in charge of the AccorHotels mid-range and economy brands is organized to take sustainable development into consideration. It does this through such practices as the inclusion of CSR in the key brand indicators, promotion among country marketing teams of good customer-oriented sustainable development practices and the validation of CSR projects by operational marketing bodies. Coordination is overseen by the Marketing and Sustainable Development Departments.

Each brand defines its "Brand Essentials", a checklist of actions that can be externally audited and/or verified by the hotel on its own to ensure that the basic requirements for the spirit of a brand are met. In order to strengthen the role of sustainable development in the guest experience, mandatory Bronze initiatives from Planet 21 In Action that are visible to guests were integrated into the "Brand Essentials".

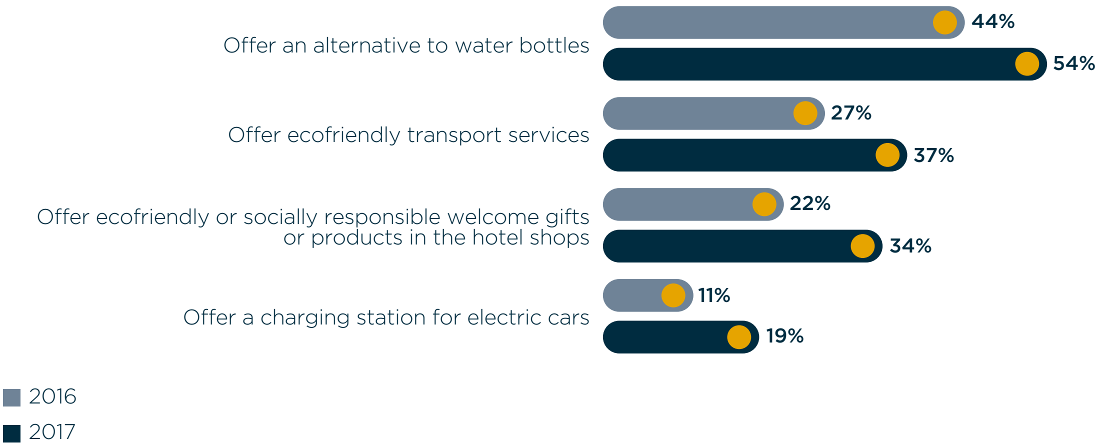
CSR has also been integrated into the standards of luxury brands. Starting in 2017, the Group began rolling out Planet 21 – Acting Here in its Fairmount, Raffles and Swissôtel brands and Plant for the Planet-related welcoming gifts, which are drivers of sustainable development, are gradually being offered to guests of high-end brands.

In 2017, efforts were made to strengthen the sustainable development aspect of the guest experience, such as:

- in Brazil, 100% of hotels with magnetic door keys were fitted with cards manufactured from 80% recycled plastic in the Planet 21 – Acting Here colors;
- in China over 100 hotels took part in the "Clear Your Plate" campaign, which encourages guests and employees to avoid leaving wasted food on their plates in the restaurant.

Hotels mobilization at the end of 2017

Hotels throughout the Group are being asked to suggests virtuous awareness/mobilization actions for guests through Planet 21 In Action.



Planet 21 – Acting Here commitment: every year, one major innovation to interact with our guests around sustainable development

The major innovation of 2017 was designed to make it easier for guests to act, to make financial contributions simpler to do and more widespread (see below).

AccorHotels now encourages its guests to support sustainable agriculture and efforts against exclusion

In 2017, AccorHotels developed or enhances various ways guests can easily get involved in two great causes: The transition towards more responsible and sustainable agriculture (supported by Plant for the Planet) and the fight against economic and social exclusion for people experiencing serious economic uncertainty (supported by Solidarity AccorHotels) (see also page 124): the guest digital trail, which enables loyalty points on the AccorHotels card to be transformed into financial donations for those two causes, was optimized, simplified and promoted more actively to guests. Different methods for making financial contributions in the hotels are currently being tested. They will be assessed after several weeks of use before a wider-scale roll-out is considered.

Most importantly, a new digital platform was launched in November 2017 that enables Internet users to finance agroforestry projects deployed by the Group *via* Pur Projet (also see page 127) in five countries (France, Indonesia, Peru, Romania, Senegal). Visitors can choose to plant one or more trees in his or her name or in a relative or friend's name, with the price varying from between €3 and €10 per tree depending on the species and the country. Contributors receive a certificate for their trees and can follow the project and its progress (context and targets, photos, videos, GPS coordinates of the plot).

AccorHotels used this permanent platform to launch a one-off communication campaign for guests, encouraging them to participate in the "Give a Tree" campaign, which was launched by the Group in December 2017 for the holiday season. This campaign (https://accorhotels.purprojet.shop/en/home) was promoted on the Group's websites and hotels accepted donations from guests and the general public. It contributed toward achieving the Group's ambitious target of planting 10 million trees between now and 2021 (see page 127).

Results

Messages from the communication campaign were well received on social networks, especially among the target demographic interested in sustainable development and responsible travel topics. 4,000 trees were sold. There were 30,000 single visitors to the website, and the average purchase was €13 per person.

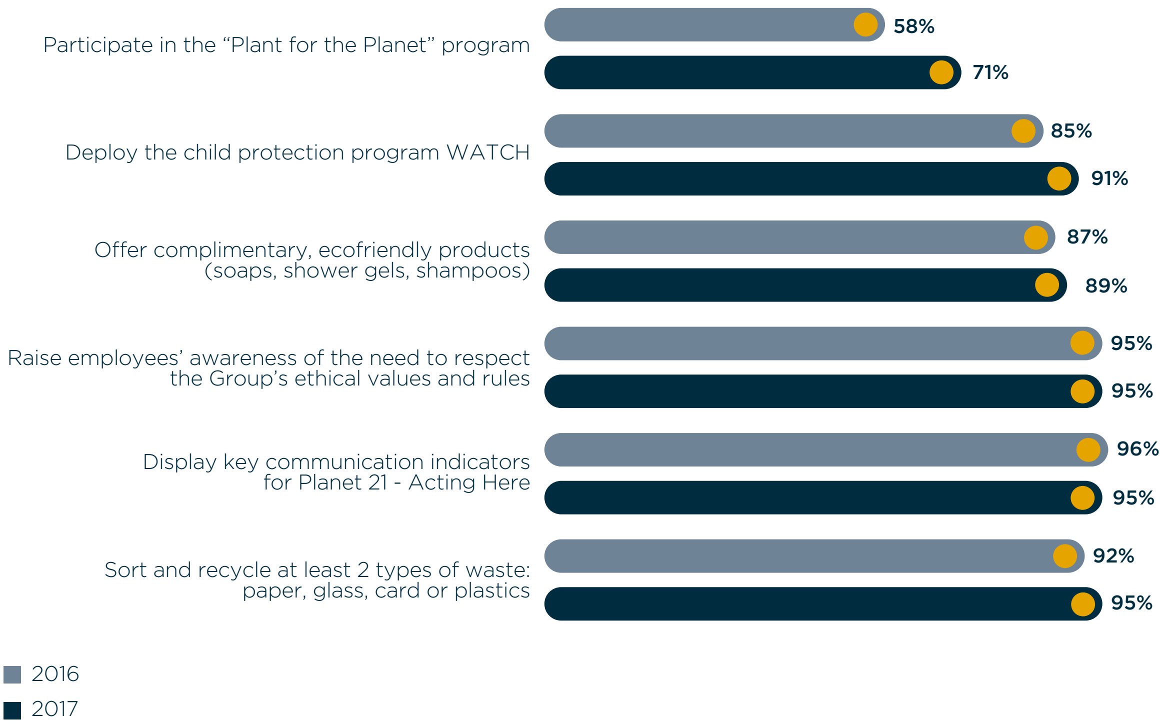
2.4.2 Creating sustainable best practices in hotels

The Planet 21 commitment: 100% of our hotels implement the 16 mandatory actions of Planet 21 in action

In order to ensure that the minimum development requirements are being respected across its entire network, AccorHotels has defined 16 actions (corresponding to the Bronze level) that all hotels must have implemented by 2020.

These 16 mandatory actions cover the "basics" of the Group's sustainable development process since its beginnings, and its primary ambitions, over and above mere compliance with regulations. The list of the 16 mandatory actions and their adoption rate in 2017 is presented in the appendix on page 151. Also, at the end of 2017, 64% of hotels had implemented the 16 mandatory Planet 21 actions. This very good performance reflects the strong mobilization by hotels in all countries.

In order to achieve this target, the Group's key challenge in the future is to deploy the following actions where the level of deployment is less than 97% in hotels:



The deployment rate for the other 10 mandatory actions is over 97% in the hotels, thus demonstrating the teams' remarkable level of mobilization.

2.4.3 Favoring ecofriendly products

The Planet 21 commitment: the 10 key product families in our hospitality offer are ecofriendly

Reducing the impact of the products and equipment used in its hotels is an essential condition for controlling the Group's environmental footprint and one of our guests' major concerns. The challenge is environmental, so we use products made with less material, energy, or water or products made from recyclable materials. But there is also a health dimension since paints, carpets, cleaning products can be the source of harmful chemical emissions into the air.

In order to roll out this approach across the board, sustainable development criteria have been defined for the ten key product families with the internal teams (sustainable development, procurement, design and marketing). Suppliers and external specialists have also been consulted on some products. Where a recognized ecolabel exists (EU Ecolabel, NF Environnement, Nordic Swan, FSC or PEFC for wood and paper fiber, Oeko-Tex Standard 100 for textiles, etc.), gaining certification from the appropriate ecolabel is the criteria chosen by AccorHotels. Some of the other criteria identified are: a ban on certain chemical substances, the use of recycled materials, integration of ecodesigned elements, the ban on live plucking to make duvets etc.

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

The "furniture" family has been excluded from this goal because, although current furniture-making practices mean that most of the criteria for sustainably certified wood are covered (FSC or PEFC), the ecodesign criteria do not meet the Group's standards. The Procurement teams are therefore integrating the essential wood origin criterion and efforts are underway to identify solutions to mitigate impacts connected with glues, varnishes, recycling, etc.

AccorHotels has promised that, by 2020, all new products (developed internally or referenced from external suppliers) associated with these ten product families will always meet ecoresponsible criteria, and they will be gradually deployed in hotels. This commitment relies on the mobilization of the Procurement and Marketing teams in head offices and countries to ensure that ecoresponsible criteria are properly integrated into the products that are offered to hotels *via* the head offices. This commitment will be implemented through the Planet 21 In Action plan, in which deployment rates are monitored. Deployment is considered significantly achieved once a threshold of 60% of hotels that have implemented the action has been reached (30% for products with multi-year lifespans such as bedding, sheets and towels, paints and flooring). The overall deployment rate is calculated on the average deployment of the 10 actions.

Key product family	Defined ecofriendly criteria	Level of deployment in hotels	Progress of goal
1. Soaps, shampoos and shower gels	Ecolabels or no controversial substances	89%	Target achieved
2. Cleaning products	Ecolabels	96%	Target achieved
3. Bed linens	Sustainable labels, ecodesign (ecru linen, read below)	NA	Target not achieved The ecofriendly sheets and towels solutions will be deployed in hotels starting in 2018
4. Hand towels		NA	
5. Bedding: Duvets/pillows/bed bases and mattresses	Recycled materials, standard 100 OEKOTEX label, cruelty-free, VOC test, ergonomic	45%	Target achieved
6. Single-use products; toilet paper, hand towels, paper napkins/trash bags/cups/cardboard cups/plastic cups	Sustainable fiber with FSC/PEFC label or recycled (for toilet paper, paper towels, paper napkins) Recycled or composite material for plastic products	41%	Target not achieved
7. Paper for printing	Durable fiber with FSC/PEFC label and/or Ecolabels, and/or recycled	44%	Target not achieved
8. Paints	Ecolabels	24%	Target not achieved
9. Flooring	GÜT label for carpets FSC or PEFC label for parquet flooring		
10. Welcome gifts for guests: pens/children's gifts	Recycled or certified sustainable materials Products supporting solidarity or environmental projects	34%	Target not achieved
TOTAL			**3/10**

Key:

Target achieved.

Target not achieved.

For example, the Sofitel brand launched a tender for its complimentary products that included ecoresponsible criteria in 2017. The products chosen will have an ecolabel and be free of controversial substances.

Other examples include: with the Novotel brand, which is continuing to deploy the N'Room as its hotels are renovated. The N'Room will be fitted with complimentary ecolabeled complimentary products, ecolabeled paintings and carpets, pillows and duvets made from recycled materials, ecological bedding, LED lighting and water saving equipment. At the end of 2017, the N'Room had been deployed in 49 hotels (around 10,000 rooms, or almost 10% of the network).

The Group tested a temporary hotel concept with a reduced ecological imprint as part of the innovation and ecodesign initiative in 2017. Made from recycled maritime containers, these hotel rooms have different spaces and fittings adapted to the guest needs as well as a traditional bathroom with a shower that has an indicator light for water use. These perfectly insulated rooms are energy-independent thanks to a technical unit that provides the water and electricity supply. After the success of its prototype, AccorHotels equipped itself with 50 mobile rooms in 2017. Ten mobile hotel rooms were installed on the banks of the Garonne during the Bordeaux Biennale.

AccorHotels is also testing the inclusion of major circular economy principles in a new room design for its ibis brand: by respecting the product's lifespan, the room has been designed to undergo more frequent renovations with a lower environmental footprint thanks to a more modular design and fittings. Local, transformable and/or recycled materials have been used, and it has been designed to be more adaptable, with simple, mobile, easily repairable and replaceable furniture.

ECRU HOTEL LINEN FOR A SMALLER ENVIRONMENTAL FOOTPRINT

AccorHotels initiated works with its nominated suppliers at the end of 2015 to reduce the environmental footprint of linens by banning chemical bleaching agents in the finishing processes for linens and hand towels.

Supported by its referenced linen manufacture suppliers, the Group agreed to test a new range of a ecru linen called "soured no bleach " linen where the sheets are treated and finished in a bath which does not contain peroxide or acid type bleaching agents, or optical brighteners.

The lack of chemical oxidation on the cotton fiber means that the linen keeps the natural ecru color of cotton. Its fibers, which are not exposed to an aggressive treatment, are stronger, thus increasing the cotton's life by around 20 to 25%(1). AccorHotels would like the linen to keep its ecru color as long as possible. The industrial laundries that wash the linen therefore have to set up adapted treatments and processes, including washing powders that are free from optical brighteners and doses of chemical bleaching products which are as low as possible. AccorHotels therefore wishes to begin discussions with its European industrial laundry partners so they can start thinking about how to handle these special cleaning requirements, which are far more environmentally friendly but require their processes to be reorganized.

Although this disruptive innovation in the hotel sector requires communication to employees and guests, a test phase has been positively received. The Novotel, Mecure, and ibis hotels in the United Kingdom have been equipped with ecru linen since 2017. The Group will roll out this new range of linen starting 2018 on a large scale and is aiming to extend it to the whole of the European park by 2020 and to the whole world in the medium term.

A comparative analysis of the life cycles of current linen and ecru linen was launched in 2017 to have a precise measurement of the environmental gains connected with ecru linen. It will be completed in 2018 and will use the data collected (water, energy, washing products, carbon emissions) from the supplier but also from the laundries which wash the linen.

2.4.4 A guest-centered culture

Letting guests be the judge

A good indicator of the extent of the Group's cultural transformation is the fact that the Group has made the guest the main judge of its performance and the performance of its hotels. Although compliance with standards and spirit of service are still levers of success, from now on, the only indicator that truly matters is customer satisfaction.

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

- access all guest feedback, whether solicited or unsolicited (in particular, spontaneous comments on social networks), *via* all channels;
- share feedback with employees;
- give each hotel the possibility to manage its e-reputation, by interacting in a swifter, more direct, and more flexible manner with guests;
- compare reviews received by AccorHotels and its competitors and thus highlight the strengths of the Group's hotels when guests make comparisons;
- contribute to the natural indexing of Group hotels and help them to optimize their presence in the various media.

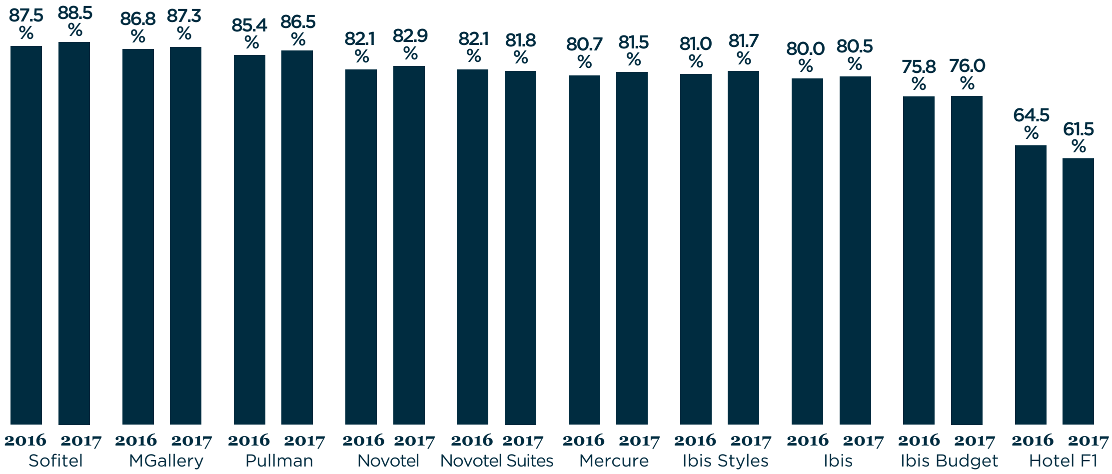
By the end of 2015, 100% of Group hotels (leased and managed) managed their e-reputation online, in line with the objective. An e-reputation score target was set for every hotel, which now represents the evaluation indicator for the hotels. Since 2017, VOG has included questionnaires for two of the three types of categories of guests Meeting & Events (buyers and planners) and questionnaires for participants will be available in 2018. Finally, guest reviews of the Group are directly accessible on the accorhotels.com booking site and not only on comparative platforms.

(1) Tests performed by the independent German laboratory Hohenstein.

Net promoter score by brand in 2017

The RPS (Reputation Performance Score) has been the main indicator for tracking guest satisfaction since 2016. The Group also continues to monitor the percentage of satisfied and very satisfied guests, as shown below. 2016 and 2017 RPS results and response to the question on “the overall stay” for AccorHotels (active) at the end of December:

Reputation performance schools



Evaluation of interaction points per type of guest (and change compared to 2016)

	Standard	Silver	Gold	Platinum	Total
Feel Welcome	57% (+1.8)	60% (+2.4)	61% (+2.9)	65% (+2.9)	57% (+3.2)
Service	53% (+2.2)	54% (+2.9)	56 (+3.6)	59% (+3.3)	53% (+3.5)
Quality of welcome	65% (+2)	66% (+2.4)	68% (+2.5)	70% (+2.6)	65% (+2.9)
Overall satisfaction	49% (+2.1)	50% (+2.7)	52% (+3.2)	56 (+3.2)	49% (+2.8)
Check-in	59% (+1.6)	62% (+2.1)	62% (+2.6)	66% (+2.4)	59% (+2.7)
Breakfast	51% (+1)	49% (+1)	49% (+1.5)	52% (+2.1)	50% (+2.1)
Check-out	62% (+2)	63% (+2.7)	64% (+3)	67% (+3.1)	62% (+3)
Price/quality ratio	39% (+1.1)	39% (+1.8)	39% (+2.4)	42% (+2.2)	39% (+2.3)

The Reputation Performance Score (RPS) measures a hotel’s reputation based on the general satisfaction level expressed in all opinions, both solicited (in GSS satisfaction surveys) and unsolicited (on-line opinions on over 250 sites monitored by VOG, such as, for example, Booking, Google, TripAdvisor, Facebook, etc.).

These three tools are connected to the central Quality Hub database and their data are fed into the indicator scorecard sent to every operations manager, from hotel General Managers to country Operations Directors, and to the various support functions, such as marketing, quality and safety. Based on the data provided, each country organization is responsible for conducting a quality review to monitor hotel performance and for preparing a corrective action plan if needed. Each hotel manager also possesses a simple and ergonomic interface on a smartphone app that gives details of each service in the hotel that he or she can use to rank the hotel against direct competitors.

ACCORHOTELS CUSTOMER DIGITAL CARD – THE GUEST-CENTERED DIGITAL PROFILE

The AccorHotels Customer Digital Card (ACDC) is a next-generation guest file, with more information that can be adapted and shared easily between hotel operators, compiling various data on the identity, preferences, satisfaction levels and fidelity data of guests, together with a record of their stays in Group hotels. All useful information to help improve the welcome afforded to guests every time they visit a Group hotel. ACDC meets our guests’ expectations for recognition and personalization and is an important tool that lets hotel owners to live up to the promise that “We are all Heartists”. It will be continued in 2018 with training courses on the data to be collected by hotel owners and shared between hotels.

Strengthening Data Protection For Guests

In 2017, AccorHotels continued the preparations begun in 2016 for the entry into force of the General Regulation on Data Protection (GRDP)[1] on May 25, 2018.

- the Group continued its efforts to prepare rules for the company. They form a set of data protection rules which apply to all the Group's entities;
- after a Data Protection Officer was appointed at the start of 2017, Regional Data Protection Coordinators were appointed as the contact persons in the entities for data protection matters;
- the Group has acquired a tool which enables it to map personal data processing, keep a register of it and organize personal data protection "by default and from conception". These actions are intended to assess existing and future personal data processing by measuring personal risks and identifying any compliance issues and the corrective actions needed;
- the model clauses to be inserted into the contract with the service providers been updated and circulated to the legal and procurement teams;
- the Data Protection Officer has carried out communication and training actions with the Executive Committees of the different entities and head office teams in France on the requirements of the GRDP;
- preparatory works for a communication and awareness campaign have been initiated for deployment in 2018. For example, an event on the protection of personal data was held for all the teams at the Group's head office (in France) in February 2018.

2.5 ENGAGE IN A SUSTAINABLE RELATIONSHIP WITH THE PARTNERS

AccorHotels wishes to establish a sustainable relationship with its partners (its suppliers and the owners of its hotels) in order to encourage the hotel sector to adopt more ethical solutions. This is why AccorHotels is implementing clear processes with its partners in order to best manage CSR risk and seize the many opportunities to develop its offerings of products and services with a positive impact.

2.5.1 Rely on collective intelligence to open up new avenues

Planet 21 commitment: every year, one major innovation to develop alternative and responsible models

Through this commitment, AccorHotels pursues a double objective:

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

The Group therefore draws on collective intelligence and collaborative economics to attain this goal and wishes to combine its experience with the experience of its existing or new partners (start-ups, suppliers, hospitality professionals, social integration companies, associations, citizens' groups, etc.), which are seeking to develop new approaches around the world.

The launch of AccorLocal by AccorHotels is a major innovation

Launched in 2017, AccorLocal is a local services offer with a dual purpose:

- enable hotels to offer their services to nonresidents;
- allow local businesses to offer their products inside the Group's hotels.

This offer is driven *via* a totally new mobile app, AccorLocal. AccorHotels combines the benefits of digital with hospitality expertise and local experience to offer local residents, hotels and local businesses a new way to interact in their community. AccorLocal puts the Group's hotels at the hub of an offer that proposes three ways to improve interaction in the local community:

- local residents can use the hotel's services (fitness rooms, for example) without staying there;
- the hotel allows businesses to use its facilities for their services (*e.g.* yoga courses);
- the hotel provides a local concierge service where locals can come and businesses can provide their customers with services without worrying about times (*e.g.* 24/7 order pick-up).

AccorLocal allows hotels to decide which services they want to offer according to identified local needs and their own relationships with the businesses and artisans around them. The AccorLocal offer has also been enriched by national partnerships: co-branded bouquets delivered to the hotel by Bergamotte, Pampa or other companies, yoga, pilates and relaxation courses by Oly Be, a collection point for Nespresso orders or an hourly car rental service with AccorLocal by Hertz.

By its nature, AccorLocal has a strong societal dimension and aims to re-energize the life of the community and strengthen ties between the "users" of the local social space such as inhabitants, artisans and businesses. Local traders have a new sales channel and an additional sales outlet in their district.

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

Beyond these societal benefits, AccorLocal is also a vector for offering local services with high added societal or environmental value. As a result, this solution offers the possibility of ordering local or organic produce baskets or promoting the collection and sorting of different kinds of waste. For instance, hotels can become collection points for used Nespresso capsules. AccorHotels has numerous pilots and projects to extend the catalogue of "positive" AccorLocal offers and promote local experiments with environmental and social benefits.

More than 150 hotels joined the project in 2017 and the offer has been rolled out in almost 50 French cities. Deployment in Europe and then worldwide is planned in 2018 and 2019.

Other operations to develop alternative responsible models

AccorHotels is convinced that partnerships with suppliers will also be a source of innovation in connection with the core trade to satisfy the major objectives of Planet 21 – Acting Here regarding: sustainable food consumption (reducing waste, more "sustainable" sourcing, short distribution circuits, urban farming, etc.) personal and economic integration and development through employment in the hospitality sector (training, integration) and increased sustainability of cities and their capacity for inclusion. AccorHotels wishes to play a key role in cities through its capacity to create bonds, foster solidarity and combat exclusion, mobilize citizens and local residents to meet the challenges of urban sustainability, and set an example with regard to environmental footprints of buildings and urban dwellers (water, energy, waste).

The Group has therefore created partnerships in these areas and wishes to work closely with start-ups or social integration companies involved in the circular positive economy (described below).

Innovation or services tested	Start-up/association/social integration company partners
Resale of meals to combat waste	Too Good To Go
Monitoring and reducing kitchen waste	Winnow/Leanpath
Anti-waste jams and marmalades made from over-ripe orange peels and fruit	Re Belle
Urban vegetable gardens	Agripolis, Mugo, Agripolis, Topager, Place au Terreau, Noocity, Farmili, Potag'home
Clean air furniture	MVTA
Food donations	Linkee
Circular economy	Circul'r

2.5.2 Cultivating Common Ethics to Foster Best Practices

Planet 21 Commitment: our Ethical Risk Management and CSR Process will be deployed with 100% of our partners by 2020

AccorHotels' performance and activity are closely connected to those of our partners, namely, its suppliers or hotel owners under management or franchise contracts. For the Group, exercising its responsibilities implies extending its social, societal and environmental commitments to its partners, ensuring that they comply with ethics and CSR rules and drawing its entire value chain upwards.

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

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

This is why the deployment of its ethical and CSR risk management process among its partners is one of AccorHotels Group's commitments in its Planet 21 – Acting Here program. These requirements by AccorHotels have been reinforced by the adoption in France of Law No. 217-399 respecting the duty of vigilance.

In its relations with suppliers and service providers

The AccorHotels Procurement Process

The AccorHotels Group's purchases were around €4 billion in 2016, including approximately €2.3 billion in purchases from nominated suppliers[1].

Based in France, the Corporate Procurement Department manages international contracts and coordinates the network of 18 national Procurement Offices, which employ 110 buyers on five continents.

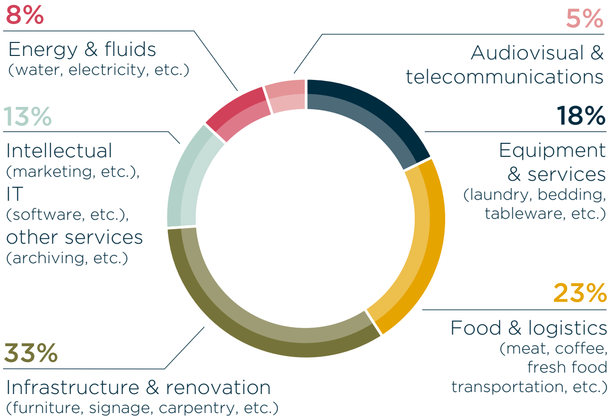
Contracts are signed at the international or national level, depending on the features of each category. "Standardizable" products and services that meet several countries' needs are managed globally, while those specific to a particular country are managed by the national Procurement Office.

(1) €4 billion: Total estimate of the nominated and non-nominated procurement volume for countries where there is a Procurement Department (including owned and leased hotels, franchised hotels and managed hotels), extrapolated from the nominated purchase revenue.

Purchases are classified as "nominated" if they are sourced by hotels and head offices from suppliers that have signed a contract with an AccorHotels Procurement Department. They are overseen directly by AccorHotels teams, who manage and optimize the contracts and the sourced products or services and control the supply chain by taking care to offer solutions that best fit the needs expressed. Purchases from nominated suppliers are estimated to be 57% of the Group's total purchases.

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

Purchases from nominated suppliers by product family (in %)



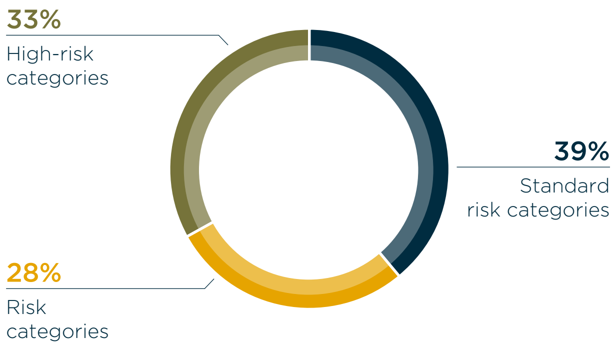
Because 2017 figures were not available, by the time this document was disclosed, the above breakdown is based on 2016 performance. Performance is not expected to have changed significantly in 2017. The data affects only the countries in which there is a Procurement Department.

Mapping risks for nominated suppliers

A map of ethical and CSR risks was prepared in 2015 from the following criteria: procurement volumes, environmental and social risks from product families, exposure to customer risks, and AccorHotel's influence on the supplier. Country risks are assessed locally by each national Procurement Office based on a list circulated by the Group. Product families were classified into three levels: standard, at risk or at high-risk. Around 60% of procurement volumes are identified as "at risk" including 33% at high risk.

The risk map covers 100% of nominated suppliers.

Breakdown of purchase volumes per category of level of risk



Source: mapping of 2016 nominated purchases – internal document

The risk mapping was updated in 2017 with the assistance of an outside consultancy firm and will be finalized in Q1 2018. This update will make the map more detailed, improve the evaluation of risks from Tier 2 nominated suppliers and beyond, and provide better knowledge of the specificities and risks connected with the local or national context. The results will be reintegrated into the risk management process (described below) if adjustments are required.

Deployment objectives for the risk management process for suppliers managed by the Procurement Department

The table below describes the risk management process for suppliers managed by Procurement Department.

<table>
<tr><th>STAGES</th><th>STANDARD RISK CATEGORIES</th><th>RISK CATEGORIES</th><th>HIGH-RISK CATEGORIES</th></tr>
<tr><td>TENDER</td><td>Procurement Charter 21* is attached</td><td colspan="2">CSR criteria are integrated into the specifications in accordance with the tender.
Procurement Charter 21* is attached
A CSR clause is included in the call for tender</td></tr>
<tr><td>SELECTION</td><td>The supplier signs Procurement Charter 21*</td><td colspan="2">The supplier signs Procurement Charter 21*
Mandatory CSR criteria for at least 10% of the final score</td></tr>
<tr><td>CONTRACTS</td><td></td><td colspan="2">A CSR clause is included in the contract
Procurement Charter 21 is attached to the contract</td></tr>
<tr><td>EVALUATIONS OVER THE LIFE OF THE CONTRACT</td><td></td><td colspan="2">Evaluation for CSR criteria (within 6 months of signing)
Action Plan</td></tr>
<tr><td>AUDITS</td><td></td><td></td><td>On-site external social and/or environmental audits</td></tr>
<tr><td>ACTION PLAN AND FOLLOW-UP</td><td></td><td>Follow-up on action Plan after evaluation with suppliers</td><td>Follow-up on action Plan after evaluation and audits with suppliers
Re-audit in the event of significant non-compliance</td></tr>
<tr><td>APPROVAL PROCESS</td><td colspan="3">Removal from approved list in the event of significant non-compliance, if not accompanied by Action Plan</td></tr>
</table>

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

This process has been extended to all the Group's Procurement Departments and is being deployed.

A supervision and follow-up plan has been established for each of the three categories of risks to define the points to be integrated at each stage of the procurement process: tender, selection of suppliers, contracts, evaluation, audit, action plan, or even dereferencing.

The national Procurement Departments are responsible for setting up an audit plan for high-risk supplies for the 2017-2020 period. The Group helps the Procurement Departments perform the audit plan and oversees its implementation *via* an annual report.

The three yearly external audits are commissioned by the procurement departments or by the supplier, which must then have an external audit based on a recognized standard such as SA 8000, SEDEX, BSCI or WRAP. The cost of the initial audit is paid by AccorHotels. The supplier must pay for any re-audits that are performed due to significant events of non-compliance. The buyer is responsible for monitoring the audits and the corrective action plan. A part of its variable compensation is subject to compliance with the sustainable purchase process, in conjunction with the Planet 21 – Acting Here objective.

In 2017, 79 external audits were performed on suppliers in the high-risk purchase category. The Group plans to strengthen the deployment of external audits in 2018 and has already set aside additional resources to that end.

FOCUS ON CSR ASSESSMENTS

The use of the CSR rating platform developed by a partner with expertise in the field makes it possible to evaluate CSR performance *via* a special questionnaire completed by the supplier. Suppliers are scored on their social responsibility, environmental and ethical performance and on how much control they have over their own supply chain. The partner's CSR analysts perform a documentary control. Depending on their scores, suppliers may be asked to create action plans.

Group performance

The follow-up of the Planet 21 – Acting Here commitment for its "suppliers" section: "Our Ethical and CSR risk management process will be deployed among 100% of our partners by 2020" is being realized using four indicators that measure the deployment rate at each stage of the process based on the number of supplier entities:

KPI	Scope of reporting	2016	2017
Percentage of suppliers who have signed Procurement Charter 21	All suppliers	90%	94%
Percentage of suppliers that have conducted a self-assessment	"At-risk" and "high-risk" suppliers	6%	20%
Percentage of suppliers that have undergone an external audit	"High-risk" suppliers	8%	12%
Percentage of action plans followed	"At-risk" and "high-risk" suppliers	-	-

An aggregate indicator of all these results:

KPI	Scope of reporting	2016	2017
Percentage of suppliers for whom the ethical risk and CSR management process is deployed*	All suppliers	NA	53%

* *Charters signed for all risk categories; documentary evaluations for "at-risk" and "high-risk" categories; external audits for "high-risk" categories.*

In relations with hotel managers

AccorHotels hotel park numbers 2,030 franchised hotels and 1,172 managed hotels held by third party owners. The actions and decisions by these owners (who are the Group's privileged and long-term partners) may represent a risk for the Group if the rules regarding compliance, corruption, ethics, conflicts of interest or the respect of standards in general are not followed. As these hotel owners represent the Group's brands, any infringement by them in their capacity as an owner or franchisee of an AccorHotel hotel would be liable to harm the Group's image and reputation.

In order to avert this risk, a "Know Your Counterparty" process has been developed before any new commitment is made with a partner, including owners of managed hotels or franchised hotels, to ensure that they respect the same values and standards as AccorHotels. This includes verifying that they have not been the subject of penalties for corruption, breaching international economic sanctions and/or dishonesty. This process, which was tested in Q4 2017, was deployed in Q1 2018.

As part of the deepening of its vigilance plan (see page 83), the Group is planning to deploy theme-based risk identification and assessment measures (compliance, data protection, human rights, etc.). The following processes will be defined for each theme: risk mapping, risk management, training/awareness, follow-up, reporting and feedback *via* an alert line. A follow-up indicator will also be set for each theme.

In addition, a clause in the franchise or management contracts that have been signed since 2016 states that owners and franchisees shall respect the principles in the AccorHotels Group's Ethics and CSR Charter.

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

Motivated by their grounding in local communities, the hotels' teams have a unique opportunity for carrying out real projects to boost local social and economic development or solidarity: local employment, access to training for the untrained, the promotion of the local culture and economy, combatting poverty, protecting children from abuse, actions to protect natural ecosystems, solidarity actions, etc.

2.6.1 Getting people involved "beyond the hotel walls"

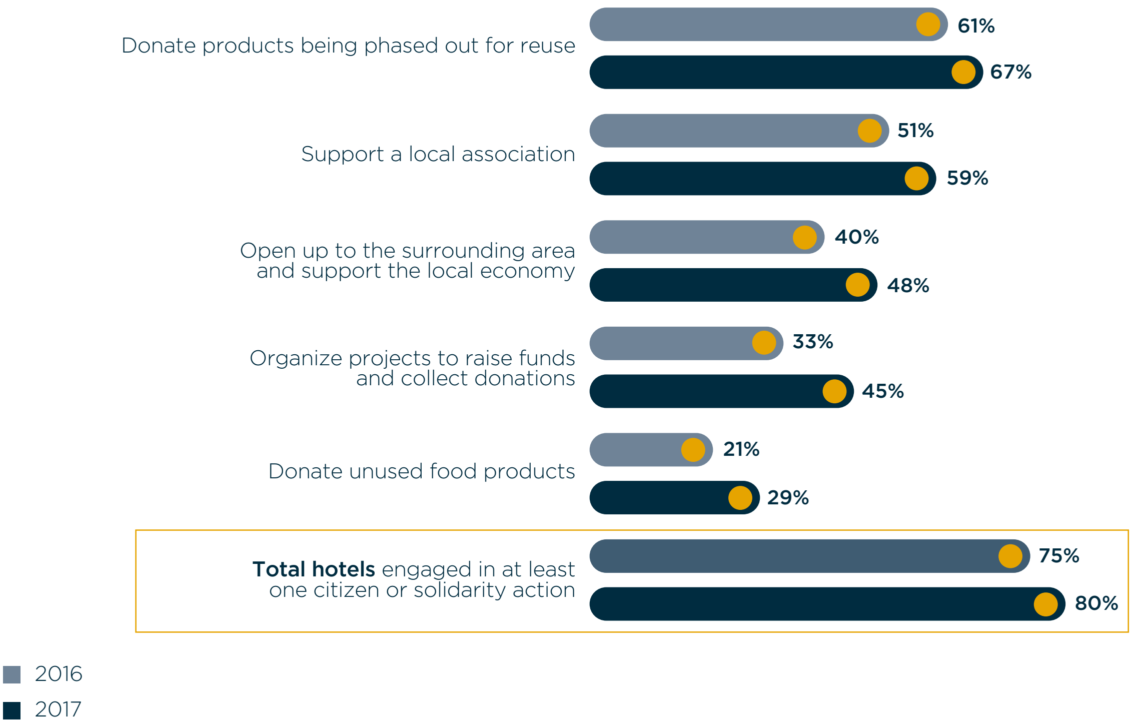
Worldwide, the Group wants its business to benefit host territories and communities. AccorHotels contributes greatly to the socio-economic development of the countries where it operates. Thus, a job created in one of its hotels supports four outside the Group (among its suppliers, in public services,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

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

ACTING HERE Planet 21

Planet 21 commitment: 100% of our hotels are engaged in a citizen or solidarity project

As we expect 100% of our hotels to get involved, the Planet 21 In Action roadmap encourages them to implement various citizen or solidarity actions. The mobilization measured at the end of 2017 showed that a total of 80% of hotels were involved in a citizen or solidarity project.



MARKET GARDENING TO PROMOTE INTEGRATION

Ateliere Fara Frontiere (AFF), which was created in 2008, is a Romanian association and social integration company that gets people in difficulties back to work through the social and solidarity economy. It combats waste and pollution through responsible waste management and environmental protection.

The NGO has been developing a new market gardening activity since September 2015 to offer greater opportunities for integration to the people it helps.

In 2016, Solidarity AccorHotels supported the creation of the "Bio&Co" workshop to help 20 long-term unemployed people to get back into work. AccorHotels teams have been encouraged to continue their support thanks to the extremely positive results from the first year of development (4,000 m^2 of greenhouses, the creation of organic produce baskets, collection of organic waste, food distribution, etc.). Four of the Group's hotels give their organic waste (around 200 kg every month) to maintain the compost for the market garden, and a "Bio&Co" meal made from the vegetables grown on the site is offered to Novotel's customers in Bucharest.

The Association consolidated its activities in 2017 and set up a teaching farm on the site.

A commitment supported by the Group's endowment fund: Solidarity AccorHotels

Fighting economic and social exclusion

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

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

Its purpose is to empower disadvantaged people by deploying project models that are economically viable and self-sustaining.

Employees at the heart of social initiatives

Through Solidarity AccorHotels, employees play a central role in fulfilling this mission, with the fund providing technical and financial assistance for carrying out their projects in countries where AccorHotels is present. In addition to their personal and operational involvement in helping disadvantaged and socially isolated people, the Group's employees can contribute to the initiatives financially.

All of the projects are led by non-governmental organizations (NGOs) or by local not-for-profit associations for the benefit of our hotels' host communities. The values of hospitality, caring, and generosity that our hotel employees embody every day in their jobs flow naturally through to community outreach initiatives. The diversity of hotel industry and support department jobs means that everyone's skills can be used in putting together a project.

Fund collect

Solidarity AccorHotels has been funded by AccorHotels with an expendable endowment of €500,000, which, under the terms of its charter, may be increased by collecting donations. Franchise partners, customers, and the general public are also encouraged to be part of the outreach programs, especially on the Solidarity AccorHotels website, where they can support the fund's actions.

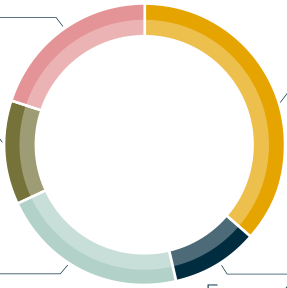
In 2017, Solidarity AccorHotels continued to develop operations to collect donations internally and externally: sales, internal competitions, gifts from customers or employees, tombolas, etc. Club AccorHotels, a group loyalty program, gives members the option to contribute to Solidarity AccorHotels actions. Cardholders can convert their points into a financial donation and participate in professional integration projects. In 2017, the amounts collected through fundraising reached €174,223 (48% of this amount represents the contribution of AccorHotels).

Projects supported in 2017

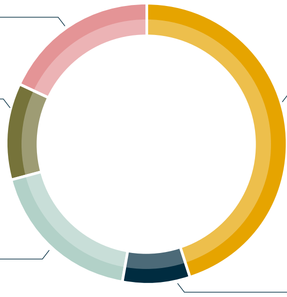
SOLIDARITY ACCORHOTELS, KEY FIGURES 2017

- 38 projects supported in 19 countries
- 1,268 employees involved
- supporting close to 4,000 people directly and 11,000 indirectly
- €506,862 awarded to projects by the fund

Projects supported in 2017 by region (in numbers)



Projects supported in 2017 per region (in percentage of financing awarded)



THE 12TH ANNUAL SOLIDARITY WEEK

In 2017, Solidarity Week mobilized more than 400 hotels in 43 countries. The commitment of more than 16,000 Group employees supported 50,000 beneficiaries through almost 200 associations. More than €139,000 was collected for the associations. The actions carried out were very diverse and included fundraising or sales, dinners, food distribution, Christmas presents, donation and collections of products, and raising awareness of a wide range of causes (troubled communities, sick children, isolated women, disabled people, the sick, the elderly, or the homeless).

A few noteworthy projects supported in 2017 by Solidarity AccorHotels:

Table de Cana: Solidarity AccorHotels has supported the Table de Cana Marseille, the largest social integration organization in the restaurant sector in the Provence-Alpes-Côte d'Azur region, since 2015. La Table de Cana Marseille offers women from the city's disadvantaged districts training in high-end restaurant trades through its "Stars and Women" program. Five AccorHotels chefs from the Marseille region (Dominique Frérard from Sofitel Marseille Vieux Port, Isabelle Alexandre from Pullman Marseille Palm Beach, Xavier Leleux from Pullman Marseille Provence, Thomas Roret from Grand Hôtel Roi René [MGallery], Nicolas Brenier from Mama Shelter) have supported this project since 2015 by inviting a trainee to work in their kitchens on a work-training program. This training program has since spread to other cities in France and chefs at AccorHotels in Montpellier (Pullman Montpellier Centre, Mercure Centre Comédie and Mercure Grande-Motte) and Bordeaux (Mercure Meriadeck, Mercure Cité Mondiale, Mercure Château Chartrons, Mama Shelter, Pullman Bordeaux Lac) joined the city project in 2017.

ESSOR: Solidarity AccorHotels has supported the French association ESSOR, which was created in 1992 and acts in several countries in Africa as well as Brazil, since 2014. In Chad, the teams from Novotel N'Djamena la Tchadienne are supporting the "Goum Fauk" program to enable hundreds of young people in difficulty to take the training courses of their choice (hospitality and catering, couture, electricity, buildings, etc.) and thus become completely independent.

Arca do Saber: Solidarity AccorHotels has supported the Franco-Brazilian NGO Arca do Saber in Brazil in Vila Prudente, a favela in the suburbs of São Paulo, since 2016. Local teams from AccorHotels' headquarters have helped Arca do Saber build and set up a new training center for the hospitality, restaurant and baking trades for 60 young people from the *favela*. The center was opened in November 2017. Ten employees helped with construction. AccorHotels is supporting the association with the content and setting-up of the training courses.

Shanghai Young Bakers: Solidarity AccorHotels has supported the Chinese NGO Shanghai Young Bakers (SYB) since 2013. The NGO was set up in 2008 by the French Youth Chamber of Commerce of Shanghai. Each year, SYB offers a training course focused on the bread and pastry baking trades to 30 young disadvantaged Chinese people. Four of the Group's hotels in Shanghai (Grand Mercure Shanghai Hongqiao, Sofitel Hyland Shanghai, Pullman Skyway Shanghai and Pullman South) are supporting this project and regularly take young trainees as part of their apprenticeship to widen their practical experience through work placements.

Entre Mujeres: Solidarity AccorHotels has supported the Spanish Association Entre Mujeres since 2016, which offers lampshade-making courses to women from the poor districts of south east of Madrid. In 2009 the association's founder created a social integration company, Soulem, which gives these women access to the employment market and finds commercial outlets for the products they make.

Solidarity AccorHotels and AccorHotels' Spanish teams are supporting Soulem's activities to help make them more professional, and they are also working on furniture orders for the Group's hotels in Spain and Portugal.

2.6.2 Protecting children from abuse

The sexual exploitation of children crosses geographic, social and cultural borders. According to Unicef, this problem affects around 2 million girls and boys under 18 worldwide. As the world's leading hotel operator and with its presence in 99 countries, AccorHotels has a legal and moral obligation to protect children from abuse and to ensure that these practices do not take place in its hotels.

Planet 21 commitment: 100% of our hotels implement our program against child sexual exploitation

The sexual exploitation of children in travel and tourism (SECTT) is, according to the NGO ECPAT[1],"the sexual exploitation of children by individuals who travel from one place to another, where they engage in sexual acts with minors."

Out of concern for human rights, AccorHotels began working to combat sexual exploitation of children in the travel and tourism industry in 2001, when it became the first hotel group to forge a partnership with the international organization ECPAT. The Group stepped up its child protection commitment in 2002 by implementing the first training programs for the employees of AccorHotels on SECTT, followed by the creation of the "WATCH – We act together for children" program in 2012 (see box).

The commitment of AccorHotels to combating SECTT is structured by the "code of conduct for the protection of children from sexual exploitation in travel and tourism" issued by ECPAT and the world tourism organization, the united nations agency responsible for the promotion of responsible, sustainable and universally accessible tourism. It has been signed and implemented by 250 companies from the travel and tourism industry for their operations in 40 host countries. In 2017, the Group and 45 of its host countries signed this code.

"WATCH – We act together for children" – the AccorHotels program to combat child sexual exploitation in travel and tourism

Created by AccorHotels, the WATCH program helps country organizations and hotels to put procedures in place to detect cases of SECTT and take the appropriate response. Combating Sexual Exploitation of Children involves local training initiatives designed to heighten employee vigilance, so that they can identify cases of SECTT more effectively, decide when to contact the authorities, and offer the child alternative life paths (*via* reintegration projects for example).

The WATCH program is based on a set of training and educational resources geared toward hotels. It targets different groups, including general managers, team leaders and employees, and it incorporates films, an e-learning module, a training module for hotel staff and guideline sheets available in English, Brazilian Portuguese, French, Thai, etc. The distribution of this complete training and educational kit began in late 2014.

Through WATCH, AccorHotels is enacting its commitment at every level of the organization: at the Group level with the Code of Conduct, at the country level with the cooperation with ECPAT and local NGOs, at the hotel level with the police departments and child protection organizations, and with its guests, who are made aware of the issue by employees.

In 2017, the commitment of the Group and the countries continued:

- AccorHotels Thailand reached the "Top Member" level among the signatories to the Code of Conduct, a distinction that rewards the sustained commitment over the last few years of the hotels operating in the country;
- to mark International Children's Rights Day, the Group reasserted its commitment to child protection by devoting the day to educating its teams all over the world, training employees in the WATCH program and leading discussions with guests.

COMBATING HUMAN TRAFFICKING FOR THE PURPOSE OF PROSTITUTION

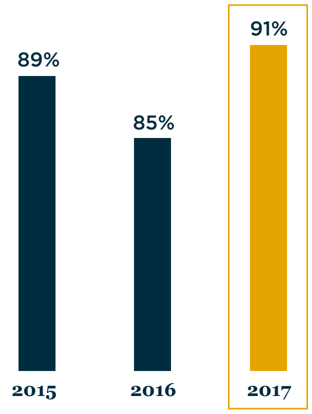
As an extension of the WATCH program, AccorHotels is committed to combatting human trafficking for the purpose of prostitution. This topic was raised on several occasions by the Ethics and CSR Committee, and an Action Plan was carried out in 2017. Employee perception of this issue was measured through an internal survey, and employees' expectations in terms of recommendations and resources were collected. An educational kit that was developed using WATCH as a model was distributed in late 2017 in France and will be extended to all the host countries in 2018.

(1) *ECPAT (End Child Prostitution, Child Pornography and Trafficking Of Children for Sexual Purposes) is the leading international organization in the fight to end child sexual exploitation. Its network comprises 80 organizations working in 75 countries.*

Hotel mobilization at the end of 2017

"Roll out the WATCH child protection program" is one of the 16 mandatory actions on the Planet 21 In Action roadmap. Hotels engage in this activity, in particular by training teams to detect and respond to abuse or sexual exploitation of minors in the establishment.

Percentage of hotels commited to protecting children.



The percentage of hotels committed to protecting children is on the rise. It should be noted that in 2017, the monitoring of this action was made stricter with the requirement that hotels supplement employee training with a message shared with guests to inform them of this commitment. The improvement in results despite the introduction of tighter requirements is promising.

2.6.3 Plant for the Planet, agroforestry to support community development and environmental protection

ACTING HERE Planet 21

Planet 21 commitment: 10 million trees planted with our Plant for the Planet program by 2021

The "Plant for the Planet" program encourages guests to reuse their towels when staying more than one night in the hotel, and in return, AccorHotels agrees to fund tree planting with half the savings (from water, energy, detergents, and laundry). In order to enhance the benefits and meaning offered by the program, the Group is recalibrating Plant for the Planet into an agroforestry program with the aim of speeding up the transition of agricultural practices to agroecology; this change includes many innovations, in terms of agricultural techniques, cooperation mechanisms and funding sources dedicated to tree planting.

AccorHotels is transforming Plant for the Planet into a pioneering insetting program

Initially devoted to reforestation projects, Plant for the Planet has been gradually evolving into agroforestry, which consists of planting trees in agricultural parcels of land to improve their conservation and productivity and diversify farmers' incomes. In this regard, trees play a widely acknowledged role, both in fixing groundwater reserves and absorbing part of the pollution.

Thus, the benefits from the projects supported in the Plant for the Planet program can be in three areas:

- **the environment:** preserving ecosystems and threatened endemic species, conserving water resources, implementing remediation measures for unproductive soil, combating erosion, carbon sequestration, etc. Plant for the Planet is helping to shrink the environmental footprint of AccorHotels;
- **society:** higher and more diversified income for those participating in projects, employment support, improvements in crop quality, creation of a new, local social dynamic;
- **social:** especially the active participation of customers and the awareness-raising work done by Group employees, which are both key to the success of the program, enabling it in turn to provide a sense of cohesion.

In 2016, the Group sought to embed Plant for the Planet more firmly in its value chain, by connecting hotels with producers who have implemented agroecological practices by buying a portion of their output. This matching happens at two levels: either by listing the producers supported by Plant for the Planet and distributing their products in hotels or by encouraging current suppliers to have their producers switch to an agroforestry approach, which may be supported by the Plant for the Planet program. Through this initiative, hotels reduce the environmental impact of their food purchases and secure the market opportunities of producers. This virtuous approach, which for a business entails the implementation of environmental programs within its direct sphere of influence (main business and suppliers) in order to produce multiple sustainable positive impacts on the mitigation of and adaptation to climate change, soil, water, biodiversity and local communities, is known as insetting.

The conversion of Plant for the Planet into an upstream farming operations transformation program substantiates the concrete commitment of AccorHotels to insetting.

In 2017, AccorHotels and its partner Pur Project (a partnership that was renewed in 2017 for the 2017-2021 period) completed an impact study of Plant for the Planet. This study found that the trees planted as part of the program had an ecosystem value creation potential of €10.30 per tree per year. In total, for 1.6 million trees planted, or €5.4 million invested[(1)], €86.9 million in economic, social and environmental value is created over the trees' lifetime. This study confirmed for the Group the value of continuing to transform Plant for the Planet into an agroforestry and insetting program.

The Group's commitment is also manifested in its involvement, as a founding member along with Pur Project, Nespresso, Chanel, L'Oréal and Kering, in the International Insetting Platform (IPI). IPI promotes insetting and supports its scaling by:

- multiplying agroforestry projects for a larger number of agricultural operations and integrating them into the local food supply patterns of hotels and restaurants;
- motivating suppliers to turn to agroforestry;
- creating leverage effects by convincing other funding partners such as Caisse des Dépôts (see the partnership with CDC Biodiversité, see below) and other companies.

As such, in 2017 AccorHotels encouraged hotels to promote products that come from crops in which trees are planted. The initiatives, which are currently still operating on a local scale, are proliferating (*e.g.*, apple production in China since 2017), and some of them are maintained over time, such as the sourcing of olive oil in Morocco. A catalogue of products offered by 30 agricultural establishments in nine countries is provided to hotels. To highlight its commitment, Romania promoted the production of a special batch of apple juice in honor of the planting of the 150,000th tree in the country. In France, AccorHotels is providing guidance to a feather and down supplier for duvets and pillows as it studies joining the effort. Conversely, an organic poultry producer that won the Arbres d'Avenir competition (see below) was listed by procurement in France. At the same time, the Group is holding talks with several global food suppliers to urge them to adopt an insetting approach. As a result of these talks, pilot operations are expected to begin in 2018.

Innovation in support of the diversification of funding sources and promotion of insetting

In order to support the ecological transition in France and restore the tree to its vital position in the agricultural system, AccorHotels worked with Fermes d'Avenir, Pur Project and Blue Bees to start the Arbres d'Avenir competition. The 2nd Arbres d'Avenir competition, a national agroforestry competition, was held in 2017 and provided with €200,000 from AccorHotels to help farmers switch to an agroforestry production model. Out of over 110 applications received once again, 25 were selected, and each received between €5,000 and €16,650. The operation was again a success. In 2017, CDC Biodiversité came on board as a new partner and funder of the plan (providing an additional €50,000), and the Prix Nature 2050 award for biodiversity was created. It has received recognition from the French Ministry of Agriculture, which suggested combining the Arbres d'Avenir competition with the general agricultural competition, whose awards are presented annually during the International Agricultural Show. The general agricultural competition would thus reward an agricultural practice – agroforestry –and not only a product, underscoring the innovative, virtuous nature of the approach. Through the Arbres d'Avenir competition, a national agroforestry competition, AccorHotels also plans to connect its hotels to supported farmers in order to facilitate direct procurement of high-quality, ecofriendly products. Some of the 2016 winners have already been listed by the Group. New initiatives are currently being devised in order to increase this number in the future.

Another source of funding diversification, a pilot program in which guests opt out of housekeeping, was launched in 2017 in Germany, Austria, the Czech Republic, Switzerland and the United Kingdom. This plan is driven by the desire of guests, who can let hotel staff know that they wish to opt out of housekeeping. In return, guests can make a contribution that funds trees or earn discount coupons or loyalty points in Le Club AccorHotels. This operation was conducted for a full year by 65 midrange hotels in Germany and Austria. Some 72,200 guests took part, and one third of them chose to give the money they saved to Plant for the Planet, thus helping to raise €73,300 and plant 23,037 trees.

The "Give a Tree" project (see page 113) is another innovation that the AccorHotels Group has created to support Plant for the Planet, further expanding financing capacities.

The involvement of the Group and hotels at the end of 2017

796,600 trees were planted in 2017, a noticeable jump from previous years that can be explained by several factors: an ever-stronger commitment by hotels, which is seen in a higher participation rate (+9% compared to 2016); FRHI's contribution to the plan, which in 2017 enabled an additional funding of 150,000 trees; the phase-in of new funding sources, which in 2017 contributed 23,708 trees.

Plant for the Planet has helped fund almost 5.8 million trees since it was started in 2009. The program now supports more than 375 projects across 25 countries around the world.

(1) €5.4 million were invested over the three-year period (2013-2015) to which the study applies.

2.7 MOVE TOWARD CARBON-NEUTRAL BUILDINGS

The fight against climate change is a collective challenge and the construction industry has a huge influence on world greenhouse gas emissions; AccorHotels therefore has a role to play. It is acting by progressively designing carbon-neutral buildings and regularly renovating its real estate holdings to improve their energy performance. Faced with increased pressure on water resources, it is also acting to reduce its water impact, especially in regions experiencing significant water stress. Finally, the Group is implementing solutions to create strong, circular local economies and increase the proportion of waste that is ethically handled (reuse, recycling, etc.).

Analysis of climate risks for the Group

Climate change represents a challenge for the entire tourism and travel industry. This is why AccorHotels has examined the risks and opportunities arising from this phenomenon. Setting a time frame for each risk and opportunity makes it possible to anticipate the future consequences on business in the best possible manner. The table below shows the risks associated with climate change. Additional information on risks associated with climate change appears in Chapter 3.

Risks associated with climate change

Risks associated with climate change to which AccorHotels is exposed	Risk exposure	Impact on AccorHotels business	Time frame(1)	Financial impact(2)
Availability of energy resources	Diminished reserves of rare natural resources	Increased structural costs	Short	+++
Standards and regulations	Increased pressure on energy performance/ building carbon/ development of taxes.	Increased costs, financial penalties for noncompliance, damage to the brand, image.	Short/ Medium	+++
Extreme weather events/Natural disasters	Increased frequency and intensity of these events (droughts, increasingly irregular rainfall, flooding, more frequent cyclones, etc.).	Partial or complete destruction of assets and business interruption. Lowered appeal of certain destinations, loss of revenue. Threat to guest and employee safety. Increased insurance costs.	Medium	+++
Increased transportation costs	Lower volume of travelers	Fewer visits Guest shifts to alternative solutions to mobility (virtual reality).	Long	+++
Difficulties in food sourcing	Decreased agricultural productivity, more volatile food prices, disappearance of species.	Increased costs, lower quality, new regulations.	Medium/ Long	++
Water stress	Diminished water reserves, shortages, conflicts in use.	Occasional closures, increased costs, new regulations.	Medium	++
Higher water level and acidification of oceans	Flooding, reduction in tourist areas. Deterioration/ diminishment of drinking water resource (saltwater in water sources). Population migrations.	Partial or complete destruction of assets. Lowered appeal of certain destinations, loss of revenue.	Long	++
Destruction of biodiversity	Erosion of coastline, destruction of fauna, damage to coral reefs.	Lowered appeal of certain destinations, loss of revenue.	Medium	+
Health/epidemics	Increased temperature, growth of new illnesses. Easier and faster travel, adaptation and mutation of viruses.	Lowered appeal of certain destinations, loss of revenue. Threat to guest and employee safety.	Long	+

(1) Short = 1 to 3 years; medium = 3 to 8 years; long = more than 8 years.
(2) Key to financial impact: + = low / ++ = medium / +++ = high.

In December 2017, following the example of 88 other French companies, AccorHotels signed the French Climate Pledge on the sidelines of the One Planet Summit. In signing this pledge, the committed companies reaffirm the need to work together to change course in order to spur an extreme drop in greenhouse gas emissions.

In addition, driven by the Ethics and CSR Committee, in 2017 AccorHotels conducted preliminary work to assess the trajectory it needs to follow in order to work toward the collective target of keeping global temperature increase below 2°C. An initial assessment was prepared, providing the basis that the Group will use in 2018 as it formulates its roadmap:

- refinement of trajectory calculations and determination of precise targets;
- reinforcement of energy and carbon footprint management at the hotel level;
- assessment of the reduction potential for each lever (consumption reduction, increase in energy efficiency, transition toward a carbon-free mix, offsetting, etc.);
- reinforcement of governance, processes and tools to better include the "carbon" dimension at all levels of the Company; strategic decisions, development of the hotel network, development of new concepts, offers or solutions, etc.;
- discussions on the conditions required for hotel owners to buy in to carbon issues and the tools to support them in reducing their carbon footprint.

Without waiting for the implementation of this "2°C" roadmap, the Group has committed to the transition of its hotel network toward carbon-neutral buildings *via* a progressive approach: first, systematically subject the construction of new hotels to environmental certification, then adopt a "low carbon" approach for the construction and refurbishment of hotels, and last, aim for carbon-neutral construction and operation of buildings.

2.7.1 Aiming toward "low-carbon" techniques for new hotel constructions and renovations

ACTING HERE Planet 21

Planet 21 commitment: 100% of renovated or new hotels are low carbon buildings (owned and leased hotels)

On average, the Group opens two new hotels around the world every three days and renovates several hundred hotels each year. AccorHotels has a long history of commitment to transition towards low-consumption buildings as far as our construction and large-scale refurbishment projects are concerned. In 2020, all hotel construction and refurbishment projects owned by the Group will be low-carbon building projects, as currently available technologies are not conducive to building "passive" (without footprint) buildings.

To go further and achieve the 2020 target, the Group is exploring the breakthroughs necessary for energy transition, by focusing particularly on developing a Low-Carbon Building certification that, unlike environmental certifications that apply solely to energy performance, covers all the levers for reducing buildings' impact on climate change. The association for the development of Low-Carbon Buildings, of which AccorHotels is a founding member, intends to change this approach by offering a Low-Carbon Building (BBCA) label, which takes into account the greenhouse gas emissions of buildings throughout their life cycle: construction, operation, end-of-life (demolition and recycling). This label is part of the E+C- (Energy Positive Building & Carbon Reduction) experiment introduced by the French government in preparation for an ambitious environmental standard mandated by the French Act on Energy Transition. The Group aims to apply the standards to all new construction in France as of now, this label is not applicable outside of France. After helping to develop the standards focusing on hotel construction, in 2017 AccorHotels worked with the association to develop standards for renovations, which will be released in the first half of 2018. The Group operates in a spirit of cooperation by sharing its data on large-scale renovations, and it has identified the eligible projects to which the standards may be applied.

FOCUS ON LOW-CARBON BUILDING STANDARDS

The standards were designed with two main objectives: reward "low carbon" best practices and reward the excellence of a "low carbon" strategy. The BBCA rating of a building is calculated in two sections:

- the **"avoided emissions"** items calculated for the **responsible construction** phase – *i.e.* the carbon footprint of all the building components (infrastructure, superstructure, partition wall, technical equipment) and for the **managed operation** – *i.e.* the environmental footprint related to water and energy consumption during the building's lifetime (50 years);
- the **"climate innovation"** items giving preference to materials that promote **carbon storage** (biobased materials) and the circular economy (recycled materials, building modularity, anticipation of its end of life).

In 2016, AccorInvest started a project to build the first BBCA hotel, the Jo&Joe hotel in Porte de Gentilly, which is due to open in 2018. In April 2017, this project received the BBCA provisional label, which will be confirmed at completion in relation to the actual performance of the delivered building. At the design stage, the Jo&Joe hotel in Porte de Gentilly incorporated the following best practices and targets: laminated timber superstructure, fully modular design (open spaces and partition walls), low carbon emissions.

Preparing for the construction of carbon-neutral buildings

To reach this third ambitious step, AccorHotels has identified three major areas of investment: innovation in energy technologies, innovation in construction materials and innovation for smart buildings.

AccorHotels is forging partnerships with players in **energy technology innovation** with the aim of speeding up the transition toward renewable energies. These partnerships enable it to access the best-performing solutions, test them in its hotels over one- or two-year periods in order to ensure their relevance and value in the business, and roll them out if they meet expectations. In 2017, as part of the partnership with Energy Observer (see page 92), AccorHotels continued to test several technologies implemented in the hotels. Some examples are: the Novotel Cœur d'Orly was fitted with hybrid air conditioning terminals that combine a chilled beam and a fan coil unit. In addition, there are studies being done with the CEA (technology partner laboratory of the Energy Observer boat) on combining a fuel cell with a wind turbine or solar panels.

Innovation in construction materials, which must be the most carbon-efficient during manufacture and recyclable at the end of their life cycle, is also a major driver. The selection of a wooden superstructure for the Jo&Joe hotel epitomizes this approach.

Finally, AccorHotels is active in **innovation for smart buildings.** AccorInvest, a subsidiary of the AccorHotels Group, implements converged digital infrastructure with a preference for optical fiber in order to build an IT network encompassing web access, multimedia and intelligent building management that is shared by the different departments. This new infrastructure helps lower investments while improving service level and making it possible to add connected objects (IoT) over time. See also the "Carbon Action Plan" on page 132.

INCORPORATING CSR CRITERIA INTO THE TECHNICAL STANDARDS

For the construction of new buildings for the luxury brands, AccorHotels outlines its Technical Standards, including specifications on the requirements of the Planet 21 In Action program. In 2017, the Technical Standards for the luxury brands were updated in order to strive for at least the Gold level of Planet 21 In Action for each construction or renovation. Along with the criteria related to Planet 21 In Action, the Technical Standards of AccorHotels incorporate the criteria used for the current labels in the various regions (BREEAM, LEED, HQE, DGNB, GREENMARK, IGBC, etc.).

Environmental certifications

The Group pursued its objective of subjecting its constructions and renovations to applicable certifications (examples: LEED, BREEAM, HQE, DGNB, GREENMARK, IGBC). At end-2017, some 40 buildings were certified or in the process of being certified, including: the Novotel Cœur d'Orly (France), certified HQE; the Novotel Canary Wharf, certified BREEAM excellent; the ibis London Canning Town (United Kingdom), certified BREEAM; and two Novotel hotels and one ibis hotel, certified DGNB in Austria.

ACTING HERE Planet 21

Planet 21 commitment: -5% energy consumption per room and water consumption per night by 2018 (owned, leased and managed hotels)

The buildings are the Group's first biggest source of energy consumption and greenhouse gas emissions and also contribute to its water use. AccorHotels has a duty to control the consumption of its entire network of hotels.

With its first five-year plan (2006-2010), AccorHotels reduced its energy consumption by 5.5% and water use by 12%. Between 2011 and 2015, the Group's efforts further reduced greenhouse gas emissions, energy consumption, and water use by 6.2%, 5.3%, and 8.4% respectively. The detailed analysis of the results shows that the performance levels were achieved in these three areas, particularly in the most advanced regions, such as Europe. In these zones, existing optimization measures were deployed with equipment in place.

To proceed further, a system-wide change is therefore necessary. This is why, when its 2016-2020 strategy was updated, AccorHotels reaffirmed its commitment to reduce energy and water consumption and implement an ambitious action plan to achieve its goals.

The management of water and energy performance

The management of hotel performance revolves around monthly tracking – and even daily tracking for some hotels – of energy consumption using the GAIA tool, good knowledge of the hotels (number of rooms, number of restaurant and bar points of sale, technical equipment, etc.) and their consumption (tracked since 2005), and an in-depth analysis of ratios taking into account the impacts of weather and occupancy rates in order to be able to compare different years and benchmarks by brand, hotel family and region.

In 2017, as is done every year, water and energy consumption optimization targets were set by the hotels following the recommendation of the local and central teams. The process implemented since 2014 has made it possible for the objectives thus established to take into account the Group's strategic program and the technical and operational constraints of the institutions. The actions "Measure and analyze monthly water and energy consumption", "Act in the event of drift" and "Comply with the water flow standard for all showerheads, faucets and toilets" are mandatory in Planet 21 In Action.

Based on data collected from each piece of equipment, a diagnosis of the performance of all production and distribution facilities for energy and water in hotels is carried out and an adjustment phase is implemented to optimize existing installations.

A set of around 10 simple actions were identified as having a significant impact on buildings' footprints: increasing thermal insulation on the heating unit, implementing mechanisms to limit water consumption (faucet aerators, regulators, etc.), being able to adjust lights or heat, replacing standard light bulbs with LED bulbs, etc. Over the last few years, most hotels have installed flow regulators and LEDs. AccorHotels plan to expand the 10 actions to all the hotels that it owns, after having tested and verified the most efficient pieces of equipment. In addition, employees' awareness of ecofriendly practices will also be reinforced.

THE "CARBON ACTION PLAN", A CONCRETE, AMBITIOUS ACTION PLAN FOR HOTELS HELD BY ACCORINVEST

The low-carbon plan that was renamed CAP (Carbon Action Plan) and launched by AccorInvest in 2017 endeavors to reduce water and energy consumption by relying on new technologies to automatically collect a hotel's consumption data for each major area of the hotel (guest rooms, restaurants, meeting rooms, spa, etc.). These data will help target the savings that need to be made and measure the effectiveness of the action plan. The country and hotel maintenance teams are in charge of setting up the CAP, and the goal is to have all AccorInvest hotels equipped by 2020.

A first pilot phase carried out in 2015–2016 tested and then fine-tuned a series of concrete actions to put in place in the hotels to control and reduce their footprint. These actions, which are divided into three families, apply to:

- retrocommissioning, or the adjustment of systems. The system's operation is tested and its structure is reviewed with an eye to optimization. If necessary, a maintenance plan is established and low-cost changes with immediate effect are made. All the optimal adjustments are recorded for easier tracking;
- implementation of savings solutions such as: LED lighting, flow regulators in plumbing, thermal insulation of complex objects, precise configuration of systems making it possible to regulate energy consumption as tightly as possible or give priority to the most carbon-efficient energies;
- precise measurement of water and energy consumption with connected objects;
- provision of a dashboard to all players in real time.

These actions were tested in some 40 hotels (representing more than 3,860 rooms and 5,600 connected objects) and classified according to their feasibility, conditions for their success and return on investment. This testing produced key findings for the plan's success: engaging the hotel teams, guiding the installation of certain equipment, reducing the number of outside providers, etc.

In 2017, the deployment phase of the "Carbon Action Plan" began in 67 hotels held by AccorInvest. Tutorials were created and a mobile application and telephone assistance were provided to the hotels. Sixty-two hotels in France and five in Europe joined this system in 2017. Large-scale deployment is planned for 2018 and 2019.

For managed and franchised hotels, the Group will focus on developing relevant and attractive service offerings for embarking all the buildings.

Hotels' energy and carbon performance and financial impacts: 2017 results

Scope of reporting

With the aim of providing the most accurate and complete figures possible, AccorHotels strives every year to present the water and energy consumption data of as many hotels as it can.

Scope of reporting*	2016	2017
Number of hotels in the baseline Group	1,970	2,127
Number of hotels validated	1,738	1,787
Validation rate	88%	84%
Number of hotels (like-for-like, 2016-2017)	1,597	1,597

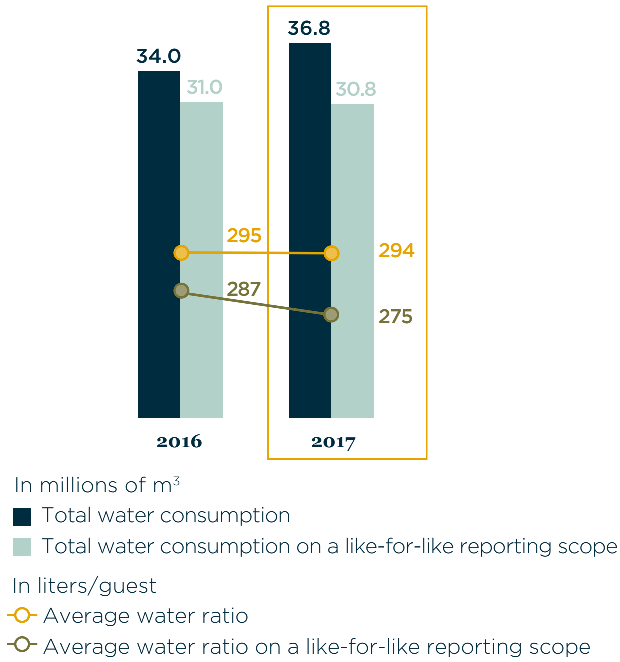
* *Definitions of scope of reporting are listed in the Methodological appendix on page 146.*

In 2017, the scope of reporting consisted of 2,127 hotels, up 8% from 2016 due to the inclusion of the Fairmont, Raffles, Swissôtel and Adagio France hotels.

The number of hotels validated (complete data and differences explained) was up 3% in 2017 due to the inclusion of the Fairmont, Swissôtel and Raffles hotels. A mechanism was established to ensure that these brands provide the same quality of data as the rest of the network.

Finally, the number of hotels with comparable data (hotels showing two complete and validated financial years) rose by 102 hotels in one year, or by 8%, which makes the figures provided more representative.

Tracking water use

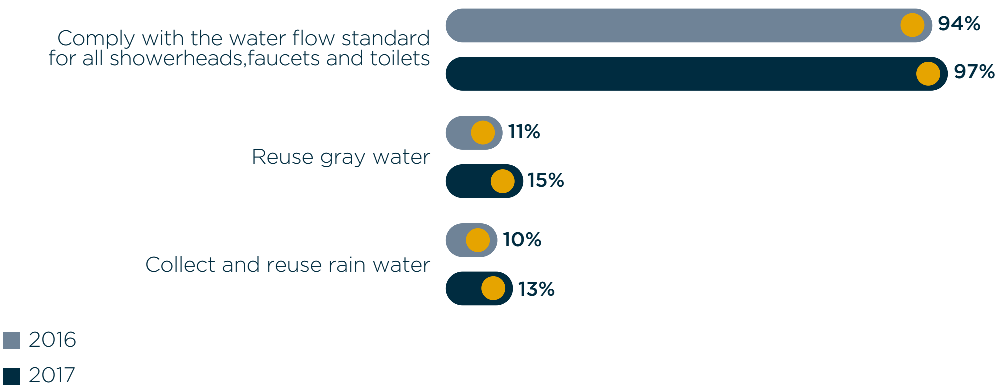


AccorHotels tracks its hotels' intrinsic performance by measuring water consumption in liters per guest (liters per room night). With the addition of luxury hotels, the overall water consumption in the scope of reporting increased this year to 36.8 million cubic meters of water.

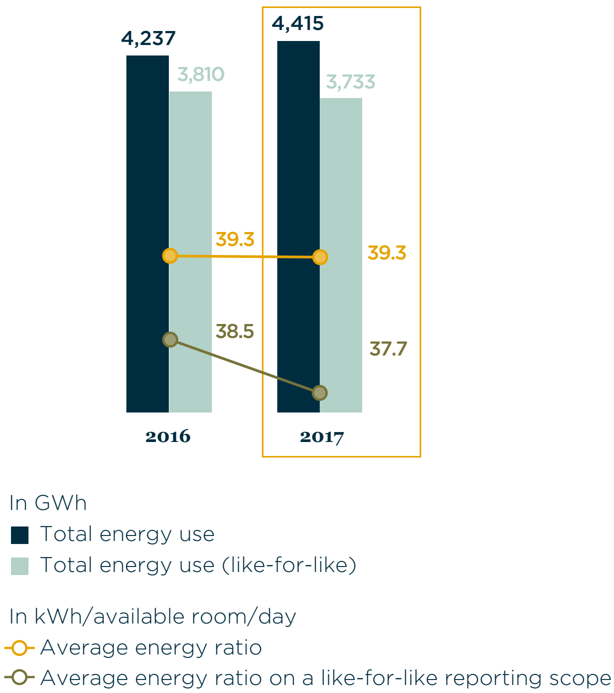
On the other hand, the Group recorded on a like-for-like reporting scope a 4.0% drop in the water ratio, from 287 to 275 liters per guest, which illustrates the effectiveness of the tracking and the implementation of conservation measures. Asia reduced its ratios by 6.4% (327 hotels), behind Southeast Asia (-10%, 35 hotels), China and India (-9%, 70 and 26 hotels respectively). Turkey and the Middle East also achieved drops in their ratios of 6.8% and 4.3% respectively (16 and 55 hotels). In these regions with challenging climates where water resources are limited, the implementation of conservation measures yields significant results every year.

Furthermore, the European region, which is already equipped with the main water savings methods, is continuing its reduction efforts by stepping up its monitoring of hotel consumption. France lowered its ratio by nearly 3% (395 hotels), and the United Kingdom and the Belgium-Netherlands-Luxembourg group lowered its ratio by 2% (111 and 55 hotels respectively). Elsewhere, but with similar control, the United States lowered its ratio by 4.5% (7 hotels) while the Pacific-Australia-New Zealand region lowered its ratios by 2% (141 hotels).

Hotels mobilization at the end of 2017



Total energy use



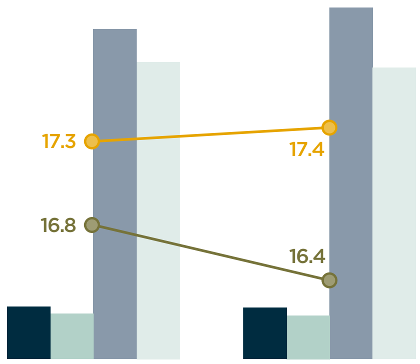
To track its hotels' intrinsic energy performance, AccorHotels uses the ratio (kWh per available room/day). Factoring in a continually expanding scope, the Group's total consumption was 4,415 GWh. However, at a comparable scope, the Group recorded consumption of 3,7335 GWh, or a 2% drop. In 2017, on a like-for-like basis, the average ratio decreased by 2.0% to 37.7 kWh/available room/day.

Also in this area, the greatest drops were by the China and India teams, where both of their ratios fell by 5.4% (70 and 265 hotels) in weather conditions similar to last year's. The Middle East performed well, lowering its energy ratio by 1.3% even though demand for air conditioning increased by 3% overall in the region. The region also lowered its ratio by 2.6% by taking advantage of mild weather conditions (namely, a 5% decrease in demand for air conditioning).

In the West, the teams adeptly made the most of slightly less harsh winter conditions. The United Kingdom lowered its energy ratio by 5.1% by taking advantage of a 5% drop in demand for heat. Russia posted a net drop of 4% even though demand for heat fell by only 2%.

In 2017, 541 of the Group hotels were supplied with "green" energy (*i.e.* 20% of the network), and 446 hotels have a system of producing renewable energies.

Tracking CO_2 emissions



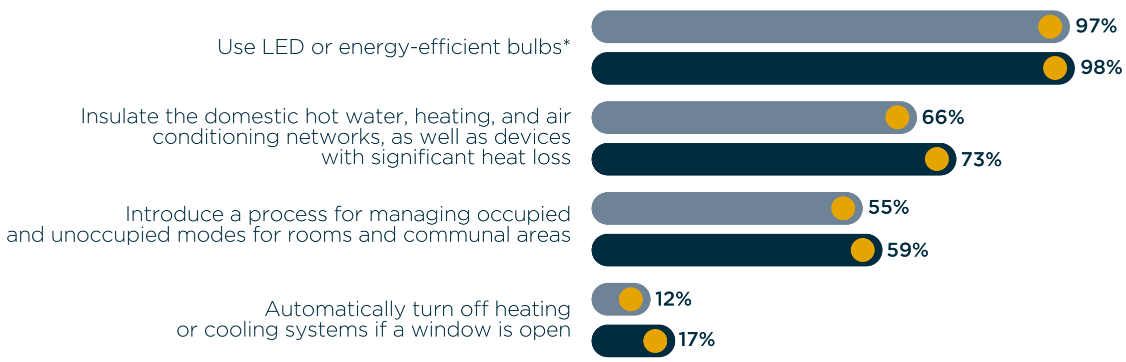
In metric tons of CO_2
- Direct CO_2 emissions
- Direct CO_2 emissions (on a like-for-like reporting scope)
- Indirect CO_2 emissions
- Indirect CO_2 emissions (on a like-for-like reporting scope)

In kg/available room
- Average ratio of direct and indirect CO_2 emissions by available room
- Average ratio of direct and indirect CO_2 emissions by available room (on a like-for-like reporting scope)

Carbon emission performance is measured in kilograms of CO_2 per available room. In 2017, on a like-for-like basis, the average ratio declined by 2.0% to 16.4 kg/available room/day.

This result demonstrates the strong energy performance of some regions: China, India and the United Kingdom recorded substantial declines: -5% for 70 hotels, -5.9% for 26 hotels and -3.2% for 164 hotels respectively.

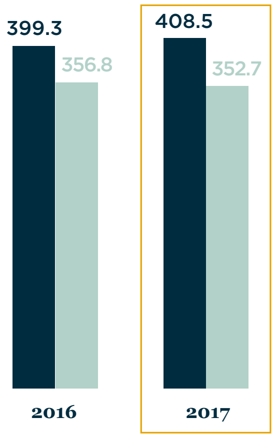
Hotels mobilization at the end of 2017



- 2016
- 2017

** Mandatory action in Planet 21 in Action.*

Financial data on water & energy savings



In € million
■ Total cost
■ Total cost on a like-for-like reporting scope

For the baseline scope of reporting of 1,787 hotels, energy and water costs were €408.5 million. On a like-for-like reporting scope, €4 million were saved, *i.e.* a 1.2% decline.

China performed impressively, saving €4 million. In India, despite excellent results in terms of consumption, costs jumped by 5%, underscoring the importance of controlling Group water and energy consumption. As such, despite good control of hotel consumption, costs in Mexico (10 hotels) surged by 20% due to inflation and increased unit costs. On the other hand, Turkey achieved financial savings of 16% (16 hotels).

Italy achieved savings of 7% (23 hotels); France, 3%; and the Iberian Peninsula, 4% (63 hotels). Central Europe and Eastern Europe each achieved savings of 2%.

2.7.2 Take advantage of the hidden value of waste

The Group's business is responsible for more than one million metric tons of waste per year, of which 70%[1] is generated by the construction and renovation of buildings.

Hotel waste comes from two main sources:

- waste from hotel operations: packaging, consumables such as light bulbs, complimentary products, food, etc. (for which the priority is to reduce volumes at the source and limit scraps when operations are carried out at the hotels), and guest waste with a challenge of increasing the proportion of sorted and recycled waste;
- refurbishing and construction waste, where recycling is increasingly used.

ACTING HERE Planet 21

Planet 21 commitment: 65% of waste from hotel operations is recovered

Analysis of AccorHotels waste

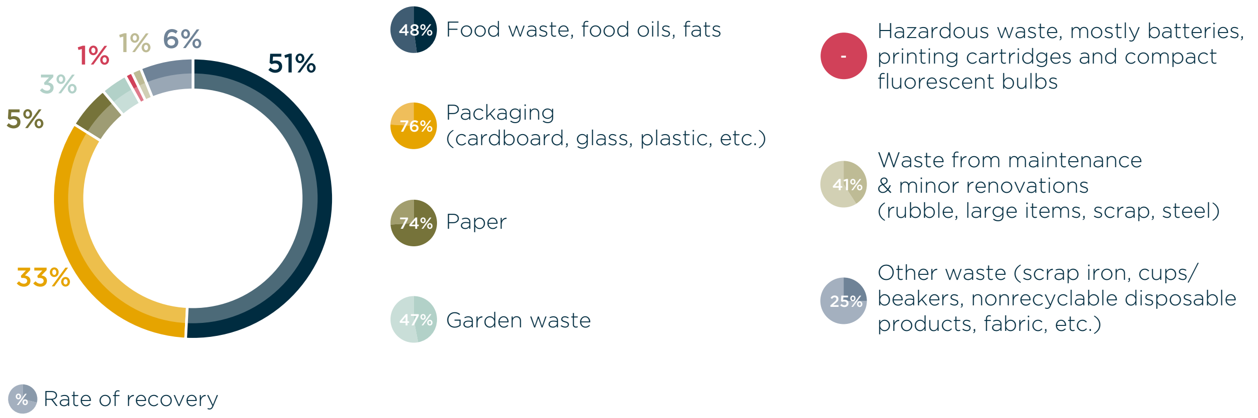
Waste management challenges can be appreciated from an estimation of outgoing flows of hotel operating waste (*i.e.* excluding waste from renovation and construction work). Across the 4,000 Group hotels, operating waste totals around 240,000 metric tons. This is an average of 600 metric tonnes per hotel, reflecting a range of realities for the different hotel categories: "budget" and "economy" categories (38 metric tons/hotel/year), "midrange" category (78 metric tonnes/hotel/year) and "luxury, top-end" category (101 metric tons/hotel/year).

These figures are based on information collected from hotels that recorded all the required data in the AccorHotels waste management tool (213 hotels in 27 countries), and on data from waste management providers (Switzerland, United Kingdom and Australia, covering 197 hotels).

(1) *Figure comes from the environmental footprint done in 2011; not updated in the second study.*

The analysis of the detailed data from the AccorHotels waste management tool offers insight on the breakdown of waste produced by category and the average rate of recovery:

Breakdown of 240,000 metric tons of waste by category (as a %)



The biggest source of waste is catering. More than 50% of waste is food waste and cooking oils and fats. Though some hotels do not have restaurants, they do nevertheless serve breakfast, which also produces waste. The second biggest source of waste is packaging: card, paper, plastics (relatively limited). Hotels produce small amounts of hazardous waste.

AccorHotels waste policy

To attain its objective of recovering 65% waste by 2020, in 2016, AccorHotels defined its waste policy, document intended for hotels that remember the challenges and set three priorities:

- priority 1: Have 100% hazardous waste treated in appropriate facilities;
- priority 2: Reduce the quantity and volume of the largest waste categories: food waste, packing waste, paper waste;
- priority 3: Sort and recover the main waste generated by Group activities: materials recovery, reuse, recycling (excluding incineration, including with energy recovery).

Initiatives undertaken in 2017 and prospects

In 2017, the Group started several projects to implement its waste policy:

1. **Implementation of the** "Waste Management Too", which precisely tracks the quantities of waste produced and ensures the traceability of their treatment (program described on page 138). This action began in 2016 in the form of a pilot project in 21 hotels in France, and then was phased in more widely in 2017. AccorHotels is thus equipped with a powerful tool, which allows hotels to manage their waste and make progress in their recovery: complete mapping of waste produced in the hotel, reconstruction of sorting and recovery lines, cooperation with providers responsible for collection and treatment, tracking of waste data –or, in case the data are not available at the hotel level, recommendation of data that are extrapolated by default from the AccorHotels database –restatement in dashboards making it possible to track the hotel's environmental and economic performance. In 2017, 573 hotels began using this tool; of those hotels, 213 provided detailed data. In 2018, AccorHotels plans to integrate this waste module into the GAIA management tool in order to further enhance its functionalities and make it easier to distribute to as many hotels as possible.

DETAILED AUDIT OF WASTE IN FRANCE

In 2017, AccorInvest conducted a detailed audit on the management of waste from operations for all the hotels in France (excluding Formule1 and Adagio); this covered 235 hotels. 21 hotels underwent an on-site audit, and all the hotels took part in a survey that helped draw a more precise picture of current waste management and the hotels' waste sites.

The purpose of this audit was to help improve regulatory compliance, better recover materials, better control costs and improve working conditions for site employees.

At the same time, AccorHotels worked with Suez to complete an in-depth inventory on 21 hotels in the Lyon region with the aim of increasing hotels' understanding of waste, identifying problems and providing for an optimal waste management service offering for the hotels.

The results of these diagnoses provided material AccorHotels could use as it reviewed the organization and methods of waste management and the type of services requested from the providers who play a role in this area. These efforts led to the launch of pilot operations to reduce food waste, the largest source of waste in the hotels (see page 138).

Phase-in of circular economy programs. AccorHotels is intensifying its initiatives that prioritize the circular economy in its hotel construction and room design; this can be seen, for example, in the project for the new ibis room (see page 115). The Group also seeks to incorporate the circular economy into the end of life of hotel equipment. For example, the teams at Pullman Paris Montparnasse, which closed its doors on September 1, 2017, for several years of renovation, worked with the moving teams to put in place a recycling operation to give a second life to hotel furniture. Part of this furniture was resold to other Group hotels, part was offered for sale to hotel employees, and part was given to different associations (Valdelia, an ecoorganization, worked with Pullman to redistribute products to organizations in its network). Solidarity AccorHotels was enlisted to help with the donations, and it identified three partner organizations in need of furniture, dishes and kitchen equipment: *Apprentis d'Auteuil, Baluchon – À Table citoyen* and Wake up Café. In total, more than 4,500 products were donated to these three organizations, mainly bedroom furniture and linens, kitchen furniture, utensils and small dishes, etc. AccorHotels also supports different programs that collect used soap in the hotels and provide them to the underprivileged. In late 2017, 241 hotels (up from 177 in 2016), sent their soap to partner organizations, which repackage them with the help of people engaged in the integration process and people with disabilities. repackaged soap is then distributed to the underprivileged, for whom hygiene is a major way to improve health. In 2018, the Group will continue these circular economy initiatives when it participates in a working group spearheaded by Circul'R with the goal of implementing practical solutions related to the circular economy.

Hotels involved in 2017

* *Hotels with restaurant.*
** *Mandatory action in Planet 21 In Action.*

Management of waste from renovation and construction

This category includes waste related to the construction or renovation of hotels (obsolete equipment, replaced furniture, used uniforms and towels, etc.). AccorHotels' waste management policy is as follows:

- compliance with regulatory requirements (concerning construction site waste or extended producer responsibility) and the application of waste targets in standard certifications (HQE, etc.);
- pilot operations are used to test certain solutions (furniture donations, etc.);
- the use of upstream (choice of products made from recycled material) and downstream (such as recycling of uniforms) circular economy;
- actions or innovations favorable to the circular economy from the conception of products, in particular by the Design team and the Technical Department.

2.8 STRIVE FOR ZERO FOOD WASTE AND HEALTHY, SUSTAINABLE FOOD

Offering guests healthy and sustainable food, while eliminating food waste. The AccorHotels motto is simple: “Feeding our own guests responsibly, as we feed our own children”. To this end, the Group seeks to offer healthy food to combat public health problems caused by poor-quality food; to support the change in the agricultural model to achieve higher-quality food production that is closer to the places of consumption, more environmentally friendly and responsible; and to drastically reduce food waste.

2.8.1 Reduce food waste

For AccorHotels, this challenge has ethical, environmental and economic dimensions.

Ethical: every year, more than 30% of world food production is lost or wasted. Less than a quarter of this wasted food would suffice to eliminate hunger, which affects 795 million people[1].

Environmental: given water consumption, use of chemical fertilizers and pesticides, etc., farming takes a heavy toll on the environment, and also contributes significantly to the Group’s footprint. Hence the need to minimize waste.

Economic: in the hotel and restaurant industries, an estimated 25% of food purchases are thrown away. If hotels reduce this waste, they also reduce their expenses.

The Planet 21 commitment: 30% less food waste

To position itself to achieve this target, AccorHotels has homed in on an indicator that is applicable to and comparable across all the hotels: the cost of food waste related to the restaurant business. During weighing campaigns lasting at least 15 days, each discarded food product is weighed and assessed (based on the purchase cost). The total waste value will be calculated relative to the restaurant revenue, in order to account for variations in business. The 30% reduction in food waste by 2020 is based on this ratio.

AccorHotels has outlined a simple, four-step strategy to achieve this target:

- measure food waste;
- reduce food waste in the kitchen;
- resell unconsumed food at low prices;
- donate unconsumed, unsold food.

The actions implemented and tools used as part of this strategy are described in detail below.

To measure food waste, hotels have several resources available to them:

- A **food waste reduction module,** “Food Waste Management”, which is incorporated into the “Waste Management Tool” that was developed in-house by AccorHotels. This is a simple tool that weighs items without precisely categorizing the discarded products. It helps measure the cost that this disposal represents.
- **External waste reduction solutions** such as those offered by Winnow and LeanPath, which include tablet computers for kitchen use. These tablets are connected to a scale used to weigh all the waste by category, specifying the reasons for disposal (expired stock, buffet leftovers, cooking error, etc.).

  These solutions help hotels precisely measure food waste by product, estimate financial savings and the impact on revenue control, and carry out a targeted action plan for the most commonly discarded foodstuffs. In addition, AccorInvest is conducting an advanced experiment in kitchens in four hotels. A connected scale automatically enters the weight of the discarded products, which is then correlated to the hotel business (number of place settings, revenue, etc.), and then helps pinpoint the trends regarding the nature of the food loss. The findings of this pilot program conducted by AccorInvest, combined with the conclusions from the work done by AccorHotels and the managed and franchised hotels, will help in choosing or developing the most suitable tool for the kitchens.

