



Made to last

For you For everyone

REGISTRATION DOCUMENT

INCLUDING THE ANNUAL
FINANCIAL REPORT

2016



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Elements of the Annual Financial Report are identified in the content using the symbol **AFR**

Elements linked to the Corporate Social Responsibility are identified in the content using the symbol **CSR**



Registration document
including the Annual Financial Report

2016



This is a free translation of the registration document. The French version of the registration document was filed with the Autorité des Marchés Financiers (AMF - French Financial Markets Authority) on March 22, 2017, pursuant to Article 212-13 of its General Regulations. It may be used in support of financial transactions only if accompanied by a prospectus approved by the AMF. This document was prepared by the issuer and is binding on its signatories.

The registration document (in French) may be obtained as follows on the web site of the AMF (www.amf-France.org) and on the BIC corporate site (www.bicworld.com). A copy of this document can also be obtained, without charge, by calling Investor Relations of SOCIÉTÉ BIC, in France +33 1.45.19.52.26 or by sending a letter to SOCIÉTÉ BIC, 14 rue Jeanne d'Asnières, 92611 Clichy cedex (France).



PROFILE AND STRATEGY

Since the creation of the Company in 1944, BIC's corporate responsibility and operational and financial performance have relied on several fundamental strategic pillars:

- quality and value product positioning;
- a large and diversified product portfolio aimed at answering consumers' needs:
 - our classic products are functional, reliable and affordable, manufactured using the minimum raw materials. They are designed to serve a very precise function and they offer the best value for money with a good environmental performance,
 - our value-added products are aimed at answering the growing demand for more sophisticated goods,
 - our responsible products use alternative or recycled raw materials;
- innovation: in 2016, BIC realized 12% of its net sales through new products ⁽¹⁾;
- recognized brands:
 - in the Consumer business: BIC®, Tipp-Ex®, Wite-Out®, BIC® Kids, BIC® Matic, BIC® Ecolutions® (responsible products), Cello®,
 - in Advertising and Promotional Products: BIC Graphic;
- historical international footprint in both developed and developing markets:
 - BIC is present in more than 160 countries with a strong presence in developing markets, thanks notably to its quality products, accessible to as many people as possible,
 - BIC innovates with distribution adapted to the poorest populations;
- on-going and sustained productivity improvement policy:
 - the modernization and continuous rationalization of its production facilities allow BIC to maintain its worldwide competitiveness at the highest level and reduce its environmental footprint;
- a complete and solid international distribution network (stationery stores, office supplies companies, mass-merchandisers, convenience stores, distributors, wholesalers and cash-and-carry outlets, E-commerce, etc.);
- a solid balance sheet and a clear use of cash strategy, including:
 - internal development, through focused capital expenditures,
 - external growth, through bolt-on strategic acquisitions in order to:
 - acquire a technology not yet held by the Group,
 - enter a new market segment,
 - enter a new geographic area;
 - regular shareholder remuneration.

(1) A product is considered as new during the year of its launch and the three following years.



“ We offer simple, inventive and reliable choices for everyone, everywhere, every time ,”

GROUP LONG-TERM STRATEGIC PRIORITIES

Continue to create long-term value by outperforming our markets and growing sales organically low to mid-single digit, thanks to:

- expanded distribution networks in all geographies,
- increased focus on value-added segments in Developed markets,
- enlarged consumer base in Developing markets.

Grow Normalized Income From Operations through increased productivity as we invest in our people, in brand support and in Research and Development focused on quality and innovative new products.

Maintain a strong cash generation to:

- finance strategic bolt-on acquisitions,
- sustain total Shareholders' remuneration.



“ Honor the past, invent the future ,”



