

## 2.3 INTERNAL CONTROL PROCEDURES

### 2.3.1 INTRODUCTION

This report describes the internal control procedures in place within the TF1 group. It covers TF1 SA (the parent company) and subsidiaries over which it exercises exclusive or majority control.

### 2.3.2 INTERNAL CONTROL ENVIRONMENT AND GENERAL PRINCIPLES

#### 2.3.2.1 ORGANISATION AND OPERATING PROCEDURES

##### BACKGROUND

This report is based on information and analyses compiled in collaboration with the various players involved in internal control within TF1 and its subsidiaries, and gives a factual description of the control environment and the procedures in place.

The Internal Control Department co-ordinated the preparation of this report, which was validated by the Group Finance and Purchasing Division (DGAFA) and the Legal Affairs Division (DAJ) before being submitted to the Statutory Auditors and then presented to the Audit Committee and Board of Directors for approval.

Since 2007, TF1 has analysed its internal control system and presented its internal control report in full compliance with the internal control framework published on 22 January 2007 and derived from work carried out by the task force set up by the Autorité des Marchés Financiers (AMF), the French financial markets authority. The AMF reference framework was amended in 2010 to incorporate legislative and regulatory changes in the area of risk management, and the AMF recommendation on Audit Committees.

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

TF1 continually adapts its internal control system to reflect the nature of its operations, its evolving business model and its strategic goals.

The general internal control environment is underpinned by the Group's corporate governance principles, but also by its organisational structure and operating procedures and by dissemination of its values and rules.

The organisation, composition and operating procedures of the Board of Directors and of the specialist committees that assist the Board (the Audit Committee, the Selection and Remuneration Committee and, since 2014, the Ethics, CSR and Patronage Committee), as described in chapter 3 on corporate governance, comply with corporate governance rules and are conducive to effective internal control.

The Board, under the authority of its Chairman, determines the company's policies and, with the support of the Audit Committee, ensures that appropriate internal control systems are in place within the Group. Key commitments are subject to clear validation processes, with

decisions being taken by Executive Management based on proposals from the relevant committees. The Board of Directors is kept regularly informed of such decisions. Gilles Pélisson, as Chairman and CEO of TF1, has operational and functional responsibility for implementing the strategy approved by the Board of Directors for the Group's operations. In particular, he is responsible for organising the deployment of internal control. He is supported by the Executive Committee (COMEX), which comprises the senior executives of TF1 group and meets weekly, and by the General Management Committee (CODG), which includes the heads of each business line and support function and meets monthly. These Committees enable him to communicate the key internal control policies, and to make executives aware of their responsibility for setting up and monitoring internal control systems in their area.

Powers are delegated to meet the twin objectives of making operational staff accountable and controlling commitments at the appropriate level. On the latter point, the company's organisational structure builds in segregation of duties: operational functions are kept separate from accounting functions so as to allow for independent control.

Every year, the Strategy Division works with the COMEX members to prepare a three-year plan setting out the broad lines of the Group's medium-term strategy. The first year of the plan corresponds to the budget for the forthcoming year, and lays down the framework for commitments made by managers of Group entities.

The three-year plan is a key element of the internal control environment, and is consistent with the evolving business model. As well as setting revenue and cost targets the plan also specifies the resources, structures and organisational methods needed to meet those targets.

A summary of the TF1 group three-year plan is presented to the Chairman and CEO and then to the Board of Directors, which approves the budget.

#### THE INTERNAL CONTROL SYSTEM AND ITS OBJECTIVES

In addition to the three-year plan, the TF1 group is constantly looking to improve its internal control system, maintaining close alignment with its objectives. Since 2007, TF1 has followed an approach applied by the Bouygues group for its main business lines (which include TF1), designed to develop an internal control system based on the AMF reference framework. This process identified a number of simple, measurable principles covering the company's key businesses.

The system is organised around two components:

- accounting and financial internal control principles relating to the co-ordination, organisation and preparation of accounting and financial information; and
- general internal control principles encompassing all of the company's key processes.

