

# CORPORATE GOVERNANCE, INTERNAL CONTROL AND RISK MANAGEMENT

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## 5.1 Information on corporate officers at 31 December 2016

### Chairman and CEO

#### Martin Bouygues

32 avenue Hoche, 75008 Paris, France  
Date of birth: 3 May 1952 – French  
Date of first appointment: 21 January 1982  
Expiry date of current term of office: 2018  
Number of shares in the company: 347,196 (77,057,778 via SCDM and SCDM Participations)

#### Expertise/experience

Martin Bouygues joined the Bouygues group in 1974 as a works supervisor. In 1978, he established Maison Bouygues, specialising in the sale of catalogue homes. In 1987, Martin Bouygues was appointed Vice-Chairman of the Bouygues Board of Directors, on which he has served since 1982. In September 1989, Martin Bouygues took over from Francis Bouygues as Chairman and CEO of Bouygues. At Martin Bouygues' instigation, the Group pursued its development in construction as well as in media (TF1) and launched Bouygues Telecom in 1996. In 2006, Bouygues acquired a stake in Alstom.

#### Principal positions outside Bouygues SA

Chairman of SCDM.

#### Other positions and functions in the Group

**In France:** Director of TF1<sup>a</sup>; member of the Board of Directors of the Francis Bouygues Foundation.

#### Other positions and functions outside the Group

**In France:** Standing representative of SCDM; Chairman of Actiby and SCDM Participations.

**Outside France:** Member of the Board of Directors of the Skolkovo Foundation (Russia).

#### Former positions and functions during the last five years (outside the Group)

**2016** – Member of the supervisory board and the strategy committee of Rothschild & Co<sup>a</sup> (former-Paris-Orléans).

**2015** – Standing representative of SCDM; Chairman of La Cave de Baton Rouge (former-SCDM Invest-3).

### Deputy CEO, director

#### Olivier Bouygues

32 avenue Hoche, 75008 Paris, France  
Date of birth: 14 September 1950 – French  
Date of first appointment: 5 June 1984  
Expiry date of current term of office: 2019  
Number of shares in the company: 101,827 (70,057,778 via SCDM and SCDM Participations)

#### Expertise/experience

Olivier Bouygues is a graduate of École Nationale Supérieure du Pétrole (ENSPM) and joined the Bouygues group in 1974. He began his career in the Group civil works branch. From 1983 to 1988 at Bouygues Offshore, he held the posts of director of Boscam, a Cameroon subsidiary, then director of the France Works and Special Projects division. From 1988 to 1992, he was Chairman and CEO of Maison Bouygues. In 1992, he became Group Executive Vice President of Utilities Management, which grouped the international and French activities of Saur. He has held a seat on the Bouygues Board of Directors since 1984. In 2002, Olivier Bouygues was appointed Deputy CEO of Bouygues.

#### Principal positions outside Bouygues SA

CEO of SCDM.

#### Other positions and functions in the Group

**In France:** Director of TF1<sup>a</sup>; Colas<sup>a</sup>; Bouygues Telecom and Bouygues Construction; member of the Board of Bouygues Immobilier.

**Outside France:** Chairman of the Board of Directors of Bouygues Europe (Belgium).

#### Other positions and functions outside the Group

**In France:** Director of Alstom<sup>a</sup>; Chairman of Sagri-E and Sagri-F.

**Outside France:** Director of SCDM Energy Limited (United Kingdom); Chairman and CEO of Seci (Ivory Coast).

#### Former positions and functions during the last five years (outside the Group)

**2016** – Standing representative of SCDM on the Board of Bouygues.

**2015** – Chairman of SCDM Énergie; director of Eranove (former-Finagestion), Sodéci<sup>a</sup> (Ivory Coast), CIE<sup>a</sup> (Ivory Coast) and Sénégalaise des Eaux (Senegal); liquidator of SIR.

**2014** – Director of Eurosport.

## Deputy CEOs

### Philippe Marien

32 avenue Hoche, 75008 Paris, France  
Date of birth: 18 June 1956 – French  
Date of first appointment: 30 August 2016

#### Expertise/experience

Philippe Marien is a graduate of École des Hautes Études Commerciales (HEC). He joined the Bouygues group in 1980 as international finance manager. In 1984, he was special advisor for the takeover of the AMREP oil services group before being appointed finance director of Technigaz, a liquefied gas engineering contractor, in 1985. In 1986, he joined the Group's finance department to take responsibility for the financial aspects of the takeover of Screg. He was successively Director of Finance and Cash Management at Screg in 1987 and Director of Finance at Bouygues Offshore<sup>b</sup> in 1991. He was appointed Senior Vice-President, Finance and Administration of Bouygues Offshore in 1998, then moved to Bouygues Bâtiment in 2000 as Chief Financial Officer. In March 2003, Philippe Marien became Chief Financial Officer of the Saur group, Bouygues' utilities subsidiary, of which he managed the sale by Bouygues to PAI partners, then by PAI partners to a new group of shareholders led by Caisse des Dépôts et Consignations. He was appointed Chief Financial Officer of the Bouygues group in September 2007. In February 2009, Philippe Marien was appointed Chairman of Bouygues Telecom's Board of Directors, a position that he held until April 2013. His remit within the Bouygues group was extended to include Information Systems and Innovation in 2015 and Human Resources in 2016. On 30 August 2016, he was appointed Deputy CEO of Bouygues.

#### Other positions and functions in the Group

**In France:** Director of Bouygues Telecom; standing representative of Bouygues on the Boards of Bouygues Construction, Colas<sup>a</sup>, TF1<sup>a</sup> and C2S; standing representative of Bouygues on the Board of Bouygues Immobilier.

**Outside France:** Director of Bouygues Europe (Belgium) and Uniservice (Switzerland).

#### Other positions and functions outside the Group

**In France:** CEO of SCDM; standing representative of Bouygues on the Board of Alstom<sup>a</sup>.

#### Former positions and functions during the last five years (outside the Group)

2015 – Liquidator of Finamag.

(a) Listed company.

(b) Bouygues' oil and gas services activity, sold to Saipem in May 2002.

### Olivier Roussat

32 avenue Hoche, 75008 Paris, France  
Date of birth: 13 October 1964 – French  
Date of first appointment: 30 August 2016

#### Expertise/experience

Olivier Roussat is a graduate of INSA – Lyon. He began his career in 1988 at IBM, where he occupied a number of positions in data network services, service delivery and pre-sales. He joined Bouygues Telecom in 1995 to set up the network management centre and network processes. He then became head of network operations and telecoms and IT service delivery. In May 2003, he was appointed network manager and became a member of the Executive Committee of Bouygues Telecom. In January 2007, Olivier Roussat took charge of the performance and technology unit which groups Bouygues Telecom's cross-disciplinary technical and IT departments, including networks, information systems, process engineering, purchasing, corporate services and property development. He was also given responsibility for Bouygues Telecom's headquarters and Technopôle buildings. Olivier Roussat became Deputy Chief Executive Officer in February 2007. He was appointed Chief Executive Officer in November 2007. He was then appointed Chairman and CEO of Bouygues Telecom in May 2013. Olivier Roussat was appointed Deputy CEO of Bouygues on 30 August 2016.

#### Principal positions outside Bouygues SA

Chairman and CEO of Bouygues Telecom.

#### Other positions and functions in the Group

**In France:** Director of TF1<sup>a</sup>, Bouygues Construction and the Bouygues Telecom Corporate Foundation; member of the Board of Bouygues Immobilier.

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## Directors

### François Bertière

3 boulevard Gallieni, 92130 Issy-les-Moulineaux, France  
Date of birth: 17 September 1950 – French  
Date of first appointment: 27 April 2006  
Expiry date of current term of office: 2018  
Number of shares in the company: 72,374

#### Expertise/experience

François Bertière graduated from École Polytechnique and École Nationale des Ponts et Chaussées, and is a qualified architect (DPLG).

He began his career in 1974 in the Infrastructure Ministry. In 1977, he was appointed technical advisor to the office of the French Ministry of Education, then deputy director in charge of planning at the Regional Infrastructure Department of Upper Corsica in 1978. In 1981, he became director of urban development at the Public Development Agency (EPA) of Cergy-Pontoise. He joined the Bouygues group in 1985 as Deputy CEO of Française de Constructions. In 1988, he was appointed Chairman and CEO of France Construction, Vice-Chairman and CEO of Bouygues Immobilier in 1999, then Chairman and CEO of Bouygues Immobilier in 2001.

### Principal positions outside Bouygues SA

Chairman of Bouygues Immobilier.

### Other positions and functions in the Group

**In France:** Director of Colas<sup>a</sup>; Chairman and director of the Bouygues Immobilier Corporate Foundation; director of the Francis Bouygues Foundation; member of the supervisory board of Nextdoor SAS.

### Other positions and functions outside the Group

**In France:** Chairman of Fondation des Ponts; director of CSTB (French building technology research centre), École Nationale des Ponts et Chaussées (ENPC), Cité de l'Architecture et du Patrimoine and Fonds de dotation "Les Technologies de l'Homme".

### Francis Castagné

1 avenue Eugène Freyssinet, 78280 Guyancourt, France  
Date of birth: 29 December 1963 – French  
Date of first appointment: 27 April 2016  
Expiry of current term of office: 2018

**Director representing employees**  
**Member of the Selection and Remuneration Committee**

### Expertise/experience

Francis Castagné has spent all his career with the Bouygues group, in the construction businesses. Between 1987 and 1990, he was works supervisor at Screg EPI, before taking responsibility for main contractor operations at Screg Bâtiment until 1997. In 1997, he was appointed head of main contractor production at SB Ballestrero until 2000. From 2000 to 2007, he was head of projects at Bouygues Bâtiment Ile-de-France. Since 2008, he has been Works Director at Bouygues Bâtiment Ile-de-France – Construction Privée.

### Principal positions outside Bouygues SA

Works Director at Bouygues Bâtiment Ile-de-France – Construction Privée.

### Raphaëlle Deflesselle

13-15 avenue du Maréchal Juin, 92360 Meudon, France  
Date of birth: 27 April 1972 – French  
Date of first appointment: 20 May 2014  
Expiry date of current term of office: 2018

**Director representing employees**  
**Member of the Ethics, CSR and Patronage Committee**

### Expertise/experience

Raphaëlle Deflesselle is an engineering graduate of École Polytechnique Féminine (EFP). She joined Bouygues Telecom in 1996. She took part in implementing network oversight tools in the network operations department. She then held various managerial positions in the Technical departments from 1999 to 2009. In 2010, she was appointed head of the Performance department within the Information Systems Division, before becoming head of IT infrastructures in 2013. She is currently Deputy Director, IT Governance, Research and Transformation within the Information Systems Division at Bouygues Telecom.

### Principal positions outside Bouygues SA

Deputy Director, IT Governance, Research and Transformation within the Information Systems Division at Bouygues Telecom.

### Clara Gaymard

138 bis rue de Grenelle, 75007 Paris, France  
Date of birth: 27 January 1960 – French  
Date of first appointment: 21 April 2016  
Expiry of current term of office: 2019  
Number of shares in the company: 500

**Member of the Accounts Committee**

### Expertise/experience

Clara Gaymard is a graduate of Institut d'Études Politiques de Paris (IEP). She was an administrative officer at the office of the mayor of Paris from 1982 to 1984, before joining École Nationale d'Administration (ENA). Graduating from ENA in 1986, she joined the Cour des Comptes state audit office as an auditor and in 1990 was promoted to public auditor. She was then appointed head of the European Union office at the External Economic Relations department (DREE) of the French Ministry of Finance. In 1995, she was named chief of staff at the Ministry of Intergenerational Solidarity. From 1996 to 1999, she served as deputy head in charge of support for small- and medium-sized businesses and regional initiatives at DREE. In February 2003, she became Ambassador for International Investment and Chair of the French Agency for International Investments (AFII). She joined the General Electric group in 2006, where she was appointed Chair and CEO of GE France, then GE Northwest Europe in 2008. In 2009, she was appointed Vice-Chair of GE International responsible for key public accounts and in 2010 as Vice-Chair responsible for governments and cities. She left the General Electric group in January 2016.

### Principal positions outside Bouygues SA

Co-founder of Raise; CEO of Raise Conseil.

### Other positions and functions outside the Group

**In France:** Chair of the Women's Forum; director of Veolia Environnement<sup>a</sup>, LVMH<sup>a</sup>, Danone<sup>a</sup> and Sages.

### Former positions and functions during the last five years (outside the Group)

**2016** – Chair of GE France.

(a) Listed company.

## Anne-Marie Idrac

9 Place Vauban, 75007 Paris, France  
 Date of birth: 27 July 1951 – French  
 Date of first appointment: 26 April 2012  
 Expiry date of current term of office: 2018  
 Number of shares in the company: 500

**Chairwoman of the Ethics, CSR and Patronage Committee and member of the Accounts Committee**

### Expertise/experience

Anne-Marie Idrac graduated from Institut d'Études Politiques de Paris (IEP) and École Nationale d'Administration (the Simone Weil intake). She has spent most of her career working in the fields of the environment, housing, urban development and transport. She was successively director general at the Public Development Agency (EPA) of Cergy-Pontoise, director of land transportation, Secretary of State for Transport, Chair and CEO of the RATP (Paris public transport authority), Chair of the SNCF (French state railways), and Secretary of State for Foreign Trade. She was also a Member of Parliament from 1997 to 2002 and Councillor for the Paris region.

### Principal positions outside Bouygues SA

Chair of the supervisory board of Toulouse-Blagnac Airport.

### Other positions and functions outside the Group

**In France:** Director of Total<sup>a</sup> and Saint-Gobain<sup>a</sup>; Senior Advisor to Suez<sup>a</sup> and to Sia Partners.

### Former positions and functions during the last five years (outside the Group)

**2015** – Member of the supervisory board of Vallourec<sup>a</sup>.

**2014** – Director of Mediobanca<sup>a</sup> (Italy).

## Patrick Kron

5 rue de la Baume, 75008 Paris, France  
 Date of birth: 26 September 1953 – French  
 Date of first appointment: 6 December 2006  
 Expiry date of current term of office: 2019  
 Number of shares in the company: 500

### Expertise/experience

Patrick Kron is a graduate of École Polytechnique and an engineer of the Corps des Mines de Paris. He began his career at the French Industry Ministry in 1979 before joining the Pechiney group in 1984, where he held senior operational responsibilities in one of the group's largest factories in Greece before becoming manager of Pechiney's Greek subsidiary in 1988. Between 1988 and 1993, Patrick Kron held various operational and financial positions, first managing a group of activities in aluminium processing, before being appointed Chairman and CEO of Pechiney Électrométallurgie. In 1993, he became member of the executive committee of the Pechiney group and was Chairman and CEO of Carbone Lorraine from 1993 to 1997. From 1995 to 1997, he ran Pechiney's Food and Health Care Packaging Sector and held the

position of COO of the American National Can Company in Chicago (United States). From 1998 to 2002, Patrick Kron was Chairman of the executive board of Imerys. A director of Alstom since July 2001, he was appointed CEO of Alstom in January 2003, and then Chairman and CEO in March 2003, a position he held until January 2016, when he created PKC&I (Patrick Kron – Conseils & Investissements). In November 2016, he was appointed Chairman of Truffle Capital.

### Principal positions outside Bouygues SA

Chairman of PKC&I and Truffle Capital.

### Other positions and functions outside the Group

**In France:** Director Sanofi<sup>a</sup> and "Les Arts Florissants" vocal group; member of the supervisory board of Segula Technologies.

### Former positions and functions during the last five years (outside the Group)

**2016** – Chairman and CEO, and director of Alstom<sup>a</sup>.

**2015** – Chairman of Alstom Resources Management; director of Afep (French Association of Private Companies).

**2014** – Director and Managing Director of Alstom Asia Pte Ltd (Singapore); Chairman and CEO, and director of Alstom Transport.

**2012** – Director of Alstom UK Holdings Ltd (United Kingdom).

## Hervé Le Bouc

7 Place René Clair, 92653 Boulogne-Billancourt cedex, France  
 Date of birth: 7 January 1952 – French  
 Date of first appointment: 24 April 2008  
 Expiry date of current term of office: 2017  
 Number of shares in the company: 99,055

### Expertise/experience

Hervé Le Bouc holds a degree in engineering from École Spéciale des Travaux Publics (ESTP). He joined the Bouygues group in 1977 and began his career at Screg Île-de-France (now a Colas subsidiary) as a site engineer, subsequently working as an area supervisor and then a regional manager until 1989. In 1985, he was appointed Director reporting to the Chairman and Chief Executive Officer. In 1989, he was named director in charge of commercial development of Bouygues Offshore for Europe, French overseas departments and territories (Dom-Tom) and Australia, and subsequently South East Asia and Mexico. He became COO of Bouygues Offshore in 1994, then CEO in 1996 and Chairman and CEO in 1999. From November 2001 to September 2002, he served concurrently as COO of Bouygues Construction, Chairman of the Board of Bouygues Offshore and Chairman of the Board of ETDE (now Bouygues Energies & Services). From September 2002 to February 2005, Hervé Le Bouc was CEO of Saur, then Chairman and CEO from February 2005 to April 2007. In February 2007, Hervé Le Bouc became a director of Colas and was named Deputy CEO in August of the same year. On 30 October 2007, he was appointed Chairman and CEO of Colas.

### Principal positions outside Bouygues SA

Chairman and CEO of Colas<sup>a</sup>.

(a) Listed company.

## Other positions and functions in the Group

**In France:** Chairman and CEO, and director of Colasie; member of the Board of Bouygues Immobilier; standing representative of Colas<sup>a</sup> on the board of Colas Rail; Chairman of the Colas Foundation.

**Outside France:** Director of Hincol (former-Hindustan Colas Limited) (India), Colas Canada (Canada), Tipco Asphalt (Tasco) (Thailand), Isco Industry (Korean Republic) and Colas Inc (United States); standing representative of Colas<sup>a</sup> on the supervisory boards of Colas Émulsions (Morocco) and Grands Travaux Routiers (Morocco).

## Former positions and functions during the last five years (outside the Group)

**2014** – Standing representative of Colas<sup>a</sup> on the board of Cofiroute.

## Helman le Pas de Sécheval

30 rue Madeleine Vionnet, 93300 Aubervilliers, France

Date of birth: 21 January 1966 – French

Date of first appointment: 24 April 2008

Expiry date of current term of office: 2017

Number of shares in the company: 600

**Chairman of the Accounts Committee and member of the Selection and Remuneration Committee**

## Expertise/experience

Helman le Pas de Sécheval is a graduate of École Normale Supérieure with a PhD in Physical Sciences and an engineering degree from École des Mines. He began his career in 1991 as a project manager in the financial engineering department of Banexi. From 1993 to 1997, he was deputy inspector-general of the underground quarries of Paris. In July 1997, he was appointed deputy to the head of the Department of Financial Operations and Information of the COB (now the AMF), becoming head of this department in 1998. From November 2001 to December 2009, Helman le Pas de Sécheval was group Chief Financial Officer of Groupama, with responsibility for the group's financing, investing, reinsurance and accounting divisions and oversight of the group's financial subsidiaries as well as GIE Groupama Systèmes d'Information. From January 2010 to December 2011, he was Managing Director of Groupama Centre-Atlantique. In September 2012, he was appointed General Counsel of the Veolia group. He was appointed member of the Board of the AMF in February 2015.

## Principal positions outside Bouygues SA

General Counsel of the Veolia<sup>a</sup> group.

## Other positions and functions outside the Group

**In France:** Member of the Board of the AMF.

## Colette Lewiner

7 avenue de Suresnes, 92210 Saint-Cloud, France

Date of birth: 19 September 1945 – French

Date of first appointment: 29 April 2010

Expiry date of current term of office: 2019

Number of shares in the company: 12,685

**Chairwoman of the Selection and Remuneration Committee**

## Expertise/experience

Colette Lewiner is a graduate of École Normale Supérieure and holds the prestigious rank of "agrégée" teacher in physics, as well as a PhD in science. She spent a large part of her career with EDF, where she was the first woman to be appointed Senior Vice President within the group, with responsibility for development and marketing strategy. She went on to lead Cogema's engineering subsidiary SGN. In 1998, she joined Capgemini, where she headed the Global Energy, Utilities and Chemicals sector, before becoming Advisor to the Chairman on matters regarding energy and utilities. Between 2010 and 2015, she was non-executive Chairwoman of TDF.

## Principal positions outside Bouygues SA

Advisor to the Chairman of Capgemini<sup>a</sup> on matters regarding energy and utilities.

## Other positions and functions in the Group

**In France:** Director of Colas<sup>a</sup>.

## Other positions and functions outside the Group

**In France:** Director of Nexans<sup>a</sup>, Eurotunnel<sup>a</sup>, EDF<sup>a</sup> and Ingenico<sup>a</sup>.

## Former positions and functions during the last five years (outside the Group)

**2016** – Director of Crompton Greaves Limited<sup>a</sup> (India).

**2015** – Director of TGS Nopec Geophysical Company<sup>a</sup> (Norway); Chairwoman of the Board of Directors of TDF.

**2014** – Director of Lafarge<sup>a</sup>.

**2012** – Vice-Chairwoman, Global Leader Energy, Utilities and Chemicals sector of Capgemini.

(a) Listed company.

## Sandra Nombret

1 avenue Eugène Freyssinet, 78280 Guyancourt, France

Date of birth: 24 May 1973 – French

Date of first appointment: 29 April 2010

Expiry date of current term of office: 2019

**Director representing employee shareholders and member of the Ethics, CSR and Patronage Committee**

### Expertise/experience

Sandra Nombret has a DESS postgraduate diploma in foreign trade law. She joined the Bouygues group in 1997. She is currently Deputy Director, Legal Officer for the Near and Middle East, Africa, Central Asia, Canada and Cyprus at Bouygues Bâtiment International.

### Principal positions outside Bouygues SA

Deputy Director, Legal Affairs at Bouygues Bâtiment International.

### Other positions and functions in the Group

**Outside France:** Director of Bouygues Building Canada Inc (Canada).

## Rose-Marie Van Lerberghe

33 rue Frémicourt, 75015 Paris, France

Date of birth: 7 February 1947 – French

Date of first appointment: 25 April 2013

Expiry date of current term of office: 2019

Number of shares in the company: 531

**Member of the Ethics, CSR and Patronage Committee**

### Expertise/experience

Rose-Marie Van Lerberghe is a graduate of École Normale Supérieure and École Nationale d'Administration, and holds the prestigious rank of "agrégée" teacher in philosophy. She is also a graduate of Institut d'Études Politiques de Paris (IEP). After holding various positions at the Labour Ministry, in 1986 Rose-Marie Van Lerberghe joined the Danone group, where she was Group Director of Human Resources. In 1996, she became Delegate General for Employment and Vocational Training, then Chief Executive Officer of Altédia in 2000. From 2002 to 2006, she was the Director General of Assistance Publique des Hôpitaux de Paris. From 2006 to 2011, she chaired the Korian management board. She was Chairwoman of the Board of Directors of Institut Pasteur from April 2013 to September 2016.

### Principal positions outside Bouygues SA

Senior Advisor to BPI group.

### Other positions and functions outside the Group

**In France:** Director of Klépierre<sup>a</sup>, CNP Assurances<sup>a</sup> and Fondation Hôpital Saint-Joseph; Chairwoman of the Board of Directors of Orchestre des Champs-Élysées.

### Former positions and functions during the last five years (outside the Group)

**2016** – Chairwoman of the Board of Directors of Institut Pasteur.

**2015** – Director of Casino<sup>a</sup>, member of the Conseil Supérieur de la Magistrature.

**2014** – Director of Air France.

## Michèle Vilain

3 boulevard Gallieni, 92130 Issy-les-Moulineaux, France

Date of birth: 14 September 1961 – French

Date of first appointment: 29 April 2010

Expiry date of current term of office: 2019

**Director representing employee shareholders and member of the Accounts Committee**

### Expertise/experience

Michèle Vilain joined Bouygues Immobilier in 1989, holding various positions in the IT and Office Automation department, including responsibility for customer services. She then took charge of customer relations within the Support Functions division before becoming Deputy Director supporting change management within the Residential Property France division for two years. She is currently Deputy Director supporting Human Resources digital projects.

### Principal positions outside Bouygues SA

Deputy Director for the Residential Property France division at Bouygues Immobilier.

## SCDM, represented by Edward Bouygues

32 avenue Hoche, 75008 Paris, France

Date of first appointment: 22 October 1991

Expiry date of current term of office: 2019

Number of shares in the company: 64,012,806

### Other positions and functions in the Group

**In France:** Director of GIE 32 Hoche.

### Other positions and functions outside the Group

**In France:** Chair of Actiby and SCDM Participations.

### Former positions and functions during the last five years (outside the Group)

**2015** – Chair of SCDM Invest-3, now La Cave de Baton Rouge.

(a) Listed company.

