



ACCOR

2018

Integrated report

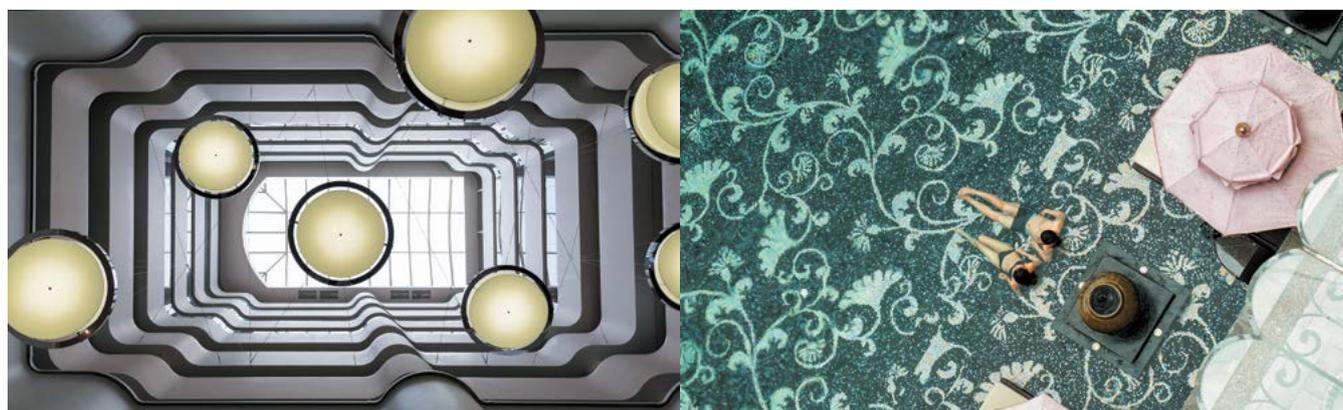




Integrated report

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Message from the Chairman and CEO

⋮
Sébastien Bazin

CHAIRMAN AND CHIEF EXECUTIVE OFFICER



Guests, partners and employees are the driving force behind our growth and the Group's performance

In response to disruption in the hotel industry and changing consumption patterns, Accor has been committed, over the last few years, to fundamentally transforming its model. Our profile is not what it was five years ago. We now offer more brands, and the balance of our portfolio has shifted to the luxury and lifestyle segments. We have achieved record growth, and further enhanced our leadership position, primarily through targeted acquisitions. Thanks to an enlarged playing field, we have expanded our customer offering, for owners and guests alike. And lastly, to increase our digital presence, we have invested heavily in our web platforms, our app, and technologies to deliver a seamless customer experience.

For Accor, 2018 was a pivotal year. We have turned the page and are entering a new era. With the sale of AccorInvest, we have become an asset-light group and acquired the flexibility needed to bring to life our unique vision of our work, which we call “augmented hospitality”. This is hospitality that gives back and nurtures close ties with local communities. It rewards our guests' loyalty, motivates our teams and promotes responsibility and inclusion. We have redesigned our identity under the Accor corporate brand to make this transformation visible. In homage to both our history and to innovation, our new signature reflects our ambition to “go beyond hotels”.

We have also developed a single digital platform under a single brand name, ALL – Accor Live Limitless, which brings together all of the rewards, services and experiences that we offer our loyal customers to give them more freedom to **live, work and play**.

Our aim is to redefine the notion of hospitality. By leveraging our ecosystem of brands, talents and solutions, we intend to become the driving force behind the hospitality of tomorrow. We want to innovate, look further ahead and fulfill the as yet unsatisfied travel and lifestyle needs of our customers, by offering them new ways of appreciating and experiencing the world. We are convinced that hospitality goes beyond a stay in one of our hotels. The hospitality of tomorrow, as Accor sees it, is rooted in a unique combination of extraordinary experiences, high performance solutions and strong human values. I believe that these human values are the key to our success. Human beings are at the center of everything we do. As a people-centric group, Accor wants guests and employees to feel valued, welcome and cared for. Our employees are Heartists. They excel in their professions and put their heart into everything they do. They serve others and the world around them with generosity, creativity and care.

We may have a new profile and a new brand identity, but we are as deeply attached to our commitments as ever. Positive, sustainable hospitality is entrenched in our values and operating methods. Our objectives remain the same. We want our employees and host communities to expand and develop. By fostering a diverse and inclusive culture, we want to enable our employees to thrive and grow. By supporting and interacting with our host communities, we seek to share the benefits of our development with the local population. And finally, we aim to create lasting, memorable experiences for our customers. This means reducing the environmental impact of our operations, introducing a new sustainable lineup of dining and travel services and developing our loyalty program.

Tomorrow's hospitality has yet to be invented. We are pleased and proud to show the way, with confidence and audacity.



A new model for more value

Welcome to the Accor's first integrated report

AT A MAJOR STRATEGIC TURNING POINT, Accor is seizing this opportunity for “integrated thinking” to show itself in a new light. 2018 was a significant milestone in the transformation of the Group’s model toward one that creates more value. The information provided in this integrated report has been compiled and summarized to demonstrate the new model’s potency.

Accor, the most diversified hotel group



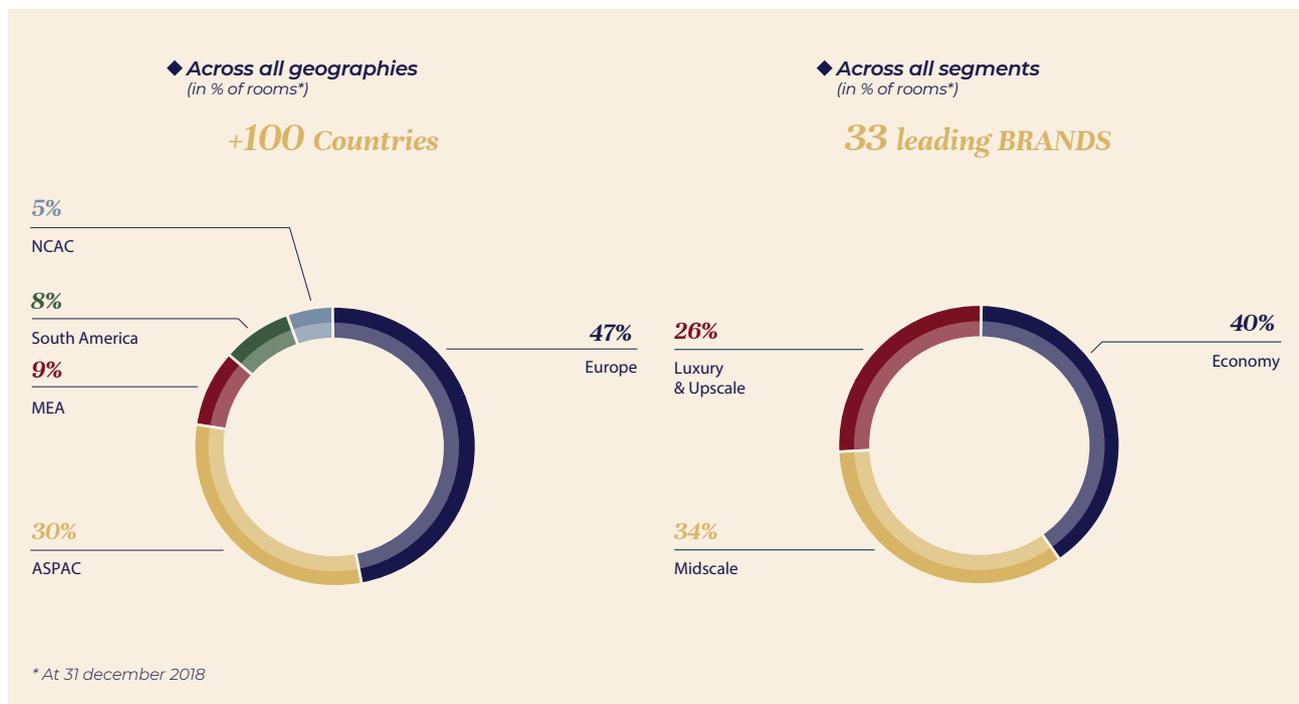
Accor, leading the way in augmented hospitality

A global leader in augmented hospitality, Accor offers unique and unmatched experiences in close to 4,800 hotels, resorts and residences in 100 countries. For more than 50 years, it has combined the full breadth of its hotel know-how in an incomparable collection spanning from luxury to economy brands.

Accor offers more than just a night away from home: it gives its guests new ways of living, working and playing, blending food and beverage, nightlife, wellness and coworking within its brands. To boost its commercial performance, Accor has developed a range of business

accelerators to drive the distribution and operations of its venues and enrich the experiences offered to guests, who also enjoy access to one of the world's most rewarding hotel loyalty programs.

Accor's commitment to sustainable development, for the planet and local communities alike, runs deep. Its Planet 21 – Acting Here program advocates positive hospitality, while the Accor Solidarity endowment fund focuses on enabling disadvantaged populations to access employment by offering them vocational training.





REVENUE
€3.6
BILLION



4,780
HOTELS
IN THE NETWORK
(703,806 ROOMS)



N°1
WORLDWIDE
EXCLUDING
THE UNITED STATES
AND CHINA



1,118
HOTELS
IN THE PIPELINE
(198,000 ROOMS)



5,000

exceptional private residences
across the world

10,000

restaurants and bars



285,000

committed men and women
giving life to the Accor brands

80,000

new hires in 2018

54%

of employees under 35



A CSR program

in place for 15 years,
worldwide, across all
brands and in all hotels



450,000

direct and indirect beneficiaries
of Accor Solidarity in its ten years
of community outreach



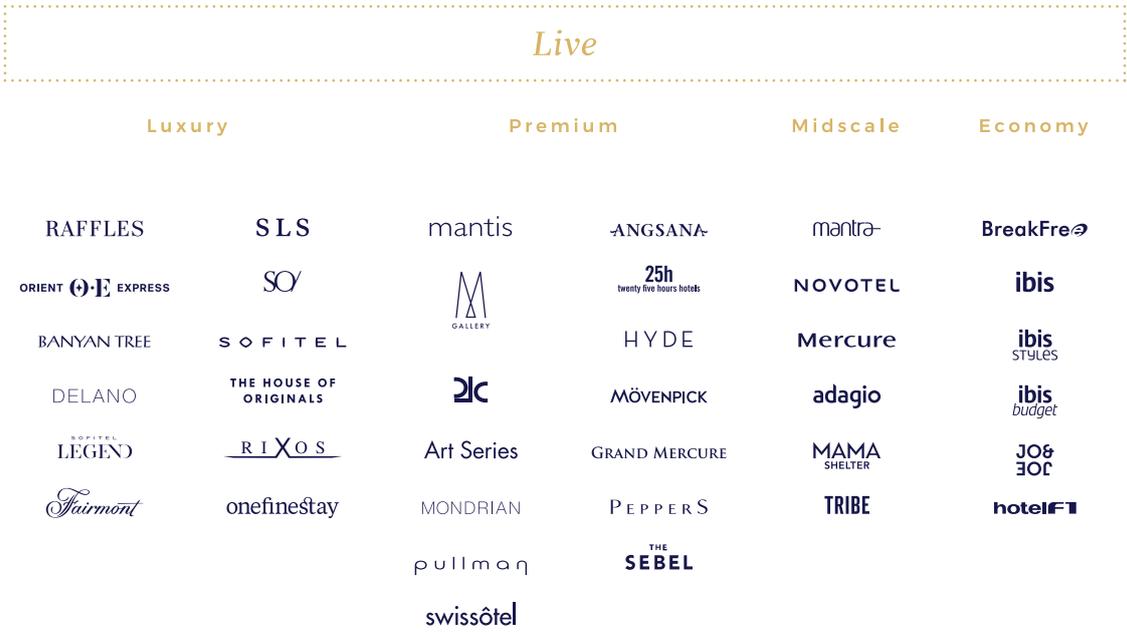
Plant for the Planet,

a global agroforestry program
promoting ecological farming

**30 countries,
and 7 million trees planted
in ten years**

An organization and brand portfolio designed to deliver augmented hospitality

We have reorganized our unique portfolio to reflect our Group's spirit and ambition, share our augmented hospitality strategy and lay the foundations for future acquisitions.



Our history

50 years of reinventing hospitality

From day one, Paul Dubrule and Gérard Péliçon consistently sought to reinvent the very notion of hospitality.

Going beyond the idea of just traveling, they offered people new ways to live and enjoy life.

Our Group has always been on the cutting edge, tirelessly expanding the very meaning of hospitality. Today is the first page in a new chapter of this adventure: by casting itself as the leader in augmented hospitality, Accor is once again revolutionizing the industry.