The approach also builds in regular, structured meetings between internal control representatives from each of the Bouygues group's business lines, to organise monitoring of internal control and manage adaptations to deal with regulatory requirements. This shared system is regularly supplemented by internal control principles specific to TF1's operations, and to changes in its business model, strategic goals and environment.

Within the TF1 group, the internal control system is assessed through annual campaigns across a scope that is representative of the challenges and risks inherent in its various activities. A partial scope is covered each year, but the scope changes from year to year so that the majority of the control principles are addressed over a three-year cycle.

A self-assessment methodology is used. Within each entity, the person responsible for the process being analysed prepares and justifies his or her assessment of the application of internal control principles. This is then submitted for validation by a person with a critical perspective (line manager and/or business unit manager). Since 2014, most self-assessments have been in the form of interviews between the person responsible for the process and the head of internal control. This approach helps transmit knowledge about the internal control framework. However, the person responsible for the process still determines the overall rating.

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

The consolidated results of these campaigns are distilled into an aggregate summary by topic, function and operating entity. This serves to alert Executive Management to any inadequacy detected in processes, and to guide and prioritise action plans. The results are also presented regularly to the TF1 Audit Committee, which in turn informs the Board of Directors.

New businesses are incorporated into the assessment campaigns in a manner that reflects the gradual introduction within those entities of the processes, tools and methods used by the TF1 group to co-ordinate, oversee and control operations.

The 2020 assessment campaign addressed topics related to compliance programmes (anti-corruption, competitive practices, promotion of ethical conduct, and embargos), along with principles underpinning controls over the insurance process.

The majority of revenue-generating entities within the TF1 group were included in the scope of self-assessment.

Audit assignments are also carried out to check the accuracy of internal control self-assessments. Since 2014, Internal Audit and Internal Control have operated within a single Audit and Internal Control Division (DACI), helping to improve risk control and management within the TF1 group. The DACI also handles the mapping of risks associated with internal control.

### Identifying and managing risks

Risk mapping relies on feedback from regular risk Committee Meetings within the operating units and support functions of Group entities about key events that could have an adverse impact on attainment of the objectives in the three-year plan.

These committees are tasked with identifying emerging risks, systematically reviewing all risks identified during previous years, and removing any risks that no longer apply.

Each risk has an "owner" who is responsible for describing the risk, developing scenarios and assigning probabilities, so that risks can be prioritised and specific risk mitigation measures developed. A distinction is drawn between measures that reduce the probability of a risk occurring, and those that reduce the impact of a risk occurring.

The risk committees also monitor progress on resources put in place to mitigate risk, and propose additional action plans as necessary.

For a description of the principal risks and how they are managed, refer to section 2.1 ("Risk Factors") of this Universal Registration Document, which also describes the Group's policy on insurance. Market risks (including interest rate risk and exchange rate risk) are discussed in Note 8 to the consolidated financial statements (section 4 of this universal registration document).

### 2.3.2.2 CONTROL ACTIVITIES

Alongside internal control and risk management, the TF1 group also performs various controls within the operating divisions, and more directly *via* the support functions.

#### CONTROL OVER BROADCASTING AND OTHER VITAL COMPANY OPERATIONS

The Technologies Division is responsible for making programmes where it has been retained as producer; for the transmission of programmes, and the transmission network; and for developing and operating the IT applications required for the production of information and secure transaction processing.

Applications used to help ensure that accounting and financial information complies with best practice in control are described in the section on "Financial Information Systems" below.

The Technologies Division co-ordinates the identification, control and prevention of major technological risks liable to affect broadcasting service continuity and the ongoing conduct of the Group's vital operations.

To fulfil this remit, the Division works with the Corporate Services Division (responsible for property and facilities management) to develop security policies in two key areas:

### Business continuity

“Réagir”, the crisis management process in place at TF1, identifies and updates the main risk prevention scenarios, and any disaster recovery scenarios required for key processes.