**Edward Bouygues, standing representative of SCDM**

13-15 avenue du Maréchal Juin, 92360 Meudon, France  
Date of birth: 14 April 1984 – French  
Date of first appointment: 21 April 2016  
Expiry date of current term of office: 2019

**Expertise/experience**

Edward Bouygues is a graduate of ESSCA, Angers (specialising in banking and finance) and holds an MBA from the London Business School. After having spent five years as a works supervisor, and in marketing at Bouygues Construction, he joined Bouygues Telecom in February 2014 as Head of Marketing. He is currently Director of Marketing, with responsibility for services, content and product design.

**Principal positions outside Bouygues SA**

Director of Marketing, with responsibility for services, content and product design at Bouygues Telecom.

**Other positions and functions in the Group**

Director of Bouygues Telecom.

**Former positions and functions during the last five years (outside the Group)**

2016 – Non-voting director of Melty.

**SCDM Participations, represented by Cyril Bouygues**

32 avenue Hoche, 75008 Paris, France  
Date of first appointment: 21 April 2016  
Expiry date of current term of office: 2019  
Number of shares in the company: 6,044,972

**Cyril Bouygues, standing representative of SCDM Participations**

50 Cannon Street, EC4N 6JJ, London, United Kingdom  
Date of birth: 31 January 1986 – French  
Date of first appointment: 21 April 2016  
Expiry date of current term of office: 2019

**Expertise/experience**

Cyril Bouygues is a graduate of Institut Supérieur de Gestion (ISG) and holds a Harvard Master in Public Administration. He held the post of works supervisor at Bouygues Construction, then Head of Projects at Bouygues Immobilier, before becoming Strategy and Development Manager at SCDM Energy Limited in October 2014.

**Principal positions outside Bouygues SA**

Strategy and Development Manager at SCDM Energy Limited (United Kingdom).

## 5.2 Report by the Chairman of the Board of Directors

This report has been drawn up by the General Counsel in close cooperation with the Group's senior management taking into consideration various internal documents (articles of association, rules of procedure and minutes of the Board of Directors and its committees, compliance programmes, internal control principles and procedures, etc.). The section on corporate governance has been presented to the Selection and Remuneration Committee. The section on internal control and risk management procedures has been prepared with input from Bouygues' Internal Control department, in collaboration with stakeholders in the internal control process at the business segments. A draft of this report was submitted to the Accounts Committee. The section on Financial risks relating to the effects of climate change was contributed by the Sustainable Development department.

The contributors have taken into consideration the regulations in force, the recommendations issued by the AMF concerning corporate governance, internal control and the audit committee, the AMF guidelines for internal control and risk management mechanisms, the recommendations of the Afep-Medef Corporate Governance Code, the guide for applying the Afep-Medef Code, the report of the High Committee for Corporate Governance, and best practices adopted by other listed companies.

This report was discussed and approved by the Board of Directors at its meeting of 22 February 2017.

### 5.2.1 Corporate governance

#### 5.2.1.1 Corporate governance code

Bouygues refers to the Afep-Medef "Corporate Governance Code of Listed Corporations" (the "Afep-Medef Code"), most recently updated in November 2016. The Afep-Medef Code is available on the Medef website at [www.medef.com](http://www.medef.com) and on the Afep website at [www.afep.com](http://www.afep.com). It is also included as an annex to the Rules of Procedure of the Board of Directors, available on the [www.bouygues.com](http://www.bouygues.com) website.

Derogation from Afep-Medef Code	Explanation
Paragraph 8.3 Proportion of independent directors	See section 5.2.1.3

#### 5.2.1.2 Composition of the Board of Directors

##### Applicable rules

According to the articles of association, the Board of Directors is made up as follows:

Type of director	Method of appointment	Term of office	Number of directors	Reference text
Directors appointed by the Annual General Meeting	Appointed by an Ordinary General Meeting	3 years	3 to 18	Article L. 225-18 of the Commercial Code
Directors representing employee shareholders	Elected by an Ordinary General Meeting on the recommendation of the Supervisory Boards of the employee share ownership funds	3 years	Up to 2	Article L. 225-23 of the Commercial Code
Directors representing employees	Nominated by the Group Council	2 years	2	Article L. 225-27-1 of the Commercial Code

The Board of Directors elects one of its members as Chairman. It also appoints the Chief Executive Officer. At the proposal of the Chief Executive Officer, the Board of Directors can appoint one or more Deputy Chief Executive Officers.

The articles of association set no age limit for directors, but set an age limit of 70 for the offices of Chairman, Chief Executive Officer and Deputy Chief Executive Officer. When a person holding any of these offices reaches the age of 65, his or her term is submitted to the Board of Directors at its next subsequent meeting for confirmation for a period

of one year. The Board of Directors may then renew the term annually for one-year periods up to the age of 70, at which time the person is considered to have automatically resigned.

The Rules of Procedure of the Board of Directors lay down certain imperatives regarding the composition of the Board. They specify that no more than two directors or standing representatives of legal entities may come from outside companies in which a corporate officer or salaried director of Bouygues holds office.

Reappointments of directors are *de facto* staggered across three consecutive years.

## Composition of the Board of Directors at 31 December 2016

12 directors appointed by the Annual General Meeting	François Bertière, Martin Bouygues, Olivier Bouygues, Clara Gaynard, Anne-Marie Idrac, Patrick Kron, Hervé Le Bouc, Helman le Pas de Sécheval, Colette Lewiner, Rose-Marie Van Lerberghe, SCDM (represented by Edward Bouygues), SCDM Participations (represented by Cyril Bouygues)
2 directors representing employee shareholders	Sandra Nombret, Michèle Vilain
2 directors representing employees	Francis Castagné, Raphaëlle Deflesselle

## Summary information about directors in office at 31 December 2016

For a full career résumé of each director, see section 5.1 above.

	Age	Board of Directors			Expertise	Accounts Committee	Selection and Remuneration Committee	Ethics, CSR and Patronage Committee
		Start of first term	End of current term	Years on Board				
<b>Executive Officers</b>								
<b>Martin Bouygues</b> Chairman and CEO		64	1982	2018	34			
<b>Olivier Bouygues</b> Deputy CEO		66	1997 <sup>a</sup>	2019	32			
<b>Directors representing the SCDM group</b>								
<b>Cyril Bouygues</b> (Standing representative of SCDM Participations)		30	2016	2019				
<b>Edward Bouygues</b> (Standing representative of SCDM)		32	2016	2019				
<b>Directors representing employee shareholders</b>								
<b>Sandra Nombret</b>		43	2010	2019	6			
<b>Michèle Vilain</b>		55	2010	2019	6			
<b>Directors representing employees</b>								
<b>Francis Castagné</b>		53	2016	2018				
<b>Raphaëlle Deflesselle</b>		44	2014	2018	2			
<b>Independent directors</b>								
<b>Clara Gaynard</b>		56	2016	2019				
<b>Anne-Marie Idrac</b>		65	2012	2018	4			
<b>Helman le Pas de Sécheval</b>		50	2008	2017	8			

Board of Directors						Accounts Committee	Selection and Remuneration Committee	Ethics, CSR and Patronage Committee
	Age	Start of first term	End of current term	Years on Board	Expertise			
Colette Lewiner		71	2010	2019	6			
Rose-Marie Van Lerberghe		69	2013	2019	3			
<b>Salaried directors from Bouygues business segments</b>								
François Bertière		66	2006	2018	10			
Hervé Le Bouc		64	2008	2017	8			
<b>Other directors</b>								
Patrick Kron		63	2006	2019	10			

(a) From 1984 to 1997, either in a personal capacity or as a standing representative.

 Chair  Member

**Expertise:**  Construction  Media  Telecoms  Transport  Human Resources  Banking & Finance  Law  Water  Energy  
 Industry  IT  Corporate Social Responsibility (CSR)  Health  International

## Changes in the composition of the Board of Directors in 2016

During 2016, the number of directors decreased from 17 to 16. The Board still includes two directors representing employees and two directors representing employee shareholders.

Date	Departure	Appointment	Reappointment
23/02/2016	Nonce Paolini		
21/04/2016	Jean-Paul Chifflet, Jean Peyrelevade, François-Henri Pinault, Olivier Bouygues (as standing representative of SCDM)	Olivier Bouygues (in a personal capacity), Clara Gaymard, SCDM Participations (represented by Cyril Bouygues)	Patrick Kron, Colette Lewiner, Rose-Marie Van Lerberghe, Sandra Nombret, Michèle Vilain, SCDM (represented by Edward Bouygues from 21/04/2016)
27/04/2016	Michel Bardou	Francis Castagné	

## Changes in the composition of the committees in 2016

### Accounts Committee

Date	Departure	Appointment
21/04/2016		Clara Gaymard

The Selection Committee and the Remuneration Committee were merged on 21 April 2016 into a single committee, the Selection and Remuneration Committee. This new committee is chaired by Colette Lewiner, who previously chaired the Remuneration Committee.

### Selection and Remuneration Committee

Date	Departure	Appointment
21/04/2016		Colette Lewiner (Chairwoman), Helman le Pas de Sécheval, Michel Bardou
12/05/2016	Michel Bardou	Francis Castagné

### 5.2.1.3 Independent directors

#### Assessing director independence

In accordance with the recommendations of the Afep-Medef Code, after seeking the opinion of the Selection and Remuneration Committee,

the Board of Directors at its meeting of 22 February 2017 reviewed each director's situation, and in particular those of Clara Gaymard, Anne-Marie Idrac, Helman le Pas de Sécheval, Colette Lewiner, and Rose-Marie Van Lerberghe, in light of each of the seven independence criteria defined by the Afep-Medef Code as listed below:

Criterion 1	Not being, or not having been during the past five years: (i) an employee or Executive Officer of the company; (ii) an employee, Executive Officer or director of an entity consolidated by the company; (iii) an employee, Executive Officer or director of the company's parent or of an entity consolidated by that parent.
Criterion 2	Not being an Executive Officer of an entity in which (i) the company directly or indirectly holds a directorship or (ii) an employee of the company is designated as a director or (iii) an Executive Officer of the company (current, or who has held such office within the past five years) holds a directorship.
Criterion 3	Not being (or not being directly or indirectly related to) a customer, supplier, investment banker or commercial banker that is material to the company or its group, or for which the company or its group represents a significant proportion of its business.
Criterion 4	Not being related by close family ties to a corporate officer.
Criterion 5	Not having been a statutory auditor of the company within the previous five years.
Criterion 6	Not having been a director of the company for more than 12 years.
Criterion 7	Not holding a significant percentage (more than 10%) of the company's share capital or voting rights.

#### Situation of directors who qualify as independent in light of the above criteria

	Criterion 1	Criterion 2	Criterion 3	Criterion 4	Criterion 5	Criterion 6	Criterion 7	Independence rating
Clara Gaymard	x	x	x	x	x	x	x	Independent
Anne-Marie Idrac	x	x	x	x	x	x	x	Independent
Helman le Pas de Sécheval	x	x	x	x	x	x	x	Independent
Colette Lewiner	<sup>a</sup>	x	x	x	x	x	x	Independent
Rose-Marie Van Lerberghe	x	x	x	x	x	x	x	Independent

(a) Colette Lewiner is also a director of Colas, a company 96.6% owned by Bouygues, which may create a conflict of interest during deliberations of the Bouygues Board of Directors. In accordance with the Afep-Medef Code application guidance issued in December 2016, the Board ensures that in such circumstances she refrains from taking part in deliberations and voting at Bouygues Board meetings. More generally, Colette Lewiner, like other directors, is required to comply with the principles and rules in the Conflicts of Interest Compliance Programme adopted by the Board in 2014, the main provisions of which are set out in section 5.2.1.10 below.

As regards criterion 3, the Board obtained assurance that none of the directors likely to qualify as independent was (or was directly or indirectly related to) a customer, supplier or banker that is material to Bouygues or a Bouygues group company. To this end, drawing on

the work of the Selection and Remuneration Committee, the Board made a case-by-case assessment of any business relationships that may exist between Bouygues group companies and companies in which a director has a post or directorship.

Taking account of the recommendations of the AMF and the High Committee for Corporate Governance, the Board adopted a multi-criteria approach when considering material business relationships, while favouring a qualitative analysis. To this end, the Board took account of all the following criteria:

<b>Qualitative criteria</b>	<ul style="list-style-type: none"> <li>■ The extent of the business relationship for each of the entities concerned (potential economic dependence between the parties, size of transactions, specific characteristics of certain markets, direct interest of the legal entity in the business relationship).</li> <li>■ The organisation of the relationship, including the position of the director concerned in the co-contracting company (length of directorship, whether the director has an operational role within the entity concerned, direct decision-making power over contracts, whether the director has a personal interest in the contracts or is entitled to remuneration linked to the contracts, etc.). In this respect, the Board referred to the definition contained in the Conflicts of Interest Compliance Programme approved by the Board in January 2014: "There is a conflict of interest when the personal interests of an employee, senior executive or executive officer of the Group are in conflict with or compete with the interests of the Group company they work for. The concept of personal interests should be understood in the broadest sense of the term. It may involve the person's direct interests (material or simply moral) as well as the interests of a closely associated person (someone in their immediate entourage or entity with whom/ which they have direct or indirect relationships)." Additional information about how the Bouygues group manages conflicts of interest is given in section 5.2.1.10 below.</li> </ul>
<b>Quantitative criteria</b>	<ul style="list-style-type: none"> <li>■ Sales generated by Bouygues group entities with entities of the group with which the director has a relationship, measured by comparing that sales figure with the total sales of the Bouygues group.</li> <li>■ The volume of purchases made by Bouygues group entities from entities of the group with which the director has a relationship, measured by comparing that volume with the total volume of purchases of the Bouygues group.</li> </ul>

Based on the above criteria, the Selection and Remuneration Committee reported to the Board as follows.

<b>Clara Gaymard</b>	<p>Clara Gaymard, co-founder of Raise, left the General Electric group in January 2016. She is a director of Veolia Environnement, LVMH, Danone and Sages (since 2016).</p> <p>The Selection and Remuneration Committee took account of the following factors:</p> <ul style="list-style-type: none"> <li>■ Business relationships exist between Bouygues group entities and entities of the <b>Veolia Environnement, LVMH and Danone</b> groups, but the sales and volume of purchases generated by those business relationships represent only a very small proportion of the business of the groups in question.</li> <li>■ There is no relationship of economic dependence, exclusivity or dominance in the sectors in which the groups in question have business relationships with the Bouygues group.</li> <li>■ Those business relationships arise in the normal course of business and in an ordinary competitive environment.</li> <li>■ Those business relationships do not involve Bouygues SA directly, but only certain subsidiaries or sub-subsidiaries.</li> <li>■ The Bouygues Board of Directors in no way interferes in those business relationships.</li> <li>■ Clara Gaymard has no operational role within the entities in question. She has no decision-making power over the selection of service providers or the awarding, implementation or management of the contracts involved in the business relationships.</li> <li>■ She receives no remuneration from and has no personal interest in the contracts in question.</li> <li>■ The directorships or positions that she holds at the entities in question are recent.</li> </ul>
<b>Anne-Marie Idrac</b>	<p>Anne-Marie Idrac chairs the supervisory board of the Toulouse-Blagnac Airport concession company (since 2015). She is a director of Saint-Gobain (since 2011) and of Total (since 2012). She is a Senior Advisor to Suez Environnement and to Sia Partners.</p> <p>The Selection and Remuneration Committee took account of the following factors:</p> <ul style="list-style-type: none"> <li>■ Business relationships exist between Bouygues group entities and entities of the <b>Saint-Gobain, Sia Partners, Suez Environnement and Total</b> groups, but the sales and volume of purchases generated by those business relationships represent only a very small proportion of the business of the groups in question.</li> <li>■ There is no relationship of economic dependence, exclusivity or dominance in the sectors in which the groups in question have business relationships with the Bouygues group.</li> <li>■ Those business relationships arise in the normal course of business and in an ordinary competitive environment.</li> <li>■ Those business relationships do not involve Bouygues SA directly, but only certain subsidiaries or sub-subsidiaries.</li> <li>■ The Bouygues Board of Directors in no way interferes in those business relationships.</li> <li>■ Anne-Marie Idrac has no operational role within the entities in question. She has no decision-making power over the selection of service providers or the awarding, implementation or management of the contracts involved in the business relationships.</li> <li>■ She receives no remuneration from and has no personal interest in the contracts in question.</li> <li>■ The directorships or positions that she holds at the entities in question are relatively recent.</li> </ul>

<b>Colette Lewiner</b>	<p>In addition to her directorships at Bouygues and Colas, Colette Lewiner is a director of Nexans (since 2004), Eurotunnel (since 2011), EDF (since 2014) and Ingenico (since 2015). She is also Advisor to the Chairman of Capgemini, a company where she has spent most of her career.</p> <p>The Selection and Remuneration Committee took account of the following factors:</p> <ul style="list-style-type: none"> <li>■ Business relationships exist between Bouygues group entities and entities of the <b>Capgemini</b> and <b>Nexans</b> groups, but the sales and volume of purchases generated by those business relationships represent only a very small proportion of the business of the groups in question.</li> <li>■ However, there are more material business relationships between Bouygues group entities and entities of the <b>EDF</b> group, due to a number of ongoing projects. In 2016, Bouygues Construction generated 2.2% of its sales with the EDF group (versus 2.6% in 2015). In January 2017, EDF awarded the contract for construction of the buildings housing two EPR-technology nuclear reactors at the Hinkley Point C plant in the UK to Bouygues Construction subsidiary Bouygues Travaux Publics, in a joint venture with British contractor Laing O'Rourke. The Bouygues Construction share in the deal amounts to over €1.7 billion. However, the Board takes the view that those business relationships do not impair the independence of Colette Lewiner, in light of the factors described below.</li> <li>■ There is no relationship of economic dependence, exclusivity or dominance in the sectors in which the groups in question have business relationships with the Bouygues group.</li> <li>■ The business relationships arise in the normal course of business and in an ordinary competitive environment.</li> <li>■ For the most part, those business relationships do not involve Bouygues SA directly, but only certain subsidiaries or sub-subsidiaries.</li> <li>■ The Bouygues Board of Directors in no way interferes in those business relationships.</li> <li>■ Colette Lewiner has no operational role within the entities in question. She has no decision-making power over the selection of service providers or the awarding, implementation or management of the contracts involved in the business relationships.</li> <li>■ She receives no remuneration from and has no personal interest in the contracts in question.</li> </ul>
<b>Helman le Pas de Sécheval</b>	<p>Helman le Pas de Sécheval is General Counsel of the <b>Veolia</b> group (since 2012). He is a member of the Board of the AMF (since 2015).</p> <p>The Selection and Remuneration Committee took account of the following factors:</p> <ul style="list-style-type: none"> <li>■ Business relationships exist between Bouygues group entities and entities of the <b>Veolia</b> group, but the sales and volume of purchases generated by those business relationships represent only a very small proportion of the business of the groups in question.</li> <li>■ There is no relationship of economic dependence, exclusivity or dominance in the sectors in which the Veolia group has business relationships with the Bouygues group.</li> <li>■ Those business relationships arise in the normal course of business and in an ordinary competitive environment.</li> <li>■ Those business relationships do not involve Bouygues SA directly, but only certain subsidiaries or sub-subsidiaries.</li> <li>■ The Bouygues Board of Directors in no way interferes in those business relationships.</li> <li>■ Helman le Pas de Sécheval has no operational role within the entities in question. He has no decision-making power over the selection of service providers or the awarding, implementation or management of the contracts involved in the business relationships.</li> <li>■ He receives no remuneration from and has no personal interest in the contracts in question.</li> </ul>
<b>Rose-Marie Van Lerberghe</b>	<p>Rose-Marie Van Lerberghe chairs the Board of Directors of Orchestre des Champs-Élysées (since 2015). She is also a director of Fondation Hôpital Saint-Joseph (since 2011), Klépierre (since 2012), CNP Assurances (since 2013) and Senior Advisor to BPI group.</p> <p>The Selection and Remuneration Committee took account of the following factors:</p> <ul style="list-style-type: none"> <li>■ Business relationships exist between Bouygues group entities and entities of the <b>CNP Assurances</b>, <b>BPI group</b>, and <b>Klépierre</b> groups, but the sales and volume of purchases generated by those business relationships represent only a very small proportion of the business of the groups in question.</li> <li>■ There is no relationship of economic dependence, exclusivity or dominance in the sectors in which the groups in question have business relationships with the Bouygues group.</li> <li>■ Those business relationships arise in the normal course of business and in an ordinary competitive environment.</li> <li>■ Those business relationships do not involve Bouygues SA directly, but only certain subsidiaries or sub-subsidiaries.</li> <li>■ The Bouygues Board of Directors in no way interferes in those business relationships.</li> <li>■ Rose-Marie Van Lerberghe has no operational role within the entities in question. She has no decision-making power over the selection of service providers or the awarding, implementation or management of the contracts involved in the business relationships.</li> <li>■ She receives no remuneration from and has no personal interest in the contracts in question.</li> <li>■ The directorships or positions that she holds at the entities in question are relatively recent.</li> </ul>

In light of the above, the Board takes the view that the business relationships described above are not, by reference to the aforementioned quantitative and qualitative criteria, of a material nature such as to create conflicts of interest or impair the independence of the five directors in question. In any event, if the Board were to examine a transaction involving any of the entities concerned, the director in question would refrain from taking part in the deliberations and voting on that matter, in accordance with the Rules of Procedure of the Board

of Directors and with the Conflicts of Interest Compliance Programme, the provisions of which are summarised in section 5.2.1.10 below.

### Proportion of independent directors

The Rules of Procedure of the Bouygues Board of Directors specify that at least one third of directors must be independent within the meaning of the Afep-Medef Code.

At 22 February 2017, the Board of Directors had 12 members (excluding directors representing employees or employee shareholders, as required by paragraph 8.3 of the Afep-Medef Code). Of those 12 directors, five were independent, a proportion of 41.7%.

According to paragraph 8.3 of the Afep-Medef Code, in widely held companies with no controlling shareholder one half of Board members must be independent directors. In companies with a controlling shareholder (within the meaning of Article L. 233-3 of the Commercial Code), at least one third of Board members must be independent directors. Directors representing employee shareholders and directors representing employees are not included when calculating the proportion of independent directors.

In response to a comment from the High Committee for Corporate Governance on this point, Martin Bouygues pointed out that the company is not "controlled" within the meaning of Article L. 233-3 of the Commercial Code, but nor is its capital "widely held". At 31 December 2016, long-term investors (SCDM and the employee share ownership funds) held 40.1% of the share capital and 54.8% of the voting rights. The Board also pays close attention to the quality of independent directors whose appointment is submitted for approval by the Annual General Meeting. Consequently, the Board of Directors takes the view that a 41.7% proportion of independent directors is appropriate to the capital structure of Bouygues and sufficient to prevent any conflicts of interest and ensure the proper governance of the company.

The Board is nonetheless committed to ensuring that the balance recommended by the Afep-Medef Code is maintained. The proportion of independent directors should therefore be higher following the Annual General Meeting of 27 April 2017. Thereafter, as current terms of office expire, the Board will continue to change its composition so as to respect the proportion of 50% of independent directors.

#### 5.2.1.4 Gender balance on the Board and committees

At 31 December 2016, without taking account of directors representing employees (as stipulated in Article L. 225-27 of the Commercial Code), but taking account of directors representing employee shareholders, six of the 14 directors on the Board were women, a proportion of 42.9%.

At 31 December 2016, eight of the 11 committee members were women, a proportion of 72.7%.

#### 5.2.1.5 Management bodies

The Board is required by law to elect one of its members (who must be a natural person) as Chairman, to organise and direct the work of the Board and ensure that the company's management bodies function properly. The Board entrusts executive power over the company either to the Chairman of the Board of Directors or to another natural person, not necessarily a director, who has the title of Chief Executive Officer.

In April 2002, the Board of Directors opted not to separate the functions of Chairman and Chief Executive Officer. The Board has consistently renewed that option, most recently in April 2015. Martin Bouygues fulfils a dual role as Chairman of the Board of Directors and Chief Executive Officer.

Given the limitations on the powers of the Chief Executive Officer (see section 5.2.1.6 below), the Board takes the view that combining the positions of Chairman and Chief Executive Officer promotes effective governance, particularly in view of the Bouygues group's organisational structure. Martin Bouygues is Chairman and Chief Executive Officer of

Bouygues, the Group's parent company. However, he does not have executive power over any of the Group's five business segments, which is vested in the executive directors of the major subsidiaries: Bouygues Construction, Bouygues Immobilier, Colas, TF1 and Bouygues Telecom. Consequently, Martin Bouygues does not combine operational responsibility for these subsidiaries with his other roles. While Bouygues and its Chairman sometimes play an important role in projects that are crucial for the Group, they do not take over the roles of the executive management of the Group's business segments.