At end-2017, 190 hotels in 29 countries from all hotel categories had completed a first weighing campaign of their discarded food products. 96 hotels conducted a second weighing campaign, which made it possible to track the change in food waste. They reduced their food waste by an average of 52%, for a total estimated savings of €5,368,319 for the Group. Of these 96 hotels, 40% used an outside solution made by Winnow.

To reduce their food waste in the kitchen, hotels have a manual that lists best practices implemented by in-house chefs. Initiatives enacted regionally also help the hotels reduce their waste. For example, a guide to “antiwaste” recipes was created by the Group’s chefs in South America. It can be viewed at the website http://cookloversleclub.com.br/receitas-incriveis-sem-desperdicio/. The 80 recipes in the collection were submitted by employees from the hotels and head office and stress the use of every component of the food item in order to avoid waste. In addition, a Fairmont hotel participated in one of 10 pilot projects launched to develop a Hotel kitchen handbook in the United States, led by the World Wildlife Fund (WWF) and the American Hotel and Lodging Association (AHLA).

Given below are examples of best practices, which would reduce food waste:

- provide limited menus by removing items that are less “popular”;
- better compliance with food storage temperatures;
- regularly check use-by dates;
- ensure reliability of food quantity estimates, especially when ordering for conferences;
- limit the number of products offered in buffets;
- do not prepare dishes too far in advance;
- serve more appropriately sized portions to our guests;
- create inventive recipes to use leftovers better;
- raise our employees’ and guests’ awareness of the need to fight food waste.

(1) *Source: FAO (Food and Agriculture Organization of the United Nations).*

Resell or donate unused food. Initiatives are under way to ensure that unused foodstuffs can be donated to food banks or associations or sold at affordable prices to local people. An example is the application from the start-up TooGoodToGo, which matches local consumers with restaurants or merchants that are selling their unconsumed portions at a low price. This application has been launched in France and is being tested the United Kingdom and Germany. At end-2017, 88 hotels and 7,530 users had access to this application, and the AccorHotels restaurants avoided wasting 10,140 meals. Also at end-2017, 797 Group hotels donated their unconsumed food products to charitable organizations.

Initiatives to raise awareness among and engage guests have also been implemented. For instance, on World Food Day on October 16, the Group led a large-scale campaign to rally hotels around the issue of food and food waste. Following the example of the "Clear Your Plate" campaign, which began in China and was reproduced in many Asian countries, the campaign had a high participation rate among Group hotels.

Prospects

In 2018, the action plan will be bolstered to speed up the reduction in food waste as employees at all levels of the Group, particularly the restaurant teams, are urged to commit.

2.8.2 Offer food that is healthy and sustainable for the planet

As a restaurateur, the Group has responsibilities that motivate it to: shift from intensive production that consumes a lot of chemical products that are toxic for the environment and sometimes for farmers to higher-quality production that is more respectful of people and the environment, while meeting the demands of consumers seeking authenticity, premium products that are healthier, fresher, organically farmed or produced by agroecology, accessible through short supply chains, etc.

ACTING HERE Planet 21

The Planet 21 commitment: 100% of our restaurants follow our charter on healthy and sustainable food

Through the Healthy and Sustainable Food Charter, which was published in 2016, AccorHotels set out the Group's ambitions and commitments, which focus on three priorities: combating food waste, protecting guests' health and sourcing sustainable products.

This charter was conceived in a collaborative spirit, bringing together different teams in the Group and incorporating a critical review of the project by an outside firm. The charter will be amended regularly to take into account the Group's commitments and stakeholders' expectations.

It is available at:
www.accorhotels.group/en/commitment/planet-21/food.

This charter provides a framework for restaurants. It includes 10 commitments that apply to all Group hotels and 10 local commitments chosen at the country level from a list of 18 options. The choice was made based on local specificities: agricultural model, local regulations, stakeholder expectations, etc. When the Group acquires hotels, these new hotels will be incorporated into the strategy over time and, to the extent possible, will abide by the targets set in their country. In some cases, sources of supply are not in place in a country. Under such circumstances, AccorHotels may work with other players to build sources (see, for example, egg sourcing below).

To facilitate the hotels' implementation of the charter, support mechanisms were put in place in some countries in 2017: for example, a presentation was made to F&B liaisons in the Netherlands, and time was devoted to the charter during an F&B seminar in Brazil. In France, regular dialogue promoted cooperation with wholesale suppliers in order to encourage them to align their products with the AccorHotels commitments.

The charter is managed and implemented through the GAIA reporting application. For each commitment of the charter, every hotel reports on whether it has implemented the commitment. The target is demanding: a hotel is considered to be in compliance with the Healthy and Sustainable Food Charter when it fulfills the 20 commitments (*i.e.* the 10 mandatory commitments and the local commitments chosen by each country).

The results are shown in the table below.

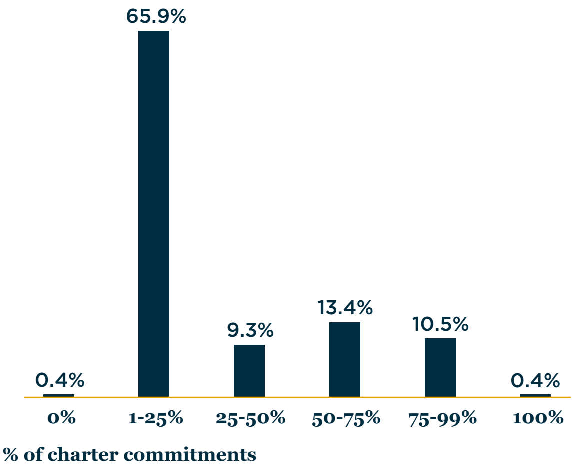
Hotels involved in 2017

The table below shows the results of the 28 commitments of the Healthy and Sustainable Food Charter. It shows the information about the hotels that provided their data and had access to the tracking of the charter's actions (this excludes the hotels in Germany and FRHI, which do not yet use GAIA).

	Number of applicable hotels	% of hotels that have implemented the action
Commitments Common to the Group	**2,892**	
Reduce food waste by 30%, with the help of weighing, analysis and tracking		**6%**
Offer high-quality products at a good price, regardless of the price range of our restaurants		**26%**
Offer vegetarian dishes		**77%**
Offer eggs (in shell and liquid forms) that come from free-range hens raised outdoors		**18%**
Prefer products with little or no chemical food additives		**20%**
Give priority to in-season fruits and vegetables		**30%**
For the two fruits sold the most, prefer organically farmed fruits		**12%**
Offer organically farmed products		**62%**
Offer responsibly produced, externally certified tea or coffee at breakfast		**23%**
Ban six endangered species of wild fish from menus		**99%**
Local commitments		
Based on the region, ban threatened species of wild fish from menus	2,890	**28%**
Donate unsold products, in compliance with local regulations and health rules	1,879	**28%**
Avoid individual portions for jam and other breakfast products	2,528	**26%**
Eliminate coffee pods	2,215	**20%**
Favor large bottles of water and eliminate bottles smaller than 50cl	2,840	**23%**
At each meal, offer an option designed to satisfy the nutritional needs of everyone	2,041	**27%**
Offer gluten-free options at all meals	1,748	**28%**
Offer pieces of meat that do not contain hormones	1,550	**20%**
Offer milk from cows raised without growth hormones	2,489	**16%**
Eliminate palm oil from at least three key products	2,366	**20%**
When palm oil is essential for a recipe, favor products made from sustainable palm oil	2,349	**20%**
Do not cook with palm oil	1,748	**31%**
Favor bread, pastries and cakes that do not contain glucose-fructose syrup, or as little as possible	1,351	**27%**
Do not offer products or ingredients from producers located thousands of kilometers away	2,510	**58%**
Develop and support short food supply chains	2,380	**25%**
Install a vegetable garden	-	**-**
Offer at least one ingredient from a "Plant for the Planet" farm	739	**15%**
Offer a menu that includes one fish from sustainable fishing or sustainable aquaculture	1,450	**24%**

Progress of the deployment of the Healthy and Sustainable Food Charter

(% of hotels that have fulfilled the commitments)



A total of 0.4% of hotels fulfilled all the commitments, but the trend is positive, with 24.4% of hotels fulfilling at least 50% of the commitments as at end-2017.

IDENTIFY RESPONSIBLE EGG SOURCES FROM FREE-RANGE HENS

AccorHotels has set as its target for 2020 to purchase for its restaurants eggs (in shell and liquid forms) from free-range hens raised outdoors in countries where suppliers exist, and from cage-free hens in other countries by 2025. To accomplish this, in 2016 AccorHotel partnered with the Humane Society International (HSI), a global animal-protection organization that helps it find and develop production sources of cage-free eggs, especially in regions where these sources are limited or hard to identify. As part of this effort, the HSI teams and AccorHotels teams in Asia and Latin America engage in dialogue with the goal of identifying suppliers, informing them about the Group's ambition to improve its provisioning and consequently help create sources. In France, Australia and Poland, Group hotels were already getting part of their egg supply from cage-free hens or free-range hens raised outdoors before the Group made its commitments.

At end-2017, 18% of hotels got supplies of eggs laid by free-range hens raised outdoors.

2.8.3 Developing urban farming

The development of urban and peri-urban farming could provide an answer to the growing urbanization and widening gap between rural food-producing agricultural areas and cities, whose inhabitants are now merely food consumers. In recent years, solutions have been emerging everywhere to bring these two worlds closer together: urban vegetable gardens, suburban educational farms, short supply chains, direct sales, etc.

Present in more than 1,700 cities, AccorHotels wants to play a pioneering role and support this system-wide transition.

Planet 21 commitment: 1,000 urban vegetable gardens in our hotels

These vegetable gardens must meet certain criteria, in particular a minimum area of cultivation, the production of plants intended for food consumption, regular maintenance, environment-friendly cultivation practices, etc. Every vegetable garden is suited to the context of the hotel and its space constraints: Hotels with a garden will be able to develop vegetable gardens in ground-beds, others will set up gardens on rooftops or terraces, grow plants in soil or test innovative solutions (see insert). The vegetables, fruits, aromatic herbs, and edible flowers that they produce may be added to the restaurants' menu, used in cocktails, aromatic oils, and infusions of spas or infusions offered.

In November 2016, a website created with an expert start-up, Topager, was made available to the hotels to help them in the creation of a vegetable garden. This site has enabled hotel owners to create their vegetable garden project with a few clicks based on different criteria, such as climate, available space (garden, balcony, roof, facade, etc.), the desired use of the products (in the bar, in the kitchen, sharing with guests, etc.). According to these criteria, the site identifies different varieties of plants suited to the hotel's project and provides numerous tips and techniques to start its garden, on its own or with the help of a specialized service provider. Since it was launched, the tool has recorded nearly 2,800 users and more than 49,000 pages viewed internally.

All AccorInvest construction and renovation projects now include a systematic analysis of the relevance and the methods of including a vegetable garden in the design stage. The aim is not to focus on the self-sufficiency of one hotel but to commit its staff to a more general analysis of its supplies. This encourages the hotel to focus on the economic ecosystem of the surrounding area, to research local producers, organic products, local products, etc.

VEGETABLE GARDENS THAT MAKE SENSE

Reintroducing urban farming is a genuine challenge to society and AccorInvest wishes to participate actively at its level by implementing projects on rooftops, terraces or in the gardens of its hotels. Thus in 2017, around twenty vegetable garden projects were carried out in AccorInvest owned and leased hotels. The goal is to deploy this action more widely in all our hotels and to include it in all new constructions or renovation projects.

This action can raise awareness of the issue among employees and guests and involve the hotels in a more widespread process: sorting and recognizing the value of green waste and food waste by composting one portion on-site, using food products from short supply chains (a portion of the products served in the restaurants and/or bars comes from vegetable gardens), participating in the development of urban biodiversity, and sometimes making vegetable gardens special places for discussion among employees, guests and nearby residents.

Achievements vary according to the hotels (from 30 m^2 to 400 m^2) depending on technical constraints and objectives with more or less innovative solutions rolled out. For example, the AccorInvest teams have worked with a start-up to install an urban aeroponic farm in Mercure Boulogne, allowing varied and sufficient production to supply the hotel restaurant with strawberries, tomatoes, eggplant, salad greens and aromatic herbs throughout the production season (May to October).

At the Rueil-Malmaison Novotel Suites, a vegetable garden was planted in cement planters at the hotel entrance (around 30 m^2). An event was created by the hotel staff with the primary school located opposite the hotel that allowed young city-dwellers to use the educational event to familiarize themselves with different plants and recognize and care for them.

Through these experiments, AccorInvest identifies the competent start-ups and the technologies and plants suited for each building. This allows them to grow fruits and vegetables in the city and to learn to create the circular economy between waste from the restaurants and the vegetable gardens and to promote the emergence of local value chains that will take over from urban farming.

Hotels involved in 2017

In 2018, there has been a marked increase in the deployment of vegetable gardens, with 782 vegetable gardens (30%* of the hotels equipped).

An internal survey conducted with the hotels that have installed a vegetable garden reveals that the main reasons that prompted them to create a vegetable garden are: contributing to sustainable development under the Planet 21 – Acting Here program, enhancing employee involvement and having fresh, high quality food for the restaurant. Among the hotels responding 34% of the vegetable gardens are located in the gardens of the hotels, 15% on terraces and 10% on rooftops. More than 50% of those vegetable gardens are accessible to guests, and the interactions around the vegetable garden are considered a major asset for the hotels. 10% of the hotels responding involve the local communities around their vegetable garden: schools, neighborhood, compost collection, training sessions, etc., and 54% of the respondents would like to increase the surface of their vegetable gardens in the future.

ACCORHOTELS AND THE PROTECTION OF BIODIVERSITY

The Group is a strong proponent of the preservation of biodiversity, an important factor in the tourist appeal of many geographies.

The Group entered a partnership with CDC Biodiversity around the "Arbres d'Avenir" competition, a crowdfunding system helping farmers to switch to an agroforestry production model. This partnership resulted in the creation of the Nature 2050 Prize (see page 128).

AccorHotels' commitment is embodied in several concrete programs:

At the level of hotels (which contribute approximately 10% to the Group's footprint on biodiversity);

- the development of urban farming, which is one of the commitments of Planet 21 – Acting Here through vegetable gardens;
- the rational management of the gardens with the "Use ecofriendly landscape maintenance products or ban chemical treatments" action, in which 36% of the hotels participated as of the end of 2016;
- control of discharges is a lever to reduce the Group's impact on biodiversity, and it is one of the 16 mandatory actions of Planet in Action.

In upstream farming operations (which contribute approx. 90% to the Group's footprint on biodiversity):

- the commitment to promote healthy and responsible eating in its restaurants (see page 139), for example by increasing the use of products from organic or rational farming, or by not offering endangered species of fish on the menu;
- the "Plant for the Planet" program (see page 127) which exists alongside actions in favor of insetting (page 127);
- the commitment to promote ecofriendly products such as furniture using certified wood (see page 114).

* *Scope of reporting: hotels using the Gaia reporting tool that completed their report.*

2.9 MEASURING AND ASSESSING PERFORMANCE

2.9.1 CSR indices and standards

AccorHotels is included in several internationally recognized indices and standards:

- Euronext Vigeo Europe 120, Euronext Vigeo Eurozone 120;
- FTSE4Good;
- Ethibel Sustainability Index (ESI) Excellence Europe;
- Standard Ethics French Index;
- MSCI ACWI ESG Leaders Index and MSCI ACWI SRI Index;
- STOXX: EURO STOXX & STOXX 600 Low Carbon, EURO STOXX & STOXX Global Reported Low Carbon, EURO STOXX & STOXX Europe Sustainability, STOXX Europe & STOXX Global Climate Impact Ex Global Compact, STOXX Global 1800 Low Carbon, STOXX Global Reported Low Carbon, STOXX Global ESG Environmental Leaders, STOXX Global ESG Governance Leaders, STOXX Global ESG Inpact, STOXX Global ESG Leaders, STOXX Global ESG Social Leaders.

AccorHotels is also rated by non-financial agencies:

- CDP Carbon rating: A- AccorHotels has been participating in CDP Carbon since 2006. This international organization asks leading corporations to report on their climate change strategies, their approach to carbon cost imposition and their greenhouse gas emissions performance;
- Oekom rating: “Prime”;
- Ecovadis rating: “advanced” level;
- Sustainalytics rating: “Overall ESG Score: 78, Leader performance (the highest level).

Furthermore, AccorHotels has received the “Silver Class Sustainability Award 2017” based on the scoring on the “RobecoSAM’s annual Corporate Sustainability Assessment (CSA)”.

2.9.2 Awards and recognition

In 2017, Accor was awarded a number of international prizes.

In the Asia-Pacific region, AccorHotels won the “HR Excellence Awards 2017” prize for its intergenerational diversity program.

The Fairmont Château Lake Louise hotel received an Emerald Award at the 26th annual Emerald Awards ceremony in the major companies category, recognizing its complete sustainable development program, particularly the following initiatives: a vast recycling program, a program of responsible paper consumption, a 50% supply in energy from renewable sources.

Several of the Group’s hotels received Dubai Sustainable Development Awards:

- the “Conservation Champions” prize for AccorHotels Middle East;
- the “Best Green 3 Stars Hotel” prize for the Hotel Suite Novotel Mall of Emirates;
- the “CSR Champion” prize for the Adagio Al Barsha hotel;
- the “Best Retrofit & Best Green Procurement Policy” prize for the Fairmont The Palm;
- the “Best Green 5 Star Hotel” prize for Sofitel The Palm.

2.9.3 Application of the “supply or explain” principle

Controlling local environmental impacts

Apart from the challenge of climate change, most of the environmental impacts faced by AccorHotels are local challenges: water consumption and discharge, water scarcity, impacts on biodiversity, production of waste. The Group is aware that these local factors are part of its challenge, and it has worked to find local responses, by mobilizing its hotels and employees, designing hotels that are more environmentally sensitive, etc. All of the environmental topics discussed in this document are a testament to this approach and its local dimension.

Land use

The vast majority (83%) of AccorHotels hotels are located in downtown and suburban areas, where local treatment services, especially for water and waste, are available.

For building and refurbishment projects in environmentally sensitive areas, detailed environmental studies are conducted to anticipate and minimize any adverse impact on their surroundings. A siting and environmental integration study is required before construction, including a pollution study by a qualified engineering firm, as specified in the AccorHotels technical standards, which must be adhered to for HotelInvest construction projects.

Inconveniences for the neighborhood

The guides for the construction and renovation of hotels specify that hotels must be designed in a way that minimizes any disturbances for neighboring properties, both noise-related and climate-related. As such, the effects of the construction on natural lighting and wind for neighboring buildings must be studied by experts. Utility rooms and air intake and exhaust vents in particular must be designed and located such that they limit any disturbances (noises, smells, visual), and areas that are particularly noisy (bars, parking lots) must have appropriate shelter or fencing.

2.9.4 Methodological review

This section explains the methodology applied in our corporate, social, and environmental responsibility reporting process. This process is based on a reporting protocol that provides full detailed specifications on responsibilities, Accor definitions, methods for measuring data and indicators.

Performance is measured through four types of indicators:

- employee relations indicators;
- Planet 21 In Action indicators, which cover the environmental and social responsibility actions deployed in the hotels;
- indicators used to manage water use, energy use and greenhouse gas emissions;
- additional employee-relations indicators and sustainable procurement indicators.

The reporting period is January 1 to December 31 of the financial year.

Human resources

Group-wide quantitative reporting takes place twice per year. Annual reports are used as the basis for publications.

Qualitative data is reported at the end of each yearly period.

Quantitative reporting

Reporting scope and frequency

Employee data are reported for:

- employees of owner or leased hotels. These are employees of the AccorHotels Group. People who work in the managed hotels are included in the report;
- employees of managed hotels. Employees working in these hotels are not employees of the AccorHotels Group, but are under AccorHotels management, except for certain cases in hotels where AccorHotels employees are on assignment;
- employees of Adagio hotels and headoffices.

Employee data do not include:

- employees of owned, leased, and managed hotels closed as of December 31, 2017;
- employees of owned, leased, and managed hotels opened after November 30, 2017;
- contingent workers, interns, and temporary workers;
- employees of franchised hotels or units in which AccorHotels owns an equity interest but does not exercise any management responsibility (condition-based management contracts).

In 2017, indicator data could not be reported from one hotel in Germany, Egypt and Switzerland, two hotels in Iran, 20 hotels in Brazil and 57 hotels in France.

Certain hotels are managed under co-ownership agreements (especially in Australia and New Zealand). Reports on workers at these hotels are provided for one of the two hotels, and therefore only for one brand.

Reporting application

Employee data is reported and the related indicators managed *via* the proprietary **HR DATA application** that was revamped in 2009 and redeployed in 2010. The application has been steadily upgraded with new features to enhance user-friendliness and improve the reliability of the reported data.

Reporting and control process

The reporting process for the Group is defined in the **"Talent & Culture reporting protocol"**. This document applies to everyone involved in reporting, from the head offices of the Group to hotels. It provides a detailed, comprehensive description of Group procedures and definitions, the methods used to measure data and indicators, and the areas at risk that require particular attention. It also describes country-specific features, which are frequently updated.

The protocol in French and English has been sent by the Talent & Culture Department to everyone responsible for the reporting process.

Reporting officers have been designated at three levels. They are responsible for entering, verifying and validating employee data in compliance with the recommendations of the human resources reporting protocol:

- At the level of the hotels:
  - collect and validate hotel data;
  - confirm the completeness of the data.
- Country level:
  - confirm the completeness of the data;
  - verify and validate the data reported from all of the hotels in its scope of operations.
- Corporate level:
  - coordinate the consolidation of data from across the Group;
  - confirm the completeness of the data;
  - ensure the consistency of reported data and correct any errors after verification with the regional manager.

Indicators

Number of payroll and non-payroll employees

Workforce indicators are measured and disclosed on the basis of the **monthly average number** of employees.

Disabled employees are only included as such if officially recognized in the countries where they work. AccorHotels therefore considers that this indicator might slightly underestimate the number of disabled employees working for the Group.

To estimate the **number of employees in franchised** hotels, the number of rooms in the franchised hotel base has been multiplied by the average number of actual employees per room in our owned, leased and managed hotels. These estimated figures have been adjusted to reflect the characteristics of each brand and of the country or region where the owned, leased, managed, and franchised hotels are located. For example, an ibis hotel requires many fewer employees than a Sofitel.

The job category classification is specified as follows:

- An employee with **non-manager** status follows set procedures and goals. He or she does not work closely with the site Director and is not responsible for any hierarchical or financial processes.
- An employee with **intermediate management** status has a great deal of autonomy in making decisions and must fulfill at least two of the following responsibilities: hierarchical responsibility (responsible for evaluating, recruiting and remuneration for one or more employees), in relationship with their job (autonomy and level of responsibility) or financial responsibility (budgeting, costs, profits).
- An employee with **Director** status is the General Manager, or in the offices, is characterized by significant autonomy and responsibility for the profits in their section. A director is responsible for setting goals, determining procedures, and coordinating all entities for which he is responsible. General Managers at hotels, for a limited number of hotels, include the Area Manager or DOP positions when they are assigned to a hotel and not to the head offices, especially in South America.

Employee movements

Every employee movement during the period is reported, regardless of the type of job contract. A departure is not recorded as a movement in the following cases:

- when an employee changes from a non-permanent to a permanent contract;
- when a non-permanent contract is renewed without interruption or during the same month;
- when an employee transfers to another position in the Group.

Separations due to job abandonment are recorded as dismissals, inasmuch as such abandonment is at the employee's initiative, whereas termination is at the employer's initiative. Internal transfers to a managed hotel not considered as a transfer may be considered a departure at the initiative of the employee.

Absenteeism

Days absent are reported in number of business days, as defined by local labor legislation.

Three categories are considered:

- medical leave (including leave for illness of the employee, illness of the employee's child, work-related illness and commuting accidents). This category does not include maternity or paternity leave;
- workplace or commuting accidents;
- unauthorized leave. This does not give rise to any direct costs for the Group because it covers unauthorized absences without pay, depending on local labor laws. This means that their number may be underestimated, because unpaid leave is not always tracked by local human resources departments.

The **lost-time injury rate** is calculated as follows: number of work accidents causing at least one day of lost time – or according to duration in local legislation – compared with the number of theoretical hours worked x 1,000,000.

The calculation of hours worked was modified in 2016 to standardize the data returns. Hours worked are calculated as follows: Total hours paid – (theoretical hours of leave workforce).

The **injury severity rate** for workplace accidents is calculated as follows: absences due to work accidents divided by the number of theoretical hours worked x 1,000.

The incident severity rate is calculated according to the number of absences related to workplace or commuting accidents.

In 2017, for 19% of hotels, the number of hours paid has not been considered as reliable. Therefore, it has been estimated considering that a FTE works 159 hours per month, which corresponds to the average recorded on 81% of hotels.

In 2017, the calculation of the lost-time injury rate and the injury severity rate is based on hotels data only. Due to an absence of data, the calculation does not include:

- the head offices;
- the 62 Adagio and Adagio Access units in France;
- 1 hotel in France, in Japan, in Mongolia, in New Zealand, in Singapore, in Switzerland and in Thailand, 2 hotels in Germany, in Belgium, in Lithuania, in Morocco, and in Mexico, 3 hotels in Austria, in India and in French Polynesia, 4 hotels in Canada, in USA and in Fiji, 5 hotels in Italy and 6 hotels in Australia.

Fatal **workplace accidents are included** in the number of lost-time incidents or commuting incidents. An accident is considered fatal if the employee dies within 365 days following the incident.

Training

The number of training hours reported includes courses conducted by Académie AccorHotels, AccorHotels managers and contract service providers for hotels and head offices.

The number of hours' training is counted differently by different local systems.

In addition, some training provided in hotels is omitted from group reporting in countries where centralized systems are used. In fact, training-specific information systems do not track job take-up training or non-brand-program training provided by management using specialist equipment provided by Académie AccorHotels.

The number of payroll and non-payroll employees who received training at least once is calculated as follows: a person who has received training counts once, even if they received training several times over the reporting period. However, because people are often counted every time they attend a course, this tends to over-estimate the total number.

Qualitative reporting

Qualitative reporting is requested of the members of the international Talent & Culture network involved in quantitative reporting. In 2017, qualitative reporting covered 2,001 hotels, which corresponds to 94% of the quantitative reporting scope (in number of hotels). It is self-assessed and done using an online questionnaire for the Vocaza software, and is sent to the T&C correspondents for quantitative reporting for each scope of reporting.

Qualitative reporting was reworked in 2015 to improve the quality of the data. In 2016, for greater relevance, coverage on collective agreements signed is reported by number of agreements signed and hotels covered by an agreement and not by percentage of employees covered.

Planet 21 In Action

Reporting scope and frequency

The Planet 21 In Action indicators cover all of the owned, leased, managed, and franchised hotels, except for:

Excluded from the scope of reporting are:

- hotels that joined the AccorHotels network after September 15 of the reporting year;
- hotels that were no longer part of the AccorHotels network as of December 31 of the reporting year;
- Thalassa sea and spa facilities, whose data are often reported with their host hotel's;
- hotels that were closed for renovation or other reasons during the reporting period or that suffered an exceptional event, such as a flood or an earthquake, that disrupted their operations during the reporting period;
- hotels forming part of a brand, in which AccorHotels' stake is less than 50%, *e.g.* Mama Shelter;
- FRHI and Adagio Access hotels due to their ongoing integration into the Planet 21 program.

Planet 21 In Action indicators are reported annually.

Indicators

Planet 21 In Action data are reported by the hotels concerned. this can lead to a certain level of uncertainty despite the four controls described above. Results are expressed as a percentage comparing the number of hotels implementing a given action to the total number of hotels applying Planet 21 In Action. Some actions apply only to hotels equipped with special facilities such as restaurants including those not operated by AccorHotels, laundry, etc., or to certain brands or countries (examples: Plant or the Planet is not applicable to the Middle East (except for the United Arab Emirates), Algeria or Fiji or for Adagio, Fairmont, Raffles, Swissotel and hotelf1 in France, the action "responsible product and services offering" is not applicable for Sofitel/Pullman/Grand Mercure China; a WATCH sub-action is not applicable for China). The percentage of hotels is then calculated in relation to the relevant scope.

Data collection and control

Hotels enter Planet 21 In Action data annually and verify them in the GAIA application. The data then go through four checks:

- by the hotel: the person in charge of reporting at the hotel uses the Planet 21 In Action sheets to ensure that the actions in question have effectively been carried through;
- by the person in charge of Planet 21 In Action reporting at the country level: checks compliance with deadlines, fit with definitions and data consistency;
- by the person in charge of Planet 21 In Action reporting at the country level: consolidation of results and checks;
- quality audits are performed every year in some hotels, covering the ten actions corresponding to the Bronze level of Planet 21 In Action.

Water and energy

Scope of reporting

The scope of reporting covers all of the owned, leased or managed AccorHotels brand open at December 31 of the reporting year, except for hotels that are being gradually integrated into the AccorHotels network or are incapable of measuring use:

- hotels that joined the network after September 15 of the reporting year;
- new acquisitions during the reporting year that are not under an AccorHotels banner;
- hotels closed for renovation during the reporting period;
- Thalassa sea and spa facilities, whose data are often reported with their host hotel's;
- independently operated units or structures and franchised hotels;
- hotels under commission-based management contracts (some ibis *budget*, hotelF1 and Formule 1 hotels);
- Mercure Appartement in Brazil;
- ancillary in-hotel activities, such as retail outlets and residential units, that are not managed by AccorHotels assuming their data can be clearly segregated.

This year, the data from the FRHI & Adagio France hotels are part of the scope of reporting.

Indicators

Water use

Total water use in water use in m^3 is the amount of water used over one year by the hotels in the scope of reporting, regardless of purpose (lodging, food service, grounds watering, etc.).

Total specific water use (hotel pumping facilities, recycling of rain water or wastewater) is reported if metered.

Energy consumption

Reported energy use is the final energy used over one year by the hotels in the reporting scope expressed in MWh.

Total energy use is use by the hotels from all energy sources (electricity, gas, etc.) for all uses (lodging, food service, etc.).

Use data reported by the hotels are expressed by type of energy. For fuel, energy consumption is calculated on the basis of volume or mass consumed and each unit's heating value (HV).

Greenhouse gas emissions

The greenhouse gas emissions presented in the report, expressed in tons of CO_2 equivalent are the direct emissions (which correspond to the fuels, such as gas and fuel oil, burned at the hotels) and indirect emissions (due on the one hand to the electricity consumed in the hotels, and on the other hand to the heat and air conditioning supplied by urban heating and cooling networks.

Energy use is converted by using updated emission factors from the resource center on greenhouse gas reports/ADEME (http://www.bilans-ges.ademe.fr).

Costs

The water and energy costs presented in the report correspond to all the water and energy invoices of the hotels in the scope of reporting as reported in the Group's financial reporting tool.

Data collection and control

At the start of every month, the hotels enter their water and energy consumption in the online water and energy management tool. The country and hotel maintenance teams control the inputs and discuss drifts and possible improvements with the hotels. At the end of the year, the data are validated at the regional level initially and then at the central level before being submitted to the auditors. These are the data controlled and audited that are presented in this document.

Procurement

Scope of reporting

The indicator tracking the Group's consolidated volume of purchases (€4 billion in 2016) covers all of the hotel operating structures and includes purchases from nominated suppliers, as well as estimated purchases from non-nominated suppliers by the country Procurement Departments in countries where they exist.

The other indicators cover purchases from nominated suppliers.

Data are reported from the 19 Procurement Departments representing the largest purchasing volumes, including the Corporate Procurement Department.

The 18 Procurement Departments that have provided data are: Australia, Austria, Belgium & Luxembourg, Brazil, China, France, Germany, Hungary Italy, the Netherlands, New Zealand, Poland, Portugal, Spain, Switzerland, the United Arab Emirates and the United Kingdom and the United States. Data was also reported by the Corporate Purchasing Department.

In 2017, contracts between AccorHotels and active suppliers as at December 31, 2017 are included. This means that a supplier who has terminated his agreement in the course of the year is not included in the reporting, whereas a contract that began during the year is included.

The number of suppliers was counted by "supplier entity". For the AccorHotels that have signed an approval agreement with the parent company and/or one or more subsidiaries of the same supplier, the basis for calculating the indicators is hence the number of entities owning one or more approval agreements in one or more procurement categories.

Indicators

Signature of Procurement Charter 21: Signing the Procurement Charter 21: percentage of suppliers that signed the Procurement Charter 21, in comparison to the total number of suppliers.

Percentage of suppliers that have conducted a self-assessment: percentage of assessments done by suppliers on a CSR assessment platform compared to the number of suppliers in the at risk and high risk categories.

Percentage of suppliers having undergone an external audit percentage of suppliers audited by an independent agency compared to the number of suppliers in high risk categories.

Action plans: percentage of action plans monitored in relation to the number of risk and high-risk suppliers.

Data collection and control

Depending on the indicator, data may be reported by suppliers, buyers (*via* online reporting applications) and/or third parties.

They are initially checked by the country Procurement Manager. The latter ensures that they are accurate and consistent with the rest of the information. They are then re-checked by the corporate sustainable Procurement reporting manager.

Purchasing audits review compliance with the sustainable procurement issues described in the "Indicators" chapter.

Plant for the Planet

Reporting scope and frequency

Plant for the Planet indicators cover all of the owned, leased, managed and franchised hotels participating in the program, excluding the budget segment (hotel F1), Adagio, Middle-East (except UAE), Algeria, Fiji, Fairmont, Raffles, Swissôtel.

Data are collected based on the payment campaigns conducted in June and December of each year.

Indicators

Number of hotels participating: this figure is based on the number of payments received by Pur Projet and its partners during in 2017.

Combined number of trees financed: this figure is calculated by dividing the sum of donations received by Pur Projet and our traditional NGO partners in the "Plant for the Planet" program by the unit cost of the trees, as reported by these same partners.

Data control

Since 2013, the indicators have been controlled directly by Pur Projet, AccorHotels' partner in charge of supervising and managing the "Plant for the Planet" program.

2.9.5 Indicator tables

Employee relations indicators

Employee-relations indicators are presented by region when their change is highly dependent on local conditions. The other indicators are presented by operating structure.

Indicators	2016			2017		Change	
	Owned and leased hotels	Owned, leased and managed hotels	Owned, leased and managed hotels included in the FRHI*	Owned and leased hotels	Owned, leased and managed hotels	Owned and leased hotels	Owned, leased and managed hotels
EMPLOYMENT COMMITMENTS							
Number of payroll and non-payroll employees	**44,635**	**150,499**	**193,149**	**46,026**	**192,627**	**1,391**	**42,128**
% women	55%	46%	45%	54%	44%	-1%	-2%
% men	45%	54%	55%	46%	56%	1%	2%
By age							
Under 25	15%	18%	17%	15%	17%	0%	-1%
25 to 34	34%	38%	38%	33%	38%	-1%	0%
35 to 44	25%	24%	24%	26%	24%	1%	0%
45 to 54	17%	14%	15%	17%	15%	0%	1%
Over 55	8%	5%	7%	9%	7%	1%	2%
By seniority							
Less than 6 months	13%	16%	15%	13%	15%	0%	-1%
6 months to 2 years	23%	31%	30%	22%	29%	-1%	-2%
2 to 5 years	20%	23%	23%	21%	24%	1%	1%
5 to 10 years	19%	15%	16%	18%	15%	-1%	0%
10 to 20 years	17%	11%	11%	18%	11%	1%	0%
More than 20 years	9%	4%	6%	9%	6%	0%	2%
% disabled	2.24%	1.04%	0.90%	2.07%	0.89%	0%	0%
Management							
% of total workforce	19%	15%	13%	19%	13%	0%	-2%
% women	48%	42%	42%	49%	42%	1%	0%
% men	52%	58%	58%	51%	58%	-1%	0%
Hotels Managers by age – total							
Under 25	1%	2%	2%	1%	2%	0%	0%
25 to 34	29%	35%	34%	29%	36%	-1%	-1%
35 to 44	37%	37%	38%	36%	38%	-1%	1%
45 to 54	24%	20%	20%	24%	19%	1%	0%
Over 55	9%	6%	7%	10%	6%	1%	0%
Hotels Managers by age – hotels							

Indicators	2016 Owned and leased hotels	2016 Owned, leased and managed hotels	2016 Owned, leased and managed hotels included in the FRHI*	2017 Owned and leased hotels	2017 Owned, leased and managed hotels	Change Owned and leased hotels	Change Owned, leased and managed hotels
Under 25	1%	2%	2%	1%	2%	0%	0%
25 to 34	30%	36%	35%	29%	36%	-1%	0%
35 to 44	36%	37%	38%	36%	38%	0%	1%
45 to 54	23%	19%	19%	23%	19%	0%	0%
Over 55	9%	6%	6%	9%	6%	0%	0%
of which Hotel General Managers	889	1,706	1,812	838	1,783	51	77
% women	34%	29%	28%	35%	29%	1%	0%
% men	66%	71%	72%	65%	71%	-1%	0%
including % host country nationals	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Working conditions							
% full-time employees	N/A	N/A	N/A	N/A	N/A	N/A	N/A
% part-time employees	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Average number of days of medical leave per employee over the year	9.0	5.0	N/A	7.6	4.1	-1.3	-0.8
Of which due to workplace accidents	0.8	0.4	N/A	0.8	0.4	0.0	0.0
Average number of days of unauthorized leave per employee over the year	0.6	0.6	N/A	0.7	0.6	0.1	0.0
Lost-time injury rate resulting from workplace accidents	18.6	12.1	N/A	23.1**	12.5	N/A	N/A
Incident severity rate for workplace and commuting accidents	0.5	0.3	N/A	0.6**	0.3	N/A	N/A
Number of fatal workplace and commuting accidents	1	4	N/A	1	4	0	0

* *The data from owned, leased and managed hotels are consolidated in 2017. In 2016, based on 116 FRS establishments that reported their data, global indicators are presented for information and transparency.*

** *The frequency and severity rate for subsidiaries is calculated excluding head offices.*

	France & Switzerland		Europe (excluding France and Switzerland)		Africa Middle East		Asia-Pacific		South America		North and Central America & the Caribbean		Total	
	2016	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**
Owned and leased hotels	**14,509**	**13,515**	**18,144**	**18,831**	**2,336**	**2,249**	**2,635**	**3,371**	**6,533**	**6,021**	**478**	**2,039**	**44,635**	**46,026**
Upscale luxury hotels	2,299	1,807	2,046	2,512	1,085	1,139	55	1,745	1,620	1,152		859	7,104	9,213
Midscale hotels	4,882	4,869	8,982	9,057	535	425	1,356	622	1,599	1,603	173	610	17,527	17,185
Economy hotels	4,931	4,317	5,577	5,664	577	507	460	228	2,717	2,681	183	182	14,445	13,579
International head offices	1,132	1,146	1,539	1,599	139	179	764	776	597	585	122	389	4,293	4,673
Holding company – payroll employees	1,267	1,377											1,267	1,377
Managed hotels – non-payroll employees	**2,817**	**4,371**	**7,225**	**10,966**	**15,504**	**22,690**	**71,026**	**79,925**	**6,508**	**6,126**	**2,782**	**22,523**	**105,864**	**146,601**
Upscale luxury hotels	1,267	2,553	2,141	6,115	9,035	16,078	37,256	43,514	1,560	1,498	1,688	21,671	52,946	91,429
Midscale hotels	1,313	1,558	3,804	3,467	4,611	4,701	27,816	29,560	3,219	2,949	880	628	41,643	42,863
Economy hotels	237	260	1,280	1,384	1,859	1,911	5,948	6,843	1,729	1,679	215	224	11,268	12,302
International head offices							7	7					7	7
TOTAL EMPLOYEES	**17,326**	**17,886**	**25,369**	**29,798**	**17,840**	**24,939**	**73,661**	**83,296**	**13,041**	**12,146**	**3,261**	**24,562**	**150,499**	**192,627**
Training														
Total training hours	169,387	169,838	310,304	355,918	210,336	255,148	2,013,559	2,542,255	351,601	297,808	36,226	290,168	3,091,413	3,911,135
Number of employees having attended at least one training course	8,047	8,982	22,713	26,280	13,436	20,216	78,250	84,847	13,230	13,199	3,168	21,880	138,844	175,404
Employee movements														
New hires	6,878	9,163	10,764	13,963	5,893	6,810	36,577	38,853	7,387	5,199	1,119	7,162	68,618	81,150
Separations	11,319	11,965	10,505	12,065	5,702	6,575	33,148	35,634	5,432	4,530	1,094	7,109	67,200	77,878
of which resignations	1,740	2,126	6,704	7,730	3,930	4,182	28,342	30,286	1,858	1,697	787	4,567	43,361	50,588
of which terminations	1,107	1,312	1,662	1,713	817	981	2,692	2,745	3,445	2,622	45	914	9,768	10,287
of which redundancy	48	44	171	226	36	306	52	173	4	5	2	40	313	794

Environmental and social responsibility indicators

Scopes of reporting

Scope of reporting	2017 Owned, leased and managed hotels	2017 Owned, leased, managed and franchised hotels
Total number of AccorHotels hotels in the consolidation scope	2,097	4,017
Number of hotels applying Planet 21 In Action response rate	1,961 -94%	3,355 84%
With restaurants	1,555	2,617

Results for Bronze initiatives

Scope of reporting	2016 Owned, leased and managed hotels	2016 Owned, leased, managed and franchised hotels
Designate one Planet 21 – Acting Here officer	99%	99%
Raise employees' awareness of the need to respect the Group's ethical values and rules	96%	95%
Raise employees' awareness of environmentally friendly practices for their jobs	97%	96%
By default, reuse the bed linen for stays of more than one night	99%	99%
Offer complimentary, ecofriendly products (soaps, shower gels, shampoos)	86%	89%

Scope of reporting	2016 Owned, leased and managed hotels	2016 Owned, leased and managed hotels + franchised hotels
Display key communication indicators on Planet 21 – Acting Here	96%	95%
Use ecolabeled cleaning products	98%	96%
Participate in the "Plant for the Planet" program	80%	71%
Deploy the child protection program WATCH	93%	91%
Ban endangered species of fish	98%	97%
Measure and analyze monthly water and energy consumption. Act in the event of drift	99%	98%
Comply with the water flow standard for all showerheads, faucets and toilets	97%	97%
Ensure that all wastewater is treated	98%	97%
Use energy-efficient bulbs	98%	98%
Sort and have your hazardous waste sorted using appropriate channels	98%	97%
Sort and recycle at least 2 types of waste: paper, glass, card or plastics	97%	95%

Energy, carbon and water Indicators

	2016		2017		% change at comparable scope of reporting	
	Perf. owned, leased and managed hotels	Perf. owned, leased, managed and franchised hotels	Perf. owned, leased and managed hotels	Perf. owned, leased, managed and franchised hotels	Perf. owned, leased and managed hotels	Perf. owned, leased, managed and franchised hotels
Energy and CO_2 indicators						
Total energy used	4,231 GWh	NA	4,415 GWh	NA	-2.0%	NA
Total CO_2 emission	1,859 thousands of teq CO_2	NA	1,956 thousands of teq CO_2	NA	-2.2%	NA
Direct emissions	255 thousands of teq CO_2	NA	249 thousands of teq CO_2	NA	-3.9%	NA
Indirect emissions	1,604 thousands of teq CO_2	NA	1,708 thousands of teq CO_2	NA	-1.9%	NA
Water indicators						
Total water use	33.9 million m^3	NA	36.8 million m^3	NA	-4.0%	NA

2.10 INDEPENDENT VERIFIER'S REPORT ON CONSOLIDATED SOCIAL, ENVIRONMENTAL AND SOCIETAL INFORMATION PRESENTED IN THE MANAGEMENT REPORT

Year ended on December 31, 2017

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

To the shareholders,

In our quality as an independent verifier accredited by the COFRAC[1], under the number n° 3-1050, and as a member of the network of one of the statutory auditors of the company Accor we present our report on the consolidated social, environmental and societal information established for the year ended on December 31, 2017, presented in the management report, hereafter referred to as the "CSR Information," pursuant to the provisions of the article L. 225-102-1 of the French Commercial Code (*Code de commerce*).

RESPONSIBILITY OF THE COMPANY

It is the responsibility of the Board of Directors to establish a management report including CSR Information referred to in the article R. 225-105 of the French Commercial Code (*Code de commerce*), in accordance with the protocols used by the Company composed of the social reporting protocol, sustainable procurement reporting explanation sheets, Guidelines for the Planet 21 actions and sustainable development reporting protocol in their updated versions of 2017 (hereafter referred to as the "Criteria"), and of which a summary is included in paragraph 2.9.4 "Methodological review" of the management report.

INDEPENDENCE AND QUALITY CONTROL

Our independence is defined by regulatory requirements, the Code of Ethics of our profession as well as the provisions in the article L. 822-11-3 of the French Commercial Code (*Code de commerce*). In addition, we have implemented a quality control system, including documented policies and procedures to ensure compliance with ethical standards, professional standards and applicable laws and regulations.

RESPONSIBILITY OF THE INDEPENDENT VERIFIER

It is our role, based on our work:

- to attest whether the required CSR Information is present in the management report or, in the case of its omission, that an appropriate explanation has been provided, in accordance with the third paragraph of R. 225-105 of the French Commercial Code (*Code de commerce*) (Attestation of presence of CSR Information);
- to express a limited assurance conclusion, that the CSR Information, overall, is fairly presented, in all material aspects, in according with the Criteria;

Nonetheless, it is not our role to give an opinion on the compliance with other legal dispositions where applicable, in particular those provided for in the Article L. 225-102-4 of the French Commercial Code (vigilance plan) and in the Sapin II law n°2016-1691 of December 9, 2016 (anti-corruption).

Our verification work mobilized the skills of 6 people between October 2017 and March 2018 for an estimated duration of 14 weeks.

We conducted the work described below in accordance with the professional standards applicables in France and the Order of May 13, 2013 determining the conditions under which an independent third-party verifier conducts its mission, and in relation to the opinion of fairness and the limited assurance report, in accordance with the international standard ISAE 3000[2].

(1) Scope available at www.cofrac.fr.
(2) ISAE 3000 – Assurance engagements other than audits or reviews of historical information.

1. Attestation of presence of CSR Information

Nature and scope of the work

We obtained an understanding of the Company's CSR issues, based on interviews with the management of relevant departments, a presentation of the Company's strategy on sustainable development based on the social and environmental consequences linked to the activities of the Company and its societal commitments, as well as, where appropriate, resulting actions or programmes.

We have compared the information presented in the management report with the list as provided for in the Article R. 225-105-1 of the French Commercial Code (*Code de commerce*).

In the absence of certain consolidated information, we have verified that the explanations were provided in accordance with the provisions in Article R. 225-105-1, paragraph 3, of the French Commercial Code (*Code de commerce*).

We verified that the information covers the consolidated perimeter, namely the entity and its subsidiaries, as aligned with the meaning of the Article L. 233-1 and the entities which it controls, as aligned with the meaning of the Article L. 233-3 of the French Commercial Code (*Code de commerce*).

Conclusion

Based on this work, we confirm the presence in the management report of the required CSR information.

As mentioned in the methodological review, the CSR Information presented concerns the group formed by the company, its subsidiaries and the companies it controls, and not the company itself as provided by law, the company considering that such a presentation is likely to give better information.

2. Limited assurance on CSR Information

Nature and scope of the work

We undertook about 10 interviews with the people responsible for the preparation of the CSR Information in the different departments, in charge of the data collection process and, if applicable, the people responsible for internal control processes and risk management, in order to:

- assess the suitability of the Criteria for reporting, in relation to their relevance, completeness, reliability, neutrality, and understandability, taking into consideration, if relevant, industry standards;
- verify the implementation of the process for the collection, compilation, processing and control for completeness and consistency of the CSR Information and identify the procedures for internal control and risk management related to the preparation of the CSR Information.

We determined the nature and extent of our tests and inspections based on the nature and importance of the CSR Information, in relation to the characteristics of the Company, its social and environmental issues, its strategy in relation to sustainable development and industry best practices.

For the CSR Information which we considered the most important[(1)]:

- at the level of the consolidated entity, we consulted documentary sources and conducted interviews to corroborate the qualitative information (organisation, policies, actions, etc.), we implemented analytical procedures on the quantitative information and verified, on a test basis, the calculations and the compilation of the information, and also verified their coherence and consistency with the other information presented in the management report;
- at the level of the representative selection of entities that we selected[(2)], based on their activity, their contribution to the consolidated indicators, their location and a risk analysis, we undertook interviews to verify the correct application of the procedures and undertook detailed tests on the basis of samples, consisting in verifying the calculations made and linking them with supporting documentation. The sample selected therefore represented on average 30% of headcount, 11% of hotels for Planet 21 indicators and 15% of listed suppliers for sustainable procurement, that were considered as representative characteristics of the environmental and social domains.

For the other consolidated CSR information, we assessed their consistency in relation to our knowledge of the Company.

(1) **Social information:**
Indicators (quantitative information): headcount breakdown per sex and geographic zone; headcount out; hours of training; people trained; absenteeism; working accidents especially their frequency and severity.
Qualitative information: organization of social dialogue; review of collective agreements; implemented policies and measures in favor of equality between women and men; implemented policies and measures to fight discrimination.
Environmental and societal information:
Indicators (quantitative information): water consumption; energy consumption; significant greenhouse gas emissions generated as a result of the Company's business, especially the use of produced goods and services; mandatory actions for Planet 21 In Action; number of listed suppliers and number of listed suppliers for which the ethical and CSR risk management process is deployed.
Qualitative information: the Company's organization to take into account environmental issues; actions taken for the prevention, recycling, other form of valorization and elimination of waste; actions taken against food waste; territorial, economic and social impact of the Company's activities on the local populations; consideration of social and environmental issues in the procurement policy of the Company; importance of subcontracting and addressing the social and environmental responsibility of suppliers, actions taken against corruption.

(2) **Social:** *China, Indonesia, Malaysia, Singapore, Thailand, the Netherlands, Poland.*
Environmental and societal:
for Planet 21 indicators: China, Indonesia, Malaysia, Singapore, Thailand, Poland;
for sustainable procurement: Germany, China, the Netherlands.

Finally, we assessed the relevance of the explanations provided, if appropriate, in the partial or total absence of certain information.

We consider that the sample methods and sizes of the samples that we considered by exercising our professional judgment allow us to express a limited assurance conclusion; an assurance of a higher level would have required more extensive verification work. Due to the necessary use of sampling techniques and other limitations inherent in the functioning of any information and internal control system, the risk of non-detection of a significant anomaly in the CSR Information cannot be entirely eliminated.

Conclusion

Based on our work, we have not identified any significant misstatement that causes us to believe that the CSR Information, taken together, has not been fairly presented, in compliance with the Criteria.

Paris-La Défense, March 16, 2018

French original signed by:

Independent Verifier

ERNST & YOUNG et Associés

Éric Duvaud
Partner, Sustainable Development

Bruno Perrin
Partner

2.11 APPENDICES

2.11.1 Scope 3 and how it relates to the environmental footprint

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

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

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

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

POSITIONS	IMPACTS				
	Energy	Water	CO_2	Eutrophication	Biodiversity
Temperature control and cooling system	✓ (2015)	✓ (2015)	✓	✓ (2015)	✓ (2015)
Construction and renovation	✓	✓	✓	✓	✓ (2015)
Room items: towels and paper products, bath products, televisions	✓	✓	✓	✓	✓ (2015)
Hotel energy consumption	✓	✓	✓	✓ (2015)	✓ (2015)
Hotel water consumption	✓ (2015)	✓	✓ (2015)	✓	✓ (2015)
Hotel management: cleaning products, pesticides	✓	✓	✓	✓	✓ (2015)
Office management: printers, paper products, IT hardware, and telephones	✓	✓	✓	✓	✓ (2015)
Employee travel	✓	✓	✓	✓ (2015)	✓ (2015)
Laundry	✓	✓	✓	✓	✓ (2015)
Food and Beverage	✓	✓	✓	✓	✓ (2015)
Waste processing	✓	✓	✓	✓	✓ (2015)
Customer travel	✗	✗	✗	✗	✗

✓ (2015) *Impacts assessed in 2015 but not in 2011*

✓ *Impacts assessed in both 2015 and 2011*

✗ *Non-assessed areas in 2015 and 2011*

The methodology used to measure the carbon footprint takes into account the Group's different greenhouse gas emissions according to their climate warming effect over a 100-year period. The study is based on the Life-cycle Assessment methodology (ISO 14040 and ISO 14044). The indicator is given in kg CO_2-eq and the emission factors of the "GHG protocol" are used. CO_2 emissions are closely linked to energy consumption, particularly when we consider only non-renewable energy consumption. For the study, the emission factors used to calculate the carbon footprint of each flow were updated.

2.11.2 Global reporting initiative correspondence

AccorHotels applies the principles of the Global Reporting Initiative launched in 2016 and declares its report in accordance with the GRI Standards: Core Option. A correspondence table is available on the website: http://www.accorhotels.group/en/commitment/the-expert-room/our-csr-approach

2.11.3 Contribution of AccorHotels Group to the United Nations Sustainable Development Goals

2. End hunger, achieve food security and improved nutrition and promote sustainable agriculture		
2.3 By 2030, double the agricultural productivity and incomes of small-scale food producers, in particular women, indigenous peoples, family farmers, pastoralists and fishers, including through secure and equal access to land, other productive resources and inputs, knowledge, financial services, markets and opportunities for value addition and non-farm employment	Communities & Food	See page 139, the healthy & sustainable food charter and local sourcing. See page 127, agroforestry operations backed by the Plant for the Planet program, to secure market opportunities for producers.
4. Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all		
4.3 By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university	Employee	See page 107, training programs.
4.4 By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship	Communities	See page 124, professional insertion projects supported by the Solidarity AccorHotels endowment fund.
5. Achieve gender equality and empower all women and girls		
5.1 End all forms of discrimination against all women and girls everywhere	Employee	See page 105, the fight against gender discrimination and the promotion of gender equality.
5.2 Eliminate all forms of violence against all women and girls in the public and private spheres, including trafficking and sexual and other types of exploitation	Communities	See page 126, the We Act Together for Children program (WATCH) against child sexual exploitation.
5.5 Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision making in political, economic and public life	Employee	See page 105, the fight against gender discrimination and the promotion of gender equality, the Women's Empowerment Principles carried by the UN to support the empowerment of women, the HeForShe solidarity movement, the program steered by UN Women, and the Women at AccorHotels Generation network (WAAG).
6. Ensure availability and sustainable management of water and sanitation for all		
6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally	Buildings & Guests	See page 114, the actions undertaken to limit water pollution through ecolabeled ecological products (cleaning products, shampoos, soap, etc.). See page 131, water use and water discharge. See page 135, waste management.
7. Ensure access to affordable, reliable, sustainable and modern energy for all		

United Nations Sustainable Development Goals	Planet 21 Strategy Pillars	Main contributions of AccorHotels
7.2 By 2030, increase substantially the share of renewable energy in the global energy mix	Buildings	See page 133, actions undertaken to increase the share of renewable energies and reduce total energy consumption.
7.3 D'ici à 2030, multiplier par deux le taux mondial d'amélioration de l'efficacité énergétique	Buildings	
8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all		
8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services.	Partners	See page 48, the economic footprint and jobs created. See page 118, the major innovation carried out each year to develop alternative, responsible models.
8.4 Improve progressively, through 2030, global resource efficiency in consumption and production and endeavour to decouple economic growth from environmental degradation, in accordance with the 10-year framework of programmes on sustainable consumption and production, with developed countries taking the lead.	-	See page 51, the Planet 21 strategy integrated into AccorHotels' economic model and the commitments taken by 2020.
8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value	Employee	See page 78, the Ethics and CSR Charter.
8.6 By 2020, substantially reduce the proportion of youth not in employment, education or training.	Employee & Communities	See page 107, training programs. See page 124, professional insertion projects supported by the Solidarity AccorHotels endowment fund.
8.7 Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour, including recruitment and use of child soldiers, and by 2025 end child labour in all its forms.	Employees & Partners	See page 78, the Ethics and CSR Charter and compliance with the major international fundamental principles such as the United Nations Global Compact, of which the Group has been a signatory since 2003, the International Labour Organization (ILO) Conventions and the principles of the Universal Declaration of Human Rights. See page 122, the ethical and CSR risk management process with the Group's owner partners and suppliers.
8.8 Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment.	Employee	See page 98, the framework agreements, social dialogue, health and safety programs, management of workplace risks. See page 121, the ethics and CSR risk management process with our suppliers.
8.9 By 2030, devise and implement policies to promote sustainable tourism that creates jobs and promotes local culture and products.	Employee	See page 48, the economic footprint and the creation of local jobs.
11. Make cities and human settlements inclusive, safe, resilient and sustainable		
11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management	Buildings	See page 130, actions for low-carbon buildings. See page 135, actions to monitor and management waste.

12. Ensure sustainable consumption and production patterns

12.2 By 2030, achieve the sustainable management and efficient use of natural resources	Buildings & Guests	See page 114, the 10 families of ecoresponsible products. See page 129, the "Buildings" pillar.
12.3 By 2030, halve per capita global food waste at the retail and consumer levels and reduce food losses along production and supply chains, including post-harvest losses	Food	See page 138, the program to reduce food waste by 30%.
12.4 By 2020, achieve the environmentally sound management of chemicals and all waste throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment	Buildings & Guests	See page 114, ecolabeled cleaning products. See page 143, water discharges. See page 135, waste management.
12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse	Buildings	See page 135, the actions to reduce waste (reduction of packaging, support for the circular economy, etc.). See page 136, the actions in order to recycle 65% of hotel waste.
12.6 Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle	-	See page 153, the report by the independent verifier on the consolidated CSR Information in the management report.
12.b Develop and implement tools to monitor sustainable development impacts for sustainable tourism which creates jobs, promotes local culture and products	-	See page 93, preparation of shared studies: Environmental footprint, socio-economic footprint, etc. See page 90, Planet 21 in Action, the hotel roadmap for sustainable development.

13. Take urgent action to combat climate change and its impacts

13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries	Buildings	See page 129, the table of risks associated with climate change. See page 130, actions to mitigate the risks.

14. Conserve and sustainably use the oceans, seas and marine resources for sustainable development

14.1 By 2025, prevent and significantly reduce marine pollution of all kinds, in particular from land-based activities, including marine debris and nutrient pollution	Buildings	See page 135, the actions to reduce waste (reduction of packaging, support for the circular economy, etc.). See page 136, the actions in order to recycle 65% of hotel waste.
14.4 By 2020, effectively regulate harvesting and end overfishing, illegal, unreported and unregulated fishing and destructive fishing practices and implement science-based management plans, in order to restore fish stocks in the shortest time feasible, at least to levels that can produce maximum sustainable yield as determined by their biological characteristics	Food	See page 140, endangered species of fish are not served in our restaurants.

15. Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss

United Nations Sustainable Development Goals	Planet 21 Strategy Pillars	Main contributions of AccorHotels
15.2 By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally	Communities	See page 127, the Plant for the Planet program, to promote agroforestry. See page 114, products from FSC or PEFC certified wood or paper fibers.
15.3 By 2030, combat desertification, restore degraded land and soil, including land affected by desertification, drought and floods, and strive to achieve a land degradation-neutral world	Buildings, Communities	See page 132, the reduction in water consumption. See page 127, the Plant for the Planet program, to promote agroforestry. See page 143, actions to limit soil pollution.
15.5 Take urgent and significant action to reduce the degradation of natural habitats, halt the loss of biodiversity and, by 2020, protect and prevent the extinction of threatened species	Food	See page 140, endangered species of fish are not served in our restaurants. See page 114, products from FSC or PEFC certified wood or paper fibers.
16. Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels		
16.2 End abuse, exploitation, trafficking and all forms of violence against and torture of children	Communities	See page 126, the We Act Together for Children program (WATCH) against child sexual exploitation.
16.5 Substantially reduce corruption and bribery in all their forms	Partners	See page 78, the Ethics and CSR Charter and the Compliance program.
16.7 Ensure responsive, inclusive, participatory and representative decision-making at all levels	Employee	See page 97, the Heartist® program.

SDGs and targets to which AccorHotels actively contributes

SDGs and targets to which AccorHotels indirectly contributes

3

BOARD OF DIRECTORS' REPORT ON CORPORATE GOVERNANCE

This report on corporate governance was prepared as required under Article L. 225-37 of the French Commercial Code (*Code de commerce*) and approved by the Board of Directors at its meeting of February 20, 2018. It will be presented to shareholders at the next Annual Shareholders' Meeting, to be held on April 20, 2018.

3.1 CORPORATE GOVERNANCE AND GOVERNANCE STRUCTURE

3.1.1 Corporate Governance Code

In 2017, Accor complied with all of the recommendations contained in the Corporate Governance Code for listed companies published by the AFEP and MEDEF (the "AFEP/MEDEF Code"), which is available from the AFEP, the MEDEF or the Company's head office.

The Board of Directors' operating procedures are described in its Bylaws, presented in Appendix A to this report on page 233.

In addition, each director is required to comply with the Board of Directors Code of Conduct, set out in Appendix B on page 239.

3.1.2 Governance structure

The roles of Chairman of the Board of Directors and Chief Executive Officer have been combined since 2009.

During 2013, following the departure of the previous Chairman and Chief Executive Officer, the Board set up a transitional governance structure under which it temporarily separated the role of Chairman of the Board of Directors from that of Chief Executive Officer. On August 27, 2013, the Board ended the transition period by appointing Sébastien Bazin as Chairman and Chief Executive Officer and Philippe Citerne as Vice-Chairman of the Board and Senior Independent Director (position held by Iris Knobloch since July 27, 2016). Also, on the recommendation of the Chairman and Chief Executive Officer, on December 2, 2013 the Board appointed Sven Boinet as Deputy Chief Executive Officer. On the same date, it authorized an employment contract to be entered into between Mr. Boinet and the Company.

The Board considered that, by combining the roles of Chairman of the Board and Chief Executive Officer, the Group would be able to have greater agility in its governance and management, particularly during a period of transformation or an economic downturn, while creating a direct relationship between management and shareholders. This type of governance structure also encourages extensive dialogue between the executive team and the Board of Directors. Since 2009, the Board has noted with satisfaction the effectiveness of the balance of power existing between its executive and non-executive directors, notably thanks to the presence of a Senior Independent Director.

During the formal assessment of the Board of Directors' operating procedures, the directors confirmed that this governance structure, with the combined role of Chairman and Chief Executive Officer, is adapted to the Group's situation and that the allocation of powers and responsibilities between the Chairman and Chief Executive Officer, the Senior Independent Director and the Board of Directors as a whole is effective and balanced.

In accordance with the law and the Company's Bylaws, the Chairman and Chief Executive Officer chairs Board meetings, organizes and leads the work of the Board and its meetings, ensures that the Company's corporate governance structures function effectively, and, in particular, obtains assurance that directors are in a position to fulfill their responsibilities.

The Chairman and Chief Executive Officer and the Deputy Chief Executive Officer represent the Company in its dealings with third parties and have the broadest powers to act on behalf of the Company in all circumstances. The situations where the exercise of the powers of the Chairman and Chief Executive Officer and the Deputy Chief Executive Officer is subject to the prior approval of the Board of Directors are described in this report and in the Board of Directors Bylaws.

Vice-Chairman & senior independent director's role

The Board of Directors appointed independent director Iris Knobloch as Vice-Chairman of the Board of Directors and Senior Independent Director on July 27, 2016. Assisted by the Corporate Secretary for any related administrative tasks, the Senior Independent Director has the following roles and responsibilities, in accordance with the Company's Bylaws:

- she may call Board meetings in the event that the Chairman and Chief Executive Officer is unable to do so, and chair Board meetings in the absence of the Chairman and Chief Executive Officer;
- she is the preferred contact for shareholders not represented on the Board. In this regard, a specific email address has been created (iris.knobloch@accor.com) to enable any shareholder to contact her directly with comments or queries;
- she coordinates the independent directors and organizes – whenever she deems necessary and at least once a year – meetings reserved for non-executive directors and meetings reserved for independent directors, for which the Company manages the logistics and bears the costs. She sets the agenda for these meetings and chairs them, ensuring that each director has the opportunity to raise any issue not included on the agenda. Following the meetings, the Senior Independent Director may, at her initiative, meet with the Chairman and Chief Executive Officer to discuss all or some of the comments and requests expressed by the directors. If necessary, she may also decide to comment on the work of the directors during the plenary meetings of the Board;

- she oversees the formal assessments of the Board's operating procedures and validates the corresponding report;
- she may request that the Chairman and Chief Executive Officer add items to Board meeting agendas. In any event, she approves the annual plan of the strategic issues that will be included in the Board meeting agendas, as submitted by the Chairman and Chief Executive Officer;
- she is in charge of dealing with any cases of conflict of interest that may arise among members of the Board of Directors.

In 2017, Ms. Knobloch organized and chaired one meeting solely for non-executive directors and one meeting solely for independent directors. She also supervised the process for assessing the Board of Directors' operating procedures and acted as the liaison between the Board of Directors and management for the purposes of the Booster transaction.

Board of Directors' role

The Company is governed by a Board of Directors, which determines the Company's strategy, oversees its implementation, examines any and all issues concerning the efficient running of the business, and makes decisions on all matters concerning the Company.

The Board of Directors deals with all matters falling within the powers vested in it under the applicable laws and regulations.

In particular, the Board of Directors is responsible for:

a) approving the annual budget (including the annual financing plan) and the multi-year business plan presented by the Chairman and Chief Executive Officer;

b) reviewing and approving all of the Group's strategic objectives, at least once a year, in accordance with the Board of Directors Bylaws;

c) based on the recommendation of the Commitments Committee, authorizing the following decisions of the Chairman and Chief Executive Officer prior to their implementation:

(i) any and all immediate or deferred financial commitments representing more than €100 million per transaction. "Financial commitments" are defined as:

- any and all acquisitions or disposals of assets and majority or minority interests in other companies, measured on the basis of the enterprise value of the entity,
- any and all direct investments, for example for the creation of a business, the construction, refurbishment or extension of a hotel property, or expenditure on technological developments,
- rental investments, measured on the basis of the market value of the leased asset,
- hotel management contracts with a guaranteed minimum fee,
- any and all loans to entities in which the Company or one of its subsidiaries does not hold the majority of the shares and voting rights, and any and all commitments to participate in share issues by such entities,
- any and all financing operations representing more than €1 billion (carried out through one or more transactions). The Chairman and Chief Executive Officer is authorized to carry out any and all financing operations of up to €1 billion without obtaining prior approval from the Board of Directors, provided that such operations are undertaken in accordance with the annual Group financing policy as approved in advance by the Board of Directors. In this case, the Chairman and Chief Executive Officer is required to inform the Board of Directors of the operations after they have been completed. In addition, the Board's prior approval is not required for borrowings due in less than one year, regardless of the amount,

(ii) any and all transactions that may impact the Group's strategy or lead to a material change in the Group's business base (mainly entry into a new business or withdrawal from an existing business); whatever the amount of the transaction,

(iii) any and all transactions involving the Company's shares carried out in application of Article L. 225-209 of the French Commercial Code that exceed one million shares per transaction or two million shares per year;

d) authorizing the Chairman and Chief Executive Officer to issue guarantees, bonds and endorsements in the Company's name, up to a cumulative amount of €1 billion per year. In accordance with the Company's Bylaws, any such authorizations may be given for a period of one year. The Chairman and Chief Executive Officer is required to report to the Board of Directors each year on the amount and nature of guarantees, bonds and endorsements issued under the authorization;

e) discussing and deciding on any proposed changes to the Group's management structure and reviewing information about the main organizational changes.

The Board shall be kept regularly informed of the Group's financial position, cash position and commitments as well as the Group's strategy and main policies in the areas of human resources, organization and information systems, and shall discuss them periodically.

Non-voting director

In accordance with the Company's Bylaws, the Board of Directors may, on the recommendation of the Chairman, appoint one or more natural persons as non-voting directors. The number of non-voting directors cannot exceed one quarter of the number of voting directors.

Philippe Citerne was appointed by the Board of Directors as a non-voting director at its meeting of July 27, 2016. As such, he takes part in meetings of the Board and of the Audit and Risks Committee in a consultative capacity.

Founding co-chairmen

In accordance with the Company's Bylaws, Paul Dubrule and Gérard Pélisson, Accor's Founding Co-Chairmen, may attend Board meetings in a consultative capacity, and may be invited to attend meetings of the Board Committees.

Paul Dubrule

Born on July 6, 1934 in Tourcoing, France, Paul Dubrule graduated from Institut des Hautes Études Commerciales at the University of Geneva. In 1963, he and Gérard Pélisson co-founded the Novotel hotel chain. After serving as Co-Chairman of the Novotel SIEH Group between 1971 and 1983, he co-founded Accor, serving as its Co-Chairman from 1983 to 1997. Mr. Dubrule also held the position of Chairman of Entreprise et Progrès from 1997 to 2006, as well as Vice-Chairman of the World Travel and Tourism Council (WTTC) and Chairman of Maison de la France. He also served as Mayor of Fontainebleau between 1992 and 2001, and Senator for the Seine-et-Marne *département* between 1999 and 2004. He was Co-Chairman of the Institut Français du Tourisme until 2013 and the Founding Chairman of the Conseil Supérieur de l'Œnotourisme (CSO). A Paul Dubrule Chair for Sustainable Development was created by INSEAD in 2002 and a Paul Dubrule Chair for Innovation has been set up at the Haute École d'Hôtellerie in Lausanne, Switzerland. Mr. Dubrule has also personally opened a hotel and tourism school in Siem Reap, Cambodia.

Gérard Pélisson

Born on February 9, 1932 in Lyon, France, Gérard Pélisson holds an engineering degree from École Centrale des Arts et Manufactures de Paris and a Master of Science in Industrial Management from the Massachusetts Institute of Technology, United States, for which he wrote a thesis on operations research. In 1963, he and Paul Dubrule co-founded the Novotel hotel chain. After serving as Co-Chairman of the Novotel SIEH Group between 1971 and 1983, he co-founded Accor, acting as its Co-Chairman from 1983 to 1997. Mr. Pélisson also co-founded the World Travel and Tourism Council (WTTC), for which he served as Vice-Chairman, and was President of the École Supérieure de Commerce de Lyon from 1990 to 1996. He is currently Chairman of the Overseas French Association (UFE) and President of Institut Paul Bocuse.

Deputy Chief Executive Officer

Sven Boinet

- Deputy Chief Executive Officer.
- First appointed on Dec. 2, 2013.
- Number of Accor shares held: 53,675.
- Born April 11, 1953.
- French national.

A graduate of École Centrale de Paris and Stanford University, Sven Boinet started his career in the oil industry at Schlumberger and Coflexip before becoming a consultant for SRI International and then working with Accor between 1988 and 2003. He subsequently became Chairman of the Management Board of the Lucien Barrière Group, a position he held from 2004 to 2009, and went on to serve as Chief Executive Officer of the Pierre & Vacances Group from 2009 to 2012. He is also a member of the Board of Directors of Association Institut Paul Bocuse and President of Alliance 46.2.

Other positions held at December 31, 2017 with companies controlled[1] by Accor

Position	Company
In France	
Director	Potel et Chabot (unlisted company)

Position	Company	Country
Outside France		
Director	InterGlobe Hotels (unlisted company)	India
Chairman of the Supervisory Board	Risma (listed company)	Morocco

Other positions held at December 31, 2017 with companies not controlled[1] by Accor

Position	Company
In France	
Chairman	SB Conseil (unlisted company)
Director	Société du Dinard Golf SAS (unlisted company)
Member of the Strategy Committee	Raise (unlisted company)

Former positions held in the past five years

Position	Company	Country
Member of the Supervisory Board	Accor Hospitality Germany GmbH	Germany

(1) Within the meaning of Article L. 233-16 of the French Commercial Code.

Executive Committee*

Sébastien Bazin	Chairman and Chief Executive Officer
Sven Boinet	Deputy Chief Executive Officer
Maud Bailly	Chief Digital Officer, responsible for Digital Media, Distribution, Sales and IT systems
Aranxta Balson	Chief Talent & Culture Officer
Gaurav Bhushan	Chief Development Officer
Chris J. Cahill	CEO Luxury Brands and CEO HotelServices, North America, Central America and the Caribbean
Franck Gervais	CEO HotelServices, Europe
Michael Issenberg	CEO HotelServices, Asia-Pacific
Patrick Mendes	CEO HotelServices, Latin America
Jean-Jacques Morin	Chief Financial Officer
Amir Nahai	CEO Food & Beverage
John Ozinga	Chief Operating Officer HotelInvest
Laurent Picheral	Deputy CEO HotelServices, Europe & CEO HotelServices, Central Europe
Thibault Viort	CEO New Businesses and Chief Disruption Officer

* *As of the date of the Registration Document.*

3.2 MEMBERSHIP OF THE BOARD OF DIRECTORS AT DECEMBER 31, 2017

3.2.1 Information about directors

Name	Independent	Gender	Nationality	Number of shares held	First appointed on	Term renewed on	End of term
Sheikh Nawaf Bin Jassim Bin Jabor Al-Thani	No	M	Qatari	1,000	03/21/2017	N/A	AGM to approve financial statements for 2018
Aziz Aluthman Fakhroo	No	M	French & Qatari	1,000	07/12/2016	N/A	AGM to approve financial statements for 2018
Vivek Badrinath	No	M	French	15,905	10/10/2016	N/A	AGM to approve financial statements for 2017
Jean-Paul Bailly	Yes	M	French	1,000	05/13/2009	04/28/2015	AGM to approve financial statements for 2017
Sébastien Bazin(1)	No	M	French	104,312	01/09/2006	05/05/2017	AGM to approve financial statements for 2019
Iliane Dumas(2)	No	F	French	N/A	05/02/2014	05/02/2017	05/02/2020
Mercedes Erra	Yes	F	French	1,000	02/22/2011	04/28/2015	AGM to approve financial statements for 2017
Sophie Gasperment	Yes	F	French	1,564	06/29/2010	04/22/2016	AGM to approve financial statements for 2018
Qionger Jiang	Yes	F	French	2,000	07/12/2016	N/A	AGM to approve financial statements for 2018
Iris Knobloch(3)	Yes	F	German	1,000	04/25/2013	05/05/2017	AGM to approve financial statements for 2019
Bertrand Meheut	Yes	M	French	1,616	05/13/2009	04/28/2015	AGM to approve financial statements for 2017
Nicolas Sarkozy	Yes	M	French	1,028	02/21/2017	N/A	AGM to approve financial statements for 2018
Patrick Sayer	No	M	French	1,000	08/27/2008	04/22/2016	AGM to approve financial statements for 2018
Isabelle Simon	Yes	F	French	1,000	07/12/2016	N/A	AGM to approve financial statements for 2018
Natacha Valla	Yes	F	French	1,000	07/12/2016	N/A	AGM to approve financial statements for 2018
Sarmad Zok	No	M	Lebanese & British	1,000	07/12/2016	N/A	AGM to approve financial statements for 2018

(1) Chairman and Chief Executive Officer.
(2) Director representing employees.
(3) Senior Independent Director and Vice-Chairman of the Board.

Sheikh Nawaf Bin Jassim Bin Jabor Al-Thani – Director

- First appointed as a director on March 21, 2017.
- Current term due to expire at the close of the Annual Shareholders' Meeting to be called to approve the financial statements for the year ended December 31, 2018.
- Number of Accor shares held: 1,000.
- Born January 1, 1972.
- Qatari national.
- Chairman of Katara Hospitality.

A graduate of Qatar University, Sheikh Nawaf began his career at Qatar Airways before joining Katara Hospitality as Chairman of the Board of Directors. Alongside his role with Katara Hospitality, Sheikh Nawaf is also Chairman of Al Hosn Investment Company S.A.O.C, based in Oman, and Deputy Chairman of the Sheikh Jassim Bin Jabor Charitable Foundation, which implements and oversees humanitarian and development projects.

Other positions held at December 31, 2017 with companies controlled(1) by Katara Hospitality

Position	Company	Country
Outside France		
Legal Manager	Qatar National Hotels Morocco S.A.R.L (unlisted company)	Morocco
Chairman	Quteifan Projects LLC (unlisted company)	Qatar

Other positions held at December 31, 2017 with companies not controlled(1) by Katara Hospitality

Position	Company	Country
Outside France		
Chairman	Al Hosn Investment Company S.A.O.C (unlisted company)	Oman

Former positions held in the past five years

Position	Company
In France	
Member of the Board	GVE
Chairman	Q Hotels & Restaurants France SAS

Position	Company	Country
Outside France		
Chairman	Dhofar Tourism Company	Oman
Manager	H&G Management S.a.r.l	Luxembourg
Member of the Board	Qatari Diar	Qatar
Director	Creative Design FZ LLC	United Arab Emirates
Director	FRHI Holding Limited	Cayman Islands

(1) Within the meaning of Article L. 233-16 of the French Commercial Code.

Aziz Aluthman Fakhroo – Director

- First appointed as a director on July 12, 2016.
- Current term due to expire at the close of the Annual Shareholders' Meeting to be called to approve the financial statements for the year ended December 31, 2018.
- Number of Accor shares held: 1,000.
- Born July 20, 1977.
- French & Qatari national.
- Under-Secretary of State at the Ministry of Finance, Qatar.

Graduate of Paris ESLSCA Business School. He founded and managed Idealys SARL, a 3D industrial simulation company before joining Qatar Investment Authority (QIA) in 2007. He was appointed Director of Mergers & Acquisitions at QIA, where he executed a large number of acquisitions between 2007 and 2013 representing a total of more than USD 25 billion. He was appointed Director of the Public Investment Management Department in Qatar's Ministry of Finance in January 2014 and then Director of the Public Budget Department in March 2015. In December 2016, Aziz Aluthman Fakhroo was appointed Under-Secretary of State at this same Ministry.

Other positions held at December 31, 2017

Position	Company
In France	
Member of the Advisory Committee	Axa Real Estate DVIII

Position	Company	Country
Outside France		
Member of the Board	Ooredoo Group (unlisted company)	Qatar
Member of the Board	Qatar RAIL (unlisted company)	Qatar
Member of the Board	Canary Wharf Plc (unlisted company)	United Kingdom
Member of the Board	Chelsfield LLP (unlisted company)	United Kingdom

Former positions held in the past five years

Position	Company	Country
Outside France		
Member of the Board	CITIC Capital	Hong Kong
Chairman	Ooredoo Myanmar Ltd	Burma
Member of the Board	Ooredoo Kuwait	Kuwait
Member of the Board	United Arab Shipping Company	United Arab Emirates

Vivek Badrinath – Director

- First appointed as a director on October 10, 2016.
- Current term due to expire at the close of the Annual Shareholders' Meeting to be called to approve the financial statements for the year ended December 31, 2017.
- Number of Accor shares held: 15,905.
- Born June 27, 1969.
- French national.
- Chief Executive Officer, Vodafone AMAP.

After graduating from École Polytechnique and École Nationale Supérieure des Télécommunications (ENST), Vivek Badrinath began his career at the French Ministry of Industry in 1992. In 1996, he joined Orange in the Group's Long Distance Networks Department before becoming CEO of Thomson India in 2000. He returned to Orange in 2004 as Chief Technical Officer of the mobile division and was appointed to the Group's Executive Committee in 2009 as Director of the networks and operators division. Between April 2010 and April 2012, Vivek Badrinath was CEO of Orange Business Services before being appointed Deputy CEO in charge of Innovation, Marketing and Technologies on May 1, 2013. He was Deputy Chief Executive Officer, Marketing, Digital Solutions, Distribution and Information Systems for AccorHotels between March 2014 and October 2016 before joining Vodafone as Chief Executive Officer, AMAP.

Other positions held at December 31, 2017 with companies controlled[(1)] by Vodafone

Position	Company	Country
Outside France		
Director	Vodafone India Ltd (unlisted company)	India
Director	Vodafone Qatar (listed company)	Qatar
Director	Vodacom (listed company)	South Africa
Director	Kenya Safaricom (listed company)	Kenya
Director	Vodafone Egypt (listed company)	Egypt
Director	Vodafone Hutchison Australia (unlisted company)	Australia

Other positions held at December 31, 2017 with companies not controlled[(1)] by Vodafone

None.

Former positions held in the past five years

Position	Company
In France	
Chairman	Actimos
Chairman	Fastbooking
Director	Viaccess
Director	Soft At Home

Position	Company	Country
Outside France		
Director	Nokia	Finland
Director	AAPC India	India
Director	ICH India	India
Director	Mauritius Telecom	Mauritius

(1) Within the meaning of Article L. 233-16 of the French Commercial Code.

Jean-Paul Bailly – Independent Director[1]

- First appointed as a director on May 13, 2009.
- Current term due to expire at the close of the Annual Shareholders' Meeting to be called to approve the financial statements for the year ended December 31, 2017.
- Number of Accor shares held: 1,000.
- Born November 29, 1946.
- French national.
- Honorary Chairman of the La Poste Group.

Jean-Paul Bailly has been a member of the Economic, Social and Environmental Council since 1995. After graduating from École Polytechnique and the Massachusetts Institute of Technology, he began his career in 1970 with the Paris Transit Authority (RATP). In 1978, he took over the running of French technical cooperation programs in Mexico before moving back to RATP in 1982, where he held a number of positions, including Director, Bus Rolling Stock and Director, Paris Metro and RER Suburban Rail System as well as Human Resources Director. He became Deputy Chief Executive Officer of RATP in 1990 and then served as RATP's Chairman and Chief Executive Officer between 1994 and 2002. Between 1997 and 2001, Jean-Paul Bailly was also President of the International Association of Public Transport (UITP). He was Chairman and Chief Executive Officer of La Poste from 2002 to 2013.

Other positions held at December 31, 2017

Position	Company
In France	
Director	Edenred (listed company)
Chairman of the Supervisory Board	Europcar (listed company)

Former positions held in the past five years

Position	Company
In France	
Chairman and Chief Executive Officer	La Poste
Chairman of the Supervisory Board	La Banque Postale
Member of the Supervisory Board	La Banque Postale Asset Management
Permanent representative of La Poste on the Board of Directors	GeoPost
Permanent representative of La Poste on the Board of Directors	Sofipost
Permanent representative of La Poste on the Board of Directors	Post Immo
Director	Sopassure
Director	CNP Assurances

(1) Based on the independence criteria set out in the AFEP/MEDEF Corporate Governance Code.

Sébastien Bazin – Chairman And Chief Executive Officer

- First appointed as a director on January 9, 2006. Previously a member of the Supervisory Board from May 3, 2005.
- Current term due to expire at the close of the Annual Shareholders' Meeting to be called to approve the financial statements for the year ended December 31, 2019.
- Number of Accor shares held: 104,312.
- Born November 9, 1961.
- French national.

Having earned a Masters in Business Management from Paris-Sorbonne University, Sébastien Bazin began his career in the US finance industry in 1985. In 1997, he joined Colony Capital, a private-equity firm, to set up and develop its European operations. During his 15 years with the firm, he managed and participated in a large number of investments in the hospitality industry (including the acquisition of luxury hotel chains Fairmont and Raffles), the acquisition and management of hotel assets from Compagnie Générale des Eaux and Club Méditerranée, the acquisition of an equity stake in the Lucien Barrière Group, and the investment in AccorHotels. He is also Vice-Chairman of the Supervisory Board of the Gustave Roussy Foundation.

Other positions held at December 31, 2017 with companies controlled[1] by Accor

Position	Company
In France	
Director	Adagio SAS (unlisted company)

Other positions held at December 31, 2017 with companies not controlled[1] by Accor

Position	Company
In France	
Chairman of the Board of Directors	Théâtre du Châtelet (unlisted company)
Chairman	Bazeo Europe SAS (unlisted company)
Legal Manager	CC Europe Invest (unlisted company)
Legal Manager	SARL Rohan (unlisted company)
Managing Partner	Bazeo Invest SNC (unlisted company)
Managing Partner	SCI Nina (unlisted company)
Managing Partner	SCI Haute Roche (unlisted company)

Position	Company	Country
Outside France		
Director	Sisters Soparfi (unlisted company)	Luxembourg
Director	China Lodging Group (listed company)	China
Director	General Electric (listed company)	United States

(1) *Within the meaning of Article L. 233-16 of the French Commercial Code.*

Former positions held in the past five years

Position	Company
In France	
Chief Executive Officer	Colony Capital Europe
Chairman and Chief Executive Officer	Société d'Exploitation Sports & Événements SA
Chairman and Chief Executive Officer	Holding Sports & Événements SA
Chairman	Colony Capital SAS
Chief Executive Officer	Toulouse Cancéropole SAS
Chief Executive Officer	ColSpa SAS
Legal representative of Colony Capital SAS as Chairman	ColSpa SAS
Chairman	Colfilm SAS
Chairman	Colkirch France SAS
Chairman	Data 4 SAS
Chairman	Lucia Investissement SAS
Chairman	Adagio SAS
Legal representative of Colony Capital SAS as Legal Manager	SC Georges V 302
Legal Manager	Colmed
Legal Manager	Société du Savoy à Méribel
Managing Partner	SCI MB (anciennement Madeleine Michelis)
Managing Partner	SCI Ranelagh
Director	Carrefour
Director	Edenred
Member of the Supervisory Board	ANF Immobilier (Les Ateliers du Nord de la France)

Position	Company	Country
Outside France		
Chairman	RSI	Belgium
Managing Director	Sisters Soparfi	Luxembourg
Chairman and director	Colyzeo Investment Management Ltd	United Kingdom
Legal Manager	La Tour S.à.r.l.	Switzerland
Legal Manager	La Tour Réseau de Soins SA	Switzerland
Legal Manager	Permanence de la Clinique Carouge	Switzerland

Iliane Dumas – Director representing employees

- First appointed as a director on May 2, 2014.
- Current term due to expire on May 2, 2020.
- Born March 5, 1971.
- French national.
- Project manager within the Group's Talent & Culture Department.

A graduate of École de Paris des Métiers de la Table, Iliane Dumas joined Accor in 1991, where she was initially part of the sales team in the Distribution Department. She has held several employee representative positions, notably Representative of the Central Works Council on Accor's Board of Directors. Iliane Dumas is currently project manager within the Group's Talent & Culture Department. She is also a member of the Appointments & Compensation Committee and a judge at the Paris Employment Tribunal.

Other positions held at December 31, 2017

None.

Former positions held in the past five years

None.

Mercedes Erra – Independent director(1)

- First appointed as a director on February 22, 2011.
- Current term due to expire at the close of the Annual Shareholders' Meeting to be called to approve the financial statements for the year ended December 31, 2017.
- Number of Accor shares held: 1,000.
- Born September 23, 1954.
- French national.
- Executive President of Havas Worldwide.

A graduate of HEC business school and Paris-Sorbonne University, Ms. Erra began her career with Saatchi & Saatchi where she spent 14 years and reached the position of Chief Executive Officer. In 1995, together with Rémi Babinet, she founded BETC, which over the past 21 years has become France's leading advertising agency and consistently ranks among the world's best creative agencies. Ms. Erra is also Chairman of the Board of Directors of Musée de l'Histoire de l'Immigration. She is involved in a variety of women's advocacy groups, as well as being an active member of the French Committee of Human Rights Watch. She is also a member of the Innovation 2030 and Childhood and Adolescence commissions put in place by the French government, and the Medici Committee set up by Amundi. She led the preparatory process of France's Advertising Industry Strategy Committee, which resulted in the signature of an industry contract on February 21, 2017, and has become Vice-President of the industry association. She also sits on the Boards of Directors of SNCF, the France Télévisions Foundation, the Elle Foundation and Entreprises pour la Cité.

Other positions held at December 31, 2017 with companies controlled(2) by Havas Worldwide

Position	Company
In France	
Founder, Managing Director and member of the Management Board	BETC (unlisted company)
Chairman	BETC Digital (formerly EURO RSCG 4D) (unlisted company)
Chairman	Havas 04 (unlisted company)
Member of the Supervisory Board	Rosapark (unlisted company)
Director	Havas (unlisted company)
Director	Havas Worldwide Paris (unlisted company)

(1) Based on the independence criteria set out in the AFEP/MEDEF Corporate Governance Code.
(2) Within the meaning of Article L. 233-16 of the French Commercial Code.

Other positions held at December 31, 2017 with companies not controlled[2] by Havas Worldwide

Position	Company
In France	
Vice-President	Commission Nationale Française pour l'Unesco
Member of the Board of Directors	Fondation du Collège de France
Director	Théâtre du Châtelet (unlisted company)
Director	Opéra Comique (unlisted company)
Director	SNCF (unlisted company)
Director	Fondation Elle
Director	Fondation France Télévision

Former positions held in the past five years

Position	Company
In France	
Chief Executive Officer	Havas
Chairman of the Board of Directors	Euro RSCG
President	Euro RSCG France
Director	Absolut Reality
Director	Société de la Tour Eiffel

Sophie Gasperment – Independent Director[1]

- First appointed as a director on June 29, 2010.
- Current term due to expire at the close of the Annual Shareholders' Meeting to be called to approve the financial statements for the year ended December 31, 2018.
- Number of Accor shares held: 1,564.
- Born August 1, 1964.
- French national.
- Group General Manager, Financial Communication and Strategic Foresight, L'Oréal.

Sophie Gasperment is a graduate of ESSEC business school and Insead. She joined L'Oréal in 1886. After 14 years in operational and strategic marketing positions, she was appointed General Manager for L'Oréal in the UK. She remained UK-based for the following 14 years, notably as Chairman and Chief Executive Officer of The Body Shop International, the iconic English brand spanning 60 countries and ca. 20 000 people strong. Since 2014, Sophie Gasperment is the L'Oréal Group General Manager leading Financial Communication and Strategic Prospective. Sophie Gasperment was appointed French Foreign Trade Advisor in 2005, elected to the UK executive board, and has contributed to the Business Advisory Council of Said Business School, Oxford University. Sophie Gasperment also serves on the Supervisory board of Cimpress N.V., a NASDAQ-listed, technology company.

Other positions held at December 31, 2017 with companies controlled[2] by L'Oréal

None.

Other positions held at December 31, 2017 with companies not controlled[2] by L'Oréal

Position	Company	Country
Outside France		
Supervisory Board, Director	Cimpress N.V. (listed company)	Netherlands

(1) Based on the independence criteria set out in the AFEP/MEDEF Corporate Governance Code.
(2) Within the meaning of Article L. 233-16 of the French Commercial Code.

Former positions held in the past five years

Position	Company	Country
Outside France		
Chairman and Chief Executive Officer	The Body Shop International Plc	United Kingdom

Qionger Jiang – Independent director[(1)]

- First appointed as a director on July 12, 2016.
- Current term due to expire at the close of the Annual Shareholders' Meeting to be called to approve the financial statements for the year ended December 31, 2018.
- Number of Accor shares held: 2,000.
- Born November 13, 1976.
- French national.
- Chief Executive Officer and Artistic Director of Shang Xia.

Qionger Jiang is a graduate of the design school at Tongji University (China) and has also studied interior design and furniture design at École Nationale Supérieure des Arts Décoratifs de Paris. She founded a number of design companies before setting up the Chinese subsidiary of ArtCurial. In 2008, she teamed up with Hermès to set up Shang Xia, China's first luxury brand, of which she is Chief Executive Officer and Artistic Director. In 2013 and 2016, respectively, she was awarded the titles of Chevalier des Arts et Lettres and Chevalier de l'Ordre National du mérite by the French President.

Other positions held at December 31, 2017

Position	Company	Country
Outside France		
Chief Executive Officer	Shang Xia (unlisted company)	China

Former positions held in the past five years

Position	Company	Country
Outside France		
Director	China Lodging Group	China

Iris Knobloch – Independent director[(1)], Senior Independent director and Vice-Chairman of the Board

- First appointed as a director on April 25, 2013.
- Current term due to expire at the close of the Annual Shareholders' Meeting to be called to approve the financial statements for the year ended December 31, 2019.
- Number of Accor shares held: 1,000.
- Born February 13, 1963.
- German national.
- President of Warner Bros. Entertainment France.

Iris Knobloch has a J.D. degree from Ludwig-Maximilians Universität Munich and an L. L.M. degree from New York University. She has spent more than 18 years with Warner Bros. and the Time Warner Group, holding various different positions, and is currently President of Warner Bros. Entertainment France. Before beginning her career with Warner Bros., Iris Knobloch was an attorney with Norr, Stiefenhofer & Lutz and O'Melveny & Myers in Munich, New York and Los Angeles.

Other positions held at December 31, 2017 with companies controlled[(2)] by Warner Bros

None.

Other positions held at December 31, 2017 with companies not controlled[(2)] by Warner Bros

Position	Company	Country
Outside France		
Member of the Board of Directors	Central European Media Enterprises (listed company)	Bermuda

Former positions held in the past five years

None.

(1) Based on the independence criteria set out in the AFEP/MEDEF Corporate Governance Code.
(2) Within the meaning of Article L. 233-16 of the French Commercial Code.

Bertrand Meheut – Independent director[1]

- First appointed as a director on May 13, 2009.
- Current term due to expire at the close of the Annual Shareholders' Meeting to be called to approve the financial statements for the year ended December 31, 2017.
- Number of Accor shares held: 1,616.
- Born September 22, 1951.
- French national.
- Chairman of the Canal+ Group Management Board until September 2015.