1967 The early days, with the Novotel Lille Lesquin

Paul Dubrule and Gérard Péliçon grasped what no one else had anticipated: the post-war years were ushering in a new, more modern and faster-paced lifestyle offering the chance for travel. At a time when hotels were either family businesses or luxury establishments, our founders invented the modern, standardized hotel chain.

While the standards of the day required nothing more than a single shared bathroom per corridor, the Novotel Lille Lesquin revolutionized the industry by providing one in each room. And as the French started crisscrossing the country for work or on paid leave, Novotel offered them an office, a grill, a swimming pool and breakfast – all for the price of a hotel room.

Tirelessly reinventing hospitality

1960s-70s

Accor invents economy and midscale hotels with the creation of France's leading brands in this market: Novotel, Ibis and Mercure.

1980s

Accor enters the luxury sector with the acquisition of the iconic Sofitel chain.

Accor enters the managed food segment with the acquisition of Jacques Borel International.

Accor becomes a trailblazer in well-being with the creation of the Thalassa Spa brand.

1990s

Accor makes a move into gourmet meals with the acquisition of renowned Parisian patisserie chain Lenôtre.

2000s

Accor creates a brand to meet the need for individuality with MGallery, a collection of distinctive properties steeped in history.

2010s

Accor meets the unique needs of businesses with the creation of Pullman, a premium brand for business travelers.

Accor confirms its global leadership in the world of luxury with the acquisition of Fairmont, Raffles and Swissôtel, and a partnership with Banyan Tree.

Accor steps up the pace of hyper-segmentation with such carefully selected brands as Jo & Joe, Mama Shelter and 25hours Hotels, as well as names synonymous with design including Hyde Hotels, Delano, SLS Hotels and Orient Express.

Accor embraces home sharing

with the acquisition of onefinestay, the leader in luxury home rentals.

Accor reinvents office life by launching the Wojo coworking brand.

Accor steps up the move into lifestyle & entertainment with the acquisition of SBE Entertainment and event specialists Paris Society and Potel & Chabot.

Making a positive impact

1970

Accor adopts its first Gender Equality at Work Charter, with the implementation of an action plan for women in the workplace.

1988

Accor is recognized for its "best environmental policy" based on its initial charter of 65 actions.

1994

Accor becomes the first CAC 40 company to create an Environment Department, recast as the Sustainable Development Department in 2000.

2006-2010

Accor creates Earth Check, the hospitality industry's premier sustainable development program.

2008

Accor creates the Accor Solidarity endowment fund, tasked with fighting exclusion and empowering, training and protecting the most vulnerable people.

2009

Accor launches Plant for the Planet, a global agroforestry initiative to promote greener agriculture.

2012

Gender equality becomes a Group-wide objective with the launch of the Women at Accor Generation gender equality network, renamed RiISE in 2018.

2015

Accor seals a partnership with Energy Observer, a revolutionary catamaran embodying its support for the ecological transition.

2016-2020

Accor launches Planet 21 – Acting Here, a corporate social responsibility (CSR) strategy summed up in six commitments serving as a benchmark in the sector.



Trends and challenges in the hospitality sector

The tourism sector is enjoying fast growth on all continents, especially in China

International tourism has grown continuously over the last 70 years, buoyed by a steady rise in the number of travelers and their spending, and a diversification of destinations around the world. In recent years, global tourism has been one of the most dynamic business sectors, posting growth of 6% and representing 10.4% of worldwide GDP in 2018.

Reflecting bright trends in global growth, international tourism boasts stellar medium- and long-term prospects:

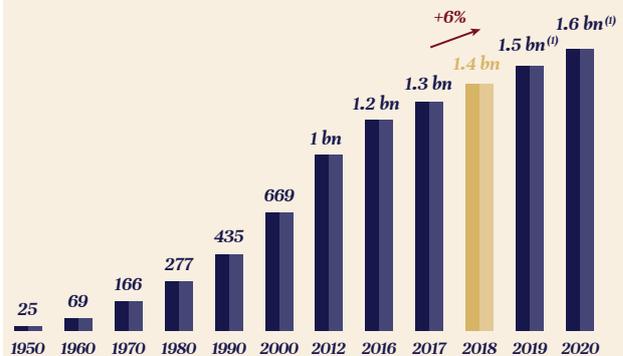
- ◆ 1.4 billion people traveled worldwide in 2018, up from 300 million in the 1980s, with Europe attracting 50% of international travelers;
- ◆ the number of nights booked in the hotel industry climbed to 8.5 billion in 2018, compared with 7 billion in 2010, and is set to approach 10.5 billion by the end of 2020⁽¹⁾;
- ◆ tourism and travel-related spending have been increasing by 5% per annum for eight years, with growth expected to accelerate to around 7% annually by 2022.

The growth in traveler numbers around the world is mainly driven by the middle classes of emerging countries (representing 3 billion people), and by the more mobile younger generations, who share this passion for travel. But while rising living standards are a key factor in the surge in international tourism, the trend has also been facilitated by open borders in a growing number of countries, a wider variety of means of transportation (train, car, low-cost airlines, etc.), and easier access (lower prices, internet, etc.).

With their numbers growing year after year, **Chinese tourists already generate twice the spending of their American counterparts in global markets.** Some 140 million Chinese people traveled abroad in 2018, representing a market of \$120 billion⁽²⁾. Europe is the third most popular tourist destination for Chinese travelers, just after Asia and the Pacific.

France is the preferred destination in Europe, attracting 24.6% of Chinese tourists⁽³⁾ visiting the continent (80% of whom on leisure stays).

◆ Change in spending related to international tourism



Source : UNWTO
⁽¹⁾ UNWTO forecasts

◆ Across all geographies

	2018 - 2022 CAGR
Western Europe	+5%
Eastern Europe	+8%
North Am	+5%
Latam	+5%
Middle East	+8%
Africa	+6%
China	+11%
India	+11%
Rest of ASPAC	+6%

Moreover, domestic tourism has flourished in some parts of the world, particularly in Asia (and above all China, India and Indonesia), where the number of international tourists is below that of domestic tourists, implying that potential for growth remains intact.

1 World Travel & Tourism Council (WTTC)
 2 China Tourism Academy
 3 According to an Alliance 46.2 study

The hospitality industry is undergoing profound changes and facing new forms of competition

CONSOLIDATION AMONG PLAYERS SEEKING ECONOMIES OF SCALE

In recent years, the hotel sector has entered a phase of consolidation initiated in large part by Chinese, American and European players. M&A strategies are designed to meet several core objectives:

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

Consolidation helps hotel groups entrench their leadership by deepening their footprints and taking them into the most dynamic destinations. It also allows them to diversify their offerings by endowing their portfolios with new concepts and brands in the various segments, covering all aspirations, and providing guests unparalleled and personalized experiences. M&A also opens up new strategic avenues, fostering synergies and the sharing of best business practices, like loyalty programs reserving exclusive offers for club members.



DIGITAL TECHNOLOGY INTENSIFIES COMPETITION IN THE SECTOR

With this in mind, all players in the hospitality industry devote a great deal of time to technological intelligence to keep up with the latest innovations available in the area. Their ability to effectively personalize the relationship with guests tomorrow, and to retain them over time, is hinged on their ability to **accelerate their digital transformation** today.

While people are the beating heart of the tourism industry, digital technology has paradoxically never been as ubiquitous as it is today, transforming the sector's competitive landscape and allowing operators to enrich their range of services.

In recent years, swathes of digital players have entered the hospitality market and gradually expanded their business models to take part of the value chain.

- ◆ **Intermediation by online travel agencies and metasearch engines.** Digital players and a number of stakeholders in the sharing economy have carved out positions along the value chain as intermediaries between hotel operators and their guests. Focusing their resources on the research and booking stages, they are paid by hotel operators in exchange for the customers they bring them. Their technologies allow them to quickly collect a great deal of personal information about customers, grasp their consumption habits and offer them a wide choice corresponding to their profile, with an optimal browsing experience. Metasearch engines have a big impact on the competitive landscape and margins, not only for incumbents, but also for digital platforms by promoting the deals of the players offering the most generous compensation. Since expanding into hotel booking, most of the metasearch engines have been acquired by online travel agencies, eager to expand their model as well.
- ◆ **The emergence of private home rental platforms.** Other digital players offering rentals of private homes have also emerged over the last decade, providing customers with alternatives to conventional hotels. Operated by online platforms, these accommodation solutions compete with those of hotels, responding to new consumer aspirations for authenticity and sometimes including personalized services.

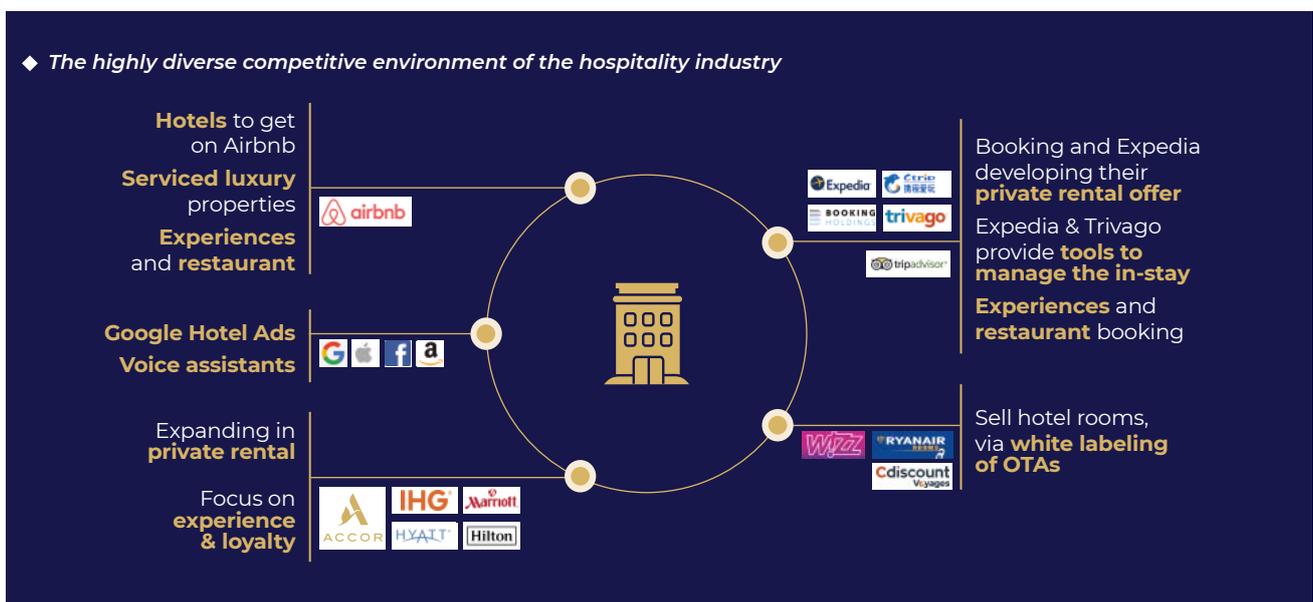


- ◆ **Convergence of challenges and business models in hospitality.** Given the wide variety of options now available, hotel operators and digital players have diversified their portfolios into private home rentals, while private home rental platforms have started listing hotels and developing luxury services. Diversification has in turn prompted a measure of convergence between models, and the emergence of powerful ecosystems that now integrate a wide choice of services designed to enrich the overall experience, and to keep guests coming back.
- ◆ **Shift into the tourism sector by tech giants.** Through their technological innovations, including the development of voice assistants, the GAFA⁽¹⁾ tech giants have penetrated the hospitality sector by promoting and distributing accommodation. As they entered the value chain, they came into direct competition with online travel agencies. This helped push down intermediation costs and allowed hotel operators to regain independence.

- ◆ **Dovetailing of distribution models and emergence of new distributors.** The line between bricks-and-mortar retail and e-commerce platforms is becoming increasingly blurred, both being links in longer chains. Companies are also seeking to diversify their distribution to address a broader range of both individual and business customers. Building on the catalogues given to them by online travel agencies, some distribution platforms have also decided to expand their offering into the hotel industry by proposing white label accommodation.

INCUMBENTS HAVE NOT SAID THEIR LAST WORD, WITH ONGOING COMPETITION IN THE FIELD OF THE GUEST EXPERIENCE

For incumbent hotel groups, competition is all about deciphering and anticipating guests' new aspirations. But key differentiators also include the strength of their brands and their ability to innovate and retain customers. For many years, travelers' chief aspirations have been choice, experience, comfort and personalization. They want to be pleasantly surprised by the service in their hotel, by its staff and by its setting. This puts the onus on hotel operators to work on the design, architecture, furniture, and food and beverage options of their venues. The experience offered to guests has become vital to standing out from the pack.