Finally, Olivier Bouygues (who has been a Deputy Chief Executive Officer since 2002), and Philippe Marien and Olivier Roussat (appointed as Deputy Chief Executive Officers in August 2016) have the same powers as the Chief Executive Officer. Consequently, they can assist Martin Bouygues in the exercise of his executive power.

There is no senior independent director or Vice-Chairman.

#### 5.2.1.6 Restrictions on the powers of the Chief Executive Officer – Powers of the Board of Directors

The law and the company's articles of association give the Chief Executive Officer the broadest powers to act in the name of the company under all circumstances, within the limits of the corporate purpose and without prejudice to the powers expressly vested by law in general meetings of shareholders and the Board of Directors.

The powers and duties of the Board of Directors are laid down by law. In addition, the Rules of Procedure of the Board of Directors specify the following:

- the Board of Directors, with the assistance of an ad hoc committee if needed, determines the company's strategic priorities, and examines and makes decisions on transactions of real strategic importance;
- the strategic priorities, business plans and financing policy for the business segments and the Group are presented to the Board for approval;
- the Board must give its prior approval for any transaction regarded as being of major significance for the Group including investments in organic growth, external acquisitions, disposals, or internal restructuring, particularly where the transaction is outside the scope of the company's stated strategy;
- Board authorisation is required for major financing transactions through public offerings or private placements as well as for the principal guarantees and major commitments;
- the Board oversees the quality of the information supplied to shareholders and to the markets, in particular through the financial statements and in connection with major transactions.

In addition, Bouygues has over the last few years implemented a number of practices to promote good corporate governance and limit the powers of the Chairman and Chief Executive Officer, including:

- the existence (since 2002) of Rules of Procedure setting forth the rules governing the operation of the Board of Directors and the rules of conduct applying to directors;
- the existence of specialised committees tasked with preparing the work of the Board in the following areas: determining the remuneration of senior executives (since 1995); accounting and audit (since 1996); the selection of directors (since 1997); ethics and patronage (since 2001) and corporate social responsibility (since 2014);

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- the presence of a significant proportion of independent directors on the Board and on all the committees (see section 5.2.1.3);
- the presence of directors representing employee shareholders on the Board (since 1995) and on two committees (Accounts; Ethics, CSR and Patronage) (since 2013);
- the presence (since 2014) of directors representing employees on the Board and (since 2015) on both the Remuneration Committee (which in 2016 became the Selection and Remuneration Committee) and the Ethics, CSR and Patronage Committee;
- annual meetings (since 2014) of directors without executive directors or internal directors being present;
- the existence of a Code of Ethics (since 2006) and a Code of Conduct (since 2010) for directors;
- the existence (since 2014), at the initiative of the Ethics, CSR and Patronage Committee, of four Compliance Programmes, including one on conflicts of interest and another on financial information and securities trading.

### 5.2.1.7 Rules of Procedure

At its meeting in September 2002, the Board adopted Rules of Procedure to clarify the conditions under which its work is prepared and organised. The Rules of Procedure are reviewed regularly and have been amended on numerous occasions to comply with changes in laws and regulations, and to reflect recommendations issued by the AMF and changes to the Afep-Medef Code and to Bouygues' own internal control principles. The main rules contained in the Rules of Procedure are summarised in the present report. The full text can be downloaded from the company's website [www.bouygues.com](http://www.bouygues.com) under Group, Corporate governance, Board of Directors.

### 5.2.1.8 Operation of the Board of Directors

#### Calling of meetings, quorum and majority rules

Under the articles of association, the Board of Directors meets as often as necessary in the interests of the company. Meetings are called by the Chairman and may take place at the registered office or any other venue and may be convened in any way, including orally; they are only quorate when at least half of the Board members are in attendance. Decisions are taken by a majority of the directors present or represented. In the event of a tie, the Chairman of the meeting has the casting vote.

The Rules of Procedure stipulate that directors who take part in Board meetings by videoconference or other telecommunications systems are deemed present for the calculation of quorum and majority, provided that those systems have the technical capability to allow the directors to be identified and to participate effectively in the meeting. As required by law, this provision does not apply to decisions on the preparation of the full-year parent company and consolidated financial statements or the management report.

#### Board meetings

The Board of Directors meets in ordinary session at least five times a year:

- In January, the Board reviews the Group's estimated sales and earnings for the previous financial year, and the strategic priorities, business plans and the financing policy for the business segments and the Group that are presented to it for approval.

- In February, it closes off the financial statements for the previous financial year.
- In May, it closes off the first-quarter financial statements.
- In August, it closes off the first-half financial statements.
- In November, it closes off the nine-month financial statements.

Other Board meetings are held as the Group's business requires.

As indicated in section 5.2.1.6, immediately after the January Board meeting a separate session is held at which no Executive Officers are present.

The agenda for meetings held to close the financial statements is in three parts: business review, accounting issues, and legal issues. A detailed file on each part is provided to each director.

The statutory auditors are invited to attend all meetings at which the Board reviews interim or full-year financial statements.

People who are not Board members, whether Bouygues group employees or not, may be invited to attend all or part of Board meetings.

#### Information provided to the Board of Directors

The Chairman or Chief Executive Officer must provide each director with all the documents and information needed to perform their duties, including:

- information about market trends, the competitive environment and the main challenges facing the company, including corporate social responsibility issues;
- the information needed to monitor the progress of business activities and in particular sales figures and order books;
- the financial position, and in particular the company's cash position and commitments;
- any event that materially affects the Group's consolidated financial results or that may do so;
- material events in the human resources area and in particular trends in headcount;
- major risks to the company, any change therein, and the steps taken to control them.

Once each quarter, senior management reports to the Board of Directors on the previous quarter's operations and consolidated results.

Directors may obtain additional information on request; the Chairman and Chief Executive Officer and the Deputy Chief Executive Officers, along with the Chief Financial Officer and General Counsel, must always be at the Board's disposal to provide explanations and relevant information.

Directors may also meet with the company's senior executives, and may do so without the Executive Officers present provided that the latter have been informed beforehand.

Committees tasked by the Board of Directors with addressing specific issues shall help to keep the Board well informed through their work and reports (see section 5.2.1.9).

Directors must always receive any document that the company and its subsidiaries have issued publicly, particularly information for shareholders.

Directors may request additional training relating to the company, its business segments and the sectors in which it operates. As required by

law, the two directors representing employees receive at least 20 hours a year of specific training appropriate to the exercise of their duties.

A secure digital platform, intended to make it easier for directors to access relevant documents and information, will be made available in 2017.

## Work of the Board of Directors in 2016

The Board of Directors met nine times in 2016. The attendance rate was 95%.

The table below shows the main issues that featured on the agenda of each meeting.

<b>19 January</b>	<ul style="list-style-type: none"> <li>■ Three-year strategic priorities and business plans for the Group and its business segments.</li> <li>■ Mapping of the Group's major risks.</li> <li>■ Conditions of the Alstom share buyback offer.</li> <li>■ Consultation of the Works Council on strategic orientations.</li> <li>■ Report of the Ethics, CSR and Patronage Committee.</li> <li>■ Review of the principal claims and litigation involving the Group.</li> <li>■ Review of ongoing regulated agreements.</li> <li>■ Meeting of non-executive directors without the executive directors or internal directors present, in particular to carry out an assessment of the Executive Officers and consider future management arrangements.</li> </ul>
<b>23 February</b>	<ul style="list-style-type: none"> <li>■ Examination of the proposed deal between Bouygues Telecom and Orange.</li> <li>■ 2015 business activity, outlook and objectives of the Group and business segments for 2016.</li> <li>■ Alstom's operations and results for the third quarter of its 2015/16 financial year.</li> <li>■ Position of the Group's business segments compared with their main competitors.</li> <li>■ Report of the Accounts Committee.</li> <li>■ Opinion of the statutory auditors.</li> <li>■ Closing off the consolidated and parent company financial statements for the 2015 financial year, accounting documents and forecasts, proposed appropriation of profits, and management report.</li> <li>■ Remuneration Committee report on the variable remuneration of the two Executive Officers and the four business segment heads, remuneration and stock options awarded for the 2015 financial year.</li> <li>■ Report on the remuneration of corporate officers, special report on stock options.</li> <li>■ Description of the share buyback programme.</li> <li>■ Approval of the Report by the Chairman on corporate governance and internal control.</li> <li>■ Report of the Selection Committee.</li> <li>■ Proposal to appoint Clara Gaynard, Olivier Bouygues and SCDM Participations (represented by Cyril Bouygues) as directors.</li> <li>■ Proposal to renew the terms of office of Patrick Kron, SCDM (represented by Edward Bouygues), Colette Lewiner, Rose-Marie Van Lerberghe, Sandra Nombret and Michèle Vilain as directors.</li> <li>■ Proposal to merge the Selection Committee and Remuneration Committee into a single committee after the end of the Annual General Meeting on 21 April 2016; determination of the composition of the new committee.</li> <li>■ Proposal to renew the term of office of Mazars as statutory auditor and Philippe Castagnac as alternate auditor.</li> <li>■ Remuneration Committee report, finalisation of variable remuneration of senior executives for the 2015 financial year and establishment of rules for determining the remuneration of senior executives for the 2016 financial year.</li> <li>■ Convening of the Annual General Meeting; finalisation of the agenda, the draft resolutions and the report on those resolutions.</li> <li>■ Delegation of financial authority to Martin Bouygues and Olivier Bouygues in relation to corporate bonds.</li> <li>■ List of companies that fall within the scope of the group tax election.</li> <li>■ Approval of regulated agreements.</li> <li>■ Press release.</li> </ul>
<b>30 March</b>	<ul style="list-style-type: none"> <li>■ Examination of the proposed deal between Bouygues Telecom and Orange.</li> </ul>
<b>31 March</b>	<ul style="list-style-type: none"> <li>■ Examination of the proposed deal between Bouygues Telecom and Orange.</li> </ul>
<b>1 April</b>	<ul style="list-style-type: none"> <li>■ Decision to end discussions with Orange.</li> </ul>
<b>21 April</b>	<ul style="list-style-type: none"> <li>■ Responses to written questions submitted by shareholders in advance of the Annual General Meeting.</li> </ul>
<b>12 May</b>	<ul style="list-style-type: none"> <li>■ Business activity and financial statements for the first quarter of 2016.</li> <li>■ Alstom group: results for the 2015/16 financial year, and outlook.</li> <li>■ Comparisons between the Bouygues group and its competitors.</li> <li>■ Action plans, outlook and objectives for the Group and its business segments.</li> <li>■ Report of the Accounts Committee and opinion of the statutory auditors.</li> <li>■ Closing off the first-quarter financial statements.</li> <li>■ Stock option plan.</li> <li>■ Update of the Accounts Committee Rules of Procedure.</li> <li>■ Impact on defined-benefit pension schemes of the Macron law.</li> <li>■ Status report on training for directors representing employee shareholders and directors representing employees.</li> <li>■ Press release.</li> </ul>

(Continued on p. 184).

<b>30 August</b>	<ul style="list-style-type: none"> <li>■ Appointment of Olivier Roussat and Philippe Marien as Deputy Chief Executive Officers, determination of the terms of their remuneration for the 2016 financial year.</li> <li>■ Key figures and business activity for the first half of 2016.</li> <li>■ Comparison between the Group and its competitors, outlook and objectives for 2016.</li> <li>■ Report of the Accounts Committee and opinion of the statutory auditors.</li> <li>■ Closing off the first-half financial statements and approval of the Half-year Financial Report.</li> <li>■ Report of the Selection and Remuneration Committee.</li> <li>■ Renewal of the authority granted to the Chairman and Chief Executive Officer to give guarantees, endorsements and sureties.</li> <li>■ Press release.</li> </ul>
<b>15 November</b>	<ul style="list-style-type: none"> <li>■ Business activity and financial statements for the first nine months of 2016, sales objectives for the 2016 financial year.</li> <li>■ Renewal of the term of office of Olivier Bouygues as Deputy Chief Executive Officer.</li> <li>■ Decision on the remuneration of Olivier Roussat and on the terms of the defined-benefit pension entitlement of Olivier Roussat and Philippe Marien, Deputy Chief Executive Officers.</li> <li>■ Terms and conditions of capital increase reserved for employees and adoption of supplementary report.</li> <li>■ Evaluation of the Board.</li> <li>■ Gender parity in terms of career development and pay.</li> <li>■ Approval of regulated agreements.</li> <li>■ Press release.</li> </ul>

### 5.2.1.9 Board committees

The committees of the Board of Directors examine issues submitted to them for an opinion by the Board or its Chairman as well as matters assigned to them by the Rules of Procedure or by law. The Bouygues group has three Board committees: the Accounts Committee, the Selection and Remuneration Committee, and the Ethics, CSR and Patronage Committee.

Annexes to the Rules of Procedure, the content of which is indicated below, define the composition, remit and rules for the operation of the three committees. Executive Officers and salaried directors of Bouygues (other than directors representing employees or directors representing employee shareholders) cannot sit on the committees. The committees are chaired by independent directors.

The Board determines the composition and remit of each of the committees, which carry out their activities under the Board's responsibility. The Board appoints the committee members from among the directors.

#### Accounts Committee

The Accounts Committee was formed in 1996.

#### COMPOSITION: 100% INDEPENDENT DIRECTORS

The members of the Accounts Committee are Helman le Pas de Sécheval (Chairman), Clara Gaymard, Anne-Marie Idrac and Michèle Vilain. Helman le Pas de Sécheval, Clara Gaymard and Anne-Marie Idrac are independent directors; Michèle Vilain is a director representing employee shareholders. Consequently, the proportion of independent directors is 100%<sup>(a)</sup>. Three members of the Accounts Committee have extensive financial skills and experience.

 <b>CHAIRMAN</b>	<p>Helman le Pas de Sécheval</p>	<p>Helman le Pas de Sécheval has been head of the Financial Operations and Information department of the Commission des Opérations de Bourse (COB, now the AMF), and Chief Financial Officer of the Groupama group; he is currently on the Board of the AMF.</p>
 <b>MEMBERS</b>	<p>Clara Gaymard</p>	<p>Clara Gaymard has been an auditor at the Cour des Comptes state audit office and has held executive functions in the General Electric group.</p>
	<p>Anne-Marie Idrac</p>	<p>Anne-Marie Idrac has been director general at the Public Development Agency (EPA) of Cergy-Pontoise, Chair and CEO of the RATP (Paris public transport authority), and Chair of the SNCF (French state railways).</p>
	<p>Michèle Vilain</p>	<p>Michèle Vilain represents employee shareholders.</p>

(a) In calculating the percentage of independent directors on Board committees, directors representing employees or employee shareholders are not taken into account (Article 8.3 of the Afep-Medef Code).

**REMIT**

The Accounts Committee, acting under the responsibility of the Board of Directors, is responsible for overseeing (i) matters related to the preparation and control of accounting and financial information, (ii) internal control and risk management systems, and (iii) matters related to the statutory auditors. In particular, the Committee is responsible for:

Remit	Detailed description
<b>Oversight of the process for preparing financial information</b>	<ul style="list-style-type: none"> <li>■ Reviewing the parent company and consolidated financial statements before they are presented to the Board.</li> <li>■ Obtaining assurance that the accounting policies used in drawing up those financial statements are relevant and consistent.</li> <li>■ Reviewing any changes that have a material impact on the financial statements.</li> <li>■ Reviewing the principal optional treatments applied at the accounting close, key estimates and judgments, and the main changes in the scope of consolidation.</li> </ul>
<b>Oversight of the effectiveness of internal control and risk management systems, and of internal audit, as regards procedures for preparing and processing accounting and financial information</b>	<ul style="list-style-type: none"> <li>■ Reviewing internal control procedures relating to the preparation of the financial statements, in conjunction with internal departments and qualified advisors.</li> <li>■ Reviewing the key accounting and financial risks faced by the company, any changes in those risks, and the arrangements put in place to manage them.</li> <li>■ Performing an annual review of the key risks faced by the company, any changes in those risks, and the arrangements put in place to manage them.</li> <li>■ Reviewing key information systems risks.</li> <li>■ Performing an annual review of the company's internal control assessment.</li> <li>■ Reviewing summaries of internal audit reports and action taken in light of recommendations.</li> </ul>
<b>Oversight of matters related to the statutory auditors</b>	<ul style="list-style-type: none"> <li>■ Organising the selection procedure as specified in the relevant laws and regulations with a view to the appointment of the statutory auditors by the Annual General Meeting.</li> <li>■ Making recommendations on the statutory auditors proposed for appointment at Annual General Meetings.</li> <li>■ Overseeing execution by the statutory auditors of their engagement.</li> <li>■ Obtaining assurance that the statutory auditors are in compliance with the independence criteria specified in the applicable laws and regulations, in particular examining the allocation of fees paid by the company itself and by Group companies between each statutory auditor (including members of their networks), including fees paid for services other than the statutory audit of the financial statements.</li> <li>■ Approving the provision of any services other than statutory audit that may be provided by the statutory auditors or by members of their networks, having first analysed the risks posed to the independence of the statutory auditors and the protective measures applied by them.</li> <li>■ Reporting to the Board of Directors on the outcomes of the statutory audit engagement, the way in which that engagement contributed to the integrity of financial information, and the role played by the Accounts Committee in that process.</li> </ul>
<b>Specific tasks</b>	<ul style="list-style-type: none"> <li>■ In addition to these general and regular reviews, the Committee may also select specific topics for in-depth review, such as the consequences of disposals or acquisitions. It reviews the accounting treatment of key risks to which Group companies are exposed, in particular country risk, or (for example) risks involved in the execution of certain projects at Bouygues Construction. The Committee pays particular attention to changes in accounting policy and to optional treatments applied at the accounting close.</li> </ul>
<b>Reporting to the Board of Directors</b>	<ul style="list-style-type: none"> <li>■ The Committee issues reports and recommendations on the matters described above, both periodically at accounting closes and whenever warranted by a specific event.</li> </ul>

The Accounts Committee reviews the section on internal control and risk management included in the draft Report by the Chairman, and communicates any observations it may have on that draft.

**OPERATION**

At the time of their appointment, Accounts Committee members are provided with information concerning the company's specific accounting, financial and operational characteristics.

Committee meetings are valid only if two or more of its members, including its Chairman, are in attendance. Meetings are called by the Chairman of the Committee, or at the request of the Chairman of the Board of Directors. The Committee meets at least four times each year to examine the quarterly, first-half and full-year financial statements before they are submitted to the Board. The Committee Chairman draws up the agenda. The opinions issued by the Committee are approved by a simple majority of its members. In the event of a tie, the Committee Chairman has the casting vote.

In carrying out its duties, the Committee has access to all accounting and financial documents that it deems useful. It must also meet with the statutory auditors and with senior executives of the company responsible for finance, accounting, cash management and internal

audit. If the Committee so requests, such meetings must be held without the company's senior management being present.

The Committee may also have recourse to external experts, as provided for in the Afep-Medef Code.

The statutory auditors present to the Accounts Committee a summary of their work and of optional accounting treatments used at the accounting close.

The Committee meets with the statutory auditors at least once a year with no company representative present to ensure that they were given full access to information and that they have all the resources they need to fulfil their duties.

During the examination of the financial statements, the statutory auditors submit to the Accounts Committee a memorandum pointing out the essential aspects of the scope of consolidation, the findings of the statutory audit (in particular, any audit adjustments and significant internal control weaknesses identified during their work), and the optional accounting treatments applied. The Chief Financial Officer provides the Committee with a memorandum describing the company's risk exposure and material off-balance sheet commitments.

The statutory auditors' main recommendations are incorporated in an action plan and a follow-up procedure that are presented to the Accounts Committee and to senior management at least once a year.

The Accounts Committee's discussions and the information provided to it are highly confidential and must not be disclosed outside the Board of Directors, subject to the financial reporting obligations incumbent upon listed companies.

The Accounts Committee reports on its work at the next subsequent Board meeting, indicating the specific actions it has taken, its conclusions, and any recommendations it may have. It informs the Board promptly of any difficulty encountered in performing its duties.

#### WORK OF THE ACCOUNTS COMMITTEE IN 2016

The Accounts Committee met five times in 2016. The attendance rate was 89%.

The Accounts Committee reviewed the quarterly, first-half and full-year parent company and consolidated financial statements and the corresponding draft press releases, as well as the "Internal control and risk management procedures" section of the draft Report by the Chairman. Other issues reviewed by the Committee included:

- accounting standards and policies applied by the Group;
- oversight of the statutory audit of the financial statements by the statutory auditors;
- oversight of the statutory auditors' fees;
- proposal to update the Accounts Committee Rules of Procedure to provide additional clarification and detail about the Committee's role in the selection of statutory auditors and the approval of services provided by the statutory auditors other than statutory audit;
- the internal control system of each business segment;
- mapping of the Group's major risks;
- results of the internal control self-assessment, amendments to the Internal Control Reference Manual and key internal control action plans;
- internal audit plan, summary of internal audit work;
- fraud reporting;
- status report on cyber-security within the Group;
- presentation of major claims and litigation involving the Group;
- changes in the amount of accounting provisions;
- impairment testing of Bouygues' equity interests in Alstom, TF1, Bouygues Telecom and Colas;
- impacts of the Alstom share buyback offer, and of the divestment by Alstom of its Energy business;
- Bouygues Construction: monitoring of major projects and the situation at Bouygues UK;
- Colas: closure of the Dunkirk refinery (SRD), monitoring of major projects, claims and litigation in Canada, divestment of subsidiaries in Asia, impacts of acquisitions of companies in the Middle East, divestment of equity interest in the company holding the concession for the A63 motorway in France;
- TF1: consequences of the freeview switchover of the LCI news channel, accounting treatment of the acquisition of Newen, and accounting treatment of French drama productions;
- Bouygues Telecom: impact of claims and litigation and of the ongoing network sharing agreement with SFR, tax audit.

In the course of its duties, the Accounts Committee interviewed the Group's Chief Financial Officer (in particular on material risks and off-balance sheet commitments of the company), the Accounts and Audit Director, the chief internal auditor and the statutory auditors, without the Executive Officers being present.

In accordance with paragraph 15.3 of the Afep-Medef Code, the company ensures that Committee members are supplied with the relevant files sufficiently far in advance (between one-and-a-half and four days ahead of each Committee meeting) for them to have time to examine those files properly before the Committee meeting.

#### Selection and Remuneration Committee

The Selection and Remuneration Committee was formed on 21 April 2016 by merging the Selection Committee (set up in 1997) and the Remuneration Committee (set up in 1995).

#### COMPOSITION: 100% INDEPENDENT DIRECTORS

At 31 December 2016, the members of the Selection and Remuneration Committee were Colette Lewiner (Chairwoman), Francis Castagné and Helman le Pas de Sécheval. Francis Castagné is a director representing employees. Consequently, the proportion of independent directors is 100%<sup>(a)</sup>.

(a) In calculating the percentage of independent directors on Board committees, directors representing employees or employee shareholders are not taken into account (Article 8.3 of the Afep-Medef Code).