A graduate of École des Mines de Paris with a degree in civil engineering, Bertrand Meheut served as Chairman of the Canal+ Group Management Board from September 2002 to September 2015. Prior to that he worked in industry, particularly in the life sciences sector, spending the majority of his career with Rhône-Poulenc (and subsequently Aventis CropScience). He joined Rhône-Poulenc in 1984 as Deputy Chief Operating Officer, Europe, in charge of corporate services for the Agro Division. He then went on to become Chief Executive Officer of the German subsidiary, Deputy Chief Executive Officer of Rhône-Poulenc Agro and Executive Vice-President and Chief Operating Officer, Europe. Following the creation of Aventis through the merger of Rhône-Poulenc and the German chemicals company Hoechst in late 1999, he was named Chairman and Chief Executive Officer of Aventis CropScience.

Other positions held at December 31, 2017

Position	Company
In France	
Director	Edenred (listed company)
Director	Aquarelle.com Group (unlisted company)
Director	Pierre et Vacances (listed company)

Former positions held in the past five years

Position	Company
In France	
Chairman of the Management Board	Groupe Canal+
Chairman of the Management Board	Canal+ France
Member of the Management Board	Vivendi
Chairman of the Board of Directors	Société d'Édition de Canal+
Chairman of the Supervisory Board	StudioCanal
Chairman	Canal+ Régie
Permanent representative of Groupe Canal+ on the Board of Directors	Sport+
Permanent representative of Groupe Canal+ as Joint Legal Manager	Canal+ Éditions
Representative of Canal+ France as Managing Partner	Kiosque
Member of the Management Board	Canal+ Overseas
Director and Vice-Chairman of the Board of Directors	SFR

Position	Company	Country
Outside France		
Member of the Supervisory Board	TVN	Poland

(1) *Based on the independence criteria set out in the AFEP/MEDEF Corporate Governance Code.*

Nicolas Sarkozy – Independent director[1]

- First appointed as a director on February 21, 2017.
- Current term due to expire at the close of the Annual Shareholders' Meeting to be called to approve the financial statements for the year ended December 31, 2018.
- Number of Accor shares held: 1,028.
- Born January 28, 1955.
- French national.
- Leader of the French political party Les Républicains from November 2014 to November 2016.

Nicolas Sarkozy was the President of the French Republic from 2007 to 2012. His previous positions include Mayor of Neuilly-sur-Seine (1983-2002), National Assembly Representative for Hauts-de-Seine (1988-2002), President of the General Council for Hauts-de-Seine (2004-2007), Minister for the Budget (1993-1995), Minister for Communications (1994-1995), Government spokesman (1993-1995), Minister of the Interior, Internal Security and Local Freedoms (2002-2004), Minister of State, Minister for the Economy, Finance and Industry (2004), Minister of State, Minister of the Interior and Town and Country Planning (2005-2007). He was also the elected leader of French political parties UMP (2004-2007) and Les Républicains (2014-2016). A trained lawyer, Nicolas Sarkozy is married and has four children. He is the author of several books, including *Libre, Témoignage, La France pour la Vie* and *Tout pour la France*.

Other positions held at December 31, 2017

Position	Company
In France	
Chief Executive Officer	SELAS CSC (unlisted company)

Former positions held in the past five years

None.

Patrick Sayer – Director

- First appointed as a director on August 27, 2008.
- Current term due to expire at the close of the Annual Shareholders' Meeting to be called to approve the financial statements for the year ended December 31, 2018.
- Number of Accor shares held: 1,000.
- Born November 20, 1957.
- French national.
- Chairman of the Executive Board of Eurazeo[2].

A graduate of École Polytechnique and École des Mines de Paris, Patrick Sayer has been Chairman of Eurazeo's Executive Board since May 2002. He previously held the positions of Managing Partner at Lazard Frères et Cie in Paris and Managing Director of Lazard Frères & Co. in New York. He was formerly the President of the Association Française des Investisseurs pour la Croissance (AFIC) and is currently a director of the Musée des Arts Décoratifs in Paris and a lecturer in finance (Master 225) at Paris-Dauphine University. He is also a member of the Club des Juristes and a judge at the Paris Commercial Court.

Other positions held at December 31, 2017 with companies controlled[3] by Eurazeo

Position	Company
In France	
Chairman of the Management Board	Eurazeo SE (listed company)
Chairman	CarryCo Croissance (unlisted company)
Chairman	CarryCo Croissance 2 (unlisted company)
Chairman	CarryCo Capital 1 (unlisted company)
Member of the Supervisory Board	Europcar Groupe[4] (listed company)

Position	Company	Country
Outside France		
Member of the Board of Directors	I-Pulse[4] (unlisted company)	United States

(1) Based on the independence criteria set out in the AFEP/MEDEF Corporate Governance Code.
(2) Until March 19, 2018.
(3) Within the meaning of Article L. 233-16 of the French Commercial Code.
(4) Eurazeo Investment.

Other positions held at December 31, 2017 with companies not controlled[(1)] by Eurazeo

Position	Company	Country
Outside France		
Member of the Board of Directors	Tech Data Corporation (listed company)	United States

Former positions held in the past five years

Position	Company
In France	
Chief Executive Officer	Legendre Holding 19
Chairman	Legendre Holding 25
Chairman	Legendre Holding 26
Chairman	Eurazeo Capital Investissement
Vice-Chairman and Member of the Supervisory Board	ANF Immobilier
Director	Europcar Group
Chairman of the Supervisory Board	Europcar Group
Chairman of the Board of Directors and director	Holdelis
Director	Rexel
Director	Edenred
Vice-Chairman of the Supervisory Board	Rexel
Member of the Supervisory Board	Foncia Holding
Legal Manager	Investco 3d Bingen

Position	Company	Country
Outside France		
Member of the Advisory Board	APCOA Parking Holdings GmbH	Germany
Director	Moncler Srl	Italy
Director	Sportswear Industries Srl	Italy
Director	Gruppo Banca Leonardo	Italy
Director	Colyzeo Investment Advisors	United Kingdom

(1) Within the meaning of Article L. 233-16 of the French Commercial Code.

Isabelle Simon – Independent Director[1]

- First appointed as a director on July 12, 2016.
- Current term due to expire at the close of the Annual Shareholders' Meeting to be called to approve the financial statements for the year ended December 31, 2018.
- Number of Accor shares held: 1,000.
- Born May 1, 1970.
- French national.
- Group Secretary & General Counsel, member of the Executive Committee, Thales Group.

Isabelle Simon is a graduate of Sciences Po Paris, HEC and Harvard Law School. She also holds a DEA postgraduate diploma in English and North American business law from Paris I Panthéon-Sorbonne and a DESS postgraduate diploma in international taxation from Université Jean Monnet. She is a qualified lawyer, and has been admitted to the Paris Bar and the New York Bar. Isabelle Simon began her career in 1995 at law firm Cleary Gottlieb Steen & Hamilton, where she practiced as a lawyer in Paris and New York. In 2003, she joined the Investment Banking Division of Goldman Sachs as Executive Director. In 2009, she joined the Publicis Group as Senior Vice-President, heading the M&A and Legal departments and managing the Group's external development strategy and minority holdings. In 2011, Isabelle Simon became Senior Vice-President of Société des Bains de Mer de Monaco, where she headed the Real Estate, Marketing and Sales, Artistic, Communications and Legal departments and was responsible for internal and external development operations. In 2015, she was appointed Group Secretary & General Counsel, and a member of the Executive Committee, of the Thales Group. She is also Group Secretary & General Counsel and a Board member of the Thales Foundation.

Other positions held at December 31, 2017 with companies controlled[2] by Thales

Position	Company
In France	
Member of the Supervisory Board	Thales Alenia Space SAS (unlisted company)
Permanent representative of Thales	Thales Avionics SAS (unlisted company)
Permanent representative of Thales	Thales Communications & Security SAS (unlisted company)
Director	Thales Corporate Ventures (unlisted company)

Other positions held at December 31, 2017 with companies not controlled[2] by Thales

None.

Former positions held in the past five years

Position	Company
In France	
Director	Neopost
Director	Wefcos

Position	Company	Country
Outside France		
Chairman	Société Anonyme des Thermes Marins Monte-Carlo	Monaco

(1) Based on the independence criteria set out in the AFEP/MEDEF Corporate Governance Code.
(2) Within the meaning of Article L. 233-16 of the French Commercial Code.

Natacha Valla – Independent Director(1)

- First appointed as a director on July 12, 2016.
- Current term due to expire at the close of the Annual Shareholders' Meeting to be called to approve the financial statements for the year ended December 31, 2018.
- Number of Accor shares held: 1,000.
- Born January 1, 1976.
- French national.
- Head of Economic Policy and Strategy at the European Investment Bank (EIB).

Natacha Valla has a PhD from the European University Institute in Florence (Italy). Following a period as visiting scholar at the International Monetary Fund, from 2001 to 2008 she served as an economist in charge of monetary policy stance and implementation at the European Central Bank. In 2005, Natacha Valla was seconded to the Research Directorate of the Banque de France, before being appointed Executive Director at Goldman Sachs in 2008, where she was responsible for economic research. In 2014, she was appointed Deputy Director of CEPII, a French think-tank in international economics. Since December 2015, Natacha Valla has served as the Head of Economic Policy and Strategy at the European Investment Bank (EIB).

Other positions held at December 31, 2017

Position	Company
In France	
Director	LVMH (listed company)
Director	ASF (unlisted company) – Cofiroute (unlisted company) (Vinci)
Member of the Supervisory Board	Tikehau (listed company)
Director	SUERF – European Money and Finance Forum
Member	Commission Économique de la Nation
Member	Conseil d'Analyse Économique
Member of the Scientific Committee	ACPR – Prudential Oversight Authority

Former positions held in the past five years

None.

(1) Based on the independence criteria set out in the AFEP/MEDEF Corporate Governance Code.

Sarmad Zok – Director

- First appointed as a director on July 12, 2016.
- Current term due to expire at the close of the Annual Shareholders' Meeting to be called to approve the financial statements for the year ended December 31, 2018.
- Number of Accor shares held: 1,000.
- Born August 9, 1968.
- Lebanese & British national.
- Chairman and CEO of Kingdom Hotel Investments and Non-Executive Board Director of Kingdom Holding Company.

Sarmad Zok is the Chairman and Chief Executive Officer of Kingdom Hotel Investments (KHI) headquartered in Dubai, UAE and a non-executive director on the boards of Four Seasons Hotels and Resorts, AccorHotels, Mövenpick Hotels & Resorts Management, BlackRock Frontiers Investment Trust plc and Kingdom Holding Company. Mr. Zok is an active member of the boards of the hotel management companies he sits on, being directly engaged on strategy, product, operations/guest experience, growth and value creation. In 2006, Mr. Zok led KHI on its Initial Public Offering on the Dubai International Financial Exchange (the predecessor to NASDAQ Dubai) and the London Stock Exchange. Since a successful take-private in 2010 he has headed KHI's accomplished hotel investment management team in Dubai in managing an integrated luxury hospitality investment portfolio across the US, Europe and growth/developing markets in the Middle East, Africa and Asia. In 2016, he successfully led the KHI team on the sale and merger of Fairmont Raffles with AccorHotels, one of the largest recent transactions in the luxury hospitality sector. In his early career, Mr. Zok worked at HVS International and Hilton International. He holds a Bachelor of Science in Hotel Management from the University of Surrey and a Masters of Arts in Property Valuation and Law from City University Business School in London.

Other positions held at December 31, 2017 with companies controlled[(1)] by Kingdom Hotel Investments and Kingdom Holding Company

Position	Company	Country
Outside France		
Chairman, Member of the Board and Chief Executive Officer	Kingdom Hotel Investments (unlisted company)	Cayman Islands
Member of the Board	Kingdom Holding Company (listed company)	Saudi Arabia
Member of the Board	Kingdom 5-KR-35, Ltd (unlisted company)	Cayman Islands
Manager A (Member of the Board)	Shercock Sarl (unlisted company)	Luxembourg
Manager B (Member of the Board)	Hotel George V BV (unlisted company)	Netherlands
Chairman	Kingdom Beirut SAL (unlisted company)	Lebanon

Other positions held at December 31, 2017 with companies not controlled[(1)] by Kingdom Hotel Investments or Kingdom Holding Company

Position	Company	Country
Outside France		
Member of the Board	Blackrock Frontiers Investment Trust Plc (unlisted company)	United Kingdom
Member of the Board	Four Seasons Holdings Inc. (unlisted company)	Canada
Member of the Board	Mövenpick Hotels and Resorts Management AG (unlisted company)	Switzerland

Former positions held in the past five years

Position	Company	Country
Outside France		
Member of the Board	Kingdom 5-KR-181, Ltd	Cayman Islands
Member of the Board	Kingdom 01 FZ LLC	Dubai free-trade zone, United Arab Emirates
Member of the Board	Yotel Investments Limited	British Virgin Islands
Member of the Board	Kingdom 5-KR-59, Ltd	Cayman Islands
Member of the Board	FRHI Holdings Limited	Cayman Islands

(1) Within the meaning of Article L. 233-16 of the French Commercial Code.

3.2.2 Independence of directors and balanced representation of women and men

At December 31, 2017, the Board of Directors had 16 members, including one director representing employees. In accordance with the Company's Bylaws, Chantale Hoogstoel was designated as a director representing employees by the European Works Council on January 11, 2018.

The Board of Directors pays particular attention to the balance of its membership and that of its Committees and, when appointing or renewing directors, reviews its compliance with legal requirements and with the AFEP/MEDEF Code recommendations in terms of gender balance, the proportion of independent directors and the Board's international diversity. The Board also ensures that its members have complementary technical skills and expertise (notably in finance, marketing, digital, luxury and hospitality), which enable them to fully grasp the challenges faced by the Group's operations and help foster their development. In terms of international diversity, the Board ensures that at least one third of its members are non-French nationals or have acquired experience abroad.

As a result, as at January 30, 2018:

(i) eight of the Board members are women, including the two directors representing employees, in compliance with the provisions of the French Act of January 27, 2011 on gender balance in the boardroom and with the AFEP/MEDEF Code recommendations;

(ii) nine Board members qualify as independent, based on the criteria set out in the AFEP/MEDEF Code;

(iii) four Board members are non-French nationals;

(iv) all of the Board members hold or have held key positions, primarily in large, multinational companies, and have the skills necessary to carry out their duties as a member of the Board of Directors.

A director is independent when he or she has no relationship of any kind whatsoever with the Company, the Group or its management that may interfere with his or her freedom of judgment or give rise to a potential conflict of interest. The Board assesses the independence of its members each year by applying the following criteria, as set out in the AFEP/MEDEF Code:

- not to be and not to have been during the course of the previous five years an employee or executive officer(1) of the Company, or an employee, director or executive officer of the Company's parent company or a company consolidated within this parent, or of a company consolidated within the Company;
- not be an executive officer of a company in which the Company directly or indirectly holds a directorship, or in which an employee appointed as such or an executive officer of the Company (current or in the past five years) holds a directorship;
- not be a customer, supplier, investment banker or commercial banker(2):
  - that is material for the Company or its Group or,
  - for which the Company or its Group represents a significant part of the entity's activity;
- not have close family ties with an executive officer;
- not have been a Statutory Auditor of the Company in the last five years;
- not have been a director of the Company for more than twelve years;
- not be a non-executive officer receiving variable compensation in cash or shares, or any performance related remuneration from the Company or the Group.

Directors who represent major shareholders of the Company may be considered as independent provided that these shareholders do not take part in the control of the Company. If the shareholder owns 10% or more of the Company's capital or voting rights, the Board of Directors must systematically review whether that shareholder's representative may be qualified as independent, based on a report issued by the Corporate Governance, Compliance & CSR Committee and taking into account the Company's capital structure and any potential conflicts of interest.

The assessment of the significance or non-significance of any relationships with the Company or the Group is discussed by the Board, following a review by the Governance, Compliance & CSR Committee.

On January 16, 2018, the Corporate Governance, Compliance & CSR Committee reviewed the independence of the members of the Board of Directors, focusing in particular on whether or not the business relationships that may exist between the Company and certain directors are significant. For that purpose, it examined the nature of the relationships (types of services provided, exclusive arrangements, etc.) and the amounts of the transactions carried out during the year with the companies in which the directors hold executive positions.

It then compared those amounts with the Group's revenue and equity for 2017. The Board also examined the proportion represented by these relationships in the revenue of the groups in which the independent directors hold positions.

Following the Committee's review, the Board of Directors noted that AccorHotels did not have any significant business relationships with the companies in which Sophie Gasperment, Qionger Jiang, Iris Knobloch and Jean-Paul Bailly hold positions.

The Board examined the business relationships with the Thales Group, where Isabelle Simon is Group Secretary & General Counsel and a member of the Executive Committee, and noted that these relationships represented an amount significantly lower than 1% of the Group's revenue and equity as well as a non-material share of the Thales Group's revenue. The contract in question concerns IT facilities management services provided by the Thales Group for AccorHotels, which pre-dates the appointment of Isabelle Simon. The Board considered that this contract was part of the normal business activities of the two groups and that the business relationships involved were not significant.

The fees paid by AccorHotels in 2017 to Havas, where Mercedes Erra serves as Executive President of Havas Worldwide, also represented significantly less than 1% of the Group's revenue and equity and less than 1% of Havas Group's revenue. A number of Havas subsidiaries provide marketing and advertising services to AccorHotels as part of existing campaigns, under contracts negotiated privately or awarded through a tender process. The Board noted that the number of marketing services commissioned by the Group from Havas subsidiaries declined in 2017 and, in light of all these factors, considered that these business relationships were not significant.

(1) In accordance with the AFEP/MEDEF Code, in public limited companies with a Board of Directors, this concept covers the Chairman and Chief Executive Officer, the Chief Executive Officer and the Deputy Chief Executive Officer(s).

(2) Or be linked directly or indirectly to these persons.

Lastly, the Board also assessed Nicolas Sarkozy's qualification as an independent director based on the criteria listed in the AFEP/MEDEF Code and reviewed the Group's business relationships with law firm Claude & Sarkozy. Nicolas Sarkozy himself does not provide any legal advice to the Group and, in addition, the provision of any legal services to the Group by other partners and employees of Claude & Sarkozy is carried out in such a way, in particular in terms of business volumes, so as to preserve Mr. Sarkozy's independence with regard to the abovementioned criteria. In light of these factors, and given that the fees paid to Claude & Sarkozy represent a non-material amount in relation to the Group's revenue and equity and less than 1% of the law firm's revenue, the Board considered that Nicolas Sarkozy qualifies as an independent director under the criteria set out in the AFEP/MEDEF Code.

In view of the results of this analysis, and based on the criteria above, on February 20, 2018 the Board confirmed that Mercedes Erra, Sophie Gasperment, Qionger Jiang, Iris Knobloch, Isabelle Simon, Natacha Valla, Jean-Paul Bailly, Bertrand Meheut and Nicolas Sarkozy qualify as independent directors.

Independence criteria applied

	Not to be/have been an employee or executive officer of the Company(1)	No cross-directorships(1)	No material business relationships with the Company	No family ties with an executive officer	Not to have been an auditor or a former auditor	Not to have been a director of the Company for more than 12 years	Not to own more than 10% of the Company's share capital(2)
Sheikh Nawaf Bin Jassim Bin Jabor Al-Thani	√	√	√	√	√	√	
Aziz Aluthman Fakhroo	√	√	√	√	√	√	
Vivek Badrinath		√	√	√	√	√	√
Jean-Paul Bailly	√	√	√	√	√	√	√
Sébastien Bazin		√	√	√	√	√	√
Iliane Dumas(3)		√	√	√	√	√	√
Mercedes Erra	√	√	√	√	√	√	√
Sophie Gasperment	√	√	√	√	√	√	√
Chantale Hoogstoel(3)		√	√	√	√	√	√
Qionger Jiang	√	√	√	√	√	√	√
Iris Knobloch	√	√	√	√	√	√	√
Bertrand Meheut	√	√	√	√	√	√	√
Nicolas Sarkozy	√	√	√	√	√	√	√
Patrick Sayer	√	√	√	√	√	√	
Isabelle Simon	√	√	√	√	√	√	√
Natacha Valla	√	√	√	√	√	√	√
Sarmad Zok	√	√		√	√	√	√

(1) During the past five years.
(2) Acting alone or in concert.
(3) Director representing employees.

3.3 OPERATING PROCEDURES AND CONDITIONS OF PREPARATION AND ORGANIZATION OF THE WORK OF THE BOARD OF DIRECTORS AND ITS COMMITTEES

3.3.1 Board of Directors' work

The preparation and organization of the Board of Directors' work are governed by the laws and regulations applicable to French public limited companies (*sociétés anonymes*), the Company's Bylaws, and the Board of Directors Bylaws, which describe the operating procedures of the Board Committees.

The Board met 15 times in 2017. The notices of meeting together with the agenda were e-mailed to all the members several days before each meeting date. In the period between two meetings, members were kept regularly informed of significant events and transactions involving the Company and were sent copies of the related press releases issued by the Company.

Each ordinary Board meeting lasted four hours on average and the attendance rate was 88% (87% in 2016).

At its meetings, the Board performed the duties required of it by law and the Company's Bylaws. It was also informed by the Chairman and Chief Executive Officer and the Deputy Chief Executive Officer – as well as in some cases by other senior executives – of numerous significant achievements and projects relating to the Company's business.

In 2017, the Board of Director's work included:

- monitoring the process of turning HotelInvest into a subsidiary and opening up AccorInvest's capital to investors;
- approving the acquisitions of Gekko and Mantra and reviewing the planned acquisitions of Availpro, BHG, Travelkeys and VeryChic;
- deciding to implement a co-investment plan for the Group's senior executives;
- approving the parent company and consolidated financial statements for 2016.

The Board's work in the governance sphere included:

- proposing the co-option of two new directors;
- proposing the renewal of the terms of office of two directors: Sébastien Bazin and Iris Knobloch;
- creating an International Strategy Committee;
- reviewing the composition of the Commitments Committee and that of the Audit and Risks Committee;
- reviewing the independence criteria set out in the AFEP/MEDEF Code and confirming the independence of certain Board members;
- reviewing the succession plan submitted by the Appointments & Compensation Committee;
- examining the related-party agreements already approved by Annual Shareholders' Meetings in prior years that remained in force during the year;
- finalizing the compensation payable to the Company's executive officers.

The Board of Directors continued to receive updates from the different committees throughout the year.

Lastly, the Board called an Annual Shareholders' Meeting and an Extraordinary Shareholders' Meeting during the year and approved the Report of the Chairman of the Board of Directors[1].

(1) *Report of the Chairman of the Board of Directors prepared pursuant to Article L. 225-37 paragraph 6 of the French Commercial Code as presented prior to the Order of July 12, 2017.*

3.3.2 Directors' attendance at Board Meetings in 2017

	Number of meetings taken into account	Attendance rate
Aziz Aluthman Fakhroo	15	100%
Vivek Badrinath	15	87%
Jean-Paul Bailly	15	93%
Sébastien Bazin	15	100%
Sheikh Nawaf Bin Jassim Bin Jabor Al Thani(1)	13	62%
Ali Bouzarif(2)	2	50%
Iliane Dumas	15	100%
Mercedes Erra	15	80%
Sophie Gasperment	15	100%
Qionger Jiang	15	67%
Iris Knobloch	15	93%
Bertrand Meheut	15	93%
Nadra Moussalem(3)	1	100%
Nicolas Sarkozy(4)	14	93%
Patrick Sayer	15	100%
Isabelle Simon	15	87%
Natacha Valla	15	93%
Sarmad Zok	15	93%

(1) Appointed with effect from March 21, 2017.
(2) Resigned as director on March 21, 2017.
(3) Resigned as director on February 21, 2017.
(4) Appointed with effect from February 21, 2017.

3.3.3 Assessing the Board of Directors' operating procedures

In addition to regularly discussing its procedures during scheduled meetings, the Board of Directors also periodically performs a formal assessment of its operations, including an assessment conducted by an external consultant every three years. The Company uses the assessment report to draw up an action plan aimed at enhancing the Board of Directors' operating procedures.

In the second half of 2017, the Board of Directors conducted a new formal assessment of its operating procedures, with the help of an external consultant who interviewed all the directors under the supervision of the Vice-Chairman and Senior Independent Director and the Corporate Governance, Compliance & CSR Committee. The Board of Directors reviewed the findings of the assessment at its meeting on February 20, 2018.

Overall, the directors indicated their satisfaction with the recent changes to the Board of Directors. They highlighted the deep commitment of the Board and noted the complementarity of its skills, which allowed for open and constructive debate. The quality of the information examined during Board meetings was considered excellent and the role of the Senior Independent Director was deemed positive. However, the assessment report identified a need to review the size and the composition of the Board of Directors and its Committees as part of the Group's transformation. Going forward, the directors indicated that they would like to receive more regular information on such issues as hotel transactions and the inner workings of the Group as well as on human resources.

The Company has used the assessment report to draw up an action plan, which was approved by the Board of Directors at its meeting on March 7, 2018. The plan provides for a review of the size of the Board of Directors and its Committees as well as regular thematic presentations on operational or organizational issues by members of the Executive Committee.

3.3.4 Minimum shareholding requirement and preventing conflicts of interest

Pursuant to Article 12 of the Company's Bylaws, with the exception of the directors representing employees, all directors are required to hold at least 1,000 registered shares. In addition, to emphasize the importance of directors' attendance at Board and Committee meetings and to comply with the related recommendation in the AFEP/MEDEF Code, the Board of Directors Bylaws provide that two-thirds of the fees allocated to directors must be based on their attendance record.

With a view to preventing any potential conflicts of interest, members of the Board are required to complete a statement every year disclosing any and all direct or indirect ties they have with the Company. If a new direct or indirect business relationship is envisaged between the Company or the Group and a director or a Founding Co-Chairman, the procedure for related-party agreements provided for in Article L. 225-38 *et seq.* of the French Commercial Code is applied whenever the business relationship concerned does not constitute a routine agreement entered into on an arm's length basis.

At its meeting of February 20, 2018, the Board of Directors reviewed the related-party agreements approved in prior years that remained in force in 2017 and the agreements authorized by the Board in application of the procedure provided for in Articles L. 225-38 *et seq.* of the French Commercial Code.

In 2016, the Board of Directors reinforced the measures to prevent conflicts of interest within the Group by adopting Article 9 of its Bylaws (presented in Appendix A). Under the terms of this article, any director that is in a position of a conflict of interest must inform both the Vice-Chairman of the Board and the Board Secretary. Article 9 stipulates that any information that may be sensitive from a competition perspective may not be disclosed or discussed in the presence of a director who has direct links to a person with interests that are in competition with those of the Company. Based on declarations made by the directors, the Vice-Chairman, with the assistance of the Board Secretary and external consultants if necessary, draws up a list of issues for each individual director that are likely to generate conflicts of interest and informs the Board of Directors on an annual basis. In the event of a conflict of interest – or even a potential conflict of interest – the director concerned shall abstain from the discussion and decision-making on the matters concerned and shall be asked to leave the Board or Committee meeting during the discussion and the corresponding vote. The director shall not receive information relating to the agenda item that concerns the conflict of interest nor the corresponding section in the minutes of the Board meeting.

In addition, directors adhere to the Board of Directors Code of Conduct (presented in Appendix B), which defines the scope of their duty of diligence, discretion and confidentiality, and specifies the rules applicable to trading in the Company's securities.

3.3.5 Secretary to the Board of Directors

François Pinon, Group General Counsel, has been appointed by the Board of Directors to serve as Board Secretary.

3.3.6 Board Committees

Board discussions and decisions on certain topics are prepared by specialist Board Committees made up of directors appointed by the Board for the duration of their term as director. These Committees examine matters falling within their terms of reference, as well as any matters referred to them for consideration by the Chairman and Chief Executive Officer. They report regularly to the Board on their work, and provide the Board with their observations, opinions, proposals and recommendations.

There are currently five standing Board Committees:

- the Audit and Risks Committee;
- the Commitments Committee;
- the Appointments & Compensation Committee;
- the Corporate Governance, Compliance & CSR Committee;
- the International Strategy Committee.

The organizational and procedural framework applicable to the Board Committees is described in the Board of Directors Bylaws, which are presented below.

The Board may also set up one or several special Committees.

Each Committee shall be chaired by one of its members, appointed by the Board on the recommendation of the Appointments & Compensation Committee.

The Committee Chairman appoints a person who may or may not be a Committee member to act as secretary.

The Chairman of each Committee may ask for the Committee to be consulted on any matters falling within its terms of reference that have not been referred to it.

Each Committee is required to periodically review its rules of procedure and propose to the Board any changes that are considered necessary.

The Board Committees do not have any decision-making authority.

To assist them in their work, the Board Committees may commission technical reports from Company management or external consultants. In both cases, the Chairman and Chief Executive Officer is notified in advance. The Committees may also arrange meetings with members of Company management responsible for the areas under review, without any executive officers necessarily being present. In this case also, the Chairman and Chief Executive Officer is informed in advance.

In the event of a conflict of interest – or even a potential conflict of interest – the director concerned shall abstain from the discussion and decision-making on the matters concerned and shall be asked to leave the Committee meeting during the discussion and the corresponding vote.

3.4 BOARD COMMITTEES

3.4.1 Audit and Risks Committee

The Audit and Risks Committee has six members – Sophie Gasperment, Isabelle Simon, Natacha Valla, Aziz Aluthman Fakhroo, Bertrand Meheut and Patrick Sayer – all of whom have the necessary technical knowledge to fulfill the Committee's duties. Four of these members are qualified by the Board as independent. The composition of the Audit and Risks Committee therefore complies with the recommendations in the AFEP/MEDEF Code. The Committee is chaired by Bertrand Meheut, independent director.

In addition, Philippe Citerne attends Committee meetings in a consultative capacity as a non-voting director.

The Committee met four times in 2017, with an average attendance rate of 64%(1) (*vs* 82% in 2016).

Statutory Auditors, the Chairman and Chief Executive Officer, the Chief Financial Officer and the Board Secretary attend the meetings, joined when appropriate by the Internal Audit Director.

The meetings in which the annual and interim financial statements are reviewed begin with a discussion with the Statutory Auditors, which takes place without Company management being present.

During its meetings, the Committee:

- prepared the Board's review and discussion of the annual and interim financial statements;
- examined the implementation of the new presentation of the Group's financial results, broken down between AccorInvest and AccorHotels;
- monitored the project to turn AccorInvest into a subsidiary.

The Committee also tracked developments in the Group's tax disputes, and was given presentations on upcoming changes in accounting standards and regulations. Lastly, it reviewed Internal Audit findings and the implementation of the identified measures, as well as the yearly update of the risk map.

3.4.2 Appointments & Compensation Committee

The Appointments & Compensation Committee comprises eight members, four of whom are qualified by the Board as independent. In accordance with the AFEP/MEDEF Code recommendations:

(i) the Committee is chaired by independent director Sophie Gasperment;

(ii) the Committee's members include Iliane Dumas, director representing employees;

(iii) the Committee consists mostly of independent directors.

The Committee is chaired by Sophie Gasperment and its other members are Qionger Jiang, Iris Knobloch, Iliane Dumas, Aziz Aluthman Fakhroo, Bertrand Meheut, Patrick Sayer and Sarmad Zok.

The Committee met four times in 2017, with an average attendance rate of 78% (*vs* 90% in 2016).

During its meetings, the Committee:

- recommended the appointment of two new directors;
- recommended that the Board implement a co-investment plan;
- recommended the adoption of an employee share ownership plan (SHARE 17);
- prepared the compensation policy for executive officers to be submitted to the Annual Shareholders' Meeting;
- reviewed the terms and conditions of the performance share plans launched in 2017 and the achievement levels of the performance criteria for previously-launched stock option and performance share plans;
- reviewed the process for selecting an interim Chairman and Chief Executive Officer and an interim Deputy Chief Executive Officer in the event of unforeseen circumstances.

The Committee also put forward recommendations concerning executive officers' compensation and the allocation of directors' fees among the Board members.

3.4.3 Corporate Governance, Compliance & CSR Committee

The role of the Corporate Governance, Compliance & CSR Committee is to ensure that the principles of good corporate governance are properly applied and to prepare the Board of Directors' decisions pertaining to compliance, ethics and CSR.

The Corporate Governance, Compliance & CSR Committee comprises four members, all of whom are qualified by the Board as independent. It is chaired by Jean-Paul Bailly, and its other members are Mercedes Erra, Sophie Gasperment and Isabelle Simon.

The Committee met twice in 2017, with an average attendance rate of 88% (*vs* 75% in 2016).

During its meetings, the Committee:

- reviewed the independence criteria for directors;
- carried out the annual review of related-party agreements;
- identified the changes brought about by amendments to the AFEP/MEDEF Code;
- initiated the process for assessing the Board of Directors' operating procedures;
- tracked deployment of the Group's Compliance project;
- reviewed the work carried out by the Ethics and CSR Committee;
- reviewed the state of progress of the Group's Talent Management and Leadership projects.

(1) *The attendance rate does not take into account Nadra Moussalem, who resigned from his position as Company director as of February 21, 2017.*

3.4.4 Commitments Committee

The Commitments Committee is comprised of five members. It is chaired by Patrick Sayer and its other members are Mercedes Erra, Aziz Aluthman Fakhroo, Jean-Paul Bailly and Sarmad Zok. Due to the nature of the responsibilities assigned to this Committee – which sometimes has to give its opinion on acquisitions or disposal projects within a short timeframe – Committee meetings may be called at any time, either in writing or verbally, by the Committee Chairman or by the Chairman and Chief Executive Officer.

The Committee met three times in 2017, with an average attendance rate of 88% (*vs* 85% in 2016). Directors not on the Committee may also participate in its meetings, at the invitation of the Committee Chairman.

In 2017, the Commitments Committee primarily:

- reviewed the Group's various acquisition projects, including the acquisitions of Gekko and Mantra;
- reviewed the Orient-Express, Rixos and NextDoor joint venture projects;
- monitored the project to turn AccorInvest into a subsidiary and open up its capital to investors ("Booster" project).

3.4.5 International Strategy Committee

On March 21, 2017, the Board of Directors decided, after seeking the opinion of the Appointments & Compensation Committee, to create an International Strategy Committee responsible for making recommendations to the Board on the Group's strategic objectives internationally, particularly regarding:

- the Group's strategic hotel development objectives at international level;
- the geographical distribution of the Group's business and the corresponding geopolitical challenges and risks;
- the monitoring of the Group's major international projects, alliances and partnerships.

The **International Strategy Committee** has six members, of whom four are qualified by the Board as independent. It is chaired by Nicolas Sarkozy and the other members are Qionger Jiang, Iris Knobloch, Natacha Valla, Sheikh Nawaf Bin Jassim Bin Jabor Al-Thani and Sarmad Zok.

The Committee met twice in 2017, with an average attendance rate of 83%.

During its meetings, the Committee discussed international current affairs, including the situations in Africa, the Middle East and Asia and their impacts on the Group's operations.

3.5 DIRECTORS' AND OFFICERS' COMPENSATION

3.5.1 Compensation policy for executive officers in 2018

The Company's compensation policy for its executive officers is determined by the Board of Directors, acting on the recommendation of the Appointments & Compensation Committee. The compensation of the Chairman and Chief Executive Officer and the Deputy Chief Executive Officer for 2018 was finalized by the Board of Directors at its meeting on December 14, 2017, based on recommendations put forward by the Appointments & Compensation Committee.

The Board's primary objective is to put together executive compensation packages that are reasonable, balanced, equitable and performance-based. Consequently, fixed and variable compensation principles, criteria and amounts are analyzed each year by the Appointments & Compensation Committee, using compensation benchmarks conducted by external consultants of the practices of other CAC 40 companies and international hotel groups. An additional aim of the analysis is to ensure that the Company's compensation policy for its executive officers complies with the AFEP/MEDEF Code.

2018 Compensation policy for the Chairman and Chief Executive Officer

Overall structure of the Chairman and Chief Executive Officer's compensation package

Short-term components

- **Annual fixed compensation**, which takes into account the Chairman and Chief Executive Officer's experience and responsibilities as well as market practices.
- **Annual variable compensation,** which is contingent on the Chairman and Chief Executive Officer's contribution to the Group's success, particularly in terms of financial and extra-financial performance, and depends on performance in relation to quantitative objectives (for 80%) and qualitative objectives (for 20%) set by the Board of Directors, as explained below. Each quantitative objective, depending on the achievement rate, triggers the payment of between 0% and 160% of the share of variable compensation it represents, and each qualitative objective between 0% and 120%.

Variable compensation is capped at a percentage of a predetermined annual reference amount: Mr. Bazin shall receive variable compensation of between 0% and 150% of an annual reference amount of €1,250,000 (the "Reference Amount"), corresponding to the equivalent of between 0% and 197% of his annual fixed compensation. If his variable compensation reaches 100% of the Reference Amount, this will represent 132% of his annual fixed compensation.

Long-term components

Free shares in the Company are regularly granted to executive officers of the Company and to certain Group employees subject to the fulfillment of performance and presence conditions. These performance share grants are intended to closely align the Chairman and Chief Executive Officer's interests with those of the Company's shareholders and encourage him to deliver long-term performance. The performance conditions (which are both internal and external) are determined by the Board of Directors, which then gives the Chairman and Chief Executive Officer the necessary powers to carry out the grants. In accordance with the AFEP/MEDEF Corporate Governance Code, the plans are mostly issued during the first half of the year.

Summary of the overall structure of the Chairman and Chief Executive Officer's compensation package

Components	Criteria and objectives	Amount/Weighting
Annual fixed compensation	Determined by the Board of Directors based on the recommendation of the Appointments and Compensation Committee, taking into account: ◗ his experience ◗ his responsibilities ◗ market practices	€950,000 Unchanged since January 1, 2016
Annual variable compensation	Annual variable compensation that varies depending on performance in relation to the following objectives:	
	Quantitative objectives (accounting for 80% of the annual variable compensation): ◗ **financial objectives** (actual *versus* budgeted EBITDA for 2018, actual *versus* budgeted free cash flow – excluding acquisitions and disposals, after change in operating working capital – for 2018, Accor's Total Shareholder Return (TSR) relative to its peer group and relative to that of other CAC 40 companies) ◗ **extra-financial objectives** (guest experience, level of employee engagement, sustainable development and CSR performance)	Each quantitative objective, depending on the achievement rate, triggers the payment of between 0% and 160% of the share of variable compensation it represents, and each qualitative objective between 0% and 120%. The annual variable compensation will represent between 0% and 150% of a Reference Amount set at €1,250,000, and will therefore be equivalent to between 0% and 197% of his annual fixed compensation.
	Qualitative objectives (accounting for 20% of the annual variable compensation): ◗ strategic vision and identification of strategic options ◗ implementation of the post-Booster organization and change in Group businesses	
Long-term components	**Performance shares**, that vest subject to fulfillment of performance conditions decided by the Board of Directors	The grants represent a percentage of annual fixed compensation, determined by the Board of Directors

At its meeting on December 14, 2017, on the recommendation of the Appointments and Compensation Committee, the Board of Directors decided not to increase Mr. Bazin's fixed and variable compensation in 2018. As a result, Mr. Bazin will receive a gross annual fixed compensation of €950,000 and an annual variable compensation of between 0% and 150% of an annual reference amount of €1,250,000, representing the equivalent of between 0% and 197% of his annual fixed compensation.

The Board has decided that Mr. Bazin's annual variable compensation will be based on the achievement of the following performance objectives:

- **quantitative objectives** (accounting for 80% of the total):
  - consolidated EBITDA in line with the 2018 budget (25% weighting),
  - free cash flow (excluding acquisitions and disposals), after change in operating working capital, in line with the 2018 budget (25% weighting),
  - Accor's TSR relative to that of other CAC 40 companies (10% weighting),
  - Accor's TSR relative to that of eight other international hotel groups (Marriott, Hilton, Choice, Hyatt, Whitbread, Intercontinental Hotels, NH Hoteles and Melia) (10% weighting),
  - a combination of criteria: guest experience, level of employee engagement, and sustainable development and CSR performance (10% weighting);
- **qualitative objectives** (accounting for 20% of the total):
  - strategic vision and identification of strategic options (10% weighting),
  - implementation of the post-Booster organization and change in Group businesses (10% weighting).

As allowed for in the AFEP/MEDEF Code, the Board of Directors has also retained the option of paying an exceptional bonus to the Chairman and Chief Executive Officer in certain circumstances (such as in the event of a transformative operation). Any such bonus would be announced and explained to shareholders. In any event and subject to approval of this compensation policy at the 2018 Annual Shareholders' Meeting, any decision by the Board of Directors to pay an exceptional bonus to the Chairman and Chief Executive Officer would be subject to the shareholders' prior approval.

Criteria and weighting of the components of the annual variable compensation of the Chairman and Chief Executive Officer

Quantitative and qualitative objectives

		% of the Reference Amount		
Quantitative objectives	**Weighting**	**Min**	**Target**	**Max(1)**
Actual *versus* budgeted EBITDA for 2018	25%	0%	25%	40%
Actual *versus* budgeted free cash flow for 2018 (excluding disposals and acquisitions), after change in operating working capital	25%	0%	25%	40%
Accor's TSR relative to the TSR of other CAC 40 companies	10%	0%	10%	16%
Accor's TSR relative to the TSR of eight other international hotel groups	10%	0%	10%	16%
Guest experience, level of employee engagement, sustainable development and CSR performance	10%	0%	10%	16%
Total, quantitative objectives	**80%**	**0%**	**80%**	**128%**

(1) Each quantitative objective, depending on the achievement rate, may trigger the payment of up to 160% of the share of variable compensation it represents.

		% of the Reference Amount		
Qualitative objectives	**Weighting**	**Min**	**Target**	**Max(2)**
Strategic vision and identification of strategic options	10%	0%	10%	12%
Implementation of the post-Booster organization and change in Group businesses	10%	0%	10%	12%
Total, qualitative objectives	**20%**	**0%**	**20%**	**24%**
TOTAL, QUANTITATIVE AND QUALITATIVE OBJECTIVES AS A % OF THE REFERENCE AMOUNT		**0%**	**100%**	**150%(3)**
TOTAL VARIABLE COMPENSATION AS A % OF FIXED COMPENSATION (CAPPED AMOUNT)		**0%**	**132%**	**197%**

(2) Each qualitative objective, depending on the degree to which it is met, may trigger the payment of up to 120% of the share of variable compensation it represents.
(3) The variable compensation is capped at 150% of the Reference Amount.

Other benefits awarded to the Chairman and Chief Executive Officer

(i) Company car.

(ii) Unemployment insurance. A private insurance plan has been set up with *Association pour la Garantie Sociale des Chefs et Dirigeants d'Entreprise* (GSC) to provide the Chairman and Chief Executive Officer with unemployment benefits should the need arise. The benefits under this plan would be based on net taxable professional-source income for the previous year, and would be payable as from the 31st unbroken day of unemployment. The maximum length of time that Sébastien Bazin could be paid benefits under the plan is 24 months, and the total amount of benefits is capped at €397,320 (based on the applicable rate for 2018).

(iii) Up to 50 hours of tax and asset management advice per year provided by an external company.

(iv) Supplementary pension plans: an "Article 83" defined contribution plan and an "Article 39" defined benefit plan:

- Sébastien Bazin, as an executive director of the Company with over one year of service and a gross annual salary of more than four times the annual ceiling used for calculating French social security contributions (the "PASS") qualifies to participate in the Company's defined contribution pension plan. He will be entitled to a pension annuity (with the possibility of survivor benefits) determined based on the contributions paid by the Company for each year of his membership of the plan. The annual contribution paid by the Company corresponds to 5% of his annual gross compensation, capped at five times the annual ceiling used for calculating French social security contributions (the "PASS"). In accordance with the French Social Security Code, if Sébastien Bazin leaves the Group before the date of retirement, he will retain the rights accrued under the plan.
- Sébastien Bazin, as an executive director of the Company with a gross annual salary of more than five times the annual ceiling used for calculating French social security contributions (the "PASS"), and having complied with these criteria for more than six months during the previous year, qualifies to participate in the Company's defined benefit pension plan. He will be entitled to a pension annuity (with the possibility of survivor benefits), provided he remains with the Group until he retires and has participated in the plan for at least five years (or has served with the Group for at least fifteen years). If he does not meet these requirements, he will not be entitled to any payments under the plan. The pension annuity payable under the defined benefit plan will be reduced by the amount of the annuity payable under the above-described defined contribution plan.

His benefit entitlement is built up gradually and is calculated each year for which he is a plan member based on his annual reference compensation. Each year of plan membership represents between 1% and 3% of the annual reference compensation, depending on the compensation brackets concerned, *i.e.*:

- portion of reference compensation representing between 4 and 8 times the PASS: 1%;
- portion of reference compensation representing between 8 and 12 times the PASS: 2%;
- portion of reference compensation representing between 12 and 24 times the PASS: 3%;
- portion of reference compensation representing between 24 and 60 times the PASS: 2%.

The Board of Directors, based on recommendations put forward by the Appointments & Compensation Committee, and in accordance with the French Act No. 2015-990 of August 6, 2015, decided to amend the characteristics of Sébastien Bazin's supplementary defined benefit plan and to make the payment of the annuity subject to the following two performance conditions:

- actual *versus* budgeted consolidated EBITDA (50% weighting);
- actual *versus* budgeted free cash flow (excluding acquisitions and disposals), after change in operating working capital (50% weighting).

Each year, the Board of Directors validates the degree of fulfillment of the performance conditions. Benefit entitlements vest in full if the performance conditions are at least 90% met (below 90%, the vested entitlement is calculated on a straight-line basis).

The benefit entitlement for any given year of plan membership therefore corresponds to the aggregate of the amounts accrued for each of the above portions, provided that the related performance conditions are met. The amount of the final pension annuity equals the sum of the entitlements calculated for each year.

Two ceilings are applied to the final amount of the pension annuity:

- the amount of the gross annuity may not exceed 30% of the member's last annual reference compensation;
- given that Sébastien Bazin's last reference compensation was more than 12 times the PASS, the overall replacement rate represented by pension benefits payable under government-sponsored plans and Accor supplementary pension plans will be capped at 35% of the average of his best three years' reference compensation in the ten years prior to retirement.

(v) Compensation for loss of office: the Board of Directors decided that the compensation payable to the Chairman and Chief Executive Officer in the event of loss of office would be equal to twice the aggregate amount of his fixed and variable compensation due for the fiscal year preceding that of the loss of office. This termination benefit would only be payable if (i) the performance criteria set by the Board of Directors are met, and (ii) his departure is involuntary, *i.e.* if Mr. Bazin's term of office as Chairman and Chief Executive Officer is terminated (except in the event of gross or willful misconduct) or if he is not re-elected as a director. It would not be payable if Mr. Bazin resigns or decides not to stand for re-election as a director, if he moves to a new position within the Group, or if he would be able to claim his full-rate pension within a short period of time.

The performance criteria applicable to the termination benefit are as follows:

- consolidated return on capital employed for the previous three years must have exceeded the Group's cost of capital as published in the Registration Documents for those years;
- operating free cash flow must have been positive in at least two of the previous three years;
- like-for-like EBITDAR margin must have exceeded 27.5% in at least two of the three previous years.

These performance criteria would be applied as follows:

- if all three criteria were met, the compensation would be payable in full;
- if two of the three criteria were met, half of the compensation would be payable;
- if none or only one of the three criteria is met, no benefit would be due.

The Chairman and Chief Executive Officer does not receive any **attendance fees** as member of the Company's Board of Directors.

The compensation policy described above will be submitted to shareholders for approval at the Annual Shareholders' Meeting to be held on April 20, 2018 in resolution 8th. Payment of the components of variable compensation due under the above policy will be subject to approval of the compensation packages awarded to the Company's executive officers at the Annual Shareholders' Meeting to be held in 2019.

2018 Compensation policy for the Deputy Chief Executive Officer

Overall structure of the Deputy Chief Executive Officer's compensation package

Short-term components

- **Annual fixed compensation,** which takes into account the Deputy Chief Executive Officer's experience and responsibilities as well as market practices.
- **Annual variable compensation,** which is contingent on the Deputy Chief Executive Officer's contribution to the Group's success, particularly in terms of financial and extra-financial performance, and depends on performance in relation to quantitative objectives (for 80%) and qualitative objectives (for 20%) set by the Board of Directors, as explained below. Each quantitative objective, depending on the achievement rate, triggers the payment of between 0% and 160% of the share of variable compensation it represents, and each qualitative objective between 0% and 120%.

  Variable compensation is capped at a percentage of the annual fixed compensation: Mr. Boinet shall receive variable compensation of between 0% and 150% of his fixed annual compensation.

Long-term components

- **Free shares in the Company are regularly granted to executive officers of the Company and to certain Group employees subject to the fulfillment of performance and presence conditions.** These performance share grants are intended to closely align the Deputy Chief Executive Officer's interests with those of the Company's shareholders and encourage him to deliver long-term performance. The performance conditions (which are both internal and external) are determined by the Board of Directors, which then gives the Chairman and Chief Executive Officer the necessary powers to carry out the grants. In accordance with the AFEP/MEDEF Corporate Governance Code, the plans are mostly issued during the first half of the year.

Summary of the overall structure of the Deputy Chief Executive Officer's compensation package

Components	Criteria and objectives	Amount/Weighting
Annual fixed Compensation	Determined by the Board of Directors based on the recommendation of the Appointments and Compensation Committee, taking into account: ◗ his experience ◗ his responsibilities ◗ market practices	€600,000, of which: ◗ €400,000 under his employment contract ◗ €200,000 in his position as executive officer Unchanged since December 2, 2013
Annual variable compensation	Annual variable compensation that varies depending on performance in relation to the following objectives:	
	Quantitative objectives (accounting for 80% of the annual variable compensation): ◗ **financial objectives** (actual *versus* budgeted EBITDA for 2018, actual *versus* budgeted free cash flow – excluding acquisitions and disposals, after change in operating working capital – for 2018, Accor's Total Shareholder Return (TSR) relative to its peer group and relative to that of other CAC 40 companies) ◗ **extra-financial objectives** (guest experience, level of employee engagement, sustainable development and CSR performance)	Each quantitative objective, depending on the achievement rate, triggers the payment of between 0% and 160% of the share of variable compensation it represents, and each qualitative objective between 0% and 120%. The annual variable compensation will represent between 0% and 150% of his annual fixed compensation.
	Qualitative objectives (accounting for 20% of the annual variable compensation): ◗ implementation of the post-Booster organization ◗ employee relations	
Long-term components	Performance shares, that vest subject to fulfillment of performance conditions decided by the Board of Directors	The grants represent a percentage of annual fixed compensation, determined by the Board of Directors

At its meeting on December 14, 2017, on the recommendation of the Appointments and Compensation Committee, the Board of Directors decided not to increase Sven Boinet's fixed and variable compensation in 2018. As a result, Mr. Boinet will receive a gross annual fixed compensation of €600,000 and an annual variable compensation of between 0% and 150% of his annual fixed compensation.

The Board has decided that Mr. Boinet's annual variable compensation will be based on the achievement of the following performance objectives:

- **quantitative objectives** (accounting for 80% of the total):
  - consolidated EBITDA in line with the 2018 budget (25% weighting),
  - free cash flow (excluding acquisitions and disposals), after change in operating working capital, in line with the 2018 budget (25% weighting),
  - Accor's TSR relative to that of other CAC 40 companies (10% weighting),
  - Accor's TSR relative to that of eight other international hotel groups (Marriott, Hilton, Choice, Hyatt, Whitbread, Intercontinental Hotels, NH Hoteles and Melia) (10% weighting),
  - a combination of criteria: guest experience, level of employee engagement, and sustainable development and CSR performance (10% weighting);
- **qualitative objectives** (accounting for 20% of the total):
  - implementation of the post-Booster organization (10% weighting),
  - employee relations (10% weighting).

As allowed for in the AFEP/MEDEF Code, the Board of Directors has also retained the option of paying an exceptional bonus to the Deputy Chief Executive Officer in certain circumstances (such as in the event of a transformative operation). Any such bonus would be announced and explained to shareholders. In any event and subject to approval of this compensation policy at the 2018 Annual Shareholders' Meeting, any decision by the Board of Directors to pay an exceptional bonus to the Deputy Chief Executive Officer would be subject to the shareholders' prior approval.

Criteria and weighting of the components of the annual variable compensation of the Deputy Chief Executive Officer

Quantitative and qualitative objectives

		% of the annual fixed compensation		
Quantitative objectives	**Weighting**	**Min**	**Target**	**Max(1)**
Actual *versus* budgeted EBITDA for 2018	25%	0%	25%	40%
Actual *versus* budgeted free cash flow for 2018 (excluding disposals and acquisitions), after change in operating working capital	25%	0%	25%	40%
Accor's TSR relative to the TSR of other CAC 40 companies	10%	0%	10%	16%
Accor's TSR relative to the TSR of eight other international hotel groups	10%	0%	10%	16%
Guest experience, level of employee engagement, sustainable development and CSR performance	10%	0%	10%	16%
Total, quantitative objectives	**80%**	**0%**	**80%**	**128%**

(1) Each quantitative objective, depending on the achievement rate, may trigger the payment of up to 160% of the share of variable compensation it represents.

		% of the annual fixed compensation		
Qualitative objectives	**Weighting**	**Min**	**Target**	**Max(2)**
Implementation of the post-Booster organization (10% weighting)	10%	0%	10%	12%
Employee relations (10% weighting)	10%	0%	10%	12%
Total, qualitative objectives	**20%**	**0%**	**20%**	**24%**
TOTAL VARIABLE COMPENSATION AS A % OF FIXED COMPENSATION (CAPPED AMOUNT)		**0%**	**100%**	**150%(3)**

(2) Each qualitative objective, depending on the degree to which it is met, may trigger the payment of up to 120% of the share of variable compensation it represents.
(3) The variable compensation is capped at 150% of the annual fixed compensation.

Other benefits awarded to the Deputy Chief Executive Officer

(i) Company car.

(ii) Up to 25 hours of tax and asset management advice per year provided by an external company.

(iii) Supplementary pension plans: an "Article 83" defined contribution plan and an "Article 39" defined benefit plan:

- Sven Boinet, as an executive director of the Company with over one year of service and a gross annual salary of more than four times the annual ceiling used for calculating French social security contributions (the "PASS") qualifies to participate in the Company's defined contribution pension plan. He will be entitled to a pension annuity (with the possibility of survivor benefits) determined based on the contributions paid by the Company for each year of his membership of the plan. The annual contribution paid by the Company corresponds to 5% of his annual gross compensation, capped at five times the annual ceiling used for calculating French social security contributions (the "PASS"). In accordance with the French Social Security Code, if Sven Boinet leaves the Group before the date of retirement, he will retain the rights accrued under the plan.
- Sven Boinet, as an executive director of the Company with a gross annual salary of more than five times the annual ceiling used for calculating French social security contributions (the "PASS"), and having complied with these criteria for more than six months during the previous year, qualifies to participate in the Company's defined benefit pension plan. He will be entitled to a pension annuity (with the possibility of survivor benefits), provided he remains with the Group until he retires and has participated in the plan for at least five years (or has served with the Group for at least fifteen years). If he does not meet these requirements, he will not be entitled to any payments under the plan. The pension annuity payable under the defined benefit plan will be reduced by the amount of the annuity payable under the above-described defined contribution plan.

  His benefit entitlement is built up gradually and is calculated each year for which he is a plan member based on his annual reference compensation. Each year of plan membership represents between 1% and 3% of the annual reference compensation, depending on the compensation brackets concerned, *i.e.*:

  - portion of reference compensation representing between 4 and 8 times the PASS: 1%;
  - portion of reference compensation representing between 8 and 12 times the PASS: 2%;
  - portion of reference compensation representing between 12 and 24 times the PASS: 3%;
  - portion of reference compensation representing between 24 and 60 times the PASS: 2%.

The Board of Directors, based on recommendations put forward by the Appointments & Compensation Committee, and in accordance with the French Act No. 2015-990 of August 6, 2015, decided to amend the characteristics of

Sven Boinet's supplementary defined benefit plan and to make the payment of the annuity subject to the following two performance conditions:

- actual *versus* budgeted consolidated EBIT (50% weighting);
- actual *versus* budgeted free cash flow (excluding acquisitions and disposals), after change in operating working capital (50% weighting).

Each year, the Board of Directors validates the degree of fulfillment of the performance. Benefit entitlements vest in full if the performance conditions are at least 90% met (below 90%, the vested entitlement is calculated on a straight-line basis).

The benefit entitlement for any given year of plan membership therefore corresponds to the aggregate of the amounts accrued for each of the above portions, provided that the performance conditions are met. The amount of the final pension annuity equals the sum of the entitlements calculated for each year.

Two ceilings are applied to the final amount of the pension annuity:

- the amount of the gross annuity may not exceed 30% of the member's last annual reference compensation;
- given that Sven Boinet's last reference compensation was more than 12 times the PASS, the overall replacement rate represented by pension benefits payable under government-sponsored plans and Accor supplementary pension plans will be capped at 35% of the average of his best three years' reference compensation in the ten years prior to retirement.

(iv) Compensation for loss of office: the Board of Directors decided that the compensation payable to the Deputy Chief Executive Officer in the event of loss of office would amount to €600,000, plus the amount of variable compensation due to him for the fiscal year preceding his loss of office, and less any benefits due for the termination of his employment contract. This termination benefit would only be payable if (i) the applicable performance criteria are met, and (ii) his departure is involuntary, *i.e.* if Mr. Boinet's term of office as Deputy Chief Executive Officer is terminated (except in the event of gross or willful misconduct). It would not be payable if Mr. Boinet resigns or if he is not re-elected as a director, if he moves to a new position within the Group, or if he would be able to claim his full-rate pension within a short period of time.

The performance criteria applicable to the termination benefit are as follows:

- consolidated return on capital employed for the previous three years must have exceeded the Group's cost of capital as published in the Registration Documents for those years;
- operating free cash flow must have been positive in at least two of the previous three years;
- like-for-like EBITDAR margin must have exceeded 27.5% in at least two of the three previous years.

These performance criteria would be applied as follows:

- if all three criteria were met, the compensation would be payable in full;
- if two of the three criteria were met, half of the compensation would be payable;
- if none or only one of the three criteria is met, no benefit would be due.

The compensation policy described above will be submitted to shareholders for approval at the Annual Shareholders' Meeting to be held on April 20, 2018 in resolution 9th. Payment of the components of variable compensation due under the above policy will be subject to approval of the compensation packages awarded to the Company's executive officers at the Annual Shareholders' Meeting to be held in 2019.

3.5.2 Compensation payable to executive officers of the company for 2017

The compensation paid or awarded to executive officers for 2017 complies with the compensation policy approved by the Annual Shareholders' Meeting of May 5, 2017 in application of Article L. 225-37-2 of the French Commercial Code, as presented in section 3.6.1 of the 2016 Registration Document.

An overview of the fixed, variable and exceptional components of the total compensation and benefits paid or awarded to executive officers for 2017, which will be submitted to the Annual Shareholders' Meeting of April 20, 2018 for approval in application of Article L. 225-100 of the French Commercial Code, is presented in a specific table in section 3.7 of the Registration Document.

Compensation payable to Sébastien Bazin

Sébastien Bazin's **annual fixed compensation** for 2017 amounted to €950,000.

On December 7, 2016 the Board decided that Mr. Bazin's **annual variable compensation** for 2017 would represent between 0% and 150% of an annual reference amount of €1,250,000, based on the achievement of the following objectives:

- **quantitative objectives:**
  - consolidated EBIT in line with the 2017 budget (25% weighting),
  - free cash flow (excluding acquisitions and disposals), after change in working capital, in line with the 2017 budget (25% weighting),
  - Accor's TSR relative to the TSR of eight other international hotel groups (Marriott, Hilton, Choice, Hyatt, Whitbread, Intercontinental Hotels, NH Hoteles and Melia) (10% weighting),
  - Accor's TSR relative to the TSR of other CAC 40 companies (10% weighting),
  - a combination of three criteria: guest satisfaction, level of employee engagement, and sustainable development and CSR performance (10%);
- **qualitative objectives:**
  - implementation of the strategic roadmap (10% weighting),
  - strategic vision and identification of strategic options (10% weighting).

Each quantitative objective, depending on the achievement rate, triggers the payment of between 0% and 160% of the share of variable compensation it represents, and each qualitative objective between 0% and 120%. Variable compensation is capped at a percentage of a predetermined annual reference amount. The annual variable compensation received by Sébastien Bazin may represent up to 150% of an annual reference amount of €1,250,000 (the "Reference Amount"), corresponding to the equivalent of up to 197% of his annual fixed compensation. If his variable compensation reaches 100% of the Reference Amount, this will represent 132% of his annual fixed compensation.

Following an assessment of the degree to which Sébastien Bazin's objectives had been achieved, at its meeting on February 20, 2018 the Board set his variable compensation for 2017 at €1,505,719, breaking down as:

- €1,205,719 for the quantitative objectives, which were 120.6% met overall (0% for Accor's TSR relative to the TSR of eight other international hotel groups, 80% for Accor's TSR relative to the TSR of other CAC 40 companies, and non-disclosable for the other objectives, which relate to the budget or to the internal ambition, in view of their confidential nature); and
- €300,000 for the qualitative objectives, which were 120% met overall (120% for the implementation of the strategic roadmap and 120% for his strategic vision and the identification of strategic options). In its assessment, the Board took into account the quality of the strategic roadmap by Sébastien Bazin, particularly the different strategic goals proposed in the wake of the Booster transaction. It also acknowledged the success of the first phase of the operation that led to the spin-off of HotelInvest into a subsidiary, as much in terms of its implementation as in terms of the preparation of the teams and market for the transformation it represents.

Consequently, Mr. Bazin's total variable compensation for 2017 represents 120.5% of the annual reference amount (and 158.5% of his fixed compensation for the year).

Compensation payable to Sven Boinet

Sven Boinet's **fixed annual compensation** for 2017 amounted to €200,000 for his executive officer's position and €400,000 under his employment contract for his salaried position.

On December 7, 2016 the Board decided that Mr. Boinet's **annual variable compensation** for 2017 would represent between 0% and 150% of his annual fixed compensation of €600,000, based on the achievement of the following objectives:

- **quantitative objectives:**
  - consolidated EBIT in line with the 2017 budget (25% weighting),
  - free cash flow (excluding acquisitions and disposals), after change in working capital, in line with the 2017 budget (25% weighting),
  - Accor's TSR relative to the TSR of eight other international hotel groups (Marriott, Hilton, Choice, Hyatt, Whitbread, Intercontinental Hotels, NH Hoteles and Melia) (10% weighting),
  - Accor's TSR relative to the TSR of other CAC 40 companies (10% weighting),
  - a combination of three criteria: guest satisfaction, level of employee engagement, and sustainable development and CSR performance (10% weighting);
- **a qualitative objective,** concerning management of the Group's transformation process (particularly the performance of the HotelServices/HotelInvest organization, employee relations and management culture) (20% weighting).

Each quantitative objective, depending on the level of achievement, triggers the payment of between 0% and 160% of the share of variable compensation it represents, and each qualitative objective between 0% and 120%. Variable compensation is capped at a percentage of fixed annual compensation. The annual variable compensation received by Sven Boinet may represent up to 150% of his fixed annual compensation.

Following an assessment of the degree to which Sven Boinet's objectives had been achieved, at its meeting on February 20, 2018 the Board set his variable compensation for 2017 at €722,745, breaking down as:

- €578,745 for the quantitative objectives, which were 120.6% met overall (0% for Accor's TSR relative to the TSR of eight other international hotel groups, 80% for Accor's TSR relative to the TSR of other CAC 40 companies, and non-disclosable for the other objectives, which relate to the budget or to the internal ambition, in view of their confidential nature); and
- €144,000 for the qualitative objective, which was 120% met. In its assessment, the Board took into account the role played by Sven Boinet in accompanying the management teams during the spin-off of HotelInvest into a subsidiary and in maintaining a positive social climate throughout the operation. The Board acknowledged his role as interface with the Group's employee trade unions

Consequently, Mr. Boinet's total variable compensation for 2017 represents 120.5% of his fixed compensation.

Termination benefits

Compensation payable to Sébastien Bazin in the event of loss of office as Chairman and Chief Executive Officer

The Board of Directors decided that the compensation payable to Sébastien Bazin in the event of loss of office would be equal to twice the aggregate amount of his fixed and variable compensation due for the fiscal year preceding that of the loss of office. This termination benefit would only be payable if (i) the applicable performance criteria are met, and (ii) his departure is involuntary, *i.e.* if Mr. Bazin's term of office as Chairman and Chief Executive Officer is terminated (except in the event of gross or willful misconduct) or if he is not re-elected as a director. It would not be payable if Mr. Bazin resigns or decides not to stand for re-election as a director, if he moves to a new position within the Group, or if he would be able to claim his full-rate pension within a short period of time.

The performance criteria applicable to the termination benefit are as follows:

- consolidated return on capital employed for the previous three years must have exceeded the Group's cost of capital as published in the Registration Documents for those years;
- operating free cash flow must have been positive in at least two of the previous three years;
- like-for-like EBITDAR margin must have exceeded 27.5% in at least two of the three previous years.

These performance criteria would be applied as follows:

- if all three criteria were met, the compensation would be payable in full;
- if two of the three criteria were met, half of the compensation would be payable;
- if none or only one of the three criteria is met, no benefit would be due.

Compensation payable to Sven Boinet in the event of loss of office as Deputy Chief Executive Officer

The Board of Directors decided that the compensation payable to Mr. Boinet in the event of loss of office would amount to €600,000, plus the amount of variable compensation due to him for the fiscal year preceding the loss of office, and less any termination benefit due for the termination of his employment contract. This termination benefit would only be payable if (i) the applicable performance criteria are met, and (ii) his departure is involuntary, *i.e.* if Mr. Boinet's term of office as Deputy Chief Executive Officer is terminated (except in the event of gross or willful misconduct). It would not be payable if Mr. Boinet resigns or if he is not re-elected as a director, if he moves to a new position within the Group, or if he would be able to claim his full-rate pension within a short period of time.

The performance criteria applicable to the termination benefit are as follows:

- consolidated return on capital employed for the previous three years must have exceeded the Group's cost of capital as published in the Registration Documents for those years;
- operating free cash flow must have been positive in at least two of the previous three years;
- like-for-like EBITDAR margin must have exceeded 27.5% in at least two of the three previous years.

These performance criteria would be applied as follows:

- if all three criteria were met, the compensation would be payable in full;
- if two of the three criteria were met, half of the compensation would be payable;
- if none or only one of the three criteria is met, no benefit would be due.

Supplementary pension benefits

The Chairman and Chief Executive Officer, Deputy Chief Executive Officer and several dozen other senior executives are members of a **supplementary pension plan** set up within the Company. This plan complies with the recommendations contained in the AFEP/MEDEF Code, as described below.

The overall plan comprises an "Article 83" **defined contribution plan,** set up in accordance with Articles L 242-1 and L. 911-1 of the French Social Security Code, and an "Article 39" **defined benefit plan,** established in accordance with the provisions of Article L. 137-11 of the same Code.

Both plans have been outsourced to an accredited organization, to which the relevant contributions are paid.

Those eligible for the **defined contribution plan** are the Chairman and Chief Executive Officer, the Deputy Chief Executive Officer and senior executives with over one year of service and a gross annual salary of more than four times the annual ceiling used for calculating French social security contributions (the "PASS"), *i.e.* €156,912 in 2017. Members are entitled to a pension annuity (with the possibility of survivor benefits), which is determined based on the contributions paid by the Company for each year of their membership of the plan. The annual contribution paid by the Company for each plan member corresponds to 5% of the member's annual gross compensation received for the year concerned, capped at five times the annual ceiling used for calculating French social security contributions (the "PASS"). The maximum contribution paid by the Company for 2017 therefore amounted to €9,807[1]. In accordance with the French Social Security Code, members who leave the Group before the date of retirement retain the rights accrued under the plan.

Those eligible for **the defined benefit plan** are the Chairman and Chief Executive Officer, the Deputy Chief Executive Officer and senior executives with a gross annual salary of more than five times the annual ceiling used for calculating French social security contributions (the "PASS"), *i.e.* €196,140 in 2017, and having complied with this criterion for more than six months during the reference year. Members are entitled to a pension annuity (with the possibility of survivor benefits), provided they remain with the Group until they retire and if they have participated in the plan for at least five years (or have served with the Group for at least fifteen years). If they do not meet these requirements, they are not entitled to any payments under the plan. Under the plan's provisions and in accordance with the French Social Security Code, members may retain:

- potential benefits accrued under the plan in the event of (i) removal from office after the age of 55, (ii) forced early retirement, with benefits payable for the period from when the member leaves the Company through to the date on which they become entitled to the basic state pension, or (iii) category 2 or 3 disability as defined under the French Social Security Code, with benefits payable for the period before they become entitled to supplementary pension benefits;
- surviving spouse rights in the event of death in the period before they become entitled to supplementary pension benefits.

Each participant's benefit entitlement is built up gradually and is calculated each year for which they are a plan member based on their annual reference compensation[2]. Each year of plan membership represents between 1% and 3% of the reference compensation, depending on the compensation brackets concerned, *i.e.*:

- portion of reference compensation representing between 4 and 8 times the PASS: 1%;
- portion of reference compensation representing between 8 and 12 times the PASS: 2%;
- portion of reference compensation representing between 12 and 24 times the PASS: 3%;
- portion of reference compensation representing between 24 and 60 times the PASS: 2%.

The entitlement for any given year of plan membership therefore corresponds to the aggregate of the amounts accrued for each of the above compensation brackets. The amount of the final pension annuity equals the sum of the entitlements calculated for each year. The pension annuity payable under the defined benefit plan will be reduced by the amount of the annuity payable under the above-described defined contribution plan. Any voluntary payments into the plan made by members will not be taken into account.

Two ceilings are applied to the final amount of the pension annuity:

- the amount of the gross annuity may not exceed 30% of the member's last annual reference compensation;
- for members whose last reference compensation was more than 12 times the PASS, the overall replacement rate represented by pension benefits payable under government-sponsored plans and Accor supplementary pension plans is capped at 35% of the average of their best three years' reference compensation in the ten years prior to retirement.

Approximately 60 executives were eligible for this plan in 2017.

(1) *For the defined contribution plan, the employer's contribution paid by Accor for 2017 for each of the Company's two executive officers corresponded to a gross amount of €9,807.*

(2) *The reference compensation corresponds to total gross fixed and variable compensation plus any exceptional bonus paid during the reference year.*

For example, for a reference compensation of €1,000,000 in 2017, provided that all of the plan's eligibility criteria are met, the entitlement will be calculated as follows:

- 1% for compensation representing between 4 times the PASS (€156,912) and 8 times the PASS (€313,824), corresponding to 1% of €156,912, *i.e.* €1,569 (a);
- 2% for compensation representing between 8 times and 12 times the PASS (€470,736), corresponding to 2% of €156,912, *i.e.* €3,138 (b);
- 3% for compensation representing between 12 times and 24 times the PASS (€941,472), corresponding to 3% of €470,736, *i.e.* €14,122 (c);
- 2% for compensation representing between 24 times the PASS and €1,000,000 (the reference compensation), corresponding to 2% of €58,528, *i.e.* €1,171 (d).

The sum of these components – *i.e.* [(a) + (b) + (c) + (d)] – represents a total potential annuity entitlement of €20,000 for 2017.

This calculation will be performed for each year of plan membership based on the member's reference compensation, the applicable PASS for that year and any adjustment related in particular to changes in the value of the AGIRC pension point. The final annuity corresponds to the aggregate of the annual amounts thus calculated.

This total final annuity under the defined benefit plan corresponds to an overall amount that includes any annuity to which the member would be entitled under the Company's defined contribution plan, *i.e.* the defined contribution plan annuity is not added to the defined benefit plan annuity.

Both Sébastien Bazin and Sven Boinet were eligible for these supplementary pension plans in 2017.

When it renewed Sébastien Bazin's appointment as Chairman and Chief Executive Office (on May 5, 2017) and Sven Boinet's appointment as Deputy Chief Executive Officer (on December 2, 2016), the Board of Directors, based on recommendations put forward by the Appointments & Compensation Committee, and in accordance with the French Act No. 2015-990 of August 6, 2015, decided to tie the payment of their defined benefit plan annuities to the following two performance conditions:

- consolidated EBIT compared with the budget (50% weighting);
- free cash flow (excluding acquisitions and disposals), after change in working capital, compared with the budget (50% weighting).

Each year, the performance condition achievement rates are validated by the Board of Directors:

- benefit entitlements for the reference year vest in full if the performance conditions are at least 90% met;
- below 90%, the vested entitlement for the reference year is calculated on a straight-line basis.

Provided that the plan's conditions are fulfilled when they take retirement and subject to any legislative changes, the potential benefit entitlement accrued by Sébastien Bazin and Sven Boinet in 2017, given the achievement rates for the above two performance conditions (as validated by the Board of Directors on February 20, 2018), would be as follows:

- For Sébastien Bazin: €30,760 (calculated on the basis of €1,538,021 in 2017, taking into account the fixed and variable compensation received in 2017 and the achievement rates for the performance conditions were fulfilled over the period from May 5 to December 31, 2017). Consequently, Sébastien Bazin's estimated potential benefits under this plan at December 31, 2017 amount to €151,337.

  The estimated potential benefit entitlement of €30,760 accrued in 2017 breaks down as follows:

  - €10,534 in potential benefits not subject to performance conditions that accrued in 2017 prior to the date on which his term of office was renewed; and
  - €20,226 in potential benefits subject to performance conditions, which were 100% met overall.
- For Sven Boinet: €17,053 (calculated on the basis of €882,250 in 2017, taking into account the fixed and variable compensation received in 2017 and the achievement rates for the performance conditions). Consequently, Sven Boinet's estimated potential benefits under this plan at December 31, 2017 amount to €78,481.

Taxation of these Group plans under the French system of social levies can be summarized as follows:

- defined contribution plan: (i) the Company pays the 20% *forfait social* levy due on compensation that is exempt from social security contributions, which is calculated on the Company's total contribution to the plan and (ii) plan participants pay the *Contribution Sociale Généralisée* (CSG) and *Contribution au Remboursement de la Dette Sociale* (CRDS) levies, which are calculated on the basis of the portion of the Company's contribution allocated to them;
- defined benefit plan: the Company has irreversibly elected to pay the social security tax contribution at the rate of 32% on annuities paid to plan participants who retired on or after January 1, 2013 and 16% on annuities paid to plan participants who retired before that date. For their part, plan participants are liable for the CSG and CRDS levies, a national health insurance contribution and the *Contribution Additionnelle de Solidarité pour l'Autonomie* (CASA) social levy, calculated in each case on the amount of their annuities in the same way as for other income replacements. In the specific case of annuities received under defined benefit pension plans (top hat plans), a *Contribution Sociale* levy is also due by the retiree at a rate that varies depending on the amount of the annuity and the retirement date.

Unemployment insurance

A private insurance plan has been set up with *Association pour la Garantie Sociale des Chefs et Dirigeants d'Entreprise* (GSC) to provide the Chairman and Chief Executive Officer with unemployment benefits should the need arise. The benefits under this plan would be based on net taxable professional-source income for the previous year, and would be payable as from the 31st unbroken day of unemployment.

The maximum length of time that Sébastien Bazin could be paid benefits under the plan is 24 months, and the total amount of benefits is capped at €397,320 (based on the applicable rate for 2018).

3.5.3 Summary of compensation

Analysis of compensation paid to executive officers

The following tables provide a summary of the total gross compensation and benefits paid and stock options and performance shares granted by the Group to its executive officers for 2016 and 2017[1].

Table 1: Summary of compensation, options and shares awarded to each executive officer (Table 1 – AFEP/MEDEF Code)

Sébastien Bazin Chairman and Chief Executive Officer since August 27, 2013	**2016**	**2017**
Compensation due for the year (see table 2 for details)	1,594,361 Including variable compensation of €588,021	2,512,548 Including variable compensation of €1,505,719
Value of stock options awarded during the year	-	-
Value of performance shares awarded during the year (see table 9 for details)[1]	1,228,800	1,236,096
TOTAL	**2,823,161**	**3,748,644**
Co-Investment Plan[2] Value of performance shares awarded under the Co-Investment Plan (including 51,647 shares corresponding to Mr. Bazin's personal investment) (see table 9 for details)[1]		1,603,639
Total + Co-Investment Plan		**5,352,283**

(1) In accordance with the AFEP/MEDEF Code, performance shares are measured at their theoretical value – corresponding to Accor's opening share price on the grant date less the present value of unpaid dividends – rather than at the value of the compensation received. Performance shares are forfeited if the grantee leaves the Group before the shares vest or if the performance conditions are not met.
(2) The Co-Investment Plan (described on page 207) is intended to accompany the launch of the latest 3-year phase of the strategic plan and will not be renewed in the following three years.

Sven Boinet Deputy Chief Executive Officer since December 2, 2013	**2016**	**2017**
Compensation due for the year (see table 2 for details)	901,784 Including variable compensation of €282,250	1,340,421 Including variable compensation of €722,745
Value of stock options awarded during the year	-	-
Value of performance shares awarded during the year (see table 9 for details)[1]	614,400	630,066
TOTAL	**1,516,184**	**1,970,487**
Co-Investment Plan[2] Value of performance shares awarded under the Co-Investment Plan (including 29,274 shares corresponding to Mr. Boinet's personal investment) (see table 9 for details)[1]		908,958
Total + Co-Investment Plan		**2,879,445**

(1) In accordance with the AFEP/MEDEF Code, performance shares are measured at their theoretical value – corresponding to Accor's opening share price on the grant date less the present value of unpaid dividends – rather than at the value of the compensation received. Performance shares are forfeited if the grantee leaves the Group before the shares vest or if the performance conditions are not met.
(2) The Co-Investment Plan (described on page 207) is intended to accompany the launch of the latest 3-year phase of the strategic plan and will not be renewed in the following three years.

(1) The fixed, variable and exceptional components of the total compensation and benefits paid or awarded to executive officers for 2017 will be submitted to the 2018 Annual Shareholders' Meeting for approval.

Table 2: Summary of compensation paid to each executive officer (Table 2 – AFEP/MEDEF Code)

Sébastien Bazin **Chairman and Chief Executive Officer since August 27, 2013**	**Due for the year**		**Paid during the year**	
	2016	**2017**	**2016**	**2017**
Fixed compensation[1]	950,000	950,000	950,000	950,000
Variable compensation[2]	588,021	1,505,719	1,506,875	588,021
Directors' fees	-	-	-	-
Benefits in kind[3]	56,340	56,829	56,340	56,829
TOTAL	**1,594,361**	**2,512,548**	**2,513,215**	**1,594,850**

Sven Boinet **Deputy Chief Executive Officer since December 2, 2013**	**Due for the year**		**Paid during the year**	
	2016	**2017**	**2016**	**2017**
Fixed compensation[1]	600,000	600,000	600,000	600,000
Variable compensation[2]	282,250	722,745	723,300	282,250
Directors' fees	-	-	-	-
Benefits in kind[3]	17,676	17,676	17,676	17,676
Discretionary profit-sharing[4]	1,174	NA	1,616	1,174
Statutory profit-sharing[4]	684	NA	462	684
TOTAL	**901,784**	**1,340,421**	**1,343,054**	**901,784**

The above amounts are presented in euros on a gross pre-tax basis.
(1) The fixed compensation of the Chairman and Chief Executive Officer and the Deputy Chief Executive Officer is paid in the year in which it is earned.
(2) Variable compensation is calculated and paid at the beginning of the year following the one in which it was earned.
(3) Corresponding to (i) a company car for Sébastien Bazin and Sven Boinet, (ii) the benefits under the unemployment insurance policy taken out by the Company for Sébastien Bazin as described on page 199, and (iii) tax and asset management advisory services provided by an external company to Sébastien Bazin (capped at 50 hours) and Sven Boinet (capped at 25 hours).
(4) Statutory and discretionary profit-sharing are paid in the year following the one for which they are due. The amount disclosed for statutory profit-sharing includes any additional profit-sharing bonuses paid.

Table 3: Summary of commitments given to executive officers (Table 10 – AFEP/MEDEF Code)

			Compensation or benefits payable in the case of:		
	Employment contract	**Supplementary pension benefits[1]**	**termination/ removal from office[2]**	**transfer to a new position within the Group**	**Non-compete indemnity**
Sébastien Bazin Chairman and Chief Executive Officer since Auguste 27, 2013	No	Yes	Yes	No	No
Sven Boinet Deputy Chief Executive Officer since February 12, 2013	Yes[3]	Yes	Yes	No	No

(1) See pages 198 and 199 for details of the supplementary pension plans of which the Chairman and Chief Executive Officer and the Deputy Chief Executive Officer are members.
(2) See page 197 and 198 for details of these types of compensation and benefits payable to the Chairman and Chief Executive Officer and the Deputy Chief Executive Officer.
(3) Sven Boinet was appointed as Deputy Chief Executive Officer by the Board of Directors on November 26, 2013. On the same date, the Board also authorized the Company to enter into an employment contract with Mr. Boinet covering his position as Group Director responsible for Internal Audit, Legal Affairs and Security & Safety.

Compensation paid to other senior executives

The total gross compensation and benefits paid in 2017 by the Group's French and non-French companies to the executives who were members of the Executive Committee as at December 31, 2017 – other than the Chairman and Chief Executive Officer and the Deputy Chief Executive Officer whose compensation is described above – amounted to €9.2 million, including aggregate gross variable compensation of €3.7 million.

Provisions set aside at December 31, 2017 for pensions and other post-employment benefits payable to senior executives are presented in section 6.3.1, page 288 of the Registration Document.

Directors' fees

Directors' fees are allocated by the Board among its members according to the following principles:

- the annual amount of directors' fees is divided into an amount set aside for the Board and an amount set aside for the Board Committees, using an allocation key decided by the Board of Directors;
- one-third of the amounts set aside for the Board and for the Board Committees is used to pay the fixed portion of directors' fees;
- two-thirds of the amounts set aside for the Board and Committees are used to pay the variable portion of directors' fees based on a per-meeting amount set by the Board depending, in each case, on the total number of meetings held during the year and the number of Board or Committee members; the variable portion is then paid to each director based on attendance;
- the Vice-Chairman of the Board of Directors receives the fixed portion of directors' fees payable to all directors as well as a fixed portion of a flat amount determined by the Board of Directors;
- a lump sum is set aside for non-voting directors to be allocated on the same basis as that applied to the amounts set aside for the Board and for the Board Committees;
- Committee Chairmen receive a fixed portion of directors' fees equal to double the fixed portion payable to Committee members;
- members of the Audit Committee receive an increased portion of directors' fees, as decided by the Board of Directors;
- directors who also hold the position of Chairman and Chief Executive Officer, Chief Executive Officer or Deputy Chief Executive Officer do not receive any directors' fees;
- directors representing employees do not receive any directors' fees. The directors' fees that they would have received are not distributed and instead the Group has pledged to allocate the equivalent amount to supporting Group employees in difficulty;
- the Board of Directors may also decide to allocate an exceptional bonus for a given assignment or mandate to a director or non-voting director as part of their variable compensation;
- directors' fees are paid no later than three months following the end of the fiscal year for which they are due.

Based on the maximum gross amount of €1,120,000 in directors' fees approved by the Shareholders' Meeting of July 12, 2016, the Board allocated a total gross amount of €1,080,455 to its members for 2017 in accordance with the above principles. The following table shows a breakdown of directors' fees paid to the Board's members in 2016 and 2017.

Table 4: Directors' fees and other compensation received by non-executive directors (Table 3 – AFEP/MEDEF Code)

	Due for the year						Paid during the year			
	2016			2017			2016		2017	
Board of Directors *(in euros)*	**Total**	**Fixed portion**	**Variable portion**	**Total**	**Fixed portion**	**Variable portion**	**Fixed portion**	**Variable portion**	**Fixed portion**	**Variable portion**
Aziz Aluthman Fakhroo	**28,074**	8,555	19,519	**85,794**	28,437	57,357	N/A	N/A	8,555	19,519
Vivek Badrinath	**6,533**	2,793	3,740	**33,293**	10,333	22,960	N/A	N/A	2,793	3,740
Jean-Paul Bailly	**113,022**	33,195	79,827	**57,948**	21,648	36,300	15,859	36,095	33,195	79,827
Sébastien Bazin	**N/A**	N/A	N/A	**N/A**	N/A	N/A	N/A	N/A	N/A	N/A
Ali Bouzarif(1)	**22,371**	7,409	14,962	**3,144**	1,378	1,766	N/A	N/A	7,409	14,962
Philippe Citerne	**114,290**	46,081	68,209	**69,253**	23,333	45,920	39,443	42,419	46,081	68,209
Iliane Dumas(2)	**N/A**	N/A	N/A	**58,292**	16,368	41,924	N/A	N/A	N/A	N/A
Mercedes Erra	**94,423**	29,282	65,141	**50,644**	17,876	32,768	16,258	27,572	29,282	65,141
Sophie Gasperment	**99,287**	27,440	71,847	**95,686**	34,471	61,215	16,656	42,650	27,440	71,847
Jonathan Grunzweig(3)	**16,536**	5,476	11,060	**N/A**	N/A	N/A	12,674	19,011	5,476	11,060
Qiong Er Jiang	**26,047**	11,247	14,800	**44,763**	19,385	25,378	N/A	N/A	11,247	14,800
Iris Knobloch	**66,285**	23,346	42,939	**83,401**	39,385	44,016	12,276	27,283	23,346	42,939
Bertrand Meheut	**71,754**	27,514	44,240	**90,062**	34,471	55,591	16,258	27,823	27,514	44,240
Virginie Morgon(3)	**18,071**	5,872	12,199	**N/A**	N/A	N/A	12,276	29,296	5,872	12,199
Nadra Moussalem(1)	**78,756**	26,590	52,166	**7,822**	2,198	5,624	16,258	33,192	26,590	52,166
Patrick Sayer	**102,164**	33,585	68,579	**87,302**	29,946	57,356	20,637	40,946	33,585	68,579
Isabelle Simon	**37,897**	9,961	27,936	**62,390**	20,139	42,251	N/A	N/A	9,961	27,936
Natacha Valla	**22,230**	7,268	14,962	**54,844**	22,402	32,442	N/A	N/A	7,268	14,962
Sarmad Zok	**32,426**	8,695	23,731	**79,502**	23,911	55,591	N/A	N/A	8,695	23,731
Nicolas Sarkozy(4)	**N/A**	N/A	N/A	**86,355**	15,679	70,676	N/A	N/A	N/A	N/A
Sheikh Nawaf Bin Jassim Bin Jabor Al-Thani(4)	**N/A**	N/A	N/A	**29,960**	11,973	17,987	N/A	N/A	N/A	N/A

(1) Directors' fees paid until end of their term as director in 2017.
(2) In accordance with Article 8 of the Board of Directors' Bylaws, the director representing employees does not receive directors' fees. The Company has pledged to allocate the equivalent amount to the Solidarity Accor fund.
(3) Directors' fees paid until end of their term as director in 2016.
(4) Directors' fees paid from date of appointment as director in 2017.

3.6 EXECUTIVE OFFICERS' AND EMPLOYEES' INTERESTS IN THE CAPITAL OF THE COMPANY

Shares in the Company may be granted to executive officers of the Company and to senior and middle managers. The terms and conditions of the plans are determined by the Board of Directors, which then gives the Chairman and Chief Executive Officer the necessary powers to carry out the grants.

3.6.1 Stock option plans

Stock options granted in 2017

The Company has not granted any stock options to employees or executive officers since the September 26, 2013 plan.

Achievement levels of performance conditions for outstanding stock option plans

Each year, the Board of Directors places on record the achievement rates for the performance conditions applicable under the performance stock option plans granted for executive officers and other members of the Executive Committee.

At its meeting on December 14, 2017 the Board placed on record the performance condition achievement rate for the plan outstanding in 2017. The Board's assessment concerned a single external performance condition based on Accor's Total Shareholder Return (TSR) relative to eight other international hotel groups (Marriott, Starwood, Choice, Hyatt, Whitbread, Intercontinental Hotels, NH Hoteles and Melia), as described in Note 6.4.1 to the consolidated financial statements. Following Marriott's acquisition of Starwood, at its meeting on February 17, 2016 the Board of Directors, based on recommendations put forward by the Compensation Committee, decided to replace Starwood by Hilton. Starwood was maintained in the panel for 2015/2016 as it continued to be listed during this period, and was replaced by Hilton for the 2016/2017 period.

The achievement level of this performance condition is measured for each of the four years of the plan's vesting period. Each year, the beneficiary may acquire between 0% and 37.5% of the options originally granted depending on the vesting criteria stipulated by the Board of Directors when the plan was issued and the achievement level of the performance conditions in the period under review. Accor needs to achieve the fifth best performance out of nine in order for stock options to vest. If it achieves the fifth-best performance, 12.5% of the grantees' stock options vest. The total number of options that may be exercised at the end of the four-year vesting period is capped at 100% of the number of options originally granted.

Table 5: Summary of achievement levels in 2017 of the performance condition for stock option plans

Plan	Grant date	Performance condition	Achievement level	Number of options vested in 2017	Maximum number of options that could have vested in 2017
Plan 27	09/26/2013	Accor's Total Shareholder Return (TSR) relative to that of eight other international hotel groups(1)	7th	0	15,000

(1) Calculated over the period from September 1, 2016 to August 31, 2017.

Table 6: Historical information concerning stock options granted to employees and/or executive officers (Table 8 – AFEP/MEDEF Code)

Stock option plans	Plan 19	Plan 20	Plan 21	Plan 22	Plan 23	Plan 24	Plan 25	Plan 26	Plan 27	Total
Grant date	03/31/2009	04/02/2010	04/02/2010(4)	11/22/2010	04/04/2011	04/04/2011(4)	03/27/2012	03/27/2012(4)	09/26/2013(4)	
Date of Board of Directors' decision	02/24/2009	02/23/2010	02/23/2010	10/13/2010	02/22/2011	02/22/2011	02/21/2012	02/21/2012	08/27/2013	
Date of Shareholders' Meeting approval	05/13/2008	05/13/2008	05/13/2008	05/13/2008	05/13/2008	05/13/2008	05/30/2011	05/30/2011	04/25/2013	
Total number of grantees	1,138	1,020	10	5	783	8	390	8	1	
Total number of options granted(1)	1,429,456	2,618,770	153,478	92,448	621,754	53,125	527,515	47,375	40,000	5,583,921
Of which to executive officers	131,950	190,125(5)	63,375(5)	–	99,375(5)	33,125(5)	80,250(5)	26,750(5)	40,000	
Of which to the top ten employee grantees(2)	190,008	317,434	90,103	92,448	107,439	20,000	101,375	20,625	–	
Exercisable from	04/01/2013	04/03/2014	04/03/2014	11/23/2014	04/05/2015	04/05/2015	03/28/2016	03/28/2016	09/27/2017	
Expiry date	03/31/2017	04/02/2018	04/02/2018	11/22/2018	04/04/2019	04/04/2019	03/27/2020	03/27/2020	09/26/2021	
Exercise price *(in euros)*	18.20	26.66	26.66	30.49	31.72	31.72	26.41	26.41	30.13	
Options exercised in 2017	**147,817**	**451,725**	**43,473**	**4,524**	**54,162**	**1,562**	**82,920**		**-**	**786,183**
Total options exercised at 12/31/2017	**1,222,496**	**1,740,491**	**64,467**	**7,532**	**189,412**	**2,734**	**158,310**	**-**	**-**	**3,385,442**
Total options canceled at 12/31/2017(3)	**206,960**	**495,091**	**76,287**	**-**	**43,450**	**19,922**	**32,610**	**26,648**	**30,000**	**930,968**
Options outstanding at 12/31/2017	**-**	**383,188**	**12,724**	**84,916**	**388,892**	**30,469**	**336,595**	**20,727**	**10,000**	**1,267,511**

(1) After adjustments following the Group's July 2, 2010 demerger, made to all of the plans apart from Plans 22, 23, 24, 25, 26 and 27.
(2) Excluding executive officers.
(3) Options cancelled due to grantees leaving the Group or performance conditions not being met. Cancellations due to failure to meet performance conditions are carried out at the end of the last performance measurement period.
(4) All options granted subject to performance conditions.
(5) The condition that Denis Hennequin and Yann Caillère still be a member of the Group has been waived.

Table 7: Stock options granted to and exercised by the ten employee grantees other than executive officers who received or exercised the largest number of options

	Number of options	Average exercise price *(in euros)*
Options granted in 2017 to the ten employees other than executive officers who received the largest number of options	-	-
Options exercised in 2017 by the ten employees other than executive officers who exercised the largest number of options	122,581	26.17

Lock-up conditions

In accordance with the French Commercial Code and the AFEP/MEDEF Code, when executive officers or other Executive Committee members purchase shares on exercise of stock options granted since March 22, 2007, a significant proportion of these shares, as set by the Board of Directors, must be held by the grantee until he or she either leaves the Group or ceases to hold the position of executive officer or Executive Committee member of the Group as applicable. The lock-up conditions vary depending on the plan concerned, as shown in the table below.