A secure external backup site is in place to ensure resumption of key processes: programme transmission, production of news bulletins, preparation and marketing of advertising spots, and operation of information systems (especially accounting, treasury and payroll).

In the event of a very serious incident, “backstop” arrangements handled by a specialist third-party service-provider would enable the TF1 channel to continue broadcasting autonomously for several days.

Procedures are tested regularly so that the system can be adjusted if necessary.

A website and hotline are available so that employees can keep in touch in an emergency.

A crisis management manual has been produced that describes how the crisis management unit will operate in various scenarios.

### Information systems security

In response to the increased risk of cyber-attack, the Technologies Division has introduced extra security measures that go beyond compliance with internal control principles on information systems security:

- extending the coverage of the Security Operations Centre (SOC) for continuous monitoring of information systems and detecting malfunctions caused by cyber-attacks;
- regular audit by external specialists to assess the resilience of systems and technical facilities to new risks, and to perform intrusion tests (including in the Broadcasting space). The division also works with the Internal Communications Department on campaigns to raise user awareness of cyber-attacks, with a special focus on the vulnerability of attachments and web links;
- systematic involvement of IT security teams, and in particular the Head of Information Systems Security, at an early stage in the development of systems used to produce and transmit TV content. These teams ensure that the security policy is correctly applied, and that the system architecture selected is (and will remain) compatible with security imperatives;
- implementation of a Cyber-Security Assurance Program, involving periodic audits of the TF1 group’s approach and action plan by an external consultant.

### PROGRAMME BUYING AND CONTROLS OVER PROGRAMME COMPLIANCE

TF1 enters into Broadcasting rights contracts to secure programming for future years. The rights buying process is subject to an investment

approval procedure, in which the role of each decision-maker is defined so as to ensure segregation of duties:

- the Rights Buying Division sets out the key features of the project, such as the unit price and the number of screenings;
- the Artistic Division checks that the programme complies with editorial policy;
- the Programming Division checks that the rights are aligned with the programming schedules of the Group’s various channels, as well as with each channel’s audience and inventory management targets;
- the Group Finance and Purchasing Division validates the inclusion of the acquisition in the cost of future programme schedules and the investment budget of the Programme Unit, the projected profitability of the acquisition, and the level of inventory. It also checks that the purchase price is in line with market prices and that performance clauses have been included.

At least once a year, Legal Affairs and the operational divisions agree on the contractual policy to be applied by each programme unit, with compulsory or ancillary clauses applicable to rights buying contracts.

Final approval of rights buying contracts is signed off by either the Chairman and CEO of the TF1 group or the Chief Executive Officer of the commissioning channel (or their proxies) in line with delegated powers.

Sports rights are usually acquired by bidding in a tendering process. Such bids are governed by domestic regulations (the French Sport Code) and by European regulations. For the most significant projects, the Board of Directors sets up a special committee to advise on the bid.

Programmes broadcast on the Group’s channels are subject to control by the CSA (the French Broadcasting regulator) under agreements signed by the channels. Consequently, the TF1 group’s Programme Compliance Division reviews programmes prior to broadcast on its channels, sometimes in collaboration with the Legal Affairs Division. This process also helps minimise the legal risks inherent in Broadcasting television programmes.

Programmes intended for children are submitted for advice from psychologists, who are asked to preview the most sensitive programmes.

### CONTROLS OVER ADVERTISING COMPLIANCE

Dedicated teams within TF1 Pub preview all advertising spots for the channels on which they sell space (TF1, TMC, TFX, TF1 Séries Films and LCI). They also ensure that all the spots have been submitted to the ARPP (the French advertising self-regulatory organisation) for pre-vetting, and passed for broadcast.

TF1 Pub monitors compliance with laws and regulations covering the Broadcasting of advertising on various types of media. Teams from each broadcaster check that the maximum daily and hourly broadcast times for advertising are not exceeded.