**REMIT**

In accordance with the recommendations of the Afep-Medef Code, the remit of the Selection and Remuneration Committee is as described below:

Remit	Detailed description
<b>Composition of the Board of Directors</b>	<ul style="list-style-type: none"> <li>■ Drawing up a succession plan for Executive Officers.</li> <li>■ Periodically reviewing issues related to the composition, organisation and operation of the Board of Directors in order to make proposals to the Board.</li> <li>■ Reviewing candidates for directorships and non-voting directorships, taking care to ensure that at least one third of Board members are independent directors. The Committee pays particular attention to the mix of skills, experience and knowledge of the Group's businesses that each candidate will need in order to make an effective contribution to the Board's work.</li> <li>■ Reviewing proposals to set up Board committees, and proposed lists of their remits and members.</li> <li>■ Giving an opinion on proposals presented to the Board to appoint, reappoint or remove from office a director or an Executive Officer.</li> </ul>
<b>Remuneration</b>	<ul style="list-style-type: none"> <li>■ Submitting proposals annually to the Board of Directors regarding the principles and criteria for determining, allocating and awarding the fixed, variable and exceptional components of the total remuneration and benefits of all kinds to be awarded to Executive Officers, and to this end:               <ul style="list-style-type: none"> <li>■ proposing rules used to set the variable portion of the remuneration of Executive Officers, and ensuring that such rules are consistent with the assessment of their performance and with the company's medium-term strategy;</li> <li>■ proposing performance conditions for the vesting of Executive Officers' annual defined-benefit pension rights;</li> <li>■ issuing a recommendation annually on the remuneration and benefits of all kinds paid or awarded to each Executive Officer for the most recently ended financial year;</li> <li>■ proposing a general policy for awarding stock options, it being stipulated that (i) no discount may be offered on options awarded to Group senior executives and in particular to Executive Officers of the company and (ii) awards must be proportionate to the merits of each executive and fairly allocated between the beneficiaries;</li> <li>■ examining stock option plans awarded to Executive Officers and employees, and making recommendations to the Board on whether the option plans should involve new or existing shares;</li> <li>■ proposing remuneration and incentive arrangements for the Group's senior executives;</li> <li>■ where stock options or performance shares are awarded to an Executive Officer, making proposals on the number of shares resulting from the exercise of stock options or performance share grants that the beneficiary will be required to retain until the end of his or her term of office and proposing performance conditions for the granting and exercise of options or for the granting of performance shares;</li> <li>■ submitting each year to the Board of Directors drafts of the reports on remuneration of corporate officers, and on stock options and performance shares;</li> </ul> </li> <li>■ Issuing a recommendation on the overall amount of directors' fees and the arrangements for allocating those fees between the directors.</li> </ul>

**OPERATION**

Committee meetings are called by the Chairman of the Committee, or at the request of the Chairman of the Board of Directors. Committee meetings are valid only if two or more of its members, including its Chairman, are in attendance. The Committee Chairman draws up the agenda.

The opinions issued by the Committee are approved by a simple majority of its members. In the event of a tie, the Chairman has the casting vote.

In the course of its work, the Committee may meet with the Chairman of the Board of Directors or any other person designated by the Chairman.

The Committee reports on its work at the next subsequent meeting of the Board of Directors. No Executive Officer may be present when the report on the work of the Committee is presented to the Board of Directors.

**WORK OF THE SELECTION AND REMUNERATION COMMITTEE IN 2016**

The Selection Committee met once in February 2016, before it was merged with the Remuneration Committee. The attendance rate was 67%. The meeting reviewed the composition of the Board, and its gender balance. It proposed that the Annual General Meeting be

asked to approve the renewal of the terms of office of SCDM, Patrick Kron, Colette Lewiner and Rose-Marie Van Lerberghe as directors, and the appointment of Olivier Bouygues, Clara Gaymard and SCDM Participations as directors. The Committee issued a favourable opinion on the proposals by SCDM and SCDM Participations to designate Edward Bouygues and Cyril Bouygues, respectively, as their future standing representatives. It proposed merging the Selection Committee and the Remuneration Committee into a single committee, and formulated a proposal regarding the composition of the Board committees subsequent to the Annual General Meeting of 21 April 2016. The Committee issued a positive opinion on the independent director status of Clara Gaymard, Anne-Marie Idrac, Helman le Pas de Sécheval, Colette Lewiner and Rose-Marie Van Lerberghe. It reviewed the "Corporate governance" section of the draft Report by the Chairman to be presented at the Combined Annual General Meeting of 21 April 2016.

The Remuneration Committee met twice (in February and March 2016) before it was merged with the Selection Committee. The attendance rate was 88%. The Committee examined the calculation of the variable remuneration of the two Executive Officers of Bouygues and of the business segment heads. It was also informed of the Group's salary policy. The Committee examined the impact that the Macron law would have on the defined-benefit pension schemes of senior executives, and on performance share plans; in the latter case, it concluded that the

potential benefits of performance share plans were not sufficient for Bouygues to abandon its policy of using stock option plans. It proposed deferring the start date of the 2016 stock option plan because of the discussions with Orange and their potential impact on the Bouygues share price. The Committee also examined and submitted to the Board reports on the remuneration of corporate officers and on the granting and exercise of stock options during the 2015 financial year. It also submitted proposals with a view to establishing the remuneration payable to corporate officers in respect of the 2016 financial year.

The merged Selection and Remuneration Committee met twice in 2016, with a 100% attendance rate. In May 2016, the Committee formulated a proposal about the performance conditions applicable to the defined-benefit pension scheme to which members of the Group

Management Committee are entitled. In August 2016, as part of its remit to maintain ongoing discussions on the succession plans for the Group's Executive Officers, the Committee was asked by the Chairman and Chief Executive Officer to give an opinion on his proposal to appoint two Deputy Chief Executive Officers, Olivier Roussat and Philippe Marien, and on the terms on which they would fulfil their duties. At its meeting of 29 August, the Committee unanimously delivered a favourable opinion, and also formulated proposals about the calculation of their remuneration in respect of the 2016 financial year. In November 2016, it proposed to renew the term of office of Olivier Bouygues as Deputy Chief Executive Officer. It formulated proposals about the remuneration and the performance conditions relating to the defined-benefit pension schemes to which the new Deputy Chief Executive Officers are entitled.

## Ethics, CSR and Patronage Committee

### COMPOSITION: 100% INDEPENDENT DIRECTORS

At 31 December 2016, the members of the Ethics, CSR and Patronage Committee were Anne-Marie Idrac (Chairwoman), Raphaëlle Deflesselle,

Sandra Nombret and Rose-Marie Van Lerberghe. Anne-Marie Idrac and Rose-Marie Van Lerberghe are independent directors; Raphaëlle Deflesselle is a director representing employees; and Sandra Nombret is a director representing employee shareholders. Consequently, the proportion of independent directors is 100%<sup>a</sup>.

### REMIT

The remit of the Ethics, CSR and Patronage Committee, formed in March 2001, is as follows:

Remit	Detailed description
Ethics	<ul style="list-style-type: none"> <li>■ Helping define rules of conduct and guiding principles to be followed by senior executives and other employees.</li> <li>■ Issuing recommendations or opinions on initiatives aimed at promoting best practice in this area.</li> <li>■ Monitoring compliance with these values and rules of conduct.</li> </ul>
CSR	<ul style="list-style-type: none"> <li>■ Examining at least once a year issues encountered by the Group in terms of environmental, corporate and social responsibility.</li> <li>■ Giving its opinion to the Board on the CSR report required pursuant to Article L. 225-102-1 of the Commercial Code.</li> </ul>
Patronage	<ul style="list-style-type: none"> <li>■ Setting rules or making recommendations for Bouygues.</li> <li>■ Giving its opinion to the Chairman of the Board on patronage projects proposed by Bouygues when they represent a significant financial investment.</li> <li>■ Ensuring that its recommendations are implemented and that these projects are properly carried out.</li> </ul>

### OPERATION

Committee meetings are called by the Chairman of the Committee, or at the request of the Board of Directors. In the course of its work, the Committee may meet with the Chairman of the Board of Directors or any other person designated by him. The Committee reports on its work at the next subsequent meeting of the Board of Directors.

### WORK OF THE ETHICS, CSR AND PATRONAGE COMMITTEE IN 2016

The Committee met three times in 2016. The attendance rate was 100%.

Patronage: after reviewing numerous projects submitted to Bouygues, the Committee gave a favourable opinion on the commencement or continuation of 24 patronage initiatives. The main patronage initiatives are described in chapter 3 of this Registration Document. The patronage policy of Bouygues SA is mainly oriented towards education, health and humanitarian issues. In all, Group entities donate over €50 million a year in patronage and sponsorship, including €30 million to €35 million in free advertising space donated by TF1 to charitable organisations.

Ethics: the Committee familiarised itself with ongoing legal proceedings, and with the arrangements in place to prevent and detect anti-competitive or unethical business practices. The Committee also monitored initiatives taken within the business segments to implement the four compliance programmes introduced in 2014 in order to formalise and promote the prevention of non-compliant practices in the areas of competition, corruption (see chapter 3, section 3.4.4.1), financial information and securities trading, and conflicts of interest (see section 5.3 below). It obtained assurance as to the progress that had been made.

CSR: the Committee was informed of the strategies and initiatives implemented by the Group.

#### 5.2.1.10 Ethical conduct

The directors of Bouygues are required to comply with all the rules of conduct listed in paragraph 19 of the Afep-Medef Code, and with the Code of Conduct appended to the Rules of Procedure of the Board of Directors. These documents are available on the Bouygues website.

(a) In calculating the percentage of independent directors on Board committees, directors representing employees or employee shareholders are not taken into account (Article 8.3 of the Afep-Medef Code).

The Code of Conduct includes detailed requirements regarding directors' duty to be informed, regular attendance, limitations on multiple directorships, preventing and managing conflicts of interest, holding shares in the company, confidentiality, and detailed measures for the prevention of insider dealing.

The Compliance Programmes approved in January 2014 by the Board of Directors include rules relating to ethical conduct in securities trading and the prevention of conflicts of interest.

### Rules related to regular attendance and multiple directorships

The Code of Conduct states that directors must devote the necessary time and attention to their functions. They must attend and participate regularly in the meetings of the Board and of any committees of which they are a member. Directors' fees include a variable component of 70% related to regular attendance (see section 5.4.1.3).

In 2016, the attendance rate at Board and Committee meetings was:

	Board of Directors	Accounts Committee	Selection and Remuneration Committee	Ethics, CSR and Patronage Committee
Martin Bouygues	9/9 (100%)			
Olivier Bouygues	9/9 (100%)			
Cyril Bouygues	3/3 (100%)			
Edward Bouygues	3/3 (100%)			
François Bertière	9/9 (100%)			
Francis Castagné	3/3 (100%)		2/2 (100%)	
Raphaëlle Deflesselle	9/9 (100%)			3/3 (100%)
Clara Gaymard	3/3 (100%)	3/3 (100%)		
Anne-Marie Idrac	8/9 (89%)	3/5 (60%)		3/3 (100%)
Patrick Kron	9/9 (100%)			
Hervé Le Bouc	8/9 (89%)			
Helman le Pas de Sécheval	8/9 (89%)	5/5 (100%)	4/4 (100%) <sup>a</sup>	
Colette Lewiner	8/9 (89%)		4/4 (100%) <sup>a</sup>	
Sandra Nombret	9/9 (100%)			3/3 (100%)
Rose-Marie Van Lerberghe	9/9 (100%)			3/3 (100%)
Michèle Vilain	9/9 (100%)	5/5 (100%)		

(a) Includes meetings of the old Remuneration Committee.

### Rules on preventing and managing conflicts of interest

The Code of Conduct for directors sets forth specific measures on conflicts of interest. These measures are supplemented by a compliance programme on conflicts of interest, adopted by the Board of Directors on 21 January 2014. The aim of this programme is to cover situations in which a Bouygues group employee or senior executive faces a conflict of interest in connection with his or her professional activity or office.

The provisions of the Conflicts of Interest Compliance Programme relating to directors and Executive Officers are as follows:

*"Directors and executive officers of all Group companies are required to pay special care and attention to conflicts of interest."*

*"7.1. Specific regulations (called "regulated agreements") deal with conflict of interest issues that may arise between the company and*

*all directors are required to comply with the instructions set out in the Commercial Code governing multiple directorships in Sociétés Anonymes (public limited companies), as well as the recommendations of the Afep-Medef Code according to which:*

- Executive Officers must not hold more than two other directorships in listed companies outside their group, including foreign companies, and must seek the opinion of the Board before accepting a new directorship in a listed company;
- directors must not hold more than four other directorships in listed companies outside their group, including foreign companies. This recommendation applies at the time of their appointment or of the next renewal of their term of office;
- directors must inform the Board of directorships held in other companies, including their involvement in the board committees of those companies, whether French or foreign.

As far as the Board of Directors is aware, all of the directors are in compliance with all these rules.

*its senior executives — Chief Executive Officer, Deputy CEOs, directors, chairman of a simplified limited company (Société par Actions Simplifiée - SAS), etc. — as a result of (i) agreements between them and the company; (ii) agreements in which the senior executives may indirectly have an interest, or (iii) agreements between two companies with common senior executives."*

*"These rules must be strictly applied within the Group. Legal departments should make sure that the regulations on regulated agreements and the Bouygues group Internal Charter on Regulated Agreements are strictly observed."*

*"7.2. Directors and executive officers should inform their board of directors of any conflict of interest situation, even potential, between their duties to the company and their private interests. The chairman of a board may, at any time, ask the directors and non-voting directors to provide a written statement confirming that they are not in a conflict of interest situation."*

*"7.3. Directors must not take part in the vote on any issue that concerns them directly or indirectly. In some cases, this obligation to refrain from taking part in the vote may even require the relevant person not to attend the meetings and not to have sight of the documents about the issue in question."*

*"7.4. Directors and executive officers must not engage in an activity that would place them in a conflict of interest situation nor must they hold interests in a client, supplier or rival company if such an investment could influence their behaviour in the performance of their duties."*

The same provisions are set out in the Rules of Procedure of the Board of Directors, which also stipulate that *"The Chairman of the Board may at any time ask directors to confirm in writing that they are not in a conflict of interest situation."*

As of the date of this report, the company is aware of the following potential conflicts of interest:

- major shareholders of the Group (SCDM, SCDM Participations and Group employee shareholders) are directly or indirectly represented on the Board of Directors by Martin Bouygues, Olivier Bouygues, Edward Bouygues, Cyril Bouygues, Sandra Nombret and Michèle Vilain;
- potential conflicts of interest exist because some of the directors hold directorships in other companies. The list of directorships is set out above (see section 5.1);
- Martin Bouygues, Olivier Bouygues, Edward Bouygues and Cyril Bouygues have family ties with one another. The company is not aware of other family ties between Board members;
- François Bertière and Hervé Le Bouc are bound to the company by employment contracts. Sandra Nombret, Michèle Vilain, Raphaëlle Deflesselle and Francis Castagné are bound by employment contracts to Bouygues subsidiaries;
- François Bertière, Martin Bouygues, Olivier Bouygues, Edward Bouygues, Colette Lewiner and Hervé Le Bouc hold directorships in Bouygues subsidiaries.

As far as the company is aware, as of the date of this report there are no other potential conflicts of interest between the duties of any member of the Board of Directors to the company and their private interests or other duties.

As far as the company is aware, and subject to the agreement between SCDM and Bouygues, none of the members of the Bouygues Board of Directors is linked to the company or any of its subsidiaries by a service agreement providing for benefits.

The Auditors' special report on regulated agreements and commitments (see chapter 8, section 8.3 of this Registration Document) details the agreements and commitments submitted to the Board of Directors for authorisation and on which directors abstained from voting because of actual or potential conflicts of interest.

## Regulated agreements

The Bouygues group Internal Charter on Regulated Agreements, approved by the Board of Directors, is available on [www.bouygues.com](http://www.bouygues.com). The aim of this Charter is to make it easier for Bouygues group companies to identify agreements which, because they directly or indirectly

concern a senior executive or a shareholder, must follow the regulated agreements procedure stipulated by the Commercial Code (prior authorisation from the Board of Directors, auditors' special report, approval by the Annual General Meeting).

This Charter uses the definition of a "person who is indirectly concerned" suggested by the Paris Chamber of Commerce and Industry: *"A person is considered to be indirectly concerned by an agreement to which he is not a party where, due to his connections with the parties and the powers he has to influence their behaviour, he derives benefit from the agreement."*

Regulated agreements authorised by the Bouygues Board of Directors but not yet approved by the Annual General Meeting are described in the Board of Directors' report on the resolutions (see chapter 8, section 8.2 of this Registration Document) as well as in the Auditors' special report on regulated agreements (see chapter 8, section 8.3.1 of this Registration Document). This report also mentions regulated agreements whose effects continue over time, which the Board of Directors reviews each year. Only new agreements are submitted to the Annual General Meeting for approval.

## Convictions and court orders

As far as the company is aware, during the last five years no member of the Board of Directors has been:

- found guilty of fraud, incriminated or subject to official public sanction by any statutory or regulatory body;
- associated, in the capacity of senior executive, with any insolvency, compulsory administration or liquidation proceedings;
- prevented by a court from acting as a member of an issuer's administrative, management or supervisory body or from being involved in an issuer's management or the conduct of its business.

## Restrictions agreed to by the members of the Board of Directors in relation to the sale of their shares in the company

The articles of association stipulate that each director, with the exception of the directors representing employees, must hold at least ten shares in the company. The Rules of Procedure recommend that each director own 500 shares in the company.

Subject to the above, the members of the Board of Directors have not agreed to any restriction in relation to the sale of their investment in the capital of the company, with the exception of the rules relating to the prevention of insider dealing.

## Prevention of insider dealing

All Bouygues directors are required to comply with the Code of Conduct rules on the prevention of insider dealing. The Code of Conduct is set out in Annex 1 of the Rules of Procedure of the Board of Directors, accessible on the Bouygues website. The Financial Information and Securities Trading Compliance Programme, adopted by the Board in January 2014, sets out and supplements those rules, and has been updated to reflect new measures arising from the entry into force in July 2016 of EU Regulation No. 596/2014 of 16 April 2014 on market abuse. The directors have been informed of these new measures, and the Board of Directors has updated the Rules of Procedure accordingly.

### 5.2.1.11 Evaluation of the Board of Directors

The Board's Rules of Procedure stipulate that the Board should periodically evaluate its ability to meet shareholders' expectations by reviewing its composition, organisation and operation, and by undertaking a similar review of Board committees.

Consequently, every year the Board includes on the agenda of its November meeting a discussion on the way in which the Board operates.

In accordance with the Afep-Medef Code, this formal evaluation has three objectives:

- assess the way in which the Board and its committees operates;
- check that important issues are suitably prepared and debated;
- measure the actual contribution of each director to the Board's work through his or her competence and involvement in discussions.

The main conclusions of the evaluation were as follows:

<b>General evaluation</b>	<ul style="list-style-type: none"> <li>■ Board and its committees operating well.</li> <li>■ Good quality of discussion.</li> <li>■ Good level of contribution by each director to the work of the Board.</li> </ul>
<b>Progress achieved since the 2015 evaluation</b>	<ul style="list-style-type: none"> <li>■ Any observations or wishes expressed by directors in recent years have been taken into account over the past few years. For example, each year the agenda of the Board now includes: comparisons of the performances of the Group's business segments with those of their competitors, the report of the Ethics, CSR and Patronage Committee drawn up by the Chairwoman, a presentation of R&amp;D actions taken by the Group, a presentation of the principal claims and litigation involving the Group. Reduction in the number of directors. Increase in the proportion of women on the Board and committees. Higher proportion of independent directors.</li> </ul>
<b>Areas for improvement</b>	<ul style="list-style-type: none"> <li>■ From 2017, annual presentation to the Board of the HR function and its actions.</li> <li>■ Annual evaluation of the Board and committees to be implemented under the management of the Selection and Remuneration Committee.</li> <li>■ Increase the proportion of independent directors.</li> </ul>

Shareholders are informed each year in the Registration Document that an evaluation has been performed and what action is being taken as a result.

On 15 November 2016, the Board of Directors carried out its annual formal evaluation of its organisation and operation, based on detailed questionnaires sent to directors and committee members. These questionnaires included questions relating to the self-assessment of directors and committee members. Directors were also invited to have discussions with the General Counsel to ensure they were as well prepared as possible for the meeting.

In all, 15 questionnaires were issued and 13 responses received, a response rate of 87% (the same as in 2015). These responses were reviewed by the General Counsel and the Selection and Remuneration Committee, and compared with those from previous years in order to assess what progress had been achieved and what still needed to be done.

## 5.2.2 Internal control and risk management procedures

### 5.2.2.1 Introduction

Bouygues and its subsidiaries are acutely aware of the importance of internal control and risk management. These processes help give reasonable assurance as to the achievement of the Group's principal objectives.

Risk management has always been an essential part of the Group's corporate culture. It is a key concern of the Group's managers and is based on internal control systems inspired by principles that have been applied across the Group's business segments for many years.

Internal control and risk management bodies and procedures play a part in identifying, preventing and managing the main risk factors that could hinder the Group in achieving its objectives.

Like any control and risk management system, however, the system set up by Bouygues cannot provide a cast-iron guarantee of the Group's ability to achieve its objectives.

While the aim of internal control is to ensure that the instructions and guidelines set by senior management are applied, the process is also intended to ensure that the way in which the Group is managed and conducts its business, and the behaviour of employees, comply with regulations and with the rules and principles that Bouygues wishes to apply within the Group.

Internal control applies primarily to operations; risk management is deeply embedded in key processes of the Group's business segments, where internal control helps to ensure they function effectively.

Given the importance of the quality and reliability of the Group's accounting and financial information, internal control is also widely applied in accounting and financial matters.

The risk management system safeguards the value, assets and reputation of the company while buttressing its processes and decision-making arrangements. It helps people act in a way that is consistent with the company's values and rallies employees around a shared view of the main risks.

The scope of this report covers the Bouygues group (parent company, Bouygues Construction, Bouygues Immobilier, Colas, TF1 and Bouygues Telecom).

### 5.2.2.2 Bouygues group internal control and risk management

The Internal Control and Risk Management Reference Manual of the Bouygues group is based on the reference framework published by the AMF in 2007.

The Manual was first updated in 2010 after the AMF reference framework was revised to accommodate changes in laws and regulations on risk management as well as the AMF Recommendation on audit committees.

It is regularly amended and improved to take account of changes and to reflect feedback from the business segments.

The Manual covers the general principles of internal control and risk management, and internal control principles relating to accounting and finance. The main objectives are to:

- formalise the Group's key internal control principles;
- better identify common best practices across its business segments;
- develop a consistent approach to major issues affecting the entire Group.

Each business segment has further developed this Group-wide approach by analysing the specific aspects of its own internal control system, supplementing the Internal Control and Risk Management Reference Manual of the Bouygues group with principles specifically related to its own activities.

The Manual includes a "Risk management: principles and method" section, which describes the approach to be used in the Group to:

- identify and monitor major risks;
- pass knowledge and experience from one generation to another.

This approach encompasses the key stages of risk management: identification, classification, assessment, prioritisation, processing, reporting and communication.

For each of these stages, the Manual defines the underlying concept and lays down key principles which, taken as a whole, make up the Group's risk management procedure.

Every year, each business segment uses this approach to prepare a risk map, which is presented to the segment's Accounts Committee and Board of Directors. A Group-wide risk map derived from the business segment maps is then presented to the Bouygues Accounts Committee, and subsequently to the Bouygues Board of Directors.

The Manual also includes a section on "Ongoing supervision of internal control", setting out the method for self-assessment of internal control principles.

During 2016, each business segment used this method to assess the extent to which internal control principles were being applied.

The internal control assessment campaigns conducted within each business segment focus on the key risks and issues identified at Group and business segment level.

In 2016, all the business segments self-assessed on the following core topics: information systems, investments in external growth, anti-corruption measures, compliance with competition law, and ethical standards.

At Bouygues Telecom and its subsidiaries, the 2016 general principles assessment campaign also addressed warranties and reporting processes, and issues specific to the telecoms sector such as networks, retail operations and continuity of service obligations.

Bouygues Construction extended the self-assessment campaign deep into its organisational structure, covering over a hundred units representing around 80% of sales and including a number of production departments and branches. In addition to the core topics, the campaign also addressed subcontracting, insurance, warranties and customers.

At TF1, the 2016 assessment campaign covered all internal control principles relating to accounting and finance, and those that play a role in combatting fraud. The campaign covered all revenue-generating entities of the TF1 group except Newen.

At Colas, self-assessment covers all activities and follows a three-year cycle: for two years out of three the campaign focuses on key risk factors, and in the third year it covers all the principles. Each subsidiary was required to continue rolling out assessments to operating units. The 2016 self-assessment campaign covered the full scope of the Internal Control and Risk Management Reference Manual.

The Bouygues Immobilier self-assessment campaign for 2016 was adapted to reflect the new decentralised organisational structure. In addition to the topics common to all business segments, the self-assessment looked at a number of specific issues: organisation charts and delegations of authority, human resources, procurement, internal and external communications, and control over operations.

Each business segment prepared a summary of its 2016 assessments, which was presented to the Accounts Committee of the lead company of each business segment.

The self-assessment campaigns also included a more general objective of checking that action plans developed as a result of previous campaigns were being implemented.

### 5.2.2.3 General internal control environment

The parent company and Group senior executives are committed to creating an environment that promotes awareness among Group employees of the need for internal control. The same applies to the lead companies of the business segments.

This commitment is expressed in various key areas, especially employee conduct and ethical compliance. The Chairman and Chief Executive Officer regularly issues strong messages to senior executives about the need for impeccable conduct at every level, whether in terms of legal and regulatory compliance or adhering to the Group's own ethics and values.

A key forum for these messages is the quarterly Group Management Meeting, attended by around 450 of the Group's key senior executives. In addition, the Bouygues Management Institute (IMB), regularly organises "Development of Bouygues Values" seminars to raise awareness among key senior executives of the need to comply in all circumstances with laws and regulations and with the ethical rules that underpin the Group's culture. The Chairman and Chief Executive Officer of Bouygues and other members of the company's senior management always speak at these seminars.

