

2.2.2 CHAIRMAN'S REPORT ON INTERNAL CONTROL PROCEDURES

INTRODUCTION

BACKGROUND

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

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

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

Coordinated by the Internal Control Division, the report has been subjected to an approval process by the Group Strategy, Finance and Purchasing Division (DGASFA) and the Legal Affairs Division (DAJ). It was also sent to the Statutory Auditors and subsequently presented to the Audit Committee and to the Board for approval.

INTERNAL CONTROL OBJECTIVES AND PRINCIPLES

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

According to that framework, which is compatible with the benchmark of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) used by TF1 in previous years, internal controls are defined as a method to ensure:

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

This system should also contribute to monitoring the activity, effectiveness of operations and efficient use of the company's resources. However, no such system can provide an absolute guarantee of achieving targets and overall control of the risks to which the Group might be exposed.

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

ENVIRONMENT AND GENERAL PRINCIPLES OF INTERNAL CONTROL

ORGANISATION AND OPERATING PROCEDURES

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

Organisation

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

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

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

by separating operational functions from those involving the protection of assets and accounting recognition of operations.

Objectives

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

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

The process of developing the three-year plan forms part of a structured approach aimed at ensuring that the Group's objectives are appropriate. The approach is organised by the TF1 Strategy and Planning Division. The plans from the various TF1 group entities and companies are subject to a validation process led by the Group Strategy, Finance and Purchasing Division (DGASFA).

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

Rules and principles

The TF1 group focuses on compliance with the rules and values disseminated through its Code of Ethics and the Rules of Procedure of TF1 SA and its subsidiaries as well as operating guidelines applied in the Group. Since October 2009, the Corporate Secretary of TF1 has also been the Group Ethics Officer. He is charged with reporting regularly to the Chairman and CEO and now to the newly created Ethics and CSR Committee on any problems encountered in business practices, proposing modifications appropriate to the Group's business lines and responding to employees' queries on these issues.

TF1 has decided to put in place its own Code of Ethics, under the responsibility of its Corporate Secretary, with the aim of encouraging managers and staff to adopt a common set of values. The Code was approved by the Board of Directors in 2014. It includes strict rules for the conduct of business and a whistleblowing mechanism to enable employees to alert the Ethics Officer to any violations of the Code of Ethics they become aware of in the course of their work.

In parallel, the Board of Directors decided to create an Ethics and CSR Committee whose role would be to ensure observance of the Code of Ethics and the application of ethics and compliance rules as well as to oversee the Group's CSR policy.

- In the sphere of ethics, it ensures that:
 - the Group abides by the laws and regulations in force as well as the agreements and commitments made with administrative authorities

and more generally shows loyalty, honesty, sincerity and fairness in its internal and external relations,

- rules based on trust, mutual respect, dignity and fairness, all in line with the principles set forth in the Code of Ethics, are maintained in the company.

- In the sphere of Corporate Social Responsibility, it ensures that:
 - the Group is committed to and has a relevant vision of Corporate Social Responsibility by orienting the efforts to better understand the expectations of customers and other stakeholders and by taking into account CSR principles in the Group's global strategy.

Similarly, in 2006, TF1 joined the United Nations' Global Compact, demonstrating its determination to adopt and promote respect for the principles and values of human rights, environmental protection, working standards and the fight against corruption. In 2010 TF1 became the first media group to be awarded the Diversity label, an accreditation given to companies that take affirmative action to promote diversity and prevent discrimination. The award, which is based on stringent criteria and regularly monitored, constitutes formal recognition by an independent body – AFNOR Certification – that TF1's equality-promotion and anti-discrimination procedures are compliant and effective in the fields of hiring, career management, training, communication and relations with customers and service providers. TF1 published its third Diversity Annual Report in 2013, addressing trade unions, staff representatives and employees and assessing the effectiveness of Group efforts with indicators on four key priorities: disability, seniors, gender equality and ethnic diversity. In late 2012, an audit of compliance with Diversity label specifications confirmed that TF1 had met its commitments. On this topic, the TF1 group intends to pursue its active and voluntary approach.

The industry in which TF1 operates is constantly changing, primarily as a result of technological advances. TF1 therefore seeks to maintain a high level of workforce skills through an ambitious programme of recruiting and ongoing training that helps employees keep abreast of operational requirements.