## RISKS AND HOW THEY ARE MANAGED

### INTERNAL CONTROL PROCEDURES

#### STRATEGY, DEVELOPMENT AND TRANSFORMATION DIVISION (DSDT)

The TF1 group's Strategy, Development and Transformation Division is responsible for conducting strategic studies and making acquisitions, compiling the business plan, monitoring the Group's equity holdings, and piloting actions derived from the transformation plan in conjunction with Executive Management and members of the Executive Committee.

The DSDT also uses trend analysis to inform strategic studies and align major projects with expected changes in the industry environment.

##### Transformation plan

In 2016, Gilles Pélisson initiated a transformation plan with two key themes: "Prepare for the Future" and "Reinvent Ourselves". That plan has borne fruit: the Group has radically transformed the model of its core TV business, and redeployed extensively across its value chain.

Faced with the combined effects of even more intense competition and a global economic crisis due to the COVID-19 pandemic, the TF1 group continues to transform itself in order to generate further savings while developing both advertising and non-advertising revenue streams. New working practices and the unlocking of synergies will underpin efforts by the Group to take agility and flexibility to the next level. This will be built around projects driven by managers at operational level and overseen by the relevant Executive Committee member, in conjunction with the DSDT.

##### Business plan

The strategic planning approach relies on an analysis of market trends and of the evolving relationship between industry players, consumption patterns, and the competitive environment. Risk mapping is also taken into account.

In July of each year, once the industry analysis and strategic priorities have been approved and senior management has aligned itself with those priorities, strategic guidance notes are prepared and sent to all Group entities.

These are used to develop a three-year plan, which incorporates the year 1 budget. That budget represents a commitment by the management of each entity to the Chairman of the TF1 group. Performance against the budget is measured by the Group Finance and Purchasing Division.

Each company and/or entity prepares its own three-year plan, with active support from the DSDT to ensure that business plans are compiled to consistent and uniform standards across the Group.

The plan is approved by the Board of Directors annually.

##### Governance

The Strategy Committee meets every two months to review key business indicators and issues relating to strategy, partnerships, development and transformation.

Commitment Committees allow for rapid decision-making on development proposals, monitor progress on ongoing projects, and set guidelines for the teams involved.

#### Managing equity holdings

The DSDT monitors equity holdings on a regular basis with support from Finance, Legal Affairs and operating divisions. Raise, a specialist investment fund, makes and manages media-for-equity investments on behalf of the TF1 group. The DSDT ensures that business relations between media-for-equity investees and the Group's operating entities are optimised.

#### FINANCE AND PURCHASING DIVISION (DGafa)

The DGafa includes all of the Group's finance functions. It plays a control role by disseminating procedures, methods and guidance throughout the Group.

#### Audit and Internal Control Division (DACI)

The TF1 group's Internal Audit function conducts financial, operational and organisational audits in Group entities (except for audits of the reliability, security and operation of information systems, which are performed by the Bouygues group's Central Audit Department).

All of these audits are conducted according to an annual plan approved by the Executive Management and Audit Committee of the TF1 group. Audit Committee Meetings include progress reports on the plan, and presentations of key findings and recommendations of completed audits.

Audits are performed following a strict methodology aimed at meeting the standards set by the French Institute of Audit and Internal Control (IFACI). Each audit ends with a report containing recommendations, which are systematically incorporated in an action plan to be applied by the audited entity and monitored by the Internal Audit function.

#### Financial Support & Purchasing Division (DAFA)

The DAFA covers all the non-core Finance functions: Financial Communications and Investor Relations, Purchasing (other than rights buying), the Tools and Projects Hub, and the Process and Data unit.

These roles are integral to the day-to-day functional support that the Group Finance Division provides to all the operating divisions.