PROFILE 2016

A WORLD LEADER IN THE CONSUMER GOODS MARKETS

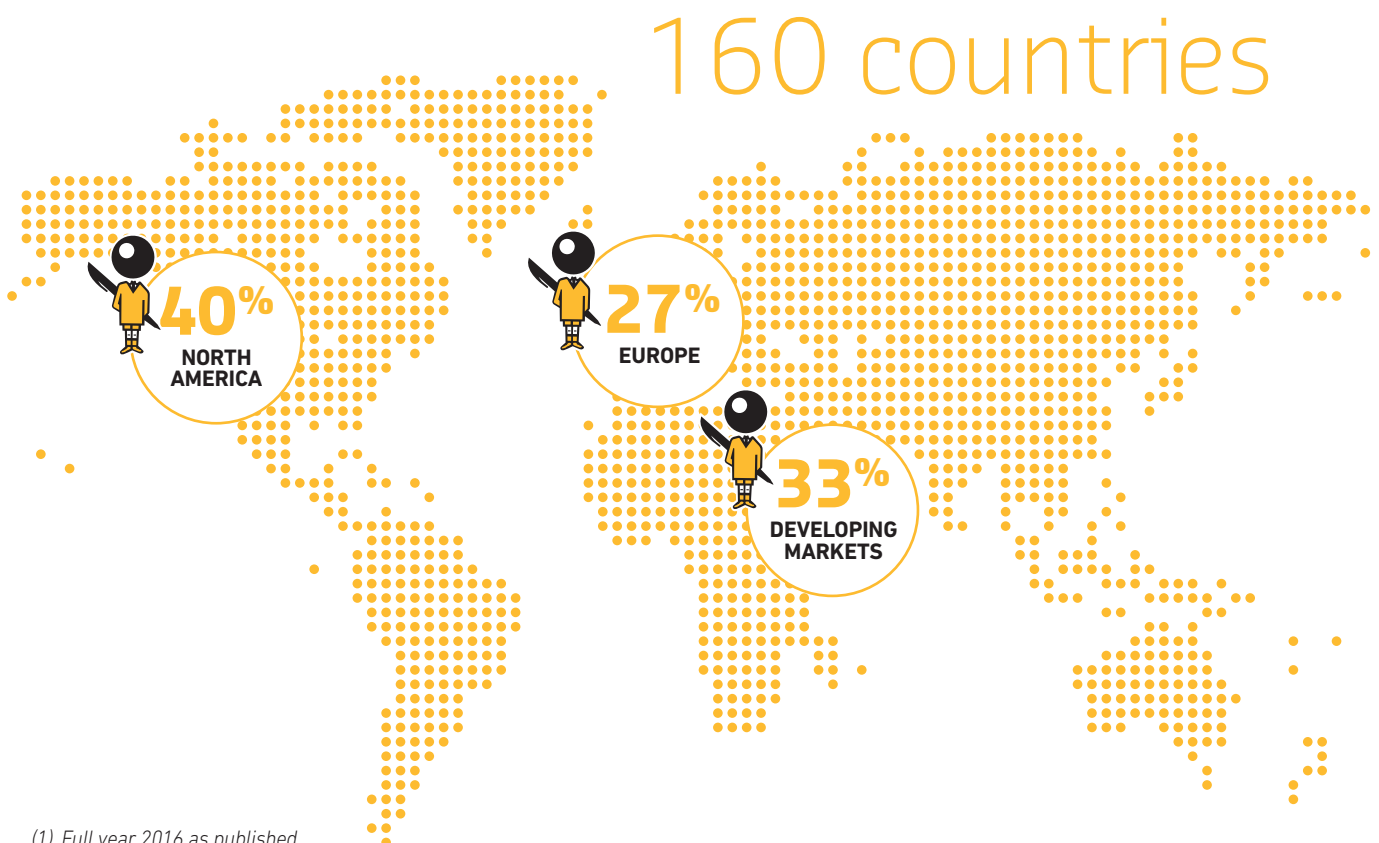
Over **70 years** of history

- 1950** Launch of the BIC® Cristal®
- 1969** BIC enters the Promotional Products Industry
- 1973** First BIC® lighter
- 1975** First BIC® shaver

Recognized **brands**

- BIC®, Tipp-Ex® | Wite-Out® | BIC® Kids |
- BIC® Matic | BIC® Ecolutions® |
- BIC Graphic (Promotional Products) |
- Cello® in India

Net Sales by geographies ⁽¹⁾



(1) Full year 2016 as published.

A true commitment to **sustainable and responsible growth**

QUALITY PRODUCTS SOLD AT A FAIR PRICE AND CONTINUALLY IMPROVED

- Long-lasting products with a light environmental footprint manufactured with a minimum of resources and a maximum useful life.
- An eco-design approach, integrating alternative solutions such as the use of recycled materials or bioplastics in the manufacturing of certain products.

A UNIQUE INDUSTRIAL EXPERTISE AND EFFECTIVE CONTROL OF MANUFACTURING COSTS

- 27 high performance factories (21 are located in developed countries according to the HDI indicator).
- 90% of net sales realized with products manufactured in our own factories*.