Table 8: Lock-up conditions for shares purchased on exercise of stock options by executive officers and other members of the Executive Committee

Plan	Grant date	Lock-up conditions applicable to executive officers	Lock-up conditions applicable to other Executive Committee members
Plan 14 Plan 15 Plan 17 Plan 18	03/22/2007 05/14/2007 03/28/2008 09/30/2008	Shares corresponding to the equivalent of 40% of the net capital gain on the exercised options may not be sold until the grantee leaves the Group.	Shares corresponding to the equivalent of 25% of the net capital gain on the exercised options may not be sold until the grantee leaves the Group.
Plan 19 Plan 20 Plan 21 Plan 22	03/31/2009 04/02/2010 04/02/2010 11/22/2010	Shares corresponding to the equivalent of 40% of the net capital gain on the exercised options may not be sold until the grantee ceases to hold an executive officer's position within the Group.	Shares corresponding to the equivalent of 25% of the net capital gain on the exercised options may not be sold until the grantee ceases to be a member of the Executive Committee.
Plan 23 Plan 24 Plan 25 Plan 26	04/04/2011 04/04/2011 03/27/2012 03/27/2012	Shares corresponding to the equivalent of 40% of the net capital gain on the exercised options may not be sold until the grantee ceases to hold an executive officer's position within the Group. However, if the value of the shares exceeds two years of the grantee's fixed compensation, the minimum number of shares locked up following the exercise of stock options is reduced to the equivalent of 10% of the net capital gain on the exercised options.	Shares corresponding to the equivalent of 40% of the net capital gain on the exercised options may not be sold until the grantee ceases to be a member of the Executive Committee. However, if the value of the shares exceeds two years of the grantee's fixed compensation, none of the shares purchased on exercise of the stock options will be locked up.
Plan 27	09/26/2013	Shares corresponding to the equivalent of 40% of the net capital gain on the exercised options may not be sold until the grantee ceases to hold an executive position within the Group. However, if the value of the shares exceeds two years of the grantee's fixed compensation, the minimum number of shares locked up following the exercise of stock options is reduced to the equivalent of 10% of the net capital gain on the exercised options.	N/A

Share equivalents – Stock options granted to employees and executive officers

At December 31, 2017, a total of 1,267,511 stock options were outstanding.

Exercise of all of these options would lead to the issuance of 1,267,511 shares, representing 0.437% of the Company's capital at December 31, 2017, of which 0.003% corresponding to grants to current executive officers.

Hedging instruments

AccorHotels' executive officers have undertaken not to use any hedging instruments in relation to their stock options, and members of the Executive Committee who receive stock options are banned by the Company from using any such instruments.

3.6.2 Performance share plans

Performance share plans set up in 2017

Under the terms of the authorization given in the tenth resolution of the April 22, 2016 Annual Shareholders' Meeting, the number of performance shares granted subject to performance conditions and continued presence in the Group may not correspond to more than 2.5% of the Company's capital. Moreover, the number of performance shares granted to executive officers of the Company may not represent more than 15% of the total performance shares granted under that resolution.

Accor has a discretionary profit-sharing plan covering at least 90% of all employees in the Company and its subsidiaries in France. It therefore fulfills the pre-condition for setting up a performance share plan specified in Article L. 225-197-6 of the French Commercial Code.

Two performance share plans have been set up:

- A first plan set up on June 30, 2017 concerned 1,137 beneficiaries in some 40 countries worldwide, including the two executive officers (the number of performance shares granted to them is set out in Table 9 on page 208). The applicable performance conditions are based on the following:
  - actual *versus* budgeted EBIT margin (60% weighting);
  - actual *versus* budgeted free cash flow excluding acquisitions and disposals, after change in operating working capital (20% weighting);
  - Accor's Total Shareholder Return (TSR) relative to the TSR of eight other international hotel groups (Marriott, Hilton, Choice, Hyatt, Whitbread, Intercontinental Hotels, NH Hoteles and Melia) (10% weighting), and Accor's TSR relative to the TSR of other CAC 40 companies (10% weighting).
- A second plan set up on October 18, 2017 concerned 10 beneficiaries, in particular employees who joined the Group after the first plan was set up. The performance conditions applicable to this plan are identical to those described above for the plan set up on June 30, 2017.

The performance share plans have a three-year vesting period and the shares are not subject to any lock-up period.

The performance conditions under these plans are measured at the end of the three-year measurement period. The number of shares that vest, provided that the grantees have not left the Group, will be based on the achievement rates for the performance conditions set out above, as validated by the Board of Directors. The achievement rates will be calculated based on the vesting criteria stipulated by the Board of Directors when the plan was set up.

As regards the external performance condition, *i.e.* Accor's TSR relative to the TSR of eight other international hotel groups (10% weighting), and relative to the TSR of other CAC 40 companies (10% weighting), the corresponding shares will vest if Accor achieves the median ranking. The objectives for the two other (internal) performance conditions are confidential as they concern the budget, which is not publicly disclosed.

At the end of the measurement period, an objective under one performance condition that has not been met may be offset by outperformance in relation to the objective for another performance condition. However, the number of shares that vest at the end of the vesting period will not exceed 100% of the number of shares originally granted.

Grantees must also continue to be part of the Group in order for the shares to vest. For all of the performance shares initially granted to vest, and subject to fulfillment of the performance conditions, the grantee must continue to be either an executive officer of the Company or an employee of the AccorHotels Group throughout the period from the grant date to June 30, 2020 (the vesting date), except in the case of death or disability or retirement. In the event of termination of the executive officer's term of office or the employee's employment contract before the vesting date, his or her rights to all of the performance shares initially granted will be forfeited, regardless of the performance condition achievement rates, unless the Board of Directors decides otherwise.

3.6.3 Co-investment plan

To coincide with the launch of the second phase of the strategic plan adopted in late 2016, at the Annual Shareholders' Meeting of May 5, 2017 shareholders approved a proposal to set up a Co-Investment Plan in 2017. This plan is designed to be a dynamic instrument for promoting executive engagement and aligning executives' interests with those of shareholders in the drive to create value, as well as an important loyalty-building instrument in an environment where the core talents needed to lead the Group's transformation are increasingly in demand.

Around 160 key executives, including the executive officers, were given the opportunity to participate in the Co-Investment Plan under which performance shares were awarded to participants in exchange for a significant personal investment in Accor shares, on the basis of three performance shares for each share purchased. The performance shares will vest if all of the following conditions are met:

- **two performance conditions:**
  - **(i) an ambitious stock market performance condition** based on growth in the Accor share price over the three-year vesting period from June 20, 2017 to June 20, 2020 compared to a baseline price of €35.19 (corresponding to the average of the opening prices quoted for Accor shares on Euronext Paris over the six months preceding the Board's decision to set up the Co-Investment Plan). Performance will be measured as follows:
    - if the average of the opening prices quoted for Accor shares on Euronext Paris over the six months preceding the end of the vesting period represents less than 155% of the baseline price, none of the performance shares will vest,
    - if the average of the opening prices quoted for Accor shares on Euronext Paris over the six months preceding the end of the vesting period represents at least 170% of the baseline price, all of the performance shares will vest,
    - if the average of the opening prices quoted for Accor shares on Euronext Paris over the six months preceding the end of the vesting period represents between 155% and 170% of the baseline price, two-thirds of the performance shares will vest,
  - **(ii) an operating performance condition,** based on EBIT. This condition will be met if cumulative reported EBIT for the three years 2017, 2018 and 2019 represents at least 90% of the sum of budgeted annual EBIT for these three years as approved by the Board of Directors;
- **a lock-up condition,** all of the shares representing the participant's personal investment must be held continuously throughout the vesting period, except in the case of death, total and permanent incapacity or retirement, or of a successful tender offer for Accor shares;
- **a continued presence condition,** the grantee must continue to be either an executive officer of the Company or an employee of the AccorHotels Group throughout the vesting period, except in the case of death or disability. If this condition is not met, the grantee's rights to all of the performance shares initially granted will be forfeited, regardless of the achievement rate for the two performance conditions, unless the Board of Directors decides otherwise. In case of retirement, termination of the employment contract by mutual termination agreement, dismissal (except for willful or gross misconduct), and the termination of the corporate officership (except for willful or gross misconduct), the number of performance shares that may vest will be adjusted on a straight line basis to reflect the ratio between the period served and the vesting period.

Fulfillment of the performance conditions will be assessed by the Board of Directors at the end of the vesting period and the number of vested shares will be determined based on the achievement rate for the two performance conditions described above.

The total number of performance shares granted was capped at 2% of the Company's capital, and the number granted to executive officers was capped at 0.2%;

The Co-Investment Plan was launched on June 20, 2017 and 103 key executives in around twenty countries took part, including the executive officers. A second plan was launched on December 14, 2017, for 14 participants who joined the Group or became eligible to participate after June 20, 2017.

In all, participants invested their own funds to acquire 481,974 shares and received 1,445,922 performance shares under the Co-Investment Plan.

Table 9: Performance shares granted to each executive officer in 2017 (Table 6 – AFEP/MEDEF Code)

Grantee	Grant date	Number of shares granted	Theoretical value based on the method used in the consolidated financial statements *(in euros)*	Vesting date	End of lock-up period	Performance conditions
Sébastien Bazin	06/30/2017 performance share plan	36,000	1,236,096 (1)	06/30/2020	06/30/2020	Actual *versus* budgeted EBIT margin. Actual *versus* budgeted free cash flow excluding acquisitions and disposals, after change in working capital. Accor's TSR relative to the TSR of eight other international hotel groups, and Accor's TSR relative to the TSR of other CAC 40 companies.
Sven Boinet	06/30/2017 performance share plan	18,350	630,066(1)	06/30/2020	06/30/2020	Actual *versus* budgeted EBIT margin. Actual *versus* budgeted free cash flow excluding acquisitions and disposals, after change in working capital. Accor's TSR relative to the TSR of eight other international hotel groups. And Accor's TSR relative to the TSR of other CAC 40 companies.
Sébastien Bazin	06/20/2017 Co-Investment Plan	154,941	1,603,639(1)	06/20/2020	06/20/2020	Cumulative actual *versus* budgeted EBIT. Average Accor share performance relative to a baseline price.
Sven Boinet	06/20/2017 Co-Investment Plan	87,822	908,958(1)	06/20/2020	06/20/2020	Cumulative actual *versus* budgeted EBIT. Average Accor share performance relative to a baseline price.

(1) In accordance with the AFEP/MEDEF Code, performance shares are measured at their theoretical value – corresponding to Accor's opening share price on the grant date less the present value of unpaid dividends – rather than at the value of the compensation received.

The 54,350 performance shares granted to the Company's executive officers under the June 30, 2017 performance share plan and the 242,763 performance shares granted under the June 20, 2017 Co-Investment Plan that were still valid at the date of this Registration Document would have represented 0.103% of the Company's capital at December 31, 2017 if they had all vested at that date.

Table 10: Performance shares granted to each executive officer that vested in 2017 but were subject to a lock-up, and performance shares whose lock-up period expired in 2017 (Table 7 – AFEP/MEDEF Code)

None.

Table 11: Performance shares granted in 2017 to the top ten employee grantees other than executive officers

	Number of shares
Performance shares granted in 2017 to the ten employee grantees other than executive officers who received the largest number of shares	395,130

Achievement levels of performance conditions for outstanding performance share plans

Each year, the Board of Directors places on record the achievement level of the performance conditions applicable under outstanding performance share plans.

The table below shows the maximum number of shares that may vest and the number of shares that have vested based on the performance condition achievement rates (as placed on record by the Board of Directors on February 20, 2018) for outstanding performance share plans.

Table 12: Performance condition achievement rates in 2017 for outstanding performance share plans

			Theoretical maximum number of shares that may vest		Actual number of shares vested in 2017		
Grant date	Performance condition	Criteria weighting	By performance condition (before cap)	Aggregate (after cap)	By performance condition (before cap)	Aggregate (after cap)	% of original grants
06/16/2015	Actual *versus* budgeted EBIT margin	50%	57,900	77,200	28,193	77,200	25%
	Actual *versus* budgeted operating cash flow (excluding acquisitions and disposals)	50%	57,900		57,900		
06/16/2015	Actual *versus* budgeted EBIT margin	30%	16,909	37,575	16,909	37,350	25%
	Actual *versus* budgeted operating cash flow (excluding acquisitions and disposals)	30%	16,909		16,909		
	Degree of completion of budgeted asset disposals	15%	8,462		0		
	Accor's TSR relative to that of eight other international hotel groups	12.5%	7,034		0		
	Accor's TSR relative to that of other CAC 40 companies	12.5%	7,064		3,532		

Table 13: Historical information concerning performance shares granted to employees and/or executive officers (Table 9 – AFEP/MEDEF Code)

Performance share plans	04/15/2013 Plan	04/15/2013 Plan	06/18/2014 Plan	06/18/2014 Plan	06/16/2015 Plan
Grant date	04/15/2013	04/15/2013	06/18/2014	06/18/2014	06/16/2015
Date of Board of Directors' decision	03/03/2013	03/03/2013	02/19/2014	02/19/2014	02/17/2015
Date of Shareholders' Meeting approval	05/30/2011	05/30/2011	04/25/2013	04/25/2013	04/28/2015
Total number of grantees	793	8	890	20	1,034
Total number of shares granted	**218,050**	**72,500**	**285,900**	**198,500**	**326,290**
Of which to executive officers	–	32,500[1]	–	75,000	–
Of which to the top ten employee grantees[2]	25,750	40,000	23,000	95,500	21,600
Vesting date	04/15/2015 or 04/15/2017[3]	04/15/2015	06/18/2016 or 06/18/2018[3]	06/18/2016 or 06/18/2018[3]	06/16/2019
End of holding period	04/15/2017	04/15/2017	06/18/2018	06/18/2018	06/16/2019
Total vested shares at 12/31/2017	**202,065**	**41,331**	**191,650**	**172,088**	**-**
Number of shares canceled[4]	**15,985**	**31,169**	**26,350**	**4,962**	**32,485**
Performance shares outstanding at 12/31/2017	**-**	**-**	**67,900**	**21,450**	**293,805**
Performance condition(s)	Actual *versus* budgeted EBIT margin, Actual *versus* budgeted operating cash flow (excluding acquisitions and disposals)	Actual *versus* budgeted EBIT margin, Actual *versus* budgeted operating cash flow (excluding acquisitions and disposals), Degree of completion of budgeted asset disposals, Accor's Total Shareholder Return (TSR) relative to eight other international hotel groups	Actual *versus* budgeted EBIT margin, Actual *versus* budgeted operating cash flow (excluding acquisitions and disposals)	Actual *versus* budgeted EBIT margin, Actual *versus* budgeted operating cash flow (excluding acquisitions and disposals), Degree of completion of budgeted asset disposals, Accor's Total Shareholder Return (TSR) relative to eight other international hotel groups	Actual *versus* budgeted EBIT margin, Actual *versus* budgeted operating cash flow (excluding acquisitions and disposals)

(1) The condition that Denis Hennequin and Yann Caillère still be a member of the Group has been waived.
(2) Excluding executive officers.
(3) In some countries, the vesting period is four years.
(4) Shares cancelled due to grantees leaving the Group or performance conditions not being met.

06/16/2015 Plan	06/16/2016 Plan	10/26/2016 Plan	06/30/2017 Plan	10/18/2017 Plan	06/20/2017 Co-Investment Plan	12/14/2017 Co-Investment Plan
16/06/2015	06/16/2016	10/26/2016	06/30/2017	10/18/2017	06/20/2017	12/14/2017
02/17/2015	02/17/2016	02/17/2016	02/21/2017	02/21/2017	03/21/2017	03/21/2017
04/28/2015	04/22/2016	04/22/2016	04/22/2016	04/22/2016	05/05/2017	05/05/2017
16	1,155	14	1,137	10	103	14
153,800	**491,690**	**14,525**	**570,579**	**27,340**	**1,304,754**	**141,168**
60,000	60,000	–	54,350	–	242,763	–
79,000	86,500	14,125	91,660	27,340	388,521	134,910
09/16/2019	06/16/2019	10/26/2019	06/30/2020	10/18/2020	06/20/2020	12/14/2020
06/16/2019	06/16/2019	10/26/2019	06/30/2020	10/18/2020	06/20/2020	12/14/2020
-	-	-	-	-	-	-
12,461	**19,695**	**100**	**8,350**	-	-	-
141,339	**471,995**	**14,425**	**562,229**	**27,340**	**1,304,754**	**141,168**
Actual *versus* budgeted EBIT margin, Actual *versus* budgeted operating cash flow (excluding acquisitions and disposals), Degree of completion of budgeted asset disposals, Accor's Total Shareholder Return (TSR) relative to eight other international hotel groups and relative to that of other CAC 40 companies	Actual *versus* budgeted EBIT margin, Actual *versus* budgeted free cash flow excluding acquisitions and disposals, after change in working capital, Accor's Total Shareholder Return (TSR) relative to eight other international hotel groups and relative to that of other CAC 40 companies	Actual *versus* budgeted EBIT margin, Actual *versus* budgeted free cash flow excluding acquisitions and disposals, after change in working capital, Accor's Total Shareholder Return (TSR) relative to eight other international hotel groups and relative to that of other CAC 40 companies	Actual *versus* budgeted EBIT margin, Actual *versus* budgeted free cash flow excluding acquisitions and disposals, after change in working capital, Accor's Total Shareholder Return (TSR) relative to eight other international hotel groups and relative to that of other CAC 40 companies	Actual *versus* budgeted EBIT margin, Actual *versus* budgeted free cash flow excluding acquisitions and disposals, after change in working capital, Accor's Total Shareholder Return (TSR) relative to eight other international hotel groups and relative to that of other CAC 40 companies	Actual *versus* budgeted cumulative consolidated EBIT, Average Accor share price *versus* a benchmark price	Actual *versus* budgeted cumulative consolidated EBIT, Average Accor share price *versus* a benchmark price

Lock-up conditions

In accordance with the French Commercial Code and the AFEP/MEDEF Code, when executive officers or other Executive Committee members acquire shares under performance share plans issued since May 14, 2007, a certain proportion of these shares, as set by the Board of Directors, may not be sold until the grantee either leaves the Group or ceases to hold the position of executive officer or Executive Committee member, as applicable. The lock-up conditions vary depending on the plan concerned, as shown in the table below.

Table 14: Lock-up conditions for vested performance shares held by executive officers and other members of the Executive Committee

Grant date	Lock-up conditions applicable to executive officers	Lock-up conditions applicable to other Executive Committee members
03/31/2009	The following percentages of shares may not be sold until the grantee ceases to hold a directorship or an executive officer's position: 20% of the vested shares on fulfillment of the performance conditions. In addition, the grantee must purchase Accor shares corresponding to 3% of the number of vested shares; OR 25% of the vested shares on fulfillment of the performance conditions.	The following percentages of shares may not be sold until the grantee ceases to be a member of the Executive Committee: 25% of the vested shares on fulfillment of the performance conditions.
04/04/2011	The following percentages of shares may not be sold until the grantee ceases to hold a directorship or an executive officer's position: 20% of the vested shares on fulfillment of the performance conditions. In addition, the grantee must purchase Accor shares corresponding to 3% of the number of vested shares; OR 25% of the vested shares on fulfillment of the performance conditions. However, if the value of the shares exceeds two years of the grantee's fixed compensation, the only lock-up condition is that the executive officer must purchase Accor shares corresponding to 3% of the number of vested shares.	The following percentages of shares may not be sold until the grantee ceases to be a member of the Executive Committee: 20% of the vested shares on fulfillment of the performance conditions. In addition, the grantee must purchase Accor shares corresponding to 3% of the number of vested shares; OR 25% of the vested shares on fulfillment of the performance conditions. However, if the value of the shares exceeds two years of the grantee's fixed compensation, none of the vested shares will be subject to lock-up conditions.
03/27/2012	The following percentages of shares may not be sold until the grantee ceases to hold a directorship or an executive officer's position: 25% of the vested shares on fulfillment of the performance conditions. However, if the value of the shares exceeds two years of the grantee's fixed compensation, the only lock-up condition is that the executive officer must purchase Accor shares corresponding to 3% of the number of vested shares.	The following percentages of shares may not be sold until the grantee ceases to be a member of the Executive Committee: 25% of the vested shares on fulfillment of the performance conditions. However, if the value of the shares exceeds two years of the grantee's fixed compensation, none of the vested shares will be subject to lock-up conditions.
04/15/2013	The following conditions apply until the grantee ceases to hold an executive officer's position within the Group: 25% of the vested shares on fulfillment of the performance conditions. However, if the value of the shares exceeds two years of the grantee's fixed compensation, the only lock-up condition is that the executive officer must purchase Accor shares corresponding to 3% of the number of vested shares.	The following percentages of shares may not be sold until the grantee ceases to be a member of the Executive Committee: 25% of the vested shares on fulfillment of the performance conditions. However, if the value of the shares exceeds two years of the grantee's fixed compensation, none of the vested shares will be subject to lock-up conditions.

Grant date	Lock-up conditions applicable to executive officers	Lock-up conditions applicable to other Executive Committee members
06/18/2014	The following conditions apply until the grantee ceases to hold an executive officer's position within the Group: ◗ At the end of the lock-up period, the grantee must keep 25% of the vested shares (based on the performance condition achievement rates) until the value of all the freely transferable shares held in registered form by the grantee represents the equivalent of at least two years of his fixed compensation. For the purposes of the above paragraph: ◗ the value of the shares held in registered form is determined based on the average of the Accor opening share price quoted over the 20 trading days preceding the measurement date; ◗ "fixed compensation" means the amount of the grantee's annual gross fixed compensation at the measurement date. ◗ Once the two years' compensation threshold is reached: (i) the 25% lock-up no longer applies; and (ii) the grantee is required to acquire, or keep, 3% of his vested shares.	The following conditions apply until the grantee ceases to be a member of the Group Executive Committee: ◗ At the end of the lock-up period, grantees who were Executive Committee members at the grant date are required to keep 25% of the vested shares (based on the performance condition achievement rates) until the value of all the freely transferable shares held in registered form by the grantee represents the equivalent of at least two years of his or her fixed compensation. For the purposes of the above paragraph: ◗ the value of the shares held in registered form is determined based on the average of the Accor opening share price quoted over the 20 trading days preceding the measurement date; ◗ "fixed compensation" means the amount of the grantee's annual gross fixed compensation at the measurement date. Once the above threshold is reached the 25% lock-up condition no longer applies.
2015 to 2017 plans	The following conditions apply until the grantee ceases to hold an executive officer's position within the Group: ◗ At the end of the vesting period, the grantee must keep 25% of the vested shares (based on the performance condition achievement rates) until the value of all the freely transferable shares held in registered form by the grantee represents the equivalent of at least two years of his fixed compensation. For the purposes of the above paragraph: ◗ the value of the shares held in registered form is determined based on the average of the Accor opening share price quoted over the 20 trading days preceding the measurement date; ◗ "fixed compensation" means the amount of the grantee's annual gross fixed compensation at the measurement date. ◗ Once the two years' compensation threshold is reached: (i) the 25% lock-up no longer applies; and (ii) the grantee is required to acquire, or keep, 3% of his vested shares.	The following conditions apply until the grantee ceases to be a member of the Group Executive Committee: ◗ At the end of the vesting period, grantees who were Executive Committee members at the grant date are required to keep 25% of the vested shares (based on the performance condition achievement rates) until the value of all the freely transferable shares held in registered form by the grantee represents the equivalent of at least two years of his fixed compensation. For the purposes of the above paragraph: ◗ the value of the shares held in registered form is determined based on the average of the Accor opening share price quoted over the 20 trading days preceding the measurement date; ◗ "fixed compensation" means the amount of the grantee's annual gross fixed compensation at the measurement date. Once the above threshold is reached the 25% lock-up condition no longer applies.

Share equivalents – Performance shares granted to employees and executive officers

At December 31, 2017, a total of 3,046,405 performance share rights were outstanding.

If all of these rights had vested at December 31, 2017, this would have led to the issuance of 3,046,405 shares, representing 1.05% of the Company's capital at that date, of which 0.142% corresponding to performance share rights granted to current executive officers.

Hedging instruments

AccorHotels' executive officers have undertaken not to use any hedging instruments in relation to their performance shares, and members of the Executive Committee who receive performance shares have been banned by the Company from using any such instruments.

3.6.4 Non-discretionary and discretionary profit-sharing agreements

Non-discretionary profit-sharing

In France, a Group-level non-discretionary profit-sharing agreement providing for payment in excess of the legally-mandated minimum (*accord dérogatoire*) has been negotiated with employee representatives. It is applicable to Accor and certain French subsidiaries that are at least 50%-owned, irrespective of the number of employees in the company concerned.

The agreement enables employees with more than three months' seniority to receive profit-shares based on the results of all of the subsidiaries covered by the program.

Sums are paid into a special profit-sharing reserve, calculated by applying a standard legal formula to the profits of each company that falls within the scope of application of the agreement, as follows:

Special profit-sharing reserve = 1/2 x (net profit - 5% of equity) x (salaries/value added)

Based on this formula, a gross amount of €3.78 million was allocated to the profit-sharing reserve for 2016 (paid in 2017).

Amounts allocated to the special profit-sharing reserve in previous years were:

- €2.61 million for 2015 (paid in 2016);
- €4.09 million for 2014 (paid in 2015).

The total amount of the reserve is allocated between all of the employee beneficiaries in proportion to their individual salary for the reference year, which is capped by the agreement at double the amount of the annual ceiling for French social security contributions, set at December 31 of the reference year.

In compliance with the French Act of December 3, 2008 in favor of working income, the five-year lock-up period on amounts allocated to employee profit-shares has been optional rather than compulsory since 2009. Consequently, in 2017, just over 41% of the 2016 profit-share was paid immediately to beneficiaries.

Where such a request is not made, in accordance with the law, the amounts in the profit-sharing reserve are invested in corporate mutual funds, with half allocated to the Group Retirement Savings Plan (PERCO) and the other half to the Corporate Savings Plan (PEEG). In order to qualify for tax and social security exemptions, the amounts allocated to the Group Retirement Savings Plan are locked in until the employee retires and amounts allocated to the Corporate Savings Plan are locked in for a period of five years.

In 2017, 17% of the total profit-share was allocated to the Group Retirement Savings Plan and nearly 33% to the Corporate Savings Plan.

Discretionary profit-sharing

Due to the Group's organization structure and compensation policy, a large number of discretionary profit-sharing agreements have been negotiated at the level of Accor SA, its subsidiaries and the operating units.

These profit-shares are determined based on whether the subsidiary or unit concerned meets or exceeds its profit targets. In the case of Accor SA, the amount is dependent partly on meeting objectives for reducing support costs and partly on achieving EBIT targets.

The calculation method is based on quantitative criteria specified in each agreement. The amounts vary from year to year and are capped. Discretionary profit-sharing agreements are negotiated with Works Councils or union representatives.

3.6.5 Transactions carried out by executive officers involving Accor SA shares

Schedule of transactions involving shares of the Company carried out during the past fiscal year, within the meaning of Article L. 621-18-2 of the French Monetary and Financial Code (Code monétaire et financier)

Person concerned	Transaction date	Type of transaction	Number of shares
Paul Dubrule	February 24, 2017	Purchase	5,000
Paul Dubrule	February 27, 2017	Purchase	5,000
Nicolas Sarkozy	March 8, 2017	Purchase	1,000
Isabelle Simon	March 30, 2017	Purchase	1,000
Sébastien Bazin(1)	May 10, 2017	Purchase	53,000
Sven Boinet	May 15, 2017	Purchase	29,300
Paul Dubrule	May 16, 2017	Sale	332,320
Paul Dubrule	May 16, 2017	Sale	1,661,600
Paul Dubrule(2)	May 16, 2017	Sale	1,000
Paul Dubrule	May 16, 2017	Sale	8,000
Paul Dubrule(3)	May 16, 2017	Sale	8,000
Paul Dubrule(2)	May 24, 2017	Sale	1,495
Paul Dubrule(3)	May 24, 2017	Sale	84,400
Paul Dubrule	May 24, 2017	Sale	84,400
Paul Dubrule	May 24, 2017	Sale	10,000

(1) Through BAZEO Europe.
(2) Through Paddel.
(3) Through Montfalcon.

3.7 2017 SAY ON PAY

The compensation paid or awarded to executive officers for 2017 complies with the compensation policy approved by the Annual Shareholders' Meeting of May 5, 2017 in application of Article L. 225-37-2 of the French Commercial Code, as presented in section 3.6.1 of the 2016 Registration Document.

The fixed, variable and exceptional components of the total compensation and benefits paid or awarded to executive officers for 2017, as presented below, will be submitted to the 2018 Annual Shareholders' Meeting for approval, in accordance with Article L. 225-100 of the French Commercial Code.

3.7.1 Sébastien Bazin

Compensation paid or awarded for 2017	Amounts (or accounting value) submitted to the vote	Description
Annual fixed compensation	€950,000	Sébastien Bazin's annual fixed compensation for 2017 was decided by the Board of Directors at its meeting on December 7, 2016, based on the recommendation put forward by the Appointments & Compensation Committee. It complies with the 2017 executive officer compensation policy approved by the Annual Shareholders' Meeting of May 5, 2017, as presented in section 3.6.1 of the 2016 Registration Document. It was paid in monthly installments during 2017.
Annual variable compensation	€1,505,719	According to the 2017 executive officer compensation policy approved by the Annual Shareholders' Meeting of May 5, 2017, Sébastien Bazin's variable compensation for 2017 could represent between 0% and 150% of an annual reference amount of €1,250,000, representing the equivalent of between 0% and 197% of his annual fixed compensation, depending on the achievement rate for the performance objectives set by the Board of Directors on December 7, 2016, as presented below. **Quantitative objectives:** ◗ consolidated EBIT in line with the 2017 budget (25% weighting); ◗ free cash flow (excluding acquisitions and disposals), after change in working capital, in line with the 2017 budget (25% weighting); ◗ Accor's Total Shareholder Return (TSR) relative to the TSR of eight other international hotel groups (Marriott, Hilton, Choice, Hyatt, Whitbread, Intercontinental Hotels, NH Hoteles and Melia) (10% weighting); ◗ Accor's TSR compared with the TSR of other CAC 40 companies (10% weighting); ◗ a combination of three criteria: guest satisfaction, level of employee engagement, and sustainable development and CSR performance (10% weighting). **Qualitative objectives:** ◗ strategic vision and identification of strategic options (10% weighting); ◗ implementation of the strategic roadmap (10% weighting). Each quantitative objective, depending on the achievement rate, triggered the payment of between 0% and 160% of the share of variable compensation it represented, and each qualitative objective between 0% and 120%. Following an assessment of the degree to which Sébastien Bazin's objectives had been achieved, at its meeting on February 20, 2018 the Board set his variable compensation for 2017 at €1,505,719, breaking down as: ◗ **€1,205,719 for the quantitative objectives**, which were 120.6% met overall (0% for Accor's TSR relative to the TSR of eight other international hotel groups, 80% for Accor's TSR relative to the TSR of other CAC 40 companies and non-disclosable for the other quantitative objectives, which relate to the budget or the internal ambition (guest satisfaction, level of employee engagement, CSR performance), in view of their confidential nature); ◗ **€300,000 for the qualitative objectives**, which were 120% met overall (120% for the implementation of the strategic roadmap and 120% for his strategic vision and the identification of strategic options). Consequently, Mr. Bazin's total variable compensation for 2017 represented 120.5% of the annual reference amount (and 158.5% of his fixed compensation for the year). Payment of this annual variable compensation for 2017 is subject to shareholder approval at the Annual Shareholders' Meeting on April 20, 2018 (6th resolution).
Exceptional compensation	N/A	Sébastien Bazin did not receive any exceptional compensation in 2017.

Compensation paid or awarded for 2017	Amounts (or accounting value) submitted to the vote	Description
Performance shares	Number of shares = 36,000 (€1,236,096)	On February 21, 2017, the Board of Directors decided to use the authorization given in the 10th resolution of the Annual Shareholders' Meeting of April 22, 2016 to grant performance shares to executive officers of the Company and Group employees. In accordance with the 2017 executive officer compensation policy approved by the Annual Shareholders' Meeting of May 5, 2017, 36,000 performance shares were granted to Sébastien Bazin, representing 130% of his gross annual fixed compensation (and 0.0124% of the Company's share capital at December 31, 2017). The performance conditions attached to the shares are as follows: ◗ actual *versus* budgeted EBIT margin (60% weighting); ◗ actual *versus* budgeted free cash flow excluding acquisitions and disposals, after change in working capital (20% weighting); ◗ Accor's TSR relative to the TSR of eight other international hotel groups (10% weighting) and relative to the TSR of other CAC 40 companies (10% weighting). The performance conditions under the plan will be measured at the end of the three years of the measurement period. The number of shares that vest, provided that Sébastien Bazin has not left the Group, will be based on the achievement rates for the performance conditions set out above, as validated by the Board of Directors. The achievement rates will be calculated based on the vesting criteria stipulated by the Board of Directors when the plan was set up. As regards the external performance condition, *i.e.* Accor's TSR relative to the TSR of eight other international hotel groups (10% weighting), and relative to the TSR of other CAC 40 companies (10% weighting), the corresponding shares will vest if Accor achieves the median ranking. The objectives for the two other (internal) performance conditions are confidential as they concern the budget, which is not publicly disclosed. At the end of the measurement period, an objective under one performance condition that has not been met may be offset by outperformance in relation to the objective for another performance condition. However, the number of shares that vest at the end of the vesting period will not exceed 100% of the number of shares originally granted. Sébastien Bazin must also continue to be an executive officer of the Company in order for the shares to vest. Under the terms of the plan, for all of the performance shares initially granted to vest, and subject to fulfillment of the performance conditions, the grantee must continue to be either an executive officer of the Company or an employee of the AccorHotels Group throughout the period from the grant date to June 30, 2020 (the vesting date), except in the case of death or disability or retirement. In the event of termination of the executive officer's term of office or the employee's employment contract before the vesting date, his or her rights to all of the performance shares initially granted will be forfeited, regardless of the achievement rate for the performance conditions, unless the Board of Directors decides otherwise.
Directors' fees	N/A	Sébastien Bazin does not receive any directors' fees.
Benefits in kind	€56,829	In accordance with the 2017 executive officer compensation policy approved by the Annual Shareholders' Meeting of May 5, 2017, Sébastien Bazin has the use of a company car and is a member of a private unemployment insurance plan. He was also entitled to up to 50 hours' advice from tax and financial advisors in 2017.

Compensation paid or awarded for 2017	Amounts (or accounting value) submitted to the vote	Description
Termination benefits	N/A	At its meeting on December 16, 2013, the Board of Directors approved the principle of paying compensation for loss of office to Sébastien Bazin and on February 19, 2014, the Board reviewed the performance conditions attached to such compensation. The commitment to pay compensation for loss of office was approved by shareholders at the Annual Meeting of April 29, 2014 (5th resolution). In accordance with the 2017 executive officer compensation policy approved by the Annual Shareholders' Meeting of May 5, 2017, Mr. Bazin is entitled to compensation for loss of office equal to twice the sum of the fixed and variable compensation payable to him for the fiscal year preceding his loss of office. This compensation would be payable if Mr. Bazin's term of office as Chairman and Chief Executive Officer was either terminated or not renewed (except in the event of gross or willful misconduct) or if he was not re-elected as a director. Payment of the compensation for loss of office would be subject to the following performance criteria being met: ◗ consolidated return on capital employed for the previous three years must have exceeded the Group's cost of capital as published in the Registration Documents; ◗ operating free cash flow must have been positive in at least two of the previous three years; ◗ like-for-like EBITDAR margin must have exceeded 27.5% in at least two of the previous three years. Performance would be measured as follows: ◗ if all three criteria were met, the compensation would be payable in full; ◗ if two of the three criteria were met, half of the compensation would be payable; ◗ if none or only one of the three criteria were met, no compensation would be due. Moreover, no compensation would be due if Mr. Bazin were to resign from his position or to decide not to stand for re-election, or if he were to move to another position within the Group or if he would be able to claim his full-rate pension benefit within a short period of time. Shareholders will be asked to renew this commitment at the Annual Meeting on April 20, 2018. Sébastien Bazin did not receive any compensation for loss of office in 2017.
Non-compete indemnity	N/A	Sébastien Bazin is not entitled to any non-compete indemnity.

Compensation paid or awarded for 2017	Amounts (or accounting value) submitted to the vote	Description
Supplementary pension benefits	€0 paid	At its meeting on December 16, 2013, the Board of Directors authorized Sebastien Bazin's inclusion in the top-hat supplementary pension plan whose members comprise several dozen AccorHotels Group senior executives. The commitment was approved by shareholders at the Annual Meeting of April 29, 2014 (5th resolution). Details of the supplementary pension plan are provided in the description of the 2017 executive officer compensation policy approved by the Annual Shareholders' Meeting of May 5, 2017. Sébastien Bazin participates in an "Article 83" defined contribution plan and an "Article 39" defined benefit plan: ◗ Article 83 plan: Sébastien Bazin, as an executive director of the Company with over one year of service and a gross annual salary of more than four times the annual ceiling used for calculating French social security contributions (the "PASS") qualifies to participate in the Company's defined contribution pension plan. He will be entitled to a pension annuity (with the possibility of survivor benefits) determined based on the contributions paid by the Company for each year of his membership of the plan. The annual contribution paid by the Company corresponds to 5% of his annual gross compensation, capped at five times the annual ceiling used for calculating French social security contributions (the "PASS"). In accordance with the French Social Security Code, members who leave the Group before the date of retirement retain the rights accrued under the plan. Contributions paid under the plan on behalf of Sébastien Bazin amounted to €9,807 in 2017; ◗ Article 39 plan: Sébastien Bazin, as an executive director of the Company with a gross annual salary of more than five times the annual ceiling used for calculating French social security contributions (the "PASS"), and having complied with these criteria for more than six months during the previous year, qualifies to participate in the Company's defined benefit pension plan. He will be entitled to a pension annuity (with the possibility of survivor benefits), provided he remains with the Group until he retires and has participated in the plan for at least five years (or has served with the Group for at least fifteen years). If he does not meet these requirements, he will not be entitled to any payments under the plan. The pension annuity payable under the defined benefit plan will be reduced by the amount of the annuity payable under the above-described defined contribution plan. His benefit entitlement is built up gradually and is calculated each year for which he is a plan member based on his annual reference compensation. Each year of plan membership represents between 1% and 3% of the annual reference compensation, depending on the compensation brackets concerned, *i.e.*: ◗ portion of reference compensation representing between 4 and 8 times the PASS: 1%; ◗ portion of reference compensation representing between 8 and 12 times the PASS: 2%; ◗ portion of reference compensation representing between 12 and 24 times the PASS: 3%; ◗ portion of reference compensation representing between 24 and 60 times the PASS: 2%. The Board of Directors, based on recommendations put forward by the Appointments & Compensation Committee, and in accordance with the French Act No. 2015-990 of August 6, 2015, decided to amend the characteristics of the supplementary defined benefit plan of which Sébastien Bazin is a member and to make the payment of the annuity subject to the following two performance conditions: ◗ consolidated EBIT compared with the budget (50% weighting); ◗ free cash flow (excluding acquisitions and disposals), after change in working capital, compared with the budget (50% weighting). Each year, the performance condition achievement rates are validated by the Board of Directors. Benefit entitlements vest in full if the performance conditions are at least 90% met (below 90%, the vested entitlement is calculated on a straight-line basis). The benefit entitlement for any given year of plan membership therefore corresponds to the aggregate of the amounts accrued for each of the above portions, provided that the related performance conditions are met. The amount of the final pension annuity equals the sum of the entitlements calculated for each year. Two ceilings are applied to the final amount of the pension annuity: ◗ the amount of the gross annuity may not exceed 30% of the member's last annual reference compensation; ◗ given that Sébastien Bazin's last reference compensation was more than 12 times the PASS, the overall replacement rate represented by pension benefits payable under government-sponsored plans and Accor supplementary pension plans will be capped at 35% of the average of his best three years' reference compensation in the ten years prior to retirement. Shareholders will be asked to renew this commitment at the Annual Meeting on April 20, 2018.

Co-investment plan

2017-2020 Co-Investment Plan	Number of shares = 154,941 (€1,603,639)	Sébastien Bazin purchased 51,647 Accor shares and received 154,941 performance shares that will vest only if all of the performance, lock-up and continued presence conditions described below are met. At the Annual Shareholders' Meeting of May 5, 2017 shareholders approved a proposal to set up a Co-Investment Plan in 2017. This plan is designed to be a dynamic instrument for promoting executive engagement and aligning executives' interests with those of shareholders in the drive to create value, as well as an important loyalty-building instrument in an environment where the core talents needed to lead the Group's transformation are increasingly in demand. Around 160 key executives, including the executive officers, were given the opportunity to participate in the Co-Investment Plan under which performance shares were awarded to participants in exchange for a significant personal investment in Accor shares, on the basis of three performance shares for each share purchased. The performance shares will vest if all of the following conditions are met: ◗ **two performance conditions:** • **an ambitious stock market performance condition** based on growth in the Accor share price over the three-year vesting period from June 20, 2017 to June 20, 2020 compared to a baseline price of €35.19 (corresponding to the average of the opening prices quoted for Accor shares on Euronext Paris over the six months preceding the Board's decision to set up the Co-Investment Plan). Performance will be measured as follows: – if the average of the opening prices quoted for Accor shares on Euronext Paris over the six months preceding the end of the vesting period represents less than 155% of the baseline price, none of the performance shares will vest, – if the average of the opening prices quoted for Accor shares on Euronext Paris over the six months preceding the end of the vesting period represents at least 170% of the baseline price, all of the performance shares will vest, – if the average of the opening prices quoted for Accor shares on Euronext Paris over the six months preceding the end of the vesting period represents between 155% and 170% of the baseline price, two-thirds of the performance shares will vest, • **an operating performance condition,** based on EBIT. This condition will be met if cumulative reported EBIT for the three years 2017, 2018 and 2019 represents at least 90% of the sum of budgeted annual EBIT for these three years as approved by the Board of Directors; ◗ **a lock-up condition:** all of the shares representing the participant's personal investment must be held continuously throughout the vesting period, except in the case of death, total and permanent incapacity or retirement, or of a successful tender offer for Accor shares; ◗ **a continued presence condition:** the grantee must continue to be either an executive officer of the Company or an employee of the AccorHotels Group throughout the vesting period, except in the case of death or disability. If this condition is not met, the grantee's rights to all of the performance shares initially granted will be forfeited, regardless of the achievement rate for the two performance conditions, unless the Board of Directors decides otherwise. If the executive officer or employee retires or his or her term of office or employment contract is terminated (for reasons other than gross or willful misconduct), the number of performance shares that may vest will be adjusted on a straight line basis to reflect the ratio between the period served and the vesting period. Fulfillment of the performance conditions will be assessed by the Board of Directors at the end of the vesting period and the number of vested shares will be determined based on the achievement rate for the two performance conditions described above. The total number of performance shares granted was capped at 2% of the Company's capital, and the number granted to executive officers was capped at 0.2%. In accordance with the 2017 executive officer compensation policy approved by the Annual Shareholders' Meeting of May 5, 2017, Sébastien Bazin participated in the Co-Investment Plan.

3.7.2 Sven Boinet

Compensation due or awarded for 2017	Amounts (or accounting value) submitted to the vote	Description
Annual fixed compensation	€600,000	Sven Boinet's annual fixed compensation for 2017 was decided by the Board of Directors at its meeting on December 7, 2016, based on the recommendation put forward by the Appointments & Compensation Committee. It complies with the 2017 executive officer compensation policy approved by the Annual Shareholders' Meeting of May 5, 2017, as presented in section 3.6.1 of the 2016 Registration Document. The amount of €600,000 breaks down as follows: €200,000 in his position as executive officer and €400,000 under his employment contract covering his position as Group Director responsible for Internal Audit, Legal Affairs and Security & Safety. It was paid in monthly installments during 2017.
Annual variable compensation	€722,745	According to the 2017 executive officer compensation policy approved by the Annual Shareholders' Meeting of May 5, 2017, Sven Boinet's variable compensation for 2017 could represent between 0% and 150% of his annual fixed compensation of €600,000, depending on the achievement rate for the performance objectives set by the Board of Directors on December 7, 2016, as presented below. **Quantitative objectives:** ◗ consolidated EBIT in line with the 2017 budget (25% weighting); ◗ free cash flow (excluding acquisitions and disposals), after change in working capital, in line with the 2017 budget (25% weighting); ◗ Accor's Total Shareholder Return (TSR) relative to the TSR of eight other international hotel groups (Marriott, Hilton, Choice, Hyatt, Whitbread, Intercontinental Hotels, NH Hoteles and Melia) (10% weighting); ◗ Accor's TSR relative to the TSR of other CAC 40 companies (10% weighting); ◗ a combination of three criteria: guest satisfaction, level of employee engagement, and sustainable development and CSR performance (10% weighting). **Qualitative objectives:** ◗ management of the Group's transformation process (particularly the performance of the HotelServices/HotelInvest organization, employee relations and the management culture) (20% weighting). Each quantitative objective, depending on the achievement rate, triggered the payment of between 0% and 160% of the share of variable compensation it represented, and each qualitative objective between 0% and 120%. Following an assessment of the degree to which Sven Boinet's objectives had been achieved, at its meeting on February 20, 2018 the Board set his variable compensation for 2017 at €722,745, breaking down as: ◗ **€578,745 for the quantitative objectives**, which were 120.6% met overall (0% for Accor's TSR relative to the TSR of eight other international hotel groups, 80% for Accor's TSR relative to the TSR of other CAC 40 companies and non-disclosable for the other quantitative objectives, which relate to the budget or the internal ambition (guest satisfaction, level of employee engagement, CSR performance), in view of their confidential nature); ◗ **€144,000 for the qualitative objective**, which was 120% met. Consequently, Mr. Boinet's total variable compensation for 2017 represented 120.5% of his fixed compensation for the year. Payment of this annual variable compensation for 2017 is subject to shareholder approval at the Annual Shareholders' Meeting on April 20, 2018 (7th resolution).
Exceptional compensation	N/A	Sven Boinet did not receive any exceptional compensation in 2017.

Compensation due or awarded for 2017	Amounts (or accounting value) submitted to the vote	Description
Performance shares	Number of shares = 18,350 (€630,066)	On February 21, 2017, the Board of Directors decided to use the authorization given in the 10th resolution of the Annual Shareholders' Meeting of April 22, 2016 to grant performance shares to executive officers of the Company and Group employees. In accordance with the 2017 executive officer compensation policy approved by the Annual Shareholders' Meeting of May 5, 2017, 18,350 performance shares were granted to Sven Boinet, representing 105% of his gross annual fixed compensation (and 0.0063% of the Company's share capital at December 31, 2017). The performance conditions attached to the shares are as follows: ◗ actual *versus* budgeted EBIT margin (60% weighting); ◗ actual *versus* budgeted free cash flow excluding acquisitions and disposals, after change in working capital (20% weighting); ◗ Accor's TSR relative to the TSR of eight other international hotel groups (10% weighting) and relative to the TSR of other CAC 40 companies (10% weighting). Performance would be measured as follows: ◗ if all three criteria were met, the compensation would be payable in full; ◗ if two of the three criteria were met, half of the compensation would be payable; ◗ if none or only one of the three criteria were met, no compensation would be due. The performance conditions under the plan will be measured at the end of the three years of the measurement period. The number of shares that vest, provided that Sven Boinet has not left the Group, will be based on the achievement rates for the performance conditions set out above, as validated by the Board of Directors. The achievement rates will be calculated based on the vesting criteria stipulated by the Board of Directors when the plan was set up. As regards the external performance condition, *i.e.* Accor's TSR relative to the TSR of eight other international hotel groups (10% weighting), and relative to the TSR of other CAC 40 companies (10% weighting), the corresponding shares will vest if Accor achieves the median ranking. The objectives for the two other (internal) performance conditions are confidential as they concern the budget, which is not publicly disclosed. At the end of the measurement period, an objective under one performance condition that has not been met may be offset by outperformance in relation to the objective for another performance condition. However, the number of shares that vest at the end of the vesting period will not exceed 100% of the number of shares originally granted. Sven Boinet must also continue to be an executive officer of the Company in order for the shares to vest. Under the terms of the plan, for all of the performance shares initially granted to vest, and subject to fulfillment of the performance conditions, the grantee must continue to be either an executive officer of the Company or an employee of the AccorHotels Group throughout the period from the grant date to June 30, 2020 (the vesting date), except in the case of death or disability or retirement. In the event of termination of the executive officer's term of office or the employee's employment contract before the vesting date, his or her rights to all of the performance shares initially granted will be forfeited, regardless of the achievement rate for the performance conditions, unless the Board of Directors decides otherwise.
Benefits in kind	€17,676	In accordance with the 2017 executive officer compensation policy approved by the Annual Shareholders' Meeting of May 5, 2017, Sven Boinet has the use of a company car. He was also entitled to up to 25 hours' advice from tax and financial advisors in 2017.

Compensation due or awarded for 2017	Amounts (or accounting value) submitted to the vote	Description
Termination benefits	N/A	At its meeting on February 19, 2014, the Board of Directors approved the principle of paying compensation for loss of office to Sven Boinet. The commitment to pay compensation for loss of office was approved by shareholders at the Annual Meeting of April 29, 2014 (6th resolution) and again at the Annual Meeting of May 5, 2017 (11th resolution). In accordance with the 2017 executive officer compensation policy approved by the Annual Shareholders' Meeting of May 5, 2017, the compensation payable to Mr. Boinet in the event of loss of office would amount to €600,000, plus the amount of variable compensation due to him for the fiscal year preceding his loss of office, and less any termination benefit due under his employment contract. This compensation would be payable if Mr. Boinet's term of office as Deputy Chief Executive Officer were either terminated or not renewed (except in the event of gross or willful misconduct). In accordance with the AFEP/MEDEF Code, the compensation would not be due if, at the date of his departure, Mr. Boinet would be able to claim his full-rate pension benefit within a short period of time. Payment of the compensation for loss of office would be subject to the following performance criteria being met: ◗ consolidated return on capital employed for the previous three years must have exceeded the Group's cost of capital as published in the Registration Documents; ◗ operating free cash flow must have been positive in at least two of the previous three years; ◗ like-for-like EBITDAR margin must have exceeded 27.5% in at least two of the previous three years. Sven Boinet did not receive any compensation for loss of office in 2017.
Non-compete indemnity	N/A	Sven Boinet is not entitled to any non-compete indemnity.

Compensation due or awarded for 2017	Amounts (or accounting value) submitted to the vote	Description
Supplementary pension benefits	€0 paid	At its meeting on October 11, 2016, the Board of Directors authorized Sven Boinet's inclusion in the top-hat supplementary pension plan whose members comprise several dozen AccorHotels Group senior executives. The commitment was approved by shareholders at the Annual Meeting of May 5, 2017 (11th resolution). Details of the supplementary pension plan are provided in the description of the 2017 executive officer compensation policy approved by the Annual Shareholders' Meeting of May 5, 2017, as presented in section 3.6.1 of the 2016 Registration Document. Sven Boinet participates in an "Article 83" defined contribution plan and an "Article 39" defined benefit plan: ◗ Article 83 plan: Sven Boinet, as an executive director of the Company with over one year of service and a gross annual salary of more than four times the annual ceiling used for calculating French social security contributions (the "PASS") qualifies to participate in the Company's defined contribution pension plan. He will be entitled to a pension annuity (with the possibility of survivor benefits) determined based on the contributions paid by the Company for each year of his membership of the plan. The annual contribution paid by the Company corresponds to 5% of his annual gross compensation, capped at five times the annual ceiling used for calculating French social security contributions (the "PASS"). In accordance with the French Social Security Code, members who leave the Group before the date of retirement retain the rights accrued under the plan. Contributions paid under the plan on behalf of Sven Boinet amounted to €9,807 in 2017; ◗ Article 39 plan: Sven Boinet, as an executive director of the Company with a gross annual salary of more than five times the annual ceiling used for calculating French social security contributions (the "PASS"), and having complied with these criteria for more than six months during the previous year, qualifies to participate in the Company's defined benefit pension plan. He will be entitled to a pension annuity (with the possibility of survivor benefits), provided he remains with the Group until he retires and has participated in the plan for at least five years (or has served with the Group for at least fifteen years). If he does not meet these requirements, he will not be entitled to any payments under the plan. The pension annuity payable under the defined benefit plan will be reduced by the amount of the annuity payable under the above-described defined contribution plan. His benefit entitlement is built up gradually and is calculated each year for which he is a plan member based on his annual reference compensation. Each year of plan membership represents between 1% and 3% of the annual reference compensation, depending on the compensation brackets concerned, *i.e.*: ◗ portion of reference compensation representing between 4 and 8 times the PASS: 1%; ◗ portion of reference compensation representing between 8 and 12 times the PASS: 2%; ◗ portion of reference compensation representing between 12 and 24 times the PASS: 3%; ◗ portion of reference compensation representing between 24 and 60 times the PASS: 2%. The Board of Directors, based on recommendations put forward by the Appointments & Compensation Committee, and in accordance with the French Act No. 2015-990 of August 6, 2015, decided to amend the characteristics of supplementary defined benefit plan of which Sven Boinet is a member and to make the payment of the annuity subject to the following two performance conditions: ◗ consolidated EBIT compared with the budget (50% weighting); ◗ free cash flow (excluding acquisitions and disposals), after change in working capital, compared with the budget (50% weighting). Each year, the performance condition achievement rates are validated by the Board of Directors. Benefit entitlements vest in full if the performance conditions are at least 90% met (below 90%, the vested entitlement is calculated on a straight-line basis). The entitlement for any given year of plan membership therefore corresponds to the aggregate of the amounts accrued for each of the above compensation brackets, provided that the performance conditions are met. The amount of the final pension annuity equals the sum of the entitlements calculated for each year. Two ceilings are applied to the final amount of the pension annuity: ◗ the amount of the gross annuity may not exceed 30% of the member's last annual reference compensation; ◗ given that Sven Boinet's last reference compensation was more than 12 times the PASS, the overall replacement rate represented by pension benefits payable under government-sponsored plans and Accor supplementary pension plans will be capped at 35% of the average of his best three years' reference compensation in the ten years prior to retirement.

		Co-investment plan
2017-2020 Co-Investment Plan	Number of shares = 87,822 (€908,958)	Sven Boinet purchased 29,274 Accor shares and received 87,822 performance shares that will vest only if all of the performance, lock-up and continued presence conditions described below are met. At the Annual Shareholders' Meeting of May 5, 2017 shareholders approved a proposal to set up a Co-Investment Plan in 2017. This plan is designed to be a dynamic instrument for promoting executive engagement and aligning executives' interests with those of shareholders in the drive to create value, as well as an important loyalty-building instrument in an environment where the core talents needed to lead the Group's transformation are increasingly in demand. Around 160 key executives, including the executive officers, were given the opportunity to participate in the Co-Investment Plan under which performance shares were awarded to participants in exchange for a significant personal investment in Accor shares, on the basis of three performance shares for each share purchased. The performance shares will vest if all of the following conditions are met: ◗ **two performance conditions:** • **an ambitious stock market performance condition** based on growth in the Accor share price over the three-year vesting period from June 20, 2017 to June 20, 2020 compared to a baseline price of €35.19 (corresponding to the average of the opening prices quoted for Accor shares on Euronext Paris over the six months preceding the Board's decision to set up the Co-Investment Plan). Performance will be measured as follows: — if the average of the opening prices quoted for Accor shares on Euronext Paris over the six months preceding the end of the vesting period represents less than 155% of the baseline price, none of the performance shares will vest, — if the average of the opening prices quoted for Accor shares on Euronext Paris over the six months preceding the end of the vesting period represents at least 170% of the baseline price, all of the performance shares will vest, — if the average of the opening prices quoted for Accor shares on Euronext Paris over the six months preceding the end of the vesting period represents between 155% and 170% of the baseline price, two-thirds of the performance shares will vest, • **an operating performance condition,** based on EBIT. This condition will be met if cumulative reported EBIT for the three years 2017, 2018 and 2019 represents at least 90% of the sum of budgeted annual EBIT for these three years as approved by the Board of Directors; ◗ **a lock-up condition:** all of the shares representing the participant's personal investment must be held continuously throughout the vesting period, except in the case of death, total and permanent incapacity or retirement, or of a successful tender offer for Accor shares; ◗ **a continued presence condition:** the grantee must continue to be either an executive officer of the Company or an employee of the AccorHotels Group throughout the vesting period, except in the case of death or disability. If this condition is not met, the grantee's rights to all of the performance shares initially granted will be forfeited, regardless of the achievement rate for the two performance conditions, unless the Board of Directors decides otherwise. If the executive officer or employee retires or his or her term of office or employment contract is terminated (for reasons other than gross or willful misconduct), the number of performance shares that may vest will be adjusted on a straight line basis to reflect the ratio between the period served and the vesting period. Fulfillment of the performance conditions will be assessed by the Board of Directors at the end of the vesting period and the number of vested shares will be determined based on the achievement rate for the two performance conditions described above. The total number of performance shares granted was capped at 2% of the Company's capital, and the number granted to executive officers was capped at 0.2%. In accordance with the 2017 executive officer compensation policy approved by the Annual Shareholders' Meeting of May 5, 2017, Sven Boinet participated in the Co-Investment Plan.

3.8 ITEMS LIKELY TO HAVE AN INFLUENCE IN THE EVENT OF A PUBLIC TAKEOVER OFFER

Pursuant to Article L. 225-37-5 of the French Commercial Code, the Company must present and, when necessary, explain the items that are likely to have an influence in the event of a public takeover offer. These items include agreements signed by the Company which would be amended or terminated in the event of a change in control. As mentioned on pages 65 and 66 of this Registration Document, certain financing contracts contain change of control clauses.

In addition, shareholders at the Annual Shareholders' Meeting of May 5, 2017 authorized the Company to issue free share warrants to shareholders in the event of a public offer for the shares of the Company. The warrants would be exercisable for shares representing up to 25% of the Company's capital. This authorization would be used if the Company considered that the price of the public offer was too low, to either drive up the price or cause the offer to be withdrawn if the offeror did not wish to increase the price.

Its use during a public tender offer would be decided by the Board of Directors on the recommendation of a special committee of the Board chaired by the Vice-Chairman and Senior Independent Director and comprising three independent directors, made after consulting a financial advisor.

Free warrants issued under the authorization would be canceled in the event of the failure of the offer or any competing offer.

To the best of the Company's knowledge, there are no other items likely to have an influence in the event of a public takeover offer.

3.9 AGREEMENTS BETWEEN COMPANY EXECUTIVE OFFICERS OR SIGNIFICANT SHAREHOLDERS AND GROUP SUBSIDIARIES

At the date of this Registration Document, with the exception of routine agreements entered into on an arm's length basis, no agreements have been signed, either directly or *via* an intermediary, between an executive officer or a shareholder that holds more than 10% of the Company's voting rights and a company in which the Company directly or indirectly holds more than half of the capital.

3.10 ANNUAL SHAREHOLDERS' MEETING

3.10.1 Conditions and procedures for attending the 2018 Shareholders' Meeting

The Annual Shareholders' Meeting will be held on April 20, 2018 at 10:00 a.m. at the Novotel Paris Est hotel, 1, avenue de la République – 93177 Bagnolet, France. The notice of meeting and its correction containing the agenda and draft resolutions were published in the French legal gazette (*Bulletin des Annonces Légales Obligatoires*) and are available on the Company's website at www.accorhotels-group.com.

In accordance with the law, the applicable conditions and procedures for attending Annual Shareholders' Meetings are set out in the Company's Bylaws, which are available on the Company's website. They notably concern admittance conditions (Article 24 of the Bylaws), organization of the meetings (Article 25), and disclosure thresholds relating to shareholders' interests in the Company's capital and voting rights (Article 9).

3.10.2 Agenda of the Annual Shareholders' Meeting on April 20, 2018

Ordinary resolutions

First resolution:	Approval of the 2017 parent company financial statements.
Second resolution:	Approval of the 2017 consolidated financial statements.
Third resolution:	Appropriation of profit and dividend payment.
Fourth resolution:	Directors' fees.
Fifth resolution:	Approval of the renewal of related-party commitments given to Sébastien Bazin.
Sixth resolution:	Approval of the fixed, variable and exceptional components of the total compensation and benefits of any kind paid or allocated to Sébastien Bazin for the year ended December 31, 2017 (*ex-post* say on pay).
Seventh resolution:	Approval of the fixed, variable and exceptional components of the total compensation and benefits of any kind paid or allocated to Sven Boinet for the year ended December 31, 2017 (*ex-post* say on pay).
Eighth resolution:	Approval of the principles and criteria for determining, allocating and awarding the fixed, variable and exceptional compensation and benefits of any kind to be awarded to the Chairman and Chief Executive Officer in respect of 2018 (*ex-ante* say on pay).
Ninth resolution:	Approval of the principles and criteria for determining, allocating and awarding the fixed, variable and exceptional compensation and benefits of any kind to be awarded to the Deputy Chief Executive Officer in respect of 2018 (*ex-ante* say on pay).
Tenth resolution:	Approval of the transfer of control of AccorInvest Group SA.
Eleventh resolution:	Authorization for the Board of Directors to trade in the Company's shares.
Twelfth resolution:	Authorization for the Board of Directors to issue free share warrants to shareholders in the event of a public offer for the shares of the Company.

Extraordinary resolution

Thirteenth resolution:	Authorization for the Board of Directors to issue shares and/or securities carrying rights to shares to employees who are members of an Accor Group employee stock ownership plan ("PEG").

À caractère ordinaire

Fourteenth resolution:	Powers to carry out formalities.

3.10.3 Proposed resolutions to be submitted to the Annual Shareholders' Meeting on April 20, 2018

Ordinary resolutions

First resolution

Approval of the 2017 financial statements of the Company

The Shareholders' Meeting, voting under the quorum and majority conditions of ordinary shareholders' meetings, having considered the report of the Board of Directors and the report of the Statutory Auditors on the annual financial statements:

- **approves** the report of the Board of Directors and the parent company financial statements for the year ended December 31, 2017, as presented to it, as well as all transactions reflected in these financial statements and summarized in these reports; and
- pursuant to the provisions of Article 223 *quater* of the French Tax Code, **notes** the absence of non-deductible charges and expenses from the results for the year ended December 31, 2017, pursuant to (4) of Article 39 of the said Code.

Second resolution

Approval of the 2017 consolidated financial statements

The Shareholders' Meeting, voting under the quorum and majority conditions of ordinary shareholders' meetings, having considered the report of the Board of Directors and the Statutory Auditors' report on the consolidated financial statements, **approves** the consolidated financial statements for the year ended December 31, 2017, as presented to it, as well as all transactions reflected in these financial statements and summarized in these reports.

Third resolution

Appropriation of profit and dividend payment

The Shareholders' Meeting, voting under the quorum and majority conditions of ordinary shareholders' meetings, on the proposal of the Board of Directors:

1. **resolves** to appropriate the profit for the year ended December 31, 2017 as follows:

Profit for the year:	€3,698,091,292.10
Retained earnings:	€0
Available reserve account:	€791,230,900.08
Distributable amount:	€4,489,322,192.18
Provision to the legal reserve taken from profit for the year:	€16,430,918.40
Payment of a dividend per share of:	€1.05
Representing a total dividend of:	€304,628,260.65[1]

   The balance, minus the amount in the available reserve account, *i.e.* the sum of €3,377,032,113.05, to be appropriated to retained earnings, which, in view of its previous balance of €0, will have a new balance of €3,377,032,113.05;

2. **resolves** that in the event of an upward or downward variation in the number of dividend-paying shares between the end of the financial year and the ex-dividend date, the aggregate amount of the dividend will be adjusted accordingly and that the amount appropriated to retained earnings will be adjusted on the basis of the dividend actually paid;
3. **authorizes** the Board of Directors, with the power to subdelegate, to withdraw or credit the retained earnings account in the amounts required under the conditions indicated above, when the dividend is paid;
4. **resolves** that the ex-dividend date will be set as May 11, 2018 and that the dividend will be paid on May 15, 2018.

   In addition, it is specified that the Company will not receive a dividend in respect of the shares it owns in the course of apportioning the dividend, the sums corresponding to the dividend not paid on the treasury shares being allocated to the retained earnings account and the overall amount of the dividend being adjusted accordingly.

   Eligible shareholders will qualify for the 40% tax relief provided for in Article 158-3-2 of the French Tax Code on their total dividend;

5. **notes**, pursuant to Article 243 bis of the French Tax Code, that the Company has paid the following dividends in respect of the last three financial years, fully eligible for the 40% tax relief:

Year	2014	2015	2016
Total dividend *(in euros)*	220,244,579.05	235,352,425	299,006,053.50
Dividend per share *(in euros)*	0.95	1.00	1.05

Fourth resolution

Directors' fees

The Shareholders' Meeting, voting under the quorum and majority conditions of ordinary shareholders' meetings, having considered the report of the Board of Directors, **sets**, from the financial year beginning on January 1, 2018, at €1,320,000 the maximum amount to be apportioned among the members of the Board of Directors as directors' fees until otherwise decided by a new shareholders' meeting.

Fifth resolution

Approval of the renewal of related-party commitments given to Sébastien Bazin

The Shareholders' Meeting, voting under the quorum and majority conditions of ordinary shareholders' meetings, having considered the special report of the Statutory Auditors on the agreements and commitments referred to in Article L. 225-42-1 of the French Commercial Code, **approves** the renewal of commitments given to Sébastien Bazin with regard to supplementary pension and unemployment insurance plans, as well as to termination benefits.

Sixth resolution

Approval of the fixed, variable and exceptional components of the total compensation and benefits of any kind paid or allocated to Sébastien Bazin for the year ended December 31, 2017 (ex-post say on pay)

The Shareholders' Meeting, pursuant to Articles L. 225-37-2 and L. 225-100 of the French Commercial Code, voting under the quorum and majority conditions of ordinary shareholders' meetings, **approves** the fixed, variable and exceptional items of total compensation and benefits of any kind paid or allocated for the year ended December 31, 2017 to Sébastien Bazin, as presented in the Company's corporate governance report, as well as in the appendix to the Board of Directors' report on the resolutions.

(1) Based on the 290,122,153 shares comprising the Company's share capital at December 31, 2017.

Seventh resolution

Approval of the fixed, variable and exceptional components of the total compensation and benefits of any kind paid or allocated to Sven Boinet for the year ended December 31, 2017 (ex-post say on pay)

The Shareholders' Meeting, pursuant to Articles L. 225-37-2 and L. 225-100 of the French Commercial Code, voting under the quorum and majority conditions of ordinary shareholders' meetings, **approves** the fixed, variable and exceptional items of total compensation and benefits of any kind paid or allocated for the year ended December 31, 2017 to Sven Boinet, as presented in the Company's corporate governance report, as well as in the appendix to the Board of Directors' report on the resolutions.

Eighth resolution

Approval of the principles and criteria for determining, allocating and awarding the fixed, variable and exceptional compensation and benefits of any kind to the Chairman and Chief Executive Officer in respect of 2018 (ex-ante say on pay)

The Shareholders' Meeting, voting under the quorum and majority conditions of ordinary shareholders' meetings, having considered the report of the Board of Directors on the compensation policy for executive officers established pursuant to Article L. 225-37-2 of the French Commercial Code and published in the Company's 2017 Registration Document, **approves** the principles and criteria for determining, allocating and awarding the fixed, variable and exceptional compensation and other benefits of any kind attributable to the Chairman and Chief Executive Officer of the Company for 2018, as presented in this report.

Ninth resolution

Approval of the principles and criteria for determining, allocating and awarding the fixed, variable and exceptional compensation and benefits of any kind to the Deputy Chief Executive Officer in respect of 2018 (ex-ante say on pay)

The Shareholders' Meeting, voting under the quorum and majority conditions of ordinary shareholders' meetings, having considered the report of the Board of Directors on the compensation policy for executive officers established pursuant to Article L. 225-37-2 of the French Commercial Code and published in the Company's 2017 Registration Document, **approves** the principles and criteria for determining, allocating and awarding the fixed, variable and exceptional compensation and other benefits of any kind attributable to the Deputy Chief Executive Officer of the Company for 2018, as presented in this report.

Tenth resolution

Approval of the transfer of control of AccorInvest Group SA

The Shareholders' Meeting, voting under the quorum and majority conditions of ordinary shareholders' meetings, having considered the Board of Directors' report on the proposed transfer of control of AccorInvest Group SA to third-party investors, in application of the AMF Position-Recommendation DOC No. 2015-05 on the acquisition and sale of significant assets and Article 5.4 of the AFEP/MEDEF Code, **approves**, in an advisory capacity, the transfer of control of AccorInvest Group SA to third-party investors.

Eleventh resolution

Authorization to trade in the Company's shares

The Shareholders' Meeting, voting under the quorum and majority conditions of ordinary shareholders' meetings, having considered the report of the Board of Directors:

1. **authorizes** the Board of Directors, with the power to subdelegate, to trade in the Company's shares in compliance with Articles L. 225-209 and *seq.* of the French Commercial Code. Consequently, the Board may buy, sell or otherwise transfer the Company's shares for the following purposes in compliance with the above provisions of the Code:
   - to purchase shares for cancellation, in connection with a capital reduction decided or authorized by shareholders pursuant to the seventeenth resolution submitted to this Shareholders' Meeting of May 5, 2017, or any other resolution with the same purpose that may be passed at another Shareholders' Meeting,
   - to purchase shares for allocation under employee stock ownership plans, in particular free stock grant plans made under Articles L. 225-197-1 and *seq.* of the French Commercial Code, employee savings (or similar) plans under Articles L. 3332-1 and *seq.* of the French Labor Code, and stock option plans under Articles L. 225-177 and *seq.* of the French Commercial Code,
   - to purchase shares for allocation on the conversion, redemption, exchange or exercise of securities carrying rights to shares in the Company,
   - to make a market in the Company's shares under a liquidity contract that complies with the Code of Conduct recognized by the French securities regulator, the AMF.

   The program may also be used for any other purpose currently authorized or that may be authorized at a future date under the applicable laws or regulations, provided that the Company issues a press release notifying shareholders of said use;
2. **sets** the maximum number of shares that may be acquired under this authorization at €29 million and the maximum per-share purchase price at €70 (for a maximum number of shares representing around 10% of the share capital and a maximum total investment in the buyback program of €2.03 billion). These ceilings do not include the number or price of any shares sold during the period this authorization is in effect, if the shares concerned were originally bought back for market-making purposes in accordance with the terms and conditions defined in the General Regulation of the AMF;
3. **resolves** that (i) trading in ordinary shares may be effected and settled by any method, on the basis and within the limits prescribed by the laws and regulations in force on the transaction date, in one or several installments, on the market or over-the-counter, including through the use of options, derivatives – particularly, the purchase or sale of puts or calls – or securities carrying rights to ordinary shares of the Company, and that (ii) the entire buyback program may be implemented through a block trade;

4. **resolves** that in the event of the filing by a third party of a public offer for the Company's shares, the Board of Directors shall not make use of this authorization for the duration of the offer period without express authorization from the Shareholders' Meeting and that it shall suspend the execution of any share buyback program already initiated, except to execute it in order to satisfy a delivery of securities or a strategic transaction undertaken and announced before the launch of the public offer;
5. **resolves** that the Board of Directors may decide to implement this authorization, specifying, if necessary, its terms and conditions, and more generally do all that is necessary to achieve the successful completion of the proposed trades;
6. **resolves** that this authorization shall be valid for a period of 18 months as from the date of this Meeting and shall supersede, with immediate effect, any previous authorization granted for the same purpose.

Twelfth resolution

Authorization for the Board of Directors to issue free share warrants to shareholders in the event of a public offer for the shares of the Company

The Shareholders' Meeting, voting under the quorum and majority conditions of ordinary shareholders' meetings, having considered the report of the Board of Directors and the Statutory Auditors' special report, and pursuant to Article L. 233-32 II of the French Commercial Code:

1. **authorizes** the Board of Directors, in the event of a public offer for the shares of the Company, to make one or more issues of warrants entitling the holders to subscribe for one or more shares of the Company on preferential terms, and to allot the warrants free of consideration to all shareholders of record prior to the last day of the public offer, in the proportions and at the times it deems appropriate;
2. **resolves** that the aggregate par value of shares issued upon the exercise of the warrants may not exceed €217 million (*i.e.*, 25% of the share capital), not including the par value of any additional shares issued to protect the rights of the warrant holders pursuant to the applicable laws, regulations or any contractual provisions, and that the maximum number of warrants that may be issued pursuant to this authorization may not exceed the number of shares comprising the share capital on the date of issuance of the warrants;
3. **resolves** that this authorization may only be used by the Board of Directors after obtaining a positive opinion from a special committee of the Board of Directors, chaired by the Vice-Chairman and comprising three independent directors, which shall itself be required to consult a financial adviser of its choice before issuing its opinion;
4. **resolves** that the warrants issued pursuant to this authorization shall not be exercisable and shall lapse automatically if the public offer for the shares of the Company or any counter-bid should fail and that, in such case, this authorization shall be deemed not to have been used and shall accordingly remain in full force and effect. The lapsed warrants shall therefore not be included in the aggregate number of warrants that may be issued in the event of its subsequent use;
5. **notes and resolves** that, insofar as necessary, this authorization shall entail the waiver by the shareholders of their preemptive rights over the shares of the Company to which the warrants issued pursuant to this authorization entitle their holders;
6. **resolves** that the Board of Directors shall have full powers to use this authorization and to delegate said powers subject to compliance with the law. Accordingly, the Board of Directors shall be authorized to:
   - set the terms and conditions of the issuance and allotment of the warrants, including the option to postpone or cancel the issue, and the number of warrants to be issued,
   - set the terms and conditions of exercise of the warrants, which shall be related to the terms of the public offer or any counter-bid, as well as the other characteristics of the warrants, including the exercise price or method of setting the exercise price,
   - set the terms and conditions of any adjustments to be made to protect the rights of warrant holders in accordance with the law, regulations or any contractual provisions,
   - set the terms and conditions of any capital increase arising upon exercise of the warrants, set the cum-rights date of the shares to be issued and, if it deems appropriate, deduct the costs, duties and fees incurred pursuant to the capital increases from the amount of related additional paid-in capital and deduct from this amount the sum required to bring the legal reserve up to one tenth of the new share capital after each capital increase,
   - place on record the capital increase resulting from the exercise of the warrants, amend the bylaws accordingly, perform all actions and formalities required and, more generally, do whatever is necessary;
7. **resolves** that this authorization shall be valid for a period expiring at the end of the offer period of any public offer for the shares of the Company made within 14 months of this Meeting and that it shall cancel as of this date any prior authorization with the same purpose.

Extraordinary resolution

Thirteenth resolution

Authorization for the Board of Directors to issue shares and/or securities carrying rights to shares to employees who are members of an Accor Group employee stock ownership plan ("PEG")

The Shareholders' Meeting, voting under the quorum and majority conditions of ordinary shareholders' meetings, having considered the report of the Board of Directors and the Statutory Auditors' special report, as well as the additional Board of Directors' report and Statutory Auditors' special report regarding the use of resolution twenty-five of the Shareholders' Meeting of May 5, 2017, and in accordance with Articles L. 3332-1 and *seq.* of the French Labor Code and Articles L. 225-129-6 and L. 225-138-1 of the French Commercial Code:

1. **authorizes** the Board of Directors to issue ordinary shares and/or securities carrying rights to ordinary shares on one or more occasions to employees of the Company and French and foreign related companies, within the meaning of Article L. 225-180 of the French Commercial Code, who are members of an AccorHotels Group employee stock ownership plan (Plan d'Epargne d'Entreprise);
2. **authorizes** the Board of Directors to grant employees free shares and/or securities carrying rights to shares, within the limits prescribed in Article L. 3332-21 of the French Labor Code, as part of any capital increase(s) carried out under this resolution;
3. **resolves** that the total number of shares that may be issued directly or indirectly under this authorization may not exceed the equivalent of 2% of the Company's capital, less the shares issued pursuant to resolution twenty-five of the Shareholders' Meeting of May 5, 2017, as of the date of said Meeting;
4. **resolves** that the subscription price for the shares issued under this authorization may not exceed the average of the prices quoted for the Company's shares during the twenty trading days preceding the Board of Directors' decision setting the opening date of the subscription period and may not represent less than said average less the maximum discount authorized by the regulations in force on the pricing date, and that the characteristics of any securities carrying rights to shares will be set in accordance with said regulations;
5. **resolves** that this resolution automatically entails for employee beneficiaries the waiver by shareholders of their pre-emptive rights to subscribe for any shares and/or other securities to be issued pursuant to this authorization, as well as their rights concerning any free shares offered to employees pursuant to this authorization;
6. **resolves** that the Board of Directors shall have full powers to use this authorization and to delegate said powers subject to compliance with the law. Accordingly, the Board of Directors shall be authorized to:
   - draw up the list of companies whose employees will be entitled to subscribe for the shares and/or other securities;
   - decide that the securities may be acquired either directly or through a corporate mutual fund;
   - allow employees a specified period of time to pay up their securities;
   - set the terms and conditions of membership of the employee stock ownership plan, and draw up or amend the plan rules;
   - set the opening and closing dates of the subscription period, the issue price of the shares or other securities and the number of new shares that may be issued;
   - place on record the capital increase(s) and carry out all related transactions and formalities; either directly or through a representative;
   - amend the Company's Bylaws to reflect the new capital and, generally, take all appropriate measures and do whatever is necessary to comply with the applicable laws and regulations;
7. **resolves** that this authorization shall terminate the previous authorization granted for the same purpose and adopted in resolution twenty-five of the May 5, 2017 Shareholders' Meeting and is granted for the remainder of the term of this resolution twenty-five, namely until July 5, 2019.

Ordinary resolution

Fourteenth resolution

Powers to carry out formalities

The Shareholders' Meeting, voting under the quorum and majority conditions of ordinary shareholders' meetings, **gives** full powers to the bearer of an original, extract or copy of the minutes of this Meeting to carry out any and all filing and other formalities required by law.

3.11 AUTHORIZATIONS RELATING TO CAPITAL INCREASES

Shareholders have granted the Board of Directors the following authorizations.

Type of authorization	Date of authorization	Nominal amount authorized	Term and expiry date	Utilization in 2017
Reduction of capital by canceling treasury stock	Annual Shareholders' Meeting of May 5, 2017 17th resolution	10% of the share capital	24 months May 5, 2019	
Issuance of shares and share equivalents:	Annual Shareholders' Meeting of May 5, 2017 18th to 22nd resolutions		26 months July 5, 2019	
◗ with pre-emptive subscription rights		€427 million		
◗ by public offering without pre-emptive subscription rights		€85 million with or without priority subscription rights		
◗ by restricted offering without pre-emptive subscription rights		€85 million		
◗ in connection with a stock-for-stock offer		€85 million		
◗ to increase the amount of any issues that are oversubscribed		15% of the initial issue (or according to legislation prevailing on the issue date)		
◗ in payment for contributed assets		€85 million		
Issuance of new shares by capitalizing reserves, retained earnings or additional paid-in capital	Annual Shareholders' Meeting of May 5, 2017 23rd resolution	€427 million	26 months July 5, 2019	
Blanket ceiling on the authorizations to issue shares and/or other securities (par value):	Annual Shareholders' Meeting of May 5, 2017 24th resolution			
◗ with or without pre-emptive subscription rights (18th to 23rd resolutions)		€427 million		
◗ without pre-emptive subscription rights (19th to 22nd resolutions)		€85 million		
Employee share issue	Annual Shareholders' Meeting of May 5, 2017 25th resolution	2% of the share capital at May 5, 2017	26 months July 5, 2019	Share capital increase of €18,445,143.87 on December 21,2017 corresponding to the issuance of 550,437 shares (*i.e.* about 0.19% of the share capital at May 5, 2017)
Grant of free shares	Annual Shareholders' Meeting of April 22, 2016 10th resolution	2.5% of the share capital at April 22, 2016 Executive officers: a cap of 15% of the share capital for all of the shares granted by virtue of the 11th resolution of the April 22, 2016 Annual Shareholders' Meeting	38 months June 22, 2019	Allocation, subject to performance conditions, of (i) 570,579 shares on June 30, 2017 and (ii) 27,340 shares on October 18, 2017
Grant of free shares conditional on personal investment and performance (2017 Co-Investment Plan)	Annual Shareholders' Meeting of May 5, 2017 26th resolution	2% of the share capital at May 5, 2017 (to be adjusted for additional performance shares to be granted to protect the rights of grantees in the event of a corporate action) Executive officers: 0.2% of the share capital at May 5, 2017	12 months May 5, 2018	A total of 481,974 shares were acquired by grantees as their personal investment and 1,445,922 shares were granted freely under the 2017 Co-Investment Plan
Share warrants to be issued freely to shareholders in the event of a public offer for the shares of the Company	Annual Shareholders' Meeting of May 5, 2017 27th resolution	€213 million	18 months November 5, 2018	

Appendix A

Board of Directors bylaws (as amended on March 21, 2017)

The members of the Board of Directors of Accor (hereinafter the Company) abide by the following rules of procedure, which constitute the Bylaws of the Board of Directors.

These Bylaws are based on recommendations by French market authorities aimed at ensuring compliance with the fundamental principles of corporate governance, notably the AFEP/MEDEF Corporate Governance Code for listed companies.

Intended for internal use only, these Bylaws are designed to supplement the Company's Bylaws by specifying the Board of Directors' organizational and operating procedures. They may not be used by shareholders or third parties as a basis for any claims against the directors, the Company or any company of the AccorHotels Group (hereinafter the Group). They apply, where appropriate, to the non-voting directors appointed by the Board of Directors as well as to the Founding Co-Chairmen designated in Article 21 of the Company's Bylaws.

These Bylaws shall be disclosed to the shareholders and to the public.

1. Composition

At least half of the directors on the Board of Directors must be independent within the meaning of the criteria set forth in the AFEP/MEDEF Corporate Governance Code for listed companies.

Every year, the Board of Directors shall determine which of the directors are independent according to the above-mentioned criteria. The conclusions of said assessment shall be disclosed to the shareholders and to the public in the Annual Report.

2. Meetings

The Board of Directors shall hold at least six meetings per year, of which one dedicated to reviewing the budget and one dedicated to a strategic review of the Group's operations. The proposed dates of each year's meetings shall be sent to the directors no later than March 31 of the previous year. Notices of Meeting shall be sent by mail, e-mail or fax or given verbally, by the Board Secretary.

The draft minutes of each meeting shall be sent to the directors within 15 days after said meeting and submitted to the Board for approval during the second meeting following that to which they relate.

Part of at least one meeting a year shall be devoted to assessing the Board's efficiency and effectiveness, in order to identify possible areas for improvement. In addition, the Board of Directors shall conduct a formal self-assessment at least every two years.

Non-executive directors shall meet once a year, without the executive directors or corporate officers being present, to assess the latter's performance and consider the future management structure.

For the purpose of calculating the quorum and majority, directors who take part in meetings by any means making it possible to identify them and enabling their actual participation pursuant to current statutes and regulations shall be deemed to be in attendance.

3. Information for the Board of Directors

The directors shall be provided with all the information necessary for them to carry out their duties.

Except when compliance with confidentiality or physical obstacles make it impossible, an information package pertaining to the items on the agenda that require prior study shall be sent to the directors in a timely manner prior to the meetings.

In addition, the directors shall be kept periodically informed between meetings of all significant events and transactions in the life of the Group. To this end, they shall be provided with all the press releases issued by the Company and a periodic summary of financial analysts' research reports on the Group and, when necessary, the actual reports.

The Board shall be kept regularly informed of the Group's financial position, cash position and commitments as well as the Group's strategy and main policies in the areas of human resources, organization and information systems, and shall discuss them periodically.

The directors shall be entitled to require the provision of any document necessary for the proceedings of the Board that has not been submitted to them. Any such requests shall be sent to the Chairman and Chief Executive Officer who may submit it to the Board for a decision.

The directors shall have the right to meet with the Group's main executives, including without the presence of the executive directors. To do so, they must first file a request with the Chairman and Chief Executive Officer.

4. Powers of the Board of Directors

The Board of Directors deals with all matters falling within the powers vested in it under the applicable laws and regulations.

In addition, the Board of Directors shall:

a) approve the annual budget, including the annual financing plan, as well as the business plan presented by the Chairman and Chief Executive Officer;

b) review and approve the Group's overall strategy, at least once a year, in accordance with Article 2 of these Bylaws;

c) based on the Commitments Committee's recommendation, authorize the following decisions of the Chairman and Chief Executive Officer prior to their implementation:

   i. any and all immediate or deferred financial commitments representing more than €100 million per transaction. "Financial commitments" are defined as:

   - any and all acquisitions or disposals of assets and majority or minority interests in other companies; in the latter case, the amount of the commitment is considered equal to the entity's enterprise value,
   - any and all direct investments, for example for the creation of a business, the construction, refurbishment or extension of a hotel property, or expenditure on technological developments,
   - rental investments, measured on the basis of the market value of the leased asset,

- hotel management contracts with a guaranteed minimum fee,
- any and all loans to entities in which the Company or one of its subsidiaries does not hold the majority of the shares and voting rights, and any and all commitments to participate in share issues by such entities.

In the case of financing transactions, however, the Chairman and Chief Executive Officer is authorized to make any and all financial commitments of up to €1 billion without obtaining prior approval from the Board of Directors, provided that such commitment is undertaken in accordance with the annual Group financing policy as approved in advance by the Board of Directors. In this case, the Chairman and Chief Executive Officer shall inform the Board of Directors of the transactions after they have been completed. It is noted as well that the Board's prior approval is not required for borrowings due in less than one year, whatever the amount borrowed,

ii. any and all transactions that may impact the Group's strategy or lead to a material change in the Group's business base (mainly entry into a new business or withdrawal from an existing business), whatever the amount of the transaction,

iii. any and all transactions involving the Company's shares carried out in application of Article L. 225-209 of the French Commercial Code that exceed one million shares per transaction or two million shares per year;

d) authorize the Chairman and Chief Executive Officer to issue guarantees, bonds and endorsements in the Company's name, up to a cumulative amount of €1 billion per year. In accordance with the Company's Bylaws, any such authorizations may be given for a period of one year. The Chairman and Chief Executive Officer is required to report to the Board of Directors each year on the amount and nature of guarantees, bonds and endorsements issued under the authorization;

e) discuss and decide on any proposed changes to the Group's management structure and review information about the main organizational changes.

5. Vice-Chairman of the Board of Directors and Senior Independent Director

In accordance with Article 14 of the Company's Bylaws, the Board of Directors may appoint one of its independent members to act as Vice-Chairman for the duration of his/her term as director. The appointment may be terminated at any time by decision of the Board of Directors.

As specified in the Company's Bylaws, the Vice-Chairman may call meetings of the Board of Directors if the Chairman and Chief Executive Officer is unable to do so, and shall chair Board meetings in the Chairman and Chief Executive Officer's absence.

The Vice-Chairman shall act as the preferred contact for the other independent directors. Whenever necessary and at least once a year, he/she shall organize and lead a meeting reserved exclusively for independent directors to allow them to discuss certain issues outside full Board meetings.

The Vice-Chairman shall ensure that requests from shareholders not represented on the Board are answered, and shall make him or herself available to hear their comments and suggestions and, where necessary, answer their questions. A specific e-mail address shall be created for this purpose. The Vice-Chairman shall inform the Board of Directors about such contact with the shareholders.

In addition, the Vice-Chairman shall oversee formal assessments of the Board of Directors' practices, approve the list of strategic issues to be discussed at Board meetings, as prepared each year by the Chairman and Chief Executive Officer, and deal with any conflicts of interest affecting Board members, in line with the management procedure for situations of conflict of interest outlined in Article 9.

He/she shall be assisted by the Corporate Secretary services for any related administrative tasks.

6. Board Committees

Board discussions and decisions in certain areas shall be prepared by specialist Board Committees made up of directors appointed by the Board for the duration of their term. These Committees shall examine matters falling within their terms of reference, as well as any matters referred to them for consideration by the Chairman and Chief Executive Officer. They shall report regularly to the Board on their work, and provide the Board with their observations, opinions, proposals or recommendations.

To assist them in their work, the Board Committees may commission technical reports from management or from external consultants, at the Company's expense. In both cases, the Chairman and Chief Executive Officer shall be notified in advance. The Committees may also arrange meetings with members of Company management responsible for the areas under review, without any executive directors being present. In this case also, the Chairman and Chief Executive Officer shall be informed in advance.

There are five standing Board Committees:

- **the Audit and Risks Committee;**
- **the Commitments Committee;**
- **the Appointments & Compensation Committee;**
- **the Corporate Governance, Compliance & CSR Committee; and**
- **the International Strategy Committee.**

The Board may also set up one or several special Committees.

Each Committee shall be chaired by one of its members, appointed by the Board on the recommendation of the Appointments & Compensation Committee. The Chairman and Chief Executive Officer may be invited to attend any and all Board Committee meetings by the Chairman of the Committee concerned. However, he shall not attend the part of Appointments & Compensation Committee meetings during which agenda items concerning him personally are discussed, nor the part of Audit and Risks Committee meetings during which the Committee members discuss matters with the Statutory Auditors.

The Committee Chairman appoints a person who may or may not be a Committee member to act as secretary.

The Chairman of each Committee may ask for the Committee to be consulted on any matters falling within its terms of reference that have not been referred to it.

Each Committee shall periodically review its rules of procedure and propose to the Board any changes that are considered necessary.

The Board Committees shall not have any decision-making authority.

6.1. The Audit and Risks Committee

The Audit and Risks Committee shall be responsible for ensuring that the accounting policies applied for the preparation of the financial statements of the Company and the Group are appropriate and applied consistently from one period to the next. Its terms of reference also include checking that internal reporting and control procedures provide adequate assurance concerning the reliability and completeness of financial information and the control of Group risk exposure.

To this end, it carries out the following tasks:

- it reviews the interim and annual consolidated financial statements and the financial statements of the Company, prior to their examination by the Board of Directors and ensures that accounting policies are applied consistently from one period to the next. This includes reviewing draft results press releases and announcements to be issued by the Company;
- it reviews the scope of consolidation and the reasons for excluding any entities;
- it reviews the Risk Management policy and ensures that adequate systems are in place;
- it assesses the material risk exposure and off-balance sheet commitments, and receives a copy of the Chief Financial Officer's detailed report on these matters;
- it oversees the effectiveness of the Internal Audit process, particularly procedures relating to the preparation and processing of the accounting and financial information, without compromising the independence of the Internal Audit Department; it obtains assurance concerning the effectiveness of the Group's system of internal control, by reviewing the methods used to identify risks and the organizational principles and procedures of the Internal Audit Department. It is also informed of the Internal Audit program and of the results of the Internal Audits carried out;
- it oversees the work of the Statutory Auditors. In particular it reviews their audit plan and the results of their audits. It receives a copy of the Statutory Auditors' post-audit letter setting out the main issues identified during their audit and describing the main accounting options selected;
- when the Statutory Auditor is appointed, it oversees the Auditor selection procedure and receives tenders submitted by the various different candidate firms (except in the event of renewal of the Statutory Auditors' term of office), and makes recommendations to the Board of Directors on the choice of candidate;
- it validates additional non-statutory audit-related work that the Statutory Auditors and the members of their networks may be asked to perform in accordance with the applicable laws and regulations;
- at the end of each year, it is informed of the fees paid by Group companies to the Statutory Auditors and the members of their networks during the year, including a detailed breakdown by type of engagement, and reports to the Board of Directors on these fees and expresses an opinion on the proposed fee budgets for statutory audit work;
- it ensures that the Statutory Auditors are independent, notably by reviewing their statement of independence, and reports back to the Board on its assessment of the Statutory Auditors' level of independence;
- it regularly reports back to the Board on the findings of the financial statement audit process, how the process has enhanced the integrity of the financial information produced and the role played by the Committee itself in this process.

The Audit and Risks Committee comprises three to six members possessing the necessary technical knowledge to fulfill the Committee's duties. At least two thirds of these members, including the Committee Chairman, must be independent directors.

The Audit and Risks Committee holds at least three meetings per year. One meeting – attended by the Senior Vice-President, Internal Audit – is devoted to reviewing the effectiveness of the system of internal control.

The Audit and Risks Committee may make inquiries of the Statutory Auditors without the executive directors and/or the Chief Financial Officer being present, after first notifying the Chairman and Chief Executive Officer.

Calls to meeting shall be issued by the Committee Chairman and include the meeting agenda. Meetings to review the interim and annual financial statements shall be held at least two days prior to the Board meeting called to approve the financial statements. The members of the Audit and Risks Committee must receive all necessary documents on a timely basis. When members are first appointed to the Committee, they are given detailed information about accounting, financial and operational issues that are specific to the Group. The Chairman and Chief Executive Officer, the Chief Financial Officer and the Statutory Auditors shall attend Audit and Risks Committee meetings as needed.

6.2. The Commitments Committee

The Commitments Committee is comprised of no more than seven members. Meetings of the Committee may be called at any time, in writing or verbally, by the Committee Chairman or the Chairman and Chief Executive Officer.

The Commitments Committee's recommendations are adopted by a simple majority and must then be discussed by the Board of Directors before the commitments can be implemented by the Group. The Commitments Committee is therefore responsible for preparing Board meetings and making recommendations to the Board on the following matters:

- any mergers, demergers or asset transfers;
- any amendments to the Company's corporate purpose;
- any and all commitments or transactions for which the Chairman and Chief Executive Officer is required to obtain the Board of Directors' prior approval in accordance with Article 4. c) of these Bylaws.

6.3. The Appointments & Compensation Committee

The Appointments & Compensation Committee's role is to prepare the Board of Directors' decisions pertaining to the compensation of executive directors and the policy for granting long-term incentive instruments and to prepare changes in the composition of the Company's management bodies.