#### Financial Communications and Investor Relations Department

The Financial Communications and Investor Relations Department engages with shareholders, investors and analysts. As described in more detail in the section on "Process for managing published financial information" below, the Department ensures that the markets and the financial community are regularly updated to give them the clearest and most comprehensive understanding possible of the company's strategy and business environment. This requirement is followed in strict compliance with market rules and the principle of equal treatment for all investors.

### **Group Purchasing Division (other than rights buying)**

The Purchasing Division optimises the procurement process by applying a high-quality supplier referencing process and a rigorous methodology, in line with best practice.

Our commitment to Responsible Purchasing is described in section 7.3.7 of this Universal Registration Document.

### **Tools and Projects Hub**

The Tools and Projects Hub is responsible for piloting upgrades to the financial information system based on the financial modules of the SAP package, and for deploying system improvements to support the ongoing transformation of DGAFAs processes and methods.

### **Process and Data Unit**

The main role of the Process and Data Unit is to measure the effectiveness of, and improvements to, the Group's financial processes. The unit supports finance staff in the ongoing transformation of their processes and methods, with a focus on improving their use of data.

### **Accounting, Tax, Treasury and Financing Division (DCFTF)**

The Accounting and Tax Division (DCF) is responsible for establishing and applying accounting policies, and for preparing the individual and consolidated financial statements of Group companies.

#### ■ Accounting standards

The DCF monitors developments in international (IFRS) and French accounting standards, and ensures that appropriate accounting policies are in place. It also plays a co-ordinating and training role by drafting and distributing rules, procedures and accounting policies.

#### ■ Financial statements and tax returns

Within the DCF, teams are organised into activity areas (Broadcasting, Newen and Unify) and skills hubs. They keep accounting records of transactions entered into by TF1 group entities, and carry out all accounting closes required for the preparation of financial statements.

They also handle payments made by Group entities, applying procedures consistent with key internal control principles (such as segregation of duties and multiple independent validation), and payment security rules established by the Treasury Department (such as authentication and tamper-proof payment media).

The DCF is also responsible for all the tax returns of individual TF1 group entities (including VAT, income tax, and other taxes and duties); it also manages and prepares tax returns for the group tax elections that exist within the TF1 group.

#### ■ Treasury and Financing Department

This Department assesses the Group's funding requirements and ensures that adequate funding is available from sustainable and diversified sources.

It provides centralised treasury management services for the Group (bank accounts, cash pooling, and interest rate and forex risk management), and oversees the security of the Group's money flows while reducing associated risks, including fraud, legal and counterparty risks.

Every year, the Department works with the Strategy, Management Control and Investor Relations Departments to produce a dossier for the Standard & Poor's ratings agency and the Banque de France, with whom it liaises throughout the year.

### **Group Performance Monitoring and Management Control Division (DPPCG)**

The DPPCG monitors delivery on the objectives set in the annual budget as approved by the Board. Key steps in this process include:

- the monthly Group reporting package, which summarises and comments on key financial and operating information relating to the various Group entities and on current or future events that may have an impact.

This document is based on the monthly reporting packages prepared and commented on by each business unit. These include a monthly accounts close, a revised end-of-year forecast, and performance indicators. The DPPCG checks, validates and analyses these packages and then prepares a consolidated dashboard at Group level, which is presented to Executive Management at a set time each month.

At each monthly accounts close, the DPPCG and DCFTF work together to ensure that all expense and income items are recorded, and are recognised in the correct accounting period. Financial information used in management reporting and in the financial statements all derives from a shared Enterprise Resource Planning (ERP) platform common to all the main structures within the Group, which ensures consistency and control of the data outputs;

- two updates, to allow for adjustments to year-end projections and recalibrate action plans if required;
- a process of regular re-forecasting and/or simulations to assess the impact of current events and give greater agility in high-level business management;
- monthly operating indicators reflecting short-term management objectives for the various business units. These may be used to develop action plans, and hence to measure performance. This process has been rolled out in most Group entities, and enables operational managers at every level to be aware of all available performance indicators;
- a digital dashboard analysing the components of programming margin for the TF1, TMC, TFX, TF1 Séries Films and LCI channels. Additional margin analyses are prepared regularly for individual programmes, dayparts or hourly slots; these are used to focus action plans.