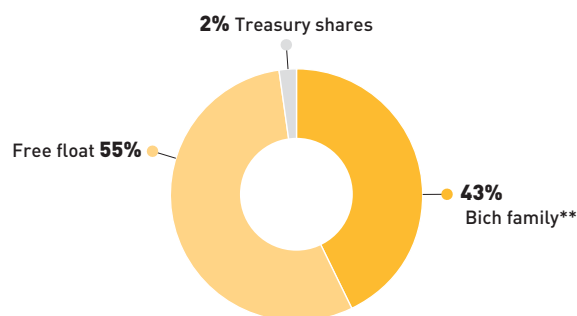
AN HISTORICAL **SOcially RESPONSIBLE** APPROACH

- A complete program for the training and development of its employees' skills and employability.
- A clear vision, a lasting philosophy and fundamental shared values: Ethics, Responsibility, Teamwork, Simplicity and Ingenuity.

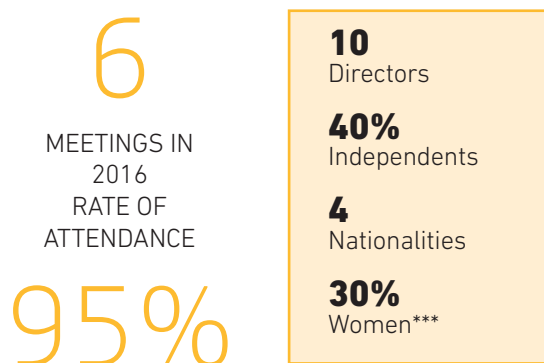
A SUSTAINABLE DEVELOPMENT PROGRAM MEASURED VIA **A BAROMETER WITH 10 OBJECTIVES ASSOCIATED WITH 10 PERFORMANCE INDICATORS** AND UPDATED EVERY THREE YEARS.

Strong governance

SHAREHOLDING STRUCTURE



Board of Directors



* Excluding Cello Pens.

** Direct and indirect.

*** This percentage will increase to 40% subject to the approval of the resolution of the May 10, 2017 Shareholders' meeting, related to the appointment of Mrs. Candace Matthews.







GROUP PRESENTATION

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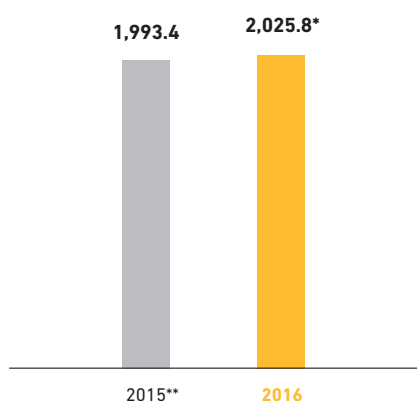
1.1. Key figures

GROUP KEY FIGURES AS PUBLISHED

On February 7, 2017, BIC Group announced the status of the strategic alternatives review initiated in February 2016 for BIC Graphic. The Group mentioned that discussions regarding BIC Graphic North America and the Asia sourcing operations were still ongoing. Consequently, at December 31, 2016 these activities are accounted and presented in accordance with IFRS 5 (Please refer to Note 20 in the Part 5.1 "Consolidated Financial statements" for further information on the accounting and measurement of the BIC Graphic North America and Asia sourcing's assets at December 31, 2016).

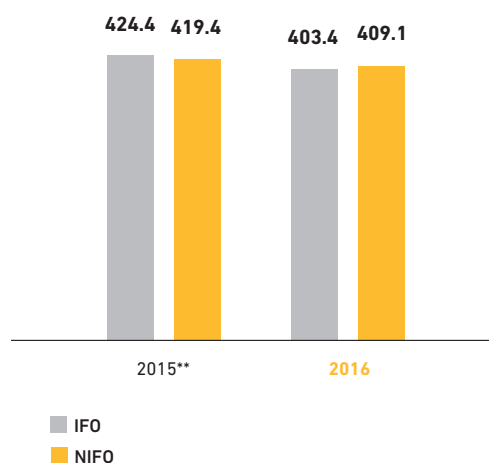
NET SALES

(in million euros)