To this end, it carries out the following tasks:

Appointments

- It prepares recommendations, in liaison with the Chairman and Chief Executive Officer, regarding the appointment and succession of the executive officers and the selection of new directors. In selecting possible directors, the Committee shall take into consideration the desirable balance in the Board's composition, take special care that each candidate has the required capabilities and availability and ensure that the directors have the array of experience and skills necessary to enable the Board of Directors to carry out its duties effectively with the required objectivity and independence vis-à-vis both senior management and a given shareholder or group of shareholders.

- It shall be informed of the succession plan concerning members of the Group's Executive Committee.

Compensation

- It studies and prepares recommendations regarding both the salary and bonus portions of the executive officers' short-term compensation, the granting of medium- and long-term incentives such as performance shares and stock options, all the provisions regarding their retirement plans and all other in-kind benefits.
- It defines and implements the rules for setting the bonus portion of the executive officers' compensation while ensuring that said rules are consistent with the annual appraisal of executive directors' performance and with the Group's medium-term strategy.
- It gives the Board an opinion regarding the general policy for granting medium- and long-term incentives such as stock options and performance shares to Group employees, and the plans proposed by the Chairman and Chief Executive Officer.
- It is kept informed of and gives an opinion on the compensation policy for members of the Group Executive Committee and reviews the consistency of such policy.
- It issues a recommendation to the Board on the overall amount of directors' fees, which is submitted to shareholders for approval. It proposes to the Board rules for allocating said directors' fees and the individual amounts of the payments to be made as fees to the directors based on their attendance at Board and Committee meetings pursuant to Article 8 of these Bylaws.
- It reviews the policy and the projects proposed by the Chairman and Chief Executive Officer regarding employee share issues and any employee share ownership plans.
- It reviews the insurance coverage taken out by the Company regarding the civil liability of executive directors.
- It approves the information provided to shareholders in the Annual Report regarding (i) executive director compensation; (ii) the principles and procedures used to set such compensation; and (iii) the granting and exercise of stock options and the granting of performance shares.

The Appointments & Compensation Committee is comprised of three to seven members. A majority of these members, including the Committee Chairman, must be independent directors. At least one member must be a director representing employees. At least one member must be an independent director.

The Appointments & Compensation Committee shall hold at least two meetings per year. Calls to meetings are issued by the Committee Chairman and include the meeting agenda.

6.4. The Corporate Governance, Compliance & CSR Committee

The Corporate Governance, Compliance & CSR Committee's role is to ensure that the principles of good corporate governance are properly applied and to prepare the Board of Directors' decisions pertaining to compliance, ethics and corporate social responsibility.

Its main responsibilities are:

Governance

- It is tasked, in liaison with the Chairman and Chief Executive Officer, with issuing recommendations on implementing best corporate governance practices and preparing the assessment of the Board's work.
- It reviews and issues recommendations on best corporate governance practices and, in particular, reviews the compliance of the Company's governance practices with the Corporate Governance Code to which the Company adheres.
- It periodically reviews whether the directors meet the independence criteria defined by the Board and makes recommendations if it appears necessary to review the independent status of directors.
- It continuously monitors changes in the Company's ownership structure and determines how the Company's awareness of such changes could be improved, particularly through legal procedures.
- As part of the management procedure for conflicts of interest, it reviews all cases where there is a conflict of interest concerning one or more shareholders and (i) the interests of the Company or (ii) the interests of the shareholders as a whole and cases of conflicts of interest concerning directors.
- It reviews changes in the role of the Board of Directors.
- It prepares all matters for discussion between the Company and its shareholders relating to (i) changes in their equity interests; (ii) their representation in the Company's corporate governance structures; and (iii) any contractual commitments between them and the Company, notably by helping the Board of Directors to prepare decisions authorizing related-party agreements.

Compliance

- It examines the structure and implementation of the Group's compliance procedures and tracks the deployment of compliance policies.
- It reviews all ethical issues of which it is aware, or which the Board or the Chairman submits to it for review.
- It is briefed on the annual report of the Ethics and CSR Committee.

Corporate social responsibility

- It reviews the Group's key CSR strategic focuses and progress in different areas.

The Corporate Governance, Compliance & CSR Committee comprises three to five members. At least one member must be an independent director.

The Committee shall hold at least two meetings per year. Calls to meetings are issued by the Committee Chairman and include the meeting agenda.

6.5. International Strategy Committee

The International Strategy Committee comprises three to six members and is responsible for preparing Board meetings and making recommendations to the Board on the Group's strategic objectives at an international level, particularly regarding:

- the Group strategic priorities for the development of its hotels around the world;
- the geographical distribution of the Group's business and the corresponding geopolitical risks; and
- the monitoring of the Group's major international projects, alliances and partnerships.

The Committee holds at least two meetings per year. Calls to meetings are issued by the Committee Chairman and include the meeting agenda.

7. Secretary to the Board of Directors

Pursuant to the Company's Bylaws, the Board of Directors shall name a Secretary who need not be a director.

The Board Secretary's role is to call members to meetings of the Board of Directors when requested to do so by the Chairman and Chief Executive Officer and to prepare the draft minutes of the meetings of the Board of Directors, which are then submitted to the Board for approval. He/she is tasked with sending the working documents to the directors according to the procedure set forth in Article 3 of these Bylaws and in general responds to any request from directors for information pertaining to their rights and obligations, the Board's operation or the life of the Company.

His/her duties also include maintaining the statements designed to prevent conflicts of interest, as provided for in Article 9.

Lastly, the Board Secretary shall attend the meetings of the Board Committees as needed at the request of the Chairman and Chief Executive Officer or the Committee Chairmen. He/she may also be tasked with sending the working documents to the Committee members.

8. Directors' fees

The annual amount of directors' fees approved by shareholders shall be allocated by the Board based on a recommendation by the Compensation, Appointments & compensation Committee.

Board members shall be entitled to a fixed portion of fees for their duties as directors and, as the case may be, their role as a member or Chairman of one or more Board Committees, as well as a variable portion of fees determined according to their actual attendance at Board or Committee meetings.

Distribution is based on the following principles:

- the annual amount of directors' fees shall be divided into an amount set aside for the Board and an amount set aside for the Board Committees, as determined by the Board of Directors;
- one-third of the amounts set aside for the Board and for the Board Committees shall be used to pay the fixed portion of directors' fees;
- two-thirds of the amounts set aside for the Board and Committees shall be used to pay the variable portion of directors' fees based on a per-meeting amount set by the Board depending, in each case, on the total number of meetings held during the year and the number of members attending each meeting; the variable portion is then paid to each director based on attendance;
- the Vice-Chairman of the Board of Directors shall receive the fixed portion of directors' fees payable to all directors as well as a fixed portion corresponding to a lump sum determined by the Board of Directors;
- Committee Chairmen shall receive a fixed portion of directors' fees equal to double the fixed portion payable to Committee members;
- members of the Audit Committee shall receive an increased portion of directors' fees, as decided by the Board of Directors;
- directors who also hold the position of Chairman and Chief Executive Officer, Chief Executive Officer or Deputy Chief Executive Officer shall not receive any directors' fees;
- directors representing employees do not receive any directors' fees. The directors' fees that they would have received are not distributed and instead the Group has pledged to allocate the equivalent amount to supporting Group employees in difficulty;
- directors' fees shall be paid no later than three months following the end of the previous fiscal year.

9. Conflicts of interest and sensitive information

9.1. Conflict of interest situations

Any director that is directly or indirectly, or *via* an intermediary, in a position of a conflict of interest – even potentially – with respect to the interest of the Company because of the positions that he/she holds, and/or any interests that he/she has elsewhere, shall inform both the Vice-Chairman of the Board and the Board Secretary.

Moreover, anyone who has direct links to a person with interests that are in competition with those of the Company may also raise this matter as it relates to competition law aside from the actual conflicts of interests involved. Consequently, no director shall accept a directorship or executive management responsibilities or a position as consultant with a person with interests that are in competition with those of the Company during his/her term of office without the Board's authorization.

In accordance with Article 15 of the Company's Bylaws, the directors and any persons who attend Board meetings are subject to strict confidentiality requirements concerning the information provided during debates.

9.2. Sensitive information from a competition-law perspective

No information that may be sensitive from a competition-law perspective may be disclosed or discussed in the presence of a director who has direct or indirect links to a person with interests that are in competition with those of the Company (the "Director Concerned").

The notion of *sensitive information* from a competition-law perspective extends to all non-public information that could help the Director Concerned to understand or influence the strategy, notably the commercial strategy, of the Company on the market(s) where the person with interests that are in competition with those of the Company does business, and with which the Director Concerned has direct links.

In particular, for the market(s) in question, this notion covers information relating to:

- current or future development projects, especially mergers and acquisitions;
- current or future pricing strategies (including discounts and rebates);
- sales, promotions, current and future terms and conditions of advertising and promotional campaigns (including advertising and promotional expenditure, selling terms and conditions, and sales strategy in general);
- margins and targets or profitability indicators for specific businesses, products or services;
- current or future capacity, including plans to increase or cut capacity;
- customers, customer lists, loyalty programs and, if applicable, bids or planned bids in response to calls for tender;
- costs related to products, services or technologies;
- tech, IT or research and development projects;
- market share;
- market studies, including forecasts of supply/demand and prices,

unless, in each case, the information is no longer sensitive from a competition-law perspective due to its general nature, or because it is relatively old or aggregate information, or because it is comprised only of public data.

The same provisions apply to the risk of exchanging information that may be sensitive from a competition-law perspective as to conflict of interest situations within the meaning of this article.

9.3. Declaring conflicts of interest

When he/she takes up office, and subsequently every year no later than January 31, each director shall disclose all relationships of any kind that he/she has, directly or indirectly or *via* an intermediary, with Group companies, their managers, suppliers, customers, partners or competitors. He/she shall send this statement to the Chairman and Chief Executive Officer and to the Vice-Chairman of the Board, and a copy thereof to the Board Secretary.

Should an event occur that renders all or part of this statement inexact, or in the event of any doubt over the existence of a conflict of interest – or a potential conflict of interest – the Director shall immediately inform the Vice-Chairman of the Board and the Board Secretary.

Based on these declarations, the Vice-Chairman, with the assistance of the Board Secretary and external consultants if necessary, draws up a list of issues for each individual director that are likely to generate conflicts of interest and informs the Board of Directors on an annual basis and each time the list is amended. The Board also receives a recap of the measures adopted to prevent potential conflicts of interest.

9.4. Guidelines in the event of a conflict of interest

In the event of a conflict of interest – or even a potential conflict of interest – the Director Concerned shall abstain from the debates and decision-making on the matters concerned and shall be asked to leave the Board or Committee meeting examining the issue during the debate and the corresponding vote.

The Director Concerned shall not receive information relating to the agenda item that concerns the conflict of interest nor the corresponding section in the minutes of the Board meeting.

If the agenda of a given Board or Committee meeting so requires, and based on a decision taken by the Chairman and Chief Executive Officer or the Vice-Chairman, the meeting may be split into two parts: the first held in the presence of the Director(s) Concerned at which no information that may be sensitive from a competition-law perspective or concerning a conflict of interest shall be discussed; and the second taking place without these Directors being present.

All decisions of the Board of Directors regarding a conflict of interest appear in the minutes of the Board meeting.

Any problems concerning the application of Article 9 shall be submitted to the Vice-Chairman of the Board or, in the event of any difficulties, and at the Vice-Chairman's request, to the Corporate Governance, Compliance & CSR Committee, in the presence of the Vice-Chairman. In the event of persistent difficulties, the Board of Directors shall take a final decision, based on the recommendation of the Committee.

Appendix B

Board of Directors Code of Conduct (as amended on April 29, 2014)

The Board of Directors collectively represents all the shareholders and acts in the Company's interest. Each director, regardless of the reasons for his/her appointment and his/her qualification by the Board of Directors as regards the independence criteria set forth in the AFEP/MEDEF Corporate Governance Code for listed companies, represents all the shareholders and as such adheres to the principles of conduct defined in this Code of Conduct.

The non-voting directors appointed by the Board of Directors and the Founding Co-Chairmen referred to in Article 21 of the Company's Bylaws shall be governed by all of the provisions of this Code of Conduct that are applicable to them.

Duty of due care

Directors shall carry out their duties as they see fit in the best interest of the Company. They shall strive at all times to improve their knowledge of the Group and its business lines and agree to be bound by a duty of vigilance and warning. They shall devote the necessary time and attention to their directorship in particular by attending the meetings of the Committees to which they belong, the meetings of the Board of Directors and the Shareholders' Meetings.

In addition to complying with the applicable statutes and regulations on the holding of several directorships, it is the responsibility of each director to ascertain whether his/her duties as a director of the Company are compatible with the directorships or positions that he/she holds in other companies in particular as regards the workload. Each director shall disclose periodically to the Company the directorships that he/she holds in any other company in order to enable the Company to comply with its statutory disclosure obligations in this regard.

Information

Directors have the duty to request the information that they deem necessary to carry out their duties from the Company's management *via* the Chairman and Chief Executive Officer or, where applicable, the Board Secretary. They shall have the right to meet with the Company's principal executives, whether or not in the presence of the Chairman and Chief Executive Officer, after having requested such a meeting from the Chairman and Chief Executive Officer.

When a new director takes up office, the Board Secretary shall provide him/her with an information package containing the Company's Bylaws, the Board of Directors Bylaws, the Board of Directors Code of Conduct as well as the principal statutes and regulations regarding directors' liability.

Directors may consult the Board Secretary at any time regarding the scope of said statutes and regulations and the rights and obligations incumbent on him/her.

Transparency and preventing conflicts of interests

Directors strive to remain independent in all circumstances as regards their analysis, judgment, decisions and actions.

Directors agree not to seek out or accept any benefit likely to call into question their independence.

Any director that is directly or indirectly in a position of a conflict of interest – even potentially – with respect to the interest of the Company because of the positions that he/she holds, and/or any interests that he/she has elsewhere, shall inform the Chairman and Chief Executive Officer or any individual designated by the Chairman and Chief Executive Officer. He/she shall abstain from the debates and decision-making on the matters concerned and may have to leave a Board meeting during the debate, and, where applicable, the vote.

When he/she takes up office, and subsequently every year no later than January 31, each director shall fill in a statement according to the template attached to this Code of Conduct in which he/she discloses any relationships of any kind with Group companies, their managers, suppliers, customers, partners or competitors. He/she shall send this statement to the Chairman and Chief Executive Officer and a copy thereof to the Board Secretary.

Directors shall refrain from participating, directly or indirectly, in any transaction of any amount with a Group company involving the sale by said company of one or several hotel assets.

The Board of Directors shall deliberate on the rates granted to directors when staying in a non-official capacity in Group hotels.

Trading in Company securities by the directors

Directors have access to insider information. Such information, if made public, could impact the price of the Company's shares or any other securities issued by the Company.

Pursuant to the applicable statutes and regulations, they shall be required:

- to refrain from using insider information to trade such securities either directly or *via* an intermediary;
- not to knowingly allow a third party to carry out such trading;
- not to disclose such information to third parties even through carelessness.

In addition, without prejudice to the statutes and regulations on insider trading, periods known as "negative windows" shall be determined each year. During such periods, directors shall refrain from trading the Company's shares or any other securities issued by the Company (including exercising stock options), either directly or *via* an intermediary, even *via* the trading of derivatives. Such periods shall consist of (i) 30 calendar days prior to the date of publication of the annual and interim consolidated financial statements, as well as the day of these publications and the following day, and (ii) 15 calendar days prior to the date of publication of quarterly revenue figures, as well as the day of these publications and the following day.

The exact dates of the "negative windows" shall be disclosed each year to the directors by the Board Secretary. If specific "negative windows" are set up in connection with financial or strategic transactions, the directors shall be informed immediately thereof by the Board Secretary.

Directors may not hedge the risks of losses on the Company shares or stock options they own.

Each director shall be responsible for reporting to the French securities regulator (*Autorité des Marchés Financiers*) and to the Company (to the attention of the Board Secretary) any trading involving the Company's shares or any other securities issued by the Company and carried out by him/her or individuals that are closely related to him/her, pursuant to applicable statutes and regulations.

Directors may consult the Board Secretary at any time regarding the scope of the "negative windows" system and on the conditions of its application to any specific case.

Duty of discretion and confidentiality

Pursuant to Article 15 of the Company's Bylaws, directors shall be bound by a duty of discretion and confidentiality in the interest of the Company. To that end, they undertake that they shall be responsible for maintaining the professional secrecy of all the confidential information to which they have access, the resolutions and the operation of the Board of Directors and of any Committees to which they may belong, as well as the content of the opinions issued or votes cast during Board or Committee meetings.

When requested by the Chairman and Chief Executive Officer, each director agrees to return or destroy immediately any document in his/her possession containing confidential information.

In addition, directors shall be required to consult with the Chairman and Chief Executive Officer prior to any personal disclosure that they may make in the media on matters involving or likely to affect the Group, the Company and/or its governing bodies. This provision shall not apply to directors who concurrently hold the position of Chief Executive Officer or Deputy Executive Officer and who may have to make disclosures in that capacity in the name of the Company.

Shares owned privately

Pursuant to the Company's Bylaws, directors other than those representing employees must own 1,000 shares in the Company. Such shares and any shares acquired in excess of that number must be registered shares.

The permanent representatives of legal entities that are directors shall be subject to the same obligation.

The number of Company shares owned by each director (and each permanent representative of any legal entity that is a director), excluding that of Company shares owned by directors representing employees, shall be publicly disclosed by the Company.

To the best of the Company's knowledge, in the last five years no director or officer has (i) been convicted of any fraudulent offense; (ii) been a member of the administrative, management or supervisory body of a company that has been declared bankrupt, or placed in liquidation or receivership; (iii) been the subject of any official public incrimination and/or sanctions by statutory or regulatory authorities; or (iv) been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer.

3.12 STATUTORY AUDITORS' SPECIAL REPORT ON REGULATED AGREEMENTS AND COMMITMENTS

Shareholders' Meeting held to approve the financial statements for the year ended December 31, 2017

This is a free translation into English of the Statutory Auditors' special report on regulated agreements and commitments that is issued in the French language and is provided solely for the convenience of English speaking readers. This report on regulated agreements and commitments should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France. It should be understood that the agreements reported on are only those provided by the French Commercial Code (Code de Commerce) and that the report does not apply to those related party transactions described in IAS 24 or other equivalent accounting standards.

To the Shareholders,

In our capacity as statutory auditors of your company, we hereby report on certain regulated agreements and commitments.

The terms of our engagement require us to communicate to you, based on information provided to us, the principal terms and conditions of those agreements and commitments brought to our attention or which we may have discovered during the course of our audit, without expressing an opinion on their usefulness and appropriateness or identifying such other agreements and commitments, if any. It is your responsibility, pursuant to Article R. 225-31 of the French Commercial Code (*Code de Commerce*), to assess the interest involved in respect of the conclusion of these agreements and commitments for the purpose of approving them.

Our role is also to provide you with the information stipulated in Article R. 225-31 of the French Commercial Code relating to the implementation during the past year of agreements and commitments previously approved by the Shareholders' Meeting, if any.

We conducted the procedures we deemed necessary in accordance with the professional guidelines of the French National Institute of Statutory Auditors (*Compagnie Nationale des Commissaires aux Comptes*) relating to this engagement. These procedures consisted in agreeing the information provided to us with the relevant source documents.

AGREEMENTS AND COMMITMENTS SUBMITTED TO THE APPROVAL OF THE SHAREHOLDERS' MEETING

Agreements and commitments authorized during the year

Pursuant to Article L. 225-40 of the French Commercial Code, the following agreements and commitments, which were previously authorized by the Board of Directors, have been brought to our attention.

With Mr. Sébastien Bazin, Chairman and Chief Executive Officer

The term of office of the Chairman and Chief Executive Officer, Mr. Sébastien Bazin, was renewed on February 21, 2017 by the Board of Directors for a period of 3 years, subject to the renewal of his term as Director by the General Meeting of May 5, 2017.

In this context, the Board of Directors authorized the renewal, in the same way as the commitments made on his behalf in terms of (a) the termination benefit for his corporate term of office, (b) Group executive supplementary pension plans and (c) unemployment insurance, with the exception of the change in the commitment relating to the defined benefit supplementary pension plan (Article 39) to which he is entitled, in order to subject the vesting of rights to the achievement of two performance conditions, in accordance with the new provisions of law 2015-990 of August 6, 2015.

Reasons justifying the interest of the commitments for the Company: The Board of Directors considered that the renewal of three commitments made by the Company in favor of Mr. Sébastien Bazin are part of the renewal of his corporate term of office under conditions almost identical to those granted upon his appointment, conditions in accordance with the practices of major French companies.

a. Nature and purpose

Compensation for loss of office payable to Mr. Sébastien Bazin as Chairman and Chief Executive Officer or non-renewal of his Director's term of office

Terms and conditions:

The Board of Directors decided, with respect to termination benefits in the event of dismissal of Mr. Sébastien Bazin as Chairman and Chief Executive Officer or non-renewal of his Director's term of office, to pay him termination benefits corresponding to twice the total amount of his fixed and variable compensation received with respect to the last fiscal year ended prior to the date on which his term of office ended, except in the event of dismissal for serious misconduct or gross negligence. It is specified that benefits will not be paid in the event of resignation, non-renewal of his term of office at his initiative, if he changes duties within the Group or if he is eligible for a full pension in the near future.

Payment of the termination benefit would be subject to the following performance criteria:

- return on capital employed for the previous three years must have exceeded the Group's cost of capital as published in the Registration Document;
- positive operating free cash flow in at least two of the previous three years;
- like-for-like EBITDAR margin must have exceeded 27.5% in at least two of the previous three years.

Performance will be evaluated as follows:

- if the three criteria are met, the benefits will be paid at full rate;
- if at least two criteria are met, half the benefits will be paid;
- if none or only one criterion is met, no benefits will be paid.

b. Nature and purpose

Mr. Sebastien Bazin's inclusion in the supplementary pension plan whose members comprise Accor Group senior executives

Terms and conditions:

The Board of Directors authorized Mr. Sebastien Bazin's inclusion in the supplementary pension plan, including a defined contribution pension plan (known as "Article 83") and a defined benefit pension plan (known as "Article 39"), and whose members comprise several dozen Accor Group senior executives.

Mr. Sébastien Bazin, a Corporate officer with more than one year of past service and a gross annual compensation greater than four annual social security caps, meets eligibility conditions for the defined contribution plan ("Article 83"). At retirement, he will receive a life annuity, with the possibility of reversion, whose amount depends on the contributions paid by the Company each year into the plan. The annual contribution paid by the Company corresponds to 5% of his gross annual compensation paid in the previous year, within the limit of five annual social security caps. In accordance with the French Social Security Code, participants retain their rights to this plan in the event of departure from the Company prior to their retirement. Under this plan, the contribution paid for Mr. Sébastien Bazin totaled €9,807 in fiscal 2017.

Mr. Sébastien Bazin, a Corporate officer with an annual reference compensation greater than five annual social security caps and having satisfied these conditions over more than six months in the previous year, meets eligibility conditions for the defined benefit plan ("Article 39"). He will receive a life annuity, with the possibility of reversion, provided that he terminates his career within the Group and has contributed a minimum of five years to the plan (or has at least 15 years of past service within the Group). Otherwise, he will not be entitled to the annuity. The annuity paid under this plan is reduced by the life annuity amount payable under the defined contribution plan described above.

Mr. Sébastien Bazin gradually vests potential rights, calculated for each year of contribution to the plan according to his annual reference compensation. These potential rights represent, for each year of contribution, between 1% and 3% of his annual reference compensation according to the salary ranges.

Pursuant to law 2015-990 of August 6, 2015, the Board of Directors decided to subject Mr. Sébastien Bazin's contribution to the defined benefit plan (Article 39) to performance conditions, whose achievement should be noted annually by the Board.

The vesting of rights under the defined benefit plan is subject to achieving the following two conditions:

- EBIT compared to the budget (50%); and
- Free Cash Flow excluding disposals and external growth operations, including the change in WCR, compared to the budget (50%).

The pension annuities payable to Mr. Sebastien Bazin on retirement would not exceed 30% of his end-of-career salary (fixed plus variable) and the overall replacement rate to which he would be entitled (under government-sponsored plans and the Accor supplementary pension plan) is capped at 35% of the average of his best three years' compensation in the ten years prior to retirement.

c. Nature and purpose

Subscription to a private unemployment insurance

Terms and conditions:

The Board of Directors authorized subscription to a private insurance plan with Association pour la Garantie Sociale des Chefs et Dirigeants d'Entreprise (GSC) to provide Mr. Sébastien Bazin with unemployment benefits should he lose his employment. The benefits under this plan would be paid as from the 31st unbroken day of unemployment. The maximum length of time that Sebastien Bazin could be paid benefits under the plan has been increased from 12 to 24 months, as he has been a member of the plan for more than one year.

The premiums paid by the Company to GSC in 2017 for the unemployment insurance of Mr. Sébastien Bazin amounted to €31,245.10.

AGREEMENTS AND COMMITMENTS PREVIOUSLY APPROVED BY THE SHAREHOLDERS' MEETING

A. Previously authorized agreements and commitments which have remained in force during the year

Pursuant to Article R. 225-30 of the French Commercial Code, we have been informed that the following agreements and commitments, previously approved by Shareholders' Meetings of prior years, have remained in force during the year.

1. With Sven Boinet, Deputy Chief Executive Officer

a. Nature and purpose

Employment contract with Mr. Sven Boinet

Terms and conditions:

The Board of Directors authorized the Company to enter into an employment contract with Mr. Sven Boinet covering his position as Group Director responsible for internal audit, legal affairs and safety/security. Pursuant to this contract, Mr. Sven Boinet receives a gross annual salary of €400,000, paid in twelve equal monthly installments.

Under his employment contract, Mr. Sven Boinet is eligible for membership in the supplementary plans set up within the Company whose members comprise several dozen Accor Group senior executives, it being specified that, as indicated below, Mr. Sven Boinet benefits from this plan with respect to his position as Deputy Chief Executive Officer.

b. Nature and purpose

Inclusion of Mr. Sven Boinet in the supplementary pension plan for Accor Group senior executives

Terms and conditions:

The Board of Directors authorized Mr. Sebastien Bazin's inclusion in the supplementary pension plan whose members comprise several dozen Accor Group senior executives and which includes a defined contribution pension plan (known as "Article 83") and a defined benefit pension plan (known as "Article 39"), whose characteristics and terms and conditions are specified in the first part of this report regarding Mr. Sébastien Bazin, Chairman and Chief Executive Officer.

In 2017, your Company paid €9,807 to the pension organization corresponding to the annual individual contribution to the defined contribution plan ("Article 83").

2. With Eurazeo (NOVA project)

Nature and purpose

Conclusion of a Framework Agreement with Eurazeo relating to the NOVA project

Corporate officer concerned

Mr. Patrick Sayer, CEO of Eurazeo at the date of the Framework Agreement's conclusion

Terms and conditions:

The Board of Directors meeting of April 22, 2016 authorized (i) the Company to enter into a Framework Agreement with Eurazeo providing for the subscription by Accor, directly or indirectly, to 30% of the share capital of Grape Hospitality Holding, and (ii) the conclusion of franchise agreements for the continued operation of the hotels and businesses sold under the AccorHotels brand name.

This Agreement was signed and performed on June 22, 2016.

In 2017, franchise fees and other services relating to the franchise agreement invoiced to Grape Hospitality by your Company totaled €16,836,247 excluding tax.

3. With Institut Paul Bocuse

Nature and purpose

Agreement providing for a cash advance in the form of a loan

Executive officer concerned and other related party

Sven Boinet, Deputy Chief Executive Officer of Accor and director of Institut Paul Bocuse, and Gerard Pelisson, Founding Co-Chairman of Accor and Chairman of Institut Paul Bocuse.

Terms and conditions:

The Board of Directors authorized your Company to grant, in its capacity as a member of the Institut Paul Bocuse, a €200,000 cash advance to the organization for a five-year period that bears interest at 2% per year.

This cash advance, whose purpose is to help Institut Paul Bocuse invest in new equipment, will allow AccorHotels to play a part in developing the operations of one of its long-standing partners, notably outside France.

In 2014, our company paid the amount of the loan granted, totaling €200,000, and has been receiving the related annual interest since then.

In respect of 2017, Institut Paul Bocuse paid €4,066.67 in annual interest relating to this loan.

4. With ColSpa SAS

Nature and purpose

Hotel management contract between ColSpa SAS and Accor

Corporate officer concerned:

Nadra Moussalem, Europe Executive Officer of Colony Capital Europe and director of Accor (until February 21, 2017)

Terms and conditions:

As part of Colony Capital SAS's project to redevelop the site of the former Molitor swimming pool in Paris through its ColSpa SAS subsidiary, the latter awarded your Company a contract to manage, under the MGallery banner, a 124-room hotel and various related facilities to be built on the site.

This 10-year management contract will be automatically renewable for five years, and its financial terms and conditions are comparable to those usually negotiated by the Group for similar contracts.

The transaction is line with the Group's development strategy and will enable it to manage a hotel at a prestigious location in western Paris under its fast-growing MGallery brand.

For 2017, the amount invoiced to ColSpa SAS by your Company under this contract totaled €1,257,664.24, excluding taxes.

B. Previously authorized agreements and commitments but not implemented during the year

We were also informed of the following agreements and commitments that were approved by shareholders but were not implemented during 2017.

With Sven Boinet, Deputy Chief Executive Officer

Nature and purpose

Termination benefits for Mr. Sven Boinet

Terms and conditions:

In the event of dismissal, except for serious misconduct or gross negligence, of Mr. Sven Boinet, the Board of Directors has decided to pay him termination benefits of €600,000 increased by the amount of his variable compensation received with respect to the last fiscal year ended prior to the date on which his term of office ended and less, if applicable, the amount of severance benefits owed with respect to the termination of his employment contract. It is specified that benefits will not be paid in the event of resignation, non-renewal of his term of office at his initiative, if he changes duties within the Group or if he is eligible for a full pension in the near future.

Payment of the termination benefits would be subject to the following performance criteria:

- return on capital employed for the previous three years must have exceeded the Group's cost of capital as published in the Registration Document;
- positive operating free cash flow in at least two of the previous three years;
- like-for-like EBITDAR margin must have exceeded 27.5% in at least two of the previous three years.

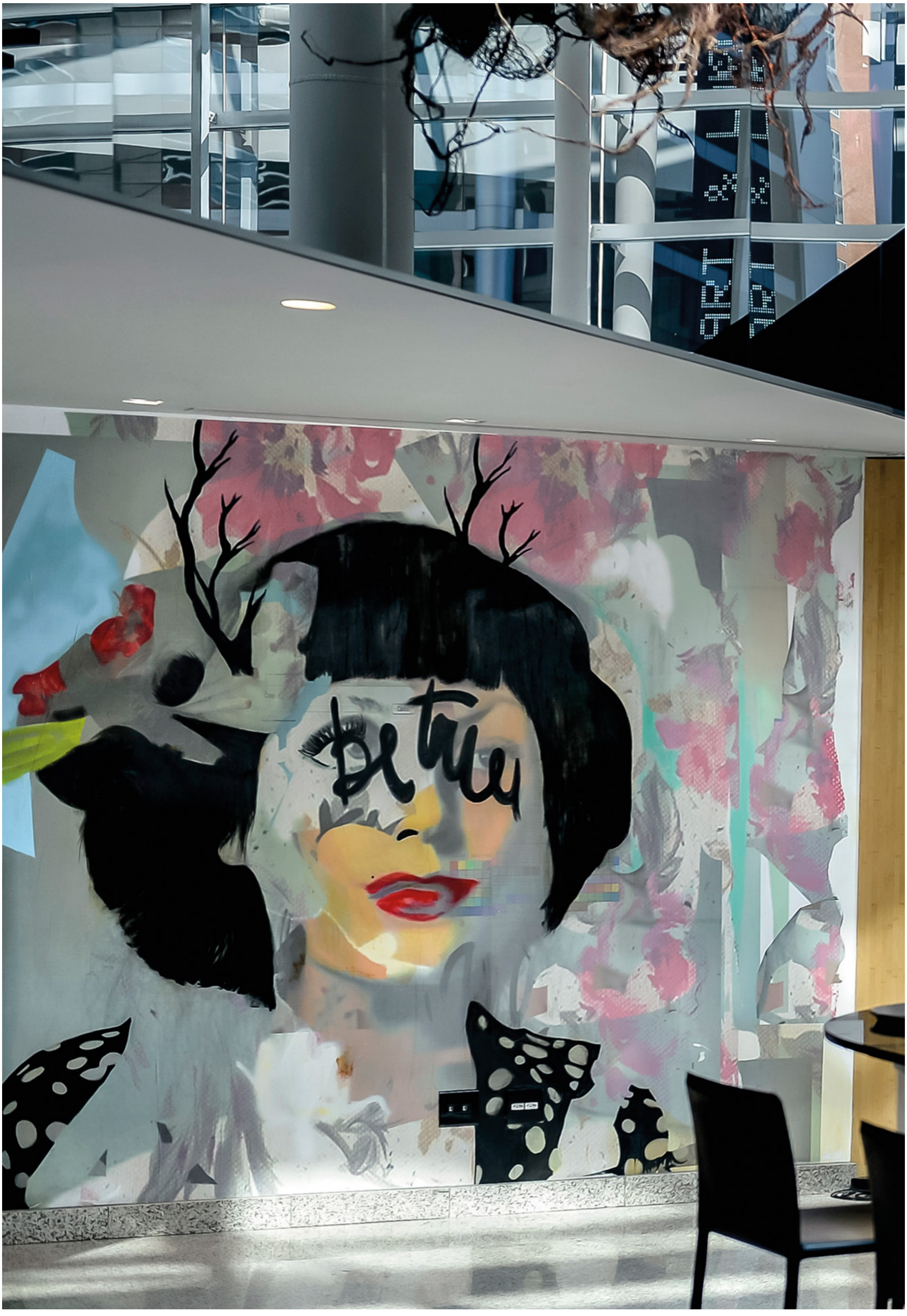
Performance will be evaluated as follows:

- if the three criteria are met, the benefits will be paid at full rate;
- if at least two criteria are met, half the benefits will be paid;
- if none or only one criterion is met, no benefits will be paid.

Paris-La Défense and Neuilly-sur-Seine, March 16, 2018

The Statutory Auditors

ERNST & YOUNG et Autres	DELOITTE & ASSOCIÉS	
Jacques Pierres	David Dupont-Noel	Guillaume Crunelle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2017 BUSINESS REVIEW AND SUBSEQUENT EVENTS

4.1 REVIEW OF 2017

AccorHotels celebrates its 50th anniversary with another highly successful year in 2017.

Expansion continued apace with the addition of 301 hotels (51,413 rooms) following the acquisition of BHG in Brazil and the signature of strategic partnerships with Banyan Tree, Rixos Hotels and Orient Express. The Group rounded out its business model in travel and tourism, diversifying its hospitality solutions to the co-working market with the acquisition of 50% of Nextdoor, and strengthening its position in private villa and apartment rentals with the acquisitions of Travel Keys and Squarebreak, now housed under the onefinestay brand. AccorHotels has enlarged its distributions channels to encompass hotel bookings for business travelers, with the acquisition of Gekko in early January 2018, and the private sale of luxury hotel rooms and breaks with the acquisition of VeryChic. In France, the Group launched AccorLocal, an app to help residents find local services, and entered into alliances with Noctis and Potel & Chabot to broaden its entertainment and gastronomy services, rounding out the customized services offered by John Paul since 2016.

Lastly, the Group fully refocused on its core Hotels business by spinning off its real estate business into a subsidiary called AccorInvest and reaching an agreement to divest an initial 55% stake in AccorInvest to French and international investors on February 27, 2018.

The Group's growth now reflects its brand appeal, high-quality service offerings and powerful development particularly in fast-growing areas, as well as its ecosystem of related businesses providing new growth drivers.

Against this backdrop, AccorHotels delivered strong earnings growth in 2017, driven by robust business activity in most of its key markets coupled with strong development momentum. In 2017, the Group significantly increased its operating margins and results on the back of tight cost control, synergies resulting from the acquisition of FRHI and careful management of digital expenses. EBIT totaled €492 million in 2017, an increase of 23.9% as reported and 10.1% like-for-like. Net financial expense came to €54 million, an improvement of €63 million driven by a fall in costs related to hedging instruments. Net profit attributable to shareholders was €441 million compared with €265 million in 2016, a year-on-year increase of 66.4%.

FINANCIAL REVIEW

Following the decision in July 2016 to spin off the Group's real estate operations into a subsidiary called AccorInvest, with the intention of selling it to long-term investors, AccorInvest has been classified as non-current assets held for sale on a separate line of the Group's balance sheet, income statement and cash flow statement, in accordance with IFRS 5. As was the case last year, the financial data presented in the business review for 2016 and 2017 reflect this accounting treatment.

ANALYSIS OF CONSOLIDATED FINANCIAL RESULTS

2017 consolidated results

(in millions of euros)	**2016***	**2017**	**Change**	**Change LFL(1)**
Revenue	1,646	1,937	17.7%	7.9%
EBITDAR(2)	**618**	**730**	**18.1%**	**6.0%**
EBITDAR margin	*37.6%*	*37.7%*	*+0.1 pt*	*+0.2 pt*
EBITDA	**506**	**626**	**23.6%**	**8.1%**
EBITDA margin	*30.8%*	*32.3%*	*+1.5 pt*	*+1.0 pt*
EBIT	**397**	**492**	**23.9%**	**10.1%**
EBIT margin	*24.1%*	*25.4%*	*+1.3 pt*	*+0.4 pt*
Operating profit before tax and non-recurring items	286	467	-	-
Net profit before discontinued operations, Group share	**161**	**374**	**-**	**-**
Profit from discontinued operations, Group share	104	67	-	-
NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS	**265**	**441**	**-**	**-**

(1) LFL = like-for-like: at constant scope of consolidation and exchange rates.
(2) Earnings before interest, tax, depreciation, amortization and rental expense.
** Amounts restated in accordance with IFRS 5.*

Revenue

Consolidated 2017 revenue amounted to **€1,973 million, up 7.9% like-for-like** and **17.7% as reported** compared with 2016.

(in millions of euros)	2016*	2017	Change	Change LFL
HotelServices	1,524	1,746	14.6%	5.1%
New Businesses	44	100	N/A	6.9%
Hotel Assets	599	616	2.9%	7.0%
Holding & Intercos	(520)	(525)	N/A	N/A
TOTAL	**1,646**	**1,937**	**17.7%**	**7.9%**

* *Amounts restated in accordance with IFRS 5.*

HotelServices reported revenue of €1,746 million, up 5.1% like-for-like and up 14.6% as reported. **New Businesses** reported revenue of €100 million, more than double the 2016 level of €44 million, driven by acquisitions. **Hotel Assets** recorded revenue growth of 7.0% like-for-like and 2.9% as reported.

Reported revenue for the period reflected the following factors:

- **Changes in the scope of consolidation** (acquisitions and disposals) had a positive impact of €185.1 million (+11.2%), thanks to the contributions from Raffles, Fairmont, Swissôtel, Availpro, onefinestay, Travel Keys, Squarebreak, VeryChic and John Paul;
- **Currency effects** had a negative impact of €23.4 million, attributable chiefly to declines in the Egyptian pound (€22.8 million), Turkish lira (€6.4 million) and US dollar (€7.1 million), partially offset by positive impacts from the Brazilian real (€10 million) and the Polish zloty (€4.9 million).

The difference between the like-for-like and reported changes stems primarily from the consolidation of FRHI and from new businesses (+12.9%).

EBITDAR

Consolidated **EBITDAR** amounted to **€730 million** in 2017, up 6.0% like-for-like and 18.1% as reported. **EBITDAR margin** was **37.7%**.

EBITDA

Consolidated **EBITDA** amounted to **€626 million** in 2017, up 8.1% like-for-like and 23.6% as reported compared with 2016. The **EBITDA margin** was **32.3%**, an improvement of 150 basis points year-on-year.

EBIT

EBIT totaled **€492 million** in 2017, compared with €397 million in 2016, an **increase of 10.1% like-for-like** and **23.9% as reported**. The **EBIT margin** increased by 130 basis points to **25.4%**.

(in millions of euros)	2016*	2017
EBITDAR	**618**	**730**
Rental expense	(112)	(104)
EBITDA	**506**	**626**
Depreciation, amortization and provision expense	(109)	(134)
EBIT	**397**	**492**

* *Amounts restated in accordance with IFRS 5.*

Rental expense amounted to **€104 million**, compared with €112 million in 2016. **Depreciation, amortization and provision expense** totaled **€134 million** compared with €109 million in 2016. The decrease in these items is due to the spin-off of the hotels owned and leased by AccorHotels to AccorInvest, reflecting the Group's shift towards an asset-light model.

Operating income before non-recurring items

Driven by growth in EBIT, **operating income before non-recurring items** amounted to **€413 million** compared with €307 million in 2016.

(in millions of euros)	2016*	2017
EBIT	**397**	**492**
Share of net profit of associates	6	28
Restructuring costs	(105)	(44)
Asset impairment	(16)	(3)
Gains and losses on management of hotel properties	93	(5)
Other non-recurring income and expense	(68)	(55)
OPERATING INCOME BEFORE NON-RECURRING ITEMS	**307**	**413**

* *Amounts restated in accordance with IFRS 5.*

The **share of net profit of associates** was **€28 million** in 2017 compared with €6 million in 2016, a year-on-year increase of €22 million.

Net non-recurring expense fell by €11 million to **€107 million**, compared with expense of €96 million in 2016.

- **Gains and losses on the management of hotel properties** represented a **net loss of €5 million**, compared with a profit of €93 million in 2016, of which €66 million was due to the disposal of Group assets to Huazhu in China.
- **Restructuring costs**, mainly related to reorganizations in France, decreased to **€44 million** in 2017, compared with €105 million in 2016, which included €98 million in restructuring of the FRHI Group.
- **Asset impairment** amounted to **€3 million**, compared with €16 million in 2016.
- **Other net non-recurring expense** amounted to **€55 million**, compared with expense of €68 million in 2016, mainly comprising bank, legal and advisory fees of €56 million related to the spin-off and proposed divestment of AccorInvest, and a profit of €48 million in connection with the sale of Avendra shares.

Net profit attributable to shareholders

After deducting **non-controlling interests** in an amount of €40 million, **net profit attributable to shareholders** came to **€441 million,** compared with €265 million in 2016.

(in millions of euros)	2016*	2017
Operating income before non-recurring items	**307**	**413**
Net financial expense	(117)	(54)
Income tax expense	2	51
Profit from discontinued operations	106	71
Net profit	299	481
NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS	**265**	**441**
EARNINGS PER SHARE *(in euro)*	**0.88**	**1.40**
Net profit attributable to non-controlling interests	33	40

* *Amounts restated in accordance with IFRS 5.*

Net financial expense amounted to **€54 million** in 2017, compared with €117 million in 2016. The favorable change over the period is chiefly attributable to:

- a €31 million gain resulting from the fair value adjustment to the interest rate hedge on the potential financing of the Group's headquarters;
- a €13 million loss in 2016 related to the exchange rate hedge on the cash payment for the acquisition of the FRHI Group;
- a €6 million foreign exchange gain compared with a €15 million loss in 2016, related mainly to the Egyptian pound.

The Group generated an **income tax benefit** of **€51 million** due to the combined impact of a €73 million deferred tax asset related to the spin-off of AccorInvest in Germany and the Netherlands, a 14-percentage point decrease in the tax rate in the United States for €59 million, and legislative changes on dividends received and paid for €63 million. At December 31, 2017, the **effective tax rate** was **30.3%** of taxable income.

Net profit attributable to shareholders therefore increased from €176 million in 2016 to **€441 million**, while **net earnings per share** rose from €0.88 in 2016 to **€1.40**, based on the weighted average number of shares outstanding at December 31, 2017 (287,487,569).

Dividend and payout ratio

Operating profit before non-recurring items, net of tax amounted to **€538 million**, representing earnings per share of €1.87. On the basis of this result, AccorHotels will ask shareholders at the General Meeting of April 20, 2018 to approve the payment of a cash-only dividend of €1.05 per share.

(in millions of euros)	2016*	2017
Operating profit before non-recurring items, net of tax[1]	**469**	**538**
Weighted average shares outstanding	259	287
Operating profit before non-recurring items, net of tax per share *(in euros)*	1.81	1.87
Ordinary dividend per share *(in euros)*	**1.05**	**1.05**[2]
Ordinary dividend payout	**299**	**302**
Payout ratio[3]	*58%*	*56%*

(1) Corresponds to operating profit before tax and non-recurring items less current income tax and net profit attributable to non-controlling interests.
(2) Submitted for approval at the Combined Annual and Extraordinary Shareholders' Meeting of April 20, 2018.
(3) Based on operating profit before non-recurring items, net of tax.
** Amounts restated in accordance with IFRS 5.*

Cash flows

(in millions of euros)	2016*	2017
Funds from operations before non-recurring items	**391**	**559**
Recurring maintenance and development expenditure	(188)	(161)
Change in operating working capital	(4)	37
Recurring free cash flow	**199**	**435**
Acquisitions	(3,052)	(357)
Proceeds from disposals of assets	212	147
Dividends	(178)	(163)
Hybrid financial instruments (net of issuance expenses)[1]	(37)	(37)
Capital increase related to FRHI	1,726	-
Other movements	(245)	(220)
Change in AccorInvest net debt	(501)	(11)
CHANGE IN NET DEBT	**(1,876)**	**(206)**
Net debt	**1,682**	**1,888**

(1) Includes the €887 million hybrid instrument issue in 2014 and the coupon of €37 million paid in 2017.
** Amounts restated in accordance with IFRS 5.*

Funds from operations amounted to **€559 million**, compared with €391 million in 2016, due to good levels of business in most of the Group's markets and strong growth in EBITDA.

Recurring investments, which include HotelServices' digital and IT investments, as well as maintenance and Hotel Assets' development investments, mainly related to the Orbis scope, edged down to **€161 million**, compared with €188 million in 2016.

Working capital was a negative **€383 million** in 2017, compared with a negative €336 million at end-2016. The €47 million increase, including €37 million generated by the operating cycle, was mainly due to tight management of trade receivables and payables.

As a result, the Group's **recurring cash flow** rose sharply to **€435 million**, compared with €199 million in 2016. This good operating performance was further boosted by gains driven by legislative changes to dividends received and paid (€30 million).

Acquisitions made in 2017 totaled **€357 million**, including €108 million mainly for the acquisition of BHG and the partnerships with Banyan Tree and Rixos Hotels, €110 million for Hotel Assets, mainly the development of Orbis, and €70 million for the acquisitions of VeryChic, Availpro, Travel Keys and Squarebreak, consolidated in New Businesses.

Asset disposals amounted to **€47 million**, compared with €212 million in 2016. They mainly include the divestment of the Group's entire stake in the North American centralized purchasing system Avendra to Aramark for €103 million.

Dividends paid to shareholders were down to **€163 million** from €178 million in 2016.

Consequently, **net debt** amounted to **€1,888 million**, compared with €1,682 at end-2016, an increase of €206 million over the year.

At December 31, 2017, the **average cost of debt** was **2.04%**. In January 2017, AccorHotels issued a €600 million 7-year bond with a coupon of 1.25%. The Group also redeemed a €250 million 8-year bond with a coupon of 6.039%, and a second €367 million 5-year bond with a coupon of 2.875%. In addition, it has a €1.8 billion long-term credit facility maturing in June 2019 and a €350 million short-term credit facility maturing in June 2018.

Consolidated income by strategic business

Following its decision to sell a majority stake in AccorInvest and the accompanying spin-off operations, AccorHotels implemented a new internal organizational structure that led to a redefinition of its reporting system based on three strategic businesses: HotelServices, Hotel Assets and New Businesses.

The performance of the **HotelServices** segment continues to be tracked by geographic region. However, the regional breakdown has been adjusted to reflect the Group's new business organization:

- France & Switzerland;
- Europe;
- Middle East & Africa;
- North America, Central America & the Caribbean;
- South America;
- Asia-Pacific;
- "Worldwide Structures", which comprises support entities whose financial flows are not specific to a single geographic region.

Hotel Assets and **New Businesses** are separate operating segments.

(in millions of euros)	HotelServices[1]	New Businesses	Hotel Assets	Holding & Intercos	AccorHotels
Revenue	1,746	100	616	(525)	1,937
EBITDA	**656**	**(25)**	**96**	**(101)**	**626**
EBITDA margin	*37.6%*	*N/A*	*15.6%*	*N/A*	*32.3%*
EBIT	**576**	**(33)**	**50**	**(100)**	**492**
EBIT margin	*33.0%*	*N/A*	*8.1%*	*N/A*	*25.4%*
2016 EBIT	**467**	**(25)**	**36**	**(81)**	**397**
2016 EBIT margin	*30.7%*	*N/A*	*6.0%*	*N/A*	*24.1%*

(1) Gross data before eliminations, including holding company costs and internal flows between HotelServices and Hotel Assets.

AccorHotels' **EBITDA and EBIT margins** were up sharply to **32.3%** and **25.4%** respectively.

- **HotelServices** delivered an excellent performance, driven by strong growth in both EBITDA and EBIT margins. The **HotelServices EBIT margin** increased by 230 basis points from **30.7%** to **33.0%**, driven by good levels of business in most of the Group's markets and a decrease in digital expenses.
- The **EBITDA margin** for **New Businesses** stable, due to the increase in amortization linked to the acquisitions made by John Paul and onefinestay.
- **Hotel Assets' performance** was driven mainly by Orbis and Central Europe, tempered to some extent by hotels in Brazil.

Hotel Services

HotelServices is the Group's hotel operator and franchiser, focused on providing services and generating revenue in the form of fees. Its scope covers the 891 hotels divested to AccorInvest and the Group's Hotel Assets in Central Europe and Brazil.

- **Franchise agreements:** Franchised hotels are operated by their owners. AccorHotels provides various services to its franchisees, such as the use of its brands, first and foremost, and access to the Group's centralized booking system. The other services offered to hotel owners include access to the centralized purchasing system and to Académie AccorHotels for employee training. Accor is remunerated for these services *via* fees, including trademark fees and sales and marketing fees, as well as through the billing of additional services, where applicable.
- **Management contracts:** Hotels under management contracts are similar to franchised hotels in that Accor only records the fees paid by the owner and not the hotel's revenue. However, these hotels are managed by AccorHotels. The fees received include a franchise fee, a management fee corresponding to a percentage of EBITDAR and, in some cases, an incentive fee based on performance criteria.

HotelServices also centralizes sales and marketing, distribution and IT services, as well as other activities including the timeshare business in Australia, Strata, a company that operates the common areas of hotels in Oceania, and the Group's loyalty program.

(in millions of euros)	2016*	2017
Business volume *(in billions of euros)*	15.2	17.9
Revenue	1,524	1,746
EBITDA	524	656
EBITDA margin	*34.4%*	*37.6%*
EBIT	**467**	**576**
EBIT margin	*30.7%*	*33.0%*

* *Amounts restated in accordance with IFRS 5.*

Revenue

HotelServices reported **business volumes** of **€17.9 billion, up 19%** (at constant exchange rates), and **revenue** of **€1,746 million, up 14.6% as reported** and **5.1% like-for-like.**

	HotelServices(1)		
	Revenue *(€m)*		Change
(in millions of euros)	2016	2017	% LFL(2)
France & Switzerland	374	389	2.5%
Europe	400	430	7.2%
Asia-Pacific	416	462	7.7%
Middle East & Africa	105	114	2.7%
North America, Central America & the Caribbean	126	159	5.2%
South America	69	71	(3.3%)
Worldwide Structures	34	122	2.9%
TOTAL(1)	**1,524**	**1,746**	**5.1%**

(1) Gross data before eliminations, including holding company costs and internal flows between Hotel Assets and HotelServices in an amount of €521 million.
(2) LFL = like-for-like: at constant scope of consolidation and exchange rates

This robust growth reflects sustained business in Asia-Pacific (+7.7%), Europe (+7.2%) and France & Switzerland (+2.5%), as well as North America, Central America and Caribbean (+5.2%) and the Middle East & Africa (+2.7%). The only region to post a decline was South America (-3.3%), although it was less pronounced than expected thanks to a very strong recovery in Q4 2017 (+13.4%).

HotelServices also benefited from the fact that the Luxury/Upscale segment represents a higher proportion of its portfolio since 2014, with 41% of its fees derived from this segment in 2017, compared with only 22% in 2014.

2017 RevPAR excl. tax by operating structure and segment

	Owned, leased, managed and franchised hotels					
	Occupancy rate		ARR		RevPAR	
	%	Chg pts LFL	€	Chg % LFL	€	Chg % LFL
Luxury and Upscale	68.4	+3.9	202	-1.0	138	+4.9
Midscale	66.9	+4.4	105	-2.3	70	+4.5
Economy	68.2	+2.7	61	-0.4	42	+3.7
France & Switzerland	**67.8**	**+3.3**	**82**	**-0.9**	**56**	**+4.2**
Luxury and Upscale	71.2	+4.0	153	+4.7	109	+10.9
Midscale	72.6	+1.8	84	+3.0	61	+5.5
Economy	75.2	+1.6	62	+3.7	46	+5.9
Europe	**73.6**	**+1.9**	**80**	**+3.8**	**59**	**+6.5**
Luxury and Upscale	60.8	+2.3	172	-3.1	105	+0.6
Midscale	63.5	+4.4	76	-4.2	48	+3.0
Economy	62.4	+2.5	60	-4.1	37	-0.3
Middle East & Africa	**61.6**	**+2.9**	**118**	**-3.9**	**72**	**+0.8**
Luxury and Upscale	68.1	+3.4	110	+0.8	75	+6.1
Midscale	71.4	+3.3	80	+1.1	57	+5.7
Economy	70.2	+2.5	46	+0.7	33	+4.4
Asia-Pacific	**70.0**	**+3.1**	**82**	**+1.2**	**57**	**+5.8**
Luxury and Upscale	74.8	+1.6	241	+3.0	180	+5.4
Midscale	79.0	-0.9	129	+6.8	102	+5.5
Economy	68.6	-2.1	39	+12.2	27	+9.0
North America, Central America & the Caribbean	**74.6**	**+0.8**	**212**	**+4.4**	**158**	**+5.7**
Luxury and Upscale	53.0	-0.2	140	-5.0	74	-5.4
Midscale	55.8	+2.8	71	-7.0	40	-2.2
Economy	54.0	-0.8	47	-2.1	26	-3.6
South America	**54.4**	**+0.3**	**62**	**-3.8**	**34**	**-3.4**
Luxury and Upscale	68.0	+3.0	155	+0.7	106	+5.4
Midscale	69.4	+3.0	87	+0.4	60	+4.8
Economy	68.7	+1.9	57	+1.0	39	+3.9
TOTAL	**68.8**	**+2.5**	**89**	**+0.9**	**61**	**+4.7**

The **Group's RevPAR** was up 4.7% overall.

In **France & Switzerland**, revenue was up 2.5% on a like-for-like basis, driven by a 4.2% increase in RevPAR. The difference between these growth rates stems from the closure in the third quarter of 2017 of 62 F1 hotels and closure for work of the Pullman Paris Montparnasse hotel during the summer. RevPAR was buoyed by a 6-point improvement in the occupancy rate resulting from the return of foreign tourists to Paris, especially for leisure stays (+20%). RevPAR was up 6.1% in Paris.

Europe posted like-for-like revenue growth of 7.2% on RevPAR growth of 6.5%.

- As dynamic as ever, the **United Kingdom** delivered further solid growth in RevPAR (+4.6%), with performance driven by cities other than London (+6%) and activity in the capital continuing to grow (+3%).
- RevPAR grew by 1.8% in **Germany**, thanks to double-digit growth in March and May which offset the effects of an unfavorable trade show calendar in April and June.

	Occupancy Rate		ARR		RevPAR	
	%	Δ (LFL, pts)	€	Δ (LFL, %)	€	Δ (LFL, %)
Luxury and Upscale	81.5	+3.9	186.5	-0.7	152.0	+4.2
Midscale	77.1	+1.5	93.6	+3.3	72.2	+5.4
Economy	81.9	-0.1	71.1	+4.1	58.2	+4.0
UNITED KINGDOM	**79.6**	**+1.0**	**91.2**	**+3.3**	**72.6**	**+4.6**
Luxury and Upscale	70.0	+0.1	152.3	+4.0	106.7	+4.1
Midscale	70.2	-0.1	91.2	+0.6	64.0	+0.5
Economy	73.7	+0.2	65.4	+2.4	48.2	+2.7
GERMANY	**71.9**	**+0.1**	**83.5**	**+1.7**	**60.0**	**+1.8**

- Reflecting the very favorable trends observed in **Central Europe**, RevPAR grew by a strong 4.9% in Poland, with double-digit growth in the largest towns and cities.
- Lastly, the **Iberian Peninsula** enjoyed strong business. RevPAR was up 12.3%, with the impact of events in Barcelona in the fourth quarter (-13%) substantially offset by a sharp rise in activity in Portugal (+18%).

The **Asia-Pacific** region also performed very well, turning in revenue growth of 7.7%, thanks to excellent trends in the Economy (+14%) and Luxury/Upscale (+12%) segments.

With a 0.8% increase in RevPAR, the **Middle East & Africa** region posted solid revenue growth of 2.7%, driven by the Middle East (+7.1%) and sustained business in Egypt, Morocco and Tunisia.

North America, Central America & the Caribbean posted revenue up 5.2%. The region's RevPAR (+5.7%) reflected very strong activity in the Leisure and Business segments in Canada (+13.6%).

Lastly, the situation was varied in **South America**, with RevPAR down 3.4% for the region. Regional revenue was down 3.3%, with Brazil facing a challenging situation, particularly in Rio, which continued to be affected by a depressed socioeconomic environment and was impacted by the overcapacity generated by the Olympic Games. However, RevPAR trends observed in the fourth quarter are very encouraging for the future, all segments combined (+13.9%).

The change in **Worldwide Structures** was due to the inclusion of €83 million of FRHI revenue which was allocated to the North America, Central America & the Caribbean region in 2016. These items will be re-allocated to the relevant regions beginning in 2018.

EBITDA

HotelServices' EBITDA was **up** to a robust **€656 million**, compared with €524 million in 2016, which is a like-for-like **increase of 9.7%**. The **EBITDA margin** was **37.6%**, compared with 34.4% in 2016, thanks to the combined impacts of RevPAR growth, expansion and completion of the digital plan.

EBIT

Up **23.4%** as reported and **8.6%** like-for-like, **HotelServices' 2017 EBIT** was **€576 million**, compared with €467 million in 2016. FRHI contributed 20% or €117 million of HotelServices' EBIT, including €55 million in synergies.

Gaining 2.3 points, **HotelServices' EBIT margin** firmed to **33.0%**, compared with 30.7% in 2016. The increase can be largely attributed to improved business, the synergies related to the acquisition of FRHI and the phasing of digital expenses to €42 million in 2017, compared with €54 million in 2016.

	HotelServices[(1)]		
(in millions of euros)	**2016**	**2017**	**% LFL**
France & Switzerland	122	126	4.1%
Europe	130	146	6.1%
Asia-Pacific	99	130	18.1%
Middle East & Africa	33	30	(28.0%)
North America, Central America & the Caribbean	10	86	22.3%
South America	16	12	(28.1%)
Operations	**408**	**530**	**4.8%**
Worldwide Structures	59	46	35.7%
TOTAL	**467**	**576**	**8.6%**

(1) Gross data before eliminations, including holding company costs and internal flows between Hotel Assets and HotelServices.

In line with the good business levels recorded in its various regions over the year**, HotelServices** posted very strong growth in EBIT in **Asia-Pacific (+18.1%)**, driven by a provision reversal in China, and in **North America, Central America & the Caribbean (+22.3%)**, thanks to synergies from the integration of FRHI and the closure of the Fairmont Acapulco in Mexico, and healthy increases in **Europe (+6.1%)** and **France & Switzerland (+4.1%)**.

By contrast, the **Middle East & Africa region (-28.0%)** underperformed amidst political tensions in the Gulf region, as did **South America (-28.1%)** due to a persistently challenging situation in Brazil.

HotelServices P&L Performance

Half of **HotelServices' revenue** is derived from management and franchise fees, while 37% comes from the Sales, Marketing & Distribution Fund.

(in millions of euros)	Managed & Franchised	Sales, Marketing & Digital	Other activities	2017
Revenue	910	642	195	1,746
EBITDA	**557**	**31**	**68**	**656**
EBITDA margin	*61.2%*	*4.9%*	*35.1%*	*37.6%*
EBIT	**516**	**7**	**54**	**576**
EBIT margin	*56.7%*	*1.1%*	*27.5%*	*33.0%*
2016 EBIT	**442**	**(26)**	**51**	**467**
2016 EBIT margin	*56.5%*	*N/A*	*26.3%*	*30.7%*

The **EBITDA margin** of the **management and franchise business** was up 0.7 point to **61.2%**, thanks to the combined effects of RevPAR and expansion, illustrating the resilience of the HotelServices model and the increase in economies of scale.

The **Sales, Marketing & Digital** division was balanced at the end of 2017, thanks to the completion of the digital plan. The Sales, Marketing & Digital Fund is dedicated to the implementation of marketing and digital initiatives carried out by the Group exclusively for the franchised and managed hotels that contribute to it. The fund is required to spend all the funds it receives each year, and must therefore be balanced.

Other Activities encompasses purchases, shared services, Strata (a company that operates the common areas of hotels in Oceania), and the timeshare business in Australia. Its EBITDA margin also improved.

Organic development reached new record levels in 2017. AccorHotels opened 264 new hotels, with more than 40,802 rooms; it enjoys very encouraging prospects, with a pipeline of 874 hotels and 161,000 rooms at December 31, 2017.

New Businesses

New Businesses comprises the new businesses developed by the Group, mainly through acquisitions, previously housed in HotelServices and now presented separately:

- digital services for independent hotels: the purpose of this business, currently carried out by Fastbooking, is to provide independent hotels with digital solutions designed to foster the development of their direct sales. The acquisition of Availpro rounds out the suite of products and services offered to hotel operators and has created the European leader in digital services for independent hotels;
- luxury home rentals (onefinestay): the acquisitions of Travel Keys and Squarebreak have rounded out onefinestay's portfolio, which now spans a network of nearly 10,000 luxury destinations worldwide;
- digital sales, created through the acquisition of VeryChic, which operates a website and mobile applications offering exclusive private sales of luxury and upscale hotel rooms and breaks;
- concierge services through the aquisition of John Paul, which has also taken over Customer Care, and the rollout of AccorLocal in France, after successful year-long tests in pilot hotels.

Detailed results

(in millions of euros)	2016	2017	Change as reported	Change LFL
Revenue	44	100	N/A	6.9%
EBITDA	(23)	(25)	7.9%	12.7%
EBIT	(25)	(33)	35.4%	13.2%

New Businesses recorded **like-for-like revenue growth** of **6.9%** to **€100 million** in the 12 months to December 2017, compared with €44 million in 2016.

On the whole, **New Businesses revenue**, including businesses acquired in 2017, **grew by 10%** compared with 2016. **EBITDA** was stable at a **negative €25 million**, compared with a negative €23 milllion in 2016, due to investments made by John Paul and onefinestay. **Operating profit** was **down** €8 million **to -€33 million**, affected by an increase in amortization linked to the acquisitions made in 2017. The Group expects to halve the loss in 2018 and to break even in 2019.

Hotel Assets

The **Hotel Assets** division corresponds to the owner-operator business, regardless of the ownership structure (owned and leased hotels). The division combines hotels operated by Orbis in Eastern Europe with a number of other hotels, primarily in Brazil, operated under variable rent leases based on a percentage of EBITDAR. These are the hotel assets retained by the Group and not transferred to AccorInvest.

Its business model aims to improve the return on assets and optimize the balance sheet. It combines asset portfolio management and hotel design, construction, renovation and maintenance activities.

Detailed results

(in millions of euros)	2016	2017	Change as reported	Change LFL
Revenue	599	616	2.9%	7.0%
EBITDA	**78**	**96**	**22.7%**	**18.8%**
EBITDA margin	13.1%	15.6%	2.5%	2.8%
EBIT	**36**	**50**	**38.1%**	**40.7%**
EBIT Margin	6.0%	8.1%	2.0%	2.9%

Revenue derived from the Group's **Hotel Assets** grew by **7.0% like-for-like**. This good performance nevertheless masks a contrasting situation between, on the one hand, Central Europe, which remains very buoyant, and Egypt, where business has taken off thanks to the currency devaluation, and on the other hand, Brazil, where the situation is still challenging, although the strong growth seen in the fourth quarter is very encouraging (+13.9%).

EBIT rose from €78 million to **€96 million**, representing an **18.8% like-for-like increase**.

EBIT increased by 40.7% like-for-like to **€50 million** compared with €36 million in 2016. Orbis accounted for 57% of Hotel Assets' 2017 revenue.

4.2 REPORT ON THE PARENT COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

ACTIVITIES OF ACCOR SA

Accor SA owns the Pullman, MGallery, Novotel, Suite Novotel, Mercure, ibis, ibis Styles, ibis *budget*, HotelF1 and Jo&Joe brands, and receives royalties from their licensing. It also owns hotel businesses in France and holds most of the hotel management contracts and franchise agreements in the country.

Accor SA provides other Group companies with hotel management, purchasing, cash management, IT and advertising services, as well as various advisory services, and assigns staff to them as required. Billings for these services correspond either to a percentage of the hotel's revenue and/or profit, either as a flat fee or a fee per service. They are determined on an arm's length basis.

As the Group's holding company, Accor SA manages a substantial portfolio of equity interests, receives dividends from subsidiaries and leads the Group's expansion.

Review of 2017 results

Revenue from all of the Company's operations amounted to €915.1 million in 2017, compared with €894.8 million the year before. This increase of 2.3% or €20.3 million reflected the growth in royalties billed for €28.1 million and in service revenues for €22.1 million, offsetting the €29.9 million decrease in income from property rentals resulting from the management policy introduced for the property portfolio and the AccorInvest spin-off.

Revenue includes hotel royalties, rental and business-lease revenue and service fees.

Breakdown of Accor SA revenue

(in millions of euros)	2016	2017	% of total	Change
Royalties from subsidiaries[2]	386	414	45%	28
Services fees[1][2]	289	311	34%	22
Rental and business-lease revenue	61	31	3%	(30)
Royalties from non-Group companies	151	153	17%	3
Guarantee fees	8	5	1%	(2)
TOTAL	**895**	**915**	**100%**	**53**

(1) Services provided by Accor SA include corporate services, purchasing, technical support, accounting fees and back-office systems.
(2) Reclassification between royalties and service fees (for 2016 and 2017).

In 2017, **provision reversals, expense transfers and other income** amounted to €64.7 million compared to €65.6 million in 2016. The €0.9 million decrease primarily reflects the reduction in the value of capitalized expenses, mainly related to the digital plan, in the amount of €16.3 million, offset by reversals of provisions for post-employment benefits (€8.9 million), transfers of bond issue costs (€4.1 million) and reversals of provisions for claims and litigation (€1.2 million).

Operating expenses stood at €1,043.9 million in 2017 compared to €1,020.1 million the year before. The increase primarily corresponds to a €17 million rise in depreciation, amortization and provision expense, including €7 million for restructuring provisions, €3 million for doubtful debt provisions and €8 million for depreciation and amortization expense. Other expenses rose by €3 million, reflecting a €34 million increase in fees for special projects, including €28 million related to the Booster project, offset by a €31 million reduction in Digital Plan fees.

2017 **EBIT** represented a loss of €64.0 million, compared with a loss of €59.7 million in 2016, an increase of €4.3 million.

Net financial income totaled €1,935.9 million compared to €28.9 million in 2016, an increase of €1,907.3 million that was mainly due to higher dividends from subsidiaries.

In 2017, dividends income amounted to €2,303.5 million compared with €134.9 million the year before. The increase stemmed from the Booster restructuring operations, which led in particular to the payment of €994.5 million in dividends by Accor UK and to €367.7 million in dividends distributed by AccorInvest Belgium in connection with a capital contribution.

Total provision movements included in net financial expense, corresponding mainly to write-downs of investments in subsidiaries, represented a net expense of €277.2 million in 2017 against net income of €10.1 million in 2016. The most significant write-downs concerned Turambar (€94.8 million), CIWLT (€50.4 million) and SCI Blanche Neige (€44.4 million). The main reversals concerned AccorHotels Spain (€9.0 million), Risma (€8.5 million) and SIHM (€5.5 million).

Recurring income before tax of €1,871.9 million was recorded in 2017, compared with a loss of €30.7 million in 2016.

The Company reported **net non-recurring income** of €1,766.2 million in 2017, compared to net non-recurring expense of €2.1 million in 2016. The favorable swing was attributable to the €5,161.3 million proceeds from sales of investments in connection with the Booster project and the €340.2 million reversed from provisions for impairment in value, less the investments' €3,856.6 million carrying amount written off on disposal.

Income tax included group relief of €19.8 million and an income tax benefit of €40.1 million (including the 3% surtax on distributed dividends of €4.6 million), compared with group relief of €31.5 million and income tax expense of €8.0 million in 2016.

Accor SA ended the year with a **net profit** of €3,698.0 million, *versus* a net loss of €9.3 million in 2016.

Details of the other directorships and positions held by the Company's directors and officers, as well as their compensation, are provided in the Corporate Governance section of the Registration Document.

Supplier payment periods

Payment schedule for Accor SA's trade payables

(in millions of euros)	Customer invoices	<30 days	30-60 days	>60 days	Total
Trade payables	-	19.7	26.9	-	46.6
Trade payables – Customer invoices	214.9	-	-	-	214.9
TOTAL	**214.9**	**19.7**	**26.9**	**-**	**261.5**

Payment schedule for Accor SA's trade receivables

(in millions of euros)	Customer invoices	<30 days	30-60 days	>60 days	Total
Trade receivables	-	66.9	8.8	19.6	95.3
Trade receivables – Invoices to be issued	141.9	-	-	-	141.9
TOTAL	**141.9**	**66.9**	**8.8**	**19.6**	**237.2**

Hotel transactions in 2017

The internal restructuring operations launched in late 2016 were pursued during first-half 2017 to legally separate the HotelServices business from the HotelInvest business in 26 countries and contribute the HotelInvest business to Accor Hotels Luxembourg, a Luxembourg company renamed AccorInvest Group.

The contributed business comprises 940 hotels in 26 countries, corresponding to all the hotels operated by HotelInvest, with the exception of those operated in Eastern Europe and some hotels – mainly in Brazil – that are operated under variable lease contracts and are not considered to be compatible with the owner-operator strategy.

In France, Accor SA contributed its stand-alone HotelInvest business in continental Europe to AccorInvest SAS in a transaction qualifying for taxation under France's demerger regime, and the AccorInvest SAS shares were contributed to AccorInvest Group. The Company's staff representative bodies were informed and consulted in advance of the transaction. The Health and Safety Committee gave its opinion on March 22, 2017 and the central Works Council on April 12, 2017.

The Board of Directors authorized the HotelInvest spin-off and signature of the contribution and spin-off agreement between Accor SA and AccorInvest SAS on May 18, 2017.

The proposed asset contributions paving the way for the sale of AccorInvest were approved by the General Meeting of Accor bondholders on June 13, 2017. This meant that the bonds' terms were not affected by this sale.

At the Extraordinary Meeting held on June 30, 2017 Accor shareholders approved the contribution and spin-off agreement as previously approved by the Board of Directors, based on the reports on the value of the contributed assets and the consideration therefor prepared by the independent appraisers appointed by Order of the President of the Évry Commercial Court.

As of the date of this report, all of the spin-off transactions had been completed. AccorInvest Group owns all of the contributed HotelInvest assets in continental Europe through its AccorInvest SAS subsidiary, as well as the other HotelInvest assets included in the spin-off in Africa, Latin and South America, Australia, Japan, Singapore and the United Kingdom through various AccorInvest subsidiaries.

Transactions in Accor SA shares

In June 2017, Accor paid an ordinary dividend for 2016 of €1.05 per share for a total payout of €299.4 million split as follows: €151.7 million in cash and €147.7 million in shares.

In addition, equity was increased following the issuance of 5,354,483 shares. Reinvested dividends and share issues increased the share capital by €16.1 million.

On May 27, 2013, Accor appointed Rothschild & Cie Banque to act as market maker in its shares on the Euronext Paris stock exchange, under a liquidity contract complying with the Code of Conduct issued by the French Financial Markets Association (AMAFI) and recognized by the French securities regulator (AMF). To fund the contract, an amount of €29.7 million was allocated to the liquidity account. The related bank fees amount to a total of €260,000 per year.

As of December 31, 2017, Accor SA did not hold any shares in treasury.

All these transactions are described in further detail in the Registration Document.

The Company's ownership structure is described in the "Capital and Ownership Structure" section of this Registration Document.

Financing and investing transactions

The Group currently has:

- €335.1 million worth of 2.50% six-year bonds, representing the balance outstanding, following the redemptions in September 2016, on a €600 million issue carried out in March 2013;
- €900.0 million worth of 2.625% seven-year bonds, comprising a €750 million issue carried out in February 2014 and a €150 million tap issue carried out in September 2014;
- a CHF150.0 million (€139.7 million as at December 31, 2017) 1.750% eight-year bond issue placed on the Swiss market in June 2014;
- a €60.0 million, 1.679% seven-year private placement notes issue carried out in December 2014;
- a €500.0 million, 2.375% eight-year bond issue carried out in 2015;
- a €600.0 million, 1.25% seven-year bond issue carried out in January 2017;
- a €138.0 million 0.05% one-year bond issue carried out in December 2017.

In June 2015, Accor purchased interest-rate swaps from Société Générale and Natixis on a notional amount of €300.0 million to hedge the €900.0 million bond issue carried out in February 2014 and maturing in February 2021. The aim of this transaction was to swap 2.625% fixed-rate interest streams for floating rate streams at the six-month Euribor plus a spread.

Accor also has a €900.0 million 4.125% perpetual subordinated notes issue carried out in June 2014 with a first call date at the end of the sixth year.

After deducting issue premiums of €6.0 million, the net proceeds of €894.0 million were booked to "Other Equity" on the balance sheet in accordance with current accounting regulations.

The Company also has a €1.8 billion, five-year syndicated credit facility set up in June 2014.

Lastly, at December 31, 2017, the Company had €100.0 million in term deposits and €380.20 million in cash, plus €186.3 million invested in mutual funds.

Information about subsidiaries

Accor SA owns 50% or more of the capital of 94 companies. The list of investments in subsidiaries and affiliates is presented at the end of the notes to the Parent Company financial statements in this Registration Document.

4.3 MATERIAL CONTRACTS

In 2017, material contracts (other than contracts entered into in the ordinary course of business) corresponded to agreements signed in relation to disposals, acquisitions, organic growth and real estate transactions, as described in Notes 2, 3 and 8 to the consolidated financial statements, pages 275, 277 and 296.

4.4 SUBSEQUENT EVENTS

On October 11, 2017, AccorHotels announced the signing of an agreement with Mantra Group Limited to acquire 100% of the company's capital, representing a total cash payment of AU$1.3 billion. Mantra is one of Australia's leading hotel distributors and operators, with 127 establishments (hotels, hotel complexes and aparthotels) in Austalia, New Zealand, Indonesia and Hawaii under three major brands: Mantra, Peppers and BreakFree. The complementary fit between the two groups will guarantee the new unit better distribution and improved operating systems. This firm foundation will enable AccorHotels to pursue its development in the region. The acquisition is expected to be completed in the first half of 2018.

On October 2, 2017, AccorHotels announced the signing of an agreement to acquire Gekko, a leading player in hotel bookings for business customers. This deal is part of the strategy to strengthen AccorHotels' leadership across the customer value chain by enriching its service offering for business travelers, who represent the Group's main customer segment. Drawing on its expertise and state-of-the-art technology, Gekko offers search and booking solutions through a connected interface to more than 500,000 hotels worldwide. The company's customer portfolio currently spans more than 300 large companies and 14,000 travel agencies. The acquisition was finalized in January 2018 based on an enterprise value of €100 million.

On October 4, 2017, AccorHotels announced its partnership with the SNCF Group to develop the Orient Express brand in the luxury hospitality sector on an international scale. The partnership, which combines the expertise and know-how of both groups, was finalized on January 25, 2018, when AccorHotels' acquired a 50% stake in the capital of Orient Express, the owner of the brand, previously wholly owned by SNCF. Through this agreement, the Group intends to cement its leadership in the luxury segment by developing a collection of prestigious hotels under the Orient Express banner. Furthermore, the historic cars will remain the property of SNCF, and will be operated by Orient Express for travel and private events.

On February 27, 2018, AccorHotels announced that it had signed agreements with a group of French and international investors to sell a majority of AccorInvest's share capital. Under the terms of this agreement, the Group is to sell 55% of the subsidiary to a group of investors, combining the sovereign wealth funds Public Investment Fund (PIF) and GIC, institutional investors Crédit Agricole Assurances, Colony NorthStar and Amundi, and other investors. Upon completion of the transaction, AccorHotels will benefit from a gross cash injection of €4.4 billion. This transaction should be finalized during the second quarter of 2018 and the minority stake retained by AccorHotels will be accounted for using the equity method.

On February 27, 2018, AccorHotels announced that it plans to put in place a share buyback program over two years on a maximum of 10% of the Group's share capital, representing €1,350 million based on its market capitalization at the end of February 2018.

On March 6, 2018, Legendre Holding 19 (Eurazeo) announced that it had sold all of its stake in Accor, namely 12,185,303 shares, and that it no longer held any voting rights.

5

CONSOLIDATED FINANCIAL STATEMENTS

5.1 CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

Unless stated otherwise, the amounts presented are in millions of euros, rounded to the nearest million. Generally speaking, the amounts presented in the consolidated financial statements and notes to the financial statements are rounded to the nearest units. This may result in a non-material difference between the sum of rounded amounts and the reported total. All ratios and variances are calculated using the underlying amounts rather than the rounded amounts.

5.1.1 Consolidated income statement

(in millions of euros)	Notes	2016*	2017
REVENUE	4	1,646	1,937
Operating expense	4	(1,139)	(1,311)
EBITDA	5	506	626
Depreciation, amortization and provision expense		(109)	(134)
EBIT	5	397	492
Share of net profit of associates and joint-ventures	7	6	28
EBIT INCLUDING PROFIT OF ASSOCIATES AND JOINT-VENTURES		403	520
Other income and expenses	8	(96)	(107)
OPERATING PROFIT		307	413
Net financial expense	11	(117)	(54)
Income tax	12	2	51
PROFIT FROM CONTINUING OPERATIONS		193	411
Profit from discontinued operations	3	106	71
NET PROFIT OF THE YEAR		**299**	**481**
Group share		265	441
• from continuing operations		161	374
• from discontinued operations		104	67
Minority interests		33	40
• from continuing operations		31	36
• from discontinued operations		2	4
Basic earnings per share *(in euros)*			
Earnings per share from continuing operations		0.48	1.17
Earnings per share from discontinued operations		0.40	0.23
Basic earnings per share		**0.88**	**1.40**
Diluted earnings per share *(in euros)*			
Diluted earnings per share from continuing operations		0.48	1.17
Diluted earnings per share from discontinued operations		0.40	0.23
Diluted earnings per share	**13**	**0.88**	**1.40**

* *Restated amounts in application of IFRS 5 (see Note 1.5).*

5.1.2 Consolidated statement of comprehensive income

(in millions of euros)	Notes	2016*	2017
NET PROFIT OF THE YEAR		**299**	**481**
Currency translation adjustments	13	70	(428)
Effective portion of gains and losses on cash flow hedges	13	-	9
Changes in the fair value of available-for-sale financial assets	13	(14)	7
Currency translation adjustments from discontinued operations	13	69	(49)
Items that may be reclassified subsequently to profit or loss		**125**	**(461)**
Actuarial gains and losses on defined benefit plans	13	(3)	8
Actuarial gains and losses from discontinued operations	13	(2)	4
Items that will not be reclassified to profit or loss		**(5)**	**12**
Other comprehensive income, net of tax		**120**	**(449)**
TOTAL COMPREHENSIVE INCOME OF THE PERIOD		**419**	**32**
◗ Group share		394	(12)
◗ Minority interests		26	43

* *Restated amounts in application of IFRS 5 (see Note 1.5).*

5.1.3 Consolidated statement of financial position

Assets

(in millions of euros)	Notes	Dec. 2016	Dec. 2017
GOODWILL	9	1,496	1,500
OTHER INTANGIBLE ASSETS	9	2,401	2,302
PROPERTY, PLANT AND EQUIPMENT	9	562	662
Investments in associates and joint-ventures	7	596	672
Other non-current financial assets	11	248	157
NON-CURRENT FINANCIAL ASSETS		844	830
Deferred tax assets	12	233	124
Other non-current assets	6	9	12
Non-current assets		**5,545**	**5,430**
Inventories		8	8
Trade receivables	4	374	403
Other current assets	4	252	294
Current financial assets	11	57	53
Cash and cash equivalents	11	1,169	1,063
Current assets		**1,861**	**1,821**
Assets classified as held for sale	2	4,457	4,824
ASSETS		**11,864**	**12,076**

Equity and Liabilities

(in millions of euros)	Notes	Dec. 2016	Dec. 2017
Share capital	13	854	870
Additional paid-in capital and reserves	13	3,651	3,287
Net profit of the year		265	441
ORDINARY SHAREHOLDERS' EQUITY		4,771	4,598
Hybrid capital	13	887	887
Shareholders' equity - Group share		**5,658**	**5,485**
Minority interests	13	267	341
Shareholders' equity and minority interests	**13**	**5,925**	**5,826**
Long-term financial debt	11	2,176	2,768
Deferred tax liabilities	12	599	416
Non-current provisions	10	133	103
Non-current liabilities		**2,907**	**3,287**
Trade payables		384	398
Current liabilities	4	587	690
Current provisions	10	151	106
Short-term financial debt	11	733	237
Current liabilities		**1,855**	**1,431**
Liabilities associated with assets classified as held for sale	2	1,177	1,532
EQUITY AND LIABILITIES		**11,864**	**12,076**

5.1.4 Consolidated cash flow statement

	(in millions of euros)	Notes	2016*	2017
+	EBITDA	5	506	626
+	Cost of net debt	11	(71)	(71)
+	Income tax paid		(90)	(74)
-	Non cash revenue and expense included in EBITDA		22	28
-	Elimination of provision movements included in net financial expense and non-recurring taxes		9	26
+	Dividends received from associates and joint-ventures		13	23
+	Impact of discontinued operations	3	474	411
=	FUNDS FROM OPERATIONS EXCLUDING NON-RECURRING TRANSACTIONS		865	970
+	Decrease (increase) in operating working capital	4	(4)	37
+	Impact of discontinued operations	3	(85)	200
=	NET CASH FROM OPERATING ACTIVITIES		776	1,207
+	Cash received (paid) on non-recurring transactions (incl. restructuring costs and non-recurring taxes)		(216)	(155)
+	Impact of discontinued operations		(52)	(63)
=	NET CASH FROM OPERATING ACTIVITIES INCLUDING NON-RECURRING TRANSACTIONS (A)		508	989
-	Renovation and maintenance expenditure	9	(138)	(110)
-	Development expenditure	9	(3,101)	(408)
+	Proceeds from disposals of assets		212	147
+	Impact of discontinued operations	3	(711)	(877)
=	NET CASH USED IN INVESTMENTS/DIVESTMENTS (B)		(3,738)	(1,248)
+	Proceeds from issue of share capital		1,733	26
-	Dividends paid		(178)	(163)
-	Dividends paid on hybrid capital		(37)	(37)
-	Repayment of long-term debt		(17)	(18)
+	New long term debt		183	617
=	INCREASE (DECREASE) IN LONG-TERM DEBT		167	599
+	Increase (decrease) in short-term debt		(29)	(472)
+	Impact of discontinued operations	3	21	101
=	NET CASH FROM FINANCING ACTIVITIES (C)		1,677	54
+	Effect of changes in exchange rates (D)		(26)	(113)
+	Effect of changes in exchange rates on discontinued operations (D)	3	70	56
=	**NET CHANGE IN CASH AND CASH EQUIVALENTS (E) = (A) + (B) + (C) + (D)**		**(1,509)**	**(262)**
-	Cash and cash equivalents at beginning of period		2,944	1,133
-	Effect of changes in fair value of cash and cash equivalents		(11)	10
-	Reclassification of cash and cash equivalents from discontinued operations		(292)	-
-	Net change in cash and cash equivalents for discontinued operations		1	167
+	Cash and cash equivalents at end of period		1,133	1,048
=	**NET CHANGE IN CASH AND CASH EQUIVALENTS**		**(1,509)**	**(262)**

* *Restated amounts in application of IFRS 5 (see Note 1.5).*

5.1.5 Changes in consolidated shareholders' equity

(in millions of euros)	Number of shares	Share capital	Additional paid-in capital	Currency translation reserve	Retained earnings	Equity Group share	Minority interests	Total Equity
BALANCE AT JANUARY 1, 2016	235,352,425	706	1,254	(40)	1,842	3,762	225	3,987
Capital increase	47,366,784	142	1,591	-	(1)	1,732	(0)	1,732
Change in treasury shares	-	(0)	2	-	-	2	-	2
Dividends paid	2,048,461	6	(24)	-	(146)	(165)	(18)	(182)
Share-based payments	-	-	-	-	14	14	-	14
Hybrid capital	-	-	-	-	(37)	(37)	-	(37)
Effects of scope changes	-	-	-	1	(45)	(44)	34	(9)
Transactions with shareholders	**49,415,245**	**148**	**1,569**	**1**	**(216)**	**1,502**	**16**	**1,519**
Net profit of the year	-	-	-	-	265	265	33	299
Other Comprehensive Income	-	-	-	147	(19)	128	(8)	120
Total comprehensive income	**-**	**-**	**-**	**147**	**247**	**394**	**26**	**419**
BALANCE AT DECEMBER 31, 2016	284,767,670	854	2,823	108	1,873	5,658	267	5,925
Capital increase	1,378,515	4	34	-	(0)	38	(15)	23
Change in treasury shares		-	-	-	-	-	-	-
Dividends paid	3,975,968	12	(173)	-	9	(152)	(15)	(168)
Share-based payments	-	-	-	-	19	19	-	19
Hybrid capital	-	-	-	-	(37)	(37)	-	(37)
Effects of scope changes	-	-	-	1	(30)	(30)	61	31
Transactions with shareholders	**5,354,483**	**16**	**(139)**	**1**	**(40)**	**(162)**	**30**	**(131)**
Net profit of the year	-	-	-	-	441	441	40	481
Other Comprehensive Income	-	-	-	(480)	28	(452)	3	(449)
Total comprehensive income	**-**	**-**	**-**	**(480)**	**469**	**(12)**	**43**	**32**
BALANCE AT DECEMBER 31, 2017	**290,122,153**	**870**	**2,684**	**(372)**	**2,302**	**5,485**	**341**	**5,826**

5.1.6 Notes to the consolidated financial statements

note 1 BASIS FOR PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of AccorHotels Group for the year ended December 31, 2017 were approved for publication by the Board of Directors on February 20, 2018. They will be submitted to shareholders for final approval at the Annual General Meeting on April 20, 2018.

The consolidated financial statements comprise the financial statements of Accor SA ("the Company") and its subsidiaries (together "the Group") and the Group's share of the profits and losses and net assets of entities accounted for by the equity method (associates and joint-ventures).

1.1 Accounting framework

The consolidated financial statements have been prepared in compliance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board ("IASB") and adopted for use in the European Union at December 31, 2017. These IFRS can be consulted on the European Commission's website*.

1.2 Evolution of accounting framework

1.2.1 New standards and amendments compulsory at December 31, 2017

At December 31, 2017 the Group applied the same accounting policies and calculation methods as were applied in its consolidated financial statements for the year ended December 31, 2016, except for changes resulting from the following amendments that were applicable at January 1, 2017:

Amendment to IAS 12 "Recognition of deferred tax assets for unrealized losses"

This amendment, which clarifies how to account for deferred tax assets related to debt instruments measured at fair value, had no material impact on the Group's consolidated financial statements.

Amendment to IAS 7 "Reconciliation of liabilities arising from financing activities"

This amendment requires to disclose information that will allow users of financial statements to understand changes in liabilities arising from financing activities, including those from cash flows and other non-cash changes. Consequently, the Group provides a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities in Note 11.3.1.

1.2.2 New standards and amendments applicable after December 31, 2017

The Group has not opted for the early application of the other standards, amendments or interpretations applicable to fiscal years starting after December 31, 2017, regardless of whether they were adopted by the European Union.

Among these new standards, those that might affect the future consolidated financial statements are IFRS 15, IFRS 9 and IFRS 16, which were subject to a dedicated Group project.

* *http://ec.europa.eu/finance/accounting/ias/index.fr.htm*

Standard	IFRS 15 "Revenue from contracts with customers" Standard applicable on January 1st, 2018
Principles	This new standard introduces a single revenue recognition model applicable to all types of customer contracts, regardless of the entity's business. This model, which follows five key steps, is based on the principle that revenue is recognized when control of goods or services is transferred to a customer, which may be overtime or at a point in time. Revenue is recognized for the amount that reflects the consideration expected in exchange for the goods or services transferred.
Implementation	The Group has launched an assessment of the impact of applying IFRS 15. Working with teams in the operating units, a map of existing contracts with customers was prepared and a representative sample of contracts was selected. The conclusions of the hospitality industry working group of the American Institute of Certified Public Accountants (AICPA) were also reviewed, to ensure the consistency of the accounting policies applied for the industry-specific issues raised by the new standard.
Consequences for the Group	The above reviews led to the following issues being identified as potentially affecting the Group's consolidated revenue: <u>Reimbursement of costs incurred on behalf of hotel owners</u> AccorHotels' management contracts may require the Group to incur hotel operating costs on behalf of the properties' owners. These costs are generally reinvoiced to the owners without any mark-up. They mainly correspond to the cost of hotel staff who are employed by AccorHotels to comply with local regulations or as a result of specific negotiations with the owners. The Group currently considers that it acts as the owners' agent because it is not exposed to the significant risks and rewards associated with the rendering of the services based on the criteria in IAS 18. The reinvoiced amounts are therefore presented as a deduction from the related costs, and only the margin (if any) is recognized in revenue. Based on IFRS 15, the Group considers that it acts as the principal because it controls the services before transferring them to the hotels' owners. The reinvoiced costs will therefore be reported under "Revenue" in the consolidated income statement, leading to an equivalent increase in the reported amount of operating expenses. This change of presentation is expected to lead to the recognition of additional revenues of approximately €900 million. The reclassification will have no impact on either operating profit or net profit. <u>Loyalty program</u> The Group analyzes the loyalty program as giving rise to a single performance obligation. The promised service consists of managing the program on behalf of the Group's hotels and ensuring that program members will receive a benefit in exchange for their award credits. Under IFRS 15, this performance obligation is considered as having been satisfied when the award credits are used or expire. Consequently, loyalty program fees will be deferred and recognized as revenue in the period in which the award credits are used or expire. Adoption of IFRS 15 will lead to (i) the liability corresponding to award credits being restated in the opening consolidated statement of financial position by adjusting equity, (ii) a change in the timing of revenue recognition and (iii) loyalty program revenues being stated net of the cost of the room. Estimates of the effect of the change are currently being finalized but the impact on the consolidated financial statements is not expected to be material. <u>Payments to hotel owners</u> In the course of its business, the Group may make payments to hotel owners, either upfront in the form of key money (in order to secure the signing of the contract) or during the contract period based on actual performance. Under IFRS 15, these payments are analyzed as revenue reductions to be recognized over the life of the contract, except for loans granted to owners on arm's length terms. Amounts depending on the occurrence of uncertain future events are estimated and recognized for the minimum amount considered as highly probable. This change is not expected to have a material impact on either consolidated revenue or consolidated operating profit. <u>Entrance fees</u> When a contract is signed, the Group frequently invoices an entrance fee to the hotel owner in exchange for the owner's access to the AccorHotels network. These non-refundable initial payments are currently recognized in revenue for the period in which they are billed as the Group has no subsequent performance obligation. Under IFRS 15, they are analyzed as an advance payment for future services and are recognized as revenue on a straight-line basis over the life of the contracts. This change is not expected to have a material impact on either consolidated revenue or consolidated operating profit.
Transition	The Group intends to apply IFRS 15 using the full retrospective approach. This approach consists in recognizing the cumulative effect of applying IFRS 15 as an adjustment to opening retained earnings at January 1, 2017 and restating 2017 comparative information.