### **HUMAN RESOURCES AND CSR DIVISION (D GARH & CSR)**

The Human Resources and CSR Division plays a key role in selecting, deploying, and developing the human capital needed for TF1 group entities to operate effectively.

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



As part of the overall management cycle the Human Resources Division works with the operating divisions and support functions to plan future human resources needs. These needs are formalised and are an integral part of the three-year financial and strategic planning process determined by Executive Management. Succession plans for the top 160 senior executives are updated annually. Any request for a new hire or internal promotion is subject to a formal approval procedure.

The Human Resources and CSR Division also organises and monitors the delegation of powers within the TF1 group.

For a description of the Group's Corporate Social Responsibility policy, which contributes to internal control via the reporting of social and societal information, refer to section 4 of this Universal Registration Document.

### GENERAL COUNSEL'S DEPARTMENT AND LEGAL AFFAIRS DIVISION (DAJ)

The General Counsel's Department of the Group leads and co-ordinates two functions:

- the General Counsel's Department, directly responsible for:
  - managing relations with external bodies and authorities such as the CSA, the French Competition Authority, the French government and parliament, and the European Commission, working in conjunction with the Group's Institutional Relations and Regulatory Affairs Division,
  - monitoring laws, rules and decrees that affect the broadcasting industry,
  - monitoring compliance with regulatory requirements (production-related obligations, CSA reporting, the French Competition Authority, etc.),
  - managing relations with trade bodies such as the French copyright collection agency (SACD) and the French TV producers association (USPA), and dealing with industry-wide agreements on Broadcasting and production,
  - compliance with the Code of Ethics, and applying rules on personal and professional ethics and compliance,
  - relations with the Group's Ethics and CSR Committee;
- the Legal Affairs Division (DAJ), responsible for:
  - determining the contracting policy and supervising its enforcement within the Group, and more generally monitoring and negotiating key acquisition, distribution and sales contracts in compliance with governance rules,
  - dealing with matters relating to company law (including secretarial support for Board Meetings and General Meetings of TF1 SA, as a publicly quoted company), assessing legal aspects of business development proposals (corporate acquisitions and divestments, restructuring, etc.), handling notifications to the French Competition Authority, and relations with the AMF and AFEP/MEDEF,
  - dealing with court proceedings and litigation in all jurisdictions (including the administrative courts): risks and claims are monitored in close collaboration with the Finance and Purchasing Division (DGAFA) to ensure that they are correctly reported in the financial statements,

- managing intellectual property such as rights, brands and domain names, and protective measures (especially against piracy),
- protection and free movement of personal data: TF1 has responded to the General Data Protection Regulation (GDPR) by designating a staff member from within the DAJ as a Data Protection Officer (DPO), with the role of co-ordinating personal data protection compliance and providing information and advice to other business lines and functions within the Group. The DPO is supported by a network of data correspondents within each business line and function, and also handles relations with CNIL (the French data protection agency),
- monitoring of management risk, insurance, and real estate assets. In particular, the DAJ ensures that there is adequate insurance cover and that premiums and deductibles are commensurate with risk exposure.

For several years, the General Counsel's Department and the DAJ have been involved in a process to enhance security and control over commitments. Tangible results of this process include establishing a Group-wide contracting policy, and standard contract models for all recurring commitments. The DAJ is also working to optimise and secure the insurance policies taken out by TF1 and its subsidiaries so as to be covered against potential risks.

Finally, the DAJ works with DGARH to ensure that there is a consistent policy on delegation of powers. Specifically, subsidiaries over which TF1 exercises exclusive control have been delegated powers based on guidelines established at Group level. In jointly-controlled subsidiaries, internal control is organised on the basis of the TF1 group's expertise and in compliance with shareholder agreements.