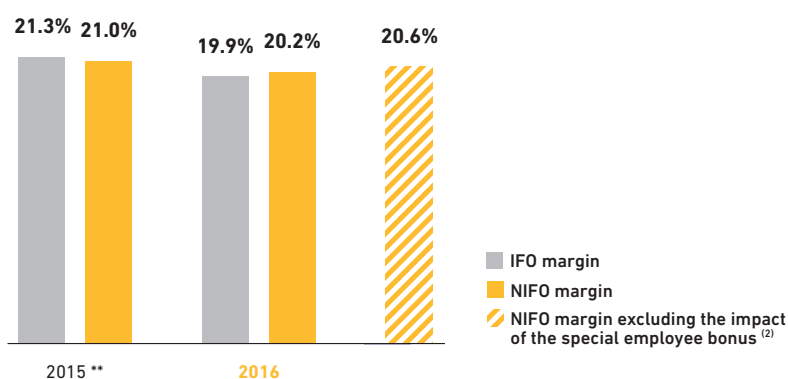
INCOME FROM OPERATIONS AND NORMALIZED INCOME FROM OPERATIONS⁽¹⁾

(in million euros)



INCOME FROM OPERATIONS AND NORMALIZED INCOME FROM OPERATIONS MARGINS⁽¹⁾

(% of net sales)



* +4.9% on a constant currency basis

** Restated to be compliant with IFRS 5 "Discontinued operations" following the envisaged disposal of Bic Graphic North America and Asia sourcing.

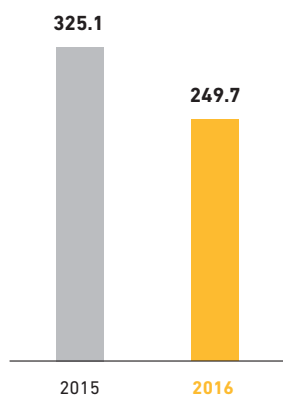
(1) See Glossary § 8.9.

(2) In 2016, a special bonus was awarded to employees who were not granted shares under performance share plans.



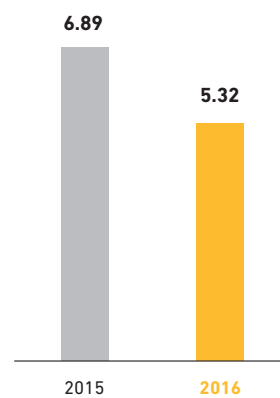
NET INCOME GROUP SHARE

(In million euros)



EARNINGS PER SHARE GROUP SHARE

(in euros)





GROUP PRESENTATION
Key figures

NET SALES BY GEOGRAPHICAL AREA

<i>(in million euros)</i>	2015 ^(a)	2016	Change in %	On a constant currency basis
Europe				
Net Sales	527.8	544.8	+3.2%	+5.3%
North America				
Net Sales	791.8	812.0	+2.5%	+2.7%
Developing markets				
Net Sales	673.8	669.0	-0.7%	+7.1%

(a) Restated to be compliant with IFRS 5 "Discontinued operations" following the envisaged disposal of Bic Graphic North America and Asia sourcing.

MAIN INCOME STATEMENT INFORMATION

Condensed profit and loss account <i>(in million euros)</i>	2015 ^(a)	2016	As published
Net sales	1,993.4	2,025.8	+1.6%
Cost of goods	962.6	960.5	
Gross Profit	1,030.8	1,065.3	+3.4%
Administrative & other operating expenses	(606.4)	(661.9)	
Income from operations	424.4	403.4	-4.9%
Finance revenue/costs	32.6	4.8	
Income before tax	457.0	408.2	-10.7%
Income tax expense	(136.3)	(122.7)	
Net Income From Continuing Operations	320.7	285.5	-11.0%
Net Income From Discontinued Operations	5.8	(35.8)	NA
Group net income	326.5	249.7	-23.5%
Non-controlling interests	1.4	-	
Net income Group share	325.1	249.7	-23.2%
Earnings Per Share Group share From Continuing Operations (in euros)	6.77	6.09	
Earnings Per Share Group share From Discontinued Operations (in euros)	0.12	(0.77)	
Earnings per share Group share (in euros)	6.89	5.32	-22.8%
Average number of shares outstanding (net of treasury shares)	47,173,339	46,898,827	

(a) Restated to be compliant with IFRS 5 "Discontinued operations" following the envisaged disposal of Bic Graphic North America and Asia sourcing.