Standard	IFRS 9 "Financial Instruments" Standard applicable on January 1, 2018
Principles	IFRS 9 addresses the classification and measurement of financial assets and financial liabilities, introduces a new impairment model for financial assets and new rules for hedge accounting.
Consequences for the Group	Following the clarifications published recently by the IFRS Interpretations Committee (IFRIC) on the accounting treatment for a modification of financial liabilities that does not result in the liabilities being derecognized, the Group believes that it will have to retrospectively restate the 2015 "liability management" transaction. This transaction was treated as a modification of financial liabilities, without this resulting in a derecognition in application of IAS 39. The difference between the original and modified cash flows was amortized over the remaining life of the modified liability by re-calculating the effective interest rate. Upon application of IFRS 9, this difference will be treated as having been recognized immediately in the income statement on the modification date. Taking into account the net cost of the debt restructuring, the restatement is expected to have the effect of increasing consolidated financial liabilities by approximately €11 million at January 1, 2018, through a reduction in opening retained earnings. It will also automatically generate a future saving in financial costs of approximately €2 million over the period to 2023. The new standard is expected to have only a limited impact on the classification and measurement of the Group's other financial assets and liabilities. In addition, the new impairment model recommended by the standard – which consists of recognizing impairment losses on financial assets based on expected credit losses – is not expected to have a material impact on the Group's financials. Similarly, the impact on the Group's hedging relationships is not expected to be material.
Transition	IFRS 9 will be applied retrospectively, by recognizing the cumulative transition effect as an adjustment to opening retained earnings at January 1, 2018.

Standard	IFRS 16 "Leases" Standard applicable on January 1, 2019
Principles	IFRS 16 removes the distinction between operating and finance leases, resulting in almost all leases being brought onto the balance sheet. The standard requires recognition of: ◗ an asset reflecting the right to use the leased item; and ◗ a liability representing the obligation to pay rentals. An exemption applies to short-term and low-value leases.
Consequences for the Group	Management is currently assessing the effects of applying this new standard. However, given the current project to dispose of AccorInvest, which holds most of the lease contracts for hotel properties (see Note 3), the Group, based on its future organization, does not expect any significant impact on its consolidated financial statements beyond the restatement of leases on headquarters. At December 31, 2017 AccorHotels Group (excluding AccorInvest) had non-cancellable operating lease commitments (corresponding to undiscounted minimum future lease payments) of €369 million. The Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments.
Transition	The Group has not yet decided whether to apply the full or simplified retrospective restatement approach.

1.3 Foreign currency translation

The presentation currency is the euro, which is the Company's functional currency.

Translation of the financial statements of foreign operations

The financial statements of consolidated companies are prepared in their functional currency, corresponding to the currency of the primary economic environment in which the company operates. The financial statements of foreign operations whose functional currency is not the euro are translated into euros as follows:

- assets and liabilities are translated at the closing exchange rate;
- income and expenses are translated at the average exchange rate for the period, unless the use of the average rate for a period is inappropriate due to significant fluctuations in exchange rates;
- the resulting translation gains and losses are recognized in "Other comprehensive income" on the line "Currency translation reserve", and are recycled to profit or loss when all or part of the investment in the foreign operation is derecognized (*i.e.* when the Group no longer exercises control or joint control or significant influence over the company).

Foreign currency transactions

Transactions by Group companies that are denominated in a currency other than the company's functional currency are translated at the transaction date exchange rate. At the period end, the corresponding receivables and payables are translated at the closing exchange rate. The resulting unrealized translation gains and losses are generally recognized in Other financial income and expenses.

1.4 Estimates and judgments

The preparation of consolidated financial statements requires the use by management of judgments, estimates and assumptions that may affect the reported amount of certain assets and liabilities, income and expenses as well as the information disclosed in certain notes to the financial statements. Due to the inherent uncertainty of assumptions, actual results may differ from these estimates. In exercising its judgment, management refers to past experience and all available information that are considered as having a decisive impact, taking into account the prevailing environment and circumstances.

The significant estimates, judgments and assumptions used for the preparation of the consolidated financial statements at December 31, 2017 mainly concern:

- the measurement of intangible assets acquired in business combinations;
- the measurement of the carrying amounts and useful lives of property, plant and equipment and intangible assets;
- the measurement of the recoverable amounts of goodwill and other non-current assets;
- the assumptions used to calculate obligations under pension plans and share-based payment plans;
- the measurement of provisions for contingencies, claims and litigations;
- the recognition of deferred tax assets.

1.5 Restatement of comparative information

In application of IFRS 5, the comparative financial statements for 2016 have been restated in order to reflect the change in scope that occurred in 2017 regarding the subsidiary AccorInvest, which has been classified as discontinued operations (see Note 3 for further details on the contemplated disposal). This change mainly corresponds to one hotel, which was finally excluded from the contributions to AccorInvest.

The impact of these restatements is as follows:

(in millions of euros)	2016 Reported	IFRS 5 impact	2016 Restated
Consolidated revenue	1,603	43	1,646
EBITDA	494	13	506
EBIT	389	9	397
Operating profit before tax & non recurring items	395	8	403
Operating Profit before tax	**285**	**22**	**307**
Net financial expense	(117)	-	(117)
Income tax expense	4	(1)	2
Profit from continuing operations	**172**	**20**	**193**
Net profit or Loss from discontinued operations	127	(20)	106
NET PROFIT OR LOSS	**299**	**-**	**299**

note 2 GROUP STRUCTURE

Accounting policy

1. Basis of consolidation

Full consolidation method

Entities over which the Group exercises exclusive control, directly or indirectly, are fully consolidated. Control is deemed to exist when the Group is exposed, or has rights, to variable returns from its involvement with an investee and has the ability to affect those returns through its power over the investee. In the hospitality industry, assessment of power over a managed hotel relies on the ability to make all operational, financial and strategic management decisions. In practice, this means that the investor has the power to appoint the hotel's management and to approve the hotel's business plan. In particular, in the case of managed hotels, AccorHotels acts on behalf and for the benefit of the hotel owner and, as such, is considered as an agent of the owner.

All transactions between consolidated companies are eliminated, together with all intra-group profits (gains, dividends, etc.). Newly acquired subsidiaries are consolidated from the date when control is acquired.

Equity method (applied to associates and joint ventures)

Entities over which the Group exercises significant influence (associates) and arrangements whereby the Group shares joint control and has rights only to the net assets of the arrangement (joint ventures) are accounted for by the equity method.

Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. If the Group holds 20% or more of the voting power of the investee, it is presumed to have significant influence. In some countries, AccorHotels may choose to acquire a minority interest in a local company that is then used as a vehicle for developing hotel projects. In exchange for its investment AccorHotels generally acquires the right to manage the hotels concerned. In most cases, AccorHotels has a seat on the Board, allowing it to participate in decisions proportionately to its percentage interest in the investee's capital.

Joint control is the contractually agreed sharing of control of an arrangement between two or more partners, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The principles applied to investments accounted for using the equity method are presented in Note 7.

Investments in non-consolidated companies

Where the Group does not exercise control, joint control or significant influence over the financial and operating policy decisions of an investee, the investment is accounted for as an available-for-sale financial asset, as explained in Note 11. It is presented as an investment in non-consolidated companies under "Other non-current financial assets" in the consolidated financial statements.

2. Business combinations

Business combinations are accounted for using the acquisition method.

The acquisition price corresponds to the acquisition-date fair value of the consideration transferred to the vendor in exchange for control of the investee, including any contingent consideration. Goodwill arising from a business combination is measured as the difference between:

- the fair value of consideration transferred, increased by the amount of any non-controlling interest recognized and, if applicable, the fair value of any previously held interest in the acquiree; and
- the acquisition-date fair value of the assets acquired and liabilities assumed.

In the case of a bargain purchase, the negative goodwill is recognized immediately in profit in the consolidated income statement.

In a business combination involving the acquisition of an interest of less than 100%, non-controlling interests in the acquiree are measured at either:

- their proportionate share in the acquiree's identifiable net assets, leading to the recognition of a goodwill only for the share acquired ("partial goodwill" method); or
- their fair value, leading to the recognition of the goodwill attributable to these non-controlling interests ("full goodwill" method).

At the acquisition date, the assets acquired and liabilities assumed are identified and measured at their acquisition-date fair values. The accounting for a business combination is completed during a measurement period of no more than one year.

Contingent consideration is included in the acquisition price at its acquisition-date fair value, regardless of the probability that it will be paid. Adjustments to the provisional accounting for the business combination during the measurement period are recognized by adjusting goodwill when they relate to facts and circumstances that existed at the acquisition date. Where this is not the case and after the end of the measurement period, adjustments are recognized directly in the income statement.

When a business combination is achieved in stages, the previously held equity interest is remeasured at fair value at the acquisition date through profit or loss. The attributable other comprehensive income, if any, is fully reclassified to profit or loss. In order to determinate the goodwill, the acquisition price is increased with the fair value of previously held interest.

The costs directly related to the acquisition are recorded under "Other income and expenses" in the period they are incurred, except for the costs of issuing equity instruments.

3. Acquisitions of assets

As part of its strategy, the Group may acquire hotels that were previously operated under leases. These acquisitions are generally treated as asset acquisitions other than business combinations since the strategic business processes (*i.e.* hotel operations) and the generation of economic benefits (*i.e.* revenues from hotel operations) are already controlled by AccorHotels. In such a case, the assets and liabilities are initially recognized at cost including transaction expenses.

4. Disposals resulting as loss of control

If a transaction leads to a loss of exclusive control, the carrying amounts of the subsidiary's assets (including goodwill) and liabilities are derecognized, together with minority interests, and the disposal gain or loss is recognized in the income statement. If the Group retains a residual interest in the sold subsidiary, the remaining investment is reclassified under "Investments in associates and joint ventures" or "Investments in non-consolidated companies" as appropriate and remeasured at fair value through profit or loss. The total gain or loss recognized on the date when control is lost corresponds to the sum of the gain or loss realized on the sold interest and the gain or loss arising from remeasurement at fair value of the residual interest.

2.1 Changes in the scope of consolidation

The list of the main consolidated companies at December 31, 2017 is presented in Note 15.3. Significant changes in the scope of consolidation during 2017 are presented below.

2.1.1 Acquisitions for the period

Acquisition of VeryChic

On March 31, 2017, AccorHotels acquired 75% of the share capital and voting rights of VeryChic, a digital platform for the private sale of luxury hotel rooms and apartments, cruises, breaks and packages. Created in 2011, the company offers, *via* its website and mobile application, more than 4,000 exclusive private sales at attractive prices, throughout the year, to a member base of more than 5 million. Through this transaction, AccorHotels intends to develop its expertise in the creation of exceptional private sales and also to enable VeryChic to accelerate its international development and become the global leader in its sector.

The acquisition price amounted to €22 million, including a €5 million earn-out payment that may be adjusted depending on the business's performance. The goodwill recognized using the "partial goodwill" approach amounted to €15 million.

The selling shareholders have retained a 25% share in VeryChic's capital. They benefit from a put option on all their shares based on a formula that is exercisable in two tranches in 2019 and 2020. This option represents a liability on non-controlling interests for AccorHotels and has been recognized in debt in the consolidated statement of financial position at December 31, 2017 for its estimated amount of €10 million.

Acquisition of Availpro

On April 5, 2017, AccorHotels announced the acquisition of 83.3% of the share capital and voting rights of Availpro. Created in 2001, this company is the leader in France and one of the leading European software providers to hoteliers, with more than 6,500 clients. Following the acquisition of Fastbooking in 2015, this acquisition will allow the Group to create the leading European digital services provider for independent hotels. By combining the talents of these two companies, AccorHotels will be able to offer its hotelier clients an ever wider, more innovative and high performance application suite, enabling them to increase their visibility and sales.

The acquisition price amounted to €24 million, including a €2 million earn-out payment that may be adjusted depending on the business performance. The goodwill recognized using the "partial goodwill" approach amounted to €13 million.

AccorHotels has committed to acquire the remaining shares in two tranches in April 2018 and April 2019 at a total price of €5 million. This commitment has been recognized in debt in the consolidated statement of financial position at December 31, 2017.

Acquisition of Travel Keys and Squarebreak

On May 3, 2017, AccorHotels finalized the acquisition of Travel Keys, one of the leading players in the luxury private vacation rental market. Founded in 1991, Travel Keys has a portfolio of over 5,000 luxury villas across more than 100 destinations. On August 3, 2017, the Group obtained control of Squarebreak, a digital platform offering upscale private properties primarily in France, Spain and Morocco, in which it had previously a 49.2% interest.

These acquisitions consolidate AccorHotels' leadership in the luxury private rental market. The combination of Travel Keys and Squarebreak with onefinestay will provide the Group with a unique offering of addresses in the luxury private rental market, in both vacation and urban settings.

The acquisition price for these two entities amounted to €21 million, including the effect of remeasuring the previously held interest in Squarebreak at fair value. In accordance with IFRS 3, the transition from the equity method to the full consolidation method for this entity led to the recognition of a €5 million income in "Other income and expenses". Goodwill recognized on these acquisitions amounted to €23 million.

In all, acquisitions for the period contributed €21 million to 2017 consolidated revenue. Their pro forma full-year contribution, determined as if the acquisitions had been completed on January 1, 2017 would be €26 million. The impact on net profit was not material on either a reported or a pro forma basis.

These acquisitions resulted in an outflow of €69 million (net of the cash acquired) in the consolidated statement of cash flows for 2017.

2.1.2 Equity investments of the period

Over the period, four investments were recorded under the equity method in the Group's consolidated financial statements for a total cost of €94 million.

Strategic partnership with Rixos Hotels & Resorts

On March 6, 2017 AccorHotels and Rixos Hotels announced a strategic partnership, illustrating the Group's strategy to expand its presence in the Upper Upscale/Luxury market, with a primary focus on developing the international resort segment. Under a long-term joint-venture, both parties intend to collaborate, develop and manage Rixos branded resorts and hotels worldwide.

On June 14, 2017 AccorHotels acquired 50% of the share capital of this joint-venture. Through this partnership, AccorHotels will integrate in its network 15 iconic hotels that are ideally located in premium resort markets in Turkey, Egypt, the United Arab Emirates, Russia and Europe. As part of this transaction, Rixos plans to reflag five city-center hotels to AccorHotels brands, which will also be managed by the Group.

Acquisition stake in Potel & Chabot

On May 17, 2017, AccorHotels finalized the acquisition of a 39.5% interest in Potel & Chabot Group. Following exclusive negotiations, a consortium made up of Edmond de Rothschild Investment Partners, AccorHotels and Potel & Chabot managers acquired the group's entire share capital. The transaction will provide Potel & Chabot Group with new development prospects. Founded in 1820, the group has unparalleled expertise in the organization of tailor-made prestigious reception events. Through its two brands, the group has become the industry standard in both the luxury (Potel & Chabot) and premium (Saint Clair le Traiteur) segments. AccorHotels exercises significant influence over Potel & Chabot through its two seats on the company's Supervisory Board.

Acquisition stake in Noctis

On June 6, 2017, AccorHotels completed the acquisition of a 31% stake in the Noctis group. The transaction consisted of acquiring all of the convertible bonds held by the FCDE ("Fonds de Consolidation et de Développement des Entreprises") and converting them immediately into Noctis shares.

A top-tier Paris-based events, catering and entertainment specialist, Noctis has a portfolio of upscale, emblematic assets, particularly in Paris, and organizes over 3,000 events a year.

Through this investment, AccorHotels is cementing its leadership in the center of Paris, a prominent destination for international and local customers seeking original and exclusive venues. AccorHotels, which has two seats on Noctis' Supervisory Board, exercises significant influence over the entity.

Strategic partnership with Nextdoor

On July 25, 2017, AccorHotels and Bouygues Immobilier, the real estate development subsidiary of Bouygues Group, created a 50/50 joint venture, with the aim of accelerating the growth of Nextdoor in France and Europe. The entity was set up in 2014 by Bouygues Immobilier to tap into the collaborative workspace market, offering an expanded range of services available seven days a week. At year-end 2017, Nextdoor operates 8 sites in France and has more than 4,000 clients.

AccorHotels and Bouygues Immobilier are combining their respective expertise in order to make Nextdoor the European leader in Business Hospitality, whose key challenges will be to secure the best locations and rapidly reach a critical size. Together, the two groups aim to create 80 collaborative Nextdoor workspaces by 2022, at a development rate of 10 to 15 openings per year starting 2018. Nextdoor, which is jointly controlled by AccorHotels and Bouygues Immobilier, is analyzed as a joint venture.

2.1.3 Disposals over the period

Disposal of Avendra investments

On October 16, 2017, AccorHotels sold its entire interest in the equity-accounted investment Avendra for €113 million. Avendra was one of the companies in the FRHI Hotels & Resorts Group acquired in 2016. It was set up in 2001 by leading US hoteliers and is North America's leading hospitality procurement services provider. Avendra was sold to Aramark, an American foodservices group.

The disposal gain, for an amount of €48 million before tax, is reported under "Other income and expenses" in the consolidated income statement. The net disposal proceeds of €103 million (after the tax effect) are reported in the consolidated statement of cash flows for 2017.

2.2 Assets or disposal groups held for sale

Accounting policy

When the carrying amount of a non-current asset or disposal group is expected to be recovered principally through a sale transaction rather than through continuing use, it is presented separately in the consolidated statement of financial position under "Assets classified as held for sale". Any related liabilities are also reported on a separate line under "Liabilities associated with assets classified as held for sale". For the reclassification to be made, (i) the sale must be highly probable; (ii) management must be committed to a plan to sell the asset (or disposal group) and (iii) the asset (or disposal group) must be available for immediate sale in its present condition.

Assets (or disposal groups) held for sale and associated liabilities are measured at the lower of their carrying amount and fair value less costs to sell. Depreciation of the assets ceases when it is reclassified as held for sale.

A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations, or is a part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

The post-tax profit or loss of the discontinued operation and related disposal gains or losses are presented as a single amount on a separate line of the income statement, with restatement of the prior year as a comparative. Cash flows from discontinued operations are also reported separately in the consolidated statement of cash flows.

At December 31, 2017 assets and liabilities held for sale were as follows:

		Dec. 2016		Dec. 2017	
(in millions of euros)	Notes	Assets	Liabilities	Assets	Liabilities
AccorInvest	3	4,435	1,168	4,769	1,526
Others		22	9	56	7
ASSETS HELD FOR SALE		**4,457**	**1,177**	**4,824**	**1,532**

In 2017, the €71 million net profit from discontinued operations corresponds to the net result of AccorInvest, which is in the process of being sold as explained in Note 3.

note 3 SPIN-OFF AND CONTEMPLATED DISPOSAL OF ACCORINVEST

3.1 Presentation of the project

In 2013, AccorHotels launched a plan to reorganize its business model around two strategic businesses, HotelServices (hotel management and franchising business) and HotelInvest (hotel owner-operator business).

On July 12, 2016, after three years of transformation to create a more efficient business model, the Group announced a project to turn HotelInvest into a subsidiary and open up its share capital to external investors. The aim of the project is to strengthen AccorHotels' financial resources in order to maximize the Group's overall value by stepping up the pace of business growth and seizing new development opportunities.

In early December 2016, AccorHotels initiated negotiations with potential investors with a view to selling a significant stake in the new group, while maintaining business relationships. AccorHotels would continue to be the preferred manager of the hotels operated by the new group and would also continue to own the brands, which would be licensed to the hotels under management contracts.

3.2 Project implementation

The internal restructuring operations launched in late 2016 were pursued during first-half 2017 to legally separate the HotelInvest business from the HotelServices business in 26 countries and contribute HotelInvest business to Accor Hotels Luxembourg, a Luxembourg limited company renamed AccorInvest Group.

The contributed business comprises around 900 hotels in 26 countries, corresponding to all the hotels operated by HotelInvest, with the exception of those operated in Eastern Europe and some hotels in Brazil that are operated under variable lease contracts based on a percentage of EBITDAR, which are not considered to be compatible with the owner-operator strategy.

In France, Accor SA contributed its entire HotelInvest business in Continental Europe to AccorInvest SAS by way of a spin-off governed by the law on demerger ("apport partiel d'actifs"), and the AccorInvest SAS shares were then contributed to AccorInvest Group. First, the company's staff representative bodies have been informed and consulted. The Health and Safety Committee gave its opinion on March 22, 2017 and the central Works Council on April 12, 2017.

On May 18, 2017 the Board of Directors authorized the HotelInvest spin-off and signature of the contribution and spin-off agreement between Accor SA and AccorInvest SAS.

On June 13, 2017 the proposed asset contributions paving the way for the sale of AccorInvest were approved by the General Meeting of Accor bondholders. This means that the bonds' terms will not be affected by this sale.

At the Extraordinary Meeting held on June 30, 2017 AccorHotels' shareholders approved the contribution agreement as previously approved by the Board of Directors, based on the reports on the value of the contributed assets and the consideration prepared by the demerger auditors appointed by Presiding Magistrate of Evry Commercial Court.

The spin-off was therefore completed on June 30, 2017. Effective from that date, AccorInvest Group owns all of the HotelInvest assets contributed in continental Europe through its French AccorInvest SAS subsidiary, as well as the other HotelInvest assets included the transaction perimeter in Africa, Latin and South America, Australia, Japan, Singapore and the United Kingdom through various AccorInvest subsidiaries.

3.3 Accounting treatment

The AccorInvest assets and liabilities were classified as assets held for sale at December 31, 2016, in accordance with IFRS 5. AccorHotels considers that the planned divestment will lead to the loss of control of AccorInvest under IFRS 10. On completion of the transaction, the rights held by the Group (voting rights at Shareholders' Meetings and contractual rights resulting from the agreements governing future relations between the parties, the shareholders' agreement and hotel management contracts) will not give it the power to unilaterally direct its relevant activities, *i.e.* operation of the hotels and strategic management of the hotel portfolio. Consequently, on completion date, the assets and liabilities of AccorInvest will be derecognized and the Group's stake in the company net assets will be recognized under "Investments in associates", to the extent of the retained residual interest.

The classification as assets held for sale was maintained at December 31, 2017. As of that date, the spin-off of AccorInvest had been approved by the Group's governance bodies (Board of Directors and General Shareholders Meeting), the bondholders and the employee representatives.

Discussions were pursued throughout 2017 and resulted on February 27, 2018 in the signing of agreements with a group of French and international investors with a view to selling a majority of the capital of AccorInvest, as indicated in Note 14.3. Under the terms of the agreements, the investors made binding undertakings to carry out the transaction and AccorHotels granted them an exclusivity, pending works council consultation.

The transaction is subject to certain regulatory and antitrust approvals. Accor SA shall also consult its shareholders (during an ordinary general meeting) prior to the disposal, which is considered as a major asset disposal. The probability of obtaining such approvals is deemed high by the Management of the Group.

In the Group's consolidated financial statements, AccorInvest business is presented separately in accordance with IFRS 5. Therefore, the assets held for sale and related liabilities are presented separately on specific lines of the consolidated statement of financial position. They are measured, as a whole, at the lower of their carrying amount and fair value less costs to sell. At December 31, 2017, the comparison of these two amounts did not reveal any impairment. The net profit and cash flows from operating, investing and financing activities attributable to AccorInvest are presented separately in the consolidated profit and loss and cash-flow statement.

3.4 Financial information of AccorInvest

3.4.1 Assets and liabilities of AccorInvest

The contribution of AccorInvest to the consolidated balance sheet is as follows:

(in millions of euros)	Dec. 2016	Dec. 2017
Goodwill and other intangible assets	352	345
Tangible assets	3,119	3,683
Other non-current assets	167	168
Non-current assets	**3,639**	**4,196**
Receivables and other current assets	476	442
Cash and cash equivalents	292	128
Assets held for sale	28	3
ASSETS	**4,435**	**4,769**
Financial debts	133	234
Other non-current liabilities	148	202
Non-current liabilities	**281**	**436**
Trade payables	368	363
Other current liabilities	519	726
LIABILITIES	**1,168**	**1,526**

AccorInvest net assets primarily comprise property, plant and equipment, which increased by a net €564 million over the period, primarily due to:

- the acquisition of a portfolio of 102 hotels under finance lease previously operated under operating leases under the brand name hotelF1, as part of the relaunch plan for the brand (+€184 million);
- the acquisition of 15 hotel properties in Australia operated under the ibis and ibis *budget* brands for €158 million. The transaction was part of an agreement with the owner, a wholly owned subsidiary of Abu Dhabi Investment Authority (ADIA), concerning the restructuring of a portfolio of 30 hotels;
- renovation and maintenance expenditure for €226 million mainly in France and Singapore.

The increase in financial liabilities is mainly explained by the finance lease debt related to the portfolio of leased assets acquired over the period (€102 million). Other current liabilities comprise the tax liability resulting from the legal restructuring operations carried out in connection with the AccorInvest spin-off for €170 million.

3.4.2 Income statement of AccorInvest

The contribution of AccorInvest to consolidated net profit is as follows:

(in millions of euros)	2016*	2017
Revenue	**3,986**	**3,985**
Operating expenses	(2,823)	(2,848)
EBITDAR	**1,163**	**1,137**
Rental expense	(632)	(615)
EBITDA	**531**	**522**
Depreciation, amortization and provision expense	(233)	-
EBIT	**298**	**522**
Other income and expenses	(111)	(113)
Income taxes	(82)	(338)
NET PROFIT	**106**	**71**

* *Amounts restated in application of IFRS 5 in order to reflect the changes in AccorInvest scope.*

Over 2017, the net result of AccorInvest can be analyzed as follows:

- a stable revenue compared to 2016;
- operating expenses mainly consisting of employee benefits expenses for €1,291 million stable compared to 2016 (€1,284 million);
- a €615 million rental expense, corresponding to 775 hotels under operating lease;
- a €233 million favorable impact on D&A due to amortization on non-current assets classified as held for sale being ceased starting from January 1, 2017 in accordance with IFRS 5;
- other income and expenses including notably the costs of implementing the entity on a stand-alone basis for €52 million;
- an income tax expense of €338 million including the tax impacts of the legal restructuring carried out in connection with the spin-off.

3.4.3 Cash flows attributable to AccorInvest

(in millions of euros)	2016*	2017
Funds from operations excluding non-recurring transactions	474	411
Decrease (increase) in operating working capital	(85)	200
Cash received (paid) on non-recurring transactions	(52)	(63)
Cash Flows from operating activities (including non-recurring transactions)	**337**	**548**
Renovation and maintenance expenditure	(158)	(227)
Development expenditure	(668)	(496)
Proceeds from disposals of assets	116	(154)
Net cash flows used in investments/divestments	**(711)**	**(877)**
Cash Flows from financing activities	**21**	**101**
Effect of changes in exchange rates	70	56
NET CASH FLOWS ATTRIBUTABLE TO HOTELINVEST DISCONTINUED OPERATIONS	**(283)**	**(172)**

* *Amounts restated in application of IFRS 5 in order to reflect the changes in AccorInvest perimeter.*

Cash flows from non-recurring transactions mainly concern restructuring operations in France.

Cash flows for development expenditure mainly concern:

- €151 million related to the acquisition of 15 hotels in Australia to ADIA (net of 2016 deposit);
- €95 million related to the acquisition of a portfolio of hotelF1 assets under finance lease (net of cash acquired and related finance lease liability).

Cash flows from disposals of assets include the tax cost resulting from the legal restructuring operations carried out in connection with the AccorInvest spin-off (with a counterpart in working capital).

note 4 OPERATING ITEMS

4.1 Revenue

Accounting policy

Revenue corresponds to the value of goods and services sold in the ordinary course of business by fully consolidated companies. AccorHotels' revenue mainly includes:

- **Fees** billed to franchised hotels and hotels under management contracts:
  - **Trademark royalty fees** received from hotel owners under licenses for the use of the Group's brands. These fees are generally based on the hotel's room revenue.
  - **Management fees** received from the owners of hotels managed by the Group. These fees are generally based on hotel's revenue. In some cases, they also include an incentive fee subject to performance criteria.
  - **Other fees** for support services provided to managed and franchised hotels for marketing, distribution, IT and other services.
- **Hotel** revenues, corresponding to all the revenues (for accommodation, food and other services) received from guests by owned and leased hotels.

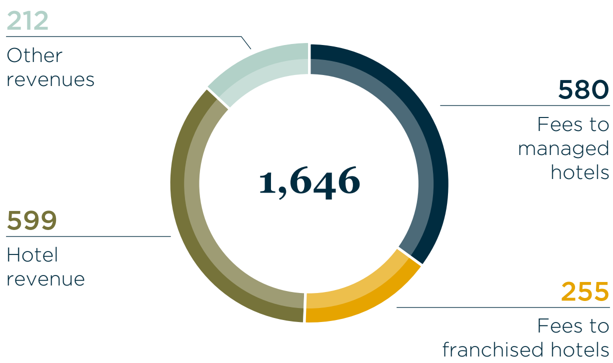
Revenue is measured at the fair value of the consideration received or receivable, net of all discounts and rebates, VAT and other sales taxes. Service revenues are recognized in the period when the services are rendered and revenues from the sale of goods are recognized when the goods are delivered and ownership is transferred.

The Group applies the guidance provided in IAS 18 to determine whether it acts as the principal or an agent in its contractual hotel management relationships. The Group is considered as acting as the principal when it has exposure to the significant risks and rewards associated with the rendering of services. In this case, the revenues and related expenses are reported separately in the income statement. When the above criterion is not met, the Group is considered as acting as an agent and only the remuneration corresponding to the agency fee is recognized in revenue.

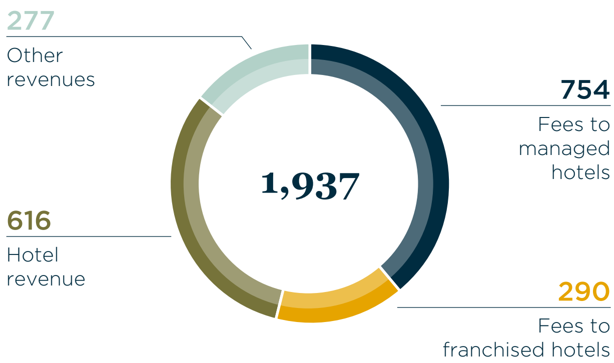
Award credits granted to members of the Club AccorHotels loyalty program are accounted for as a separate component of the sale transaction. Revenues arising from award credits are deferred and recognized when they are converted by members into benefits.

Consolidated revenue breaks down as follows:

Revenue 2016 *(m€)*



Revenue 2017 *(m€)*



The Group's revenue is derived from a very large number of transactions, less than 10% of which involve a single external customer. In the consolidated financial statements, fees received by AccorInvest hotels continue to be eliminated pending completion of the sale of this subsidiary, in accordance with consolidation principles. Once the sale has been completed, AccorInvest will become the Group's largest customer.

Revenue realized in France amounted to €251 million in 2017 (€271 million in 2016).

4.2 Operating expenses

(in millions of euros)	2016*	2017
Cost of goods sold	(64)	(67)
Employee benefits expenses	(723)	(810)
Rents	(112)	(104)
Energy, maintenance and repairs	(52)	(53)
Taxes, insurance and co-owned properties charges	(45)	(47)
Other operating expense	(144)	(230)
OPERATING EXPENSES	**(1,139)**	**(1,311)**

* *Restated amounts in application of IFRS 5.*

Rental expense concerns the Group headquarters and the country headquarters. Other operating expenses consist mainly of marketing, advertising, promotional, selling and information systems costs.

4.3 Working capital

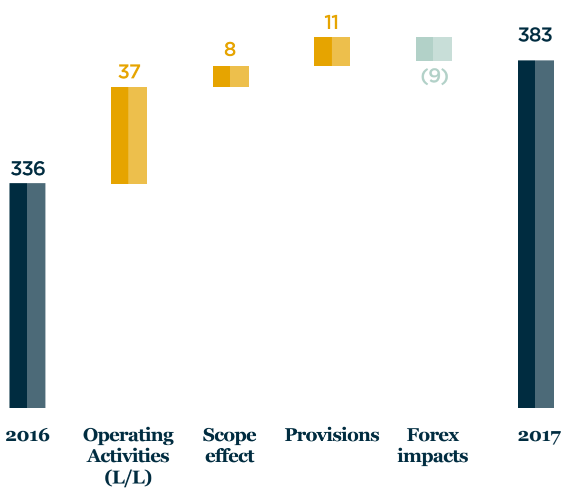
4.3.1 Change in working capital

The working capital can be analyzed as follows:

(in millions of euros)	Dec. 2016	Variation	Dec. 2017
Inventories	8	(0)	8
Trade receivables	374	29	403
Other current assets	252	42	294
Current assets	**635**	**70**	**705**
Trade payables	384	13	398
Other current liabilities	587	103	690
Current liabilities	**971**	**116**	**1,087**
WORKING CAPITAL	**336**	**47**	**383**

The change in working capital requirements breaks down as follows:

Change in working capital



4.3.2 Current assets

Trade receivables break down as follows:

(in millions of euros)	Dec. 2016	Dec. 2017
Gross value	437	470
Provisions	(63)	(68)
NET	**374**	**403**

Provisions for bad debts correspond to numerous separate provisions, none of which are material. Past-due receivables are tracked individually and regular estimates of potential losses are made in order to increase the related provisions if and when required. Past-due receivables not covered by provisions are not material.

Other current assets break down as follows:

(in millions of euros)	Dec. 2016	Dec. 2017
Recoverable VAT	85	107
Prepaid wages and salaries and payroll taxes	2	3
Income tax receivable and other taxes	8	9
Other receivables	131	160
Other prepaid expenses	34	24
Gross value	**260**	**304**
Provisions	(7)	(10)
NET BOOK VALUE	**252**	**294**

Prepaid expenses include mainly the effect of linearization of rents.

4.3.3 Current liabilities

Other current liabilities break down as follows:

(in millions of euros)	Dec. 2016	Dec. 2017
VAT payable	35	52
Wages salaries and Payroll tax payables	180	193
Other tax payables	10	41
Other payables	289	340
Deferred income	74	64
CURRENT LIABILITIES	**587**	**690**

Other payables mainly include the liability for loyalty rewards points and other current operating debts.

note 5 SEGMENT REPORTING

Accounting policy

In accordance with IFRS 8, the segment information presented below is based on data from the Group's internal reporting system that is regularly reviewed by the Executive Committee (defined as the Chief Operating Decision Maker as defined by the standard) to make decisions about resources to be allocated to the segments and assess their performance.

Until year-end 2016, the Group's business model was organized around two strategic businesses:

- HotelServices: Hotel manager and brand franchisor,
- HotelInvest: Hotel owner-operator.

Each strategic business was organized by region.

As part of the contemplated disposal of substantially all of its HotelInvest business, which was contributed to AccorInvest subsidiary on June 30, 2017, AccorHotels has implemented a new organizational structure that resulted in a redefinition of its internal reporting. As from the beginning of 2017, the internal reporting is organized around three strategic activities: HotelServices, Hotels assets and New Businesses.

The performance of the HotelServices segment continues to be followed by geographic region. However, the regional breakdown has been adjusted to reflect the Group's new business organization:

- France & Switzerland;
- Europe;
- Middle East & Africa;
- North America, Central America & the Caribbean;
- South America;
- Asia-Pacific;
- Worldwide structures, which correspond to support entities, whose flows are not specific to a single region.

Hotel assets and New Businesses constitute separate single operating segments.

In accordance with IFRS 8, comparative segment information for the year 2016 has been restated in order to reflect the Group's new organization.

HotelServices

HotelServices corresponds to AccorHotels' business as a hotel manager and franchisor. Its business model focuses entirely on generating fees and services revenue.

All of the Group's hotels, including those contributed to AccorInvest, are managed by HotelServices under management or franchise contracts. The management fees are aligned with market prices in the region or country concerned. In addition, Service Level Agreements (SLAs) have been signed to allocate the cost of services supplied (corresponding to the finance, human resources, purchasing, IT and legal functions), reflecting the country or region organizational structure. On completion of the sale of AccorInvest, the hotels operated by AccorInvest will continue to be managed by HotelServices under management contracts.

HotelServices also includes sales and marketing, distribution and information systems as well as other activities such as a timeshare business in Australia, Strata in Oceania and the AccorHotels loyalty program.

Hotel assets

This operating segment is the Group's hotel owner-operator, comprising the Group's owned and leased hotels. It comprises hotels operations in Eastern Europe and certain hotels, mainly in Brazil, that are operated under variable lease contracts based on a percentage of EBITDAR (corresponding to the perimeter of hotel assets not contributed to AccorInvest). Its business model aims to improve the return on assets and optimize the impact on the statement of financial position. Hotel assets segment spans all asset portfolio management activities, hotel design, construction, refurbishment and maintenance activities as well as the legal and finance functions.

New Businesses

This operating segment corresponds to new businesses developed by the Group (mainly through acquisitions) that were previously included in the HotelServices segment and that are now presented separately:

- Digital services for independent hotels: this business, currently organized around Fastbooking, consists of offering digital solutions to independent hotel operators that will drive growth in their direct sales. The acquisition of Availpro rounds out the suite of products and services offered to hotel operators and create the European leader in digital services for independent hotels.
- Private luxury home rentals, comprising onefinestay and the newly acquired Travel Keys and Squarebreak, with nearly 10,000 addresses worldwide.
- Digital sales, created through the acquisition of VeryChic, which operates a website and mobile applications offering exclusive private sales of luxury and upscale hotel rooms and breaks.
- Concierge services, with the integration of John Paul within the Group, and which in parallel has taken over the Accor Customer Care Service and is managing the launch of AccorLocal project currently being tested in 80 hotels and 5 cities in France.

For each of the segments presented, management monitors the following indicators:

- revenue;
- EBITDA, corresponding to operating profit before depreciation, amortization and provisions, share of net profit of associates and joint ventures and other income and expenses;
- EBIT, corresponding to operating profit before share of net profit of associates and joint ventures and other income and expenses.

No balance sheet information by segment is reported to the chief operating decision maker.

5.1 Reporting by strategic business

The Group's performance by strategic business is as follows:

			Variation *(%)*	
(in millions of euros)	**2016**	**2017**	**Actual**	**L/L[1]**
HotelServices	1,524	1,746	+14.6%	+5.1%
Hotel Assets	599	616	+2.9%	+7.0%
New Businesses	44	100	N/A	+6.9%
Corporate & Intercos	(520)	(525)	+0.8%	(1.2)%
REVENUE	**1,646**	**1,937**	**+17.7%**	**+7.9%**
HotelServices	524	656	+25.4%	+9.7%
Hotel Assets	78	96	+22.7%	+18.8%
New Businesses	(23)	(25)	+7.9%	+12.7%
Corporate & Intercos	(72)	(101)	+40.2%	(38.0)%
EBITDA	**506**	**626**	**+23.6%**	**+8.1%**
HotelServices	467	576	+23.4%	+8.6%
Hotel Assets	36	50	+38.1%	+40.7%
New Businesses	(25)	(33)	+35.4%	+13.2%
Corporate & Intercos	(81)	(100)	+23.5%	(22.6)%
EBIT	**397**	**492**	**+23.9%**	**+10.1%**

(1) L/L: Like-for-like change.

In segment reporting, the data for HotelServices business include the flows with the subsidiary AccorInvest, under the process of being sold. The elimination of these flows is presented on the line "Corporate & Intercos".

5.2 Detailed information for HotelServices

5.2.1 Revenue

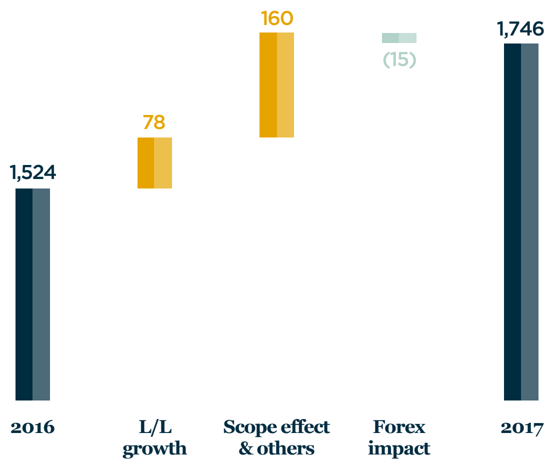
			Variation *(%)*	
(in millions of euros)	**2016**	**2017**	**Actual**	**L/L[1]**
France & Switzerland	374	389	+4.1%	+2.5%
Europe	400	430	+7.6%	+7.2%
Middle East and Africa	105	114	+8.2%	+2.7%
Asia Pacific	416	462	+11.0%	+7.7%
North America, Central America & Caribbean	126	159	+26.0%	+5.2%
South America	69	71	+1.6%	(3.3)%
Worldwide Structures[2]	34	122	N/A	+2.9%
REVENUE	**1,524**	**1,746**	**+14.6%**	**+5.1%**

(1) L/L: Like-for-like change.
(2) "Worldwide Structures" corresponds to revenue that is not specific to a single geographic region.

In 2017, fees invoiced to AccorInvest amounted to €462 million (€461 million in 2016). In the Group consolidated financial statements, these fees continue to be eliminated until the closing of the disposal, in accordance with consolidation principles.

The period-on-period variation of HotelServices revenue breaks down as follows:

Change in revenue



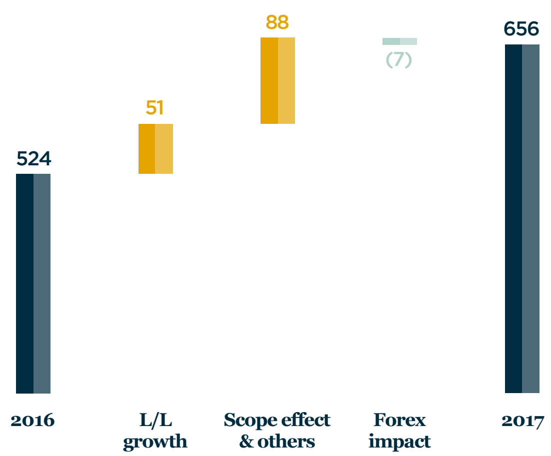
5.2.2 EBITDA

(in millions of euros)	2016	2017	Variation *(%)* Actual	L/L[1]
France & Switzerland	123	129	+5.5%	+5.2%
Europe	134	152	+13.8%	+7.4%
Middle East and Africa	36	36	(0.6)%	(21.4)%
Asia Pacific	112	146	+30.5%	+20.7%
North America, Central America & Caribbean	17	96	N/A	+33.0%
South America	17	13	(23.1)%	(26.0)%
Worldwide Structures[2]	86	84	(2.0)%	+20.8%
EBITDA	**524**	**656**	**+25.4%**	**+9.7%**

(1) L/L: Like-for-like change.
(2) "Worldwide Structures" corresponds to revenue and costs that are not specific to a single geographic region.

The period-on-period change in HotelServices EBITDA breaks down as follows:

Change in EBITDA



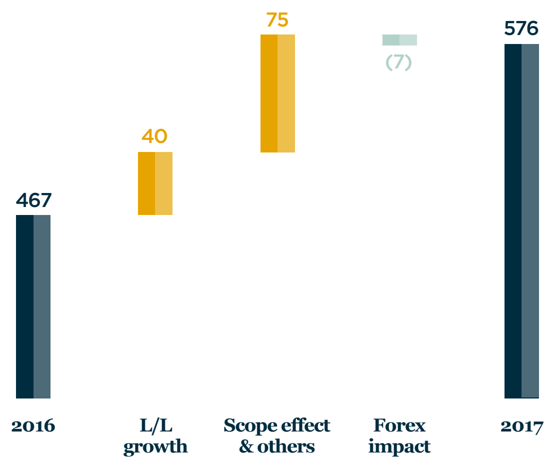
5.2.3 EBIT

(in millions of euros)	2016	2017	Variation *(%)* Real	L/L[1]
France & Switzerland	122	126	+4.1%	+4.1%
Europe	130	146	+12.6%	+6.1%
Middle East and Africa	33	30	(9.8)%	(28.0)%
Asia Pacific	99	130	+32.0%	+18.1%
North America, Central America & Caribbean	10	86	N/A	+22.3%
South America	16	12	(25.3)%	(28.1)%
Worldwide Structures[2]	59	46	(22.2)%	+35.7%
EBIT	**467**	**576**	**+23.4%**	**+8.6%**

(1) L/L: Like-for-like change.
(2) "Worldwide Structures" corresponds to revenue and costs that are not specific to a single geographic region.

The period-on-period change in HotelServices EBIT breaks down as follows:

Change in EBIT



note 6 EMPLOYEE BENEFIT EXPENSES

6.1 Headcount

The Group's workforce breaks down as follows:

Headcount	2016	2017
Full-time equivalent	18,499	18,393

Full time equivalent are based on the ratio between the number of hours worked during the period and the total working hours for the period. Employees for associates and joint-ventures are not included.

6.2 Personnel expenses

Accounting policy

Group employees are entitled to short-term benefits such as paid annual leave, paid sick leave, bonuses and profit-shares payable within twelve months of the end of the period in which the corresponding services are rendered. These benefits are recorded in current liabilities and expensed when the service is rendered by the employee.

Employees are also entitled to various long-term benefits, including:

- post-employment benefits payable after the employee leaves the Group, such retirement termination benefits and pension benefits;
- other long-term benefits payable during employment, such as long-service bonuses, loyalty bonuses and seniority bonuses.

Benefit plans depend on local legislation and on collective bargaining in force in each of the Group's countries. Post-employment benefits are broken down into two categories:

- Defined contribution plans, under which the Group pays periodic contributions to external organizations that are responsible for the administrative and financial management of the plans. The Group has legal or constructive obligation to pay further contributions. These are recognized as expenses for the period to which they relate.
- Defined benefit plans, under which the Group guarantees a contractually future level of benefits. The Group's obligation is recognized as a liability in the consolidated statement of financial position.

Equity-settled long-term incentive plans have also been set up for executive officers and certain employees. The accounting treatment of these plans is presented in Note 6.4.

The personnel expenses break down as follows:

(in millions of euros)	**2016**	**2017**
Salaries and social charges	(709)	(793)
Share-based payments	(14)	(17)
PERSONNEL EXPENSES	**(723)**	**(810)**

6.3 Other employee benefits

Accounting policy

The provision for pensions corresponds to the present value of the projected benefit obligation less the fair value of plan assets in funds allocated to finance such benefits, if any. If plan assets exceed the projected benefit obligation, the surplus is recognized only if it represents future economic benefits that are available to the Group.

The projected benefit obligation is determined by independent actuaries using the projected unit credit method, based on actuarial assumptions such as increase in salaries, retirement age, mortality, employee turnover and discount rate. These assumptions take into account the macro-economic environment and other specific conditions in the various countries in which the Group operates.

The expense recorded in the consolidated income statement includes:

- current service cost and past service cost resulting from a new plan, a plan amendment or a plan curtailment or settlement, recognized in operating expense; and
- net interest cost on defined benefit obligation and plan assets, recognized in net financial expense.

Actuarial gains and losses on post-employment benefit plans that arise from changes in actuarial assumptions and experience adjustments are recognized in the statement of comprehensive income.

Actuarial gains and losses on other long-term benefit plans are recognized immediately in profit or loss.

6.3.1 Pension and other post-employment benefit obligations

(in millions of euros)	Dec. 2016	Dec. 2017
Pension plans	100	80
Other long-term benefits	14	10
Provision	**114**	**91**
Surplus on pension plans	9	12
Pension asset	**9**	**12**
NET COMMITMENT	**105**	**78**
◗ of which net provisions for pensions	91	68
◗ of which net provisions for other benefits	14	10

The €12 million non-current asset corresponds to the surplus recognized on two pension plans in the United Kingdom and in Canada. It is limited to the asset ceiling, determined as the present value of available future reductions in future contributions.

6.3.2 Description of the plans

At AccorHotels, the main post-employment defined benefit plans concern:

- **pension plans:** The main pension plans are located in Worldwide Structures and France (36% of the obligation), in the United-Kingdom (28% of the obligation) and in Canada (23% of the obligation). Pension benefit obligations are determined by reference to employees' years of service and end-of-career salary. They are funded by payments to external organizations that are legally separate from AccorHotels Group. In Worldwide Structures, the pension plan concerns senior executives. Pension rights are unvested and plan participants receive a regular pension, not a lump sum;
- **length-of-service awards** in France: these are lump-sum benefits determined by reference to the employee's years of service and end-of-career salary;
- **supplementary pension plan** in France: this plan provides for the payment of periodic benefits to executive officers and senior executives whose final annual compensation represents more than five times the annual ceiling used for calculating social security contributions ("PASS"), provided that they are employed by the Group up to their retirement.

6.3.3 Actuarial assumptions

The main actuarial assumptions used by the Group to estimate the obligations are as follows:

	Discount rate		Rate of future salary increases	
	Dec. 2017	Dec. 2016	Dec. 2017	Dec. 2016
France	1.6%	1.5%	3.0%	3.0%
Netherlands	1.6%	1.5%	1.0%	1.0%
Germany	1.6%	1.5%	1.5%	1.5%
Belgium	1.6%	1.5%	2.8%	2.8%
Switzerland	0.7%	0.5%	1.0%	1.0%
FRHI	2.5% - 3.75%	2.3% - 3.5%	3% - 4.9%	3% - 4.3%
Worldwide Structures	1.6%	1.5%	3.0%	3.0%

The discount rate in each country is determined by reference to market yield on investment grade corporate bonds with maturities equivalent to that of the employee benefits concerned. If the local corporate bond market is not sufficiently liquid, the government bond rate is used.

6.3.4 Breakdown and changes in the pension obligations

At December 31, 2017, pension obligations break down by region as follows:

(in millions of euros)	Canada	Worldwide structures	United-Kingdom	Belgium	France	Switzerland	Others	Total
Actuarial debt	51	75	64	13	6	5	11	224
Fair value of plan assets	(41)	(30)	(75)	(8)	0	(4)	(2)	(160)
Irrecoverable surplus	4	-	-	-	-	-	(0)	4
NET OBLIGATION	**14**	**45**	**(11)**	**5**	**6**	**1**	**8**	**68**

The movements in the net obligation for pensions over the period are as follows:

(in millions of euros)	Present value of obligation	Fair value of plan assets	Irrecoverable surplus impact	Net
SITUATION AT JANUARY 1, 2017	**306**	**(219)**	**4**	**91**
Transfers related to AccorInvest	**(53)**	**51**	**-**	**(2)**
Current service cost	8	-	-	8
Interest expense/(income)	6	(4)	-	2
Past service cost	(6)	-	-	(6)
Total recognized in profit or loss	**8**	**(4)**	**-**	**4**
Actuarial gains and losses related to experience adjustments	(6)	(6)	-	(11)
Actuarial gains and losses related to changes in demographic assumptions	(0)	-	-	(0)
Actuarial gains and losses related to changes in financial assumptions	(2)	-	-	(2)
Change in irrecoverable surplus (without net interest)	-	-	0	0
Actuarial (gains)/losses	**(8)**	**(6)**	**0**	**(14)**
Benefits paid	(9)	6	-	(4)
Scope changes	0	-	-	0
Exchange differences and others	(19)	12	(0)	(8)
SITUATION AT DECEMBER 31, 2017	**224**	**(160)**	**4**	**68**

6.3.5 Plan assets

The Group's pension obligations are funded under insured plans or by external funds. The assets of insured plans are invested in investment funds in each of the countries concerned, except for Worldwide Structures. Plan assets consist mainly of classes of assets held in insurers' general portfolios managed according to conservative investment strategies. At December 31, 2017, the breakdown of assets is as follows:

(in millions of euros)	United-Kingdom	Canada	Worldwide structures	Belgium	Others	Total
Bonds	21	31	24	-	1	77
Real Estate	-	-	2	-	1	3
Shares	18	10	3	-	1	33
Liquidity	2	0	-	-	0	3
Insurance contracts	34	-	-	8	2	44
Other	0	-	0	-	0	1
VALUE OF PLAN ASSETS	**75**	**41**	**30**	**8**	**6**	**160**

The expected long-term return on plan assets is matched to the discount rate.

6.3.6 Sensitivity analysis

At December 31, 2017, the sensitivity of provisions for pensions to a change in discount rate is as follows:

(in millions of euros)	Impact on obligation
Impact of increase in discount rate by 0.5 pt	(11)
Impact of decrease in discount rate by 0.5 pt	12

6.3.7 Expected cash flows

The following table shows expected cash outflows for the coming years, without taking account any cash inflows generated by plan assets:

(in millions of euros)	2018	2019	Beyond	Total
Expected benefits payments	10	9	113	132

6.4 Share-based payments

Accounting policy

Performance share plans

Performance share plans are set up regularly for Group managers. The plans generally have a vesting period between two and four years and the shares vest only if the grantee is still employed by the Group on the vesting date.

The fair value of the employee benefit is determined by independent experts using the "Monte Carlo" model. It corresponds to the share price at grant date, less (i) the present value of dividends not received during the vesting period, and (ii) a discount reflecting the estimated probability of the external performance conditions being fulfilled. The total cost of each plan is calculated at grant date and is not adjusted in subsequent periods.

Internal performance conditions (continued presence within the Group at vesting date and internal performance objectives) are not taken into account for the fair value calculations. However, they are taken into account for the purpose of estimating the number of shares that are likely to vest. This estimate is updated at each period end.

Stock option plans

No stock options have been granted since 2013. The plans set up in previous years included plans for which the only condition was the grantee's continued presence within the Group at the exercise date and performance stock option plans.

The cost of these plans corresponds to the fair value of the options, as determined using the Black & Scholes option-pricing model based on the plan's characteristics and market data (such as the underlying share price and stock market volatility). The number of potentially exercisable options is reviewed at each period end.

Employee share plans

As part of its incentive policy, the Group may organize employee rights issues giving staff the opportunity to purchase Accor SA shares at a discount. The employee benefit corresponds to the difference between the price at which the shares are offered to employees and the Accor SA share price on the date the rights are exercised. If the shares are subject to any sale restrictions, this is reflected in the valuation of the employee benefit.

The cost of share-based payment plans is recognized in employee benefits expense on a straight-line basis over the vesting period, with the corresponding liability recognized in:

- shareholders' equity for equity-settled plans;
- employee benefit obligations for cash-settled plans, adjusted at each period end.

If the plan is not subject to any vesting conditions, the cost is recognized in full on the grant date.

Substantially all of the plans in progress at December 31, 2017 were equity-settled plans.

The dilutive effect of plans that have not yet vested is reflected in diluted earnings per share calculations.

In 2017, the cost of share-based payment plans was €19 million, of which €17 million was recognized in employee benefits expense from continuing operations as follows:

(in millions of euros)	**2016**	**2017**
2013 Plans	0	0
2014 Plans	3	1
2015 Plans	8	4
2016 Plans	3	4
2017 Plans		6
Performance shares plans	**14**	**14**
Employee share plans	**0**	**3**
TOTAL	**14**	**17**

6.4.1 Performance share plans

The movements over the period are as follows:

(number of shares)	2016	2017
Performance shares at beginning of period	**1,045,048**	**1,093,899**
Shares granted	506,215	2,043,841
Shares cancelled or expired during the period	(40,454)	(49,215)
Shares vested during the period	(416,910)	(41,895)
Performance shares at end of period	**1,093,899**	**3,046,630**

Details of performance share rights granted during the year are presented below.

Co-investment plans

On June 20 and December 14, 2017, AccorHotels set up a co-investment plan for its key managers. In exchange for an initial personal investment in Accor SA shares, plan participants will receive after three years up to three shares for each share originally acquired, provided that certain performance conditions are fulfilled. The shares will vest provided that the grantee remains with the Group until the end of the three-year vesting period and retains his or her personal investment throughout this period, and the following two performance conditions are both fulfilled:

- Internal condition: Achievement of 90% of cumulative targeted EBIT for the years 2017, 2018 and 2019.
- External condition: Share price of at least €55 (triggering the vesting of two performance shares for each share purchased) and €60 (three performance shares for each share purchased). The estimated probability of this performance condition being fulfilled was taken into account to determine the fair value of the performance shares on the grant date.

Performance shares

On June 30, 2017, the Group granted a performance shares plan to senior executives and certain employees under performance conditions. The shares plan is subject to a three-year vesting period but no lock-up period applies. The shares will vest provided that the grantee remains with the Group until the end of the three-year vesting period, and the following three performance conditions are fulfilled over the years 2017, 2018 and 2019:

- Internal conditions (80% weighting): EBIT margin compared to the budget and free cash flows excluding disposal proceeds (net cash from operating activities, less net cash used in/from investments and divestments, adjusted for changes in operating working capital).
- External condition (20% weighting): change in AccorHotels' Total Shareholder Return (TSR) compared with that of other international hotel groups and the CAC 40 index. The estimated probability of this performance condition being fulfilled was taken into account to determine the fair value of the performance shares on the grant date.

On October 18, 2017, the Group set up a performance share plan with similar characteristics to the June plan.

The total cost of plans set up in 2017 was €36 million. This amount is being recognized on a straight-line basis over the vesting period, including €6 million in 2017.

The plans' main characteristics and the assumptions used to determine their cost are as follows:

	Performance shares		Co-investment	
Characteristics	**June**	**October**	**June**	**December**
Number of shares granted	570,579	27,340	1,304,754	141,168
Vesting period	3 years	3 years	3 years	3 years
Share price at grant date *(in €)*	41.05	43.20	41.45	41.94
Share fair value at grant date	34.34	36.01	10.35	10.71

6.4.2 Stock options plans

The movements over the period are as follows:

	December 31, 2016		December 31, 2017	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding at beginning of period	**2,385,431**	**€26.93**	**2,123,250**	**€27.22**
Options cancelled or expired during the period	(12,307)	€26.09	(69,556)	€23.35
Options exercised during the period	(249,874)	€24.48	(786,183)	€25.42
Options outstanding at end of period	**2,123,250**	**€27.22**	**1,267,511**	**€28.55**
Options exercisable at end of period	**2,083,250**	**€27.16**	**1,267,511**	**€28.55**

Outstanding options at December 31, 2017 are as follows:

Plan	Grant date	Number of outstanding options	Remaining life	Exercise price
Plan 20	April 2010	383,188	3 months	€26.66
Plan 21	April 2010	12,724	3 months	€26.66
Plan 22	November 2010	84,916	11 months	€30.49
Plan 23	April 2011	388,892	1 year and 3 months	€31.72
Plan 24	April 2011	30,469	1 year and 3 months	€31.72
Plan 25	March 2012	336,595	2 years and 2 months	€26.41
Plan 26	March 2012	20,727	2 years and 2 months	€26.41
Plan 27	September 2013	10,000	3 years and 9 months	€30.13

6.4.3 Employee share plans

In 2017, AccorHotels launched the "Share 17" leveraged employee share plan for Group employees in nine countries. Eligible employees were given the opportunity to purchase Accor SA shares at a price of €33.51 through a corporate mutual fund (FCPE). In countries where it was not possible or appropriate to set up a corporate mutual fund, the shares could be purchased directly together with stock appreciation rights ("SAR").

The price corresponded to the average of the opening prices quoted for Accor SA shares over the 20 trading sessions preceding the pricing date less a 20% discount. It was set on November 20, 2017 by the Chairman and Chief Executive Officer. The shares are subject to a five-year lock-up, which may be waived in the specific cases listed in the plan's rules. The personal investment by participating employees is protected throughout the duration of the plan and they also benefit from any increase in the share price according to a pre-defined formula.

On December 21, 2017, a total of 550,437 shares with a par value of €3 were issued to participants in the "Share 17" plan at a price of €33.51 per share. The issue premium, corresponding to the difference between the aggregate par value of the new shares and the total issue proceeds net of transaction expenses, amounted to €17 million.

The cost recorded in 2017 was €3 million.

6.5 Corporate officer's compensation

Corporate officers are defined as members of the Executive Committee which had fourteen members at the end of December 31, 2017 and the Board of Directors.

The following table shows the compensation received by the persons who were members of the Executive Committee during the period:

(in millions of euros)	2016	2017
Short-term benefits received	16	18
Share-based payments	4	6
Compensation for loss of office	2	5
Post-employment benefits	3	1
COMPENSATION	**25**	**30**

Members of the Board of Directors do not receive any compensation and receive only attendance fees. Attendance fees paid by the Group to the members of the Supervisory Board for 2017 amounted to €1 million.

note 7 ASSOCIATES AND JOINT-VENTURES

Accounting policy

The consolidated financial statements include the Group's share of changes in the net assets of associates and joint ventures accounted for by the equity method. Investments in associates and joint ventures are initially recorded at cost in the consolidated statement of financial position and are subsequently adjusted at each period end to include the Group's share of their undistributed net profit.

In the following specific cases, the investment is initially recognized at fair value:

- when the Group acquires significant influence or joint control over an investee that was previously controlled exclusively by the Group; or
- when the Group acquires significant influence or joint control over an investee that was not previously consolidated.

Goodwill arising on acquisition of associates and joint ventures is included in the carrying amount of the investment.

If the carrying amount of an investment is reduced to zero due to the cumulative losses of the associate or joint venture, the Group's share of any further losses is not recognized unless it has a legal or constructive obligation in relation to the investee's negative net assets. Investments in associates and joint ventures are tested for impairment when there is an indication that they may be impaired.

Entities accounted for under the equity method are an integral part of the Group's operations.

7.1 Share of net profit of associates and joint-ventures

The main contributions of associates and joint-ventures are analyzed as follows:

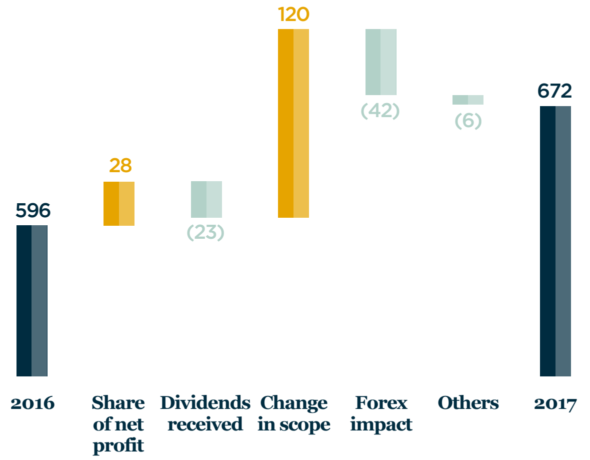
(in millions of euros)	2016	2017
China Lodging Group	10	16
Asia Pacific Hotels	(16)	(14)
Avendra	-	9
Société Hôtelière Paris Les Halles	-	3
SERHR (Orféa)	5	3
Others (including Risma)	1	5
Associates	**0**	**22**
Joint ventures	**5**	**6**
SHARE IN RESULTS OF COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD	**6**	**28**
Of which share of income before taxes	14	40
Of which share of taxes	(8)	(12)

7.2 Investments in associates and joint-ventures

(in millions of euros)	Dec. 2016	Dec. 2017
China Lodging Group	191	191
Asia Pacific Hotels	147	140
25Hours	35	36
Mama Shelter	28	28
Noctis	-	22
Others (including Risma)	145	147
Associates	**546**	**564**
Partnership with Rixos	-	37
Nextdoor	-	22
SIEHA	22	19
Others	28	31
Joint ventures	**50**	**109**
INVESTMENTS IN ASSOCIATES AND JOINT-VENTURES	**596**	**672**

The Asia-Pacific investments primarily include Interglobe Hotels Private Limited (a company which operates ibis hotels in India) for €55 million, Caddie Hotels Private (a company which operates a Novotel and a Pullman in New Delhi) for €24 million, three companies which operate Novotel and ibis hotels in South Korea for €26 million and Triguna, a company dedicated to development partnerships under ibis and Novotel brands in India for €17 million.

Change in equity investments



Scope changes mainly include acquisition of interests in Noctis, Potel & Chabot, Nextdoor and the partnership with Rixos for a total of €94 million.

Note that Avendra' shares, acquired as part of the FRHI Hotels & Resorts business combination in 2016 and previously included in "Investments in non-consolidated companies" has been reclassified as "Investments in associates" in 2017 as part of the finalization of the acquisition accounting, in order to reflect the significant influence exercised by the Group. These shares were then sold, as mentioned in Note 2.1.3.

7.3 Information about material associates and joint-ventures

The following associates are material to the Group:

- Huazhu Hotels Group (China Lodging), which is a Chinese Hospitality group listed on Nasdaq (10.8% interest);
- Interglobe Hotels, which owns ibis hotels in India that are managed by AccorHotels (40% interest); and
- Risma, which is a tourism operator listed on the Casablanca Stock exchange (33.3% interest).

In the Group's consolidated financial statements, the share of net profit for the two first companies is based on the 12-month period ending as of September 2017. China Lodging Group (Huazhu) publishes its financial statements after the publication deadlines of the Group. Interglobe, for its part, closes its annual accounts at March 31.

Key financials for the 12-month period ended September 2017 for these two entities are as follows:

(in millions of euros)	Huazhu	Interglobe
P&L		
Revenue	999	29
NET PROFIT (LOSS)	**162**	**(9)**
Balance sheet		
Total current Assets	653	19
Total non-current Assets	1,369	213
Equity	809	129
Total current Liabilities	464	14
Total non-current Liabilities	750	90
BALANCE SHEET	**2,022**	**233**

Financial data for China Lodging are based on the data published by the entity for the aforementioned period.

For confidentiality reasons, AccorHotels is not able to disclose any financial information for Risma, which published its financial information after AccorHotels publication. At December 31, 2017 the company had a market capitalization of €184 million.

To the best of the Group's knowledge, there are no material restrictions on the ability of any associate or joint venture to transfer funds to AccorHotels in the form of cash dividends or to repay any loans other liabilities.

note 8 NON-RECURRING INCOME AND EXPENSE

Accounting policy

In order to facilitate assessment of the Group's underlying performance, unusual items of income and expense that are material at the level of the Group and income and expense items which, by definition, do not contribute to the Group's operating performance, are presented separately in the income statement on the line "Other income and expenses". This caption is used primarily to report restructuring costs, impairment losses recognized following impairment tests, gains and losses on disposals of non-current assets as well as the impacts related to scope changes (transaction costs, gains and losses arising on disposals of assets and remeasurement of any previously hold interest).

(in millions of euros)	2016*	2017
Impairment losses	(16)	(3)
Restructuring expenses	(105)	(44)
Gains and losses on management of hotel properties	93	(5)
Other non recurring income and expenses	(68)	(55)
OTHER INCOME AND EXPENSES	**(96)**	**(107)**

* *Restated amounts in application of IFRS 5.*

At December 31, 2017, this caption mainly include:

- restructuring costs for €(44) million notably related to restructuring plans in France and headquarters;
- costs incurred for the spin-off and planned divestment of AccorInvest for €(56) million (mainly bank fees, legal fees and governance and management consulting fees);
- litigation costs in Brazil for €(9) million;
- transactions costs, internal projects and FRHI Hotels & Resorts Group integration costs for €(23) million.

In addition, a gain related to the disposal of Avendra's shares (investments in associates) is recorded for €48 million (see Note 2.1.3).

In 2016, other income and expenses included restructuring costs and expenses in connection with FRHI Hotels & Resorts integration for €(98) million, fees related to the AccorInvest spin-off project for €(14) million and a gain of €66 million related to the divestment of AccorHotel's Economy and Midscale hotels businesses in China to Huazhu.

note 9 INTANGIBLE AND TANGIBLE ASSETS

9.1 Intangible assets

Accounting policy

Goodwill

Goodwill is initially recorded on business combinations. It is not amortized in subsequent periods, but is tested for impairment at least once a year and as soon as there is an indication that it may be impaired. For impairment testing purposes, goodwill is allocated to the cash generating unit (CGU) that is expected to benefit from the synergies of the business combination.

Other intangible assets

In accordance with IAS 38, separately acquired intangible assets are measured initially at cost. Identifiable intangible assets acquired in a business combination are measured initially at fair value. After initial recognition, intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses.

Brands and lease premiums in France ("droit au bail") are considered as having indefinite useful lives because the Group considers that there is no foreseeable limit to the period in which they can be used. Consequently, these assets are tested for impairment at least once a year and whenever there is an indication that they may be impaired. Other intangible assets are amortized on a straight-line basis over their estimated useful life.

At the time of signature of management or franchise contracts, AccorHotels may have to pay key money to the owners of the hotels. These payments are necessary to secure the signing of the contracts and are qualified as intangible assets under IAS 38. A key money is amortized over the life of the contract to which it relates.

Software costs incurred during the development phase are capitalized as internally-generated assets if the Group can demonstrate all of the following in accordance with IAS 38: (i) its intention to complete the project and the availability of adequate technical, financial and other resources for this purpose, (ii) how the intangible asset will generate probable future economic benefits, and (iii) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Intangible assets breakdown as follows:

	Dec. 2016	Dec. 2017		
(in millions of euros)	Net book value	Gross value	Amort. & depreciation	Net book value
Goodwill	1,496	1,564	(63)	1,500
Brands and rights	1,537	1,430	(34)	1,396
Management contracts	580	587	(46)	541
Key money	78	141	(39)	102
Licenses, software	70	298	(209)	90
Other intangible assets	136	214	(41)	173
INTANGIBLE ASSETS	**3,897**	**4,234**	**(431)**	**3,803**

9.1.1 Goodwill

Changes in the carrying amount of goodwill over the period were as follows:

(in millions of euros)	Dec. 2016	Scope impacts	Translation adjustment & others	IFRS 5 Reclass.	Dec. 2017
France & Switzerland	108	38	(3)	-	144
Europe	91	49	(4)	-	136
Mediterranean, Middle East & Africa	6	171	(13)	-	164
Asia Pacific	206	284	(35)	-	455
North/Central America & Caribbean	-	269	(20)	-	249
South America	60	-	-	-	60
Worldwide Structures	786	(744)	(42)	-	(0)
HOTELSERVICES	1,257	68	(116)	-	1,209
HOTELASSETS	64	-	(2)	19	82
NEW BUSINESSES	241	33	(1)	-	273
Gross value	**1,562**	**101**	**(119)**	**19**	**1,564**
Impairment losses	(66)	(0)	3	-	(63)
NET BOOK VALUE	**1,496**	**101**	**(116)**	**19**	**1,500**

As explained in Note 5, the Group's operating segments have been redefined to reflect the new organization of the Group. As a result, HotelServices goodwill is now aggregated based on the new geographic areas and goodwill for New Businesses previously included in HotelServices is now presented separately. Comparative information at December 31, 2016 has been restated for comparability purposes.

The FRHI Hotels & Resorts purchase price allocation determined provisionally in July 2016 was completed during 2017. Final goodwill amounts to €865 million (US$959 million), representing a €68 million increase compared to the goodwill recognized initially. The main adjustments were as follows:

- recognition of a €39 million impairment loss on the lands of a hotel property;
- recognition of additional contingent liabilities for €12 million;
- recognition of additional deferred tax liabilities for €23 million.

The final goodwill has been allocated as follows:

- €812 million to the HotelServices, mainly for the geographical areas (i) Asia Pacific, (ii) North America, Central America and Caribbean, (iii) Mediterranean and Middle East and Africa (initially presented in Worldwide structures);
- €53 million to AccorInvest (already reclassified as "Assets held for sale" at December 31, 2016).

Changes in goodwill allocated to New Businesses is explained by the recognition of a goodwill on the acquisitions of Squarebreak, Travel Keys, VeryChic and Availpro for a total of €51 million. In addition, completion of the purchase price allocation of John Paul, acquired in November 2016, led to the recognition of intangible assets for €37 million and related deferred tax liabilities of €13 million. Final goodwill amounts to €87 million.

Concerning the HotelAssets business, the IFRS 5 adjustment corresponds mainly to the €19 million goodwill arising on acquisition of a Sofitel in Egypt, which was finally excluded, from the assets contributed to AccorInvest.

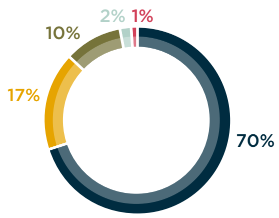
9.1.2 Other intangible assets

Changes in the carrying amount of intangible assets in 2017 were as follows:

(in millions of euros)	Dec. 2016	Increase	Disposals	Translation adjustment & others	IFRS 5 Reclass.	Dec. 2017
Trademarks	1,572	11	-	(153)	0	1,430
Management contracts	609	50	(4)	(67)	-	587
Key money	111	10	(1)	21	-	141
Licenses, software	235	34	(11)	39	1	298
Leasehold rights	77	-	(1)	4	-	80
Customer relationships	-	48	-	-	-	48
Other intangible assets	88	33	(2)	(32)	0	87
Gross value	**2,692**	**185**	**(18)**	**(188)**	**1**	**2,670**
Accumulated amortizations	(291)	(85)	12	(4)	(0)	(368)
NET BOOK VALUE	**2,401**	**100**	**(6)**	**(192)**	**0**	**2,302**

The carrying amount of brands breaks down as follows:

December 2017



(in millions of euros)	Dec. 2016	Dec. 2017
Fairmont	1,087	984
Swissôtel	261	231
Raffles	159	142
onefinestay	22	22
Other trademarks	7	17
TOTAL	**1,537**	**1,396**

The main brands are Fairmont, Raffles and Swissôtel (for €1,356 million) and onefinestay acquired in 2016.

Management contracts primarily consist of contracts recognized in connection with the FRHI Hotels & Resorts business combination in 2016. In November 2017, the Group entered into a strategic partnership with Brazil Hospitality Group (BHG), the country's third largest hotel group, covering the acquisition of a portfolio of management contracts for 26 hotels owned or managed by BHG for €57 million.

Contractual customer relationships were recognized as part of the purchase price allocation for John Paul, VeryChic and Availpro for a total of €47 million. These assets were measured using the super profit method which consists of discounting to present value the additional profits generated by the underlying assets.

Translation differences for the period mainly concerned the FRHI Hotels & Resorts brands and management contracts which are recorded in US dollars.

9.2 Tangible assets

Accounting policy

Property, plant and equipment are measured initially at acquisition or production cost. For hotel assets that take a substantial period of time to get ready for their intended use ("qualifying assets" as defined in IAS 23), the initial cost includes borrowing costs that are directly attributable to these assets. After initial recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation periods

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, determined by the components method, from the date when they are put in service, as follows:

	Economy Hotels	Luxury Upscale and Midscale Hotels
Buildings and related cost	35 years	50 years
Building improvements, fixtures and fittings	7 to 25 years	7 to 25 years
Equipments	5 to 15 years	5 to 15 years

Useful lives are reviewed at regular intervals and adjusted prospectively if necessary.

Finance leases

When long-term real estate and other leases are signed, the lease terms are examined to determine whether they qualify as operating or finance leases. Leases that transfer substantially all the risks and rewards incidental to ownership of an asset to AccorHotels are qualified as finance leases and accounted for as follows:

- the leased item is recognized as an asset at an amount equal to its fair value or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease;
- a liability is recognized for the same amount, under "Finance lease liabilities";
- minimum lease payments are allocated between interest expense and reduction of the lease liability.

If there is reasonable certainty that the Group will obtain ownership of the asset by the end of the lease term, the asset is depreciated over its useful life using the components method in accordance with Group accounting policy. Otherwise, the asset is depreciated over the shorter of the lease term and its useful life.

Property, plant and equipment break down as follows:

	Dec. 2016	Dec. 2017		
(in millions of euros)	Net book value	Gross value	Amort. & depreciation	Net book value
Land	33	59	(5)	54
Buildings	329	782	(417)	365
Fixtures	85	279	(162)	117
Equipment and furniture	94	253	(160)	93
Constructions in progress	21	36	(2)	33
PROPERTY, PLANT AND EQUIPMENT	**562**	**1,408**	**(746)**	**662**

Changes in the carrying amount of property, plant and equipment in 2017 were as follows:

(in millions of euros)	Dec. 2016	Increase	Decrease	Translation adjustment & others	IFRS 5 Reclass.	Dec. 2017
Land	34	32	(1)	(0)	(8)	59
Buildings	664	37	(32)	26	86	782
Fixtures	216	56	(16)	15	9	279
Equipment and furniture	229	13	(17)	10	19	253
Constructions in progress	26	37	(0)	2	(30)	36
Gross value	**1,169**	**177**	**(66)**	**53**	**76**	**1,408**
Accumulated depreciation	(572)	(73)	51	(34)	(61)	(688)
Impairment losses	(35)	5	5	1	(34)	(58)
NET BOOK VALUE	**562**	**109**	**(10)**	**20**	**(19)**	**662**

Increases over the period mainly concern:

- buyback of real estate of five hotels in Budapest, which were operated under fixed leases under the Mercure, ibis and *ibis styles* brands, representing a total investment of €66 million;
- acquisition for subsequent resale of a Sofitel in Budapest for €43 million (this hotel was immediately reclassified as held for sale).

Decreases over the period mainly comprise the disposal of four Mercure and two ibis in Poland representing a net book value of €8 million.

Moreover, over the period, a Sofitel in Egypt finally excluded from the contributions to AccorInvest was excluded from Assets held for sale for a net amount of €29 million.

9.3 Impairment test

Accounting policy

The carrying amounts of property, plant and equipment, intangible assets and goodwill are reviewed and tested for impairment when there is any indication that they may be impaired. These tests are performed at least once a year for goodwill and intangible assets with an indefinite useful life.

Criteria used for impairment tests

For impairment testing purposes, the criteria considered as indicators of a possible impairment are the same for all businesses:

- 15% drop in revenue, based on a comparable consolidation scope; or
- 30% drop in EBITDA, based on a comparable consolidation scope.

Impairment tests

Each brand is tested for impairment separately. Goodwill is tested for impairment at the level of the CGU or group of CGUs to which it is allocated for internal management purposes. A cash-generating unit (CGU) is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The Group considers that goodwill is allocated for internal management purposes to:

- HotelServices CGUs corresponding to the regions used for the segment analysis;
- HotelAssets CGUs corresponding to the individual hotels;
- New Businesses CGUs corresponding to the business lines (Digital Services, Private Vacation Rentals, Digital Sales and Concierge Services).

Determination of recoverable value

The recoverable amount of goodwill is estimated taking into account the specific features of each business:

- For the **HotelServices and New Businesses** CGUs, recoverable amounts are estimated using the value in use. The projection period is limited to five years. Cash flows are discounted at a rate corresponding to the year-end weighted average cost of capital. The projected long-term rate of revenue growth reflects each country/region's economic outlook. Each calculation also takes into account the specific features of the country or region concerned. This is a level 3 valuation technique under IFRS 13.
- For the **HotelAssets** CGUs, recoverable amounts are estimated using fair values calculated based on a standard EBITDA multiple. For hotel properties, this method is considered as the most appropriate approach to estimating fair value less costs to sell, as it most closely reflects the amount that would be expected to be recovered through the sale of the asset. The multiples method consists of calculating each hotel's average EBITDA for the last two years and applying a multiple based on the hotel's location and category. The multiples applied by the Group correspond to the average transaction prices observed on the market and are as follows:

Segment	Multiples
Luxury and Upscale	8.1 < x < 11.9
Midscale	7.8 < x < 12.0
Economy	7.6 < x < 12.6

This is a level 2 valuation technique under IFRS 13. If the recoverable amount is less than the carrying amount, the asset's recoverable amount will be recalculated according to the discounted cash flows method.

Impairment loss measurement

If the recoverable amount is less than the carrying amount, an impairment loss is recognized in the income statement. All or part of an impairment loss on an asset other than goodwill may be reversed if there has been a change in the estimates used to determine the asset's recoverable amount. If this is the case, the carrying amount of the asset is increased to its recoverable amount. The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss may not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years.

Impairment losses recognized in 2017 amounted to €3 million.

The core assumptions used to determine the recoverable amount of an asset are consistent with those used to prepare the Group's business plans and budgets. They reflect past experience and also take into account information from external sources such as hotel industry growth forecasts and forecasts concerning geopolitical and macro-economic developments in the regions concerned.

The main assumptions used to estimate recoverable amounts for HotelServices CGUs were as follows:

	December 2016		December 2017	
	Growth rate	**Discount rate**	**Growth rate**	**Discount rate**
France & Switzerland	+2.0%	+7.4%	+2.0%	+8.1%
Europe	+1.5%	+7.4%	+1.5%	+8.1%
Middle East and Africa	N/A	N/A	+3.0%	+9.5%
Asia Pacific	+2.0%	+7.6%	+2.0%	+9.2%
North America, Central America & Caribbean	N/A	N/A	+3.0%	+9.2%
South America	+4.3%	+11.2%	+4.0%	+13.9%

Sensitivity tests performed on the main CGUs at December 31, 2017 showed that:

- France & Switzerland – The CGU's carrying amount would exceed its recoverable amount only if the discount rate unlikely increased by 4,032 basis points. The carrying amount would remain below the recoverable amount whatever the perpetuity growth rate;
- Europe – The CGU's carrying amount would exceed its recoverable amount if the discount rate increased by 1,551 basis points. The carrying amount would remain below the recoverable amount whatever the perpetuity growth rate;
- Middle East and Africa – The CGU's carrying amount would exceed its recoverable amount if the discount rate increased by 112 basis points or the perpetuity growth rate was reduced by 158 basis points;
- Asia Pacific – The CGU's carrying amount would exceed its recoverable amount if the discount rate increased by 559 basis points or the perpetuity growth rate was reduced by 1,143 basis points;

- North America, Central America & Caribbean – The CGU's carrying amount would exceed its recoverable amount if the discount rate increased by 36 basis points or the perpetuity growth rate was reduced by 49 basis points;
- South America – The CGU's carrying amount would exceed its recoverable amount if the discount rate increased by 1,561 basis points. The carrying amount would remain below the recoverable amount whatever the perpetuity growth rate.

Sensitivity tests on these recoverable amounts show that a 10% decline in projected discounted operating cash flows would not result in the recognition of any impairment loss.

Concerning Hotel assets goodwill, a simultaneous, matching change in the underlying macro-economic environment affecting the EBITDA of all the hotels constituting separate CGUs is highly improbable and a general analysis of sensitivities is not considered relevant. However, if the carrying amounts of certain hotels that are individually material were to become sensitive to such changes, sensitivity analyses would be published for those hotels.

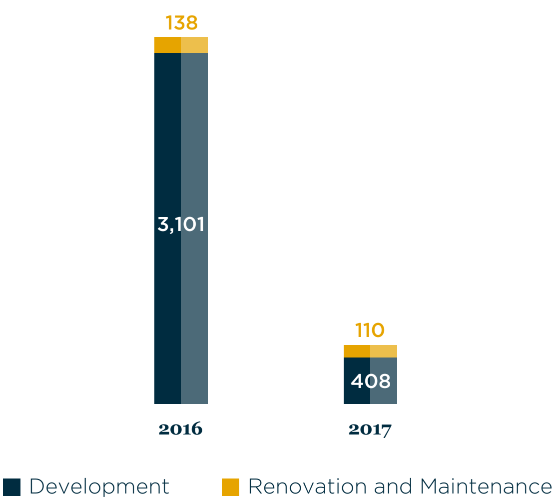
Concerning New Businesses, impairment tests performed did not reveal any impairment loss.

9.4 Renovation and maintenance and development expenditure

Accounting policy

- The amounts reported under "Renovation and maintenance expenditure" correspond to capitalized costs for maintaining or improving the quality of assets held by the Group at the beginning of each period (January 1st) as a condition of their continuing operation.
- "Development expenditure" comprise acquired subsidiaries (amount net of net cash or debt acquired), investments in equity accounted entities, acquisitions of non-current assets, construction of new assets and the exercise of call options under sale-and-leaseback transactions.

Investments



In 2017, most important development expenditure concern:

- €94 million related to the acquisition stake in investments recorded under the equity method (Noctis, Potel & Chabot, Nextdoor and partnership with Rixos);
- €66 million related to the acquisition of a company holding five hotels in Budapest;
- €69 million related to the acquisitions of Availpro, Travel Keys, Squarebreak and VeryChic (amount paid net of cash acquired);
- €57 million related to the acquisition of a portfolio of 26 management contracts from the Brazilian group BHG (Brazilian Hospitality Group);
- €43 million related to the acquisition of a Sofitel in Budapest.

In 2016, development expenditure mainly concerned the acquisition of FRHI Hotels & Resorts, onefinestay and John Paul, representing a net outlay of €2,775 million.

note 10 PROVISIONS

Accounting policy

A provision is recognized when the Group has a present obligation (legal, contractual or implicit) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, but whose amounts and maturity are uncertain. Provisions are determined based on the best estimate of the expenditure required to settle the obligation, in application of certain assumptions. Provisions are discounted when the effect of the time value of money is material.

Provisions for restructuring costs are recorded when the Group has a detailed formal plan for the restructuring and the plan's main features have been announced to those affected by it as of the period end. Tax provisions correspond to the probable risks arising from positions taken by the Group or one of its subsidiaries. Where applicable, the amount of the provision includes late interest and penalties, if any. Other provisions are intended to cover specifically identified risks and claims and litigation arising in the normal course of business.

Movements in provisions over 2017 can be analyzed as follows:

				Reversal					
(in millions of euros)	**Dec. 2016**	**Global result**	**Increases**	**Utilizations**	**Unused provisions**	**Translation adjustment**	**Change in scope and reclassification**	**IFRS 5** reclass.	**Dec. 2017**
Pensions and other benefits	114	(10)	14	(9)	(7)	(2)	(11)	1	91
Litigation and others	76	-	17	(4)	(18)	(4)	0	1	67
Tax litigation	24	-	1	(8)	(0)	(0)	(2)	0	14
Restructuring	70	-	23	(51)	(4)	(2)	2	-	38
PROVISIONS	**284**	**(10)**	**54**	**(72)**	**(30)**	**(8)**	**(10)**	**2**	**210**
Including non-current	133	(10)	14	(9)	(7)	(3)	(14)	1	103
Including current	151	-	41	(63)	(22)	(5)	4	1	106

At December 31, 2017 provisions amounted to €210 million. The decrease of €74 million compared with December 31, 2016 was mainly due to the reversal of €51 million in restructuring provisions set up to mainly cover the cost of restructuring of the Pullman Montparnasse (€27 million) and integration costs for FRHI Hotels & Resorts Group (€15 million). New restructuring provisions were set aside in 2017 for a total of €23 million, covering restructuring plans in France, Headquarters and Africa-Middle East region.

Changes in provisions for claims and litigations primarily concerned a €9 million allowance for litigations in Brazil and €11 million reversals for various claims. Lastly, the €8 million provision set up in connection with the tax audit at Accor SA covering the years 2008 and 2009 was reversed following the settlements paid during the year.

Provisions for pensions and other post-employment benefits are analyzed in Note 6.3.

note 11 FINANCING AND FINANCIAL INSTRUMENTS

11.1 Net Financial Expense

Accounting policy

Cost of net debt includes interest received or paid on loans, receivables and debts measured at amortized cost, and gains and losses corresponding to the ineffective portion of related hedges. It also includes investment income from marketable securities and miscellaneous income from banks.

Other financial income and expenses mainly include gains and losses corresponding to the ineffective portion of hedges, dividend income from non-consolidated companies, exchange gains and losses and movements in provisions.

The net financial expense is analyzed as follows:

(in millions of euros)	**2016***	**2017**
Bonds interests	(79)	(80)
Other interests expenses	(11)	(13)
Financial income	18	23
Cost of net debt	**(71)**	**(71)**
Other financial income and expenses	(46)	17
NET FINANCIAL EXPENSE	**(117)**	**(54)**

* *Restated amounts in application of IFRS 5.*

The improvement of the financial result is due to the favorable variation of other financial income and expenses, the net cost of net debt remains stable in the period.

Other financial income and expenses include the following items:

(in millions of euros)	**2016***	**2017**
Hedging	(35)	10
Exchange gains/(losses)	(15)	6
Dividend income	7	4
Movements in provisions	(2)	(3)
OTHER FINANCIAL INCOME AND EXPENSES	**(46)**	**17**

* *Restated amounts in application of IFRS 5.*

The €62 million positive variation is mainly attributable to:

- a €31 million positive fair value adjustment related to an interest rate derivative set up in order to secure a potential lease financing the real estate investment of the Group's headquarters. The positive impact is attributable to the increase in interest rates;
- a €13 million expense in 2016 related to the ineffective portion of the hedge set up in connection with the FRHI Hotels & Resorts Group acquisition;
- favorable exchange rates, which led to the recognition of a €6 million translation gain (versus a €15 million loss in 2016, mainly resulting from the drop in the Egyptian pound in the latter part of the year).

11.2 Financial market instruments

11.2.1 Details of financial assets and liabilities

Accounting policy

Financial assets are classified between the three main categories defined in IAS 39, as follows:

Financial Assets

- Assets at fair value through profit or loss: these are financial assets acquired principally for the purpose of selling them in the near term or that are designated upon initial recognition as at fair value through profit or loss. They are measured at fair value, with changes in fair value recognized in profit or loss.

  This category mainly comprises derivative instruments.
- Loans and receivables: these are financial assets with fixed or determinable payments that are not quoted on an active market and are not held for trading. They are initially recognized at fair value and are subsequently measured at amortized cost using the effective interest method.

  This category includes cash, trade receivables, time deposits and loans to non-consolidated companies.
- Available-for-sale financial assets: these correspond to all financial assets not included in either of the above categories. They are measured at fair value. Changes in fair value are accumulated in "Other comprehensive income" until the assets are sold, when they are reclassified to profit or loss. If their recoverable amount is less than their carrying amount due to a prolonged or significant impairment in value, an impairment loss is recognized in the income statement.

  This category mainly comprises investments in non-consolidated companies and units in mutual funds (SICAV, FCP).

Financial liabilities

- Financial liabilities at amortized cost: these are initially recognized at the fair value of the consideration transferred and are subsequently measured at amortized cost using the effective interest method. Transaction costs and premiums directly attributable to the issue of a financial liability are deducted from the initial fair value. Financial liabilities at amortized cost are amortized by the yield-to-maturity method over the life of the liability, based on the effective interest rate.

  This category consists primarily of bonds, drawdowns on bank lines of credit, bank overdrafts, trade payables and other payables.
- Financial liabilities at fair value through profit or loss: these are financial liabilities held for trading.

  This category corresponds mainly to derivative instruments.

Non controlling interests puts

The Group may grant put options to minority (non-controlling) interests on all or part of their investment. These options ("NCI puts") represent a financial liability for the Group. The liability is measured at the present value of the NCI puts' exercise price and a corresponding amount is deducted from shareholders' equity attributable to minority interests. The difference between the present value of the NCI puts and the book value of the minority interests is recorded in shareholders' equity – Group share, as a deduction from reserves. The financial liability is adjusted at each period end to reflect changes in the exercise price of the NCI puts, with a corresponding adjustment to shareholders' equity.

The breakdown of the financial market instruments is as follows:

	Breakdown by financial market instrument classes					
(in millions of euros)	Fair value through P&L	Fair value through equity	Loans, receivables	Debt at amortized cost	Dec.2017	Dec.2016
Loans	-	-	45	-	45	77
Non-consolidated investments	-	68	-	-	68	106
Deposits	-	-	44	-	44	65
Trade receivables	-	-	403	-	403	374
Cash and cash equivalents	-	220	844	-	1,063	1,169
Receivables on disposals	-	-	30	-	30	42
Derivatives	12	11	-	-	24	15
FINANCIAL ASSETS	**12**	**299**	**1,366**	**-**	**1,677**	**1,848**
Bonds	-	-	-	2,748	2,748	2,635
Bank borrowings	-	-	-	31	30	67
Finance lease liabilities	-	-	-	202	202	172
Trade payables	-	-	-	398	398	384
Derivatives	24	-	-	-	24	34
FINANCIAL LIABILITIES	**24**	**-**	**-**	**3,379**	**3,402**	**3,292**

11.2.2 Hierarchies at fair value

Accounting policy

IFRS 13 establishes a hierarchy of valuation techniques for financial instruments identified as follows:

- Level 1: inputs based on quoted prices (unadjusted) in active markets for a similar instrument.
- Level 2: valorization technique using the observable data in an active market for similar instrument.
- Level 3: prices established using valuation techniques drawing on non-observable inputs.

	Dec. 2017		Hierarchy of fair value		
(in millions of euros)	Carrying amount	Fair value	Level 1	Level 2	Level 3
Non-consolidated investments	68	68	-	-	68
Mutual funds units	220	220	220	-	-
Derivatives - assets	24	24	-	24	-
Derivatives - liabilities	24	24	-	24	-

The fair value of mutual fund units corresponds to the period-end net asset values.

The fair value of investments in non-consolidated companies corresponds to the market price for shares traded on an active market or the estimated value for other shares, determined using the most appropriate financial criteria under the circumstances.

The fair value of forward foreign exchange contracts and interest rate and currency swaps corresponds to the market price that the Group would have to pay or receive to unwind these contracts.