From time to time, the Group General Counsel organises executive seminars designed more specifically to remind participants of regulations that apply in various areas and how they tie in with legal issues encountered by the business segments.

The Bouygues Board of Directors has an Ethics, CSR and Patronage Committee. Detailed information on the Committee and its work can be found in the section of the report devoted to corporate governance (see section 5.2.1.9).

The Bouygues group has a Code of Ethics that sets out the essential values with which the Group and its employees are expected to comply in the workplace. The Code contributes to achieving the objective of improved conduct, and helps employees make decisions in real-life situations by reference to clear and precise principles.

These efforts are taken up and amplified in the business segments. For example, in 2016 TF1 issued a "Practical Guide to Ethics", giving staff concrete examples and recommendations on how to conduct themselves in an ethical manner.

Each business segment has an Ethics Officer, and the Board of Directors of each business segment (Bouygues Immobilier, Bouygues Telecom, Bouygues Construction, Colas and now TF1) has a committee specifically devoted to ethics. TF1 has also introduced its own Code of Ethics, supplementing that of the Bouygues group.

The Bouygues group operates a whistleblowing procedure for employees to report ethical irregularities.

The procedure complies with the recommendations of the French data protection authority (Cnil); in line with European Commission Recommendation of 15 February 2005 on the role of directors, it operates under the control of the Ethics, CSR and Patronage Committee of the Board of Directors.

In 2014, the Bouygues group gave fresh impetus to meeting its ethical objectives by issuing four Compliance Programmes on:

- Anti-corruption;
- Conflicts of Interest;
- Financial Information and Securities Trading;
- Competition.

These Compliance Programmes reiterate the main regulations and rules of conduct and specify measures to be implemented at business segment level in terms of information, prevention, control and sanctions. The Bouygues Board of Directors approved these Compliance Programmes on 21 January 2014.

The Compliance Programmes have been gradually implemented across the Group since 2014. As such, specific training for the relevant employees at business segment level has continued through 2016.

A new Compliance Programme on "Embargoes and Export Restrictions" was drafted at Group level during 2016, and will be adopted in 2017.

Maintaining a high level of competence among Bouygues group employees is also one of the parent company's aims, since it helps create an environment favourable to internal control. Bouygues therefore takes a proactive approach to staff training while securing the loyalty of key employees, with a view to preserving a level of experience and knowledge in the company conducive to the transmission of the Group's culture and values.

More generally, the philosophy that the parent company wishes its business segments to share is that of a Group whose senior executives are close to their key employees and whose management practices are transparent, prudent and rigorous.

These principles are formulated at Group Management Committee level and passed on within business segments at all levels (Board of Directors, senior management and management committees). Strategic decisions taken by the Group at the highest level are consistently inspired by this philosophy and serve as a benchmark for each business segment.

The parent company also plays a leading role in human resources management policy at Group level.

The Senior Vice-President, Human Resources and Administration chairs and coordinates the Group Human Resources Committee, an essential link in passing on the Group's values.

The Group Human Resources Charter helps to spread the Bouygues culture by reminding everyone that the Group's future development hinges mainly on its employees.

#### 5.2.2.4 Objectives/management cycle

The purpose of internal control procedures is to help the Group achieve its objectives by taking account of the risks to which it is exposed.

The Group's general objectives are defined via the management cycle, a process which enables Group senior management to intervene at an early stage in determining the strategies of each business segment, to approve business plans prepared by each business segment to support that strategy, and then to monitor the attainment of objectives over the course of the year.

The principles of the management cycle are directly applicable in all Group entities, ensuring there is a solid and coherent structure across the Group as a whole.

This iterative process enables Group senior management to check that objectives are consistent with strategies, monitor any discrepancies between results and objectives, and anticipate remedial action to be taken at Group or business segment level (financing requirements, redefinition of priorities, etc.).

It also aims to provide Group senior management and the Bouygues Board of Directors with all the information necessary for them to make decisions.

Key members of the parent company's senior management team also sit on the Board of Directors of the lead companies within each of the Group's business segments, where strategic priorities and business plans are determined.

## Strategic plan and business plans

Each business segment establishes its own strategic plan for the medium term (three years), taking into account the Group's overall strategy and its own particular characteristics. The strategic plan is presented to the Group's senior management by the senior management of each business segment in May.

The resulting action plans form the basis of three-year business plans, which are presented to the Bouygues Board of Directors in the following January.

## Annual plan

In the January business plan, the first year is covered in greater detail; this is known as the annual plan, and represents a commitment by each business segment to Group senior management.

An initial status review and update of the annual plan for the year in progress takes place in May, when the strategic plan is presented to the Group's senior management.

A second update takes place in November and is incorporated into the new business plan.

### 5.2.2.5 Organisation – Key players and functions

#### Senior management

Senior management teams are responsible for overseeing the internal control system as a whole, defining strategic priorities, and ensuring that internal control and risk management procedures are designed and implemented in a manner appropriate to each company's development.

#### Accounts Committees

The Bouygues Accounts Committee and its remit are described in the "Corporate governance" section of this report (see section 5.2.1.9). Each business segment's Board of Directors has an Accounts Committee with similar responsibilities to those of the Bouygues Accounts Committee. In addition to their role relating to optional accounting treatments and examining the financial statements, their remit also includes monitoring the effectiveness of internal control and risk management systems. Accounts Committees at business segment level review internal audit programmes and findings as well as risk mapping exercises, making them a key component in the internal control and risk management system.

#### Internal Control departments

The parent company has a Group Internal Control and Audit department, which plays a major role in developing the Group's internal control policy and has specific responsibility for:

- directing the Group's internal control and audit functions;
- coordinating the business segments' internal control, risk management and audit activities.

The business segments also have dedicated internal control functions. In general, these functions' main responsibilities are for assessment campaigns and risk mapping, though they may take on more overarching responsibilities for internal control procedures.

At Bouygues Construction the Legal Affairs, Insurance, Audit, Internal Control and Legal Compliance functions manage and coordinate internal control.

Bouygues Telecom operates a business-wide risk management process, embedded in the company's normal business cycle. A risk manager is responsible for the process, assisted by risk correspondents from the main departments whose principal task is to collate and assess risks. They are also responsible for the system's overall consistency, and for changes to the system. A report is submitted on a regular basis to senior management, and the 13 internal control correspondents meet with the risk manager every quarter at internal control committee meetings.

At TF1, the internal control approach is directed by the Audit and Internal Control department. The operating subsidiaries have their own committees, and each has a designated risk correspondent. There is also a support function committee, which deals with internal control issues falling within the scope of the support functions.

At Bouygues Immobilier, the Internal Control department is in charge of risk mapping, with assistance from the relevant bodies and managers. It organises, directs and summarises the self-assessment procedure, and monitors the resulting action plans, and works in conjunction with the Internal Audit department and the Insurance department. Bouygues Immobilier also has a Processes and Procedures department tasked with maintaining, developing and updating all the processes and procedures. To optimise overall effectiveness, all four of these departments are grouped together within the Risk Management department.

At Colas, the Internal Control and Audit department organises and directs internal control in conjunction with correspondents at the subsidiaries, as part of a highly decentralised organisational structure.

#### General Counsel – Legal Affairs departments

The Group General Counsel monitors matters with significant legal implications for the Group.

From time to time, he works with the business segments in handling major disputes or matters with an impact at Group level.

The Group General Counsel also has a role directing and overseeing legal functions across the Group as a whole through his chairmanship of the Group Legal Committee, made up of the Legal Affairs directors from each of the business segments.

The General Counsel is also the Group Ethics Officer. As such, he drafts and updates, under the authority of the Ethics, CSR and Patronage Committee, the Compliance Programmes.

Within the business segments, the Legal Affairs departments – and support functions more generally – play a major role in risk prevention and control.

#### Risk and Insurance departments

The Group Risk and Insurance department provides assistance, advice and support to the Group's subsidiaries. It also has a role in risk management.

Because it has an overview of the policies on insurance adopted by each of the business segments, the Group Risk and Insurance department can contract Group-wide insurance policies to supplement cover taken out at business segment level.

The department checks that subsidiaries are insured with leading insurance companies and that the terms of their policies (coverage, deductibles and premiums) are consistent with their risk exposure.

The business segments' own Risk and Insurance departments also make a vital contribution to risk management.

### Management control

The management control system is organised such that no Group company falls outside the management control process. Any company not subject to control at business segment level is controlled by the parent company.

The principles governing operational relations between the parent company and the business segments are summarised in a regularly-updated document, issued by the Group Strategy and Development department, to which all the business segments refer.

### GROUP REPORTING

The parent company exercises systematic control over the financial management of its subsidiaries via the annual plan (including updates to the plan), combined with monthly performance indicators sent directly to Group senior management and centralised by the Group Strategy and Development department.

Interim financial statements are produced quarterly, and consolidated at Group level.

The management cycle and control/reporting procedures provide a regular flow of information and dialogue between the parent company and the business segments. Plans can be adjusted and the parent company is always in a position to exercise control over how the subsidiaries are being managed and intervene at an early stage in strategic decision-making.

### BUSINESS SEGMENT REPORTING

Management control operates on similar lines at business segment level, with dedicated departments and information systems.

### Cash management and finance

The Group Cash Management and Finance department at parent company level directs and coordinates policy in this area, establishes Group-level financial management principles, and checks that those principles are being applied.

At an operational level, those principles apply mainly to the Bouygues Relais and Uniservice cash management centres run by the parent company, and to the cash management centres of each business segment. They also apply to the financing needs of subsidiaries.

The key rules applied to cash management relate to internal security (such as double signatures for payments), external security (such as cheque security and payment by electronic promissory note), liquidity (such as confirmed credit facilities, investment of cash surpluses, etc.), counterparty quality, legal documentation for loan agreements, and the assessment of exchange rate risk (including any need for hedging).

### Internal audit

The analysis and monitoring provided by internal audit plays a key role in risk management.

At parent company level, the Group Internal Control and Audit department combines both functions, coordinating the internal audit

function at Group level and performing internal audit assignments at the request of Bouygues' senior management, as well as for Bouygues Telecom. The Group has around 45 auditors.

Each business segment (with the exception of Bouygues Telecom) has its own Audit department.

The Group Internal Audit Charter states that the main role of internal audit is to provide senior management with reasonable assurance that organisational principles and internal control and risk management systems are reliable and effective. Internal audit assesses:

- the identification and control of risks based on an analysis of key issues;
- the effectiveness of risk management systems and the implementation of action plans;
- control over and efficiency of operational and support processes;
- the integrity, reliability, completeness, traceability and protection of accounting, financial and management information.

### 5.2.2.6 Internal control and risk management procedures

Specific risks may differ considerably from one business segment to another, for example in terms of regulation, technology, competition, the environment or major projects. Consequently, each business segment has developed appropriate formal procedures designed to achieve better control over specific risks (see chapter 4 "Risk factors" of this Registration Document).

### Bouygues Construction

At Bouygues Construction, risk management is fully integrated into the company's processes: strict procedures apply to the selection and submission of tenders, which are considered by formal Commitment Committees in light of the risks arising on each contract. Depending on the level of financial commitment, the cost of work or the technical challenges involved, Bouygues Construction's entities may be required to submit a dossier for prior approval by Bouygues Construction senior management. Financial and legal affairs teams get involved before projects are launched. From a technical standpoint, each entity has substantial resources for costing, and can also call on experts who are organised into centres of excellence at group level. For major projects, specific attention is paid to costings, which are double-checked internally and by external consultants. The financial risk curve is constantly monitored for major contracts. The management control function has the resources and authority to track the results of each construction project every month and to flag any discrepancies with budgeted figures.

### Bouygues Immobilier

Bouygues Immobilier has a regularly-updated internal procedures manual.

Particular attention is paid to the land acquisition commitment process (from promise to sell to final acquisition) and to the start of works.

A meeting of the Commitments Committee must be held before any deed is signed with a view to acquiring land (or buildings). All decisions to acquire land are strictly controlled.

The company has strengthened its environmental risk prevention policy in connection with land purchases.

Bouygues Construction could also face liability claims from customers if the properties it sells are found to be poorly constructed. Under the terms of its performance guarantee, Bouygues Immobilier calls on its contractors to address any snags as quickly as possible. It is also careful to ensure that all parties (such as contractors, engineering consultants and technical design firms) comply scrupulously with ten-year insurance requirements.

## Colas

Colas has always applied clearly defined principles and procedures to manage financial and accounting risks. The general risk management policy is based mainly on preventive measures and insurance cover.

Despite a very strong decentralised culture, procedures are in place to ensure proper control is exercised over commitments, whether of a commercial nature (projects are submitted to Contract Committees) or relating to acquisitions of companies or property assets. The same applies to very long-term projects such as concession contracts, public-private partnerships and private finance initiative deals, which depending on the size of the project must be submitted for prior approval by Colas senior management and by the Board of Directors of Colas or of the subsidiary.

## TF1

There is a particular focus on buying, which can involve the commitment of substantial sums (for example, on rights acquisition contracts). Such contracts are subject to a specific approval procedure involving various departments and sometimes senior management, depending on the amount of the commitment and the nature of the contract.

TF1 has developed a major risks identification procedure, which formed the basis of a crisis management decision-making system. This in turn led to the creation of the "Réagir" Committee, tasked with devising and updating mission-critical disaster recovery processes to guarantee business continuity. The committee aims to monitor and prevent the major risks to which the mission-critical processes are exposed, and regularly updates and supplements the relevant various procedures.

A key role is played by the Technical and Information Systems department, which not only makes some of the channel's shows but also has responsibility for programme broadcasting, transmission networks and information systems. The Technical and Information Systems department identifies (via the Group Information Systems department) which information systems are critical for the production of information and the secure and effective management of operations. The department also safeguards the security of the TF1 group's channels, and is developing an information security policy and security standards that will apply across the entire TF1 group. Senior management of the group's broadcasting arm are responsible for monitoring compliance with programme standards and the obligations in the terms of reference.

In 2016, TF1 set up a Security Operation Cockpit (SOC), which has been operational since October 2016. The objective of the SOC is to provide real-time monitoring of information systems so that software and hardware malfunctions can be identified rapidly, and counter-measures taken against cyber-attacks.

## Bouygues Telecom

The products and services offered by Bouygues Telecom are of critical importance, and are therefore examined by a special committee that meets monthly and is attended by Bouygues Telecom senior management. The same committee performs a quarterly review of products and services, and assesses actual performances against the initial forecasts.

Control over purchasing is particularly tight at Bouygues Telecom, reflecting the high level of purchases made by the company. The Purchasing department applies very strict procedures, and is itself subject to regular checks.

### 5.2.2.7 Information and communication

The production and dissemination of information, both inside and outside the Group, makes a significant contribution to the development of internal control.

The Group uses information systems to manage and control these activities. The Corporate Communications department is a key player. Through internal communication, it helps raise staff awareness of the importance of control. Externally, it exercises control to provide external stakeholders with reliable and relevant information that complies with legal requirements.

#### Internal communications

The Group Corporate Communications department plays an active part in disseminating information to the Group's employees. This strengthens the Bouygues group's identity and plays a unifying role.

Reporting directly to the Chairman and Chief Executive Officer of Bouygues, it is responsible for *Challenger Express*, a twice-monthly newsletter for managers, and *Le Minorange*, an internal magazine published twice yearly, which forges genuine links between all Group employees.

The department also administers the Group intranet portal, ByLink, a tool for employees to work collaboratively and share information across the Group. The Group Corporate Communications department also publishes *At a Glance*, a publication summarising financial information which is disseminated externally as well as to the Group's managerial, supervisory, technical and clerical staff.

The Group Management Meeting is also an important channel for transmitting key information and messages to the Group's key senior executives.

#### External communications

The Group Corporate Communications department works closely and collaboratively with the business segments.

Its main roles are:

- promoting the Group's image (press relations, public relations, etc.);
- providing the Group's senior management and managers with useful information from external sources;
- handling financial disclosures to the press and the public, in collaboration with the Investor Relations department.

### 5.2.2.8 Internal control procedures relating to accounting and financial information

One of the key objectives of internal control is the reliability of accounting and financial information. Within the Bouygues group, this is addressed through comprehensive systems and a set of stringent procedures.

#### Quarter-end close

Each business segment has its own accounting close procedures, which must dovetail with the Group's consolidation process.

#### Consolidation process

At parent company level, a major role of the Group Consolidation and Accounting department is to establish and implement consistent rules and methods for consolidation across the Group as a whole. It also provides support to the business segments in managing their activities on a consolidated basis, and prepares the parent company financial statements.

Consolidation is carried out quarterly, using intermediate consolidations. Each business segment prepares a consolidation at its own level using identical methods defined by the Group Consolidation and Accounting department, which then carries out the overall consolidation of the Group's financial statements.

The consolidation is processed at each level using a specific software programme widely used by listed companies, with each of the business segments using it to prepare their intermediate consolidation. Using consolidation software makes it possible to exercise rigorous control and apply standardised procedures during the preparation of the financial statements.

In addition to the computerised accounting system, the Group Consolidation and Accounting department has produced a Group consolidation handbook containing the rules and procedures applicable to consolidation throughout the Group. The handbook is an important reference tool for preparing consolidated financial statements, and is accessible to all accounting staff Group-wide on a dedicated intranet site that also describes the accounting policies and optional treatments applied within the Group.

The Group Consolidation and Accounting department also has an educative and co-ordinating role, organising seminars and distributing circulars to make sure the business segments are kept up to date on accounting rules and methods. Special emphasis is placed on the interpretation of, and developments in, international financial reporting standards. This in turn helps to lock in consistency in the way financial statements are prepared.

### Finance and accounting internal control procedures

In addition to the core financial and accounting procedures set out in the Bouygues group Internal Control Reference Manual, each business segment operates its own specific internal control systems.

#### Accounts Committees

The Accounts Committees are a key component of the internal control system at the accounting and financial level.

Detailed information about the Bouygues Accounts Committee is set out in section 5.2.1.9 above. The lead company of each business segment also has an accounts or audit committee with a remit similar to that of the Bouygues Accounts Committee.

#### Investor relations

At Bouygues SA level, the Group Investor Relations department handles relations with investors and financial analysts, providing the markets with the information they need and providing feedback to shareholders and analysts.

Great care is taken in preparing press releases and the Registration Document, which the Group regards as playing a key role in its corporate image.

Various departments are involved in the process of preparing these documents, including Finance, Consolidation, Communications and General Secretariat. They are approved by senior management, and audited by the statutory auditors. The quarterly press releases are approved by the Accounts Committee and the Board of Directors.

Procedures are in place to ensure that employees are aware of insider dealing regulations.

The other listed companies in the Group (TF1, Colas) handle their own investor relations.

### 5.2.2.9 Oversight

Internal control systems must themselves be subject to control by means of periodic assessments, and should also be subject to a constant process of improvement.

Audit departments at parent company and business segment level have always assessed the effectiveness of internal control as part of their core mission, and are actively involved in this improvement process.

Their key concern is always to develop and implement action plans whose primary objective is to help the Group exercise better control over its operations.

## 5.2.3 Financial risks relating to the effects of climate change

The Bouygues group has identified risks and opportunities relating to the challenge of climate change.

Extreme meteorological phenomena directly associated with climate change are now perceptible everywhere on the planet, and bring with them physical, economic and political consequences. Two risks directly related to climate change are of particular relevance:

- Climatic disturbances (higher temperatures, drought and floods, coastal erosion, rising sea levels, etc.), which will increasingly impair the resilience of certain buildings and infrastructure: in order to avert this risk, Bouygues needs to integrate these constraints into the solutions it offers. Just as seismic risks are taken into account in earthquake zones, adapting solutions to the effects of climate change will become a source of commercial differentiation. For example, designing and constructing passive buildings that are energy-positive or even autonomous, building and raising dykes and developing wetlands to counter heat islands, all represent business opportunities on every continent. Higher average temperatures are also extending the periods during which it is possible to work in countries with continental or polar climates, such as Canada. Conversely, a greater incidence of heatwaves and extreme meteorological events (hurricanes, floods, etc.) is disrupting execution on some projects, with impacts on productivity, operating costs and insurance premiums.
- The geopolitical consequences of climate change: climatic disturbances put economic, social and political systems under pressure and heighten the risk of instability and regional conflict, for example over access to water; this may lead to fewer commercial opportunities in some geographical areas.

The Group's production and construction processes, and the use of the assets and infrastructure it constructs, involve the emission of greenhouse gases. Against a background of profound change in the world economy, in particular as regards the objective of keeping temperature rises below 2°C between now and 2100, Bouygues is exposed to transition risks, in other words risks relating to the consequences of transitioning to a lower-carbon economic model. How we deal with these risks will be a source of innovation and differentiation for the Group. Three major transition risks have been identified:

- Carbon taxation: the adoption of the principle of a carbon tax in France and Europe, or the extension of a system of quotas in certain countries where the Group operates, could have financial impacts. These include increases in the amount of taxes and in the cost of high grey energy materials, the obligation to acquire emission rights, higher project operating costs, etc. Moreover, in the absence of a world governing body for carbon taxation, the associated regulations

and policies are multifarious, complex and lack clarity. Those countries that are most favourable to carbon taxation represent major market opportunities for the Group's low-carbon offerings, but there is currently little visibility on their positioning.

- Supply risks: the highly carbon-intensive nature of the extractive industries means they are having to adapt, and is affecting the cost of access to primary raw materials such as petroleum products, sand and metals. Delays or interruptions in supply, and fluctuations in the cost of such raw materials, potentially have direct and indirect financial impacts for the construction industry. To counter this risk, the Group is committing to and investing in a number of projects involving circular economy processes and techniques. These processes and techniques are being deployed as part of several projects and enable the Group to reduce its dependence on primary raw materials, in particular by encouraging recycling and re-use of secondary raw materials.
- Regulatory requirements intended to replace some existing techniques with solutions that produce fewer emissions: these are driving a gradual increase in costs associated with researching and adopting lower-emission technologies. Given the competitive market for low-carbon solutions, failing to anticipate developments in this area could lead to a drop in demand for certain products and services offered by Bouygues. The Group's businesses are working to understand and counter this risk by adopting sustainable construction strategies: low-carbon buildings, energy efficiency in both renovated and new buildings, eco-neighbourhoods, creating partnerships to promote soft mobility, etc. In addition, the emergence of incentivising financial tools (green bonds) and "green" investment schemes represent new sources of financing for the Group's sustainable development solutions.

To address these risks and maximise the associated opportunities, the Group is implementing concrete policies in all the component parts of its business and throughout its value chain. Bouygues' priorities and the main initiatives taken as part of its low-carbon strategy are described in chapter 3 of this Registration Document.

In order to identify the impacts of climate change on its business environment and to promote the implementation of structural policies at national and international levels, the Group is also a partner and active member of The Shift Project ([www.theshiftproject.org](http://www.theshiftproject.org)), a think-tank backed by a multi-disciplinary network of experts and business people with recognised expertise in energy and climate issues.

## 5.2.4 Other information

### 5.2.4.1 **Specific formalities for shareholder participation in Annual General Meetings**

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Specific formalities for shareholder participation in Annual General Meetings and, in particular, the conditions under which double voting rights are granted to shareholders who have held shares in registered form for over two years, are set out in chapter 6, section 6.1.2 of this Registration Document.

### 5.2.4.3 **Principles and rules for determining the remuneration and other benefits granted to the Executive Officers**

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The corresponding information is set out in section 5.4 of this Registration Document.

### 5.2.4.2 **Information covered by Article L. 225-100-3 of the Commercial Code**

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The information covered by Article L. 225-100-3 of the Commercial Code (factors likely to have an impact on any public tender offer price) is set out in chapter 6, section 6.1.4 of this Registration Document.

## 5.3 Auditors' report, prepared in accordance with Article L. 225-235 of the Commercial Code, on the Report by the Chairman of Bouygues (for the year ended 31 December 2016)

To the shareholders,

In our capacity as auditors of Bouygues and in accordance with the requirements of Article L. 225-235 of the Commercial Code, we present below our report on the report compiled by the Chairman of the Board of Directors of Bouygues in accordance with Article L. 225-37 of the Commercial Code for the year ended 31 December 2016.

The Chairman is responsible for compiling and submitting a report to the Board of Directors for approval regarding the internal control and risk management procedures put in place within the company, and for providing the other information required by Article L. 225-37 of the Commercial Code, particularly in the area of corporate governance.