Furthermore the Bouygues Management Institute regularly organises seminars in which TF1 executives participate. The objective is to encourage managers to reflect on their role, responsibilities and the respect of ethical principles in their daily work, and also to unite Group senior management around common values.

Group-wide system and standards

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

The system is based around two main components:

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

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

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

Assessing improvement

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

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

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

The Chief Executive Officer and the Finance Director of each assessed entity draw up a summary of the level of internal control within their entity. The consolidated results of these campaigns are distilled into an aggregate summary by topic and business area that serves to alert senior management if a deficiency is detected in certain processes and to guide and prioritise action plans. The results are also regularly presented to the TF1 Audit Committee, which reports in turn to the Board.

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

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

New businesses are incorporated in the assessment campaigns in a manner that reflects the gradual introduction of Group-wide processes, tools and methods to control, steer and oversee activities within these entities. Internal control campaigns show whether these processes have been correctly implemented, in accordance with the deployment policy described above.

In 2014, the assessment campaign covered all internal control principles across entities generating revenue within the TF1 group, excepted Eurosport and TF1 Films Production.

The Group's internal control principles have been made available to Finance Division staff *via* a business portal, as well as to all employees contacted in the context of the assessment campaigns.

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

INTERNAL DISSEMINATION OF INFORMATION

To ensure that staff receive information on the Group and its development, the Human Resources and Internal Communication Division distributes a magazine, *Regards*, issued three times a year, and a monthly video magazine called *TF1 Inside*.

In addition, an intranet portal, *Décllic*, helps employees understand the environment in which they and the Group operate. It enables them to obtain information on the Group (organisation, programmes, etc.) and material about the audiovisual sector published in the press, and also find out about opportunities for promotion and training, common operating procedures, and the intranet sites of the other companies in the Group or the parent company. It also features portals for each function (Legal, Human Resources, Finance, etc.) designed to improve networking and the dissemination of information. The tool also enables managers to gather the information necessary for managing their teams, notably on skills training or for preparing annual performance appraisals.

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

The IT Department of TF1 SA's Technical and IT Division, together with the line and staff divisions, determines the information systems needed to generate information and manage operations securely and efficiently.

TF1 uses both proprietary and off-the-peg software. Applications are analysed, monitored and operated rigorously to ensure their availability, integrity, security and compliance with legal obligations.

Work on applications for financial and accounting data is carried out in close cooperation with the Accounting, Tax and IS Finance Division, the Finance, Treasury and Investor Relations Division, the Strategic Planning and Internal Control Department and the Management Control Division.

RISK IDENTIFICATION AND MANAGEMENT

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

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

Risk identification

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

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

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

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

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

The main risks and the systems designed to control them are described below in section 2.4 of this report, "Risk factors", which also describes the Group's policies concerning insurance. Financial market risks (interest rate and foreign exchange risk, etc.) are also covered in note 29

of the consolidated financial statements of the present registration document and annual financial report.

Risk management

The risk management system has three main components:

- **a systematic approach to managing operational and functional risks** identified and regularly updated under the Group risk mapping process, as it applies to each entity. Entities are responsible for describing, owning and coordinating risk mitigation measures and action plans in relation to internal control and risk mapping;
- **a business continuity approach** initiated in 2004. This approach is specifically aimed at identifying major risks that could affect day-to-day business. The goal is to develop a decision-making system for crisis management purposes and to define the required processes. The initial work on this programme led to the creation of the "Réagir" programme, which seeks to devise and regularly update plans for restoring business-critical processes after an incident. In 2009-2010, in addition to conducting regular tests of processes and back-up tools, the "Réagir" plan was updated to include an H₁N₁ flu scenario. In 2010 a business continuity audit identified measures for improving the system, which were implemented during the year. Particular attention was paid to extending the processes covered by the back-up site and broadening the scope of risk analysis to cover the activities of TMC, NT1 and TMC Broadcasting. In 2012, steps were taken to provide the back-up site with simple news production tools consistent with those of the head office and to enhance the back-up system for Eurosport channels, which is divided between the London location and the TF1 back-up facility;
- **an information systems security approach.** For the past several years, the Central Information Systems Division has been working to formalise a Data Security Policy to lay down common security standards for the Group. This effort continues on a daily basis as the constant technology advances are factored into security principles and rules. In 2014, security efforts focused more specifically on access control (network and workstations) and on the backup plan for financial IS, HR and advertising invoicing.