### 2.3.2.3 CONTROL PROCESS FOR PUBLISHED ACCOUNTING AND FINANCIAL INFORMATION

#### FINANCIAL INFORMATION SYSTEMS

The Technologies Division, in conjunction with the Tools and Projects Hub, deploys and supervises the TF1 group's financial information systems (accounting, management, treasury and consolidation).

TF1 operates both internally-developed systems and commercial software. Finance-related applications are rigorously analysed, monitored and operated so as to ensure continuity of service, integrity, security, and legal compliance. As part of the Group's information security policy, technical support and training are provided to staff to help prevent virus or hacking attacks. This is backed by the "Eticnet Charter", a regularly updated document designed to ensure staff take these issues seriously.

TF1 has tools in place to guarantee control over commitments and payments:

- systematic centralised controls:
  - SAP access controls, based on a user role incompatibility matrix;

- commitment approval procedures based on internal control rules;
- centralised creation and management of databases (suppliers, inventories);
- acceptance only of invoices that relate to a commitment validly approved within the system, by a shared invoice administration Department, thereby enhancing segregation of duties between checking invoices on receipt, approving them for payment, and signing off the payment.

Payments made by Group entities are issued from SAP and are subject to multiple approvals including double signature; all payments are subject to formal banking signatory powers, which are updated on a regular basis.

## **PROCESS FOR THE PRODUCTION, CONSOLIDATION AND VALIDATION OF THE FINANCIAL STATEMENTS**

### **Transaction recording**

The TF1 group has fully-documented accounting processes to ensure that transactions are accurately recorded, that all and only those transactions that actually occur are recorded, and that accounting policies are applied consistently from one period to the next.

DCF teams obtain assurance that the processes for collecting and processing financial information are reliable, especially *via* the SAP, Xotis and Workday applications and upstream operational applications (such as sales, purchases and payroll) that feed data into those applications. They issue sales invoices and process payments received from customers, and handle any associated recovery proceedings; they also process purchase invoices, and pay suppliers within the legal time limits. Finally, they file tax and regulatory declarations (having checked them for accuracy) and make sure taxes are paid on time.

### **Interim accounting closes**

At each accounting close, period-end adjusting entries are subject to a joint review by the accounting and management control functions.

The DCF ensures that asset valuation processes have been properly applied, consistently with the accounting policies described in the notes to the financial statements:

- Goodwill and equity holdings recognised in the balance sheet:  
Periodic review for evidence of impairment, annual impairment testing, and recognition of impairment losses as necessary;
- Audiovisual rights and other assets:  
Review of valuation with reference to the relevant criteria;
- Off balance sheet commitments:  
Annual review, focusing in particular on commitments to secure future programming schedules and involving the Programmes and Rights Buying divisions, the relevant channel, and the finance function;
- Litigation and other risks:  
Joint review with Legal Affairs, Human Resources and the operating divisions.

These processes, and their outputs, are reviewed by the Statutory Auditors.

The TF1 group prepares monthly consolidated financial statements using SAP-BFC (the industry standard consolidation tool), which builds

in rigorous analyses and controls over data processing and outputs. Year-on-year movements in financial statement line items are analysed and fully explained.

### **Validation**

Elective accounting treatments are reviewed with the Statutory Auditors ahead of each quarterly accounting close and presented to the Audit Committee.

The consolidated financial statements are reviewed each month by the Chief Financial Officer and presented to the Chairman & CEO.

The Statutory Auditors issue an audit opinion on the annual parent company and consolidated financial statements of TF1, and perform a review of the interim consolidated financial statements.

The Audit Committee reviews the consolidated financial statements and the Statutory Auditors' report each quarter, before they are presented to the Board of Directors.

## **PROCESS FOR MANAGING PUBLISHED FINANCIAL INFORMATION**

Only duly authorised persons may communicate financial information to the market. In addition to the Chairman & CEO, these include the Executive Vice President, Group Finance and Purchasing; the Corporate Communications Division; and staff of the Financial Communications & Investor Relations Department.