1 Google, Amazon, Facebook and Apple

Global environmental and social challenges impacting the hospitality sector

Operating at the crossroads of many sectors ranging from hotels and restaurants to real estate, tourism and digital services, the hospitality industry is unique in that it faces a host of far-reaching environmental, social and societal challenges. Sustainability challenges can be divided along the following main lines:

Caring for people



Accor is a people-centric group in a highly labor-intensive business (tourism accounts for one job in ten worldwide). It has a responsibility to take care of the people whose work is the foundation of its business and to contribute to their development. This applies not only to its employees, but also to all the people working right across the value chain.

KEY CHALLENGES

Decent work, inclusion, diversity, well-being, development of individuals.

Empowering communities



Accor's business has deep roots in its host regions. It can deepen them further by involving local communities in its development, as well as by protecting them from the excesses of large-scale tourism and by creating new points of contact locally.

KEY CHALLENGES

Fight against exclusion, support for communities, fight against sexual exploitation, solidarity, protection of cultures and heritage.

Business integrity



As a major economic player, Accor operates in more than 100 countries, interacting with many established economic and public partners. It has been expanding its activities in the digital world for several years. A sector leader, it must consistently apply the highest ethical standards in its operations.

KEY CHALLENGES

Fight against corruption and conflicts of interest, protection of personal data.

Promoting sustainable food



Accor derives one-third of its business volume from food and beverage. In its own way, it is one of the world's largest restaurant chains. This gives it a responsibility in fostering a more sustainable food system.

KEY CHALLENGES

Fight against food waste, healthy and high-quality food, environmentally friendly farming practices, protection of biodiversity.

Reducing the environmental footprint



The hotel industry has many global and local environmental impacts. Accor is aware of its responsibility to implement solutions and technologies that limit or even neutralize these effects.

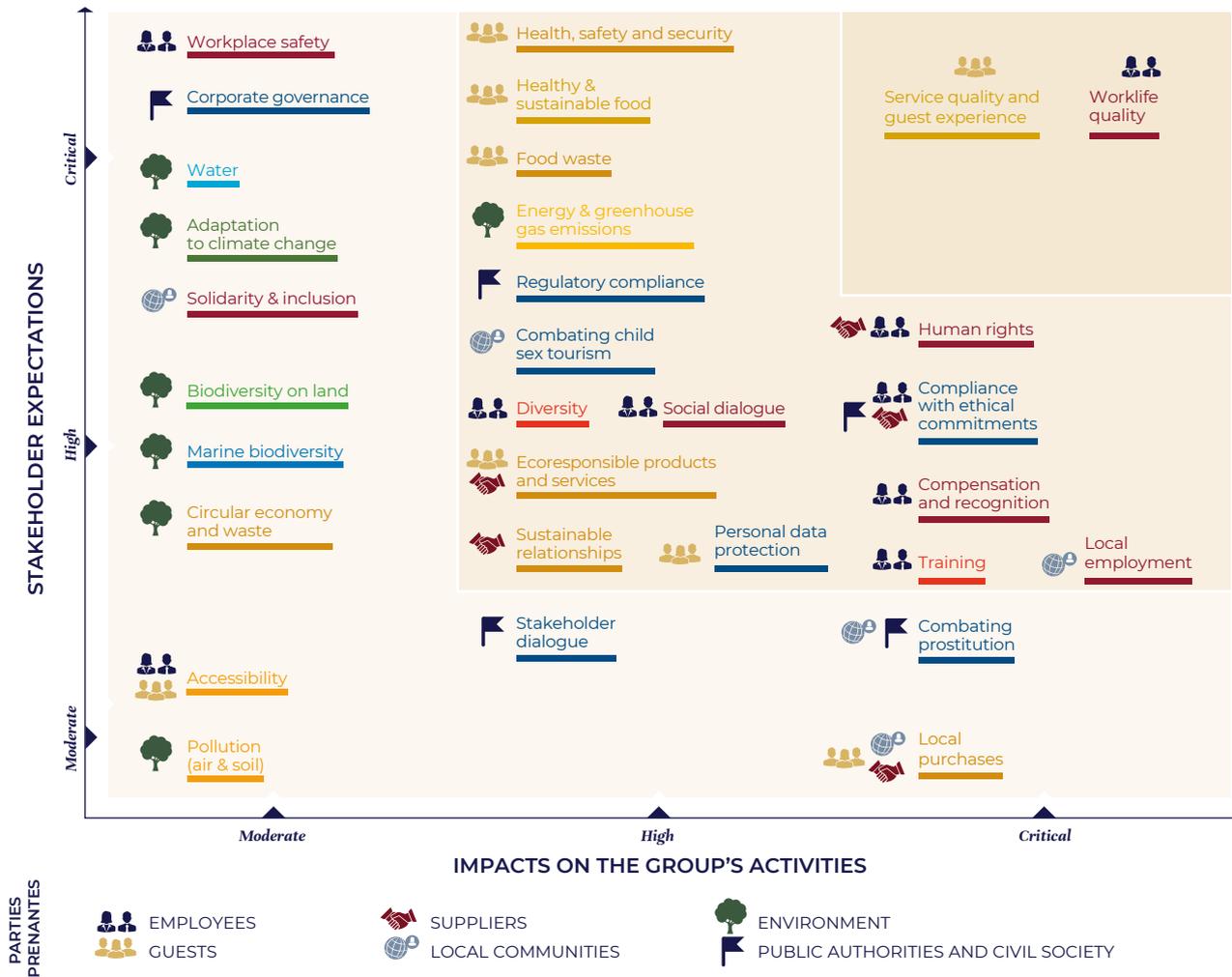
KEY CHALLENGES

Carbon, water, waste, pollution (air, water and sea).

Trends and challenges in the hospitality sector

With these numerous challenges in mind, Accor has carried out a materiality analysis to determine its priorities. The Group called on three major studies to quantify some of its challenges: environmental footprint, socioeconomic footprint and a study of how guests perceive sustainable development. These issues were compared with the concerns of stakeholders and plotted in a graph along two axes: "Stakeholder expectations" and "Impacts on the Group's activities". The analysis was examined from the perspective of the United Nations Sustainable Development Goals (SDGs), to which Accor contributes through its activities and its CSR strategy, Planet 21 – Acting Here.

◆ Accor's CSR materiality matrix



The materiality matrix, focused on the hotel operator business, only partially incorporates the new businesses recently acquired or developed by Accor.

United Nations sustainable development goals to which Accor actively contributes

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

United Nations Sustainable Development Goals to which Accor indirectly contributes

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

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

Strategy and objectives

The sector trends described above have prompted Accor to transform and recast itself in line with changes dating back several years.

- ◇ For example, in 2018: Accor finalized its transformation (the Booster project) to make itself an asset-light group and implement a simplified value-creation model offering numerous advantages;
- ◇ Accor defined its resolutely expansionist strategy.

A successful transformation for a simplified value-creation model

THE SALE OF ACCORINVEST MAKES ACCOR AN ASSET-LIGHT GROUP BUILT AROUND THREE SEGMENTS WITH DISTINCT TRENDS

Mirroring its competitors in the 1990s, Accor changed its business model by carving its real estate activities out of the rest of its business to create HotelInvest in 2015. The carve-out was completed in 2017 with the incorporation of AccorInvest, which housed nearly all of the Group's owned and leased hotels, ahead of the sale of 64.8% of AccorInvest's capital to international investors in 2018.

AccorInvest's disposal refocused Accor on hotels operated under management and franchise agreements, representing 93% of its network (as opposed to 59% in 2013). The Group's EBITDA, which reflects the wealth generated by its operating cycle, is now derived in the proportion of 87% from hotels operated under these two management styles, up from 46% in 2013.

This transaction transformed Accor's profile by rebalancing the weight of the various regions and segments in its revenue and earnings, in favor of emerging countries and the luxury and premium segments.

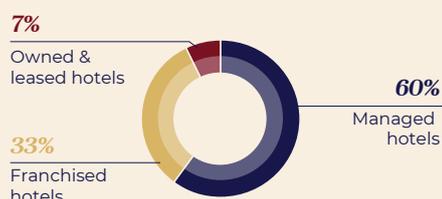
The change of model has made Accor's cost structure leaner, and improved the

Group's profitability profile. More agile and defensive, the Group now assesses its financial policy on the basis of margin and cash generation indicators.

Accor's asset-light model focuses the Group on hotel operations and a range of diversified products and services. It is based on three strategic segments with distinct trends:



◆ The Group's new asset-light profile (as a % based on number of rooms)



The takeover offer for Orbis reinforces Accor's asset-light model

To complete its transformation to a fully asset-light model and strengthen its leadership in Central Europe, the Group launched a takeover offer on Polish hotel company Orbis in November 2018. Orbis owns and operates hotels in Central Europe, and Accor previously held a 52.7% stake. Since the completion of the transaction, Accor has owned 85.8% of Orbis' capital. It will now embark on a review of ways to optimizing the use of the company's real estate in order to refocus on managing and franchising its hotels.



WE ARE HEARTISTS®

HEART
Everything we do comes from the heart

+ ARTIST
We are experts in what we do

= HEARTIST®

Gender diversity

54%

Employees are **under 35**



Development

1,000

In-house instructors **certified by the accor academy**

4,3m

training hours

A MODEL CONSISTENTLY BASED ON THE COMPANY'S COMMITMENT TO ITS TALENTS AND COMMUNITIES

The commitment of its employees has allowed Accor to grow strongly over the last 50 years and to become a global leader in the hotel industry. Accor's 285,000 employees are central to its transformation, as they are at the core of its daily operations in all their diversity. Hospitality is synonymous with a human touch, and that is why the Group's people are its most valuable asset.

The Accor culture calls on every employee to be a "heartist", that is, to do everything from the heart and to excel in their every endeavor. It leaves them scope to serve guests with generosity, inventiveness, freedom and efficiency.

Accor values people in all their diversity, and actively promotes a culture of inclusion. At Accor, individuality is celebrated, creativity encouraged and agility rewarded. Sensitive to the issues of equality and diversity, Accor

is committed to actively promoting women and young people in leadership positions, both in head offices and in hotels. Women accounted for 30% of hotel managers in 2018.

As everyone is unique, Accor develops the potential of each talent by fostering lifelong learning through experience, training and mentoring. In 2018, 91% of employees received training, and the Académie Accor program trained 1,000 certified internal trainers.

Employee engagement at all levels (high employee engagement rate of 77%, stable since the previous survey of 178,000 employees), in both hotels and head offices, makes Accor what it is: a Group rich thanks to the dedication, skills and diversity of its talents, with all it takes to be a committed player in its growth and value creation.