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

Purchasing processes

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

Furthermore, and where possible, framework agreements are signed ahead of the procurement process in order to control the costs of certain

programmes and to ensure supply. The Group centralises and shares its multi-channel rights (freeview, DTT, cable and satellite, video and new media including VoD and replay) as much as possible.

Sports rights are acquired by the department responsible for sports, usually through calls for tender initiated by the rights-holders (federations, rights agencies, etc.). These consultations, which are generally open to all broadcasters, are governed by European and domestic regulations (the French Sports Code). The most significant projects are submitted for review to an *ad hoc* committee appointed by the Group's Board of Directors.

TF1 Acquisitions de droits, which encompasses all of the Group's channels, and the DGAAN, which is responsible for acquiring rights and optimising their circulation within the Group, buy rights to feature films and series and sell unused rights to third parties in order to optimise inventory management.

Each channel submits firm procurement requests to its representative within TF1 Acquisition de droits and to senior management. A committee, made up of representatives of channels that are members of TF1 Acquisition de droits, is tasked with securing approval from all members of the overall breakdown of requested rights. This committee then forwards the requests and the overall breakdown to the DGAAN so it can acquire the programmes in question.

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

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

- the DGAAN presents the key characteristics of each project: unit price, number of broadcasts, rights conversion procedures, programming slots within the requesting channel's schedule, period of use and duration of rights, any sublicenses, geographical scope of rights, secondary use and payment terms;
- the Artistic Department checks that the programme complies with editorial policy;
- the Programming Department 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 Strategy, Finance and Purchasing Division approves inclusion of the acquisition within the forecast programming cost and investment budget of the Programme Unit, the forecast profitability of the acquisition and the level of inventory, and checks that the purchase price is in line with market prices and prices laid down in the plan.

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

Control of programming and advertising compliance

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

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

Staff at TF1 Publicité and TMC Régie preview all advertising spots intended for the channels on which they sell space, notably the free-to-air channels TF1 and HD1 for TF1 Publicité, and TMC and NT1 for TMC Régie. They also ensure that all the spots have been reviewed and approved for broadcast by the advertising watchdog ARPP. TF1 Publicité and TMC Régie ensure that laws and regulations covering the broadcasting of advertising on the various media are respected and that the advertising complies with regulations and the editorial policy of each medium. Staff at each of the broadcasters see that the maximum daily and hourly broadcast time for advertising is respected.

Control of broadcasting and other activities

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

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

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

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

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

In 2006 this back-up facility was improved when a digital process similar to that used at the main broadcasting facility was installed at a new external site. This installation and the associated procedures make it possible, if necessary, to switch over from the main site with no noticeable interruption of programmes. In 2008 all back-up resources were amalgamated at this single new external site.

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

The company's vital functions are included in the security plan through a business resumption process, in particular for the departments concerned with broadcasting, space selling, accounting, treasury, payroll and IT operations. Procedures are tested from time to time so as to upgrade the system if necessary.

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

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

CONTROL ACTIVITIES

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

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

Strategy, Finance and Purchasing Division (DGASFA)

The DGASFA comprises the Group's Financial Departments and performs a control function through cross-Group procedures, methods and principles that it implements throughout the Group. The DGASFA is organised in such a way as to enhance medium-term visibility in relation to the Group's businesses, notably by distinguishing the process of medium- and long-term strategic planning from the short-term running of the company.

Central Strategy and Planning Division (DSP)

The DSP supports Group senior management in setting medium- and long-term strategic objectives and establishes the framework and resources to achieve these goals according to a timetable and milestones determined with Group operational managers.

This exercise forms part of an annual cycle punctuated by strategy workshops held over the course of the year. These workshops are structured around the Group's main medium- and long-term goals and cover subjects suggested by operational managers.

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

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

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

Preparation of the three-year plans is decentralised and conducted at the level of each company and/or entity. The DSP organises and coordinates these activities through a standardised process.