11.3 Net financial debt

11.3.1 Breakdown of net debt

At December 31, 2017, Group net debt amounts to €1,888 million and is analyzed as follows:

(in millions of euros)	Dec. 2016	Dec. 2017
Bonds	2,635	2,748
Bank borrowings	67	30
Bonds and bank borrowings	**2,702**	**2,779**
Other financial debts	172	202
Derivative financial instruments	34	24
Gross financial debt	**2,908**	**3,005**
Of which, long-term liabilities	2,176	2,768
Of which, short-term liabilities	733	237
Cash and cash equivalents	1,169	1,063
Other current financial assets	42	30
Derivative financial instruments	15	24
Financial assets	**1,226**	**1,117**
NET DEBT	**1,682**	**1,888**

The breakdown of the variation of the period is as follows:

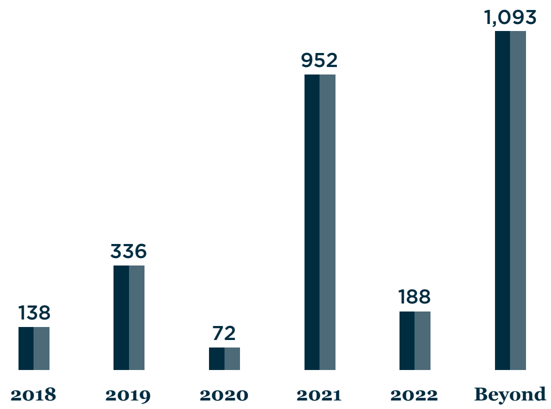
			Cash flows				
(in millions of euros)	Dec. 2016	Cash flows	Scope effects	Translation adjustments	Fair value adjustments	Others	Dec. 2017
Bonds	2,635	117	(1)	(5)	-	0	2,748
Bank borrowings	67	(31)	(3)	(1)	-	(0)	30
Other financial debts	172	21	0	(19)	-	29	202
Derivative financial instruments	34	-	-	0	(0)	(10)	24
Gross financial debt	**2,908**	**107**	**(5)**	**(25)**	**(0)**	**19**	**3,005**
Cash and cash equivalents	1,169	-	25	(35)	(0)	(94)	1,063
Other current financial assets	42	(20)	0	(2)	-	9	30
Derivative financial instruments	15	-	-	(0)	9	(1)	24
Financial assets	**1,226**	**(20)**	**25**	**(37)**	**9**	**(86)**	**1,117**
NET DEBT	**1,682**	**127**	**(30)**	**12**	**(9)**	**105**	**1,888**

11.3.2 Analysis of gross financial debt

Bonds and bank borrowings by maturity

The maturity profile of bonds and bank borrowings is one of the indicators used to assess the Group's liquidity position. At December 31, 2017, maturities of long and short-term debt were as follows:

Bonds and bank borrowings schedule



In 2017, financial costs amount to €71 million. Future financial costs are estimated at €163 million for the period from January 2018 to December 2020 and €70 million thereafter.

In 2016, financial costs amounted to €70 million. Future financial costs were estimated at €252 million for the period from January 2017 to December 2020 and €69 million thereafter.

These estimates are based on the average cost of debt at the end of the period, after hedging, assuming that no facilities will be rolled over at maturity.

Analysis of bonds and bank borrowings by currency

	Before hedging			After hedging		
(in millions of euros)	**Amount**	**Rate**	**% of total debt**	**Amount**	**Rate**	**% of total debt**
Euro	2,509	+2%	+90%	2,386	+2%	+86%
Swiss franc	128	+2%	+5%	128	+2%	+5%
Polish zloty	120	+3%	+4%	120	+3%	+4%
Pound sterling	-	-	-	91	+1%	+3%
Japanese yen	-	-	-	32	(0)%	+1%
Mauritian rupee	22	+8%	+1%	22	+8%	+1%
US dollar	-	-	-	1	+2%	-
BONDS AND BANK BORROWINGS	**2,779**	**+2%**	**+100%**	**2,779**	**+2%**	**+100%**

Analysis of bonds and bank borrowings by interest rate (after hedging)

At December 31, 2017, 86% of long and short-term debt was fixed rate, with an average rate of 2.04%, and 14% was variable rate, with an average rate of 2.12%. At December 31, 2017, fixed rate debt was denominated primarily in EUR (88%), while variable rate debt was denominated mainly in euro (76%), in polish zloty (21%) and in Mauritian rupee (3%).

Breakdown of bonds

Bonds at December 31, 2017 break down as follows:

Nominal amount	Local currency	Date of issuance	Maturity	Initial interest rate (%)	Dec. 2016	Dec. 2017
700	M EUR	June 2012	June 2017	2.88%	367	-
250	M EUR	August 2009	November 2017	6.04%	250	-
138	M EUR	December 2017	December 2018	0.05%	-	138
600	M EUR	March 2013	March 2019	2.50%	334	335
300	M PLN	June 2015	June 2020	2.76%	68	72
900	M EUR	February 2014	February 2021	2.63%	906	904
200	M PLN	July 2016	July 2021	2.69%	45	48
60	M EUR	December 2014	February 2022	1.68%	60	60
150	M CHF	June 2014	June 2022	1.75%	139	128
500	M EUR	September 2015	September 2023	2.38%	466	471
600	M EUR	January 2017	January 2024	1.25%	-	593
BONDS					**2,635**	**2,748**

On January 18, 2017, AccorHotels successfully set the terms of a 7-year bond issue for an amount of €600 million with an annual coupon of 1.25%. With this issue, AccorHotels took advantage of the favorable conditions on the credit market to optimize its average cost of debt and extend the average maturity.

On December 20, 2017, the Group issued a one year bond for €138 million with an annual coupon of 0.05%.

During the year, the Group reimbursed two bonds at maturity.

Covenants

None of the loan agreements include any rating triggers. However, certain loan agreements include acceleration clauses that may be triggered in the event of a change of control, following the acquisition of more than 50% of outstanding voting rights. Of the bonds and bank borrowings of €2,779 million, a total of €2,628 million worth is subject to such clauses. In the case of bonds, the acceleration clause can be triggered only if the change of control leads to AccorHotels' credit rating being downgraded to non-investment grade.

Note, however, that in the case of the syndicated loan renegotiated in June 2014 and 2017, the early redemption clause can be triggered if AccorHotels does not comply with the leverage ratio covenant (consolidated net debt to consolidated EBITDA).

None of the loan agreements include a cross default clause requiring immediate repayment in the event of default on another facility. Cross acceleration clauses would be triggered solely for borrowings and only if material amounts were concerned.

Unused confirmed credit line

At December 31, 2017, AccorHotels had two unused confirmed lines of credit representing a total of €2,150 million, one for €350 million expiring in June 2018 and the other for €1,800 million expiring in June 2019.

11.3.3 Current financial assets

At December 31, 2017, current financial assets break down as follows:

(in millions of euros)	Dec. 2016	Dec. 2017
Other negotiable debt securities	675	655
Mutual funds units convertible into cash	434	220
Cash	59	189
Cash and cash equivalents	**1,169**	**1,063**
Short-term loans	19	15
Receivables on disposals of assets	24	15
Other current financial assets	**42**	**30**
Derivative instruments in assets	15	24
CURRENT FINANCIAL ASSETS	**1,226**	**1,117**

11.4 Other financial assets

	Dec. 2016	Dec. 2017		
(in millions of euros)	Net book value	Gross value	Depreciation	Net book value
Long-term loans	77	52	(7)	45
Investments in non-consolidated companies	106	86	(17)	68
Deposits	65	44	-	44
OTHER FINANCIAL ASSETS	**248**	**182**	**(24)**	**157**

11.4.1 Long-term loans

At December 31, 2017, long term loans breakdown is as follows:

(in millions of euros)	Dec. 2016	Dec. 2017
Hotels, Asia-Pacific	54	26
Others	23	19
LONG-TERM LOANS	**77**	**45**

At December 31, 2017, loans to hotels in the Asia Pacific region mainly consisted of a loan to APVC (a timeshare financing company) for an amount of €17 million paying interest at an average rate of 14.75%. The other loans include:

- a loan of €7 million allowed to the Pullman Paris Tour Eiffel hotel; and
- a loan granted to Laser Mercure Trading Co for the refurbishment of hotels operated under management contracts in the United Kingdom for €3 million at an average 3.6% interest.

11.4.2 Other non-current financial assets

Investments in non-consolidated companies breakdown is as follows:

(in millions of euros)	Dec. 2016	Dec. 2017
Avendra	65	0
A-HTrust (Singapore investment fund)	21	25
Banyan Tree	-	16
Others	20	28
INVESTMENTS IN NON-CONSOLIDATED COMPANIES	**106**	**68**

As previously described, Avendra shares have been reclassified in 2017, as associates, as part of the finalization of the FRHI acquisition accounting, before being disposed of (see Note 2.1.3 and 7.2). In 2017, AccorHotels acquired a stake in Banyan Tree, based in Singapore, for €16 million as part of the strategic partnership concluded with this company.

11.5 Derivative financial Instruments

Accounting policy

Derivative financial instruments are used to hedge exposures to changes (to which it is confronted in the frame activities) in interest rates and exchange rates.

These instruments are recognized in the consolidated statement of financial position and measured at fair value as follows:

- the fair value of currency derivatives is determined based on the forward exchange rate at the period end;
- the fair value of interest rate derivatives is equal to the present value of the instrument's future cash flows, discounted at the interest rate for zero-coupon bonds.

The accounting treatment of changes in fair value of derivative instruments depends on whether or not they are qualified as hedge accounting.

Derivative instruments designated as hedging instruments

AccorHotels uses two types of hedges:

- **Fair value hedges** of assets and liabilities that are measured at fair value in the statement of financial position. Gains or losses arising from changes in the fair value of the underlying asset or liability are recorded in profit or loss and are offset by the effective portion of the loss or gain on the fair value hedge.
- **Cash flow hedges:** The effective portion of the gain or loss on the derivative instrument is recognized directly in "Other comprehensive income" and reclassified to the income statement when the hedged cash flows affect profit or loss. The ineffective portion of the gain or loss is recognized directly in net financial expense.

Hedge accounting is applied when, at the inception of the hedging relationship, there is formal designation and documentation of the hedging relationship, and the hedging relationship meets all of the hedge effectiveness requirements at inception and throughout the duration of the hedge.

Other derivative instruments

Other derivative instruments are measured at fair value, with changes in fair value recognized in net financial expense.

At December 31, 2017, derivatives financial instruments are as follows:

(in millions of euros)	**Dec.2016**	**Dec.2017**
Interest rate hedges	15	12
Currency Hedging	-	11
Derivatives financial instruments - assets	**15**	**24**
Interest rate hedges	31	24
Currency Hedging	3	-
Derivatives financial instruments - liabilities	**34**	**24**

11.5.1 Currency hedging

At December 31, 2017, characteristics of the currency hedging are as follows:

(in millions of euros)	Dec. 2017 Nominal amount	Dec. 2017 Fair value
Australian dollar (USD)	770	10
British pound (GBP)	127	-
Japanese yen (JPY)	32	1
American dollar (USD)	18	-
Polish zloty (PLN)	10	-
Mexican peso (MXN)	4	-
Swedish krona (SEK)	4	-
CURRENCY HEDGING	**964**	**11**

All the currency instruments have a maturity date in 2018.

For each currency, the nominal amount corresponds to the amount of currency sold or purchased forward. Fair value corresponds to the difference between the amount of the currency sold (purchased) and the amount of the currency purchased (sold), converted in both cases at the period-end forward exchange rate.

At December 31, 2017, the main covered position relates to a forward purchase (contingent forwards) of AUD1.1 billion (€770 million) in the frame of Mantra Group Acquisition (see Note 14.3). This operation aims at covering part of the purchase price fixed in Australian dollars, which will be paid in cash.

Based on the Group's analysis, the instruments qualify for hedge accounting as cash flow hedges because the transaction is considered as highly probable. In particular, the Group believes that approval of the transaction by Mantra's shareholders and by the supervisory authorities (Australian Foreign Investment Review Board, Federal Court of Australia and Australian Competition and Consumer Commission) is highly probable.

The hedging instruments have therefore been recognized in assets in the consolidated statement of financial position under "Derivative instruments", at fair value. Gains and losses from remeasurement of the instruments at fair value are recorded in the section of the consolidated statement of comprehensive income corresponding to "Items that may be reclassified subsequently to profit or loss". In 2017, an unrealized gain of €9 million was recorded on the hedges.

Except the contingent forwards related to the acquisition of the society Mantra for AUD1,100 million, all the currency instruments purchased by the Group are designated and documented fair value hedges of intra-group loans.

At December 31, 2017, the total fair value of currency derivatives was €11 million, recorded in liabilities.

11.5.2 Interest rate hedges

At December 31, 2017, the characteristics of the interest rate hedges are the following:

(in millions of euros)	Dec. 2017 Nominal Amount	Dec. 2017 Fair Value
Rate swaps	746	12
INTEREST RATE HEDGES	**746**	**12**

Hedging instruments on interest rates all have a term beyond 2019.

The "notional amount" corresponds to the amount covered by the interest rate hedge. "Fair value" corresponds to the amount that would be payable or receivable if the positions were unwound on the market.

The portfolio comprises mainly:

- interest rate swaps converting interest on part of the Group's bond debt to variable rate (fair value of the swap: €10 million);
- interest rate swaps set up in connection with a future real estate finance lease (fair value: €(22) million).

Only the fixed-to-variable rate swaps on bond debt represent designated and documented fair value hedges.

At December 31, 2017, the total fair value of rates derivatives was €12 million, recorded in liabilities.

note 12 INCOME TAX EXPENSE

Accounting Policy

Income tax expense (or benefit) includes both current and deferred tax expense.

Deferred taxes are recognized using the liability method on temporary differences between the carrying amount of assets and liabilities and their tax base. They are measured using the tax rates enacted or substantively enacted by the end of the reporting period that are expected to apply to the period when the asset is realized or the liability is settled. The effects of changes in tax rates (and tax laws) are recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive items, for the period in which the rate change is announced.

Deferred tax assets are recognized only to the extent that they can be utilized against future taxable profits. The recoverability of deferred tax assets is reviewed periodically by taxable entity. Based on the results of the review, previously recognized deferred tax assets may be derecognized. The recoverability of deferred tax assets is assessed based on business plans prepared the Group companies, taking into account projected taxable profits (usually over a five-year period), past experience and local legal and tax environment.

The French tax on value-added (*Cotisation sur la Valeur Ajoutée des Entreprises* or "CVAE") is included in the income tax for the year.

12.1 Income tax

12.1.1 Income tax expense for the period

(in millions of euros)	**2016***	**2017**
Current tax	(87)	(58)
Deferred tax	89	109
TAX	**2**	**51**

* *Restated amounts in application of IFRS 5.*

In 2017, the Group has a €51 million income tax benefit, favorably driven by the following one-off items:

- tax relief of €37 million (including interests) received following the Steria ruling confirming the to right a 5% expense deduction on European-source dividends for the period 2009 to 2013;
- accrual for a €26 million income tax receivable for retroactive cancellation of the 3% dividend tax paid over 2015 to 2017, as a result of the French Constitutional Council decision;
- deferred tax benefits recognized on differences between the tax basis and the net book value of intangible assets acquired to AccorInvest in Germany and Netherlands for €73 million as part of the spin-off of the company;
- favorable adjustment on deferred taxes for €59 million resulting from the change in US Federal tax rate from 35% to 21% enacted as part of the US Tax Cuts and Jobs Act.

12.1.2 Income tax expense analysis

(in millions of euros)		2016*	2017
PROFIT BEFORE TAX	(A)	190	359
Non deductible impairment losses		(7)	(4)
Tax on share of profit (loss) of associates		7	12
Others		(20)	68
TOTAL PERMANENT DIFFERENCES	(B)	(20)	76
UNTAXED PROFIT AND PROFIT TAXED AT A REDUCED RATE	(C)	(193)	(53)
Profit taxed at standard rate	(D) = (A) + (B) + (C)	(23)	383
STANDARD TAX RATE IN FRANCE	(E)	+34.4%	+34.4%
TAX AT STANDARD FRENCH TAX RATE	(F) = (D) X (E)	8	(132)
Effects on tax at standard French tax rate of:			
◗ Differences in foreign tax rates		10	18
◗ Unrecognized tax losses for the period		(58)	(41)
◗ Utilization of tax loss carryforwards		66	66
◗ Share of profit (loss) of associates		7	12
◗ Net charges to/reversals of provisions for tax risks		3	8
◗ Company value-added contribution (CVAE)		(4)	(5)
◗ Changes in tax rates		0	58
◗ Tax relief (Steria ruling)		-	37
◗ Tax receivable for retroactive cancellation of the 3% dividend tax		-	26
◗ Deferred tax benefits related to AccorInvest spin-off		-	73
◗ Other items		(30)	(68)
TOTAL EFFECTS ON TAX AT STANDARD FRENCH TAX RATE	(G)	(6)	183
INCOME TAX EXPENSE	**(H) = (F) + (G)**	**2**	**51**

* *Restated amounts in application of IFRS 5.*

At December 31, 2017, the income tax rate remains unchanged at 34.43%, including “contribution sociale de solidarité” tax of 3.3% based on the standard tax rate in France 33.3%.

At December 31, 2017, the effective tax rate represents 30.3% of the Group current profit.

12.2 Deferred tax

The main natures of deferred tax are the following:

(in millions of euros)	Dec. 2016	Dec. 2017
Intangible assets	(522)	(404)
Property, plant and equipment	(14)	(13)
Recognized tax losses	91	68
Provision for employee benefits	42	30
Impairment losses	17	7
Others	19	20
NET DEFERRED TAX	**(366)**	**(292)**
◗ Deferred tax assets	233	124
◗ Deferred tax liabilities	(599)	(416)

Deferred taxes on intangible assets mainly concern the FRHI Group acquired in 2016 for €(428) million. The change over the period results from:

- recognition of deferred tax assets for €73 million arising from differences between the tax basis and carrying amount of intangible assets acquired from AccorInvest;
- the change in US Federal tax rate from 35% to 21% leading to a €59 million decrease in deferred tax liabilities.

These items are partly offset by the recognition of deferred tax liabilities of €(18) million in connection with fair value measurements of acquired assets for John Paul, VeryChic and Availpro acquisitions.

Deferred tax assets recognized on tax loss carry-forwards include €60 million in the United States. The Group believes that utilization of these tax losses is probable, based on taxable profits projections for the next five years.

12.3 Unrecognized deferred tax

Unrecognized deferred tax assets amount to €348 million at December 31, 2017 (€366 million at December 31, 2016). They mainly correspond to evergreen tax loss carry-forwards in Belgium (€91 million), in France (€46 million) and in several FRHI Hotels & Resorts entities (€135 million in total).

Unrecognized deferred tax assets will expire in the following periods if not utilized:

(in millions of euros)	Deductible temporary differences	Tax loss carryforwards	Total
From 2018 to 2021	1	9	11
2022 and beyond	4	2	6
Evergreen	1	330	331
TOTAL	**6**	**342**	**348**

note 13 SHARE CAPITAL AND DILUED EARNING PER SHARE

Accounting policy

Shareholders' equity is attributable to two categories of owners: owners of the parent (Accor SA shareholders) and owners of non-controlling interests (minority interests).

Transactions with minority interests

Transactions with minority interests leading to a change in a parent's ownership interest in a subsidiary that does not result in the parent losing control of the subsidiary are equity transactions (*i.e.* transactions with owners in their capacity as owners). If an additional interest is acquired in a controlled company, the difference between the purchase price of the shares and the additional share of net assets acquired is recognized in shareholders' equity, Group share. The transaction costs are also recorded in shareholders' equity. The carrying amount of the subsidiary's assets and liabilities, including goodwill, is unchanged.

Equity instruments

The classification in shareholders' equity depends on the specific analysis of the characteristics of each instrument issued by the Group. An instrument is classified as an equity instrument if it does not include any contractual obligation to pay cash or another financial asset to the holder. In particular, instruments that are redeemable at the Group's initiative and that entitle holders to a dividend are classified in shareholders' equity.

13.1 Share capital

13.1.1 Shareholders

At December 31, 2017, Jin Jiang is AccorHotels' leading shareholder with 12.32% of the capital corresponding to 11.55% of the voting rights. Moreover, following the acquisition of the FRHI Group, whose capital was held by Qatar Investment Authority (QIA) and Kingdom Holding Company (KHC), these companies became shareholders of Accor SA and hold 10.17% and 5.69% of the Company's capital respectively, representing 9.53% and 5.33% of the voting rights.

At December 31, 2017 Eurazeo held 4.20% of Accor SA's capital corresponding to 7.87% of the voting rights.

13.1.2 Changes in share capital

At December 31, 2017, Accor SA's share capital was made up of 290,122,153 shares with a par value of €3 each, all fully paid. Changes in the number of outstanding shares during 2017 were as follows:

(in number of shares)	2017
Number of issued shares at January 1, 2017	**284,767,670**
Performance shares vested	41,895
Employee ownership plan	550,437
Shares issued on exercise of stock options	786,183
Shares issued in payment of dividends	3,975,968
NUMBER OF ISSUED SHARES AT DECEMBER 31, 2017	**290,122,153**

On December 21, 2017, the Group carried out an employee rights issue as part of the Share 17 employee share plan. A total of 550,437 new shares with a par value of €3 were issued at a price of €33.51 per share.

Share premiums recorded in 2017 totaled €17 million. This amount represents the difference between the par value of the new shares and the issue proceeds received by AccorHotels net of share issuance costs.

13.1.3 Distribution of dividends

On June 6, 2017, the Group paid a dividend of 1.05 euro per share for 2016 financial year results in the form of:

- a payment in shares through the delivery of 3,975,968 new shares issued, following an increase in share capital (€12 million) and issue premiums (€136 million) for a total amount of €148 million;
- a cash payment to shareholders who have not used the stock payment option for €152 million.

13.1.4 Perpetual subordinated notes

On June 30, 2014, AccorHotels issued €900 million worth of perpetual subordinated notes. The notes have no fixed maturity; their first call date is June 30, 2020. The interest rate on the notes is set at 4.125% up until June 30, 2020 and will be reset every five years thereafter, with a 25-bps step-up in June 2020 and a 275-bps step-up in June 2040. Interest is payable on the notes only in those periods for which a dividend is paid to shareholders.

Due to their characteristics and in accordance with IAS 32, the notes have been recorded in equity for €887 million net of transaction costs.

Interest on the notes is also recorded in equity.

In 2017, interest payments on perpetual subordinated notes amounted to €37 million.

13.1.5 Consolidated reserves

Items recognized directly in shareholders' equity group share are the following:

(in millions of euros)	Dec. 2016	Change	Dec. 2017
Currency translation reserve	108	(480)	(372)
Changes in fair value of financial Instruments	**(7)**	**16**	**8**
of which available for sales shares	(7)	7	(1)
of which derivative instruments	(0)	9	9
Reserve for actuarial gains/losses	(88)	12	(76)
Share based payments	199	19	219
Retained earnings and others	1,769	382	2,151
TOTAL GROUP SHARE	**1,981**	**(51)**	**1,930**

13.1.6 Gap on translating foreign operations

The currency translation reserve breaks down as follows:

(in millions of euros)	2016	Change	2017
British sterling (GBP)	(101)	(9)	(111)
United States dollar (USD)	284	(393)	(109)
Brazilian real (BRL)	(65)	(35)	(100)
Argentine peso (ARS)	(29)	(3)	(32)
Other currencies	21	(37)	(15)
CURRENCY TRANSLATION RESERVE	**110**	**(477)**	**(367)**
◗ Translating foreign operations, Group share	108	(480)	(372)
◗ Translating foreign operations, minority interests	2	3	5

Exchange differences on translating foreign operations between December 31, 2016 and December 31, 2017, representing a negative impact of €480 million, mainly concern changes in exchange rates against the euro of the US Dollar (€393 million negative impact) and the Brazilian Real (€35 million negative impact).

The period-end euro/local currency exchange rates applied to prepare the consolidated financial statements were as follows:

	GBP	USD	BRL	ARS	PLN
December 2016	0,8562	1,0541	3,4305	16,7397	4,4103
December 2017	0,8872	1,1993	3,9729	22,4709	4,177

For the period presented, the Group has no significant subsidiaries in hyper-inflationary economies

13.2 Minority interests

13.2.1 Breakdown of minority interests

Minority interests break down as follows:

(in millions of euros)	Dec. 2016	Variation	Dec. 2017
Orbis Group	190	25	215
Others minority interests	77	49	126
MINORITY INTERESTS	**267**	**74**	**341**

13.2.2 Information about material minority interests

The Group holds 52.69% of the capital and voting rights of Orbis SA, the Orbis Group's parent company which is listed on the Warsaw Stock Exchange. The following table presents selected financial information for Orbis:

(in millions of euros)	2016	2017
P&L:		
Revenue	315	342
NET PROFIT	**50**	**53**
◗ Of which Group	27	28
◗ Of which Minority interests	23	25

(in millions of euros)	Dec. 2016	Dec. 2017
BALANCE SHEET:		
Non current assets	479	560
Current assets	147	147
Current liabilities	59	68
Non current Liabilities	566	639
BALANCE SHEET	**626**	**707**
Dividends paid to minority interests	**7**	**8**

Minority interests in other subsidiaries are not individually significant.

To the best of the Group's knowledge, no minority shareholders have any particular protective rights that could materially affect AccorHotels' ability to use and dispose of its subsidiaries' assets or use and settle their liabilities.

13.3 Diluted earnings per share

Accounting policy

Basic earnings per share are calculated by dividing net profit Group share, less interest paid to holders of subordinated notes, by the weighted average number of shares outstanding during the year.

Diluted earnings per share are determined by adjusting the weighted average number of shares for the effects of all potentially dilutive instruments (stock options and performance shares). Stock options are considered as potentially dilutive if they are in the money. The adjustment is performed using the treasury stock method.

Earnings per share are calculated as follows:

(in millions of euros)	2016	2017
Net profit, Group share	**265**	**441**
Hybrid capital dividend payment	(37)	(37)
Adjusted Net profit, Group share	**228**	**404**
Weighted average number of ordinary shares	259,054,177	287,487,659
Fully diluted weighted average number of shares	259,925,059	288,290,924
EARNINGS PER SHARE *(in euros)*	**0.88**	**1.40**
DILUTED EARNINGS PER SHARE *(in euros)*	**0.88**	**1.40**

At December 31, 2017, the weighted average number of ordinary shares is computed as follows:

Outstanding shares	**290,122,153**
Effect of share issued	(546,271)
Effect for stock option plans exercised during the period	(388,905)
Effect of stock dividends	(1,699,318)
Weighted average number of ordinary shares	**287,487,659**
Number of shares resulting from the exercise of stock options	505,056
Number of shares resulting from performance shares granted	298,209
Fully diluted weighted average number of shares	**288,290,924**

note 14 OFF-BALANCE SHEET ITEMS

14.1 Off-Balance Sheet commitments

Accounting policy

Commitments given and received by the Group correspond to outstanding contractual obligations that are conditional upon the satisfaction of future conditions or the completion of future transactions. At December 31, 2017, to the best of the Group's knowledge, there were no commitments likely to have a material effect on the Group's current or future situation other than those disclosed in this note.

14.1.1 Commitments given

Off-balance sheet commitments (which are not discounted) given at December 31, 2017 break down as follows:

(in millions of euros)	Less than 1 year	1 to 5 years	Beyond 5 years	Total
Commitments related to development	1,032	1	-	1,032
Commitments increasing net debt	69	183	196	448
Commitments given in the normal course of business	25	51	11	87
Security interests given on assets	-	81	-	81
Contingent liabilities	-	1	-	1
COMMITMENTS GIVEN	**1,125**	**317**	**207**	**1,649**

Commitments of development projects are mainly include a commitment linked to the acquisition of Mantra Group for €908 million (see Note 14.3), Gekko acquisition for €85 million and €35 million for a commitment to acquire a stake in Orient-Express and additional stake in Mama Shelter.

Commitments that increase debt mainly include rent guarantees for the headquarters buildings in the amount of €240 million (€172 million discounted at 7%) and rent guarantees for hotels related to continued activities (Orbis, etc.) in the amount of €129 million (€86 million discounted at 7%).

Security interests given on assets correspond to pledges and mortgages valued at the net book value of the underlying assets.

- In connection with the bond issue carried out in Poland in June, 2015, assets worth €48 million have been mortgaged in favor of the bank. The amount of the mortgage corresponds to the carrying amount of two hotel properties, Warszawa Centrum Novotel and Warszawa Centrum Mercure. This mortgage amounted to €42 million at December 31, 2017.
- In connection with the transfer by AccorHotels to Orbis of the management of its Central European operations, a facility agreement was signed with a bank. Drawdowns on this facility are secured by a €43 million mortgage. The amount of the mortgage corresponds to the carrying amount of two hotel properties, Warszawa Grand Mercure and Warsaw Victoria Sofitel. They represented €39 million at December 31, 2017.

The Group may provide performance guarantees to the owners of managed hotels. These guarantees may include a claw-back clause applicable if the hotel's performance improves in subsequent years. The Group commits in most cases to spend a specified amount on hotel maintenance, generally expressed as a percentage of revenue. These commitments are not included in the above table due to the difficulty of estimating the amounts involved.

Off-balance sheet commitments given related to discontinued activities are not presented in the table above. These commitments amounted to €3,681 million at December 31, 2017, including commitments for the payment of hotel rents for €3,319 million (€2,044 million discounted at 7%), commitments given in the normal course of business for €173 million, development projects for €110 million, security interests given on assets for €71 million.

14.1.2 Commitments received

Off-balance sheet commitments (not discounted) received at December 31, 2017 break down as follows:

(in millions of euros)	Less than 1 year	1 to 5 years	Beyond 5 years	Total
Purchase commitments received	75	-	-	75
Guarantees received in the normal course of business	2	4	4	9
COMMITMENTS RECEIVED	**77**	**4**	**4**	**85**

Purchase commitment received mainly relate to the disposal of Sofitel Budapest Chain Bridge in Hungary for €75 million.

At December 31, 2017, off-balance sheet commitments received regarding discontinued operations amount to €58 million and mainly concern guarantees received in the normal course of the business for €43 million.

14.2 Litigations, contingent assets and liabilities

Accounting policy

A contingent asset or liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity or a present obligation that arises from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Contingent assets and liabilities are not recognized in the statement of financial position but are disclosed in the notes to the financial statements.

In the normal course of business, the Group may be exposed to claims, litigation and legal proceedings. All known outstanding claims, litigation and legal proceedings involving AccorHotels or any Group company were reviewed at the period-end and all necessary provisions were set aside to cover the estimated risks. To the best of management's knowledge, there are no contingent liabilities that could have a material adverse effect on the Group's financial position or business.

The main outstanding claims and litigation are presented below.

Litigation Dividend withholding tax

In 2002, Accor SA mounted a legal challenge to its obligation to pay "précompte" dividend withholding tax on the redistribution of European source dividends on the grounds that it breached European Union rules.

In the dispute between Accor SA and the French State, on December 21, 2006 the Versailles Administrative Court ruled that Accor SA was entitled to a refund of the "précompte" dividend withholding tax paid in the period 1999 to 2001, in the amount of €156 million. The amount of €156 million was refunded to Accor SA during the first half of 2007, together with €36 million in late interest due by the French State. The French State appealed the ruling at Court of Appeal, however the Versailles Administrative Court confirmed Accor SA's right to the refund. As the State had not yet exhausted all avenues of appeal, a liability was recognized for the amounts received and the financial impact of the rulings by the Versailles Administrative Court and Court of Appeal was not recognized in the financial statements.

Before ruling on the French State's appeal, the French Supreme Court of Appeal applied to the Court of Justice of the European Communities (ECJ) for a preliminary ruling on the issue. The ECJ held that the French *précompte*/tax credit system restricts the freedom of establishment and free movement of capital.

In its ruling handed down on December 10, 2012, the French Supreme Court of Appeal considered that the dividend tax credit and *précompte* withholding tax systems had been shown to be incompatible and restricted Accor SA right to a refund of €6 million. Therefore, Accor SA refunded to the French state €185 million including the late interest in the first semester of 2013. AccorHotels has noted the Supreme Court of Appeal's decision and intends to continue to use the avenues available to it to defend its position in the dispute with the French tax authorities.

On February 7, 2007, Accor SA filed an application originating proceedings before the Cergy-Pontoise Court on the same grounds, to obtain a refund of the €187 million in "précompte" dividend withholding tax paid in the period 2002 to 2004. In a ruling handed down on May 27, 2014, the Cergy-Pontoise decided the refund to Accor SA €7 million for the principal and €3 million of interest. These amounts are recorded in the statement of financial position since June 30, 2014, as Accor SA appealed the decision before the Versailles Administrative Court of Appeal on July 23, 2014 and the ruling is therefore not final.

On July 10, 2017, the European Commission summoned France to appear before the EJC due to its failure to comply with the ECJ's ruling referred to above in that the calculation method applied by the French Supreme Court to Accor and other companies restricted their right to a refund of the "précompte".

Tax audit at Accor SA

On December 26, 2013, the tax authorities notified the Company of proposed adjustments to its 2010 and 2011 accounts. The tax authorities were challenging the independent valuation of the Accor Services brands that was used by Accor SA to calculate the capital gain on the brands contributed at the time of the Group's demerger in 2010 and they have also queried the alleged waiver by Accor SA of income due by its wholly-owned Brazilian subsidiary, Hotelaria Accor Brasil S.A. The total risk including late interest is estimated at €30 million.

Following Accor SA observations and an appeal to the department head, the tax authorities has only maintained the reassessment concerning the alleged waiver of income from its Brazilian subsidiary, Hotelaria Accor Brasil S.A.. This led to a reduction in back taxes due as a result of the reassessments, from €30 million to €8 million (including late interests), of which €4 million paid to the tax authorities in 2015 and the outstanding amount in 2016. As a consequence, the contingency provision has been fully reversed on December 31, 2016.

AccorHotels Group will continue to assert his rights toward the competent authorities and contest this rectification proposal.

14.3 Subsequent Events

Agreement to acquire Mantra Group Limited

On October 11, 2017, AccorHotels announced the signing of an agreement with Mantra Group Limited with the view to acquire all of the issued capital of the company. Mantra is one of Australia's largest hotel and resort marketers and operators with 127 properties (hotels, resorts and serviced apartments) across Australia, New Zealand, Indonesia and Hawaii under three key brands: Peppers, Mantra and BreakFree. AccorHotels and Mantra's combined geographic footprint, together with enhanced distribution and systems, would form a favorable base from which AccorHotels can expand further in the region.

The offer price is AUD3.96 per share. AccorHotels will pay AUD1.3 billion, equivalent to €0.9 billion. The Group purchased financial instruments to hedge the risk of an unfavorable change in euro/dollar exchange rate on the AUD1.1 billion (see Note 11.5.1).

This engagement is also mentioned in the off-balance sheet commitments.

The transaction is expected to be closed over the first semester of 2018.

Agreement to acquire Gekko

On October 2, 2017, AccorHotels announced it has signed an agreement to acquire Gekko, a major player in the business travel hotel reservation segment. This transaction is in line with the strategy aimed at strengthening AccorHotels' leadership across the entire customer experience by enhancing the range of services offered to business travelers, the Group's key customer segment.

Thanks to its expertise and cutting-edge technology, Gekko offers search and reservation solutions *via* an interface connected to more than 500,000 hotels worldwide. Gekko today serves more than 300 corporate customers and 14,000 travel agencies.

Gekko will be fully consolidated in the Group's financial statements from January 2018, based on a value of €100 million. The founders remain shareholders of the company.

Agreement for the development of the Orient Express brand

On October 4, 2017, AccorHotels signed a strategic partnership with SNCF Group to continue the development of the Orient Express brand within the luxury hospitality sector globally. As part of this partnership, which combines the expertise and savoir-faire of the two groups, AccorHotels acquired on January 25, 2018 a stake in the share capital (50% plus 1 share) of Orient Express, owner of the brand previously fully-owned by SNCF. AccorHotels intends to build on this partnership to strengthen its leadership in the luxury segment, by developing a new collection of prestigious hotels under the Orient Express banner. In addition, the historic trains will remain the physical property of the state-owned rail group, and will be operated by Orient Express for private journeys and events.

Agreements to sell a majority stake in AccorInvest

On February 27, 2018, AccorHotels announced the signing of agreements with a group of French and international investors with a view to selling a majority of the capital of AccorInvest (see Note 3 for further details on the implementation of the project). Under the terms of the agreements, the Group would initially sell 55% of the subsidiary to Sovereign Funds, namely Public Investment Fund (PIF) and GIC, Institutional Investors, namely Credit Agricole Assurances, Colony NorthStar and Amundi, and other investors. For AccorHotels, the sale would result in a cash contribution of €4.4 billion.

The transaction is expected to be finalized in the second quarter of 2018. On completion date, the assets and liabilities of AccorInvest, presented as assets held for sale in the Group's consolidated financial statements, will be derecognized. The Group's retained stake in the company net assets will be accounted for using the equity method.

Moreover, following the closing of the transaction, AccorHotels intends to implement over a two-year period a share buyback program of up to €1.35 billion, representing 10% of its share capital based on market capitalization at the end of February 2018.

note 15 OTHER INFORMATION

15.1 Related parties

Companies that exercise significant influence over AccorHotels

At December 31, 2017, the following companies exercised significant influence over the Company:

- Jin Jiang, the Company's leading shareholder with 12.32% of the capital and 11.55% of the voting rights;
- Qatar Investment Authority (QIA) and Kingdom Holding Company of Saudi Arabia (KHC), which acquired 10.17% and 5.69% of the Company's capital respectively (representing 9.53% and 5.33% of the voting rights), following AccorHotels' acquisition of the FRHI Group. Pursuant to the agreements signed at the time of this transaction, QIA has two seats on the Board of Directors and KHC has one seat.

The following agreements concluded prior years are described in the Statutory Auditors' special report on related party agreements and commitments:

- agreement with a Colony Group company, which had a seat on the Company's Board of Directors until February 21, 2017;
- agreement with Eurazeo concerning the governance of Grape Hospitality, a company controlled by Eurazeo and accounted in Group's consolidated financial statements as investment in associates, and Grape Hospitality's franchise agreements for the operation of hotels under AccorHotels banners.

Fully consolidated companies and all associated companies accounted for by the equity method

Relationships between the parent company and its subsidiaries, joint ventures and associates are presented in Note 15.3. Transactions between the parent company and its subsidiaries – which constitute related party transactions – are eliminated in consolidation and are therefore not disclosed in these notes. Transactions between the parent company and its joint ventures and associates were not material in 2016 and 2017.

Members of the Executive Committee and the Board of Directors

Transactions with members of the Executive Committee and Board of Directors are presented in Note 6. Commitments given on behalf of corporate officers and all agreements entered into with one or several members of the Board of Directors, directly or indirectly, that do not concern transactions carried out in the normal course of business on arm's length terms are described in the auditors' special report on related party agreements and commitments.

All transactions with companies in which a member of the Executive Committee or the Board of Directors holds material voting rights are conducted in the normal course of business on arm's length terms and are not material.

15.2 Fees paid to Auditors

The table below shows the total fees billed by the Auditors recognized in the total Group income statements in 2017 and prior year.

	2016			2017		
(in millions of euros)	Deloitte	EY	Total	Deloitte	EY	Total
Fees related to certification of accounts	4	4	9	5	4	9
Fees for services other than certification of accounts	2	3	4	3	7	10
TOTAL FEES BILLED BY THE AUDITORS	**6**	**7**	**13**	**8**	**12**	**20**

Fees for services other than certification of accounts billed in 2017 mainly concern due diligence engagements regarding the spin-off AccorInvest.

15.3 Main consolidated companies

The main subsidiaries and associates represent 94% of consolidated revenue and 87% of EBIT. The other subsidiaries and associates represent individually less than 0.07% of these aggregates.

To the best of the Group's knowledge, there are no material restrictions on the use and sale by AccorHotels of the assets of subsidiaries controlled by the Group.

ACCOR SA

FRANCE & SWITZERLAND			
ACADÉMIE FRANCE	France	IG	100.00%
ACCOR REDEVANCES FRANCE	France	IG	100.00%
FRHI France	France	IG	100.00%
FRHI SWITZERLAND	Switzerland	IG	100.00%
IBIS BUDGET	France	IG	96.00%
MER & MONTAGNE	France	IG	100.00%
SH DÉFENSE GRANDE ARCHE	France	IG	100.00%
SOCIÉTE HÔTELIÈRE DE MONTPARNASSE (SHDM)	France	IG	100.00%
SOFITEL LUXURY HOTELS FRANCE	France	IG	99.90%
ACCOR SUISSE SUPPORT	Switzerland	IG	100.00%
EUROPE			
ACCOR - PANNONIA HOTELS ZRT	Hungary	IG	52.66%
ACCOR HOSPITALITY GERMANY GMBH	Germany	IG	100.00%
ACCOR HOSPITALITY NEDERLAND N.V.	The Netherlands	IG	100.00%
ACCOR HOTELBETRIEBS GMBH	Austria	IG	100.00%
ACCOR HOTELS BELGIUM	Belgium	IG	100.00%
ACCOR HOTELS CZECH REPUBLIC	Czech Republic	IG	52.69%
ACCOR HOTELS ESTONIA	Estonia	IG	100.00%
ACCOR HOTELS GREECE	Greece	IG	100.00%
ACCOR HOTELS ITALY	Italy	IG	100.00%
ACCOR HOTELS LITUANIA	Lithuania	IG	52.69%
ACCOR HOTELS LUXEMBOURG	Luxembourg	IG	100.00%
ACCOR HOTELS ROMANIA	Romania	IG	52.69%
ACCOR HOTELS SPAIN	Spain	IG	100.00%
ACCOR HOTELS UK	United Kingdom	IG	100.00%
ACCOR PANNONIA SLOVAKIA S.R.O	Slovakia	IG	52.69%
FRHI EUROPE	Worldwide Structures	IG	100.00%
ORBIS	Poland	IG	52.69%
RUSSIAN MANAGEMENT HOTEL COMPANY	Russia	IG	100.00%
TAMARIS TURIZM TRY	Turkey	IG	100.00%
UKRAINIAN MANAGEMENT HOTEL COMPANY	Ukraine	IG	100.00%

SOUTH AMERICA			
FRHI SOUTH AMERICA	Worldwide Structures	IG	100.00%
HOTELARIA ACCOR BRASIL SA	Brazil	IG	100.00%
POSADAS DO BRASIL	Brazil	IG	100.00%
HOTELARIA ACCOR BRASIL	Brazil	IG	100.00%
ACCOR HOSPITALITY ARG SA	Argentina	IG	100.00%
ACCOR CHILE	Chile	IG	100.00%
SOCIEDAD DE DESARROLLO DE HOTELES PERUANOS S.A	Peru	IG	100.00%
HOTEL SANTA CLARA	Colombia	IG	100.00%
AFRICA & MIDDLE EAST			
ACADEMIE MOYEN ORIENT	United Arab Emirates	IG	100.00%
ACCOR AFRIQUE	Africa Structures	IG	100.00%
ACCOR GESTION MAROC	Morocco	IG	77.97%
ACCOR HOTEL SAE	Egypt	IG	99.99%
ACCOR HOTELS ALGERIE	Algeria	IG	100.00%
ACCOR MIDDLE EAST	United Arab Emirates	IG	100.00%
BELLE RIVIÈRE HÔTEL	Mauritius	IG	100.00%
EL GEZIRAH HOTELS TOURISM CY	Egypt	IG	65.71%
FRHI MEA	Worldwide Structures	IG	100.00%
RISMA	Morocco	MEE	33.34%
SAUDI FRENCH COMPANY HOTEL MGT	Saudi Arabia	IG	100.00%
TUNISIA HOTELS & RESORTS	Tunisia	IG	99.99%
ASIA PACIFIC			
AAP ASIE HS	Singapore	IG	100.00%
AAPC INDIA HOTEL MANAGEMENT PRIVATE HS	India	IG	69.99%
AAPC LIMITED HS	Australia	IG	100.00%
EHIS	India	IG	100.00%
FRHI ASPAC	Worldwide Structures	IG	100.00%
AAPC PROPERTIES PTY LTD	Australia	IG	100.00%
HUAZHU	China	MEE	10.82%
ACCOR ASIA PACIFIC CORP.	New-Zealand	IG	100.00%

ACCOR SA

NORTH, CENTRAL AMERICA & CARIBEEAN			
ACCOR CANADA	Canada	IG	100.00%
SI HOTELERA DE MEXICO	Mexico	IG	100.00%
FRHI	Worldwide Structures	IG	100.00%
NEW BUSINESSES			
VERYCHIC	Worldwide Structures	IG	75.00%
AVAILPRO FRANCE	Worldwide Structures	IG	83.26%
FASTBOOKING FRANCE	Worldwide Structures	IG	100.00%
JOHN PAUL	Worldwide Structures	IG	80.12%
ONEFINESTAY	Worldwide Structures	IG	100.00%
TRAVEL KEYS	Worldwide Structures	IG	100.00%
SQUAREBREAK - NEW	Worldwide Structures	IG	100.00%
ACCOR INVEST			
ACCOR INVEST GROUP	Worldwide Structures	IG	99.90%

IG : Fully Consolidated Method.

MEE : accounted by the equity method.

The percentages correspond to the Group's percentage interest.

5.2 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

This is a free translation into English of the statutory auditors' report on the consolidated financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.
This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the information concerning the Group presented in the management report.
This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Annual General Meeting of Accor,

OPINION

In compliance with the engagement entrusted to us by you, we have audited the accompanying annual financial statements of Accor for the year ended December 31, 2017.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group formed by the persons and entities included in the consolidation as of December 31, 2017 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit and Risk Committee.

BASIS FOR OPINION

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the "Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements" section of our report.

Independence

We conducted our audit in compliance with independence rules applicable to us, for the period from January 1, 2017 to the issue date of our report and in particular we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 or in the French Code of ethics for statutory auditors (*Code de déontologie*).

JUSTIFICATION OF ASSESSMENTS – KEY AUDIT MATTERS

In accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period, as well as our responses to those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on specific elements, accounts or items of the consolidated financial statements.

Key audit matters	Our responses
Valuation of intangible assets and property, plant & equipment	
As of December 31, 2017, the value of the Group's intangible assets and property, plant & equipment totaled €4,464 million, or 62% of total assets excluding assets classified as held for sale. These fixed assets are comprised of goodwill (€1,500 million), brands (€1,396 million) and contracts (€541 million) mainly recognized on external growth transactions, as well as other intangible fixed assets (€365 million) and property, plant & equipment (€662 million). An impairment is recognized on the balance sheet when the recoverable amount is less than the net carrying amount in accordance with IAS 36, as described in Note 9.3 to the consolidated financial statements. The determination of the recoverable amount is mainly based on discounted future cash flows, except for those relating to hotel assets not classified in assets held for sale, which is first based on a normative multiple of Gross Operating Income (EBITDA). We considered the valuation of these fixed assets to be a key audit matter, given the method for determining their recoverable amount and the significance of these account headings in the Group's accounts. In addition, these recoverable amounts are based on the use of important assumptions, estimates or assessments made by management, in particular future cash flow projections, the estimate of the discount rates, EBITDA multiples and long-term growth rates.	We have familiarized ourselves with the process implemented by the Group to determine the recoverable amount of fixed assets, intangible assets and property, plant & equipment, regrouped in Cash-Generating Units (CGU). Our work consisted in: • assessing the principles and methods for determining the recoverable amounts of the CGU to which the intangible assets and property, plant & equipment are allocated; • reconciling the net carrying amount of the intangible assets and property, plant & equipment allocated to the CGU tested with the Group's accounting records; • assessing as much as needed with the support of our valuation experts, the pertinence of the valuation models used as well as multiples of EBITDA, long-term growth rates and the discount rates applied in these models with regard to market practices; • substantiating by interviews with management the main assumptions on which budget estimates underlying the cash flows used in the valuation models are based. For this purpose, we have also compared the estimates of cash flow projections of previous periods with actual corresponding results, to assess the pertinence and reliability of the process for making forecasts; • substantiating, for the goodwill and intangible assets presenting a recoverable amount near the net carrying amount, the results of sensitivity analyses carried out by management by comparing them to those realized by us; • verifying, by sampling, the arithmetical accuracy of the valuations used by the company. We have also assessed the appropriateness of the disclosures provided in Note 9.3 to the consolidated financial statements.
Reclassification of all of the AccorInvest activities in assets – liabilities classified as held for sale and in discontinued operations	
The project to spin-off and sell AccorInvest (the biggest part of HotelInvest activities), announced by the Group in 2016 and whose activities have been reclassified since December 31, 2016 in "Assets and liabilities classified as held for sale", led to important legal restructuring operations in order to legally separate the HotelInvest activities from the HotelServices activities in 26 countries and to transfer them or contribute give them to the Accor Hotels Luxembourg holding company, renamed AccorInvest Group. These restructuring operations took place in most of the countries in which the Group is located, resulted in sales, partial asset transfers or spin-offs and have generated an important number of accounting entries with material reclassifications on the balance sheet. Accordingly, €4,769 million of assets relating to AccorInvest appear in assets held as for sale as of December 31, 2017, and €1,526 million in liabilities. All of the items in the income statement relating to the AccorInvest activities were also reclassified in net profit or loss from discontinued operations for €71 million in fiscal year 2017. Given the importance of these amounts, the volume and the complexity of the accounting entries resulting from the restructuring operations, and the ensuing tax impact, we considered the presentation of this information in the notes and the reclassifications made, to be a key audit matter.	We have assessed the adequacy of the items justifying the continued application of IFRS 5 ("Non-current assets held for sale and discontinued operations"), notably the loss of control of the AccorInvest Group subsequent to the planned operation, as well as the probability and effective completion timeframe for the transfer & sale transaction. Furthermore, we have examined the correct identification and valuation of the assets and liabilities classified as held for sale as of December 31, 2017 on the balance sheet as well as activities reclassified in net profit or loss from discontinued operations in fiscal year 2017. We have analyzed the tax impacts associated with the restructurings depending on applicable local tax regulations with our tax experts and after discussions with the Group's tax management team. We have also compared the net carrying amount of the net asset held for sale with the expected sale price less selling costs. This expected sale price is based on estimates of market value made by bank advisors. Finally, we have assessed the appropriateness of the disclosures made regarding this restructuring operation in the notes to the consolidated financial statements, and notably Notes 2.2 and 3 describing the spin-off project as well as the accounting rules and methods relating to the application of IFRS 5.

SPECIFIC VERIFICATION CONCERNING THE GROUP PRESENTED IN THE MANAGEMENT REPORT

As required by French law, we have also verified in accordance with professional standards applicable in France the information concerning the Group presented in the Board of Director's management report.

We have no matters to report as its fair presentation and its consistency with the consolidated financial statements.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Appointment of the Statutory Auditors

We were appointed statutory auditors of Accor by the Annual General Meeting of June 16, 1995.

As of December 31, 2017, our firms were in their 23rd year of uninterrupted engagement.

Prior to Ernst & Young et Autres (formerly named Barbier Frinault et Autres), Barbier Frinault et Associés had been statutory auditor since 1970.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease its operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems and, where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The financial statements have been approved by the Board of Directors.

STATUTORY AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Objective and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code (*Code de commerce*), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements;

- assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;
- evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Report to the Audit and Risk Committee

We submit a report to the Audit and Risk Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit and Risk Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit and Risk Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L. 822-10 to L. 822-14 of the French Commercial Code (*Code de commerce*) and in the French Code of Ethics (*Code de déontologie*) for statutory auditors. Where appropriate, we discuss with the Audit and Risk Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards

Paris-La Défense and Neuilly-sur-Seine, March 16, 2018

The Statutory Auditors

ERNST & YOUNG et Autres	DELOITTE & ASSOCIÉS	
Jacques Pierres	David Dupont-Noel	Guillaume Crunelle

5.3 PARENT COMPANY FINANCIAL STATEMENTS AND NOTES

5.3.1 2017 Balance Sheet

Assets

(in millions of euros)	Notes	Dec. 31, 2016 net	Dec. 31, 2017 net
Licenses, trademarks and rights of use	(2-3-4)	94	107
Contractual relationships	(2-3-4-7)	14	11
Other intangible assets	(2)	52	56
INTANGIBLE ASSETS		160	174
Land	(2-4)	4	3
Buildings	(2-3-4)	26	3
Machinery and equipment	(2-4)	5	3
Other	(2-4)	31	28
Assets under construction	(2)	3	1
Prepayments to suppliers of property and equipment	(2)	0	0
PROPERTY AND EQUIPMENT		69	38
Shares in subsidiaries and affiliates	(2-6-7-19)	7,114	6,845
Loans and advances to subsidiaries and affiliates	(2-7-11-18-19)	333	5,522
Other investment securities	(2-6-7-19)	13	20
Other loans	(2-7-11-18)	1	1
Other investments	(2-7-18)	32	31
INVESTMENTS		7,493	12,419
Fixed assets		**7,722**	**12,631**
Prepayments to suppliers	(5)	9	5
Trade receivables	(5-7-11-18-19)	265	241
Other receivables	(5-7-11-18-19)	579	332
Marketable securities	(8-11)	659	287
Cash and cash equivalents	(11)	478	846
Current assets		**1,990**	**1,711**
Accruals and other assets			
Prepaid expenses	(9-18)	7	5
Deferred charges	(9)	45	39
Bond redemption premiums		1	5
Unrealized foreign exchange losses	(10)	31	19
Accruals and other assets		**84**	**68**
ASSETS	**(1)**	**9,796**	**14,410**

Liabilities and equity

(in millions of euros)	Notes	Dec. 31, 2016 net	Dec. 31, 2017 net
Share capital	(13-14)	854	870
Additional paid-in capital	(13-14)	2,612	2,473
Legal reserve	(13)	71	71
Untaxed reserves	(13)	9	9
Other reserves	(13-14)	11	11
Retained earnings	(13)	-	-
Net profit for the year	(13)	(9)	3,698
Untaxed provisions	(7-13)	8	-
Shareholders' equity		**3,556**	**7,132**
Proceeds from issue of non-voting securities (perpetual hybrid bonds)	(15)	894	894
Other equity		**894**	**894**
Provisions for contingencies	(7)	49	68
Provisions for charges	(7)	79	68
Provisions for contingencies and charges		**128**	**136**
Other bonds	(12-16-17)	2,594	2,564
Bank borrowings	(12-17)	306	478
Other borrowings	(12-17-19)	1,928	2,833
Trade payables	(12-17-19)	254	261
Accrued taxes and payroll costs	(12-17-24)	80	81
Due to suppliers of fixed assets	(17)	10	8
Other payables	(12-17)	14	18
Liabilities		**5,186**	**6,243**
Deferred income	(9-17)	-	2
Unrealized foreign exchange gains	(10)	32	3
Accruals and other liabilities		**32**	**5**
LIABILITIES AND EQUITY	**(1)**	**9,796**	**14,410**

5.3.2 2017 Income statement

(in millions of euros)	Notes	Dec. 2016 net	Dec. 2017 net
Sales of goods and services		895	915
NET REVENUE	(20)	895	915
Own work capitalized		45	28
Reversals of depreciation, amortization and provisions and expense transfers	(7)	20	36
Other income		-	1
Operating income		**960**	**980**
Purchases of goods for resale		-	1
Purchases of raw materials and supplies		-	-
Other purchases and external charges		786	789
Taxes other than on income		13	15
Wages and salaries	(21)	107	106
Payroll taxes		47	50
Depreciation, amortization and provision expense			
Depreciation and amortization of fixed assets	(4)	45	50
Additions to provisions for fixed assets	(7)	-	3
Additions to provisions for current assets	(7)	2	5
Additions to provisions for contingencies and charges	(7)	16	21
Other expenses	(21)	4	4
Operating expenses		**1,020**	**1,044**
OPERATING PROFIT		**(60)**	**(64)**
Share of profits from non-managed joint ventures or transferred losses of managed joint ventures		-	-
Share of losses of non-managed joint ventures and transferred profits from managed joint ventures		-	-
Joint ventures			
Income from investments in subsidiaries and affiliates	(19)	142	2,330
Income from investment securities and long-term loans		-	-
Other interest income	(19)	20	15
Provision reversals and expense transfers	(7)	74	45
Foreign exchange gains		31	40
Financial income		**267**	**2,430**
Amortization and provisions – financial assets	(7)	64	322
Interest expense	(19)	146	136
Foreign exchange losses		28	36
Financial expenses		**238**	**494**
NET FINANCIAL INCOME	**(22)**	**29**	**1,936**
RECURRING INCOME (EXPENSE) BEFORE TAX		**(31)**	**1,872**

(in millions of euros)	Notes	Dec. 2016 net	Dec. 2017 net
Non-recurring income from revenue transactions		0	15
Non-recurring income from capital transactions		119	5,333
Exceptional provision reversals and expense transfers	(7)	884	372
Non-recurring income		**1,003**	**5,720**
Non-recurring expenses on revenue transactions		27	7
Non-recurring expenses on capital transactions		973	3,944
Exceptional additions to depreciation, amortization and provisions	(7)	5	3
Non-recurring expenses		**1,005**	**3,954**
NET NON-RECURRING INCOME (EXPENSE)	**(23)**	**(2)**	**1,766**
Income tax expense	(24)	(24)	(60)
TOTAL INCOME		**2,230**	**9,130**
TOTAL EXPENSES		**2,239**	**5,432**
NET PROFIT (LOSS)		**(9)**	**3,698**

The financial statements of Accor SA have been prepared in accordance with French generally accepted accounting principles. All amounts are stated in millions of euros unless otherwise specified.

The notes below relate to the balance sheet at December 31, 2017 before appropriation of net profit for the year, which shows total assets of €14,410 million, and to the income statement for the year then ended, which shows a net profit of €3,698 million.

The financial statements cover the 12-month period from January 1 to December 31, 2017.

Accor SA's individual financial statements are included in the consolidated financial statements of the Accor Group.

The preparation of financial statements requires the use of estimates and assumptions that can affect the carrying amount of certain assets and liabilities, income and expenses, and the information disclosed in the notes to the financial statements. Management reviews these estimates and assumptions on a regular basis to ensure that they are appropriate based on past experience and the current economic situation. Items in future financial statements may differ from current estimates as a result of changes in these assumptions.

The main estimates and judgments made by Management in the preparation of these financial statements concern the valuation and useful lives of intangible assets, property and equipment, and financial assets, as well as the amount of provisions for claims, litigation and contingencies and the assumptions underlying the calculation of pension obligations.

The main assumptions applied by the Company are presented in the relevant notes to the financial statements.

Highlights of 2017 were the spin-off of the AccorInvest business into a subsidiary and the 2.2% growth in revenue compared with 2016.

Notes 1 to 28 set out below form an integral part of the financial statements.

5.3.3 Notes to the financial statements

note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accor SA's balance sheet and income statement have been prepared in accordance with French legal requirements, particularly regulation no. 2014-03 issued by the French accounting standards authority (*Autorité des Normes Comptables* – ANC).

The financial statements of Accor SA have been prepared in accordance with French generally accepted accounting principles, including the principles of prudence, materiality and segregation of accounting periods, for the purpose of giving a true and fair view of the assets, liabilities and financial position of the Company and the results of its operations.

They are presented on a going concern basis and accounting methods have been applied consistently from one year to the next.

Assets recorded in the balance sheet are stated at historical cost or contributed value, as applicable.

The significant accounting policies used are described below:

Property and equipment and intangible assets are recognized when the following two conditions are met:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the Company;
- the cost or value of the asset can be reliably measured.

a) Intangible assets

Purchased intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses. Intangible assets with finite useful lives are amortized on a straight-line basis over their estimated useful lives, corresponding to:

- between two and five years for software; and
- between three and five years for licenses.

Leasehold rights, networks and trademarks with indefinite useful lives are not amortized. Their value is assessed whenever events or circumstances indicate that they may be impaired. If an assessment of fair value based on the same criteria as at the time of acquisition indicates the existence of a prolonged impairment in value, a provision is recorded.

b) Property and equipment

Property and equipment are stated at cost, corresponding to i) the asset's purchase price, ii) any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by Management, and iii) borrowing costs directly attributable to the construction or production of the asset.

Property and equipment are depreciated on a straight-line basis over their estimated useful lives, as follows:

- buildings: 35 to 50 years;
- fixtures and fittings: 7 to 25 years;
- other property and equipment: 5 to 15 years.

a and b bis) Fair values of intangible assets and property and equipment

At each year-end, the Company determines whether there are any indicators of impairment in value of intangible assets or property and equipment. Impairment indicators include obsolescence, physical damage, significant changes in the manner in which the asset is used, lower-than-expected economic performance, a steep fall in revenues, or other external indicators. Where there is an indication that the value of an asset may be impaired, its present value is assessed and compared with its carrying amount for the purpose of calculating the potential impairment charge.

The present value of an asset is deemed to be the higher of its fair value or value in use.

c) Investments

Shares in subsidiaries and affiliates are stated at cost. Transaction costs on these assets are recorded in the income statement.

At each year-end, the Company determines whether there are any indicators of impairment in value of its investments. Impairment indicators include:

- lower-than-expected economic performance;
- a drop in share price, rating downgrades; and
- steep falls in revenue or earnings.

Where there is an indication that the value of an asset may be impaired, its present value is assessed and compared with its carrying amount for the purpose of calculating the potential impairment charge. The present value of an investment is deemed to be the higher of its fair value or value in use.

Accor considers that the most appropriate method for measuring the fair value of its investments is to calculate its equity in the underlying net assets of the subsidiaries and affiliates concerned. Another method used for investments in hotel companies is to calculate their average EBITDA for the last two years and apply a multiple based on the type of hotels owned by the company concerned and their financial position. Accor also uses comparable recent transactions for the purpose of calculating fair values.

If the fair value of an investment is lower than the asset's carrying amount, the Company then also determines the investment's value in use, which corresponds to the present value of the future cash flows expected to be derived from the investment.

The value in use of investments in subsidiaries and affiliates is assessed using a range of indicators, including:

- the historical data used to value the investment at the time of acquisition;
- current profitability data and the current value of the underlying net assets;
- projections of future profitability, realizable values and economic trends.

If shares in subsidiaries and affiliates or other investment securities are deemed to be impaired, they are written down to the lower of their fair value or value in use, based on the impairment tests performed and taking into account their financial position. Where the company concerned is not certain of achieving operating profitability in the future, the investment is written down to an amount corresponding to the Company's equity in the underlying net assets. The measurement process also takes into account i) the maturity of the business (for example no provision is recorded for investments in companies that are in the start-up phase if their future profitability is assured) and ii) the fair value of certain of the subsidiary's assets that are not included in the balance sheet (e.g. trademarks). Provisions for impairment recognized on these investments are not permanent and may be reversed if the financial position of the company concerned improves.

However, any reversals of impairment provisions may not result in the investment's carrying amount being increased to above its historical cost. Additional provisions may be recorded to write down loans and advances to the company concerned and, where necessary, a provision for contingencies is also recorded.

d) Inventory

Inventory is measured at the lower of cost or probable realizable value. Cost is determined by the weighted average cost method.

e) Deferred charges

In accordance with the applicable French accounting standards relating to assets, since January 1, 2005 deferred charges have consisted solely of debt issuance costs, which are amortized over the life of the related debt.

f) Receivables

Receivables are recognized at nominal value and provisions for impairment are subsequently recorded if their fair value is lower than their carrying amount.

g) Marketable securities

Marketable securities are stated at cost. A provision for impairment may be booked at year-end depending on market value.

h) Revenue

Revenue includes the amount of services and contractual fees (i.e. management and franchise fees) billed to managed and franchised hotels, subsidiaries and non-related parties. It also includes amounts billed under real estate and business lease contracts as well as fees received in return for rent and debt guarantees issued by the Company.

Revenue from product sales is recognized when the product is delivered and ownership is transferred to the buyer. Revenue from sales of services is recognized when the service is rendered.

Consequently:

- rental and business lease revenues are recognized on a straight-line basis over the life of the contract;
- fees billed to subsidiaries and non-related parties are recognized on a straight-line basis over the life of the contract;
- fees for guarantees are recognized on a straight-line basis over the term of the guarantee concerned;
- revenue from other services is recognized when the service is rendered.

i) Untaxed provisions

Hotel fixed assets may be depreciated by the reducing balance method for tax purposes. Any difference between straight-line depreciation recorded in the accounts and reducing balance depreciation calculated for tax purposes is recorded as excess tax depreciation in shareholders' equity.

j) Provisions for contingencies and charges

A provision is recorded when the Company has an obligation towards a third party, which is probable or certain of giving rise to an outflow of economic resources without any inflow of economic resources of at least an equivalent value being expected.

k) Provisions for pensions and other post-employment benefit obligations

The Company's total obligation for the payment of pensions and other post-retirement benefits is provided for in the balance sheet. This obligation concerns statutory length-of-service awards payable in France and other defined benefit plans. The projected benefit obligation is recognized on a straight-line basis over the vesting period of the plans concerned, taking into account the probability of employees leaving the Company before retirement age. The provision recorded in the balance sheet is equal to the discounted value of the defined benefit obligation, plus or minus any actuarial differences, which are taken to the income statement in the year in which they arise.

In addition to these statutory benefit plans, certain employees are members of:

- a defined contribution supplementary pension plan funded by periodic contributions to an external organization that is responsible for the administrative and financial management of the plan as well as for payment of the related annuities. The contributions made by Accor under this plan are expensed as incurred;
- a defined benefit supplementary pension plan under which beneficiaries are entitled to pension benefits calculated based on their salary and the duration of their participation in the plan. The provision recorded for the Company's obligation under this plan takes into account any amounts funded through an external organization (plan assets).

l) Plain vanilla bonds

For plain vanilla bonds issued at a discount to face value, the difference between the issue proceeds and the face value of the bonds is amortized on a straight-line basis over the life of the bonds.

m) Other equity

On June 30, 2014, Accor placed a €900 million issue of perpetual hybrid bonds. The bonds have no maturity date but are first callable as from June 30, 2020.

They have been classified as "Other equity" in the Company's balance sheet and the €6 million issue premium has been recorded as a deduction from the nominal amount of the debt.

The interest payable on the bonds is included in "Other borrowings" and the related debt issuance costs are being amortized through the income statement.

n) Foreign currency transactions

Income and expenses in foreign currencies are converted into euros at the exchange rate prevailing on the transaction date.

Payables, receivables, currency swaps and cash balances in foreign currencies are converted at the year-end exchange rate.

Conversion differences on payables, receivables and currency swaps are recorded in "Accruals and other assets/liabilities" in the balance sheet and cash conversion differences are recorded in the income statement.

No provision for exchange losses is recorded for loans and borrowings denominated in the same currency with broadly equivalent maturities.

o) Financial instruments

Effective from January 1, 2017, the Company applies the provisions of regulation ANC 2015-05 concerning derivative instruments and hedging transactions.

The effect of the resulting change of method was not material.

p) Currency risks

Currency risks arising on the conversion of euro cash reserves into foreign currencies to meet part of the financing needs of foreign subsidiaries are hedged by currency swaps with the same maturities as the loans to subsidiaries.

q) Income tax expense

Accor has elected for group relief in application of the French Act of December 31, 1987. Under the group relief system, tax losses of companies in the tax group can be netted off against the profits of other companies in the group, provided that certain conditions are met. The applicable tax rules are defined in Articles 223 A *et seq.* of the French General Tax Code.

Each company in the tax group records in its accounts the tax charge it would have incurred if it had been taxed on a standalone basis. The group relief benefit or charge is recorded in the balance sheet of Accor SA as head of the tax group.

In accordance with tax regulations applicable since January 1, 2005, provisions for unrealized long-term losses on securities are not offset against unrealized capital gains on the same class of investments.

r) Stock options and performance shares

In compliance with the "Fillon 3 Act", the Company uses the fair values of stock options and performance shares measured in accordance with IFRS 2 as the basis for calculating the related contribution sociale surtax.

Accor SA launches performance share plans and/or employee stock option plans each year and has launched several plans since 2006, with vesting periods of between two and four years. New shares will be issued when the rights under these plans vest. Consequently, no provision has been recorded for the cost of these plans in the financial statements at December 31, 2017.

note 2 MOVEMENTS IN FIXED ASSETS

(in millions of euros)	Gross value at Jan. 1, 2017	Acquisitions and inter-item transfers	Retirements and disposals and inter-item transfers	Other	Gross value at Dec. 31, 2017
Trademarks and rights of use	59	-	-	-	59
Licenses and software	206	42	(6)	-	242
Goodwill	18	-	(1)	(7)	10
Other intangible assets	54	39	(34)	-	59
Prepayments to suppliers of intangible assets	-	-	-	-	-
Intangible assets	**337**	**81**	**(41)**	**(7)**	**370**
Land	5	-	-	(1)	4
Buildings	75	3	(2)	(54)	22
Machinery and equipment	24	8	-	(26)	6
Other property and equipment	91	22	(1)	(24)	88
Assets under construction	3	1	(3)	-	1
Prepayments to suppliers of property and equipment	0	-	-	-	0
Property and equipment	**198**	**34**	**(6)**	**(105)**	**121**
Shares in subsidiaries and affiliates(1)	9,158	1,163	(2,291)	650	8,680
Loans and advances to subsidiaries and affiliates(2)	404	5,487	(264)	(31)	5,596
Other investment securities(1)	14	6	-	-	20
Other loans	8	-	-	-	8
Other investments	32	-	-	(1)	31
Investments	**9,616**	**6,656**	**(2,555)**	**618**	**14,335**
FIXED ASSETS	**10,151**	**6,771**	**(2,602)**	**506**	**14,826**

(1) See Note 6 for a breakdown of the aggregate €471 million decrease in these items.
(2) The decrease in this item reflects the combined effect of new loan originations and loans maturing during the year.

note 3 PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

Trademarks and rights of use

This item mainly relates to the valuation of the Novotel trademark and rights granted to subsidiaries to use the Accor Group's trademarks.

Licenses and software

These correspond to IT licenses and software used by the Company in its operating activities.

Contractual relationships

Contractual relationships primarily concern the hotel reservation call center.

Buildings and fixtures and fittings

These items mainly correspond to buildings and fixtures and fittings related to headquarters premises and the Group's training center.

note 4 MOVEMENTS IN DEPRECIATION AND AMORTIZATION

(in millions of euros)	At Jan. 1, 2017	Increase	Decrease	Other movements	At Dec. 31, 2017
Trademarks and rights of use	-	-	-	-	-
Licenses and software	154	26	(4)	-	176
Goodwill	4	-	-	(4)	-
Other intangible assets	2	1	-	-	3
Intangible assets	**160**	**27**	**(4)**	**(4)**	**179**
Land	1	-	-	-	1
Buildings	48	2	-	(30)	20
Machinery and equipment	19	1	-	(17)	3
Other property and equipment	59	10	(1)	(9)	59
Property and equipment	**127**	**13**	**(1)**	**(56)**	**83**
FIXED ASSETS	**287**	**40**	**(5)**	**(60)**	**262**

note 5 RECEIVABLES[(1)]

(in millions of euros)	Dec. 31, 2016 Gross amount	Dec. 31, 2017 Gross amount
Prepayments to suppliers	**9**	**5**
Trade receivables	**278**	**254**
Other receivables	**612**	**370**
Supplier-related receivables	3	4
Recoverable VAT and other taxes	113	130
Current accounts with subsidiaries	482	217
Other	14	19
RECEIVABLES	**899**	**629**

(1) Including prepayments to suppliers.

note 6 MOVEMENTS IN SHARES IN SUBSIDIARIES AND AFFILIATES AND OTHER INVESTMENT SECURITIES

Business acquisitions and purchases of newly-issued shares	Number of shares acquired	Amount *(in millions of euros)*	% interest at Dec. 31, 2017
VERYCHIC	177,976	16	71.19%
AVAILPRO	105,509	23	83.26%
FINANCIÈRE LOUIS	487,682,751	10	39.37%
NOCTIS EVENT	35,937	20	31.00%
BGVM & CO	20,000	1	80.00%
IJAG	1,000	3	100.00%
NDH	24,001	24	50.00%
AWOL	1,000	3	100.00%
ACCORHOTELS ITALIA	1	57	100.00%
ACCORHOTELS SERVICES NETHERLANDS	20,000	96	100.00%
ACCORINVEST BELGIUM	30,218,003	368	99.99%(1)
ACCORHOTELS DEUTSCHLAND	500	26	100.00%
ACCORHOTELS ARGENTINA	81,747,496	5	95.00%
ACCORHOTELS CHILE	1,000	1	100.00%
HOTELINVEST HOLDING GMBH	25,000	274	100.00%(1)
RIXOS	50	33	50.00%
ACCORHOTELS BETRIEBS	70,000	82	100.00%
TRAVEL KEYS	100	6	100.00%
BANYAN TREE	40,000,000	15	4.76%
DAPHNI PURPLE	5,000	5	N/D
ACQUISITIONS		**1,068**	

(1) Percent interest held following an acquisition and before a sale or merger – see next sections.

Additional investments	Number of shares acquired	% acquired	Amount *(in millions of euros)*	% interest at Dec. 31, 2017
ACCOR AFRIQUE	55,099	2.78%	5	100.00%
SCI BLANCHE NEIGE	3,066,600		46	100.00%(1)
FASTBOOKING	11,500,000		12	100.00%(2)
FRHI HOLDINGS LIMITED			(10)	100.00%(3)
SAOUDI FRENCH COMPANY FOR HOTEL MANAGEMENT	100	10.00%	8	100.00%
CONCIERGE HOLDING COMPANY LIMITED	5,872,416		19	85.97%(2)
ACCORHOTELS & COMMUNITY SERVICES SPAIN	222,878		14	20.59%
SH ATHÈNES CENTRE	-		6	100.00%(1)
RAISE INVESTISSEMENT	1,540,000		2	3.09%(2)
ACQUISITIONS			**102**	

(1) Percent interest held following a share issue and before a sale or merger – see next sections.
(2) Partial or full take-up of shares in connection with a share issue.
(3) Contingent consideration.

Disposals	Number of shares sold	% sold	Carrying amount derecognized *(in millions of euros)*	% interest at Dec. 31, 2017
STARTOM	40,342	19.80%	(1)	0.00%
ACCOR PARTECIPAZIONI ITALIA	-		(42)	0.00%[(1)]
ACCOR PARTECIPAZIONI ITALIA	1	100.00%	(419)	0.00%
SH ATHENES CENTRE	1,221,903	100.00%	(17)	0.00%
ACCOR CHILE	5,430,744	100.00%	(10)	0.00%
ACCOR HOTELES ESPAGNA	-		(5)	0.00%
ACCOR HOTELES ESPAGNA	6,350,119	100.00%	(93)	0.00%
ACCORINVEST BELGIUM	30,218,003	100.00%	(368)	0.00%
ACCORHOSPITALITY ARGENTINA	128,584	95.00%	(28)	0.00%
EL GEZIRAH HOTELS AND TOURISM CO	-		(4)	65.71%[(1)]
HOTELINVEST HOLDING GMBH	25,000	100.00%	(274)	0.00%
OASIS LUXURY RENTALS INCORPORATED	768,347	27.83%	(11)	0.00%
ACCOR HOSPITALITY GERMANY	1	100.00%	(408)	0.00%
AURORA	23,725	94.90%	(1)	5.10%
ACCOR HOSPITALITY NEDERLAND	4,025,403	58.09%	(18)	0.00%
CAESAR PARK ARGENTINA	3,583,265	4.17%	(2)	0.00%
MERCURE CHILI HI	1	75.28%	(1)	0.00%
SOCIEDAD DE DESARROLLO DE HOTELES PERUANOS	30,000,000		(7)	0.00%[(2)]
SOCIÉTÉ ANONYME DES HÔTELS DE TRADITION	835,348	100.00%	(13)	0.00%
HÔTEL DE PORTICCIO	71,079	100.00%	(4)	0.00%
SOCIÉTÉ DE GESTION DES CENTRES ATRIA	145,351	51.00%	(2)	0.00%
SOCIÉTÉ HÔTELIÈRE DE LA PORTE DE SÈVRES	1,250,000	40.89%	(20)	0.00%
SOFITEL LUXURY HÔTELS France	155,861	100.00%	(26)	0.00%
SCI SUDAIX	1,999	99.95%	(3)	0.00%
ECOTEL	12,498	76.99%	(6)	0.00%
SEORIM	1,390,386	70.94%	(22)	0.00%
SOCIÉTÉ PARISIENNE DES HÔTELS ÉCONOMIQUES	599,940	99.99%	(13)	0.00%
SCI DE L'HÔTEL PARIS CAMBRONNE	11,250	22.50%	(5)	0.00%
PULLMAN INTERNATIONAL HÔTELS – PIH	2,014,661	100.00%	(29)	0.00%
STÉ DE PART. FINANC. D'HÔTELLERIE	297,963	100.00%	(30)	0.00%
PRADOTEL	44,700	90.67%	(7)	0.00%
SOCIÉTÉ HÔTELIÈRE DU 61 QUAI DE GRENELLE (SNC)	660,399	100.00%	(10)	0.00%
SCI MÉTROPOLE SURESNES	247	49.30%	(2)	0.00%
SOCIÉTÉ INTERNATIONALE DE PARTICIPATION – SIP	30,499	100.00%	(1)	0.00%
HÔTEL MÉTROPOLE SURESNES	33,698	100.00%	(2)	0.00%
FIMAKER	73,495	99.99%	(7)	0.00%
SOCIÉTÉ DE CONSTRUCTION DES HÔTELS SUITES IBIS *BUDGET*	1,953,057	100.00%	(34)	0.00%
Société DES HÔTELS NOVOTEL ET MERCURE – SHNM	391,379,736	82.85%	(346)	0.00%
DISPOSALS			**(2,291)**	

(1) Decrease in the carrying amount of Accor's investment following a capital reduction without the cancellation of shares.
(2) Decrease in the carrying amount of Accor's investment following a capital reduction with the cancellation of shares.

Other movements	Number of shares	% involved	Amount (in millions of euros)	% interest at Dec. 31, 2017
Capital contributions				
SOCIÉTÉ DE PARTICIPATIONS HÔTELIÈRES				
Forum shares contributed to SPH	52		(0)	0.00%
SCI Nerain shares contributed to SPH	870		(0)	0.00%
Marcq Hôtel shares contributed to SPH	4,385,994		(9)	0.00%
Thalamer shares contributed to SPH	961,497		(20)	0.00%
SCI Blanche Neige shares contributed to SPH	3,085,833		(46)	0.00%
Société Commerciale des Hôtels Économiques shares contributed to SPH	2,760,347		(65)	0.00%
Société d'Étude et de Promotion Hôtelière Internationale shares contributed to SPH	499,996		(41)	0.00%
Compagnie Toulousaine d'Investissement et de Développement shares contributed to SPH	45,796		(7)	0.00%
Société Hôtelière d'Exploitation Économique shares contributed to SPH	2,441,791		(12)	0.00%
Société d'Exploitation Hôtelière Économique (ExHotel) shares contributed to SPH	18,246		(1)	0.00%
Hospitel France Lyon shares contributed to SPH	15,134		(1)	0.00%
Montreuilloise shares contributed to SPH	26,999		(0)	0.00%
SEHM shares contributed to SPH	149		(1)	0.00%
SH Toulouse Centre Pullman shares contributed to SPH	77,163		(8)	0.00%
SCI des Hôtels de Tours et Orly shares contributed to SPH	1,150,720		(24)	0.00%
Sofitel shares contributed to SPH	99		(0)	0.00%
Remuneration for contributions to SPH: SPH shares received			655	0.00%
ACCORINVEST SAS				
SPH shares contributed to AccorInvest SAS			(657)	0.00%
Remuneration for contributions to AccorInvest SAS: AccorInvest SAS shares received			817	0.00%
ACCORINVEST GROUP				
Contribution to AccorInvest Group: AccorInvest SAS shares			(817)	0.00%
Remuneration for contributions to AccorInvest Group: AccorInvest Group shares received			887	78.95%
Mergers				
SOCIEDAD DE DESARROLLO DE HOTELES PERUANOS				
SIHLSA merged into SDHP			(5)	
CHDC merged into SDHP			(3)	
SIHLSA and CHDC merged into SDHP			8	
OTHER MOVEMENTS			**(650)**	

TOTAL ACQUISITIONS	**1,170**	-
TOTAL DISPOSALS AND LIQUIDATIONS	**(2,291)**	-
TOTAL OTHER MOVEMENTS	**650**	-
TOTAL MOVEMENTS	**(471)**	

note 7 MOVEMENTS IN PROVISIONS

(in millions of euros)	At Jan. 1, 2017	Increase	Decrease: Surplus provisions	Decrease: Utilized provisions	Other movements	At Dec. 31, 2017
Excess tax depreciation	8	0	-	(8)	-	-
UNTAXED PROVISIONS	8	0	-	(8)	-	-
Claims and litigation	4	2	(1)	(1)	-	4
Foreign exchange losses	1	15	-	-	-	16
Other provisions for contingencies(1)	44	14	(6)	(4)	-	48
PROVISIONS FOR CONTINGENCIES	49	31	(7)	(5)	-	68
Pensions and other post-employment benefit obligations(4)	56	11	(17)	(1)	(3)	46
Taxes	16	-	(1)	(8)	-	7
Other	8	13	(2)	(4)	-	15
PROVISIONS FOR CHARGES(2)	80	24	(20)	(13)	(3)	68
Untaxed provisions and provisions for contingencies and charges	**137**	**56**	**(27)**	**(26)**	**(3)**	**136**
Intangible assets	17	-	-	-	(1)	16
Property and equipment	1	3	(1)	-	(3)	-
Investments*	2,121	270	(373)	-	(102)	1,916
Trade receivables	13	3	(4)	-	-	12
Other receivables*	33	20	(15)	-	-	38
Provisions for impairment in value(3)	**2,185**	**296**	**(393)**	**-**	**(106)**	**1,982**
PROVISIONS	**2,322**	**352**	**(420)**	**(26)**	**(109)**	**2,118**

Income statement impact of movements in provisions	**Increase**	**Decrease**
Operating income and expenses	29	(30)
Financial income and expenses	320	(44)
Non-recurring income and expenses	3	(372)
TOTAL	**352**	**(446)**

* *Recorded in accordance with the accounting policy described in Note 1c.*

(1) *Other provisions for contingencies mainly comprised €48 million in provisions for risks related to subsidiaries. These provisions are set aside after taking into account provisions for shares in and loans and advances to subsidiaries and affiliates.*
Movements in this item primarily reflect i) additions to provisions for subsidiaries in an amount of €14 million and ii) reversals of provisions for subsidiaries amounting to €10 million.

(2) *At the year-end, total provisions for charges included i) €47 million in provisions for pensions and long-service bonuses, ii) €7 million in provisions for taxes and iii) €14 million in restructuring provisions.*
Additions to and reversals of provisions for pensions and other post-employment benefit obligations amounted to €11 million and €18 million respectively.
A total of €8 million was reversed from provisions for taxes following the payment of tax reassessments arising from a tax audit covering the years 2008 and 2009.
Movements in other provisions for charges corresponded to €13 million in additions to provisions for restructuring costs and €6 million in reversals from restructuring provisions.

(3) *These provisions mainly concern impairment in value of shares in subsidiaries and affiliates, and current accounts and loans and advances to subsidiaries and affiliates, with the 2017 year-end balance primarily corresponding to write-downs of CIWLT (€893 million), IBL (€659 million), Turambar (€95 million), STARTOM Hospitality (€54 million), Belle Rivière Hôtel (€54 million), La Thermale (€32 million), HOLPA (€29 million) and Fastbooking (€16 million).*
Movements for the year broke down as €290 million in additions, €388 million in reversals and €102 million in provisions derecognized on shares contributed to SPH and AccorInvest SAS. Additions primarily concerned Turambar (€95 million), CIWLT (€50 million), SCI Blanche Neige (€44 million), SPH (€30 million), IBL (€24 million), SHEMA (€13 million) and Fastbooking (€8 million). Reversals mainly concerned the following subsidiaries sold in connection with the AccorInvest spin-off. Accor Participations Italia (€104.5 million), SHNM (€68.7 million), Accor Hoteles Espagna (€41.5 million), Sofitel Luxury Hotels France (€26.4 million), SPFH (€24.2 million) and Accor Hospitality Argentina (€23.9 million). Provisions derecognized on contributed shares concerned the contribution to SPH of SCI Blanche Neige (€44.7 million), SCHE (€28.5 million) and Marcq Hotel (€1.5 million) and the contribution to AccorInvest SAS of SPH (€27.9 million).

(4) *Pension benefit obligations and underlying actuarial assumptions.*

	2016	2017 General Plan	2017 Senior Executive Plan
Discount rate	1.5%	1.6%	1.6%
Mortality tables	TG05 Générationnelle INSEE	TG05 Générationnelle INSEE	TG05 Générationnelle INSEE
Rate of future salary increases	3.00%	3.00%	4%
Retirement age	65 years	65 years	Between 62 and 67, depending on the age when the participant started work and the contribution period
Voluntary or compulsory retirement	Voluntary	Voluntary	Voluntary
Staff turnover rate	Rate progressively decreasing in line with age: • ranging between 7.1% and 0% for non-managerial employees and 0% as from 44 years of age; • between 5.2% and 0% for managerial employees and 0% as from 55 years of age.	Rate progressively decreasing in line with age: • ranging between 7.1% and 0% for non-managerial employees and 0% as from 44 years of age; • between 5.2% and 0% for managerial employees and 0% as from 55 years of age.	Rate progressively decreasing in line with age: • between 12% and 4.5% for managerial employees and 0% as from 55 years of age.
Payroll tax rate	46.00%	46.00%	46.00%

	2016	2017
Provisions for pensions and other post-employment benefit obligations at Jan. 1	57	56
Service cost	6	6
Interest expense	1	1
Actuarial (gains)/losses	(1)	(8)
Curtailments and settlements	(5)	(5)
Benefits/contributions paid	0	(1)
Other movements	(2)	(3)
PROVISIONS FOR PENSIONS AND OTHER POST-EMPLOYMENT BENEFIT OBLIGATIONS AT DEC. 31, 2017	**56**	**46**

note 8 MARKETABLE SECURITIES PORTFOLIO

(in millions of euros)	Dec. 31, 2016 Gross amount	Dec. 31, 2017 Gross amount
Mutual fund units	30	32
Money market funds	380	155
Term deposits	250	100
TOTAL	**660**	**287**

No provisions for impairment in value were set aside in 2017 for marketable securities as their fair value exceeded or was equal to their carrying amount at December 31, 2017.

note 9 ACCRUALS AND OTHER ASSETS/LIABILITIES

(in milllions of euros)	Net at Jan. 1, 2017	Increase	Decrease	Net at Dec. 31, 2017
Debt issuance costs	45	5	(11)	39
DEFERRED CHARGES	**45**	**5**	**(11)**	**39**
Issue premiums	1	6	(2)	5
BOND ISSUE PREMIUMS	**1**	**6**	**(2)**	**5**
Prepaid IT rental and maintenance costs	3	-	-	3
Prepaid property rents	1	-	-	1
Other	3	-	(2)	1
PREPAID EXPENSES	**7**	**-**	**(2)**	**5**
Marketing fund	-	1	-	1
Other movements	-	1	-	1
DEFERRED INCOME	**-**	**2**	**-**	**2**

note 10 UNREALIZED FOREIGN EXCHANGE GAINS AND LOSSES

Assets

(in millions of euros)	2016	2017
Decrease in receivables	5	12
Increase in payables	26	7
ASSETS	**31**	**19**

Liabilities and equity

(in millions of euros)	2016	2017
Increase in receivables	27	1
Decrease in payables	5	2
LIABILITIES AND EQUITY	**32**	**3**

note 11 ACCRUED INCOME

Accrued income is included in the following balance sheet items

(in millions of euros)	2016	2017
Loans and advances to subsidiaries and affiliates	3	2
Trade receivables	182	135
Other loans	1	1
Current accounts with subsidiaries	-	1
Money market securities	8	8
ACCRUED INCOME	**194**	**147**

note 12 ACCRUED EXPENSES

Accrued expenses are included in the following balance sheet items

(in millions of euros)	2016	2017
Bonds	41	40
Bank borrowings	22	22
Other borrowings	1	1
Trade payables	186	215
Accrued taxes and payroll costs	51	57
Other payables	6	-
ACCRUED EXPENSES	**307**	**335**

note 13 CHANGES IN SHAREHOLDERS' EQUITY

(in millions of euros)	At Dec. 31, 2016	Appropriation of 2016 net profit	Capital increase/ reduction	Merger/ acquisition	Other	2017 net profit	At Dec. 31, 2017
Number of shares making up the Company's capital(1)	284,767,670	-	828,078	-	4,526,405	-	290,122,153
Share capital	854	-	2	-	14	-	870
Additional paid-in capital	2,612	(309)	18	-	152	-	2,473
Legal reserve	71	-	-	-	-	-	71
Untaxed reserves	9	-	-	-	-	-	9
Other reserves	11	-	-	-	-	-	11
Retained earnings	-	-	-	-	-	3,698	3,698
Net profit	(9)	9	-	-	-	-	-
Untaxed provisions	8	-	-	-	(8)	-	-
SHAREHOLDERS' EQUITY	**3,556**	**(300)(2)**	**20(3)**	**-**	**158(4)**	**(3,698)**	**7,132**

(1) With a par value of €3 per share.
(2) €300 million in dividends paid on June 6, 2017.
(3) Shares issued on the exercise of employee stock options.
(4) Part of the 2016 dividend was paid in shares, which resulted in the issuance of 3,975,968 new Accor shares and a €148 million increase in shareholders' equity. In 2017, Accor carried out an employee rights issue, leading to the issuance of 550,437 new Accor shares and an €18 million increase in shareholders' equity.

Potential shares: if all employee stock options had been exercised and performance shares granted at December 31, 2017, the number of issued shares would have been increased by 4,313,916, raising the Company's shareholders' equity by €36.2 million.

note 14 STOCK OPTION AND PERFORMANCE SHARE PLANS

Stock option plans	Plan 19	Plan 20	Plan 21	Plan 22	Plan 23	Plan 24	Plan 25	Plan 26	Plan 27
Grant date	03/31/2009	04/02/2010	04/02/2010	11/22/2010	04/04/2011	04/04/2011	03/27/2012	03/27/2012	09/26/2013
Expiration date	03/31/2017	04/02/2018	04/02/2018	11/22/2018	04/04/2019	04/04/2019	03/27/2020	03/27/2020	09/26/2021
Post-demerger exercise price *(in euros)*	18.20	26.66	26.66	30.49	31.72	31.72	26.41	26.41	30.13
Value used for calculating the *contribution sociale* surtax *(in euros)*[(1)]	5.78	10.28	9.44	9.25	7.99	7.99	7.88	6.50	6.30
Vesting conditions	4 years of seniority	4 years of seniority	4 years of seniority + performance conditions[(2)]	4 years of seniority	4 years of seniority	4 years of seniority + performance conditions[(3)]	4 years of seniority	4 years of seniority + performance conditions[(3)]	4 years of seniority + performance conditions[(3)]
NUMBER OF OPTIONS OUTSTANDING AT DEC. 31, 2016	**187,373**	**834,913**	**56,197**	**89,440**	**443,054**	**32,031**	**419,515**	**20,727**	**40,000**
Number of options granted in 2017	-	-	-	-	-	-	-	-	-
Number of options exercised in 2017	147,817	451,725	43,473	4,524	54,162	1,562	82,920	-	-
Number of options canceled in 2017	39,556	-	-	-	-	-	-	-	30,000
NUMBER OF OPTIONS OUTSTANDING AT DEC. 31, 2017	**-**	**383,188**	**12,724**	**84,916**	**388,892**	**30,469**	**336,595**	**20,727**	**10,000**
Number of options exercised since the plan launch	1,222,496	1,740,491	64,467	7,532	189,412	2,734	158,310	-	-
Number of options cancelled since the plan launch	206,960	495,091	76,287	-	43,450	19,922	32,610	26,648	30,000

(1) Surtax of 10% for options granted until 2011 and 14% for options granted after 2012.
(2) Performance condition based on the Accor share performance relative to the overall performance of the CAC 40 index for 2010, 2011, 2012 and 2013.
(3) Performance condition based on the Accor TSR versus the TSR of eight other international hotel groups.

Performance share plans	2013 Plan	2013 Plan	2013 Plan	2014 Plan	2014 Plan	2014 Plan
Grant date	04/15/2013	04/15/2013	04/15/2013	06/18/2014	06/18/2014	06/18/2014
Expiration date	04/15/2017	04/15/2017	04/15/2017	06/18/2016	06/18/2018	06/18/2016
Value used for calculating the *contribution sociale* surtax *(in euros)*	23.40	22.94	21.10	35.31	34.82	33.10
Vesting conditions	Performance conditions(1)	2 performance conditions(1)	Performance conditions(2)	2 performance conditions(1)	2 performance conditions(1)	4 performance conditions(2)
Number of options granted at the plan launch	169,605	48,445	72,500	206,050	79,850	176,500
POTENTIAL NUMBER OF NEW SHARES ISSUABLE AT DEC. 31, 2016 IF PERFORMANCE CONDITIONS MET	**-**	**43,965**	**-**	**-**	**73,000**	**-**
Number of performance shares granted in 2017	-	-	-	-	-	-
Number of performance shares vested in 2017	-	41,695	-	-	200	-
Number of performance shares forfeited in 2017	-	2,270	-	-	4,900	-
Number of performance shares canceled in 2017 due to failure to achieve the performance conditions	-	-	-	-	-	-
POTENTIAL NUMBER OF NEW SHARES ISSUABLE AT DEC. 31, 2017 IF PERFORMANCE CONDITIONS MET	**-**	**-**	**-**	**-**	**67,900**	**-**
Number of performance shares vested since the plan launch	160,370	41,695	41,331	191,450	200	172,088
Number of performance shares cancelled since the plan launch	9,235	6,750	31,169	14,600	11,750	4,412

(1) Performance condition based on actual versus budgeted EBIT margin, and actual versus budgeted operating cash flow excluding acquisitions and disposals.

(2) Performance condition based on actual versus budgeted EBIT margin, actual versus budgeted operating cash flow excluding acquisitions and disposals, the degree of completion of the asset disposal plan included in the budget, and Accor's TSR versus the TSR of eight other international hotel groups.

(3) Performance condition based on actual versus budgeted EBIT margin, and actual versus budgeted operating cash flow excluding acquisitions and disposals.

(4) Performance condition based on actual versus budgeted EBIT margin, actual versus budgeted operating cash flow excluding acquisitions and disposals, the degree of completion of the asset disposal plan included in the budget, and Accor TSR versus the TSR of eight other international hotel groups and compared with that of other CAC 40 companies.