Throughout the world, Accor operates in line with its ethical values, often demanding more than prevailing local laws. In the direct sphere of its activities, as with its guests, suppliers

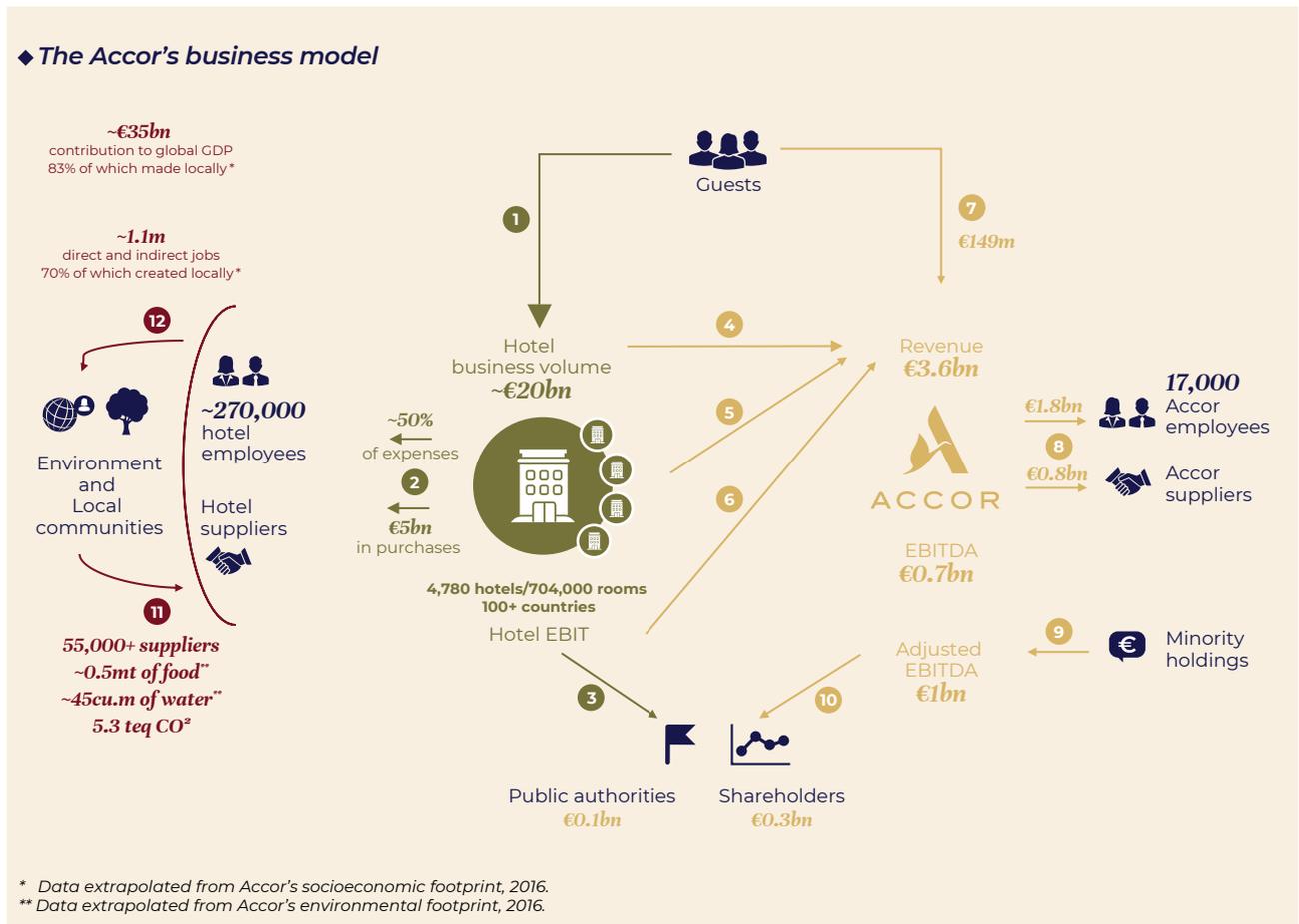
and partners, Accor is committed to defending human rights, fighting corruption and protecting the privacy of guests. The Ethics & CSR Charter is the cornerstone of this commitment. It structures the Group's responsibilities and informs its environmental, social and societal policies.

Accor strives to systematically integrate environmental and social concerns into its packages, concepts and processes in order to create new, committed and value-driven experiences. It seeks to reduce its ecological footprint, offer healthy, local food, and promote collaboration and interaction between employees, guests and communities.

Accor endeavors to ensure that the benefits of its activity are shared with its host communities. By fighting exclusion, protecting endangered ecosystems and supporting local initiatives, the Group gains credibility as a member of local communities, while at the same time improving the experiences of its guests.

The Accor's business model

Accor has adopted an asset-light business model that closely binds its value-creation mechanisms and the hotels operating under its brands: Accor works with hotels it does not own, maximizing their revenue through the brands and services (marketing, loyalty programs, distribution systems, etc.) it develops for them.





The business model of hotels operated under the Accor brand is “classical” in its simplicity: the guests they welcome into their rooms and restaurants allow them to generate business volume (flow 1) and cover expenses related to their activities (flow 2: wages and payroll charges, operating expenses, the biggest of which are food, energy and sanitation, maintenance and upkeep services, equipment and furniture, etc.). They ultimately generate a profit that they partly redistribute to their owners and to local public services (flow 3).

Accor derives its “hotel” revenue from three types of fees and services:

- ◇ a trademark fee (flow 4), based on a percentage of the hotel’s revenue (franchise and management contracts);
- ◇ mandatory and additional service fees (flow 5). Mandatory fees include marketing and sales fees, distribution and loyalty fees and IT fees (franchise and management contracts);

- ◇ for managed hotels only, there is an incentive bonus (flow 6) based on the EBITDAR generated by the hotel. This rewards Accor’s sound management of the hotel on behalf of the owner.

Accor only owns a very small part of its hotel portfolio (mainly the Orbis scope in Central Europe). It fully consolidates these hotels’ income statements. However, it plans eventually to extend the asset-light model to this scope as well.

Accor is also developing other activities through majority-owned subsidiaries (such as John Paul, onefinestay, VeryChic, ResDiary and Adoria), which allow it to generate direct revenue (flow 7).

To carry out its activities, Accor assumes operating expenses (flow 8: **personnel and other expenses – IT infrastructure, distribution and marketing costs, CRM, etc.**) and generates EBITDA that is then adjusted (flow 9) taking into account the profits generated by its minority holdings, both strategic (AccorInvest and

Huazhu) and tactical (Potel & Chabot, Wojo, SBE Entertainment, Mantis, Rixos, Paris Society, Adagio, etc.).

Lastly, Accor pays taxes and duties to local and public authorities, and dividends to its shareholders (flow 10).

This business model is based fundamentally on the resources provided by local communities and the natural environments hosting its hotels. They provide labor to operate the hotel, an economic ecosystem to support its value chain, raw materials (including food), and water and energy, which are key to providing a quality hotel service to guests. Lastly, local landscapes, cultures and heritage are an endless source of authentic tourist experiences for visitors (flow 11).

In return, the hotels support their host communities by developing training and integration for local populations, by using the companies forming the surrounding economic ecosystem for their supplies and the services they need to operate, by ensuring the promotion of the destination – which in turn generates economic benefits and local job creation – and by promoting environmental and outreach-based projects designed to achieve positive outcomes locally (flow 12).

A more clearly defined dividend policy, based on cash flow generation

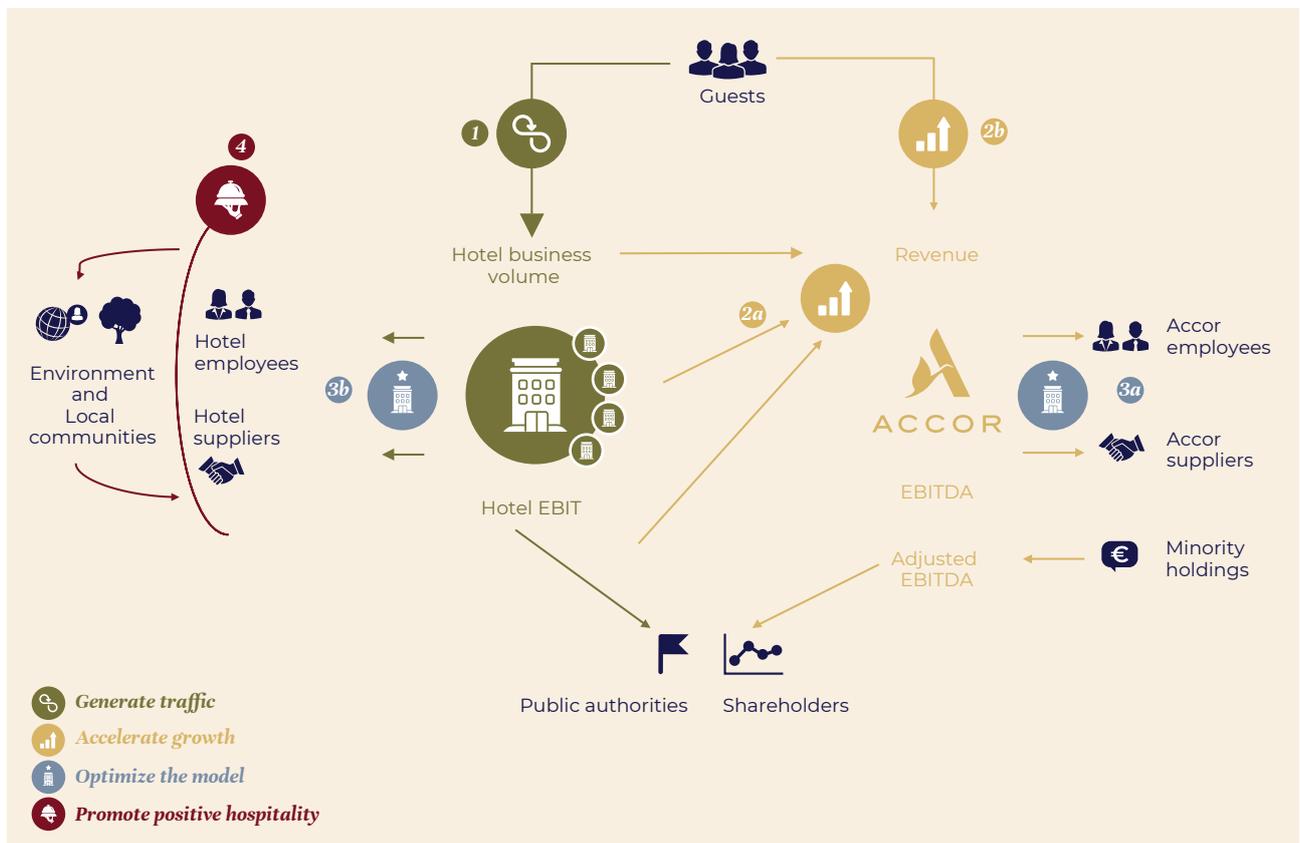
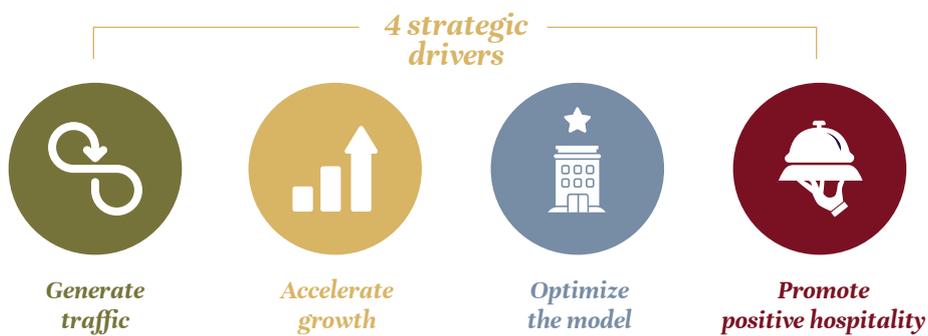
The Group’s shareholder return policy has also been clarified. In line with its goal of buying back 10% of its capital by July 2020, Accor purchased €350 million worth of its own shares in 2018. The purchase of a second tranche of €500 million is currently in progress. A new dividend policy will also apply from 2019. It will be directly linked to the Group’s value creation and profitability. The dividend will therefore no longer be established on the basis of recurring profit after tax, but on recurring free cash flow, to which a payout ratio of 50% will be applied. Going forward, while ensuring the soundness of its credit profile and its investment grade rating, which it aims to maintain¹⁾, the Group will allocate surplus cash flow to pursuing further external growth, strengthening its balance sheet or making additional returns to shareholders.

1 Adjusted net debt/EBITDA < 2.5x-3.0x and adjusted FFO/net debt > 25%-30%

The new Accor: resolutely expansionist, innovative and value-creating

THE STRATEGIC DEVELOPMENT DRIVERS OF THE ACCOR MODEL

Accor's new business model has given it a large number of value-creation drivers that significantly increase its agility and potential. Building on its chief assets – its brands, its distribution system and its loyalty program, not forgetting its expertise in hotel development and management – the Group aims to increase its financial and non-financial performance sustainably. To do so, it focuses on four strategic drivers:





Generate traffic

The emergence of new digital players has accustomed guests to new services and new offers, sparking profound changes in their expectations. Once merely functional and practical, needs now extend into the areas of emotion and experience. Delivering the best value for money is essential, but it is not enough: guests today are looking to satisfy other more deeply seated needs ¹:



Choice and offers

ACCOR'S RESPONSE

"Augmented hospitality", or how to extend offers for guests to cover both a wider variety of accommodation (new brands and new concepts such as lifestyle, youth hostels and private homes); a new ecosystem of solutions spanning the entire tourism value chain (food and beverage, entertainment and leisure, transportation, ticketing, specialized distribution sites, etc.), built up through acquisitions and partnerships.



Personalization

ACCOR'S RESPONSE

Technological, harnessing the power of big data and artificial intelligence to better grasp and anticipate guests' needs (the ACDC project, for instance), but at the same time profoundly human, transforming our management methods to encourage individual initiative aimed at giving guests a tailor-made experience throughout their stay (Heartist program®).