Published documents are subject to a control and validation process prior to release. This involves not only the Finance function but also Legal Affairs, Human Resources & CSR, and Corporate Communications. Quarterly financial press releases are approved by the Audit Committee and the Board of Directors.

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

- the management reports of the Board of Directors;
- the Univesral Registration Document, half-yearly financial reports and quarterly financial information;
- financial press releases;
- presentations to financial analysts and investors.

The Group files its Registration Document with the AMF (the French financial markets authority). Before filing, the Registration Document is reviewed by the Statutory Auditors.

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

Each issue on which TF1 publishes information is accompanied by discussion and analysis that is validated by Executive Management and updated regularly, providing robust support in the Group's relations with market players.

To guarantee investors equal access to information, all published financial information materials are also made available in English and distributed through the following channels:

- information intended for the general public is posted online (or sent by post on demand) on the corporate website at [www.groupe-tf1.fr/en](http://www.groupe-tf1.fr/en) immediately upon publication;

- regulated information is disseminated in accordance with the European Transparency Directive *via* a primary information provider;
- analyst meetings are accessible in full without restriction, *via* live or catch-up webcast or *via* conference call;
- foreign visits and discussions with market players are usually conducted by two representatives from TF1, to ensure that the information provided is accurate and to guarantee equal access to that information. Any documents presented on such occasions are posted immediately on the corporate website at [www.groupe-TF1.fr/en](http://www.groupe-TF1.fr/en).

### 2.3.2.4 OVERSIGHT OF INTERNAL CONTROL

The two first lines of defence – operational management, and control activities carried out within the support functions – must themselves be subject to further controls. This is the role of the third line of defence, consisting of Internal Audit and the Audit Committee.

#### INTERNAL AUDIT

Internal Audit performs analyses and tests, and prepares reports, that help senior management identify, manage and control risks more effectively.

As part of its role, Internal Audit obtains assurance (in conjunction with the Internal Control function's own assessment programmes) that self-assessments are accurate and that internal controls are actually being applied. In the process, Internal Audit helps raise staff awareness of internal control principles.

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

### 2.3.3 CONCLUSION AND OUTLOOK

Throughout 2020, the TF1 group continued to reorganise its processes to make them more efficient and flexible and achieve greater cross-functionality between the entities. The participation rate in the internal control campaign was judged to be highly satisfactory.

TF1 extended the risk mapping process by updating, reassessing and prioritising risks identified in previous years, and adding new risks that could impair attainment of the Group's medium-term strategic goals.

A summary of Internal Audit assignments is presented to the Audit Committee on a six-monthly basis.

#### AUDIT COMMITTEE

The Audit Committee was set up in 2003 and consists of three directors. To guarantee its independence, no executive officer or employee of TF1 may sit on the Committee.

The Committee reviews the quarterly, half-year and annual financial statements before they are presented to the Board of Directors, and also receives a presentation on the conclusions of the Statutory Auditors. This review includes assessing whether the accounting policies used for the preparation of the financial statements are appropriate and have been consistently applied, and verifying the procedures used to collect and check the information used.

The Audit Committee is also advised of information about how the Group is perceived by the financial markets. This information is provided to the Committee in the form of a summary of what investors expect from the Group; a description of trends in the TF1 share price; and analyst consensus estimates of current-quarter and current-year revenues and profits.

The Audit Committee is provided with regular updates on the deployment of the internal control system, the results of assessment campaigns, major risks identified by the risk mapping process and progress against action plans to address risks. Each year, the third-quarter Audit Committee Meeting validates the Internal Audit plan for the following year. A summary report on Internal Audit assignments, highlighting the risks and degree of control for each process audited, is presented to the Audit Committee.

The Audit Committee was kept informed of all these activities on a regular basis.

All of these objectives will be rolled forward, supporting a dynamic vision of internal control that relies above all on the skills, sense of responsibility and commitment of all Group employees.