MAIN BALANCE SHEET ITEMS

<i>(in million euros)</i>	2015	2016
Shareholders' equity	1,849.5	1,792.6
Current borrowings and bank overdrafts	7.8	49.6
Non-current borrowings	2.4	1.4
Cash and cash equivalents – Assets	385.2	243.8
Other current financial assets	73.0	29.4
Net cash position^(a)	448.0	222.2
Goodwill and intangible assets	421.7	372.7
TOTAL BALANCE SHEET	2,536.2	2,573.7

NB: SOCIÉTÉ BIC did not request any rating from any credit ratings agency nor, to the best of its knowledge, has it been the object of any unsolicited rating by any credit ratings agency.

(a) See Glossary § 8.9.

CONDENSED CASH FLOW STATEMENT

<i>(in million euros)</i>	2015	2016
Cash flow from operations	435.6	417.2
(Increase)/Decrease in net working capital	(24.0)	(62.8)
Other operating cash flows	(44.5)	(55.7)
Net cash from operating activities from continuing operations	351.4	276.2
Net Cash from operating activities from discontinued operations	15.7	22.5
Net cash from operating activities ^(a)	367.1	298.7
Net Cash from investing activities from continuing operations	(108.5)	(127.2)
Net Cash from investing activities from discontinued operations	(5.4)	(5.3)
Net cash from investing activities	(113.8)	(132.5)
Net Cash from financing activities from continuing operations	(224.2)	(291.5)
Net Cash from financing activities from discontinued operations	(3.5)	(48.0)
Net cash from financing activities	(227.8)	(339.5)
Net increase/(decrease) in cash and cash equivalents	25.6	(173.2)
Closing cash and cash equivalents	380.6	217.4

(a) See Glossary § 8.9.



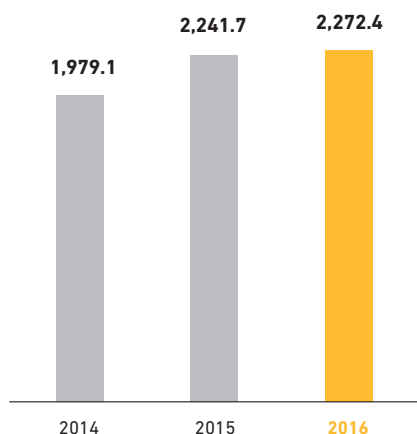


GROUP KEY FIGURES RESTATED FOR DISCONTINUED OPERATIONS

Figures "restated for discontinued operations" are based on the restatement of the discontinued activities (BIC Graphic North America and Asia sourcing) classification and aim at presenting information consistent with historical presentation.

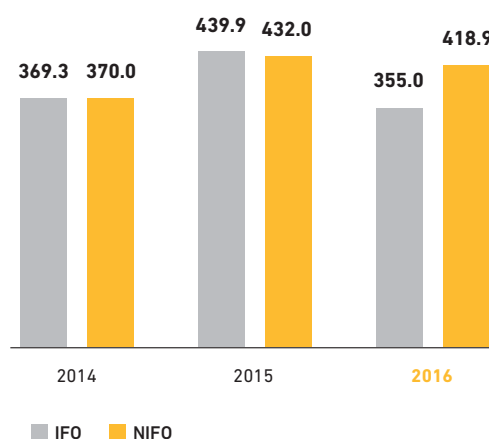
NET SALES

(In million euros)



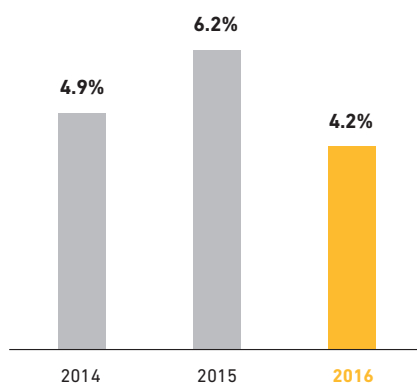
INCOME FROM OPERATIONS AND NORMALIZED INCOME FROM OPERATIONS ⁽¹⁾

(in million euros)



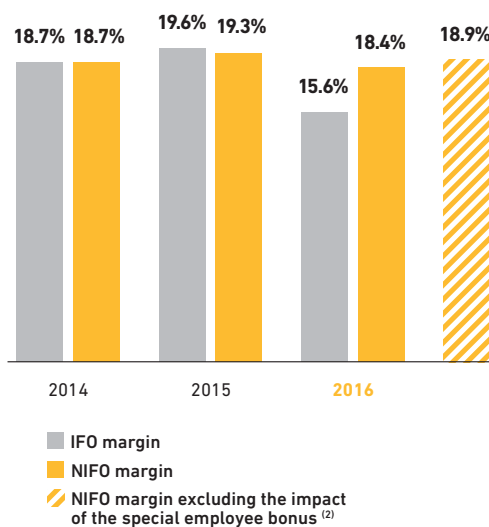
NET SALES GROWTH ON A CONSTANT CURRENCY BASIS⁽¹⁾