Fluidity

ACCOR'S RESPONSE

Continuous improvement of our distribution site, especially for mobile applications (currently being recast as *all.accor.com*); capacity to switch seamlessly between digital and physical experiences, with reception counters at ibis replaced by check-in on mobile IT tools, for example.



Meaning and unique experiences

ACCOR'S RESPONSE

Iconic partnerships (IMG, AEG, PSG, Accor Arena) for experiences that money can't buy; an ecosystem to facilitate access to local activities, especially those that convey genuine authenticity or even a sense of satisfaction (through a community-oriented or environmental dimension); a redesigned loyalty program to increase the sense of belonging and more fully reward brand loyalty.

The loyalty program is in itself a strategic challenge for Accor, enabling it to increase recurring sales and secure a larger share of its revenue. The aim is both to grow the number of cardholders among guests and to boost the conversion rate, that is, the revenue generated by each cardholder.

Lastly, in an asset-light model where **brands are a company's chief strength**, it is vital to invest in this intangible asset to unlock its full potential. This increases brand equity, grows hotel RevPAR by heightening brand appeal, and facilitates the development of the network by offering compelling brands to owners.

ACCOR'S RESPONSE

Intensive recruitment of new members, merger with the programs of new groups in the Accor portfolio (FRHI, Mövenpick, etc.) and partnerships with other loyalty programs (e.g., Eurostar); launch of ALL, a radical overhaul of the Accor loyalty program to give more back to our loyal guests and make the system more attractive (more rewards across the full ecosystem of offers, partnerships to add further value, etc.).

ACCOR'S RESPONSE

An extended brand portfolio; in-depth work on the brands' positioning and value propositions, especially in their sustainability dimension to match the growing aspiration of consumers for purpose-driven brands contributing to society; significant marketing investments to increase brand awareness and impact.

Strategy and objectives

Accelerate growth

The development of the hotel network (see 2a in the diagram above) has a decisive influence on Accor's revenue growth. There are two sources of leverage:

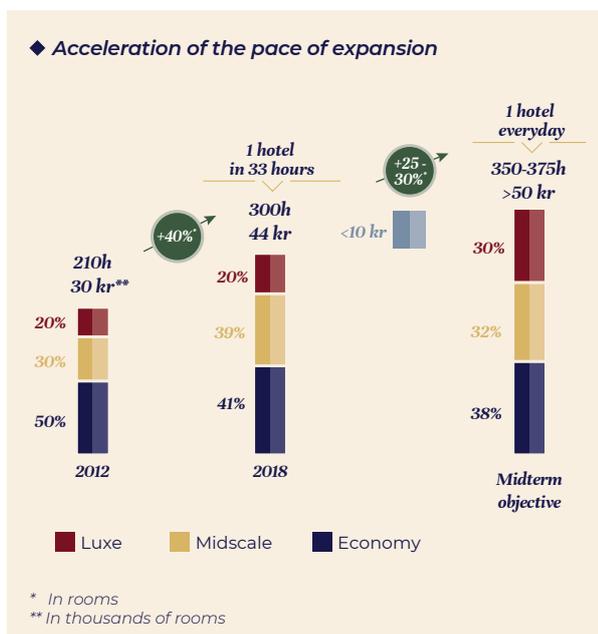
- ◆ **network growth**, either organically or through acquisitions;
- ◆ **increase in the fee/room ratio**, by favoring more profitable segments (luxury, lifestyle, etc.) as well as by amplifying the profitability of the hotel's floor space through concepts and solutions that generate more cash (such as restaurants) or new services that improve the performance of low-yield areas.



ACCOR'S RESPONSE

Doubling of organic growth in five years, especially in the luxury segment; densification and visibility strategy in key destinations, particularly in China ; acquisition of luxury and lifestyle hotel brands and networks that strengthen regional leaderships (FRHI, Mövenpick, Mantra, SBE Entertainment Group, BHG, etc.); expansion in food and beverage to develop restaurant concepts that are more attractive to guests and better suited to the local environment, with menus more in tune with customers' expectations – quality, healthy products, a smaller choice but showcasing local and sustainable products; acquisition of digital players that offer solutions allowing hotels to increase their sales or reduce their costs (e.g., ResDiary, VeryChic, Gekko, D-EDGE, etc.); launch of solutions to optimize the performance of low-yield areas (One Park for parking, coworking solutions with Wojo, intrapreneurship projects or support for start-ups, etc.).

With this strategy, Accor aims to consolidate its leading positions in the regions and segments in which it operates, accelerate its expansion in China, where it is growing rapidly thanks to Huazhu⁽¹⁾, and penetrate the American market in a targeted way through appropriate acquisitions in terms of brands and segments. The intensification of development, particularly in the economy and midscale segments, is being made through careful work on the pipeline to increase the number of hotels in the network, as well as their quality, which leads to higher fees per room. In this respect, Accor boasts the best conversion rate in the sector (107% between 2014 and 2017), reflecting its stellar ability to complete its opening projects, primarily in the most profitable segments, but also in the midscale and economy segments so as to maintain a balanced brand portfolio.



Another growth driver for Accor is to **increase the number of points of contact** (see 2b) to expand the ecosystem of services around hospitality. The idea is both to increase the frequency of interaction with guests and to generate growth drivers unrelated to hotel fees.

ACCOR'S RESPONSE

Other than the acquisitions mentioned above in "new businesses", those of Potel & Chabot, Paris Society and SBE Entertainment to develop new lines of services; the AccorLocal project to turn local residents – and not just travelers – into guests; the open innovation strategy to detect, test through pilot projects or even invest in the most promising start-ups; an enhanced partnership policy to generate commissions on sales made online on the ALL website.

¹ World Travel & Tourism Council (WTTC)

 **Optimize the model**

For Accor (see 3a), the aim is to **adapt the cost structure** and organization to the asset-light model, and to **identify the key resources** needed to meet the challenges of tomorrow.

ACCOR'S RESPONSE

Transformation plan, aimed at streamlining the Group's organization, particularly in Europe, and adjusting resources to identified needs.

For hotels and their owners (see 3b), the challenge is to make the hotel management model Accor brings them more efficient and more profitable by offering solutions to reduce operating expenses, by improving service quality and by increasing employee engagement and the attractiveness of the employer brand to reduce employee turnover.

ACCOR'S RESPONSE

The Heartist project® to usher in new talent management and training tools and processes and thereby elevate the role of employees; team motivation via outreach projects and the development of new inclusion-based recruitment channels; a new purchasing platform and a revised preferred supplier policy – including the goal of increasing sales volumes through partnerships – to reduce procurement costs; programs to reduce food waste, energy consumption, water and laundry; improvements to design and technique tools and processes, as well as to brand standard practices, to make them more flexible and less expensive to implement.

 **Promote positive hospitality**

Accor can make a positive contribution to society in two big ways 4: by developing and connecting people, and by creating environmentally friendly hospitality experiences. But its overriding belief is that its activities must be developed with the greatest integrity.

ACCOR'S RESPONSE

its Ethics & CSR Charter, applicable in all hotels and all Group activities; Planet 21, Accor's sustainable development program; the diversity and inclusion program; Accor Solidarity, the endowment fund to fight exclusion; compliance policy and tools (for details, see section 2 "Corporate responsibility").



Accor partners

To benefit from the best expertise and work effectively in each of these areas, Accor regularly acquires and builds partnerships with companies whose core businesses are precisely those in which it intends to expand its model. The chosen partners are either:



Strategy and objectives

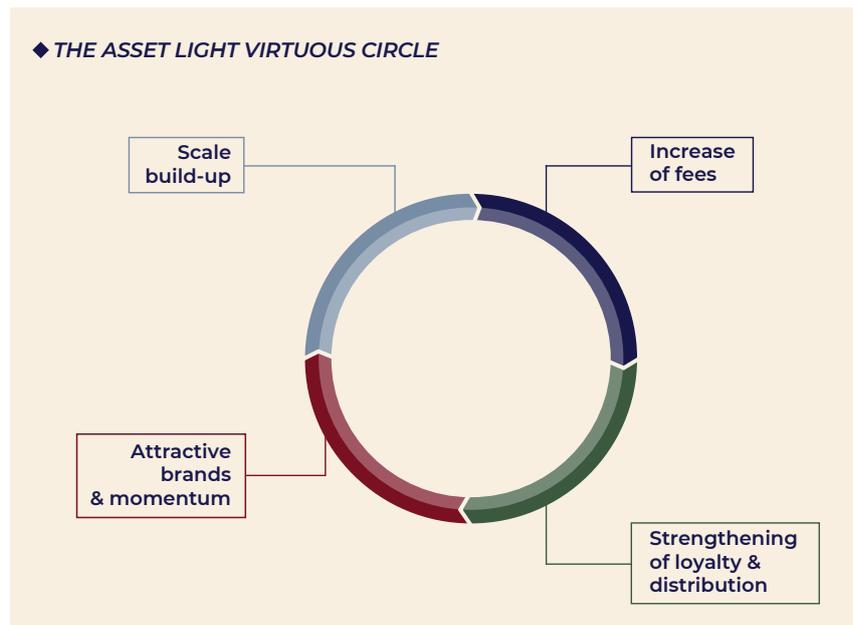
LANDMARKS ILLUSTRATING THE ACCOR STRATEGY IN 2018

						
	Generate traffic	DEVELOP	MULTIPLY	ACCOR	HOTELS	Promote positive hospitality
ACQUISITIONS						
Mantra: Accor became three times larger than its closest competitor in the Pacific (see 1.4.1.)		X				
Mövenpick: Accor strengthened its leadership in Europe and the Middle East, soon to be followed by Africa and Asia-Pacific (see 1.4.1.)		X				
Atton Hoteles: Accor strengthened its network in Chile, Peru, Colombia and Florida in the midscale and premium segments dedicated to business travelers (see 1.4.1.)		X				
Gekko: Accor increased its distribution capacity and captured hard-to-reach premium business and leisure customers (see 1.4.4.)	X		X		X	
Adoria: Accor acquired attractive services for its hotel partners in search of optimization solutions for their food and beverage portfolios (see 1.4.4.)			X		X	
ResDiary: Accor strengthened its management and distribution of restaurant tables, and empowered restaurateurs to optimize their revenue and control their operating costs (see 1.4.4.)	X		X		X	
21c Museum Hotels: Accor strengthened its positions in North America on a unique and highly promising niche market combining contemporary art museums and boutique hotel-come-restaurants (see 1.4.3.)	X	X	X			
PARTNERSHIPS						
Mantis to extend the Group's footprint in Africa and commit to preserving African biodiversity and wildlife (see 1.4.2.)		X				X
SBE Entertainment Group to consolidate its leadership in the luxury and lifestyle segments in North America (see 1.4.3.)	X	X	X			
Katara Hospitality to create an investment fund dedicated to hospitality in Sub-Saharan Africa (see 1.4.2.)		X				
Dalmata Hospitality to secure the Group's leadership in the economy segment in France (see 1.4.2.)		X				
Tinyclues to improve the guest experience by optimizing marketing campaign targeting (see 1.6.2.)	X				X	
Travelsify to launch MoodMatch, the first search engine for holiday experiences with no preselected destination (see 1.6.2.)	X					
Ctrip to capitalize on the strong international growth in the number of Chinese travelers in search of personalized experiences and a wide choice of establishments (see 1.6.2.)	X					
Google to make the Group's offers available in Google Assistant, and enrich its palette of digital services by developing applications that allow its network to be accessible from Google Assistant via Phil, its bot (see 1.6.2.)	X	X				
INTERNAL PROJECTS						
<i>Booster – Disposal of AccorInvest</i>				X	X	
Accor Live Limitless (ALL) , a new global digital loyalty platform aimed at enhancing life for its members through a wide variety of hospitality solutions accessible from a single portal, combining the best advantages with their favorite brands (see 1.6.2.)	X		X			X
Accor Customer Digital Card (since 2017), a database allowing all hotels in the Accor network to share their knowledge of customers built up with each of their stays, and to offer them tailor-made experiences (see 1.6.2.)	X					
Enrichment of the Le Club Accor loyalty program through partnerships with the Fairmont, Raffles and Swissôtel, Eurostar and Luggage Free loyalty programs, and the development of CSR and Solidarity experiences (see 1.6.2.)	X		X			
Heartist® , driving a corporate culture shared by all Group employees, in which each of them is recognized as a "Heartist®" mastering the art of welcoming and serving others with heart, curiosity and inventiveness (see 2.2.2.)	X				X	X
Techstars challenge , the Accor's first intrapreneurship program (launched in 2017) (see 2.4.1.)			X	X		X
Compliance program (organization, policies and processes, awareness, whistleblowing line) to prevent any behavior within the Group or its partners that could trigger its liability, damage its reputation or endanger its activities (see 2.1.4.)						X



A model serving Accor's aim of doubling EBITDA by 2022

The change in the Group's model has fundamentally transformed the nature of its revenue, which previously consisted of the earnings of owned and leased hotels, as well as fees¹⁾ collected from franchised and managed hotels. Now that owned and leased hotels are no longer consolidated in Accor's financial statements, the Group's EBITDA²⁾ is derived solely from fees collected from hotels, which are significantly smaller in value than the earnings of the hotels in question. On a like-for-like basis, Accor's EBITDA fell from €1.15 billion to €626 million in 2017.