(5) Performance condition based on actual versus budgeted EBIT margin, actual versus budgeted free cash flow excluding acquisitions and disposals, after change in working capital, and Accor TSR versus the TSR of eight other international hotel groups and compared with that of other CAC 40 companies.

(6) Performance condition based on actual versus budgeted cumulative consolidated EBIT and the average Accor share price versus a benchmark price.

2014 Plan	2015 Plan	2015 Plan	2016 Plan	2016 Plan	2017 Plan	2017 Plan	2017 Plan	2017 Plan
06/18/2014	06/16/2015	06/16/2015	06/16/2016	10/26/2016	06/30/2017	06/20/2017	10/18/2017	12/14/2017
06/18/2018	06/16/2019	06/16/2019	06/16/2019	10/26/2019	06/30/2020	06/20/2020	10/18/2020	12/14/2020
32.93	42.00	38.40	30.72	29.41	34.34	10.35	36.01	10.71
4 performance conditions[2]	2 performance conditions[3]	4 performance conditions[4]	3 performance conditions[5]	3 performance conditions[5]	3 performance conditions[5]	2 performance conditions[6]	3 performance conditions[5]	2 performance conditions[6]
22,000	326,290	153,800	491,690	14,525	570,579	1,304,754	27,340	141,168
21,450	**308,800**	**141,564**	**490,695**	**14,425**	**-**	**-**	**-**	**-**
-	-	-	-	-	570,579	1,304,754	27,340	141,168
-	-	-	-	-	-	-	-	-
-	14,995	-	18,700	-	8,350	-	-	-
-	-	225	-	-	-	-	-	-
21,450	**293,805**	**141,339**	**471,995**	**14,425**	**562,229**	**1,304,754**	**27,340**	**141,168**
-	-	-	-	-	-	-	-	-
550	32,485	12,461	19,695	100	8,350	-	-	-

note 15 OTHER EQUITY

In line with its strategy of increasing the maturity of its borrowings and ensuring the sustainability of its financial resources, in 2014 Accor placed a €900 million issue of perpetual hybrid bonds.

These bonds have no maturity date, but are first callable as from June 30, 2020.

(in millions of euros)	Currency	Original issue amount	Fixed/ variable rate	Interest rate	Outstanding principal at Dec. 31, 2016	Outstanding principal at Dec. 31, 2017
June 2014 issue of perpetual hybrid bonds	Euros	900	Fixed	4.125%	900	900
Issue premium on perpetual hybrid bonds	Euros				(6)	(6)
OTHER EQUITY					**894**	**894**

note 16 OTHER BONDS

(in millions of currency units)	Currency	Original issue amount *(in currency units)*	Original issue amount *(in euros)*	Fixed/ variable rate	Interest rate	Term	Outstanding principal at Dec. 31, 2016	Outstanding principal at Dec. 31, 2017
July 2009 bond issue	Euros	250	250	Fixed	6.039%	8 years	250	-
June 2012 bond issue	Euros	700	700	Fixed	2.875%	5 years	367	-
March 2013 bond issue	Euros	600	600	Fixed	2.500%	6 years	335	335
February 2014 bond issue	Euros	900	900	Fixed	2.625%	7 years	900	900
June 2014 bond issue	Swiss francs	150	123	Fixed	1.750%	8 years	140	128
December 2014 bond issue	Euros	60	60	Fixed	1.679%	7 years and 2 months	60	60
September 2015 bond issue	Euros	500	500	Fixed	2.375%	8 years	500	500
January 2017 bond issue	Euros	600	600	Fixed	1.250%	7 years	-	600
OTHER BONDS							**2,552**	**2,523**

note 17 LIABILITIES BY MATURITY

(in millions of euros)	Gross amount	Due within 1 year	Due in 1-5 years	Due beyond 5 years
Bonds	2,564	41	1,423	1,100
Bank borrowings	478	478	-	-
Other borrowings(2)	2,833	2,833	-	-
BORROWINGS(1) (3)	5,875	3,352	1,423	1,100
Trade payables(3)	261	261	-	-
OPERATING PAYABLES	261	261	-	-
Accrued taxes and payroll costs(3)	81	81	-	-
Due to suppliers of fixed assets(3)	8	8	-	-
Other payables(3)	18	18	-	-
Deferred income(3)	2	2	-	-
MISCELLANEOUS PAYABLES	109	109	-	-
LIABILITIES	**6,245**	**3,722**	**1,423**	**1,100**

(1) Gross amount of new borrowings during the year: €1,693 million.
Gross amount of borrowings repaid during the year: €629 million.
(2) Including €2,695 million due to related parties.
(3) Breaking down as follows by currency:

Liabilities by currency	
AED	1
AUD	92
CAD	26
CHF	148
EUR	5,805
GBP	7
HKD	1
ILS	2
MAD	1
MXN	4
NZD	16
PLN	10
SEK	4
SGD	1
USD	127
BY CURRENCY	**6,245**

Financing policy

At December 31, 2017, Accor had a confirmed line of credit maturing in more than one year. The unused portion of this facility totaled €1,800 million, expiring in 2019.

note 18 RECEIVABLES BY MATURITY

(in millions of euros)	Gross amount	Due within 1 year	Due beyond 1 year
Loans and advances to subsidiaries and affiliates	5,596	4,800	796
Other loans	8	8	-
Other investments	31	-	31
FIXED ASSETS	5,635	4,808	827
Trade receivables	254	254	-
Other receivables	370	370	-
Prepaid expenses	5	5	-
CURRENT ASSETS	629	629	-
RECEIVABLES(1)	**6,264**	**5,437**	**827**

(1) *Breaking down as follows by currency:*

Receivables by currency	
AED	1
AUD	38
CHF	149
CNY	-
EUR	5,693
GBP	98
HKD	1
ILS	2
JPY	32
NZD	16
SGD	1
USD	233
BY CURRENCY	**6,264**

note 19 RELATED PARTY ITEMS[1]

(in millions of euros)	2016	2017
Shares in subsidiaries and affiliates	8,988	8,508
Loans and advances to subsidiaries and affiliates	398	5,595
Trade receivables	161	136
Other receivables	491	215
Borrowings	1,928	2,694
Trade payables	52	57
Income from investments in subsidiaries and affiliates	133	2,302
Other financial income	11	29
Financial expenses	13	10

(1) Companies that are fully consolidated in the Group's consolidated financial statements are deemed to be related parties.

note 20 BREAKDOWN OF NET REVENUE

(in millions of euros)	2016	2017
France	560	538
International	335	377
NET REVENUE	**895**	**915**

note 21 DIRECTORS' FEES, EXECUTIVE COMPENSATION AND HEADCOUNT

Compensation paid to members of the Company's administrative and supervisory bodies

(in millions of euros)	2016	2017
Directors' fees	1.60	1.00
Members of the Executive Committee (excl. payroll taxes)	10.54	9.05

Headcount

Employee category	2016	2017
Managerial staff	1,011	1,020
Supervisors	157	143
Administrative staff	65	69
Apprentices	42	53
HEADCOUNT	**1,275**	**1,285**

The Company had 1,285 employees at December 31, 2017, including 23 whose salaries are rebilled to subsidiaries.

Training entitlement

The CPF (*compte personnel de formation* – personal training account) replaced the DIF (*droit individuel à la formation* – statutory training entitlement) on January 1, 2016, with the right to utilize unused DIF training hours for a period expiring on December 31, 2020.

note 22 FINANCIAL INCOME AND EXPENSES

(in millions of euros)	**2016**	**2017**
Dividends received from subsidiaries	135	2,304
Interest received on intragroup loans and receivables	7	26
INCOME FROM INVESTMENTS IN SUBSIDIARIES AND AFFILIATES	142	2,330
INCOME FROM INVESTMENT SECURITIES AND LONG-TERM LOANS	0	-
Interest on current accounts	4	3
Interest on loans and advances	1	-
Interest on marketable securities	4	-
Interest on bank deposits	3	3
Interest on interest rate swaps	8	8
Interest on currency swaps	(1)	(1)
Other	1	2
OTHER INTEREST INCOME	20	15
Bond issue premiums	2	1
Reversals of provisions for shares in subsidiaries and affiliates	48	33
Reversals of provisions for loans and advances to subsidiaries and affiliates	9	1
Reversals of provisions for other receivables	7	-
Reversals of provisions for contingencies and charges	8	10
Expense transfers	-	-
REVERSALS OF PROVISIONS FOR FINANCIAL ITEMS	74	45
FOREIGN EXCHANGE GAINS	31	40
Financial income	**267**	**2,430**
Interest on bonds	(73)	(72)
Interest on bank borrowings	(37)	(37)
Interest on other borrowings	(20)	(19)
Interest on interest rate swaps	(6)	(5)
Interest on currency swaps	3	3
Other	(13)	(6)
INTEREST EXPENSE	(146)	(136)
Additions to provisions for shares in subsidiaries and affiliates	(37)	(266)
Additions to provisions for loans	(4)	(4)
Additions to provisions for current assets	(9)	(19)
Amortization of bond issue premiums	(2)	(2)
Additions to provisions for contingencies and charges	(12)	(31)
AMORTIZATION AND PROVISIONS – FINANCIAL ASSETS	(64)	(322)
FOREIGN EXCHANGE LOSSES	(28)	(36)
Financial expenses	**(238)**	**(494)**
NET FINANCIAL INCOME	**29**	**1,936**

note 23 NON-RECURRING INCOME AND EXPENSES

In 2017, total non-recurring items before tax represented net income of €1,766 million.

Non-recurring items break down as follows:

(in millions of euros)	2016	2017
Non-recurring income and expenses on revenue transactions(1)	(27)	7
Gains (losses) on disposals of intangible assets and property and equipment(2)	(3)	116
Gains (losses) on disposals and liquidations of investments(3)	(852)	1,308
Reversals of provisions for contingencies and charges(4)	25	9
Additions to provisions for contingencies and charges	(1)	-
Reversals of provisions for shares in subsidiaries(5)	858	355
Amortization and provisions – financial assets	-	(3)
Other operating expense(6)	-	(34)
Reversals of provisions for excess tax depreciation(7)	1	8
Accelerated depreciation	(3)	-
NET NON-RECURRING INCOME (EXPENSE)	**(2)**	**1,766**

(1) Mainly interest received on a tax refund (dégrèvement de la quote-part frais et charges sur dividendes) for the years 2009 to 2013 (€7 million) and interest receivable on the refund of the 3% tax on distributed earnings for the years 2013 to 2017 (€3 million), less tax benefits refunded by Accor to subsidiaries that left the tax group in 2017 (€3 million).
(2) Mainly gains on the sale of property and equipment and intangible assets, recognized in connection with the AccorInvest spin-off (€117 million).
(3) Mainly gains and losses on disposals and contributions of investments in connection with the AccorInvest spin-off (€1,313 million) and a loss on the sale of Oasis Collection (€5 million).
(4) Mainly reversals of provisions for tax risks arising from the tax audit covering the years 2008 to 2009 (€8 million).
(5) Mainly reversals of provisions for impairment of shares in subsidiaries and affiliates (€340 million) and provisions for impairment of current assets (€15 million) of companies sold or contributed in connection with the AccorInvest spin-off.
(6) Including an expense of €28 million corresponding to the discount on sold current account advances and a €6 million provision set aside for income tax on capital gains realized on the sale of hotel businesses and properties in connection with the AccorInvest spin-off.
(7) Excess tax depreciation reversed in connection with the AccorInvest spin-off (€8 million).

note 24 INCOME TAX

A. Accor SA income tax

(in millions of euros)	2016	2017
Group relief	32	19
Adjustment to prior-year tax benefit	-	24
Corporate income tax, withholding tax and other taxes	(8)	17
INCOME TAX	**24**	**60**

In 2017, the Company's contribution to the tax group was a loss of €84.9 million taxed at the standard rate.

B. Group relief

Group relief for the Company in its capacity as head of the French tax group amounted to €19.0 million in 2017.

C. Tax group

The tax group headed by Accor SA comprises the following 27 subsidiaries:

ACCOR Afrique	IBL	SODETIS
Actimos	Immobilière Perrache SNC	SOLUXURY HMC SARL
Chammans Finance	La Thermale de France	SOPARAC
CIWLT Succursale France	Mer et Montagne SNC	SOPARFI
DEVIMCO	PROFID	Sté Comtoise Hôtels Brochets
EHS SNC	Roissypole Management Hôtels SNC	Sté Française de Participations et d'Investissements Européens
EVPA SCI	SH Du Montparnasse SNC	Sté Management Intermarques
Fastbooking	SHEMA	Sté Participations et d'Investissements de Motels
IBIS budget	SNC Management Hôtels	Sté Participations d'Île-de-France

D. Provision recognized in accordance with Article 322-1 of ANC regulation 2014

In 2014, Accor applied Recommendation 2005-G issued on October 12, 2005 by the French National Accounting Board's Urgent Issues Task Force concerning the conditions applicable for recognizing a provision within a parent company that has set up a tax group.

Under the Group relief agreement between Accor SA and its subsidiaries, the tax benefits resulting from the utilization by the tax group of a subsidiary's tax losses revert to the subsidiary if it leaves the tax group.

As required by Article 322-1 of ANC regulation 2014, a provision is recorded for the Company's liability when it is probable that the tax benefit will be transferred as a result of a subsidiary leaving the tax group.

In 2017, Accor transferred tax benefits of €2.8 million to companies that left the tax group in connection with the AccorInvest spin-off.

In practice, over the past four years the majority of the companies that have left the tax group have done so as a result of a liquidation, merger or disposal not requiring any transfer of tax benefits.

E. Dividend withholding tax (*précompte*)

In 2002, Accor SA launched a legal challenge to its obligation to pay *précompte* withholding tax on the redistribution of European-source dividends, on the grounds that the tax was incompatible with European Union law.

Ruling on this dispute between Accor SA and the French State, on December 21, 2006 the Versailles Administrative Court ordered the State to refund the *précompte* withholding tax paid by Accor SA in the period from 1999 to 2001, for a total of €156 million. This amount was refunded to the Company in the first half of 2007, together with interest of €36 million. The French State appealed the ruling before the Versailles Administrative Court of Appeal but this appeal was rejected on May 20, 2008. The French State went on to appeal the ruling to the French Supreme Court and a provision was therefore booked for the amount of the refund and the late payment interest, with the result that the decisions of the Versailles Administrative Court and Administrative Court of Appeal had no net impact on the 2011 accounts.

Before ruling on the French State's appeal, the French Supreme Court of Appeal applied to the Court of Justice of the European Communities (ECJ) for a preliminary ruling on the issue. The ECJ held that the French *précompte*/tax credit system restricts the freedom of establishment and free movement of capital.

In its ruling handed down on December 10, 2012, the French Supreme Court of Appeal considered that the dividend tax credit and *précompte* withholding tax systems had been shown to be incompatible. However, it also ruled that Accor SA was entitled to a refund of only approximately €6 million. Accor SA therefore had to pay €185 million in principal and interest to the French State in the first half of 2013. While noting the Supreme Court of Appeal's decision, AccorHotels intends to continue to use the avenues available to it to defend its position in the dispute with the French tax authorities.

On February 7, 2007, Accor SA filed an application originating proceedings before the Cergy-Pontoise Court on the same grounds, to obtain a refund of the €187 million in *précompte* paid in the period 2002 to 2004. In a ruling handed down on May 27, 2014, the Cergy-Pontoise Court found that Accor SA was entitled to a refund of principal and interest in the amount of €7 million and €3 million respectively. These amounts have been carried in the balance sheet since December 31, 2014, without any income statement impact, as Accor SA appealed the decision before the Versailles Administrative Court of Appeal on July 23, 2014. The appeal is currently being heard by the Versailles Administrative Court of Appeal.

On July 10, 2017, the European Commission summoned France to appear before the EJC due to its failure to comply with the ECJ's ruling referred to above in that the calculation method applied by the French Supreme Court to Accor SA and other companies restricted their right to a refund of the *précompte*.

note 25 DEFERRED TAX

Additions and reversals of non-deductible provisions recorded in 2017 by subsidiaries that form part of the Accor tax group represented a net non-taxable reversal of provisions of €14.4 million, resulting in a €5 million reduction in deferred tax assets calculated at the rate of 33.33% excluding the 3.3% contribution sociale surtax.

note 26 OFF-BALANCE SHEET COMMITMENTS GIVEN AND RECEIVED

Lease commitments

Commitments given by Accor to its subsidiaries concerning fixed and variable lease payments were as follows at December 31, 2017:

At December 31 *(in millions of euros)*	**2016**	**2017**
Fixed lease payment commitments given to subsidiaries	826	421
Variable lease payment commitments given to subsidiaries	1,098	470
LEASE PAYMENT COMMITMENTS GIVEN	**1,925**	**890**

Other off-balance sheet commitments

Other off-balance sheet commitments given at December 31, 2017 break down as follows:

At December 31 *(in millions of euros)*	**2016**	**2017**
COMMITMENTS GIVEN (LIABILITIES)		
Pledge of BRH shares(1)	0	0
Hotel purchase commitments	0	0
Other purchase commitments	36	35
Pledge of networks and securities – France	1	0
TOTAL PURCHASE COMMITMENTS	37	35
Construction performance bonds – France	25	0
TOTAL WORKS COMMITMENTS	25	0
Guarantees given(2)	47	32
Guarantees for confirmed credit lines(3)	11	12
Guarantees for bank borrowings(3)	9	4
Guarantees given to third parties(4)	54	29
Guarantees for liabilities(5)	314	87
TOTAL GUARANTEE COMMITMENTS	436	164
COMMITMENTS GIVEN IN THE NORMAL COURSE OF BUSINESS	-	-
COMMITMENTS GIVEN	**498**	**199**

(1) Security interests given on assets correspond to pledges and mortgages valued at the acquisition cost of the underlying assets.
Accor has fully written down its original €25.7 million interest in BRH, which has been pledged as collateral for a loan in the same amount granted to BRH by Mauritius Commercial Bank. As this pledge was indexed to the net value of the shares held by Accor SA, its amount was zero at December 31, 2017.
(2) This item includes various guarantees given on behalf of direct and indirect subsidiaries either to banks or directly to the subsidiaries' customers. Accor also stands as guarantor for six Adagio hotels, representing an aggregate amount of €32 million at December 31, 2017.
(3) Accor has given guarantees for borrowings (€4 million) and confirmed credit lines (€12 million).
(4) Total guarantees given to other third parties came to €29 million at December 31, 2017.
(5) Accor granted a €10 million seller's warranty to WBA Saint-Honoré in connection with the sale of WBA that took place on March 28, 2013.

At December 31 *(in millions of euros)*	2016	2017
COMMITMENTS RECEIVED (ASSETS)		
Non-cancelable commitments received for the purchase of financial assets	-	-
PURCHASE COMMITMENTS RECEIVED	-	-
Construction performance bonds – France	0	0
WORKS COMMITMENTS RECEIVED	0	0
Garanties sur lignes de crédit confirmées	-	-
Guarantees received	-	-
Other commitments received	-	-
OTHER FINANCIAL GUARANTEES FOR BORROWINGS	-	-
COMMITMENTS RECEIVED	**0**	**0**

note 27 SUBSEQUENT EVENTS

On January 9, 2018, Accor carried out a €103 million capital increase for its wholly-owned subsidiary, FHH, to enable the latter to acquire a majority stake of 88.17% at a cost of €98.1 million in Gekko, a major player in the business travel hotel reservation segment. The transaction is in line with the strategy aimed at strengthening Accor's leadership across the entire customer experience by enhancing the range of services offered to business travelers, the Group's key customer segment. Thanks to its expertise and cutting-edge technology, Gekko offers search and reservation solutions via an interface connected to more than 500,000 hotels worldwide. Gekko today serves more than 300 corporate customers and 14,000 travel agencies.

On January 25, 2018, Accor signed a partnership with the SNCF Group for the international development of the Orient Express brand within the luxury hospitality sector. Its €24.4 million investment will enable it to acquire a 50% stake in the share capital of Orient Express. Through this partnership, which will combine the expertise and savoir-faire of the two groups, Accor intends to strengthen its leadership in the luxury segment by developing a new collection of prestigious hotels under the Orient Express banner. In addition, the historic railcars will remain the physical property of the state-owned rail group, and will be operated by Orient Express for private journeys and events.

On February 27, 2018, Accor announced the signing of agreements with a group of French and international investors with a view to selling a majority of the capital of AccorInvest. Under the terms of the agreements, Accor would initially sell 55% of the subsidiary to Sovereign Funds, namely Public Investment Fund (PIF) and GIC, Institutional Investors, namely Credit Agricole Assurances, Colony NorthStar and Amundi, and other investors. For Accor, the sale would result in a cash contribution of €4.4 billion.

The transaction is expected to be finalized in the second quarter of 2018.

Moreover, following the closing of the transaction, Accor intends to implement over a two-year period a share buyback program of up to €1.35 billion, representing 10% of its share capital based on market capitalization at the end of February 2018.

note 28 MAIN SUBSIDIARIES AND AFFILIATES AT DECEMBER 31, 2017

(in thousands of local currency units)

Subsidiaries and affiliates	Currency	Share capital	Reserves (retained earnings)	Percent interest
A. SUBSIDIARIES AND AFFILIATES WITH A BALANCE SHEET VALUE IN EXCESS OF 1% OF ACCOR SA'S CAPITAL				
1. Subsidiaries (at least 50%-owned)				
a) French subsidiaries				
SOCIÉTÉ HÔTELIÈRE DE MONTPARNASSE, 2, rue de la Mare Neuve 91000 Évry	EUR	16,008	(3,452)	100.00%
IBL, 82, rue Henri Farman 92130 Issy-les-Moulineaux(2)	EUR	28,767	18,455	100.00%
SOLUXURY HMC, 82, rue Henri Farman 92130 Issy-les-Moulineaux(2)	EUR	10,226	2,001	100.00%
CHAMMANS, 82, rue Henri Farman 92130 Issy-les-Moulineaux(2)	EUR	102,048	1,805	100.00%
PROFID 82, rue Henri Farman 92130 Issy-les-Moulineaux(2)	EUR	3,500	2,597	100.00%
LA THERMALE DE FRANCE, 2, rue de la Mare Neuve 91000 Évry	EUR	23,905	(23,532)	100.00%
FASTBOOKING, 82, rue Henri Farman 92130 Issy-les-Moulineaux	EUR	11,637	339	100.00%
ACCOR AFRIQUE, 2, rue de la Mare Neuve 91000 Évry	EUR	29,709	37,334	100.00%
SFPIE, 82, rue Henri Farman 92130 Issy-les-Moulineaux(2)	EUR	15,129	(2,571)	99.99%
AH FLEET SERVICES, 82, rue Henri Farman 92130 Issy-les-Moulineaux(3)	EUR	31,000	-	99.00%
AVAILPRO 14, boulevard Poissonnière 75009 Paris	EUR	127	6,440	83.26%
VERYCHIC 23, rue d'Anjou 75008 Paris	EUR	250	705	71.19%
b) Foreign subsidiaries				
ACCOR SUISSE SA (Switzerland)	CHF	14,300	40,804	100.00%
ACCOR POLSKA (Poland)(2)	PLN	173,038	3,618	100.00%
ACCOR UK LTD (United Kingdom)(2)	GBP	85,530	335,318	100.00%
ACCOR HOTELS BELGIUM (Belgium)(2)	EUR	1,172,727	114,435	100.00%
ACCORHOTELS DEUTSCHLAND GMBH (Germany)	EUR	500	25,000	100.00%
BELLE RIVIÈRE HOTEL (Mauritius)	MUR	1,420,000	(2,576,262)	100.00%
SOCIEDAD IMMOBILIARIA HOTELA DE MEXICO (Mexico)	MXN	350,450	(128,245)	100.00%
ACCOR AUSTRIA (Austria)	EUR	5,542	25,379	100.00%
ACCORHOTELS ITALIA (Italy)(2)	EUR	15,010	5,000	100.00%
TURAMBAR (Spain)(2)	EUR	13,000	36,894	100.00%
FRHI HOLDINGS LIMITED (Cayman Islands)	USD	18,892	1,595,805	100.00%
SAOUDI FRENCH COMPANY FOR HOTEL MANAGEMENT (Saudia Arabia)	SAR	1,000	10,226	100.00%
ACCORHOTELS BETRIEBS (Austria)	EUR	5,090	1,770	100.00%
ACCORHOTELS SERVICES NETHERLANDS BV (Netherlands)	EUR	0	(33,249)	100.00%
COMPAGNIE DES WAGONS-LITS (Belgium)(2)	EUR	50,676	252,722	99.93%
SOGECOL LTDA (Colombia)	COP	16,469,996	96,651,332	94.52%
CONCIERGE HOLDING COMPANY LIMITED (United Kingdom)	USD	143,045	(561)	85.97%
ACCORINVEST GROUP	EUR	1,014,639	109,032	78.95%
EL GEZIRAH HOTELS AND TOURISM CO (Egypt)	USD	9,415	14,820	65.71%
HOLPA (Luxembourg)	EUR	1,900	(422)	63.55%

(in thousands of euros)

Carrying amount of shares						
Cost	Net	Outstanding loans and advances granted by Accor SA	Guarantees given by Accor SA	Last published net revenue	Last published net profit (loss)	Dividends received by Accor SA during the year
34,623	21,123	-	-	30,396	(3,315)	-
706,501	47,216	-	-	-	409	14,383
10,226	10,226	-	-	44,898	13,704	17,385
108,161	108,161	-	-	-	156,634	-
13,903	13,364	-	-	146,023	2,597	-
31,548	-	94	-	-	(471)	-
33,641	18,045	-	-	20,813	(8,081)	-
81,266	81,266	-	-	9,111	79,878	-
24,640	24,640	-	-	-	355	-
30,690	30,690	-	-	2,693	-	-
22,756	22,756	-	-	16,290	1,348	-
15,803	15,803	-	-	9,167	1,604	-
25,907	25,907	-	-	-	225,224	-
60,481	60,481	-	-	-	957	1,018
156,066	156,066	83,359	-	-	(88)	994,499
1,414,923	1,414,923	-	-	22,651	88,153	-
25,500	25,500	425,447	-	83,849	(18,156)	-
35,315	-	19,189	-	6,022	(4,342)	-
28,707	15,318	-	-	21,127	6,730	-
21,573	21,573	-	-	-	4	-
56,676	56,676	-	-	20,210	1,631	-
180,970	86,208	-	-	-	36,271	-
2,410,270	2,410,270	-	30,179	9,879	18,835	-
9,638	9,638	-	-	12,794	2,036	2,073
82,000	82,000	-	-	12,718	2,341	-
96,144	96,144	-	-	20,000	10,671	-
1,151,340	258,486	123,572	-	1,871	1,741	-
31,240	30,709	-	-	3,433	(3,997)	-
112,486	112,486	4,620		3,088	(539)	-
887,404	887,404	4,549,090	-	17,123	(13,294)	-
29,847	29,847	-	-	10,711	6,760	2,764
30,374	933	-	-	-	(32)	-

(in thousands of local currency units)

Subsidiaries and affiliates	Currency	Share capital	Reserves (retained earnings)	Percent interest
2. Affiliates (10 to 50%-owned)				
a) French affiliates				
NDH 3, boulevard Gallieni 92130 Issy-Les-Moulineaux	EUR	48,002	-	50.00%
FINANCIERE LOUIS 3, rue Chaillot 75016 Paris	EUR	24,612	2,800	39.37%
NOCTIS EVENT 23, rue de Ponthieu 75008 Paris(1)	EUR	8	9,991	31.00%
TOWN AND SHELTER, 61, rue Servan, 75011 Paris(2)	EUR	8	4,536	30.00%
MAMA SHELTER, 61, rue Servan, 75011 Paris(2)	EUR	1,828	60,207	20.19%
b) Foreign affiliates				
RIXOS	EUR	0	55	50.00%
ORBIS (Poland)(2)	PLN	517,754	1,412,397	47.69%
RISMA (Morocco)	MAD	1,432,695	22,656	33.34%
25HOURS HOTELS COMPANY (Germany)(2)	EUR	25	2,422	30.00%
ACCORHOTELS & COMMUNITY SERVICES SPAIN (Spain)(2)	EUR	13,830	(4,527)	20.59%
AAPC (Australia)(2)	AUD	522,382	(530,979)	18.10%
FAIRMONT HOTELS & RESORTS (U.S.) INC. (United States)	USD	0	2,150,215	15.41%
3. Affiliates (10 to 10%-owned)				
a) Foreign affiliates				
BANYAN TREE(1)	SGD	199,995	532,851	4.76%
B. OTHER INVESTMENTS IN COMPANIES WITH A BALANCE SHEET VALUE OF LESS THAN 1% OF ACCOR SA'S CAPITAL				
1. Subsidiaries (at least 10%-owned)				
a) French subsidiaries (aggregate)				
b) Foreign subsidiaries (aggregate)				
2. Other investments (less than 10%-owned)				
a) French companies (aggregate)				
b) Foreign companies (aggregate)				
TOTAL				

(1) Balance sheets at December 31, 2016.
(2) Provisional or unaudited balance sheets.

(in thousands of euros)

Carrying amount of shares		Outstanding loans and advances granted by Accor SA	Guarantees given by Accor SA	Last published net revenue	Last published net profit (loss)	Dividends received by Accor SA during the year
Cost	Net					
24,001	24,001	2,002	-	-	(51)	-
9,686	9,686	-	-	1,166	(5,320)	-
20,000	20,000	7,252	-	1,228	1,667	-
12,995	12,995	-	-	737	1	-
15,802	15,802	3,717	-	41,990	(1,241)	-
33,255	33,255	-	-	7	5	-
206,534	206,534	-	-	208,697	29,745	8,210
64,061	61,367	-	-	48,702	(5,891)	-
35,217	35,217	-	-	71,919	4,963	1,179
18,714	18,714	-	-	26,902	6,849	-
66,758	66,758	-	-	9,271	103,121	18,372
81,023	81,023	-	-	49,876	256,903	19,669
14,940	14,940	-	-	198,592	(4,459)	-
54,340	**36,395**	**46,772**	**-**			**20,197**
61,201	**34,417**	**57,051**	**-**			**4,998**
8,079	**7,589**	**30**	**-**			**-**
12,590	**12,407**	**-**	**-**			**-**
8,699,815	**6,864,959**	**5,322,195**	**-**			**1,104,747**

5.3.4 Five-year financial summary

(in millions of euros)	2013	2014	2015	2016	2017
Capital at year-end					
Share capital	684	696	706	854	870
Number of shares in issue	228,053,102	231,836,399	235,352,425	284,767,670	290,122,153
Results of operations					
Net revenues	807	825	881	895	915
Profit before tax, depreciation, amortization and provisions	124	261	209	(879)	3,596
Income tax	(20)	(14)	(20)	(24)	(60)
Net profit (loss)	101	239	130	(9)	3,698
Dividends	183	220	235	299	305(1)
Per-share data *(in euros)*					
Earnings per share after tax, before depreciation, amortization and provisions	0.63	1.18	0.97	(3.01)	12.60
Earnings (loss) per share	0.44	1.03	0.55	(0.03)	12.75
Dividend per share (before tax credit/allowance)	0.80	0.95	1.00	1.05	1.05(1)
Employees					
Number of employees	1,051	1,033	1,145	1,275	1,285(2)
Total payroll and employee benefits	158	146	133	149	152

(1) Recommended 2017 dividend proposed at the Annual Shareholders Meeting of April 20, 2018 based on 290,122,153 shares outstanding at December 31, 2017.
(2) Number of employees on the Accor SA payroll at December 31, 2017.

5.4 STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

For the year ended December 31, 2017

This is a translation into English of the statutory auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.
This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders.
This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Annual General Meeting of ACCOR,

OPINION

In compliance with the engagement entrusted to us by your Shareholders' Meeting, we have audited the accompanying financial statements of ACCOR for the year ended December 31, 2017.

In our opinion, the financial statements give a true and fair view of the assets and liabilities, and of the financial position of the Company as at December 31, 2017 and of the results of its operations for the year then ended in accordance with the accounting rules and principles applicable in France.

The audit opinion expressed above is consistent with our report to the Audit and Risk Committee.

BASIS FOR OPINION

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the "Statutory Auditors' Responsibilities for the Audit of the Financial Statements" section of our report.

Independence

We conducted our audit in compliance with independence rules applicable to us, for the period from January 1, 2017 to the issue date of our report and in particular we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) N° 537/2014 or in the French Code of ethics for statutory auditors (*Code de déontologie*).

Observation

Without qualifying the opinion expressed above, we draw your attention to Note 1 "Accounting rules and methods" in paragraph "o) Financial Instruments" to the notes which describes the change in accounting method resulting from the application of ANC regulation n° 2015-05 on forward financial instruments and hedging operations.

JUSTIFICATION OF ASSESSMENTS – KEY AUDIT MATTERS

In accordance with the requirements of articles L. 823-9 and R. 823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring your attention to the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements of the current period, as well as our responses to those risks.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on specific elements, accounts or items of the financial statements.

Key audit matters	Our responses
Valuation of equity investments and related receivables	
As of December 31, 2017, equity investments (including the receivables related to the investments) amounted to €12,367 million in net value, or 86% of total assets. These securities are initially recorded in the balance sheet at cost and, if necessary, in the event of a loss in value, written down to their current value which is the higher of the market value and the value in use. As indicated in Note 1.c) to the financial statements, the market value of financial investments corresponds either to: i) the share in consolidated net worth held in these investments, ii) a valuation based on determining the average Gross Operating Income (EBITDA) of the last two years generated by the hotel investments to which is applied a multiple which depends on the type of establishments attached to these investments and their financial position and iii) an estimate prepared in accordance with recent transactions. If the valuation of the market value of financial investments as such is determined above leads to a possible impairment being recorded, a value in use is then calculated and determined as being the discounted value of expected cash flows. The estimate of market value and value in use of these securities requires management to exercise judgment notably concerning expected cash flows and also the various elements to be considered for their valuation such as profitability outlook, the economic environment in the countries concerned or the determination of EBITDA multiple to be applied. In this context and as a result of the sensitivity to data and assumptions on which the estimates to determine market value are based, we considered the valuation of equity investments and related receivables to be a key audit matter.	We have familiarized ourselves with the process for determining the recoverable amount of equity investments and the related receivables. Our work consisted in: • assessing the basis of the valuation methods used to determine the recoverable amount of equity investments; • reconciling, if necessary, the equity used with data from the accounts of the subsidiaries concerned and any adjustments made, as well as the documentation underlying these restatements; • assessing with regard to market practices, the pertinence of multiples of Gross Operating Profit (EBITDA) used, long-term growth rates and discount rates applied to cash flows involving, if necessary, of our valuation specialists; • substantiating by interviews with management the main assumptions on which budget estimates underlying the cash flows used in the valuation models are based; • testing, by sampling, the arithmetical accuracy of the current values used by the company. Beyond the assessment of the values in use and the market values of the equity investments, our work consisted in: • assessing the recoverable nature of the receivables with regard to the analyses made on the equity investments; • evaluating the necessity to record a provision for contingencies should the company be required to bear the losses of a subsidiary with negative equity.

VERIFICATION OF THE MANAGEMENT REPORT AND OTHER DOCUMENTS PROVIDED TO SHAREHOLDERS

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

Information given in the management report and in the other documents provided to Shareholders with respect to the financial position and the financial statements

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors and in the other documents provided to shareholders with respect to the financial position and the financial statements.

Report on corporate governance

We attest that the Board of Directors' report on corporate governance contains the information required by Articles L 225-37-3 and L. 225-37-4 of the French Commercial Code (*Code de commerce*).

Concerning the information given in accordance with the requirements of Article L. 225-37-3 of the French Commercial Code (*Code de commerce*) relating to remunerations and benefits received by the directors and any other commitments made in their favor, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your company from controlling and controlled companies. Based on this work, we attest the accuracy and fair presentation of this information.

Regarding the information on factors that your Company considered could have a potential impact in case of a takeover or exchange offer, given in accordance with the requirements of Article L. 225-37-5 of the French Commercial Code (*Code de commerce*), we have verified they are in accordance with the underlying documentation provided to us. Based on this work, we have no matter to report on this information.

Other information

In accordance with French law, we have verified that the required information concerning the purchase of investments and controlling interests and the identity of the shareholders and holders of the voting rights and cross-shareholdings has been properly disclosed in the management report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Appointment of the Statutory Auditors

We were appointed statutory auditors of Accor by the Annual General Meeting of June 16, 1995. As of December 31, 2017, our firms were in their 23rd year of uninterrupted engagement.

Prior to Ernst & Young et Autres (formerly named Barbier Frinault et Autres), Barbier Frinault et Associés had been statutory auditor since 1970.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease its operations.

The Audit and Risk Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems and, where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The financial statements have been approved by the Board of Directors.

STATUTORY AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Objective and audit approach

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified by Article L. 823-10-1 of the French Commercial Code (*Code de commerce*), the scope of our statutory audit does not include assurance on the future viability of the Company or the quality with which Company's management has conducted or will conduct the affairs of the entity.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the financial statements;

- assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;
- evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report to the Audit and Risk Committee

We submit a report to the Audit and Risk Committee which includes in particular as description of the scope of the audit and the audit program implemented, as well as significant audit findings. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit and Risk Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit and Risk Committee with the declaration referred to in Article 6 of Regulation (EU) N° 537/2014, confirming our independence in the sense of the rules applicable in France as defined in particular by Articles L. 822-10 to L. 822-14 of the French Commercial Code (*Code de commerce*) and or in the French Code of ethics for statutory auditors. Where appropriate, we discuss with the Audit and Risk Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards

Paris-La Défense and Neuilly-sur-Seine, March 16, 2018

The Statutory Auditors

ERNST & YOUNG et Autres — DELOITTE & ASSOCIÉS

Jacques Pierres — David Dupont-Noel — Guillaume Crunelle

6

CAPITAL
AND OWNERSHIP STRUCTURE

6.1 INFORMATION ABOUT THE COMPANY

COMPANY NAME

Accor

REGISTERED OFFICE

82, rue Henri Farman - 92130 Issy-les-Moulineaux, France.

LEGAL FORM

Joint stock company (*société anonyme*) governed by the applicable French laws and regulations, including Articles L. 225-17 to L. 225-56 of the French Commercial Code.

LEGAL FORM

Joint stock company (*société anonyme*) governed by the applicable French laws and regulations.

TERM

The Company was incorporated on April 22, 1960.

And will be dissolved on April 22, 2059 unless it is wound up in advance or its term is extended.

CORPORATE PURPOSE

(Article 3 of the Bylaws)

The Company's corporate purpose is to engage in the following activities, in France and other countries, on its own behalf, or on behalf of third parties, or jointly with third parties:

- the ownership, financing and management, directly, indirectly, or under specified mandates, of hotels, restaurants and bars of any nature or category and, more generally, any establishment related to accommodation, food, tourism, leisure, and services;
- the economic, financial and technical review of projects and, generally, all services related to the development, organization and management of the above-mentioned establishments, including all actions related to their construction or the provision of any related consulting services;
- the review and provision of services intended to facilitate the supply of meals to employees in companies, institutions and other organizations;
- the creation of any new company and the acquisition of interests by any method in any company operating in any business;
- all civil, commercial, industrial and financial transactions, involving both securities and property, related to the purposes of the Company and all similar or related purposes.

TRADE REGISTER

The Company is registered in Nanterre under number 602 036 444.

Business Identification (APE) Code: 7010Z.

DOCUMENTS ON DISPLAY

Corporate documents, including the Bylaws, balance sheets, income statements, Board of Directors' reports and Auditors' reports, may be inspected at the Company's registered office.

FISCAL YEAR

The Company's fiscal year begins on January 1 and ends on December 31.

PROFIT AVAILABLE FOR DISTRIBUTION

(Article 27 of the Bylaws)

Profit available for distribution consists of net profit for the year, less any losses brought forward from prior years and any amounts to be credited to reserves pursuant to the law, plus any unappropriated retained earnings brought forward from prior years.

After approving the accounts for the year, the Annual Shareholders' Meeting may decide to appropriate all or part of the profit available for distribution, if any, to the payment of a dividend. In the event of partial distribution, the Annual Shareholders' Meeting may decide to appropriate the remaining profit to one or more reserve accounts. Alternatively, the Annual Shareholders' Meeting may decide to appropriate all of the profit available for distribution to said reserve accounts.

SHAREHOLDERS' MEETINGS

Notice of Shareholders' Meetings

(Article 24 of the Bylaws)

Shareholders' Meetings shall be called as provided for by law. The meetings shall take place at the Company's registered office or at any other venue specified in the notice of meeting.

Attendance and representation

(Article 24 of the Bylaws)

In accordance with the applicable regulations, shareholders have the right to attend and participate in Shareholders' Meetings in person or by proxy, whatever the number of shares held, upon presentation of evidence that their shares have been recorded in a securities account opened in their name or in that of their accredited financial intermediary, as specified in the applicable laws and regulations.

In the case of bearer shares, such evidence shall take the form of a statement of share ownership ("attestation de participation") issued by the accredited financial intermediary in accordance with the law.

ORGANIZATION OF SHAREHOLDERS' MEETINGS

(Article 25 of the Bylaws)

All shareholders have the right to attend or be represented at Shareholders' Meetings, under the conditions set by law. They may vote by post in accordance with Article L. 225-107 of the French Commercial Code. The proxy/postal voting form may be sent to the Company or to the Company's registrar in paper form or, by decision of the Board of Directors published in the notice of meeting, by electronic mail in accordance with the applicable laws and regulations.

In addition, if decided by the Board of Directors when the meeting is called, shareholders who participate in the meeting by videoconference or by any electronic means enabling their identification, on the basis and by the method stipulated in the applicable laws and regulations, will be considered as being physically present for the calculation of the quorum and voting majority.

To cast a vote or execute a proxy by electronic means, shareholders or their duly authorized representative or attorney must either:

- provide a secure electronic signature fulfilling the requirements of the applicable laws and regulations; or
- enter a unique username and password on the Company's website, if such a website exists, in accordance with the applicable laws and regulations. This type of electronic signature shall be considered a reliable mechanism for identifying shareholders and their votes, in compliance with the first sentence of paragraph 2 of Article 1316-4 of the French Civil Code.

Meetings are chaired by the Chairman of the Board of Directors or, in his or her absence, by a director designated by the Board. Otherwise, the meeting elects its own Chairman.

The function of Scrutineer of the meeting is fulfilled by the two shareholders present at the meeting who represent the largest number of voting rights and who consent to take on the role. The Bureau thus formed names a Secretary, who may or may not be a shareholder.

An attendance register is kept, pursuant to the law.

Copies or excerpts of the meeting minutes may be certified by the Chairman of the Board of Directors, the Chairman of the meeting, or the meeting Secretary.

Ordinary and Extraordinary Shareholders' Meetings fulfilling the relevant quorum and majority voting requirements exercise the powers vested in them by law.

DOUBLE VOTING RIGHTS

(Article 25 of the Bylaws)

All fully paid shares registered in the name of the same holder for at least two years carry double voting rights.

In the event of a capital increase through the capitalization of retained earnings, profits or additional paid-in capital, the resulting bonus shares distributed in respect of registered shares carrying double voting rights will similarly carry double voting rights.

Registered shares converted into bearer shares or sold to a different holder lose their double voting rights. However, transfers through inheritance, liquidation of marital assets, *inter vivos* transfers to a spouse or to a relative in the ascending or descending line do not result in the loss of double voting rights or a break in the qualifying period. The merger of the Company has no impact on double voting rights, provided that the Bylaws of the surviving company allow for their exercise.

When shares are held by beneficial and non-beneficial owners, voting rights in Ordinary and Extraordinary Shareholders' Meetings are exercised by the beneficial owner.

DISCLOSURE THRESHOLDS

(Article 9 of the Bylaws)

Any shareholder, acting alone or in concert with other shareholders within the meaning of Article L. 233-10 of the French Commercial Code, that directly or indirectly acquires an interest, or raises or reduces its interest, in the capital or voting rights of the Company, including any equivalent shares or voting rights as defined in Article L. 223-9-1 of the French Commercial Code, to above or below any statutory disclosure threshold is required to disclose its interest to the Company.

In the case of failure to make such disclosure, the sanctions provided for by law will apply. In addition, any shareholder that acquires or raises its interest to 1% of the capital or voting rights is required to disclose its interest to the Company by registered letter with return receipt requested sent to the head office, within five trading days of the transaction date or the signature of any agreement resulting in the disclosure threshold being crossed, whatever the date on which the shares are recorded in the holder's account. The notification must include details of the total number of shares and/or share equivalents held and the number of voting rights held as provided for above.

Above said 1% threshold, the same disclosure rules as defined above will apply to any increase in a shareholder's interest by any multiple of 0.5% of the capital or voting rights and to any reduction in a shareholder's interest by any multiple of 1% of the capital or voting rights.

For the application of the above paragraphs, the shares or voting rights referred to in paragraphs 1 to 8 of Article L. 233-9-1 of the French Commercial Code are considered as being equivalent to the shares or voting rights held by the shareholder.

RESTRICTIONS ON VOTING RIGHTS

(Article 9 of the Bylaws)

In the case of failure to comply with the applicable disclosure rules, at the request of one or several shareholders representing at least 3% of the Company's capital or voting rights, as duly recorded in the minutes of the Shareholders' Meeting, the undisclosed shares will be stripped of voting rights at all Shareholders' Meetings held in the two years following the date when the omission is remedied.

NOTIFICATION OF INTENTIONS

(Article 9 of the Bylaws)

Any shareholder that acquires or raises its interest to more than one-twentieth, three-twentieths or one-quarter of the capital or voting rights is required to notify the Company of its intentions over the following twelve months.

At the end of each successive twelve-month period, any shareholder that continues to hold a number of shares or voting rights in excess of the above fractions will be required to notify the Company of its intentions for the following twelve months.

In particular, the shareholder must inform the Company of whether it is acting alone or in concert with other shareholders, whether or not it plans to purchase additional shares, and whether or not it intends to acquire control of the Company or to request its election or the election of one or several candidates of its choice as directors of the Company. The Company will have the right to inform the public and shareholders of the said shareholder's disclosed intentions, or of the shareholder's failure to comply with this requirement.

For the application of the above paragraphs, the shares or voting rights referred to in paragraphs 1 to 8 of Article L. 233-9-1 of the French Commercial Code are considered as being equivalent to the shares or voting rights held by the shareholder.

6.2 SHARE CAPITAL

6.2.1 Share capital

At December 31, 2017, the Company's share capital amounted to €870,366,459 divided into 290,122,153 common shares with a par value of €3.00, all fully paid-up and in the same class.

Shares may be held in either registered or bearer form.

The Company avails itself of legal procedures to identify its shareholders.

Shares are freely transferable within legal and regulatory limits.

The transfer of shares, regardless of price or terms, is made by account transfer, pursuant to the regulations in force.

6.2.2 Share buyback program

Authorization granted by the Annual Meeting of May 5, 2017

At the Annual Meeting on May 5, 2017, shareholders authorized the Board of Directors to buy back the Company's shares on the stock market. The authorization was given for a period of 18 months and superseded all previous authorizations.

The number of shares acquired under the authorization may not exceed 28 million, or 9.83% of the share capital at May 5, 2017 and the maximum total investment in the buyback program may not exceed €1.96 billion.

The authorization may be used to purchase shares for the following purposes:

- for cancellation at a later date in connection with a capital reduction decided or authorized by shareholders in an Extraordinary Meeting;
- for allocation upon exercise of stock options granted under plans governed by Articles L. 225-177 *et seq.* of the French Commercial Code, or to members of an employee stock ownership plan governed by Articles L. 3332-1 *et seq.* of the Labor Code or to recipients of stock grants made under plans governed by Articles L. 225-197-1 *et seq.* of the French Commercial Code;
- for allocation on the conversion, redemption, exchange or exercise of share equivalents;
- to make a market in the Company's shares under a liquidity contract that complies with the Code of Conduct recognized by the French securities regulator (*Autorité des Marchés Financiers* - AMF).

Implementation of the share buyback program in 2017

As of May 30, 2013, and for a period of twelve months tacitly renewable for successive twelve-month terms, Accor contracted with Rothschild & Cie Banque to implement a liquidity contract complying with the Code of Conduct issued by the French Financial Markets Association (AMAFI) and approved by the AMF on March 24, 2011. To fund the contract, €30 million has been allocated to the liquidity account.

At December 31, 2017, Accor did not hold any shares in treasury.

6.2.3 Employee stock ownership

The first employee share issue, open to participants in the "Accor en Actions" Corporate Savings Plan, was carried out in France in 1999.

In 2000, AccorHotels launched its first international employee share issue in 23 countries, demonstrating its commitment to offering a significant number of employees worldwide the opportunity to become Accor shareholders by tailoring the plan rules to comply with legal and tax restrictions in each country.

International employee share issues were again carried out in 2002 in 25 host countries,

In 2004, another share issue for employees in over 20 countries took place.

In 2007, for the first time, a leveraged employee share ownership plan was offered in the 26 countries where such plans are permitted by local legislation.

In 2017, a second leveraged employee share ownership plan (Share 17) was offered in nine European countries. Under this plan, for each Accor share purchased by an employee, the Group's partner bank financed the purchase of an additional nine shares on the employee's behalf (except in three countries where the formula was adjusted to comply with local legislation). At the end of the five-year lock-up period, or earlier if the lock-up is waived, the employee recovers his or her personal contribution plus a multiple of the locked-in average increase in the Accor share compared to the reference price. 35% of eligible employees participated in Share 17.

At December 31, 2017, 0.94% of the Company's capital was held by AccorHotels employees and former employees.

6.2.4 Shares not representing capital

None.

6.2.5 Changes in capital

Year	Changes in capital over the past five years	Increase/(decrease) in capital *(in euros)* Share capital	Additional paid-in capital	New capital *(in euros)*	New shares outstanding
2013	Exercise of stock options at €18.20	1,348,791	6,833,874	683,182,707	227,727,569
	Exercise of stock options at €30.81	367,635	3,407,976	683,550,342	227,850,114
	Vested performance shares	608,964	-	684,159,306	228,053,102
	Distribution of 2012 dividend	-	(58,768,161)	684,159,306	228,053,102
2014	Exercise of stock options at €18.20	754,008	3,820,307	684,913,314	228,304,438
	Exercise of stock options at €26.66	1,656,492	13,064,200	686,569,806	228,856,602
	Exercise of stock options at €28.32	213,672	1,803,392	686,783,478	228,927,826
	Exercise of stock options at €30.81	2,430,795	22,533,470	689,214,273	229,738,091
	Vested performance shares	609,045	-	689,823,318	229,941,106
	Distribution of 2013 dividend	-	(65,467,481)	689,823,318	229,941,106
	Dividend reinvestment at €31.73	5,685,879	54,451,768	695,509,197	231,836,399
2015	Exercise of stock options at €18.20	885,171	4,484,866	696,394,368	232,131,456
	Exercise of stock options at €26.41	11,250	87,788	696,405,618	232,135,206
	Exercise of stock options at €26.66	2,021,748	15,944,853	698,427,366	232,809,122
	Exercise of stock options at €28.32	93,960	793,022	698,521,326	232,840,442
	Exercise of stock options at €30.49	4,500	41,235	698,525,826	232,841,942
	Exercise of stock options at €30.81	2,365,770	21,930,688	700,891,596	233,630,532
	Exercise of stock options at €31.72	350,946	3,359,723	701,242,542	233,747,514
	Exercise of stock savings warrants at €40.08	2,367	29,256	701,244,909	233,748,303
	Vested performance shares	703,935	-	701,948,844	233,982,948
	Dividend reinvestment at €46.20	4,108,431	59,158,667	706,057,275	235,352,425
2016	Exercise of stock options at €18.20	223,533	1,132,567	706,280,808	235,426,936
	Exercise of stock options at €26.41	214,920	1,677,092	706,495,728	235,498,576
	Exercise of stock options at €26.66	248,325	1,958,457	706,744,053	235,581,351
	Exercise of stock options at €30.49	4,524	41,455	706,748,577	235,582,859
	Exercise of stock options at €31.72	58,320	558,317	706,806,897	235,602,299
	Vested performance shares	1,250,730	-	708,057,627	236,019,209
	Shares issued on acquisition of the FRHI Group	140,100,000	-	848,157,627	282,719,209
	Distribution of 2015 dividend	-	(90,123,965)	848,157,627	282,719,209
	Dividend reinvestment at €34.73	6,145,383	64,997,668	854,303,010	284,767,670
2017	Exercise of stock options at €18.20	443,451	2,246,818	854,746,461	284,915,487
	Exercise of stock options at €26.41	248,760	1,941,157	854,995,221	284,998,407
	Exercise of stock options at €26.66	1,485,594	11,716,385	856,480,815	285,493,605
	Exercise of stock options at €30.49	13,572	124,365	856,494,387	285,498,129
	Exercise of stock options at €31.72	167,172	1,600,393	856,661,559	285,553,853
	Vested performance shares	125,685	-	856,787,244	285,595,748
	Employee share issue at €33.51	1,651,311	16,451,450	858,438,555	286,146,185
	Distribution of 2016 dividend	-	(308,798,267)	858,438,555	286,146,185
	Dividend reinvestment at €37.16	11,927,904	135,819,067	870,366,459	290,122,153

N.B.: There are no options outstanding to purchase existing shares of the Company. All options granted are to purchase new shares.

6.3 OWNERSHIP STRUCTURE

6.3.1 Ownership and voting rights structure

At December 31, 2017, the Company's capital consisted of 290,122,153 shares, representing a total of 309,604,453 voting rights, all of which were exercisable. There are 19,482,300 double voting rights outstanding.

The Company had 5,596 registered shareholders at December 31, 2017, representing 31.76% of the capital and 36.05% of total voting rights.

Shareholders at December 31, 2017

	Number of shares	Number of voting rights	% capital	% voting rights
JinJiang International Holdings Co., Limited	35,757,485	35,757,485	12.32%	11.55%
Qatar Investment Authority	29,505,060	29,505,060	10.17%	9.53%
Kingdom Hotels (Europe) LLC	16,494,440	16,494,440	5.69%	5.33%
Legendre Holding 19(1) (2)	12,185,303	24,370,606	4.20%	7.87%
Founders	*3,769,505*	*7,521,859*	*1.30%*	*2.43%*
Other members of the Board of Directors	*65,880*	*78,899*	*0.03%*	*0.03%*
Board members and founders	3,835,385	7,600,758	1.33%	2.46%
Other shareholders	192,344,480	195,876,104	66.29%	63.27%
CAPITAL AT DECEMBER 31, 2017	**290,122,153**	**309,604,453**	**100.00%**	**100.00%**

(1) On January 31, 2017, Colony Capital announced that it had sold its entire stake in Accor and it no longer held any voting rights. The concert group formed by ColDay S.à.r.l (Colony Capital) and Legendre Holding 19 (Eurazeo) was therefore terminated on the same date. Eurazeo continues to hold 4.20% of Accor's capital and 7.87% of the voting rights.

(2) On March 6, 2018, Legendre Holding 19 (Eurazeo) announced that it had sold all of its stake in Accor and that it no longer held any voting rights.

At December 31, 2017, 2,715,463 shares (0.94% of total capital) and 5,303,919 voting rights (1.71% of the total) were held by AccorHotels employees and former employees.

During the year, the following registered intermediaries or fund managers notified the AMF of changes in their interests, in accordance with disclosure threshold rules:

Registered intermediary or fund manager	Disclosure date	AMF reference number	Increase or decrease in interest	Number of shares	% of capital	Number of voting rights	% of voting rights
ColDay A S.à.r.l.	February 6, 2017	217C0393	↘	0	0.00%	0	0.00%
ColDay A S.à.r.l./ Legendre Holding 19 acting in concert	February 6, 2017	217C0393	↘	0	0.00%	0	0.00%
Legendre Holding 19	February 6, 2017	217C0393	↘	12,185,303	4.28%	24,246,594	7.97%
Franklin Resources, Inc.	March 7, 2017	217C0615	↗	14,319,866	5.03%	14,319,866	4.71%
Franklin Resources, Inc.	September 26, 2017	217C2238	↘	14,445,009	4.99%	14,445,009	4.68%

Changes in ownership structure over the past three years

	December 31, 2015			December 31, 2016			December 31, 2017		
	Number of shares	% capital	% voting rights	Number of shares	% capital	% voting rights	Number of shares	% capital	% voting rights
JinJiang International Holdings Co., Limited	-	-	-	35,757,485	12.56%	11.37%	35,757,485	12.32%	11.55%
ColDay A S.à.r.l./ Legendre Holding 19 acting in concert(1) (2)	26,080,517	11.08%	19.26%	22,580,517	7.93%	14.32%	12,185,303	10.17%	7.87%
Qatar Investment Authority	-	-	-	29,505,060	10.36%	9.38%	29,505,060	5.69%	9.53%
Kingdom Hotels (Europe) LLC	-	-	-	16,494,440	5.79%	5.25%	16,494,440	4.20%	5.33%
Founders	5,093,474	2.16%	3.78%	3,823,044	1.34%	2.43%	3,769,505	1.30%	2.43%
Other shareholders	204,178,434	86.75%	76.97%	176,607,124	62.02%	57.25%	192,410,360	66.32%	63.29%
CAPITAL	**235,352,425**	**100.00%**	**100.00%**	**284,767,670**	**100.00%**	**100.00%**	**290,122,153**	**100.00%**	**100.00%**

(1) On January 31, 2017, Colony Capital announced that it had sold its entire stake in Accor and it no longer held any voting rights. The concert group formed by ColDay S.à.r.l (Colony Capital) and Legendre Holding 19 (Eurazeo) was therefore terminated on the same date. Eurazeo continues to hold 4.20% of Accor's capital and 7.87% of the voting rights.

(2) On March 6, 2018, Legendre Holding 19 (Eurazeo) announced that it had sold all of its stake in Accor and that it no longer held any voting rights.

Sources: Accor share register, disclosures made to the AMF and the Company.

At December 31, 2017, the Company did not hold any shares in treasury.

A Euroclear France survey of financial institutions holding at least 100,000 shares and of shareholders holding at least 250 shares at December 31, 2017 identified 10,621 shareholders owning an aggregate 65.88% of the Company's capital, representing 61.74% of total voting rights.

Analysis by shareholder category at December 31, 2017	% capital	% voting rights
Private shareholders	1.50%	1.41%
Institutional investors	64.38%	60.33%
French institutions	*12.51%*	*11.73%*
Foreign institutions	*51.87%*	*48.60%*
Unidentified in the Euroclear survey	34.12%	38.26%
CAPITAL AT DECEMBER 31, 2017	**100.00%**	**100.00%**

Source: Euroclear France.

Shareholders' agreements relating to the shares making up the Company's capital

To the best of the Company's knowledge, apart from the shareholders' agreements described below, there are no other agreements between shareholders concerning the Company's shares.

Agreements concerning the governance of FRHI, acquired on July 12, 2016

On December 9, 2015, Accor entered into an agreement with the shareholders of FRHI Holdings Limited (FRHI) including subsidiaries of the Qatar Investment Authority (QIA) and Kingdom Holding Company, for the acquisition of FRHI for a combination of cash and Accor shares. Under the terms of this agreement, Qatar Investment Authority and Kingdom Holding agreed to sell their FRHI shares subject to certain conditions precedent, mainly approval of the transaction and related share issue by Accor shareholders.

The transaction and related share issue were approved at an Ordinary and Extraordinary Shareholders' Meeting held on July 12, 2016, after which Lodge Investment Company and Voyager Fund Enterprise I Ltd[1] received a total of 29,505,060 Accor shares representing 10.38% of the capital and 9.26% of the voting rights, and Kingdom Hotels[2] received 16,494,440 Accor shares representing 5.80% of the capital and 5.18% of the voting rights.

Two shareholders' pacts were signed on the transaction completion date, with similar terms, between Accor and Qatar Investment Authority (through Lodge Investment Company[1], Voyager Fund Enterprise I Ltd[1] and Qatar Holding LLC[1] to which the rights were transferred) and between Accor and Kingdom Holding Company (through Kingdom Hotels (Europe) LLC[2]).

(1) Companies ultimately controlled by Qatar Investment Authority.
(2) Company ultimately controlled by HRH Prince Alwaleed Bin Talal Bin Abdulaziz Al Saud.

The main clauses of the pact between Accor and **Qatar Investment Authority** provide for:

- election to the Accor Board of Directors of two directors proposed by QIA, provided that it holds over 6% of Accor's capital, or one director if its interest stands at between 3% and 6% of Accor's capital. One of these two directors will also sit on the Commitments Committee and the Appointments and Compensation Committee;
- an undertaking by Qatar Investment Authority to hold all of the 29,505,060 Accor shares received in consideration for the contribution of FRHI shares for a period of 12 months after the transaction date, and then to hold 50% of the Accor shares received in consideration for the contribution until January 1, 2018, subject to the customary exceptions and unless the shares are transferred to companies owned by Kingdom Holding Company;
- an undertaking by QIA not to hold, alone or in concert, more than 57,556,980 Accor voting rights during a period of three years after the transaction date. The above cap may be raised in the event of certain corporate actions involving Accor shares. If QIA were to enter into a concert arrangement with Kingdom Holding Company, the cap would be raised to 91,100,000 voting rights and would apply to the combined interest of the concert group members;
- in the event of a third party tender offer for Accor shares that complies with French securities regulations as formulated by the AMF, the option for QIA to file a competing bid for all outstanding Accor shares;
- a right of first refusal for Accor in the event of a planned transfer of Accor shares to certain identified competitors of the AccorHotels Group;
- the orderly sale of Accor shares on the market in order to limit the impact on the share price;
- disclosure to Accor of any transfer of shares that leads to a direct or indirect, partial or total, immediate or deferred transfer of title;
- an undertaking to hold Accor shares in registered form;
- the possibility for QIA to act in concert, with regard to Accor, with another shareholder including Kingdom Holding Company but excluding certain identified competitors of Accor.

The pact came into effect on the transaction completion date (July 12, 2016) for a 12-year term. It will be terminated in advance if the combined interest of Lodge Investment Company, Voyager Fund Enterprise I Ltd and Qatar Holding LLC (direct Accor shareholders) is reduced to less than 3% of Accor's capital or if they cease to be wholly owned, directly or indirectly, by Qatar Investment Authority.

The main clauses of the pact between Accor and **Kingdom Holding Company** provide for:

- election to the Accor Board of Directors of a director proposed by Kingdom Holding Company, provided that it holds over 3% of Accor's capital. The director concerned will also sit on the Commitments Committee and the Appointments and Compensation Committee;
- an undertaking by Kingdom Holding Company to hold all of the 16,494,440 Accor shares received in consideration for the contribution of FRHI shares for a period of 12 months after the transaction date, and then to hold 50% of the Accor shares received in consideration for the contribution until January 1, 2018, subject to the customary exceptions and unless the shares are transferred to companies owned by QIA;
- an undertaking by Kingdom Holding Company not to hold, alone or in concert, more than 32,176,520 Accor voting rights during a period of three years after the transaction date. The above cap may be raised in the event of certain corporate actions involving Accor shares. If Kingdom Holding Company were to enter into a concert arrangement with QIA, the cap would be raised to 91,100,000 voting rights and would apply to the combined interest of the concert group members;
- in the event of a third party tender offer for Accor shares that complies with French securities regulations as formulated by the AMF, the option for Kingdom Holding Company to file a competing bid for all outstanding Accor shares;
- a right of first refusal for Accor in the event of a planned transfer of Accor shares to certain identified competitors of the AccorHotels Group;
- the orderly sale of Accor shares on the market in order to limit the impact on the share price;
- disclosure to Accor of any transfer of shares that leads to a direct or indirect, partial or total, immediate or deferred transfer of title;
- an undertaking to hold Accor shares in registered form;
- the possibility for Kingdom Holding Company to act in concert, with regard to Accor, with another shareholder including QIA but excluding certain identified competitors of Accor.

The pact came into effect on the transaction completion date (July 12, 2016) for a 12-year term. It will be terminated in advance if the interest of Kingdom Hotels (Europe) LLC (direct Accor shareholder) is reduced to less than 3% of Accor's capital or if it ceases to be wholly owned, directly or indirectly, by Kingdom Holding Company.

Concert group between Colony Capital and Eurazo terminated on January 31, 2017

On May 4, 2008, a memorandum of understanding was signed by Colony Capital (represented by ColTime[1] and ColDay[2]) and Eurazeo (represented by Legendre Holding 19[3]), acting in concert in accordance with the memorandum of understanding regarding their investment in Accor, which they had signed on January 27, 2008.

On December 18, 2009, an amendment to the memorandum was signed following the Accor Board of Directors' approval of the potential benefits of demerging the Group's Hotels and Prepaid Services businesses to create two separate listed companies. The purpose of the amendment was (i) to extend the provisions of the memorandum of understanding to the shares in Edenred, and (ii) to extend the undertaking in the memorandum not to sell their shares in Accor and Edenred until January 1, 2012.

The main clauses of the agreement were as follows:

- an undertaking to cast the same votes on strategic matters at Board of Directors' meetings;
- an undertaking to cast the same votes at Accor Shareholders' Meetings;
- an agreement that the parties should have equal representation on Accor's Board;
- an agreement that if either of the undertakings set out above with respect to voting were breached by one of the parties, the party that had breached the undertaking would offer to sell its Accor shares to the other party, at a price equal to 80% of the lower of (i) the weighted average price of the Accor share over the twenty trading days preceding the breach, and (ii) the closing price on the day of the breach. This offer would have had to be made and taken up within a month of the date of breach;

(1) ColTime S.à.r.l. was controlled by the investment funds ColonyInvestors VI, LP and ColyzeoInvestors LP, which are managed by the Colony Capital, LLC investment company.

(2) ColDay S.à.r.l. was controlled by the investment funds ColonyInvestors VIII, LP and ColyzeoInvestors II, LP, which are managed by the Colony Capital, LLC investment company.

(3) Controlled by Eurazeo SA.

- an undertaking not to enter into any acquisition or other agreement with a third party that would have resulted in the concert group raising its interest to above one third of Accor's capital and/or voting rights;
- in the event that one of the parties decided to sells its shares to an identified purchaser, a right of first refusal for the other party, exercisable within ten days following notification of the intention to sell. The price for the shares sold would be proposed by the selling party;
- a duty for each party to give the other party four days' notice if they decided to sell their shares on the market to unidentified purchasers;
- in the event that one of the parties sold its shares, a right for the other party to sell the same proportion of shares, exercisable within ten days following the related notification;
- in the event that the two parties' existing shareholdings were equal, the obligation for either party that decided to purchase additional shares to propose the acquisition of the same number of shares to the other party;
- a priority share purchase right for the party holding the least number of shares. However, ColDay could freely acquire shares enabling it to raise its interest to 11% of Accor's capital and Eurazeo could freely acquire shares enabling it to raise its interest to 10% of the capital;
- in the event of a public offer initiated by a third party, if one of the two parties did not wish to tender its shares whereas the other one did, the right for the former to acquire the shares tendered to the offer by the other party at the offer price or at a higher price;
- in the event of a public offer initiated by one of the parties, in which the other party did not wish to participate, the right for either of the parties to terminate the concert arrangement. If the party not participating in the offer wished to sell its Accor shares, the right for the initiator of the offer to acquire said shares before filing the offer, at the offer price or at a higher price.

The shareholders' pact had a five-year term. After the end of the five-year period, the concert arrangement could be terminated with 30 days' notice.

On March 30, 2015, the concert group comprising ColDay S.à.r.l and Legendre Holding 19 reduced its interest in Accor to below 15% of the Company's capital and 20% of the voting rights, and at that date held 25,955,282 Accor shares, or 11.12% of the capital and 51,791,564 voting rights or 19.36% of total voting rights.

On July 31, 2015, ColDay and Legendre Holding 19 signed an amendment that, in particular, lowered the share ownership threshold below which the pact would be automatically terminated from 5% to 3% of the share capital.

On October 15, 2015, ColDay S.à.r.l transferred all of its Accor shares to ColDay A S.à.r.l. After this transaction, the concert group comprising ColDay A S.à.r.l and Legendre Holding 19 declared that it held 26,080,517 Accor shares, or 11.08% of the Company's capital and 51,915,799 voting rights, or 19.26% of total voting rights.

On July 12, 2016, the concert group comprising ColDay S.à.r.l and Legendre Holding 19 reduced its interest in Accor to below 11% and 10% of the Company's capital and 19%, 18% and 17% of the voting rights, and at that date held 26,256,980 Accor shares, or 9.22% of the capital and 52,092,262 voting rights or 16.39% of total voting rights.

On January 31, 2017, Colony Capital announced that it had sold its total stake in Accor and no longer held any shares. The concert group formed by ColDay S.à.r.l (Colony Capital) and Legendre Holding 19 (Eurazeo) was therefore terminated on the same date.

6.3.2 Dividends

				Share price *(in euros)*			
Year	**Shares outstanding at December 31**	**Dividend for the year** *(in euros)*	**Paid on**	**High**	**Low**	**Year-end closing price**	**Yield based on year-end closing price**
2012	227,277,972	0.76	June 5, 2013	27.76	18.32	26.70	2.85%
2013	228,053,102	0.80	June 4, 2014	34.32	24.54	34.30	2.33%
2014	231,836,399	0.95	June 3, 2015	39.58	28.87	37.34	2.54%
2015	235,352,425	1.00	May 18, 2016	51.65	35.99	40.00	2.50%
2016	284,767,670	1.05	June 6, 2017	41.25	29.96	35.43	2.96%
2017	290,122,153	1.05(1)	May 15, 2018	43.67	35.17	43.00	2.44%

(1) Submitted for approval at the Annual Shareholders' Meeting of April 20, 2018.

No interim dividend was paid. Dividends are paid through Euroclear France.

Dividends not claimed within five years from the date of payment are forfeited, as provided for by law.

The Board of Directors will recommend that shareholders at the Combined Ordinary and Extraordinary Shareholders' Meeting of April 20, 2018 approve the payment of a cash dividend of €1.05 per share for 2017.

6.4 THE MARKET FOR ACCOR SECURITIES

THE MARKET FOR ACCOR SECURITIES

Accor shares are traded on the Euronext Paris stock exchange (Compartment A) and are included in the CAC 40 index.

Accor is also included in the benchmark international socially responsible investing indexes: Euronext Vigeo Europe 120, Euronext Vigeo Eurozone 120, FTSE4Good, Ethibel Sustainability Index (ESI) Excellence Europe, Standard Ethics French Index, MSCI ACWI ESG Leaders Index et MSCI ACWI SRI Index, EURO STOXX & STOXX 600 Low Carbon, EURO STOXX & STOXX Global Reported Low Carbon, EURO STOXX & STOXX Europe Sustainability, STOXX Europe & STOXX Global Climate Impact Ex Global Compact, STOXX Global 1800 Low Carbon, STOXX Global Reported Low Carbon, STOXX Global ESG Environmental Leaders, STOXX Global ESG Governance Leaders, STOXX Global ESG Impact, STOXX Global ESG Leaders, STOXX Global ESG Social Leaders.

At December 31, 2017, the Company's market capitalization stood at €12.5 billion, based on the closing share price of €43.00.

Accor share prices and trading volumes (ISIN: FR0000120404)

	Average closing price	High-Low		Trading volume
		High	Low	
2017				
January	37.99	39.03	35.17	22,059,909
February	38.32	39.46	36.81	17,769,414
March	37.91	39.34	36.99	19,700,016
April	40.04	42.13	38.56	20,738,324
May	41.81	42.90	40.47	25,808,026
June	41.80	43.60	40.90	19,930,065
July	40.95	42.22	39.18	19,925,516
August	39.46	40.80	38.51	18,574,072
September	40.57	42.70	38.79	17,828,679
October	42.66	43.67	41.12	20,048,357
November	41.85	43.00	40.42	16,062,150
December	42.33	43.56	41.31	16,741,046
2018				
January	45.22	46.79	42.85	21,802,051
February	45.77	48.38	42.10	23,304,722

Source: Euronext.


ULTIMATE COMFORT
SALUTE
NATURA
CO2 EMISSION
INNOVAZIONE
TERRITORIO
LAVORO
DIÁLOGO
Enjoyment
Brand Character
Caring
Efficiency
Well-Being
Best value for Money
Eco friendliness full Service
Modernity life Enjoyment Eco friendly
Affordability
Safety
F&B
DIALOGUE
EMPLOI
LOCAL
INNOVATION
CARBONE
NATURE
SANTE
Full Service
SALUD
INNOVACION
LOCAL
Conceito de restaurante adaptado à expectativa dos clientes locais. Café de manhã das 4h às 12h.
Uma oferta de buffet self-service com ampla variedade de produtos selecionados para o café da manhã. Uma oferta de pratos rápidos à disposição 24h por dia.
Modernity
Connectivity
Camera: Un buon letto che rispetta l'ambiente e il vostro benessere.
Espacios comunes
Quarto:
Uma boa cama que respeita o meio ambiente e o seu bem estar.
Espaces généraux
Eco friendliness
DIALOGUE

7

OTHER
INFORMATION

7.1 INVESTOR RELATIONS AND DOCUMENTS ON DISPLAY

In addition to the Annual Meeting and the events organized to present the annual results, AccorHotels keeps both individual and institutional shareholders informed of the latest developments on a highly responsive daily basis. This information is tailored to the specific needs of different types of shareholders and financial analysts while constantly complying with the principle of fair access to information.

MEETINGS WITH INVESTORS

In 2017, AccorHotels met with 472 representatives from more than 356 financial institutions and organized 25 roadshows and conferences in Europe, North America, Asia and Australia.

These events included three hotel tours in Paris and London that enabled investors to talk with line managers and gain a better understanding of management practices and processes. AccorHotels also took part in twelve investor conferences during the year, in France, the United Kingdom, Italy and the United States.

Held on May 5, 2017 at the Novotel Paris Tour Eiffel, the Annual Shareholders' Meeting was attended by 392 people and provided many opportunities for exchanging views and opinions on the 2016 results and the Group's strategy.

An Extraordinary Shareholders' Meeting was held on June 30, 2017 at the Group's headquarters in Issy-les-Moulineaux. It was attended by 59 people and approved the partial contribution of Accor SA assets to AccorInvest SAS.

ACCORHOTELS SHAREHOLDERS CLUB

Created in May 2000, the AccorHotels Shareholders Club had 5,276 members at year-end 2017, with each one owning at least 50 bearer shares or one registered share.

Club members take advantage of dedicated benefits and events such as regular e-mail updates throughout the year with press releases, Shareholder webzines and other news, the possibility of subscribing to all of our other corporate publications, the opportunity to discover the Group's businesses in a more personal way through site visits, and VIP invitations to investor events in which AccorHotels participates.

During the first year after signing up, Shareholders Club members receive the Le Club AccorHotels loyalty program Gold Card, which offers a systematic upgrade whenever possible, a 7% discount in the form of points that can be saved and used in the AccorHotels network and with its partners, and exclusive offers and benefits offered by its partners.

SHAREHOLDER ADVISORY COMMITTEE

The Shareholder Advisory Committee serves as both a consultative body and a forum for discussion, to improve the way we communicate with our retail shareholders. The aim is to enhance our understanding of individual shareholder expectations about the information they receive and their relationship with the Group in order to make the communication process as transparent as possible and align it more closely with their specific needs.

The Committee, which is composed of nine members, met twice in 2017 with the following agenda:

- May 2, 2017, conference call:
  - review of the 2016 yearly results,
  - discussion on the structural operations carried out by AccorHotels in the first quarter of 2017: changes in the Group model which began with the diversification of activities into high value-added complementary businesses, integration of FRHI, customer loyalty,
  - discussion on the spin-off project for AccorInvest,
  - preparations for the Combined Annual and Extraordinary Shareholders' Meeting of May 5, 2017;
- October 27, 2017, at the AccorHotels head office in Issy-les-Moulineaux:
  - review of the results for the first half of 2017 and the business trends seen during the third quarter of the year,
  - presentation of the Group leadership positions, discussion on global market trends for hotel and non-hotel accommodation,
  - presentation of the Group's strategy, and discussion on the legal, financial and business implications of the transformation underway:
    - disposal of AccorInvest: financial impact and implications for the AccorHotels' hotel portfolio,
    - new Group model and its growth levers: robust development, strengthening of geographic, brand and segment leaderships,
    - creation of an ecosystem structured around new services thanks to the acquisitions and partnerships signed over the past two years,
  - lunch at the headquarters.

EASILY ACCESSIBLE INFORMATION TAILORED TO SHAREHOLDER PROFILES

All of the Group's financial news and publications can be accessed in the "Investors" section of the accorhotels.group website, which serves as a comprehensive investor relations database. The site carries live and deferred webcasts of results presentations, Investor Days and Annual Shareholders' Meetings. It also tracks the Accor share price in real time and features a dedicated section for retail shareholders and members of the Shareholders Club.

A wide array of documents far exceeding regulatory requirements may be viewed in the "Finance" section of the accorhotels.group website. These documents, which cover both current and previous years, include:

- the Registration Document filed with the *Autorité des Marchés Financiers* (available in electronic form since 1997);
- the Annual Report;
- information memoranda filed with the *Autorité des Marchés Financiers* concerning corporate actions;
- brochures notifying Shareholders' Meetings, sent systematically to registered shareholders and on request to members of the Shareholders Club;
- the Shareholder Webzine.

Legal documents are on display at the Company's primary business office: Tour Sequana, 82, rue Henri Farman, 92130 Issy-les-Moulineaux.

Since January 20, 2007, when the European Transparency Directive was transposed into French law, AccorHotels has issued its regulatory filings through a professional disclosure service that complies with the criteria set out in the AMF's General Regulations. The filings are also available on the corporate website.

SHAREHOLDER HOTLINE

Shareholders in France can call 0805 650 750 (free from a landline) at any time to obtain general information about the Group, the share price, the latest news and practical guidelines for individual shareholders. Operators are available to answer questions from 9:00 a.m. to 6:00 p.m. from Monday to Friday. Messages left out of hours are answered as soon as possible.

SENIOR VICE-PRESIDENT, INVESTOR RELATIONS AND FINANCIAL COMMUNICATION

- Sébastien Valentin
  82, rue Henri Farman
  92445 Issy-les-Moulineaux
  Phone: + 33 (0)1 45 38 86 25
  Fax: + 33 (0)1 45 38 85 95
  Shareholder hotline (France only): 0805 650 750 (free from a landline)
  E-mail: comfi@accor.com

7.2 PERSONS RESPONSIBLE FOR THE REGISTRATION DOCUMENT AND THE AUDIT OF THE ACCOUNTS

NAME AND POSITION OF THE PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT

- Sébastien Bazin
  Chairman and Chief Executive Officer

STATEMENT BY THE PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT

I hereby declare that, having taken all reasonable care to ensure that such is the case, the information contained in this Registration Document is, to the best of my knowledge, in accordance with the facts and contains no omission likely to affect its import.

I further declare that, to the best of my knowledge, the financial statements included in the Registration Document have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets and liabilities, financial position and results of Accor and its subsidiaries, and that the management report represents a fair view of the business, results and financial position of Accor and its subsidiaries and that it describes the main risks and uncertainties to which they are exposed.

I obtained a statement from the Statutory Auditors at the end of their engagement affirming that they have read the whole of the Registration Document and examined the information about the financial position and the accounts contained therein.

Paris, March 29, 2018

Sébastien Bazin

PERSONS RESPONSIBLE FOR INFORMATION

- François Pinon
  Group General Counsel
  Phone: + 33 (0)1 45 38 87 33
- Jean-Jacques Morin
  Member of the Executive Committee – Chief Financial Officer
  Phone: + 33 (0)1 45 38 87 03
- Sébastien Valentin
  Senior Vice-President, Investor Relations and Financial Communication
  Phone: + 33 (0)1 45 38 86 25

STATUTORY AUDITORS

Statutory Auditors

- Ernst & Young et Autres
  Member of the Ernst & Young network
  Jacques Pierres
  1/2, place des Saisons
  92400 Courbevoie – Paris-La Défense 1, France

  Date of first appointment: June 16, 1995.

  Re-appointed for six years at the April 25, 2013 Annual Shareholders' Meeting.
- Deloitte & Associés
  David Dupont Noel
  185, avenue Charles-de-Gaulle – BP 136
  92203 Neuilly-sur-Seine Cedex, France

  Date of first appointment: June 16, 1995.

  Re-appointed for six years at the April 25, 2013 Annual Shareholders' Meeting.

Alternate Auditors

- Auditex
  Tour Ernst & Young – 11, allée de l'Arche
  92037 Paris-La Défense Cedex, France

  Appointed for six years at the April 25, 2013 Annual Shareholders' Meeting.
- BEAS
  7, villa Houssay
  92200 Neuilly-sur-Seine, France

  Date of first appointment: May 29, 2001.

  Re-appointed for six years at the April 25, 2013 Annual Shareholders' Meeting.

7.3 INFORMATION INCORPORATED BY REFERENCE

In accordance with Article 28 of European Commission Regulation (EC) **809/2004,** the Registration Document incorporates by reference the following information:

- the consolidated financial statements and the related Auditors' Reports contained in the 2016 Registration Document filed with the *Autorité des Marchés Financiers* on **March 31, 2017** under no. **D.17-0284** (pages **213 to 274,** and **212**);
- the financial information contained in pages **194 to 204** of the 2016 Registration Document filed with the *Autorité des Marchés Financiers* on **March 31, 2017** under no. **D.17-0284;**
- the consolidated financial statements and the related Auditors' Reports contained in the 2015 Registration Document filed with the *Autorité des Marchés Financiers* on **March 24, 2016** under no. **D.16-0205** (pages **177 to 249,** and **176**);
- the financial information contained in pages **162 to 169** of the 2015 Registration Document filed with the *Autorité des Marchés Financiers* on **March 24, 2016** under no. **D.16-0205;**
- sections of these documents that are not mentioned above are either not applicable to investors or are covered in another part of the Registration Document.

7.4 CROSS-REFERENCE TABLE FOR THE REGISTRATION DOCUMENT

The table below cross-references the pages in the Registration Document and the key information required under European Commission Regulation no. 809/2004 and Implementing Directive 2003/71/EC of the European Parliament and of the Council.

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7.5 CROSS-REFERENCE TABLE FOR THE ANNUAL FINANCIAL REPORT

The 2017 Registration Document contains all of the information in the Annual Financial Report governed by Article L. 451-1-2 of the French Monetary and Financial Code and Article 222-3 of the AMF's General Regulation. To make this information easier to find, the following cross-reference table lists it by main topic.

7.6 CROSS-REFERENCE TABLE FOR THE MANAGEMENT REPORT

The 2017 Registration Document contains all of the information in the management report governed by Article L. 225-100 *et seq.* of the French Commercial Code. To make this information easier to find, the following cross-reference table lists it by main topic.

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3.2.	Opinion of the Accor Works Council on changes in economic or legal structure (Article L. 225-105, paragraph 5)	N/A
3.3.	Anti-competitive behavior (Article L. 464-2, paragraph 5)	N/A
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4.3.	Financial risks related to the effects of climate change and measures taken by the Company to reduce them by implementing a low carbon strategy (Article L.225-100-1, paragraph 4)	60

7.7 CROSS-REFERENCE TABLE FOR THE REPORT ON CORPORATE GOVERNANCE

7.8 GRENELLE 2 CROSS-REFERENCE TABLE

Grenelle 2 provision – Article 225	Global Compact principle	Section of Chapter 2/CSR indicators	Page in the Registration Document
GENERAL REPORTING PRINCIPLES			
The information published is presented "in such a way as to allow data comparisons" (Law of July 12, 2010). The Board of Directors' or Management Board's report "presents the data observed during the financial year just ended, and if applicable, the previous financial year, in order to allow a comparison between this data"	NA	Methodological review	144
Among the information listed by the application decree, the report indicates those items that cannot be produced or that do not seem relevant to the type of activities or organization of the Company, along with relevant explanations	NA	CSR cross-reference table	NA
When a company voluntarily complies with a national or international social or environmental guideline, the report must indicate this, along with the guideline recommendations that have been selected and the way in which that guideline can be consulted	NA	AccorHotels' CSR reporting is governed by the GRI standards. A correspondence table is available on the website (http://www.accorhotels.group/en/commitment/the-expert-room/our-csr-approach)	NA
The social and environmental information that is or should be included in terms of the legal and regulatory requirements is subject to verification by an independent verifier [...]. This verification gives rise to an opinion that is sent to the Shareholders' Meeting or Partners' Meeting at the same time as the Board of Directors' or Management Board's report	NA	Independent verifier's report on consolidated social, environmental and societal information presented in the management report	153
The independent verifier must include the following in his/her report: ◗ a) A declaration on the presence of all information required by the decree, and indicating, if appropriate the absence of certain information with or without explanations ◗ b) A motivated opinion on: – the sincerity of the information in the management report – the explanations on the absence of certain information, if appropriate ◗ c) The diligences implemented to conduct this verification mission	NA	Independent verifier's report on consolidated social, environmental and societal information presented in the management report	153
SOCIAL INFORMATION		EMPLOYMENT COMMITMENTS	93 TO 111
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Total number of employees	Commitments 1, 3 and 6	AccorHotels, a unique employment model	93
Breakdown of employees by gender		Gender diversity Promoting gender diversity and equality / Percentage of women by job category	104 105
Breakdown of employees by age		Breakdown of employees by age range	110
Breakdown of employees by region		Employees by region	95
Hirings		Hirings and separations	95
Dismissals		Hirings and separations	95
Compensation		Compensation policies	102
Change in compensation		These data are not yet consolidated at Group level, so the average salary raise cannot be reported	102

Grenelle 2 provision – Article 225	Global Compact principle	Section of Chapter 2/CSR indicators	Page in the Registration Document
Workweek organization			
Working conditions	Commitments 1, 3 and 6	Workweek organization and work-life balance / Working hours / Workweek organization / Working from home / Night work Improving worklife quality and promoting health	100 101
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Employee relations			
Organization of social dialogue	Commitments 1, 3 and 6	Promoting open dialogue / Dialogue forums and resources / Dialogue to support Group transformation	98
Procedures for informing and consulting personnel and negotiating with them		Promoting open dialogue / Dialogue forums and resources / Dialogue to support Group transformation	98
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Health and safety			
Workplace health and safety conditions		Devising solutions that bring work-life balance and healthy working conditions / Improving worklife quality and promoting health Preventing workplace accidents and occupational illness	100 101
Report on agreements signed with the trade unions or personnel representatives on workplace health and safety		Promoting open dialogue / Collective agreements / Agreements signed by country and issues	98
Frequency and severity of workplace accidents		Lost-time injury rate Incident severity rate for workplace accidents	101
Occupational illness		Improving worklife quality and promoting health / Preventing workplace accidents and occupational illness	100
Training			
Training policies implemented		Learning solutions key to skills development Supporting employees throughout their career paths / Preparing the next generation of managers	107 109
Training hours		Training hours	108
Equal opportunity			
Policy implemented and actions taken to promote gender equality	Commitments 1, 3 and 6	Promoting diversity and inclusion / Promoting gender diversity and equality	105
Policy implemented and actions taken to promote employment and integration of disabled people		Promoting diversity and inclusion / Integration of people with disabilities	106
Policy implemented and actions taken to fight against discrimination and promote diversity		Promoting diversity and inclusion / Promoting cultural diversity	106

Grenelle 2 provision – Article 225	Global Compact principle	Section of Chapter 2/CSR indicators	Page in the Registration Document
Promotion and respect for the provisions in the International Labor Organization's fundamental conventions			
Respect for the freedom of association and the right to collective bargaining		Commitments supported by the Ethics and CSR Charter	78
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ENVIRONMENTAL INFORMATION		ENVIRONMENTAL COMMITMENTS	
General environmental policy			
Company organization to take into account environmental issues	Commitments 7, 8 and 9	A CSR strategy integrated into the economic model Managing the Ethics and CSR approach	78 78
Environmental assessment approaches or certification		Planet 21 In Action, a new roadmap for hotels	90
Training and information for employees on the protection of the environment		Planet 21 – Acting Here commitment: Employees' perception of the Group's high level of CSR engagement is increasing	111
Resources dedicated to preventing environmental risks and pollution	Commitment 7	Industrial risks related to the environment	59
Amount of provisions and guarantees for environmental risks		Industrial risks related to the environment	59
Pollution			
Prevention, reduction and repair measures for air emissions	Commitments 7, 8 and 9	Favoring ecofriendly products Planet 21 – Acting Here commitments: Move towards carbon-neutral buildings Planet 21 – Acting Here commitment: Buildings pillar: -5% of energy consumption per room / Buildings pillar of Planet 21 In Action	114
Prevention, reduction and repair measures for water discharges		Move towards carbon-neutral buildings / Planet 21 – Acting Here commitment, Buildings pillar: -5% of energy consumption per room and -5% of water consumption per night by 2018 (owned, leased, and managed hotels) AccorHotels and the protection of biodiversity Planet 21 – Acting Here commitment: Buildings pillar: -5% of energy consumption per room / Buildings pillar of Planet 21 In Action	130
Prevention, reduction and repair measures for discharge to soil		Application of the "apply or explain" principle / Land use	143
Taking into account noise pollution and all other pollution types specific to an activity		Application of the "apply or explain" principle / Inconveniences for the neighborhood	143

Grenelle 2 provision – Article 225	Global Compact principle	Section of Chapter 2/CSR indicators	Page in the Registration Document
Circular economy			
Waste management and prevention			
Actions taken to prevent, recycle, reuse and other forms of valorization and elimination of waste		Planet 21 – Acting Here commitment: 65% of waste from hotel operations recovered by 2020 / Move towards carbon-neutral buildings / Take advantage of the hidden value of waste	135
Actions to fight against food waste		Planet 21 – Acting Here commitment: -30% reduction in food waste by 2020	138
Sustainable use of resources			
Water use		Move towards carbon-neutral buildings / Planet 21 – Acting Here commitment, Buildings pillar: -5% of energy consumption per room and -5% of water consumption per night by 2018 (owned, leased, and managed hotels)	130
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Consumption of raw materials		Planet 21 – Acting Here commitment: 100% of our restaurants follow our charter on healthy and sustainable food by 2020 / Communities and Buildings pillars of Planet 21 In Action	139
Actions taken to improve the use efficiency of raw materials		Planet 21 – Acting Here commitment: Buildings pillar: 100% of renovated or new hotels are low-carbon buildings (owned and leased hotels) Reduce food waste / Offer food that is healthy and sustainable for the planet / Developing urban farming Engage our guests in a sustainable experience / Favoring ecofriendly products	130 138 141
Energy consumption	Commitments 7, 8 and 9	Planet 21 – Acting Here commitments, Buildings pillar: -5% of energy consumption per room and -5% of water consumption per night by 2018 (owned, leased, and managed hotels)	131
Actions taken to improve energy efficiency		Planet 21 – Acting Here commitment: Buildings pillar: 100% of renovated or new hotels are low-carbon buildings (owned and leased hotels) Planet 21 – Acting Here commitment: Buildings pillar: -5% of energy consumption per room / Buildings pillar of Planet 21 In Action	130
Actions taken into account to improve the use of renewable energies		Planet 21 – Acting Here commitment: Buildings pillar: 100% of renovated or new hotels are low-carbon buildings (owned and leased hotels) Planet 21 – Acting Here commitment: Buildings pillar: -5% of energy consumption per room / Buildings pillar of Planet 21 In Action	130

Grenelle 2 provision – Article 225	Global Compact principle	Section of Chapter 2/CSR indicators	Page in the Registration Document
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Protection of biodiversity			
Actions to preserve or develop biodiversity	Commitments 7, 8 and 9	AccorHotels and the protection of biodiversity Plant for the Planet, agroforestry for the development of communities and protection of the environment / Offer food that is healthy and sustainable for the planet	142 127
SOCIETAL INFORMATION		SOCIETAL COMMITMENT	
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In terms of employment and regional development		AccorHotels, a unique employment model	
On neighboring or local populations	/	Protecting children from abuse AccorHotels and the protection of biodiversity Plant for the Planet, agroforestry for the development of communities and protection of the environment A commitment supported by the Group's endowment fund: Solidarity AccorHotels	126 127 124
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Environmental defense associations		Interaction of AccorHotels with its stakeholders / Dialogue policy and tools / Focus on new partnerships in 2016 / Outside partnerships to extend the process	91
Consumer associations		Interaction of AccorHotels with its stakeholders / Dialogue policy and tools	91
Local populations		A commitment supported by the Group's endowment fund: Solidarity AccorHotels	124

Grenelle 2 provision – Article 225	Global Compact principle	Section of Chapter 2/CSR indicators	Page in the Registration Document
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Importance of sub-contracting and taking into account CSR in relations with suppliers and sub-contractors		Committing to sustainable relationships with partners / Planet 21 – Acting Here commitment: Topics Partners: Our ethics and CSR risk management process is deployed among 100% of our partners / In relations with suppliers	119
Fair practices			
Actions committed to prevent corruption		Compliance policies and programs / Adoption of a compliance program Committing to sustainable relations with partners / Planet 21 – Acting Here commitment: Topics Partners: Our ethics and CSR risk management process is deployed among 100% of our partners / In relations with hotel managers	81 122
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Actions committed to promote Human Rights		Cultivating common ethics to foster best practices	119
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Financial risks associated with the effects of climate change and actions taken by the Company to reduce them, by implementing a low-carbon strategy in all components of its activity.			129

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Acting Here Planet 21

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