Our responsibility is to:

- report our comments on the information contained in the Report by the Chairman regarding risk management and internal control procedures relating to the preparation and treatment of accounting and financial information, and
- certify that the Report by the Chairman contains the other information required by Article L. 225-37 of the Commercial Code, it being specified that that we are not responsible for verifying the fairness of that information.

We conducted our work in accordance with the professional practices applicable in France.

### Information regarding risk management and internal control procedures relating to the preparation and treatment of accounting and financial information

Professional practices require that we perform procedures to assess the fairness of the information provided in the Report by the Chairman

on risk management and internal control procedures relating to the preparation and treatment of accounting and financial information.

These procedures included:

- obtaining an understanding of the risk management and internal control procedures relating to the preparation and treatment of accounting and financial information described in the Report by the Chairman, and of other existing documentation;
- obtaining an understanding of the work underlying the information contained in the Report by the Chairman, and of other existing documentation;
- determining whether the Report by the Chairman contains the appropriate disclosures regarding any material weaknesses we might have identified in internal control procedures relating to the preparation and treatment of accounting and financial information.

Based on our work, we have no matters to report on the information contained in the Report by the Chairman prepared in accordance with Article L. 225-37 of the Commercial Code on risk management and internal control procedures relating to the preparation and treatment of accounting and financial information.

### Other information

We certify that the Report by the Chairman contains all of the other information required by Article L. 225-37 of the Commercial Code.

Paris-La Défense, 22 February 2017

The Statutory Auditors

**ERNST & YOUNG Audit**

Laurent Vitse

**MAZARS**

Guillaume Potel

## 5.4 Remuneration of corporate officers for 2016 and 2017 – Awards of stock options to corporate officers and Group employees

This section contains the reports required by the Commercial Code and the tables recommended in the Afep-Medef Corporate Governance Code and in AMF pronouncements on information to be included in the registration document of listed companies about the remuneration of corporate officers.

### 5.4.1 Remuneration for 2016

Information required under Articles L. 225-102-1 and L. 225-37, paragraph 9 of the Commercial Code, and describing the remuneration components referred to in resolutions eight to eleven of the Combined Annual General Meeting of 27 April 2017.

#### 5.4.1.1 Principles and rules for determining remuneration awarded to Executive Officers in 2016

The Bouygues Board of Directors first applied the Afep-Medef Corporate Governance Code recommendations in 2007. Those initial recommendations, published in January 2007, dealt with the remuneration of Executive Officers of listed companies. Since then, the Board of Directors has consistently applied subsequent changes to the Afep-Medef Code relating to executive remuneration. Most recently, the Board has applied the guide to applying the Code issued by the High Committee for Corporate Governance in October 2016, and the revised version of the Afep-Medef Code issued in November 2016.

The principles and rules currently applied by the Board, and used to determine remuneration for the 2016 financial year, are described below.

#### A. General preliminary remarks

- None of the four Executive Officers holds an employment contract. Prior to their appointment as Deputy Chief Executive Officer on 30 August 2016, Philippe Marien and Olivier Roussat were employees of Bouygues SA. Their employment contracts were suspended effective from the date of their appointment, i.e. 30 August 2016.
- The Board of Directors has not granted them any entitlement to severance compensation or non-competition indemnity in the event that they leave the company.
- They were not awarded any deferred annual variable remuneration or multi-year variable remuneration in 2016.
- The overall remuneration package awarded to Executive Officers takes account of the existence of a capped supplementary pension benefit, and of the fact that they are not entitled to any severance compensation or non-competition indemnity.
- Apart from directors' fees (see Table 4 below), no Group subsidiary pays any remuneration to Martin Bouygues, Olivier Bouygues or Philippe Marien.

In parallel with his new role as Deputy Chief Executive Officer of Bouygues, Olivier Roussat also holds office as Chairman and Chief Executive Officer of Bouygues Telecom. Since the date of his appointment by Bouygues as Deputy Chief Executive Officer, his remuneration has been charged 60% to Bouygues and 40% to Bouygues Telecom.

#### B. 2016 fixed remuneration

The rules for determining fixed remuneration were established in 1999 and have been applied consistently since then. Fixed remuneration is determined by reference to the level and complexity of responsibilities, experience in the post and length of service with the Group, and practices followed by groups or companies carrying on comparable businesses.

#### C. 2016 benefits in kind

Benefits in kind consist of the use of a company car, and in the case of Martin Bouygues and Olivier Bouygues the part-time assignment of a personal assistant and a chauffeur/security guard for their personal needs.

#### D. 2016 variable remuneration

##### GENERAL DESCRIPTION OF METHOD USED TO DETERMINE THE 2016 VARIABLE REMUNERATION OF MARTIN BOUYGUES AND OLIVIER BOUYGUES

Variable remuneration is awarded on an individual basis. For Martin Bouygues and Olivier Bouygues, the Board has defined four variable remuneration criteria.

An objective is set for each criterion. When the objective is attained, a variable portion corresponding to a percentage of fixed remuneration is awarded.

If an objective is exceeded or not attained, the variable portion is adjusted on a straight line basis within a specified range: the variable portion is subject to an upper limit, while if the variable portion falls below a lower limit it is reduced to zero.

The sum total of the four variable portions calculated on this basis cannot under any circumstances exceed the overall ceiling, as set in 2016, of 150% of each Executive Officer's fixed remuneration (see below).

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#### METHOD USED TO DETERMINE THE 2016 VARIABLE REMUNERATION OF OLIVIER ROUSSAT

Olivier Roussat is the Chairman and Chief Executive Officer of Bouygues Telecom.

Because most of 2016 had elapsed at the time Olivier Roussat was appointed as Deputy Chief Executive Officer, the Board of Directors decided not to alter the method used to determine his remuneration for 2016. For a description of the method used, refer to section 5.4.1.4 "Remuneration of salaried directors" below. As mentioned above, Bouygues has been charged 60% of the cost of Olivier Roussat's remuneration since 1 September 2016.

#### METHOD USED TO DETERMINE THE 2016 VARIABLE REMUNERATION OF PHILIPPE MARIEN

Regarding the 2016 remuneration of Philippe Marien, appointed as Deputy Chief Executive Officer on 30 August 2016, the Board of Directors decided that the annual basis of his fixed remuneration would be increased to €920,000 with effect from 1 September 2016; the five criteria for determining his variable remuneration (management of the Group's liquidity, the Group's debt rating, effectiveness of internal control, leadership of functions reporting to him, and management of major corporate actions) would remain in place for the last four months of 2016; and the cap on his variable remuneration, set at 100% of his fixed remuneration, would also remain in place.

#### THE FOUR CRITERIA USED TO DETERMINE THE 2016 VARIABLE REMUNERATION OF MARTIN BOUYGUES AND OLIVIER BOUYGUES

For 2016, the variable remuneration of Martin Bouygues and Olivier Bouygues is based on the performance of the Group, determined by reference to four key economic criteria (P1, P2, P3 and P4):

- P1 = increase in current operating profit (COP) for the financial year / Objective = COP per the 2016 plan;
- P2 = change in consolidated net profit attributable to the Group (CNP) for the financial year / Objective = CNP per the 2016 plan;
- P3 = change in consolidated net profit attributable to the Group (CNP) for the financial year / Objective = CNP for the previous year;
- P4 = change in free cash flow before changes in working capital requirement (WCR) for the financial year / free cash flow before changes in WCR per the 2016 plan.

These quantitative objectives were established with precision but are not disclosed for confidentiality reasons.

The method used to determine the variable remuneration of the Executive Officers is as follows:

(FR = Fixed Remuneration)

The effective weight of each criterion used to determine each variable portion awarded (P1, P2, P3 and P4) reflects the actual performance achieved during the year.

Each variable portion (P) is calculated as follows:

- 1) If actual performance is more than 10% below the objective: the variable portion (P1, P2, P3 or P4) = 0
- 2) If actual performance is in the range between (objective - 10%) and the objective:
  - P1 = 0% to 50% of FR
  - P2 = 0% to 25% of FR
  - P3 = 0% to 25% of FR
  - P4 = 0% to 50% of FR
- 3) If actual performance exceeds the objective:
  - P1 = 50% to 100% of FR
  - P2 = 25% to 50% of FR
  - P3 = 25% to 50% of FR
  - P4 = 50% to 100% of FR

Between those limits, the effective weight of each variable portion is determined by linear interpolation.

The sum total of P1, P2, P3 and P4, calculated as described above, is **capped at 150% of FR.**

Three adjustments have been added by the Board, as described in the table below. Two relate to P2 and P3, the other is of more general application.

The table below summarises the method used to determine variable remuneration.

Variable remuneration calculation method			
	Objective	Variable portion if objective attained (% of FR)	Variable portion awarded based on 2016 performance (% of FR)
P1	Current operating profit for the year per the 2016 plan	50%	54.77%
P2	Consolidated net profit for the year per the 2016 plan	25% + if consolidated net profit per the 2016 plan is 20% or more below actual consolidated net profit for 2015, P2 is capped at 25%	50% Not applicable for 2016
P3	Actual consolidated net profit for the previous financial year (2015 CNP)	25% + if actual consolidated net profit for the financial year is 20% or more below actual consolidated net profit for the previous financial year, no variable remuneration is awarded	50% Not applicable for 2016
P4	Free cash flow (before changes in WCR) per the 2016 plan	50%	0%
		Total = 150% of FR	Total = 154.77% of FR
Cap		150%	150%
Adjustment at the Board's discretion		If an exceptional item affects consolidated net profit for the financial year, the Board of Directors may at its discretion reduce or not award variable remuneration if the variable portions (P1, P2, P3 and P4) would have been fully or partially payable in the absence of that exceptional item.	Not applicable for 2016

## E. Overall cap

The overall cap on variable remuneration is set at 150% of fixed remuneration.

## F. Exceptional remuneration

In exceptional circumstances, the Board of Directors may, on the advice of the Selection and Remuneration Committee, grant an exceptional bonus.

## G. 2016 directors' fees

Martin Bouygues and Olivier Bouygues receive and retain the directors' fees paid by Bouygues and by certain Group subsidiaries (see sections 5.4.1.2 and 5.4.1.3 below). Philippe Marien and Olivier Roussat retain the directors' fees paid by certain subsidiaries.

## H. 2016 supplementary pension

The four Executive Officers are entitled, subject to certain conditions, to a supplementary pension when they retire.

### PERFORMANCE CONDITIONS FOR THE SUPPLEMENTARY PENSION IN 2016

Under Article 229 of the law of 6 August 2015, vesting of the pension rights of Executive Officers of listed companies in respect of a given financial year must now be subject to performance conditions.

Martin Bouygues and Olivier Bouygues can no longer acquire any further supplementary pension rights since the rights vested in them to date exceed the cap set by the Board of Directors (eight times the French social security ceiling).

Philippe Marien and Olivier Roussat having been appointed Deputy Chief Executive Officers, the Board of Directors has set performance conditions that must be met if they are to acquire pension rights for the period from 1 September 2016 to 31 December 2016. For that short period, the Board decided that their rights would vest if, based on the five performance criteria used to determine their variable remuneration, the variable portion of their remuneration reached at least 100% (Olivier Roussat) or 70% (Philippe Marien) of their fixed remuneration. Those performance levels were met.

### INFORMATION PROVIDED BY THE COMPANY ON PENSION COMMITMENTS OR OTHER LIFETIME BENEFITS PURSUANT TO THE THIRD PARAGRAPH OF ARTICLE L. 225-102-1

The characteristics of the supplementary pension scheme awarded to the Group's senior executives are as follows:

1. Title of the commitment: defined-benefit collective pension scheme.
2. Reference to legal provisions identifying the scheme: Article L. 137-11 of the Social Security Code.
3. Conditions for joining the scheme and other eligibility conditions: the beneficiary must:
  - be a member of the Group Management Committee on the date of departure or retirement;
  - have at least ten years' service with the Bouygues group at the date of departure or retirement;
  - have definitively ended his or her professional career at one of the Group companies (this condition is fulfilled when the employee is part of the workforce at the date of departure or retirement);

- be at least 65 years old at the date of departure or retirement;
  - fulfil the eligibility criteria for pension benefits under the basic social security pension scheme and the mandatory supplementary schemes (ARRCO and AGIRC).
4. Method of determining the reference salary specified by the scheme and used to calculate the rights of beneficiaries:
- The reference salary must be equal to the average gross salary of the three best calendar years of the senior executive or employee at the Bouygues group during his or her period on the Group Management Committee, adjusted to reflect changes in the value of pension entitlement points under the AGIRC scheme, on the date of cessation of office or termination of employment contract. The reference gross salary is that used to calculate social security contributions in accordance with Article L. 242-1 of the Social Security Code.
5. Pattern of vesting of rights: annual rate; beneficiaries of the supplementary pension scheme receive an additional annual pension entitlement of 0.92% of the reference salary per year in the scheme, determined as explained above.
6. Existence of a cap, and the amount and terms and conditions for determining that cap: rights may not exceed a cap set at eight times the annual social security ceiling (giving a cap of €308,928 for 2016).
7. Terms and conditions for funding the benefit: outsourced to an insurance company, to which a contribution is paid each year.
8. Estimated amount of the annual annuity at the end of the reporting period:

Name	Annual annuity €
Martin Bouygues	305,506
Olivier Bouygues	248,682
Philippe Marien	184,117
Olivier Roussat	145,510

**Note:** The annual annuities of Martin Bouygues and Olivier Bouygues would each amount to eight times the annual social security ceiling once the contributions paid into the scheme by SCDM, calculated on a pro rata basis for the time spent on SCDM business each year by the person concerned, are taken into account.

**Note:** Before being appointed as Deputy Chief Executive Officers, Philippe Marien and Olivier Roussat were already members of the Group Management Committee and as such were entitled to benefit from the defined-benefit pension scheme described above.

9. Tax and social security charges borne by the company: the contributions paid into the scheme by the company are not subject to employers' social security charges or to the CSG or CRDS levies. However, the company is required to pay a levy set at 24% of those contributions.

#### I. Other information on remuneration

The remuneration of Martin Bouygues and Olivier Bouygues, as determined by the Board of Directors, is paid by SCDM. SCDM then invoices Bouygues this remuneration and the related social security charges, pursuant to the agreement governing relations between Bouygues and SCDM as approved under the regulated agreements procedure. Those invoices strictly reflect the amounts of remuneration as determined by the Bouygues Board of Directors. The agreement between Bouygues and SCDM was approved by the Annual General Meeting of 21 April 2016 (fourth resolution) under the regulated agreements procedure.

Olivier Bouygues spends part of his time on SCDM business. The Board of Directors has ensured that his remuneration reflects how he splits his time. His operational responsibilities within SCDM do not significantly reduce his availability and do not give rise to a conflict of interest.

As mentioned above, because Olivier Roussat holds office as Chairman and Chief Executive Officer of Bouygues Telecom in parallel with his office as Deputy Chief Executive Officer of Bouygues, 60% of his remuneration is charged to Bouygues and 40% to Bouygues Telecom.

#### J. Combined Annual General Meeting of 21 April 2016 – Say on Pay

The Annual General Meeting of 21 April 2016 expressed a favourable option on the components of the remuneration awarded in respect of the 2015 financial year to Martin Bouygues (sixth resolution, passed with 99.36% of the votes in favour) and Olivier Bouygues (seventh resolution, passed with 99.34% of the votes in favour).

### 5.4.1.2 Remuneration of Executive Officers in respect of the 2016 financial year

#### Description of the remuneration of Martin Bouygues, Chairman and Chief Executive Officer, in respect of the 2016 financial year

##### I. Remuneration components due or awarded in respect of the 2016 financial year and submitted to the Annual General Meeting of 27 April 2017 for an opinion (Resolution 8)

	Quantity/accounting value €	Comments
Fixed remuneration	920,000	Martin Bouygues' fixed remuneration has not changed since 2003.
Change versus 2015	0%	
Annual variable remuneration	1,380,000	Variable remuneration criteria (2016 financial year): see 5.4.1.1 (D) above.
Change versus 2015		
Variable/fixed <sup>a</sup>	150%	
Cap <sup>b</sup>	150%	
Deferred variable remuneration		No entitlement to deferred variable remuneration.
Multi-year variable remuneration		No entitlement to multi-year variable remuneration.
Exceptional remuneration		No entitlement to exceptional remuneration.
Value of stock options, performance shares or any other long-term remuneration awarded during the year		No stock options, performance shares or other long-term remuneration awarded for this year.
Directors' fees	70,200 ■ o/w Bouygues: 50,000 ■ o/w subsidiaries: 20,200	
Value of benefits in kind	31,322	Company car. Part-time assignment of personal assistant and chauffeur/security guard for personal needs.

##### II. For information: remuneration components due or awarded in respect of the 2016 financial year and approved by the Annual General Meeting under the regulated agreements procedure (AGM of 21 April 2016, Resolution 4)

	Quantity/accounting value €	Comments
Severance compensation		No entitlement to severance compensation.
Non-competition indemnity		No entitlement to a non-competition indemnity.
Supplementary pension scheme		Martin Bouygues, on the same basis and subject to the same conditions as the other members of the Group Management Committee, belongs to a supplementary pension scheme giving entitlement to an annual pension equal to 0.92% of the reference salary (average of the three best years) per year in the scheme, capped at eight times the social security ceiling (giving a cap of €308,928 for 2016). Because he has reached this cap, Martin Bouygues cannot acquire any further rights. Entitlement to this supplementary pension is acquired only after ten years' service with the Bouygues group and is contingent on the beneficiary being a member of the Group Management Committee at the date of retirement. If he had retired in 2016, taking into account his length of service, Martin Bouygues would have been entitled to an annual pension of €305,506 (although the €308,928 cap would have been reached because Martin Bouygues has also acquired pension rights through the office he holds at SCDM). In accordance with the Afep-Medef Code, this does not exceed 45% of his reference income.

**TOTAL** **2,401,522**

Change versus 2015 +134.6%

(a) Variable remuneration expressed as a percentage of fixed remuneration.

(b) Cap on variable remuneration, set at a percentage of fixed remuneration.

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## Description of the remuneration of Olivier Bouygues, Deputy Chief Executive Officer, in respect of the 2016 financial year

### I. Remuneration components due or awarded in respect of the 2016 financial year and submitted to the Annual General Meeting of 27 April 2017 for an opinion (Resolution 9)

	Quantity/accounting value €	Comments
Fixed remuneration	500,000	Olivier Bouygues' fixed remuneration has not changed since 2009.
Change versus 2015	0%	
Annual variable remuneration	750,000	Variable remuneration criteria (2016 financial year): see 5.4.1.1 (D) above.
Change versus 2015		
Variable/fixed <sup>a</sup>	150%	
Cap <sup>b</sup>	150%	
Deferred variable remuneration		No entitlement to deferred variable remuneration.
Multi-year variable remuneration		No entitlement to multi-year variable remuneration.
Exceptional remuneration		No entitlement to exceptional remuneration.
Value of stock options, performance shares or any other long-term remuneration awarded during the year		No stock options, performance shares or other long-term remuneration awarded for this year.
Directors' fees	75,875 ■ o/w Bouygues: 25,000 ■ o/w subsidiaries: 50,875	
Value of benefits in kind	10,756	Company car. Part-time assignment of personal assistant and chauffeur/security guard for personal needs.

### II. For information: remuneration components due or awarded in respect of the 2016 financial year and approved by the Annual General Meeting under the regulated agreements procedure (AGM of 21 April 2016, Resolutions 4 and 5)

	Quantity/accounting value €	Comments
Severance compensation		No entitlement to severance compensation.
Non-competition indemnity		No entitlement to a non-competition indemnity.
Supplementary pension scheme		Olivier Bouygues, on the same basis and subject to the same conditions as the other members of the Group Management Committee, belongs to a supplementary pension scheme giving entitlement to an annual pension equal to 0.92% of the reference salary (average of the three best years) per year in the scheme, capped at eight times the social security ceiling (giving a cap of €308,928 for 2016). Because he has reached this cap, Olivier Bouygues cannot acquire any further rights. Entitlement to this supplementary pension is acquired only after ten years' service with the Bouygues group and is contingent on the beneficiary being a member of the Group Management Committee at the date of retirement. If he had retired in 2016, taking into account his length of service, Olivier Bouygues would have been entitled to an annual pension of €248,682 (although the €308,928 cap would have been reached because Olivier Bouygues has also acquired pension rights through the office he holds at SCDM). In accordance with the Afep-Medef Code, this does not exceed 45% of his reference income.
<b>TOTAL</b>	<b>1,336,631</b>	
Change versus 2015	+130.58%	

(a) Variable remuneration expressed as a percentage of fixed remuneration.

(b) Cap on variable remuneration, set at a percentage of fixed remuneration.

## Description of the remuneration of Olivier Roussat, Deputy Chief Executive Officer, for the period from 1 September 2016 to 31 December 2016

### I. Remuneration components due or awarded in respect of the period from 1 September 2016 to 31 December 2016 and submitted to the Annual General Meeting of 27 April 2017 for an opinion (Resolution 11)

	Quantity/accounting value €	Comments
Fixed remuneration	184,000	Corresponds to 60% of Olivier Roussat's fixed remuneration for the four-month period, the remainder being charged to Bouygues Telecom.
Change versus 2015		
Variable remuneration	276,000	Corresponds to 60% of Olivier Roussat's variable remuneration for the four-month period, the remainder being charged to Bouygues Telecom.
Change versus 2015		Variable remuneration criteria: see 5.4.1.4 below.
Variable/fixed <sup>a</sup>	150%	
Cap <sup>b</sup>	150%	
Deferred variable remuneration		No entitlement to deferred variable remuneration.
Multi-year variable remuneration		No entitlement to multi-year variable remuneration.
Exceptional remuneration		No entitlement to exceptional remuneration.
Value of stock options, performance shares or any other long-term remuneration awarded during the period		No stock options, performance shares or other long-term remuneration awarded during the period from 1 September 2016 to 31 December 2016. Prior to his appointment on 30 August 2016, Olivier Roussat was awarded 80,000 stock options on 30 May 2016. Those options were valued at €197,888 on the grant date.
Directors' fees	Directors' fees – subsidiaries: 11,517	(4/12ths of the directors' fees paid to Olivier Roussat in 2016).
Value of benefits in kind	4,517	Company car and unemployment insurance. (60% of 4/12ths of the benefits in kind awarded to Olivier Roussat in 2016).

### II. For information: remuneration components due or awarded in respect of the period from 1 September 2016 to 31 December 2016, approved by the Board of Directors under the regulated agreements procedure and submitted for approval by the Annual General Meeting of 27 April 2017 (Resolution 7)

	Quantity/accounting value €	Comments
Severance compensation		No entitlement to severance compensation.
Non-competition indemnity		No entitlement to a non-competition indemnity.
Supplementary pension scheme		Olivier Roussat, on the same basis and subject to the same conditions as the other members of the Group Management Committee, belongs to a supplementary pension scheme giving entitlement to an annual pension equal to 0.92% of the reference salary (average of the three best years) per year in the scheme, capped at eight times the social security ceiling (giving a cap of €308,928 for 2016). Entitlement to this supplementary pension is acquired only after ten years' service with the Bouygues group and is contingent on the beneficiary being a member of the Group Management Committee at the date of retirement. If he had retired in 2016, Olivier Roussat would have been entitled, taking into account his length of service, to an annual pension of €145,410. In accordance with the Afep-Medef Code, this does not exceed 45% of his reference income.

**TOTAL** **476,034**

(a) Variable remuneration expressed as a percentage of fixed remuneration.

(b) Cap on variable remuneration, set at a percentage of fixed remuneration.

5

## Description of the remuneration of Philippe Marien, Deputy Chief Executive Officer, for the period from 1 September 2016 to 31 December 2016

### I. Remuneration components due or awarded in respect of the period from 1 September 2016 to 31 December 2016 and submitted to the Annual General Meeting of 27 April 2017 for an opinion (Resolution 10)

	Quantity/accounting value €	Comments
Fixed remuneration	306,667	
Change versus 2015		
Variable remuneration	306,667	Variable remuneration criteria: see 5.4.1.1 (D) above.
Change versus 2015		
Variable/fixed <sup>a</sup>	100%	
Cap <sup>b</sup>	100%	
Deferred variable remuneration		No entitlement to deferred variable remuneration.
Multi-year variable remuneration		No entitlement to multi-year variable remuneration.
Exceptional remuneration		No entitlement to exceptional remuneration.
Value of stock options, performance shares or any other long-term remuneration awarded during the year		No stock options, performance shares or other long-term remuneration awarded during the period from 1 September 2016 to 31 December 2016. Prior to his appointment on 30 August 2016, Philippe Marien was awarded 80,000 stock options on 30 May 2016. Those options were valued at €197,888 on the grant date.
Directors' fees	Directors' fees – subsidiaries: 25,467	(4/12ths of the directors' fees paid to Philippe Marien in 2016).
Value of benefits in kind	1,215	Company car. (4/12ths of the benefits in kind awarded to Philippe Marien in 2016).