¹ Share of revenue derived from managed and franchised hotels

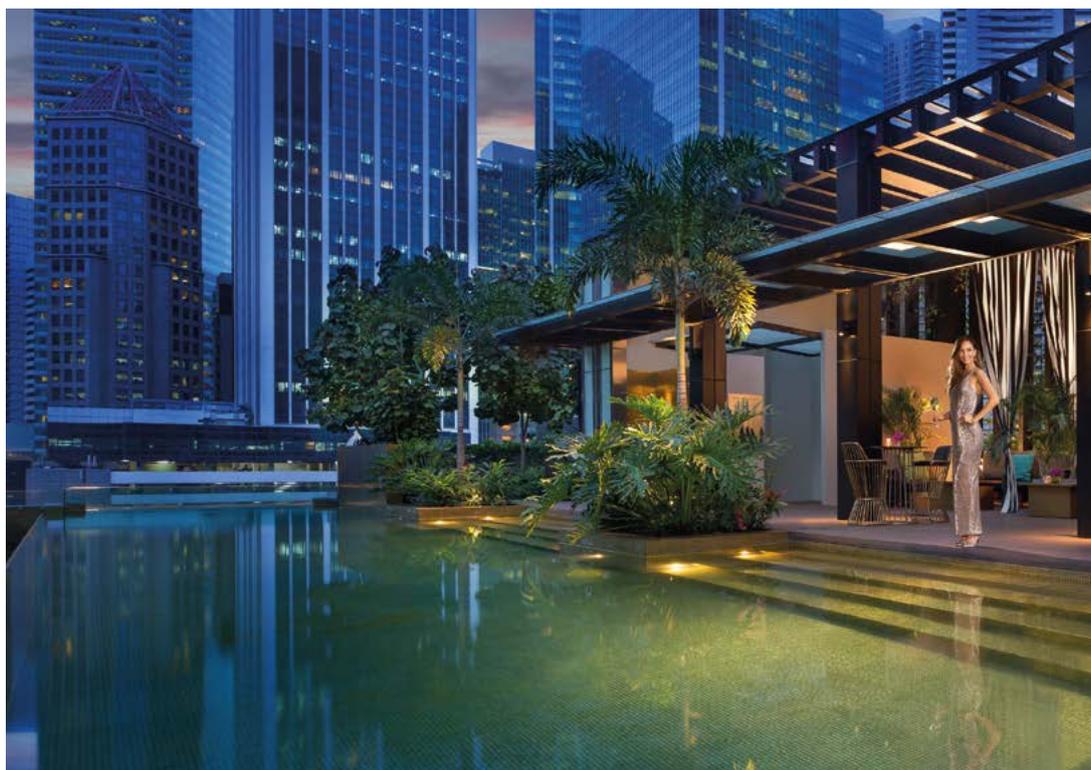
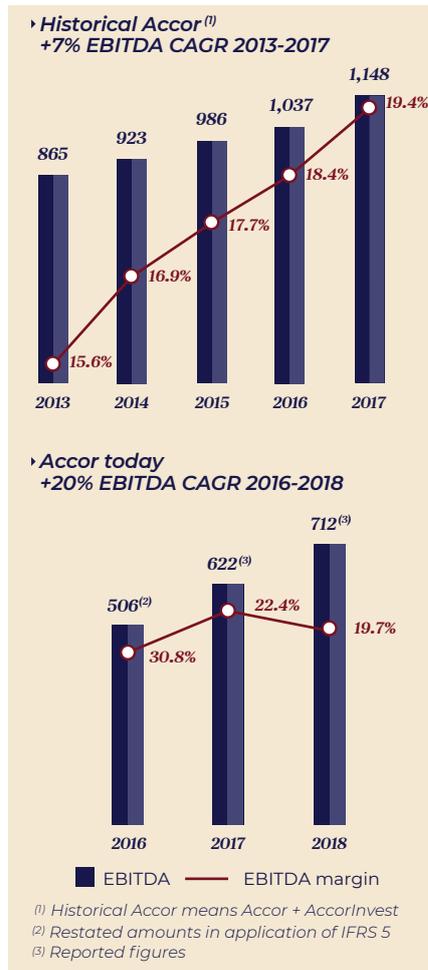
² Wealth creation generated by the management of hotels

IMPACTS OF THE CHANGE IN MODEL ON THE GROUP'S EBITDA AND MARGIN

Although the Group's EBITDA contracted mechanically with the change in its model, it increased by 14% year on year in 2018, considerably outpacing the 7% average growth observed every year from 2013 to 2017. Going forward, the growth of Accor's earnings will be more sensitive to its development, as any new hotel, even unprofitable, will bring in new fees.

Furthermore, as HotelServices' management and franchise business no longer includes hotel overheads, its EBITDA margin now represents 68.3% of the fees collected. Demonstrating the resilience of its new operating profile, Accor expects these positive trends to continue in the coming years. At the Group level, however, the increase in EBITDA margin to 19.7% has been lower than expected. This reflects the lower profitability of the Hotel Assets division and the New Businesses.

In view of the change in its model and the growing number of partners in which the Group takes minority stakes (Mama Shelter, Wojo, SBE, Mantis, Rixos, Atton, Adagio, Risma, 25hours, Paris Society and Potel & Chabot), Accor now calculates adjusted EBITDA including the share of EBITDA of these companies in order to assess the value creation of its broader ecosystem, which contributes directly to its wealth creation. In total, the share of the EBITDA of these strategic (71%) and tactical (29%) investments increased Accor's overall EBITDA by 40% to €999 million in 2018.



THE AIM OF DOUBLING EBITDA

Following the change in its model, Accor aims to double EBITDA by 2022 by basing the growth of its earnings on HotelServices, which operates 93% of its portfolio under management and franchise agreements, and on the services that are today an integral part of its ecosystem.

The Group's performance is now assessed through the free cash flow it generates, which is expected to increase by at least 10% each year. In practical terms, between 60% and 70% of the two-fold EBITDA increase will stem from the growth of hotel earnings, split between organic development in the proportion

of 30% to 40%, and new markets related to the acquisitions of Mantra, Atton and Mövenpick for 30%. Accor's operating synergies and efficiency measures will account for 20% of growth in EBITDA, while new businesses and hotel assets will contribute 10% and 5%, respectively. Accor expects its new asset-light model to result at the same time in a significant reduction in capital expenditure devoted to property renovations. The Group now intends to allocate between €200 million and €250 million per year to its development. These amounts will be split 75% for HotelServices, 15% for hotel assets, 5% for new

businesses and 5% for the holding company. Seeking to increase its brand awareness and attractiveness, the Group has also committed €225 million to the rollout of ALL - Accor Live Limitless, its lifestyle loyalty program, advertising campaigns for its brands and partnership formation. Together, these three aspects are expected to add €60 million to EBITDA by 2022 (on top of the €1.2 billion target), and €75 million per year after that.

GROWTH ASSUMPTIONS BY DIVISION

	 HotelServices	 Hotel Assets	 New Businesses
	<p>HotelServices is anticipating revenue growth of between 2% and 4% stemming from the increase in RevPAR, while growth attributable to the development of the network in fast-growing areas and highly profitable segments is expected to exceed 5%. Combined with the optimization of its overheads, annual growth in HotelServices' EBITDA is projected at between 10% and 12%.</p>	<p>The Hotel Assets division is expecting growth of between 2% and 4%, in line with RevPAR. Combined with hotel disposals resulting from the optimization of its real estate portfolios, mainly that of Orbis, EBITDA is expected to increase by between 5% and 7%.</p>	<p>The New Businesses division is expecting revenue growth of more than 10%. It is projected to break even in the fourth quarter of 2019.</p>
Sales Growth	RevPar +2-4% + System Growth >5%	RevPar +2-4% + Asset Rotation	Topline double digit growth
EBITDA	CAGR +10-12%	CAGR +5-7%	Breakeven Q4 2019
Recurring Free Cash Flow	CAGR >10%		

Performance and leadership



World

285,000

employees worldwide

€965

Million

in hotel fees

427,260

rooms in managed hotels

230,323

rooms in franchised hotels

46,223

rooms in owned and leased hotels



50 million

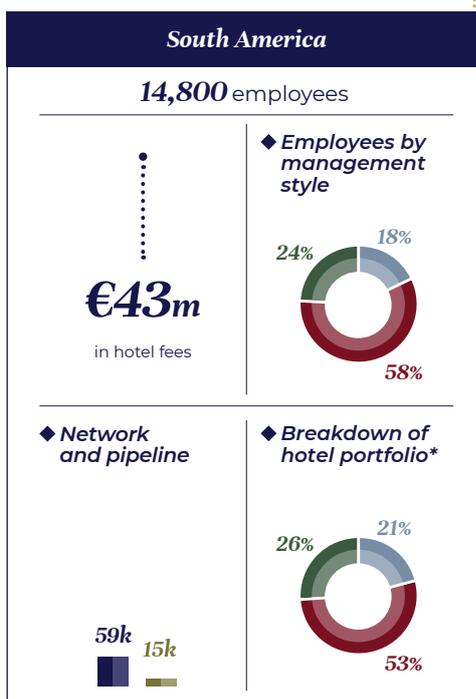
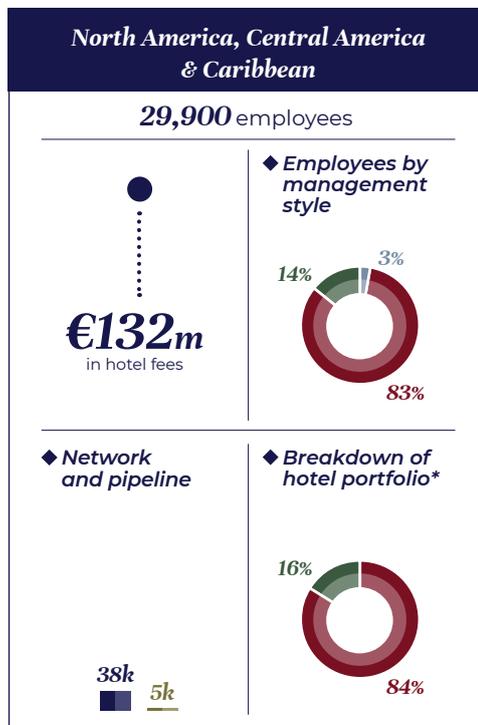
cardholder members
(excluding Huazhu)