The first year of the strategic plan represents a firm commitment to senior Group management on the part of the heads of the various entities. The plan that is approved by the Board of Directors in the final quarter of each year is updated when the strategic priorities are signed off in July every year.

The DSP bears responsibility, on behalf of the Finance Division, for developing decision support tools that will help enhance control of the Group's business model and improve the ability to adjust this model in line with strategic guidelines.

Audit and Internal Control Division (DACI)

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

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

Audits are performed according to a strict methodology aimed at meeting the standards of the IFACI (Institut Français des Auditeurs et Contrôleurs Internes). The audit report is prepared containing recommendations that

are systematically incorporated in an action plan drawn up by the entity audited and monitored by the Audit Department.

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

Accounting, Tax and IS Finance Division (DCFSIF)

The DCFSIF is responsible for applying the Group's accounting principles. It ensures that the processes used to collate and process financial information are reliable and that accounting methods are appropriate and stable.

It ensures that parent company and consolidated financial statements provide a true and fair view of the activity of Group companies and comply with existing standards and regulations. The DCFSIF ensures that this information is supplied in the correct format and in a sufficiently timely manner for effective use.

The DCFSIF includes the TF1 SA Accounting Department, shared Accounting Departments (including in particular supplier accounting) and the Consolidation Department. It also provides functional supervision to the subsidiaries' Accounting Departments.

It helps to coordinate and constantly update the teams by setting and disseminating rules, procedures and methods applicable throughout the Group. The DCFSIF applies the principle that the tasks of ordering and payment should be separate.

Project Management Finance and Procurement Division and Data Management Unit

The DGAAF has cross-functional structures in place to coordinate its Financial Information System, which mainly consists of the financial modules of the SAP package:

- a Project Management Finance and Procurement Division (MOAdFA) to operate and maintain all the applications making up the Finance-Procurement Information System, including SAP, and monitor the implementation of the Finance-Procurement Information master plan;
- a SAP Data Management Unit, in charge of managing the Guidelines databases of the Financial Information System, approving access rights, and strengthening the internal control over accounting and finance activities in the use of these applications.

Finance, Treasury and Investor Relations Division

The Finance, Treasury and Investor Relations Division is responsible for monitoring all the financial resources of the TF1 group.

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

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

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

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

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

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

Through press releases, press conferences, news published on the Group's website (www.groupe-tf1.fr) and regular Meetings with financial analysts, the Investor Relations Department ensures that the market and the financial community are kept continuously and comprehensively abreast of the company's latest news and financial position. This department is always listening to shareholders, investors and analysts.

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

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

Starting in 2013, the two departments making up Finance, Treasury and Investor Relations prepare a dossier every year for Standard and Poor's, the credit rating agency that rates the TF1 group. This dossier contains market information and data about the medium-term financial performances of Group entities as validated in the three-year plan and updated based on the year-end financial statement.

Management Control Division

The Management Control Division steers activities based on the Board-approved budget. It ensures that the short-term milestones under the Group's medium- and long-term objectives are met, notably through:

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

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

Each quarter, the Management Control Division and the Accounting, Tax and IS Finance Division jointly make sure that all income and expense items for the period are properly attributed, either by having teams share information or during Meetings on the closing options;

- two updates to adjust estimates of year-end results and to re-orient action plans in line with the objectives set;
- rolling forecasting to make monthly updates of the impact that events and ongoing projects will have on end-of-year financial statements;
- monthly operational indicators reflecting short-term management objectives for the various businesses and designed to support action plans. This set of indicators constitutes the Group's management "cockpit", used to measure performance; these visual indicators are regularly presented to the TF1 group's senior management. This approach promotes a common and shared understanding of challenges and circumstances and the development of cross-cutting solutions. It has been introduced in most subsidiaries. These indicators can be used to track all existing dimensions of performance at all levels of operational responsibility;
- a weekly dashboard analysing TF1's actual and forecast programming margin.

Group Purchasing Division (excluding audiovisual rights)

Through the standardisation of its purchasing processes and purchasing contracts, TF1 secures its supplies (tangible, intangible and services) and the financial terms and conditions for their purchase and guarantees

the continuity and quality of service through insurance taken out by its suppliers.