### II. For information: remuneration components due or awarded in respect of the period from 1 September 2016 to 31 December 2016, approved by the Board of Directors under the regulated agreements procedure and submitted for approval by the Annual General Meeting of 27 April 2017 (Resolution 6)

	Quantity/accounting value €	Comments
Severance compensation		No entitlement to severance compensation.
Non-competition indemnity		No entitlement to a non-competition indemnity.
Supplementary pension scheme		Philippe Marien, on the same basis and subject to the same conditions as the other members of the Group Management Committee, belongs to a supplementary pension scheme giving entitlement to an annual pension equal to 0.92% of the reference salary (average of the three best years) per year in the scheme, capped at eight times the social security ceiling (giving a cap of €308,928 for 2016). Entitlement to this supplementary pension is acquired only after ten years' service with the Bouygues group and is contingent on the beneficiary being a member of the Group Management Committee at the date of retirement. If he had retired in 2016, Philippe Marien would have been entitled to an annual pension, taking into account his length of service, of €184,117. In accordance with the Afep-Medef Code, this does not exceed 45% of his reference income.

<b>TOTAL</b>	<b>640,016</b>
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(a) Variable remuneration expressed as a percentage of fixed remuneration.

(b) Cap on variable remuneration, set at a percentage of fixed remuneration.

**Table 1 – General summary of legal status of Executive Officers: restrictions on combining corporate office with employment contract – Supplementary pension – Severance compensation – Non-competition indemnity**

Executive Officer	Employment contract		Supplementary pension scheme		Compensation or other benefits due or liable to become due on cessation or change of office		Non-competition indemnities	
	yes	no	yes	no	yes	no	yes	no
<b>Martin Bouygues</b> Office: Chairman and CEO		X	X			X		X
<b>Olivier Bouygues</b> Office: Deputy CEO		X	X			X		X
<b>Olivier Roussat</b> Office: Deputy CEO		X <sup>a</sup>	X			X		X
<b>Philippe Marien</b> Office: CEO		X <sup>a</sup>	X			X		X

(a) Employment contract suspended with effect from 1 September 2016.

**Table 2 – General summary of remuneration, benefits in kind and options awarded to the four Executive Officers in 2016**

€	Martin Bouygues (Chairman and CEO)		Olivier Bouygues (Deputy CEO)		Olivier Roussat (Deputy CEO)	Philippe Marien (Deputy CEO)
	in 2016	in 2015	in 2016	in 2015	From 01/09/16 to 31/12/16	From 01/09/16 to 31/12/16
Remuneration due in respect of the year/period (see Tables 3 and 4 for breakdown)	2,401,522	1,023,779	1,336,631	579,670	476,034	640,116
Value of options awarded during the year/period <sup>a</sup>						
Value of performance shares awarded during the year/period <sup>b</sup>						
<b>TOTAL</b>	<b>2,401,522</b>	<b>1,023,779</b>	<b>1,336,631</b>	<b>579,670</b>	<b>476,034</b>	<b>640,116</b>
<b>CHANGE 2016 VS 2015</b>	<b>+134.6%</b>		<b>+130.58%</b>			

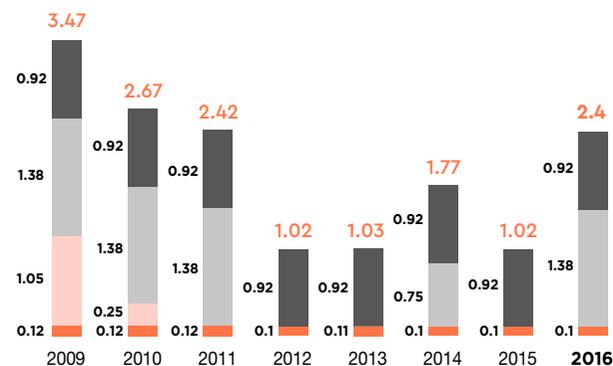
(a) No options were awarded to either Martin Bouygues or Olivier Bouygues in 2015 or 2016. Olivier Roussat and Philippe Marien were each awarded 80,000 options in May 2016 prior to their appointment as Deputy Chief Executive Officers.

(b) Bouygues has not awarded any performance shares.

### Martin Bouygues Chairman and Chief Executive Officer

Number of options awarded in 2016: 0

€ million

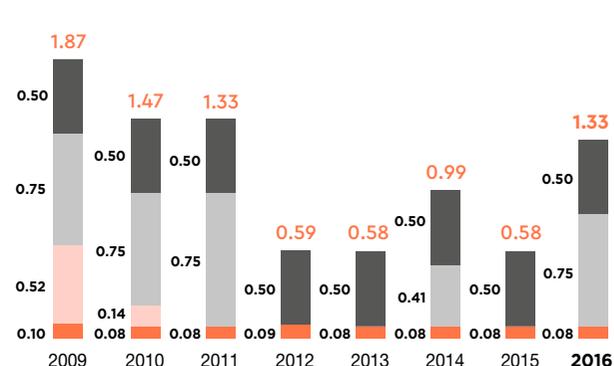


Legend: Fixed remuneration (dark grey), Variable remuneration (light grey), Value of stock options (pink), Directors' fees and benefits in kind (orange)

### Olivier Bouygues Deputy Chief Executive Officer

Number of options awarded in 2016: 0

€ million



Legend: Fixed remuneration (dark grey), Variable remuneration (light grey), Value of stock options (pink), Directors' fees and benefits in kind (orange)

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**Table 3 – Detailed breakdown of remuneration awarded to the four Executive Officers in respect of the 2016 financial year**

The Selection and Remuneration Committee has carried out an assessment of the attainment level of the variable remuneration criteria for the four Executive Officers.

Office and length of service with the Group	Remuneration <sup>a</sup>	Amounts <sup>b</sup> in respect of FY2016 €		Amounts <sup>b</sup> in respect of FY2015 €		Variable remuneration criteria <sup>f</sup> (FY2016)
		due <sup>c</sup>	paid	due <sup>c</sup>	paid	
<b>Martin Bouygues</b> Chairman and CEO (43 years)	Fixed	920,000	920,000	920,000	920,000	<ul style="list-style-type: none"> <li>■ P1 = Increase in current operating profit (50%)</li> <li>■ P2 = Change in consolidated net profit<sup>g</sup> versus Plan (25%)</li> <li>■ P3 = Change in consolidated net profit<sup>g</sup> versus 2015 (25%)</li> <li>■ P4 = Free cash flow before changes in WCR (50%)</li> </ul>
	■ Change	0%	0%	0%		
	Variable	1,380,000	0	0	753,204	
	■ Change			-100%		
	■ Variable/fixed <sup>d</sup>	150%		0%		
	■ Cap <sup>e</sup>	150%		150%		
	Exceptional					
Directors' fees	70,200	70,200	73,900	73,900		
Benefits in kind	31,322	31,322	29,879	29,879		
<b>Total</b>		<b>2,401,522</b>	<b>1,021,522</b>	<b>1,023,779</b>	<b>1,776,983</b>	
<b>Olivier Bouygues</b> Deputy CEO (43 years)	Fixed	500,000	500,000	500,000	500,000	<ul style="list-style-type: none"> <li>■ P1 = Increase in current operating profit (50%)</li> <li>■ P2 = Change in consolidated net profit<sup>g</sup> versus Plan (25%)</li> <li>■ P3 = Change in consolidated net profit<sup>g</sup> versus 2015 (25%)</li> <li>■ P4 = Free cash flow before changes in WCR (50%)</li> </ul>
	■ Change	0%	0%	0%		
	Variable	750,000	0	0	409,350	
	■ Change			-100%		
	■ Variable/fixed <sup>d</sup>	150%		0%		
	■ Cap <sup>e</sup>	150%		150%		
	Exceptional					
Directors' fees	75,875	75,875	68,914	68,914		
Benefits in kind	10,756	10,756	10,756	10,756		
<b>Total</b>		<b>1,336,631</b>	<b>586,631</b>	<b>579,670</b>	<b>989,020</b>	
<b>TOTAL MARTIN BOUYGUES AND OLIVIER BOUYGUES</b>		<b>3,738,153</b>	<b>1,608,153</b>	<b>1,603,449</b>	<b>2,766,003</b>	
<b>CHANGE</b>		<b>+133%</b>		<b>-42%</b>		

See footnotes on the next page.

Office and length of service with the Group	Remuneration <sup>a</sup>	Amounts <sup>b</sup> in respect of 01/09/2016 to 31/12/2016 €		Variable remuneration criteria <sup>f</sup>
		due <sup>c</sup>	paid	
<b>Olivier Roussat</b> Deputy CEO (22 years) Period from 1 September 2016 to 31 December 2016	Fixed	184,000	184,000	See section 5.4.1.4 below.
	■ Change			
	Variable	276,000		
	■ Change			
	■ Variable/fixed <sup>d</sup>	150%		
	■ Cap <sup>e</sup>	150%		
	Exceptional			
	Directors' fees	11,517	11,517	
Benefits in kind	4,517	4,517		
<b>Total</b>		<b>476,034</b>	<b>200,034</b>	
<b>Philippe Marien</b> Deputy CEO (36 years) Period from 1 September 2016 to 31 December 2016	Fixed	306,667	306,667	See section 5.4.1.1 (D) above.
	■ Change			
	Variable	306,667		
	■ Change			
	■ Variable/fixed <sup>d</sup>	100%		
	■ Cap <sup>e</sup>	100%		
	Exceptional			
	Directors' fees	25,567	25,567	
Benefits in kind	1,215	1,215		
<b>Total</b>		<b>640,116</b>	<b>333,449</b>	

(a) No remuneration other than that mentioned in the table was paid to the Executive Officers by Bouygues group companies.

(b) Amounts due = all amounts awarded in respect of the financial year. Amounts paid = all amounts paid during the financial year (bearing in mind that the variable portion awarded for any one financial year is actually paid in the first quarter of the following financial year).

(c) Amounts due - Change: the percentages shown under the amount of fixed and variable remuneration indicate the change relative to the previous year.

(d) Variable remuneration expressed as a percentage of fixed remuneration.

(e) Cap on variable remuneration, set at a percentage of fixed remuneration.

(f) Variable remuneration criteria: the percentages shown indicate the weight attached to each criterion in determining total variable remuneration.

(g) Consolidated net profit = consolidated net profit (attributable to the Group) for Bouygues.

	Amounts due in respect of FY2016 €	
	due	paid
<b>TOTAL FOR THE FOUR EXECUTIVE OFFICERS</b>	<b>4,854,303</b>	<b>2,141,636</b>

### 5.4.1.3 Directors' fees

The Annual General Meeting of 24 April 2003 set the total amount of directors' fees payable to Bouygues directors at €700,000 for each financial year, leaving it to the Board of Directors to determine how this amount should be allocated.

Directors' fees comprise (i) a fixed portion of 30% and (ii) a variable portion of 70% calculated in proportion to the actual presence of each director at the five periodic Board meetings held each year and, for committee members, at committee meetings.

■ Chairman and CEO	€50,000
■ Directors	€25,000
■ Accounts Committee members	€14,000
■ Members of other committees (Selection and Remuneration, and Ethics, CSR and Patronage)	€7,000

**Table 4 – Directors' fees paid in respect of the 2016 financial year**

€		Source (Notes 1 and 2)	2016	2015
M. Bouygues	Chairman and CEO	Bouygues Subsidiaries	50,000 20,200	50,000 23,900
O. Bouygues	Deputy CEO	Bouygues Subsidiaries	25,000 50,875	25,000 43,914
<b>SUB-TOTAL – EXECUTIVE OFFICERS</b>		<b>BOUYGUES SUBSIDIARIES TOTAL</b>	<b>75,000 71,075 146,075</b>	<b>75,000 67,814 142,814</b>
F. Bertière	Director	Bouygues Subsidiaries	25,000 22,400	25,000 20,000
C. Bouygues <sup>a</sup>	Director	Bouygues	16,125	0
E. Bouygues <sup>a</sup>	Director	Bouygues	16,125	0
R. Deflesselle	Director	Bouygues	25,000 7,000	25,000 5,040
F. Castagné <sup>b</sup>	Director	Bouygues	16,125 4,025	0 0
C. Gaymard <sup>a</sup>	Director	Bouygues	16,125 9,030 <sup>c</sup>	0 0
A.-M. Idrac	Director	Bouygues	21,500 17,080	21,500 19,040
P. Kron	Director	Bouygues	25,000	25,000
H. Le Bouc	Director	Bouygues Subsidiaries	25,000 20,000	25,000 20,000
C. Lewiner	Director	Bouygues Subsidiaries	21,500 7,000 26,400	25,000 7,000 24,000
H. le Pas de Sécheval	Director	Bouygues	25,000 21,000	25,000 21,000
S. Nombret	Director	Bouygues	25,000 7,000	25,000 7,000
R.-M. Van Lerberghe	Director	Bouygues	25,000 7,000	25,000 7,000
M. Vilain	Director	Bouygues	25,000 14,000	25,000 14,000
<b>SUB-TOTAL – OTHER DIRECTORS</b>		<b>BOUYGUES SUBSIDIARIES TOTAL</b>	<b>400,635 68,800 469,435</b>	<b>473,280 94,107 567,387</b>
<b>GRAND TOTAL OF DIRECTORS' FEES – EXECUTIVE OFFICERS AND OTHER DIRECTORS (NOTE 3)</b>		<b>BOUYGUES SUBSIDIARIES TOTAL</b>	<b>536,610 164,875 762,460</b>	<b>581,805 161,921 743,726</b>

(a) Appointed as a director on 21 April 2016.

(b) Employee representative since 27 April 2016. Member of the Selection and Remuneration Committee since 29 August 2016.

(c) Member of the Accounts Committee since 11 May 2016.

**Note 1:** Bouygues = directors' fees paid for attendance as a member of the Bouygues Board of Directors. The first line shows fees paid for attendance at Board meetings. The second line shows fees paid for attendance at committee meetings.

**Note 2:** Subsidiaries = Directors' fees paid by Group companies, within the meaning of Article L. 233-16 of the Commercial Code (mainly Colas, Bouygues Telecom and TF1).

**Note 3:** The grand total includes directors' fees paid to Michel Bardou, Jean-Paul Chifflet, Nonce Paolini, Jean Peyrelevade and François-Henri Pinault, all of whom left the Board during 2016.

Michel Bardou received directors' fees from Bouygues of €10,750 in 2016 and €25,000 in 2015. He received €3,500 in 2016 and €4,450 in 2015 as a member of the Remuneration Committee. He left the Board of Directors in April 2016.

Jean-Paul Chifflet received directors' fees from Bouygues of €10,750 in 2016 and €21,500 in 2015. He received €3,500 in 2016 and €7,000 in 2015 as a member of the Selection Committee. He left the Board of Directors in April 2016.

Nonce Paolini received directors' fees from Bouygues of €5,375 in 2016 and €25,000 in 2015. He received directors' fees from subsidiaries of €25,000 in 2016. Nonce Paolini took retirement from his positions within the Group and stood down as a director on 23 February 2016.

Jean Peyrelevade received directors' fees from Bouygues of €10,750 in 2016 and €25,000 in 2015. He received €3,500 in 2016 and €7,000 in 2015 as a member of the Selection Committee. He left the Board of Directors in April 2016.

François-Henri Pinault received directors' fees from Bouygues of €10,750 in 2016 and €25,000 in 2015. He received €2,100 in 2016 and €6,650 in 2015 as a member of the Remuneration Committee and the Selection Committee. He left the Board of Directors in April 2016.

#### 5.4.1.4 Principles and rules for determining remuneration awarded to salaried directors

##### Remuneration of salaried directors

Two directors (François Bertière and Hervé Le Bouc) are salaried employees of Bouygues. Each of them manages a business segment of the Group.

The principles and methods used to determine remuneration awarded to salaried directors are similar to those used for the Executive Officers (see "General description of the method used to determine variable remuneration" in section 5.4.1.1. above).

However, three of the criteria for determining their variable remuneration are specific to the performance of the business segment (subsidiary) they manage.

Five criteria (P1, P2, P3, P4 and P5) are used to determine variable remuneration.

An adjustment may be applied to P3 (see table below).

The variable remuneration criteria are:

- P1 = change in consolidated net profit (attributable to the Group) of Bouygues versus plan (30% if the objective is attained);
- P2 = change in current operating margin of the subsidiary managed versus plan (10% if the objective is attained);
- P3 = change in consolidated net profit (attributable to the Group) of the subsidiary managed versus plan (25% if the objective is attained);
- P4 = change in consolidated net profit (attributable to the Group) of the subsidiary managed relative to the previous year (35% if the objective is attained);
- P5 = qualitative criteria, including one related to CSR (50% if the objectives are attained).

These qualitative and quantitative objectives (and in particular, the level of attainment of the quantitative criteria) were established with precision but are not disclosed for confidentiality reasons.

The remuneration of Olivier Roussat, appointed as Deputy Chief Executive Officer on 30 August 2016, was subject to the same rules in 2016.

		Variable remuneration calculation method	
	Objective	Variable portion if objective attained (% of FR)	
P1	Consolidated net profit (attributable to the Group) for the year per the 2016 plan	30%	
P2	Current operating margin ratio per the subsidiary's 2016 plan	10%	
		25%	
P3	Consolidated net profit for the year per the subsidiary's 2016 plan	+ if consolidated net profit per the 2016 plan is 20% or more below actual consolidated net profit for 2015, P2 is capped at 25%.	
P4	Actual consolidated net profit of the subsidiary for the previous year (2015 CNP)	35%	
P5	Qualitative objectives (including Ethics and CSR for 20%)	50%	
Cap		150%	

**Actual variable portion awarded based on 2016 performance (% of FR)**

	F. Bertière	H. Le Bouc
P1	60%	60%
P2	12.42%	11.47%
P3	26.30%	25.35%
P4	66.82%	70%
P5	50%	50%
	<b>215.63%</b>	<b>216.82%</b>
Capped at	150%	150%

The remuneration paid by Bouygues, and the related social security charges, is invoiced to the subsidiary managed by the director (François Bertière: Bouygues Immobilier; Hervé Le Bouc: Colas).

Table 5 – Detailed breakdown of remuneration of salaried employees

Office held and length of service with the Group	Remuneration <sup>a</sup>	Amounts <sup>b</sup> in respect of FY2016 €		Amounts <sup>b</sup> in respect of FY2015 €		Variable remuneration criteria (FY2016)
		due <sup>c</sup>	paid	due <sup>c</sup>	paid	
<b>F. Bertière</b> Director (32 years)	Fixed	920,000	920,000	920,000	920,000	<ul style="list-style-type: none"> <li>■ P1 = Change in consolidated net profit of Bouygues (30%)</li> <li>■ P2 = Change in current operating margin of Bouygues Immobilier versus plan (10%)</li> <li>■ P3 = Change in consolidated net profit of Bouygues Immobilier versus plan (25%)</li> <li>■ P4 = Change in consolidated net profit of Bouygues Immobilier versus 2015 (35%)</li> <li>■ P5 = Qualitative criteria (50%)</li> </ul>
	■ Change	0%		0%		
	Variable	1,380,000	1,334,000	1,334,000	1,380,000	
	■ Change	+3.45%				
	■ Variable/fixed <sup>d</sup>	150%		150%		
	■ Cap <sup>e</sup>	150%		150%		
	Exceptional					
Directors' fees	47,400	47,400	45,000	45,000		
Benefits in kind	4,994	4,994	4,944	4,944		
<b>TOTAL</b>		<b>2,352,394</b>	<b>2,306,394</b>	<b>2,303,944</b>	<b>2,349,944</b>	
<b>H. Le Bouc</b> Director (38 years)	Fixed	920,000	920,000	920,000	920,000	<ul style="list-style-type: none"> <li>■ P1 = Change in consolidated net profit of Bouygues (30%)</li> <li>■ P2 = Change in current operating margin of Colas versus plan (10%)</li> <li>■ P3 = Change in consolidated net profit of Colas versus plan (25%)</li> <li>■ P4 = Change in consolidated net profit of Colas versus 2015 (35%)</li> <li>■ P5 = Qualitative criteria (50%)</li> </ul>
	■ Change	0%		0%		
	Variable	1,380,000	1,380,000	1,380,000	1,380,000	
	■ Change	0%		0%		
	■ Variable/fixed <sup>d</sup>	150%		150%		
	■ Cap <sup>e</sup>	150%		150%		
	Exceptional					
Directors' fees	45,000	45,000	45,000	45,000		
Benefits in kind	4,100	4,100	4,100	4,100		
<b>TOTAL</b>		<b>2,349,100</b>	<b>2,349,100</b>	<b>2,349,100</b>	<b>2,349,100</b>	

(a) No remuneration other than that mentioned in this table was paid to these directors by Bouygues group companies.

(b) Amounts due = all amounts awarded in respect of the financial year. Amounts paid = all amounts paid during the financial year (bearing in mind that the variable portion awarded for any one financial year is actually paid in the first quarter of the following financial year).

(c) Amounts due – Change: the percentages shown under the amount of fixed and variable remuneration indicate the change relative to the previous year.

(d) Variable remuneration expressed as a percentage of fixed remuneration.

(e) Cap on variable remuneration, set at a percentage of fixed remuneration.

## Employment contracts of the two salaried directors

The employment contracts of François Bertière and Hervé Le Bouc have been maintained because they have spent almost their entire careers at the Group. They both had considerable lengths of service when they took charge of one of the Group's five business segments and were appointed as directors.

## Supplementary pension scheme

Subject to certain conditions, François Bertière and Hervé Le Bouc will be entitled to benefit from a supplementary pension scheme when they retire. The terms of the scheme are the same as those for the Executive Officers, as described in section 5.4.1.1 (H) above.

The estimated amounts of their annual annuities as of 31 December 2016 are as follows:

Name	Annual annuity €
François Bertière	282,622
Hervé Le Bouc	216,389

## Severance compensation and non-competition indemnities

As in the case of the Executive Officers, these directors are not entitled to any severance compensation or non-competition indemnity.

Although not severance compensation as such, a salaried director of the company is covered by the relevant collective agreement (in the case of Bouygues SA, the collective agreement for managers in the building industry in the Paris region), which in the event of termination of employment contract the director would be entitled to compensation equivalent to approximately one year's salary.

## Directors representing employee shareholders and directors representing employees

Salaries paid to the two directors representing employee shareholders who have an employment contract with Bouygues or one of its subsidiaries, and salaries paid to the two directors representing employees, are not disclosed.

## 5.4.2 Report on the principles and criteria for determining, allocating and awarding the fixed, variable and exceptional components of the total remuneration and benefits of all kinds payable to the Chairman and CEO and Deputy CEOs in 2017

Report required under Article L. 225-37-2 of the Commercial Code, and referred to in the twelfth resolution of the Combined Annual General Meeting of 27 April 2017.

The payment of the variable and exceptional components referred to in this report is subject to approval by the Ordinary General Meeting of the remuneration components of the person concerned under the conditions set forth in Article L. 225-100 of the Commercial Code.

### 5.4.2.1 General principles

The Board of Directors laid down the following twelve general principles on the basis of which the 2017 remuneration and benefits of the Executive Officers of Bouygues will be determined.

1. Compliance with Afep-Medef Code recommendations.
2. No employment contract with Executive Officers during their term of office; existing employment contracts suspended on appointment as Executive Officer.
3. No severance benefit or non-competition indemnity on leaving office.
4. Level of remuneration taking into account the existence of a capped supplementary pension and the fact that no severance benefit or non-competition indemnity has been granted.
5. Remuneration commensurate with the level and difficulty of each Executive Officer's responsibility. Remuneration commensurate with each Executive Officer's experience in the position held and length of service with the Group.
6. Remuneration takes account of the practices applied in groups or enterprises carrying on comparable activities.
7. An incentivising remuneration structure comprising the following:
  - fixed remuneration;
  - annual variable remuneration;
  - multi-year variable remuneration;
  - directors' fees;
  - limited benefits in kind;
  - supplementary pension.
8. No deferred annual variable remuneration.
9. Discretion left to the Board of Directors to decide to pay exceptional remuneration but reserved for truly exceptional circumstances.
10. No additional remuneration paid to any Executive Officer by a Group subsidiary apart from directors' fees (with the caveat that Olivier Roussat's remuneration will be charged 60% to Bouygues and 40% to Bouygues Telecom, reflecting how he splits his time between the two companies).

11. No stock options or performance shares awarded to Executive Officers in 2017.

12. For the first time, inclusion in the remuneration package of multi-year remuneration arrangements, determined on the basis of medium-term performance.