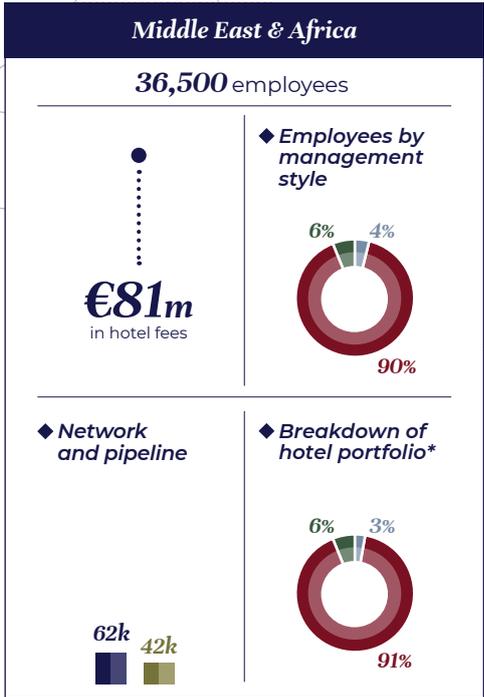
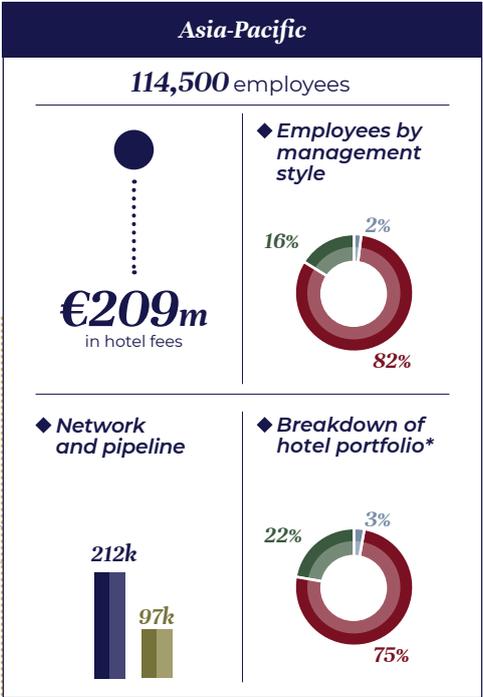
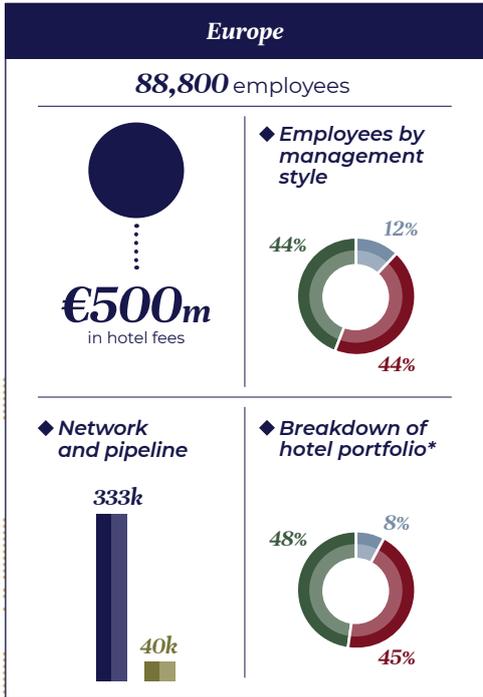
30%

increase in cardholders in 2018

85%

of web revenue generated
directly via the loyalty program

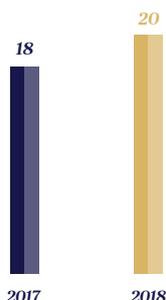




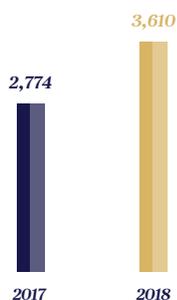
*As a % based on number of rooms.

Financial performance

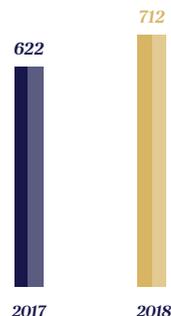
BUSINESS VOLUME
(in €Bn)



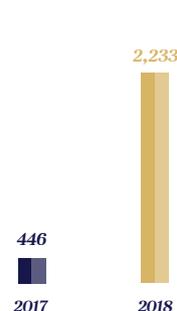
REVENUE
(in €m)



EBITDA
(in €m)



NET PROFIT, GROUP SHARE
(in €m)

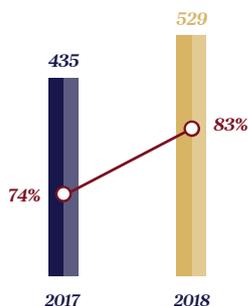


MARKET CAPITALIZATION
at december 31, 2018

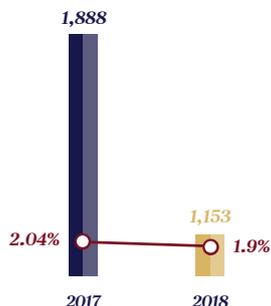


€10.5 billion

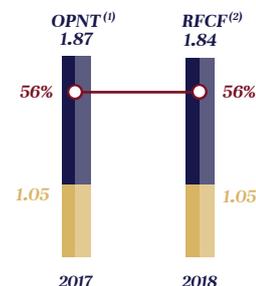
RECURRING FREE CASH FLOW (in €m)
Cash conversion as a % of EBITDA



NET DEBT (in €M)
Cost of debt (as a %)



OPNT⁽¹⁾ / RFCF⁽²⁾ PER SHARE (in €)
Dividend per share (in €)
Payout ratio (as a %)



⁽¹⁾ Operating profit, net of tax per share
⁽²⁾ Recurring free cash flow per share

A MODEL WITH A ROBUST FINANCIAL STRUCTURE

By selling close to 64.8% of AccorInvest in 2018, Accor significantly reduced the number of its assets, as well as the debt contracted to finance them. Accor now has very little real estate investment, and benefits from a lean cost structure derived from an optimized fee-based model. This reduces the Group's exposure to the ups and downs of business cycles. The sale of AccorInvest has enabled Accor to strengthen its financial structure while continuing its acquisitions, organic development and diversification, with substantial potential for value creation. Together, the funds raised and the new model give Accor sound financial foundations on which to build

its strategy, backed up by a robust balance sheet and structurally higher cash flows.

Its investment capacity is also stronger. Investments aimed at accelerating its development in specific markets or segments, or rounding out its service portfolio, will continue in an orderly manner based on demanding financial indicators. Medium-sized companies will be targeted primarily for their profitability, growth and integration potential and the scope they offer to enrich the Group's ecosystem.

ACCOR'S FINANCIAL AND NON-FINANCIAL RATINGS

Investment grade :

S&P: BBB- stable outlook
Fitch: BBB- positive outlook

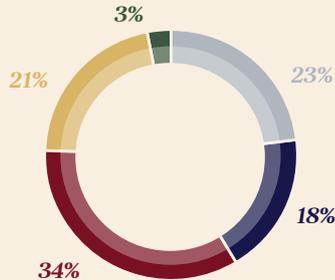
Accor: CSR champion for non-financial rating agencies

- #1 CDP Carbon
- #1 ISS-Oekom
- #2 Sustainalytics
- #2 MSCI

Accor is also included in STOXX®, Euronext Vigeo, FTSE4Good and Ethibel Sustainability, and received the RobecoSAM Silver Class Sustainability Award 2018.

Non-financial performance

◆ Planet 21 in action level achieved by hotels in 2018



- Percentage of hotels not yet rated Bronze
- Percentage of hotels rated Bronze
- Percentage of hotels rated Silver
- Percentage of hotels rated Gold
- Percentage of hotels rated Platinum

The hotels have a roadmap: Planet 21 In Action. It sets 16 actions (a shared base requiring compliance with actions such as the use of energy-saving lighting and commitment to the Group's flagship programs), mandatory for all, which determine achievement of the "Bronze" level before the higher "Silver", "Gold" or "Platinum" levels can be attained. To achieve the higher levels, Planet 21 In Action proposes approximately 60 initiatives with points assigned to them, among which hotels may freely choose.



-6.1%
reduction in
water consumption
between 2015 and 2018

(on top of reductions of 8.4% between 2011 and 2015 and 12% between 2006 and 2010)



-5.6%
reduction in
energy use between
2015 and 2018

(on top of reductions of 5.3% between 2011 and 2015 and 5.5% between 2006 and 2010)



-8.3%
reduction in
greenhouse gas emissions
between 2015 and 2018

(on top of a reduction of 6.2% between 2011 and 2015)



77%
employee
engagement
rate

PERCENTAGE OF WOMEN EMPLOYEES

◆ Percentage of women by job category



44%

Total women



42%

Managers



30%

of which hotel
general managers



91%

of employees
trained in 2018



82%

of hotels engaged
in at least one citizen
or solidarity initiative



61%

rollout of the E&RSE
risk control process
for suppliers/owners



Reliable governance to support the strategy

Accor's governance supports the Group's strategy and good conduct

The roles of **Chairman of the Board of Directors and Chief Executive Officer have been combined** since 2009. The Board considered that, by combining the roles of Chairman of the Board and Chief Executive Officer, the Group would be able to have greater agility in its governance and management, particularly during a period of transformation or an economic downturn, while creating a direct relationship between management and shareholders. Since 2009, the Board has noted with satisfaction the effectiveness of the balance of power existing between its executive and non-executive directors, notably thanks to the presence of a Senior Independent Director.

The **independent directors** (50% of members of the Board of Directors) and the four **Board Committees** also contribute to the balance of power. The activity of the Board Committees in 2018 is described below.

The **Board of Directors** determines the Company's strategy, oversees its implementation, examines any and all issues concerning the efficient running of the business, and makes decisions on all matters concerning the Company.

The **Executive Committee** has 14 members representing all of the businesses and geographical areas in which the Group operates. It contributes to the management and anticipation of major challenges. It implements the strategy laid down by the Board of Directors, reviews significant issues and monitors the operating results against the objectives set.

The **Com'Y** (formerly the Shadow Executive Committee) is made up of 14 men and women under 35 years of age. Its purpose is to support the existing Executive Committee. All decisions made by the Executive Committee are run by the shadow committee for their thoughts.

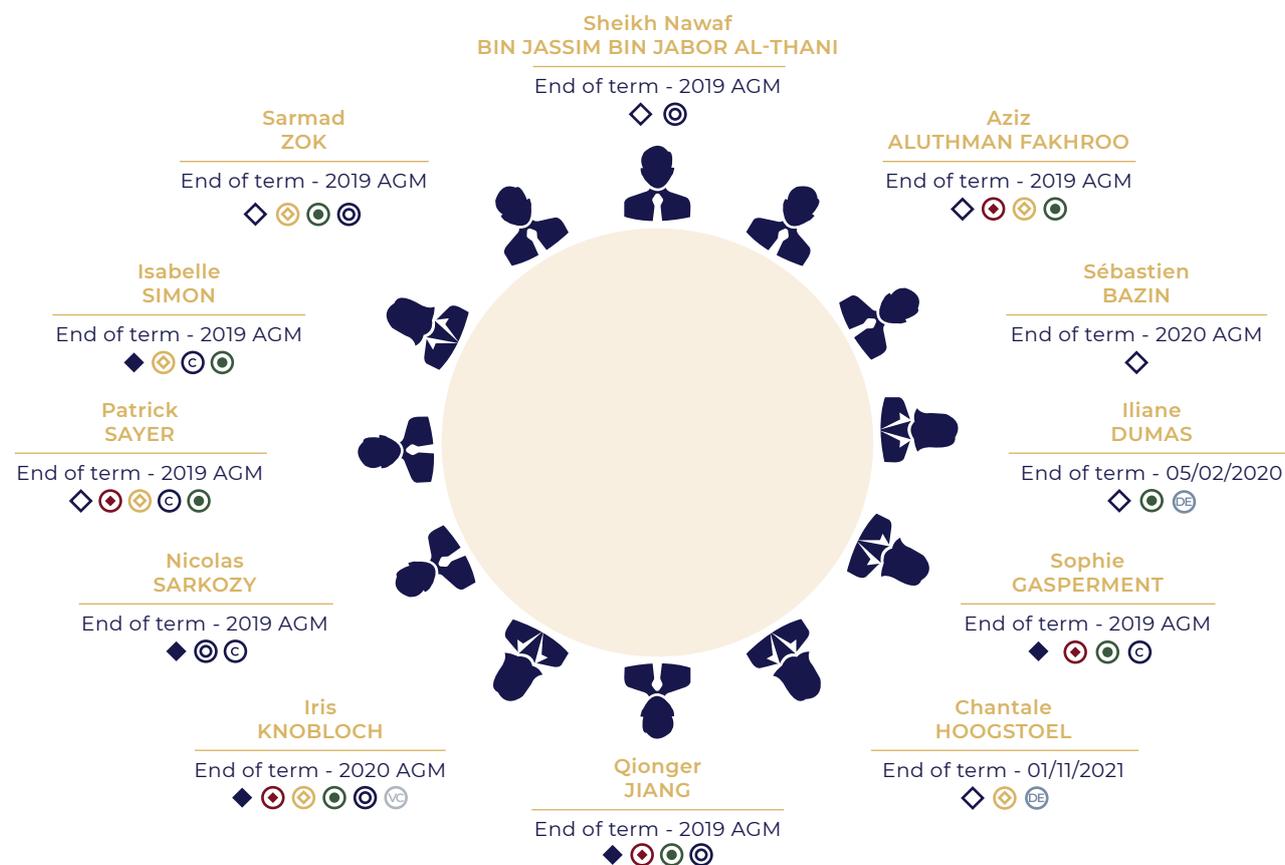
Since 2014, the role of the **Ethics & CSR Committee** has been to report to the Executive Committee on matters relating to ethics and CSR, to make recommendations on changes in commitments regarding human resources, risk management, respect for human rights and sustainable development, to monitor the implementation and performance of the Group's actions, to discuss any issue relating to managerial ethics, business conduct or potential conflicts of interest, and to analyze any dysfunctions and initiate additional specific checks if required.