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

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

- a clear and objective purchasing process: purchasing decisions are documented and clearly justified, and supplier offers are reviewed on the basis of objective criteria established ahead of the tender;
- the global management of supplier relations: the Purchasing Department is the unique entry point for suppliers, excluding audiovisual rights, at the TF1 group;
- a Responsible Purchasing policy that fosters diversity: TF1 encourages extensive use of the sheltered sector and has its strategic suppliers assessed on CSR by an independent body (Ecovadis). In this regard, in January 2012 the TF1 group committed to comply with the Responsible Supplier Relations Charter drawn up under the aegis of the national intercompany mediation service. Then, this commitment resulted in the label "Responsible Supplier Relations" awarded in January 2014, and renewed in January 2015. TF1 also factors Diversity label criteria into its purchases and includes clauses on sustainable development and diversity in most of its procurement contracts and its general conditions of purchase;
- ethics: the Purchasing policy is secure and TF1 is mindful of any conflicts of interest that may arise during calls for tender. Particular attention is paid to the reciprocal respect of contractual commitments with our suppliers in line with the "Responsible Supplier Relations" label and Charter;
- the implementation of framework contracts at TF1 group level, notably through the formation of technical partnerships with strategic suppliers;
- securing supply, assessing economic dependency risks and social risks, and validating the respect of prevailing regulations, insurance policies, etc.

Human Resources and Internal Communication Division

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

It monitors compliance with the French Labour Code and changes in labour policy in conjunction with the various employee representative bodies. It also coordinates the Group's professional training, which has the objective of developing the technical, interpersonal and managerial skills required in the exercise of each employee's responsibilities. TF1 cares about developing the skills of its staff and encourages job mobility between Group companies and divisions. In 2014, more than half of all positions were filled through internal transfers.

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

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

General Secretariat and Legal Affairs Division

The Group General Secretariat leads and coordinates the following two functions:

- the General Secretariat, directly responsible for:
 - monitoring relations with external bodies and authorities (such as the CSA, the French competition authorities, government and parliament, and the European Commission) with the Institutional Relations and Regulatory Affairs Department,
 - monitoring laws, rules and decrees concerning the audiovisual sector,
 - monitoring the respect of regulatory requirements (production obligations, CSA report, etc.) and competition requirements (representatives following the acquisition of TMC and NT1),
 - monitoring relations with inter-professional organisations in the audiovisual sector (including SACD and USPA) and major inter-professional agreements (broadcasting, production),
 - the major concentration transactions having structured the Group, with the competent authorities (notably the buy-out of TMC and NT1),
 - coordinating all Group pay-to-view channels in their negotiations with the main pay-to-view distributors and ISPs, and in particular administrative procedures with CSA and the competition authorities,
 - monitoring compliance with the Code of Conduct and the observance of personal and professional ethics and compliance;
- the Legal Affairs Division (DAJ), responsible for:
 - determining and supervising the application of policy on contracts in the Group;
 - monitoring the various aspects of company law (including the secretariat of Board Meetings and General Meetings) and legal aspects of development affairs within the Group,

- legal affairs and the monitoring of court proceedings and litigation. Legal risks and litigation are closely coordinated with the DGASFA to ensure that they are properly reflected in the financial statements,
- the management of intellectual property rights (brands and domain names),
- risk management, insurance and property matters: the DAJ ensures that coverage is adequate and that premium and deductible levels correspond to the risks in question.

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

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

MONITORING SYSTEMS

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

Audit Committee

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

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

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

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

The Audit Committee is also advised of information pertaining to the perception of the Group by the financial markets. This information is provided to the committee in the form of a summary of investors' expectations towards the Group, a description of the TF1 group's share

price performance and the average level of revenue and profit expected by financial analysts for the current quarter and year (the consensus of analysts).

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

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

Internal Audit

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

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

In addition, Internal Audit actively monitors best practices in control and helps make employees aware of internal control principles.

PUBLISHED ACCOUNTING AND FINANCIAL INFORMATION CONTROL PROCESSES

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

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

FINANCIAL INFORMATION SYSTEMS

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

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

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

Since 2003 the TF1 group has embarked on a process to make the top technical, legal, financial and human resources managers aware of data security and the systems they will need to use.