The aim is to incentivise the four Executive Officers to exceed the objectives set for them.

Given that Bouygues has always been run by an Executive Officer drawn from the founding family and reference shareholder, the appointment of two Deputy Chief Executive Officers who are not major or reference shareholders was regarded as the right time to introduce this type of multi-year remuneration determined by reference to actual performances over the medium term rather than the performance of the most recent financial year.

### 5.4.2.2 Criteria and methods used in 2017 by the Board of Directors to determine, allocate and award the fixed, variable and exceptional components of the total remuneration and benefits of all kinds of each Executive Officer (Martin Bouygues, Olivier Bouygues, Philippe Marien and Olivier Roussat)

For 2017, the criteria and methods agreed by the Board of Directors to determine, allocate and award the fixed, variable and exceptional components of the total remuneration and benefits of all kinds of each Executive Officer are described below. A few changes have been made relative to 2016, primarily the introduction of multi-year variable remuneration (medium-term remuneration). In general, however, the Board of Directors considered it advisable to retain the majority of the existing criteria and methods, which have been applied for several years.

#### 1. Fixed remuneration

- €920,000 (Martin Bouygues – Philippe Marien)
- €552,000 (Olivier Roussat)
- €500,000 (Olivier Bouygues)

The rules used to determine fixed remuneration were established in 1999 and have been applied consistently ever since. Fixed remuneration is determined according to the level and complexity of the person's responsibilities, experience in the post and length of service with the Group, and practices followed by groups or companies carrying on comparable businesses.

## 2. Annual variable remuneration

Capped at 160% of fixed remuneration, i.e. a cap of €1,472,000 for Martin Bouygues and Philippe Marien, €883,200 for Olivier Roussat and €800,000 for Olivier Bouygues.

The annual variable remuneration would be determined by applying five criteria (three of them referring to the three-year business plan), opening up the possibility of receiving five variable components: P1, P2, P3, P4 and P5.

- P1** Actual consolidated current operating profit (COP) of the Group for the year / Objective = COP per 2017 plan
- P2** Actual consolidated net profit (CNP) of the Group for the year / Objective = CNP per 2017 plan
- P3** Actual CNP for the year (excluding exceptional items) / Objective = CNP for the previous year (excluding exceptional items)
- P4** Change in net debt (excluding external growth not built into the plan) / Objective = Change in net debt per 2017 plan
- P5** Qualitative criteria: performance in CSR<sup>a</sup> and compliance

### METHOD FOR DETERMINING ANNUAL VARIABLE REMUNERATION FOR 2017

The method for determining the annual variable remuneration of the Executive Officers for 2017 would be based on five separate variable components: P1, P2, P3, P4 and P5.

(FR = Fixed Remuneration)

#### P1, P2, P3 and P4

The effective weight of each criterion determining the payment of each of the three components P1, P2 and P4 is dependent on the performance achieved during the financial year relative to the business plan.

P3 is determined by reference to the performance for the previous financial year.

The four variable components P1, P2, P3 and P4 are calculated as follows:

- 1) If actual performance is more than 10% below the Objective: the component concerned (P1, P2, P3 or P4) = 0
- 2) If actual performance is between (Objective - 10%) and the Objective:
  - P1 = 0% to 40% of FR
  - P2 = 0% to 40% of FR
  - P3 = 0% to 30% of FR
  - P4 = 0% to 20% of FR
- 3) If actual performance is higher than the Objective:
  - P1 = 40% to 70% of FR
  - P2 = 40% to 70% of FR
  - P3 = 30% to 50% of FR
  - P4 = 20% to 30% of FR

Between these limits the effective weight of each component is determined by linear interpolation.

#### P5

The Board of Directors determines the effective weight of P5, subject to a strict cap of 30% of FR.

#### Cap

The sum of the five components P1, P2, P3, P4 and P5 calculated according to the above method may never exceed a **cap of 160% of FR**.

(a) Corporate Social Responsibility.

## 3. Multi-year variable remuneration (medium-term remuneration)

Each Executive Officer could be entitled to multi-year variable remuneration, i.e. a medium-term remuneration arrangement determined by reference to two criteria derived from the three-year business plan:

- P6:** Actual consolidated current operating profit (COP) of the Group for the three most recent financial years covered by the Group business plan / the three COP figures set as objectives in the business plan.
- P7:** Actual consolidated current operating profit (COP) of the Group for the three most recent financial years covered by the Group business plan / the three COP figures set as objectives in the business plan.

Multi-year variable remuneration is determined as follows:

(FR = Fixed Remuneration)

**P6:** Objective = current operating profit figures for the financial years set as objectives in the business plan.

- If the objective is attained P6 = 0
- If all three COP figures are 20% above the objective, P6 = 15% of FR

Between these lower and upper limits, P6 is determined by linear interpolation on the basis of the actual profit figure achieved.

**P7:** Objective = consolidated net profit figures of the Group for the financial years set as objectives in the business plan.

- If the objective is attained P7 = 0
- If all three CNP figures are 20% above the objective, P7 = 15% of FR

Between these lower and upper limits, P7 is determined by linear interpolation on the basis of the actual profit figure achieved.

#### CAP

Multi-annual variable remuneration is therefore **capped at 30% of fixed remuneration**.

Martin Bouygues and Olivier Bouygues could benefit from this new remuneration component on completion of the 2017 financial year. Philippe Marien and Olivier Roussat could benefit from it for the first time on completion of the 2018 financial year, with the 2017 and 2018 financial years used as reference points. On completion of the 2019 financial year and each subsequent financial year, the reference points would be the three previous financial years as per the rule proposed above.

## 4. Directors' fees

Directors' fees paid by Bouygues or a subsidiary of the Group would be retained by the Executive Officer.

## 5. Benefits in kind

Each Executive Officer would be allocated a company car.

Martin Bouygues and Olivier Bouygues would receive an additional benefit in the form of the part-time assignment of a personal assistant and chauffeur/security guard for their personal needs.

(A chauffeur is made available to Philippe Marien and Olivier Roussat for business purposes).

## 6. Supplementary pension scheme

Each Executive Officer would be eligible for a defined benefit collective pension scheme governed by Article L. 137-11 of the Social Security Code. This pension scheme would have the following characteristics:

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1. Pension rights that vest each year and are capped at 0.92% of the reference salary.
2. Conditions for joining the scheme and other eligibility conditions. The beneficiary must:
  - be a member of the Group Management Committee on the date of departure or retirement;
  - have at least ten years' service with the Bouygues group at the date of departure or retirement;
  - have definitively ended his or her professional career at one of the Group companies (this condition is fulfilled when the employee is part of the workforce at the date of departure or retirement);
  - be at least 65 years old at the date of departure or retirement;
  - fulfil the eligibility criteria for pension benefits under the basic social security pension scheme and the mandatory supplementary schemes (ARRCO and AGIRC).
3. Reference salary equal to the average gross salary of the Executive Officer's three best calendar years at the Bouygues group during his or her period on the Group Management Committee, adjusted to reflect changes in the value of pension entitlement points under the AGIRC scheme, on the date of cessation of office or termination of employment contract.  
The reference gross salary is that used to calculate social security contributions in accordance with Article L. 242-1 of the Social Security Code.
4. Frequency of vesting of rights: annual.
5. Cap: eight times the annual social security ceiling, i.e. a cap of €313,824 in 2017.
6. Financing outsourced to an insurance company outside the Group to which a contribution is made annually.
7. Performance conditions:
  - a) Executive Officers to whom performance conditions apply:
 

Martin Bouygues and Olivier Bouygues can no longer acquire any further supplementary pension rights since the rights vested in them to date exceed the cap set by the Board of Directors (eight times the French social security ceiling). However, the performance conditions do apply to Philippe Marien and Olivier Roussat.
  - b) Definition of the performance objective ("the Objective")
 

2017 financial year: Objective = that the average of the consolidated net profit figures for the 2016 and 2017 financial years ("Average CNP") is no more than 10% below the average of the consolidated net profit figures specified in the two plans for 2016 and 2017 ("Plan Average").

Each subsequent financial year: Objective = that the average of the consolidated net profit figures for the financial year then ended and the two financial years that preceded it ("Average CNP") is no more than 10% below the average of the consolidated net profit figures specified in the plan for the financial year then ended and the plans for the two financial years that preceded it.
  - c) Terms for determining the vesting of pension rights based on performance
    - If the Average CNP meets the Objective  
**Annual pension rights = 0.92% of the reference salary**
    - If the Average CNP is more than 10% below the Objective  
**Annual pension rights = 0**

Between those lower and upper limits pension rights will vary on a straight line basis between 0% and 0.92% of the reference salary.

### 5.4.3 2016 Report on stock options and performance shares

Report required under Articles L. 225-184 and L. 225-197-4 of the Commercial Code.

#### 5.4.3.1 Principles and rules applied in awarding stock options and performance shares

The twenty-first resolution of the Combined Annual General Meeting of 21 April 2016 authorised the Board of Directors to allot, on one or more occasions, existing or new "bonus shares" (i.e. performance shares). That authorisation was granted for a period of thirty-eight months, with the stipulation that the beneficiaries of such shares must be salaried employees and/or corporate officers of Bouygues or of companies or economic interest groupings that are related to Bouygues within the meaning of Article L. 225-197-2 of the Commercial Code.

The twenty-fourth resolution of the Combined Annual General Meeting of 23 April 2015 authorised the Board of Directors to grant, on one or more occasions, stock options giving the beneficiaries the right to subscribe for new shares or buy existing shares. That authorisation was

granted for a period of thirty-eight months, with the stipulation that the beneficiaries of such options must be salaried employees and/or corporate officers of Bouygues or of companies or economic interest groupings that are directly or indirectly related to Bouygues on the conditions stipulated in Article L. 225-180 of the Commercial Code.

To date, the Board of Directors has not used the authorisations to award performance shares or to grant options to buy existing shares. All the stock options granted have been options to subscribe for shares.

#### General rules applicable to awards of stock options or performance shares

The Board of Directors takes account of the recommendations contained in the Afep-Medef Code and those issued by the AMF.

Consequently:

- Stock options or performance shares are awarded to help attract senior executives and employees, secure their loyalty, reward them, and give them a medium- and long-term interest in the company's development, reflecting their contribution to value creation.

- Each plan includes around 900 to 1,000 senior executives and employees. Beneficiaries are selected and individual awards determined on the basis of responsibility and performances, with particular attention paid to high-potential executives.
  - No discount is applied to grants of stock options.
  - A cap is set to prevent a significant increase in the volume of stock option plans when the market is falling. This cap is set at 15% of the volume of the previous plan.
  - Any senior executive or employee included on the list of senior executives or equivalent persons (see explanation below) is prohibited from exercising options or selling shares arising from the exercise of options:
    - during the 30 calendar days preceding publication of the first-half and full-year financial statements, and on the day of such publication;
    - during the 15 calendar days preceding publication of the first-quarter and third-quarter financial statements, and on the day of such publication;
    - during the 15 calendar days preceding publication of Bouygues' quarterly sales release, and on the day of such publication.
- The Board of Directors has reiterated that this prohibition also applies during any period during which a senior executive or employee holds inside information, and on the day such information is made public.
- Barring a decision to the contrary, options are awarded each May after publication of the financial statements for the previous year.
  - In addition to these measures, Bouygues has disseminated various internal rules to prevent insider dealing policy breaches or offences: issuing a list of senior executives and equivalent persons with regular or occasional access to inside information or with regular access to sensitive information; reminders of the rules on trading restrictions; information about stock market law; and a recommendation that individuals set up a share trading plan. A specific compliance programme (financial information and securities trading) was distributed within the Group in 2014. The provisions of the European Market Abuse Directive were implemented in 2016, adding another layer to the preventive measures in this area. New inside information procedures were introduced at the start of 2017.

### Specific rules applicable to Executive Officers

Since 2010, the Executive Officers have at their own request not been awarded any stock options or performance shares. However, the Board of Directors does not rule out awarding stock options or performance shares to Executive Officers in the future, and has set the following rules that would apply in such a case:

- No stock options or performance shares may be granted by reason of an Executive Officer leaving office.
  - There is a prohibition on speculative transactions or hedging the risk relating to the exercise of stock options or the sale of performance shares. To the best of the company's knowledge, no Executive Officer has contracted a hedging instrument.
  - Executive Officers and salaried directors who wish to sell shares arising from the exercise of options or performance shares are required to confirm with the Group Ethics Officer that they do not hold inside information.
- The value of options awarded to a corporate officer is capped at 100% of his remuneration.
  - Caps are imposed on awards made to the Chairman and Chief Executive Officer (no more than 5% of any plan) or to a Deputy Chief Executive Officer (no more than 2.5% of any plan). In light of the appointment of two new Deputy Chief Executive Officers, the Board of Directors reserves the right to reconsider those caps, with the caveat that the total volume of stock options awarded to Executive Officers during a two-year period is capped at 0.25% of the share capital under the terms of the draft resolution submitted for approval by the Combined Annual General Meeting on 27 April 2017.
  - Performance conditions must be met by Executive Officers when options are granted (by reference to actual consolidated net profit attributable to the Group for the financial year preceding the award) and exercised (by reference to consolidated net profit attributable to the Group for each of the financial years preceding exercise).
  - When awarding stock options or performance shares, the Board of Directors must determine the number of performance shares or shares arising from exercise of options that Executive Officers are required to retain until they cease to hold office. For the most recently awarded stock option plans, Executive Officers were required to retain 25% of the shares they obtained from exercising stock options, after selling a sufficient number of shares to fund the exercise and pay the related taxes and social charges.
  - Any transactions must be declared to the Board of Directors.

### Rationale for awarding stock options

Ever since 1988, when Bouygues awarded its first stock option plan, the Board of Directors has always opted to use stock options as the mechanism for securing the loyalty of its senior executives and employees and giving them a stake in the Group's future development.

The objective is and always has been to incentivise them through movements in the Bouygues share price, rather than simply to pay them extra remuneration. The rationale for using stock options is borne out by the close correlation observed between trends in the Bouygues share price and trends in net profit attributable to the Group.

To date, no performance share plans have been awarded.

The Board of Directors has asked the Selection and Remuneration Committee to reconsider regularly which is the most appropriate mechanism for securing loyalty and linking incentives to the value of the company's shares.

### General information: characteristics of stock subscription options

All the stock subscription options granted by the Board of Directors in 2016 have the following characteristics:

- Exercise price: average of the opening quoted market prices on the 20 trading days preceding the grant date, with no discount.
- Validity: ten years from the grant date.
- Lock-up period: two years from the grant date.
- Exercise period: eight years from the end of the lock-up period (subject to three exceptions whereby options may be exercised at any time within the ten-year period: (i) exercise by heirs within six

months following the death of a beneficiary; (ii) change of control of Bouygues, or public tender offer or public exchange offer for Bouygues; and (iii) exercise in accordance with Article L. 3332-25 of the Labour Code using assets acquired under a Group savings scheme.

- Options automatically cancelled in the event of termination of employment contract or loss of office, unless given special authorisation or in the case of permanent incapacity for work or retirement.

#### 5.4.3.2 Stock subscription options awarded to or exercised by Executive Officers and salaried directors in 2016

Options giving entitlement to subscribe for new Bouygues shares were granted in 2016. On 12 May 2016, the Board of Directors decided to grant, on 30 May 2016, a total of 2,697,700 options to 888 beneficiaries<sup>a</sup> drawn from among the corporate officers and employees of Bouygues or companies belonging to the Bouygues group.

The exercise price was set at €29 per share subscribed.

As of the grant date, the value per option – measured using the method applied for the purposes of the consolidated financial statements – was €2.4736.

This stock option plan represented 0.78% of the company's share capital as of 30 April 2016.

#### Table 6 – Stock subscription options granted to Executive Officers and salaried directors of Bouygues

At their request, the Board did not award any options to Martin Bouygues or Olivier Bouygues.

Stock subscription options were however awarded to salaried directors.

Salaried director	Company awarding the options	Grant date	Number of options	Exercise price €
François Bertière	Bouygues	30 May 2016	80,000	29.00
Hervé Le Bouc	Bouygues	30 May 2016	80,000	29.00
<b>TOTAL</b>			<b>160,000</b>	

No other options were awarded to any salaried director.

#### Table 7 – Stock subscription options exercised by Executive Officers and salaried directors of Bouygues in 2016

##### STOCK SUBSCRIPTION OPTIONS EXERCISED BY EXECUTIVE OFFICERS OF BOUYGUES IN 2016

Name	Plan	Number of options exercised	Exercise price €
Olivier Bouygues	April 2009	101,296	25.62

##### STOCK SUBSCRIPTION OPTIONS EXERCISED BY SALARIED DIRECTORS OF BOUYGUES IN 2016

Name	Plan	Number of options exercised	Exercise price €
Hervé Le Bouc	April 2009	151,943	25.62
	June 2012	97,000	20.11
François Bertière	April 2009	151,943	25.62

(a) The Board of Directors authorised the award of 2,790,000 options, of which 92,300 were not ultimately awarded.

### 5.4.3.3 Performance shares

**Table 8 – Performance shares awarded to each Executive Officer**

Bouygues did not award any performance shares in 2016.

**Table 9 – Performance shares that became available to each Executive Officer during the year**

No performance shares became available because the company has not awarded any.

### 5.4.3.4 Summary of outstanding stock option plans

**Table 10 – Breakdown of stock subscription option plans by plan and category of beneficiary**

	2016	2015	2014	2013	2012	2011	2010
Date of AGM	21/04/2016	23/04/2015	21/04/2011	21/04/2011	21/04/2011	21/04/2011	24/04/2008
Grant date	30/05/2016	28/05/2015	27/03/2014	28/03/2013	13/06/2012	14/06/2011	30/06/2010
Number of options awarded by the Board of Directors <sup>b</sup>	2,790,000	2,739,600	2,790,000	2,790,000	2,956,025	2,936,125	4,145,650
■ o/w Executive Officers and salaried directors <sup>a&amp;b</sup>	Total: 160,000	Total: 295,000	Total: 375,000	Total: 320,000	Total: 388,000	Total: 388,000 (393,028) <sup>c</sup>	Total: 770,000 (779,975) <sup>c</sup>
							M. Bouygues: 160,000
							O. Bouygues: 90,000
	F. Bertière: 80,000	F. Bertière: 80,000	F. Bertière: 80,000	F. Bertière: 80,000	F. Bertière: 97,000	F. Bertière: 97,000	F. Bertière: 130,000
	H. Le Bouc: 80,000	H. Le Bouc: 80,000	H. Le Bouc: 80,000	H. Le Bouc: 80,000	H. Le Bouc: 97,000	H. Le Bouc: 97,000	H. Le Bouc: 130,000
■ of which the 10 employees awarded the most options	414,500	360,800	289,100	335,800	402,800	404,200 (409,441) <sup>c</sup>	534,000 (540,920) <sup>c</sup>
Pre-adjustment exercise price	€28.997	€37.106	€30.32	€22.28	€20.11	€31.84	€34.52
Post-adjustment exercise price <sup>b</sup>	€28.997	€37.106	€30.32	€22.28	€20.11	€31.43	€34.08
Start date of exercise period	31/05/2018	29/05/2017	28/03/2018	29/03/2017	14/06/2016	14/06/2015	30/06/2014
Date of expiration	30/05/2026	28/05/2025	27/09/2021	28/09/2020	13/12/2019	14/12/2018	30/12/2017
Number of options cancelled or lapsed	8,900	58,400	114,088	173,460	230,273	285,983 <sup>c</sup>	440,288 <sup>c</sup>
Number of options outstanding at 31/12/2016	2,690,300	2,681,200	2,674,363	2,583,725	1,905,305	2,251,690 <sup>c</sup>	3,222,703 <sup>c</sup>
Number of options exercised between 01/01/2017 and 31/01/2017			187	300	31,302	1,013	
<b>TOTAL OPTIONS OUTSTANDING AT 31/12/2016</b>	<b>18,009,286</b>						

(a) This list only includes Executive Officers and salaried directors currently in office.

(b) As required by law, the exercise price and number of options awarded were adjusted on 15 November 2011 following a share repurchase tender offer.

(c) After adjustment of the number of options on 15 November 2011 following the share repurchase tender offer.

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### 5.4.3.5 Stock subscription options awarded to/exercised by the ten employees awarded/exercising the most options during the year

**Table 11 – Stock subscription options awarded to the employees (excluding corporate officers) of Bouygues awarded the most options during the year**

Employee	Company awarding the options	Grant date	Number of options	Exercise price €
Pierre Auberger	Bouygues	30 May 2016	9,000	29.00
Jacques Bernard	Bouygues	30 May 2016	15,000	29.00
Philippe Bonnavé	Bouygues	30 May 2016	80,000	29.00
Yann Boucraut	Bouygues	30 May 2016	9,000	29.00
Robert Brard	Bouygues	30 May 2016	9,000	29.00
G�rard Bucourt	Bouygues	30 May 2016	9,000	29.00
Yvon Coleu	Bouygues	30 May 2016	9,000	29.00
Georges Colombani	Bouygues	30 May 2016	15,000	29.00
Philippe Cuenot	Bouygues	30 May 2016	9,000	29.00
Emmanuel Forest	Bouygues	30 May 2016	13,500	29.00
Jean-Fran�ois Guillemin	Bouygues	30 May 2016	27,000	29.00
Philippe Marien <sup>a</sup>	Bouygues	30 May 2016	80,000	29.00
Gilles P�lissou	Bouygues	30 May 2016	80,000	29.00
Emmanuel Roger	Bouygues	30 May 2016	9,000	29.00
Olivier Roussat <sup>a</sup>	Bouygues	30 May 2016	80,000	29.00
Gilles Zancanaro	Bouygues	30 May 2016	15,000	29.00
<b>TOTAL</b>			<b>468,500</b>	

(a) Philippe Marien and Olivier Roussat were appointed as Deputy Chief Executive Officers on 30 August 2016.

**Tableau 11 a – Stock subscription options exercised during 2016 by the ten employees (excluding corporate officers) of Bouygues exercising the most options**

Employee	Company awarding the options	Plan	Number of options exercised	Exercise price €
Olivier Roussat <sup>a</sup>	Bouygues	June 2011	8,257	31.43
		June 2012	97,000	20.11
Emmanuel Forest	Bouygues	April 2009	20,260	25.62
G�rard Bucourt	Bouygues	June 2012	8,300	20.11
Robert Brard	Bouygues	June 2011	7,598	31.43
Pierre Auberger	Bouygues	June 2012	7,500	20.11
Pierre Berehouc	Bouygues	April 2009	6,078	25.62
Christine Bonin	Bouygues	June 2011	3,039	31.43
		June 2012	3,000	20.11
Philippe Choyer	Bouygues	June 2011	2,634	31.43
		June 2012	2,600	20.11
Fabrice Bonnifet	Bouygues	April 2009	4,052	25.62
Jean-Gabriel Pichon	Bouygues	April 2009	4,052	25.62
<b>TOTAL</b>			<b>174,370</b>	

(a) Olivier Roussat was appointed as a Deputy Chief Executive Officer on 30 August 2016.

During 2016, 1,696,216 Bouygues stock subscription options were exercised by employees of Bouygues or its subsidiaries, including the ten Bouygues employees listed above.

## 5.5 Information on auditors

### 5.5.1 Statutory auditors

■ Mazars, 61 rue Henri Regnault, 92075 Paris-La Défense, France, appointed as statutory auditors at the Annual General Meeting on 10 June 1998, reappointed successively for a further six-year term at the Annual General Meetings of 22 April 2004, 29 April 2010 and 21 April 2016.

Mazars are represented by Guillaume Potel.

■ Ernst & Young Audit, Tour First, 1/2 Place des Saisons, 92400 Courbevoie, France, appointed as statutory auditors at the Annual General Meeting on 24 April 2003, reappointed for a further six-year term at the Annual General Meeting on 23 April 2009 and then at the Annual General Meeting on 23 April 2015.

Ernst & Young Audit are represented by Laurent Vitse.

Mazars and Ernst & Young Audit are members of the Versailles regional association of auditors.

### 5.5.2 Alternate auditors

■ Philippe Castagnac (Mazars group), appointed as alternate auditor at the Annual General Meeting on 29 April 2010, reappointed for a further six-year term at the Annual General Meeting on 21 April 2016.

■ Auditex (EY group), appointed as alternate auditor at the Annual General Meeting of 23 April 2009, reappointed for a further six-year term at the Annual General Meeting on 23 April 2015.

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### 5.5.3 Fees paid by the Group to the auditors and members of their networks

The fees paid to each of the auditors and to the members of their networks by Bouygues and all fully consolidated Group companies are set forth in Note 22 to the consolidated financial statements (chapter 7, section 7.1 of this Registration Document).