More information on the governance of Accor is available in section 3.1 "Corporate governance and governance structure".

Close-up on the composition and organization of the Board of Directors

The Company is governed by a Board of Directors, which ensures that its members have complementary technical skills and expertise (notably in finance, marketing, digital, luxury and hospitality), which enable them to identify and fully grasp the challenges faced by the Group's operations and help foster their development.

MEMBERSHIP OF THE BOARD OF DIRECTORS AT DECEMBER 31, 2018



- ⊕ AUDIT, COMPLIANCE & RISKS
- ⊕ COMMITMENTS
- ⊕ APPOINTMENTS, COMPENSATION & CSR
- ⊕ INTERNATIONAL STRATEGY
- ◆ Independent
- ◇ Non independent
- ⊕ Director chairing a Committee
- ⊕ Director representing employees
- ⊕ Vice-Chairman and Senior Independent Director

PERCENTAGE OF WOMEN DIRECTORS AVERAGE AGE INDEPENDENCE OF THE BOARD

40% 53 50%

WORK OF THE BOARD OF DIRECTORS AND ITS COMMITTEES IN 2018

BOARD OF DIRECTORS

12 meetings in 2018

- ◇ Completion of the Booster transaction
- ◇ Approval of acquisitions, investments and partnerships
- ◇ Launch of a public takeover offer for Orbis shares
- ◇ Implementation of a share buyback program
- ◇ Approval of the parent company and consolidated financial statements for 2017

78% attendance rate

- ◇ Review of the succession plan
- ◇ Examination of related-party agreements
- ◇ Review of the independence of the directors and potential conflicts of interest
- ◇ Calling of the Annual Shareholders' Meeting
- ◇ Review of the membership of Board Committees

BOARD COMMITTEES

Audit, Compliance & Risks

4 meetings

- ◇ Annual and interim financial statements
- ◇ Group's financial results
- ◇ Selection of the company's auditors
- ◇ Review of acquisitions
- ◇ Monitoring of the completion of the Booster transaction
- ◇ General Data Protection Regulation
- ◇ Group compliance program

Commitments

8 meetings

- ◇ Completion of the Booster transaction
- ◇ Launch of a public takeover offer for Orbis shares
- ◇ Review of the Group's various acquisition projects

Appointments, Compensation & CSR

4 meetings

- ◇ Compensation policy for executive officers
- ◇ Review of the 2019 long-term incentive plan and employee share ownership
- ◇ Review of the succession process
- ◇ Review of director independence
- ◇ Monitoring of the recommendations of the AFEP/MEDEF Corporate Governance Code

International Strategy

2 meetings

- ◇ International current affairs

Corporate Governance, Compliance & CSR ⁽¹⁾

1 meetings

- ◇ Review of director independence
- ◇ Examination of related-party agreements
- ◇ Board of Directors' assessment process
- ◇ Compliance program
- ◇ Review of the work of the Ethics & CSR Committee

All information relating to the Company's governance is provided in the corporate governance report in section 3.1 of the Registration Document.

¹ On May 30, 2018, the Board of Directors decided to dissolve the Corporate Governance, Compliance & CSR Committee and divide its duties between the Audit, Compliance & Risks Committee and the Appointments, Compensation & CSR Committee.

Directors' and officers' compensation

OVERALL COMPENSATION POLICY

Accor has defined a global compensation strategy that can be adapted to local practices in each country. It has five underlying principles: take into consideration the performance and potential of each employee; apply competitive compensation in relation to the relevant markets and countries; allow employees to enjoy fair compensation; promote employee savings and share ownership; and strengthen social protection.

CSR and employee engagement each account for 10% of the criteria for the variable portion of compensation, aligned with the job or type of profession. For operational functions, for instance, the hotels' achievement of the Planet 21 "Bronze" level is the main criterion. However, locally, managers are free to add other criteria related to country- or region-specific priorities or challenges. For support functions, managers set an objective related to the business line, also based on a list of previously defined CSR criteria.

More information on the talent compensation policy is available in section 2.2.6 "Recognizing and valuing employees".

EXECUTIVE COMPENSATION

The Company's compensation policy for its executive officers is determined by the Board of Directors, acting on the recommendation of the Appointments, Compensation & CSR Committee. The Board's primary objective is to put together executive compensation packages that are reasonable, balanced, equitable and performance-based, and which create value in the short, medium and long term. Consequently, fixed and variable compensation principles, criteria and amounts are analyzed each year by the Appointments, Compensation & CSR Committee, using compensation benchmarks conducted by external consultants of the practices of other CAC 40 companies and international hotel groups. An additional aim of the analysis is to ensure that the Company's compensation policy for its executive officers complies with the AFEP/MEDEF Corporate Governance Code.

The compensation policy for the Chairman and Chief Executive Officer for 2019, together with the components due to the Chairman and Chief Executive Officer and the Deputy Chief Executive Officer⁽¹⁾ for 2018, will be submitted for shareholder approval at the Company's Annual Shareholders' Meeting scheduled for April 30, 2019 and are presented in section 3 of this Registration Document.

Summary of the overall structure of the Chairman and Chief Executive Officer's compensation package

Components	Criteria and objectives	Amount/Weighting
ANNUAL FIXED COMPENSATION	Determined by the Board of Directors based on the recommendation of the Appointments, Compensation & CSR Committee, taking into account: <ul style="list-style-type: none"> ◆ his experience ◆ his responsibilities ◆ market practices 	€950,000 Unchanged since January 1, 2016
ANNUAL VARIABLE COMPENSATION	Annual variable compensation that varies depending on performance in relation to the following objectives:	The annual variable compensation will represent between 0% and 150% of a Reference Amount set at €1,250,000, and will therefore be equivalent to between 0% and 197% of his annual fixed compensation
	Quantitative objectives (accounting for 80% of the annual variable compensation): <ul style="list-style-type: none"> ◆ financial objectives (actual versus budgeted EBITDA for 2019, actual versus budgeted free cash flow – excluding disposals and acquisitions, after change in operating working capital – for 2019, Accor's Total Shareholder Return (TSR) versus the TSR of its peer group and Accor's TSR versus the TSR of other CAC 40 companies) ◆ CSR objectives (guest experience, level of employee engagement, sustainable development and CSR performance) 	Each quantitative objective, depending on the achievement rate, may trigger the payment of between 0% and 160% of the share of variable compensation it represents
	Qualitative objectives (accounting for 20% of the annual variable compensation): <ul style="list-style-type: none"> ◆ strategic vision and identification of strategic options ◆ implementation of the post-Booster organization and change in Group businesses 	Each qualitative objective, depending on the degree to which it is met, may trigger the payment of between 0% and 120% of the share of variable compensation it represents
LONG TERME	Performance shares , which vest subject to fulfillment of performance conditions decided by the Board of Directors and to continued presence in the Group	The grants represent a maximum of 200% of annual fixed compensation, determined by the Board of Directors

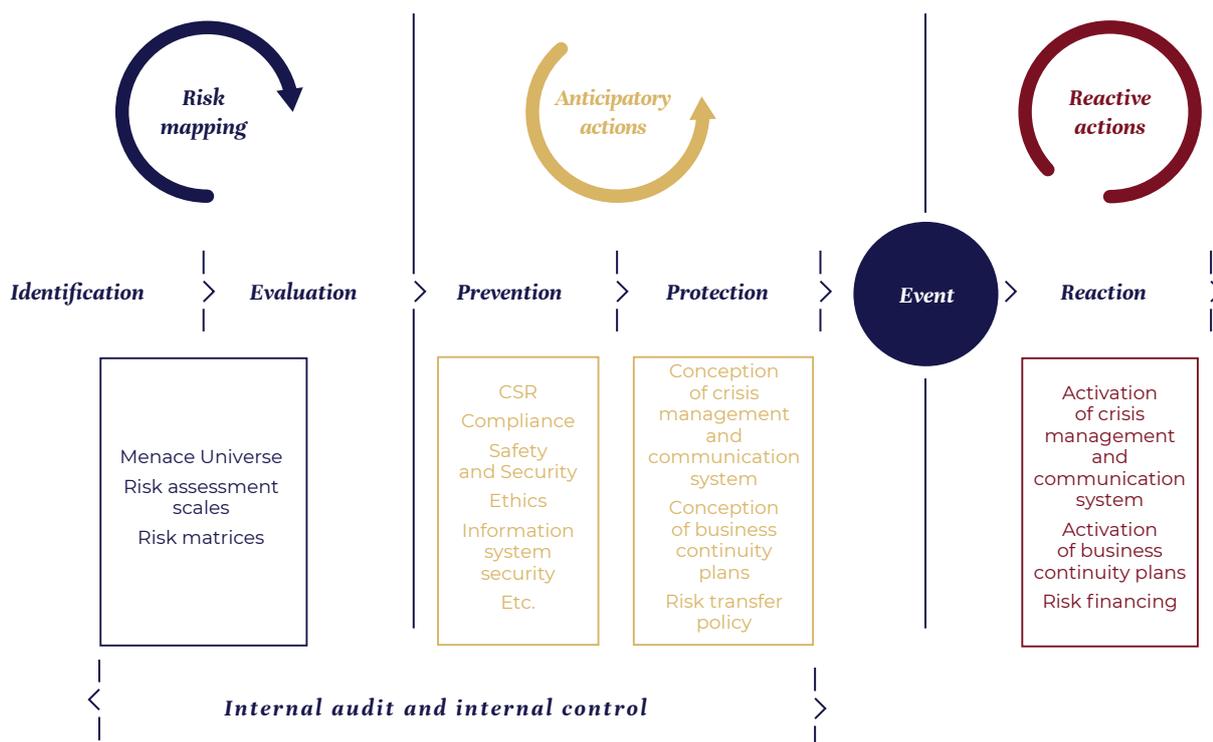
¹ Sven Boinet's term of office as Deputy Chief Executive Office expired on December 2, 2018.

A structured approach to comprehensive risk management

Approach

The Group's risk management approach aims to:

- 
prevent the occurrence of risks that may jeopardize the achievement of the Group's objectives;
- 
prevent the occurrence of risks with social, societal or environmental consequences arising from the Group's activities;
- 
protect the Group's guests, employees, data and brands as well as its **customer and partner portfolios**.



The approach is based on risk maps, specific or cross-cutting (see section 1.8.1 "Risk management architecture"), carried out on the basis of a shared methodology that can nevertheless be adapted to the specific nature of each risk category. Operational and functional lines design, implement and run prevention and protection programs in response to the risks identified.

Significant risks

Whatever their nature, the risks faced by the Group are assessed on the basis of two factors: their likelihood and the intensity of their potential impacts. These assessments are performed taking into account existing risk management plans.

Risks seen as significant, that is, those with the greatest criticality (in view of their likelihood and the intensity of their potential impact), are presented in the table below. They are classified into two categories and are shown in decreasing

order of criticality within each category. The description of these risks and the prevention and protection plans associated with them are described in section 1.8.3.

The main risks with social, societal or environmental consequences arising from the Group's activities are indicated by an asterisk. These risks are identified in accordance with French Declaration of non-financial performance (DNFP)*.

Category	Name of the risk	Mitigation measures	DNFP* prevention measures
RISKS RELATED TO THE BUSINESS ENVIRONMENT	 Acts of terrorism or political instability	1.8.3 Risk Factors, page 93	
	 Natural events	1.8.3 Risk Factors, page 93	
	 Changes in the competitive and technological environment	1.8.3 Risk Factors, page 94	
	 Smear campaigns and libel	1.8.3 Risk Factors, page 95	
	 Unfavorable change in the economic environment	1.8.3 Risk Factors, page 95	
RISKS RELATED TO THE BUSINESS MODEL	 Competition in the job market	1.8.3 Risk Factors, page 96	
	 * Breach of the availability, integrity or confidentiality of personal data	1.8.3 Risk Factors, page 97	2.1.3 Governance: ethics, compliance and CSR / Data Governance Committee 2.3.4 A guest-centered culture/ Strengthening data protection for guests
	 * Breaches by partners of the Group's ethical and CSR standards	1.8.3 Risk Factors, page 98	2.1.3 Governance: ethics, compliance and CSR 2.1.4 Compliance Program 2.4.2 Cultivating common ethics to foster best practices
	 * Greenhouse gas emissions	1.8.3 Risk Factors, page 98	2.6 Aiming for carbon neutrality for the hotel network under the Accor brand

* French Decree No. 2017-1265 of August 9, 2017 (used for the application of Order No. 2017-1180 of July 19, 2017 on the publication of non-financial information by certain large companies and certain groups of companies).



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