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

At the end of 2008, TF1 launched an important project called SIGMA aimed at facilitating and streamlining the preparation of information while optimising processes in the areas of human resources, finance, and purchasing. The project includes the replacement by SAP of some or all of the applications formerly dedicated to these three functions and the new Finance/Purchasing solution has been successfully deployed throughout the Group. The Human Resources module was rolled out to all TF1 group companies in January 2010.

The SAP tool (ERP) is based on the principle of a unique record of operations necessary for financial information and guarantees the control of commitments and payments through:

- the approval cycle for commitments, pre-defined in the IT application and limited to authorised persons;
- the sourcing of invoices reflecting the commitments duly approved by the system.

This management tool was rounded out in late 2013 with a system for pooling the management of supplier invoices. This is ensuring a stricter separation of the tasks of checking invoices received, processing their payment, and approving their payment.

This management tool is complemented and/or fed by several applications that respond to different business needs of the Group, such as the system dedicated to the processes for monitoring contracts on the acquisition and management of broadcasting rights.

All the Group's means of payment are subject to security procedures, which were reinforced in 2014 (detailed statements of payment approvals, monitoring of invoice processing and payment deadlines). These are complemented by a banking interface, accounted for daily and formalised monthly.

All means of payment are issued from SAP, with a double signature required for approval according to the signing authority established on all bank accounts and updated yearly.

With this approach, the aim of process optimisation is to enhance cross-functional capabilities, harmonise the preparation of information, and facilitate the analysis of the data for all the TF1 businesses.

PROCESS FOR PREPARING AND CONSOLIDATING ACCOUNTS

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

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

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

Process for quarterly closing of TF1's accounts

Each quarter, all of the companies in the Group prepare intermediate accounts under IFRS using a structured process and a predetermined timetable.

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

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

Provisions for litigation and other risks are established based on a risk analysis conducted in consultation with the DGASFA, the General Secretariat, the Legal Affairs Division, Human Resources and the operational and functional departments concerned.

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

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

Consolidation process

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

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

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

PROCESS FOR VALIDATING THE ACCOUNTS

The quarterly consolidated financial statements are presented to the Chairman and CEO by the DGASFA.

At December 31 of each year, the accounts of TF1 and all its subsidiaries are audited by the Statutory Auditors. Each quarter, the consolidated financial statements are reviewed. The consolidated accounts for intermediate periods are given limited review.

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

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

PROCESS FOR MANAGING FINANCIAL DISCLOSURES

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

This department prepares reports on the business and financial results of TF1 and its subsidiaries for the Board of Directors.

These documents are drawn up according to a structured process which satisfies the requirements concerning financial information, using data from the Group's subsidiaries and departments.

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

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

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

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

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

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

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

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

information by postal mail may request it from the Investor Relations Department, which will send it free of charge;

- financial press releases are published in a national business daily, on a mainstream financial website and on the AMF website. As of January 2007, TF1 complies with the European Union's Transparency Directive covering new reporting obligations;
- Meetings with analysts are broadcast live and in full on the Internet or by telephone, with no access restrictions. A recording of these Meetings is posted on the Group's website;
- two people from the TF1 group generally attend Meetings held abroad and talks with market participants to ensure that accurate information is delivered with strictly equal access. The documents presented at these Meetings are published promptly on the www.groupe-tf1.fr website.

CONCLUSION AND OUTLOOK

Throughout 2014, the TF1 group continued to reorganise its processes to make them more efficient and flexible and achieve greater cross-functionality among the Group's entities.

The Group conducted a new campaign in 2014 to assess the application of internal control procedures across a broader representative scope. The participation rate was very satisfactory, and the campaign confirmed that there were no major internal control shortcomings or problems. The Group also continued the effort to update and enhance its internal control system by identifying best practice for its various businesses and proprietary risks.

TF1 also pursued its risk mapping activities in 2014 by updating, reassessing and prioritising the risks identified in previous years. New risks that could potentially affect the Group's ability to achieve its medium-term strategic goals were taken on board, and the management of action plans was incorporated into the company's management cycle.

The Audit Committee was regularly informed of these activities.

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