(in %)



INCOME FROM OPERATIONS AND NORMALIZED INCOME FROM OPERATIONS MARGINS ⁽¹⁾

(% of net sales)



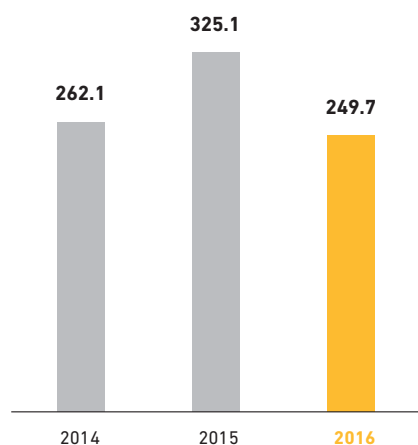
(1) See Glossary § 8.9.

(2) In 2016, a special bonus was awarded to employees who were not granted shares under performance share plans.



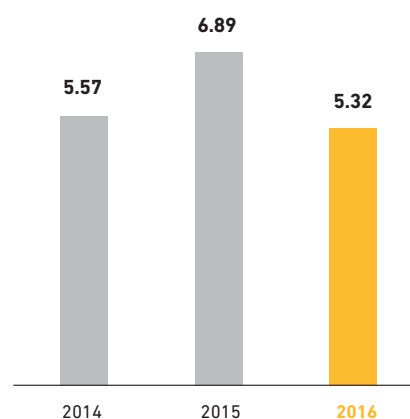
NET INCOME GROUP SHARE

(in million euros)



EARNINGS PER SHARE GROUP SHARE

(in euros)



SALES VOLUME TRENDS

(in billion units)

	2015	2016
Stationery (Consumer – including Cello)	6.763	6.905
Lighters	1.543	1.579
Shavers	2.585	2.602

PRODUCTION VOLUME TRENDS

(in billion units)

	2015	2016
Stationery (Consumer)	4.538	4.921
Lighters	1.528	1.654
Shavers	2.684	2.621

NET SALES BY GEOGRAPHICAL AREA

	2015	2016	Change in %	On a constant currency basis
Europe				
Net Sales	527.8	544.8	+3.2%	+5.3%
North America				
Net Sales	1,040.1	1,058.6	+1.8%	+1.8%
Developing markets				
Net Sales	673.8	669.0	-0.7%	+7.1%





GROUP PRESENTATION
Key figures

KEY FIGURES BY CATEGORY (OPERATING SEGMENTS)

<i>(in million euros)</i>	2015	2016	Year-on-year change	
			Change in %	On a constant currency basis ^(a)
Consumer business				
Net Sales	1,922.4	1,961.0	+2.0%	+5.3%
Normalized IFO ^(a)	421.5	411.6		
IFO	426.7	407.3		
Stationery				
Net Sales	727.0	736.6	+1.3%	+5.2%
Normalized IFO	83.4	67.5		
IFO	83.7	66.2		
Lighters				
Net Sales	675.7	696.4	+3.1%	+5.6%
Normalized IFO	257.9	277.3		
IFO	260.9	275.3		
Shavers				
Net Sales	452.0	467.0	+3.3%	+7.0%
Normalized IFO	83.6	69.6		
IFO	83.3	68.6		
Other products				
Net Sales	67.6	61.0	-9.8%	-9.0%
Normalized IFO	(3.4)	(2.7)		
IFO	(1.2)	(2.9)		
BIC Graphic				
Net Sales	319.3	311.5	-2.5%	-1.9%
Normalized IFO	10.4	7.3		
IFO	13.1	(52.2)		

(a) See Glossary § 8.9.



MAIN INCOME STATEMENT INFORMATION

(in million euros)	2015	2016	Year-on-year change	
			Change in %	On a constant currency basis ^(a)
Net sales	2,241.7	2,272.4	+1.4%	+4.2%
Gross profit	1,113.0	1,144.7	+2.8%	
Normalized Income from Operations ^(a)	432.0	418.9	-3.0%	
Income from Operations	439.9	355.0	-19.3%	
Financial income/(costs)	26.8	(0.8)	-	
Income before tax	466.7	354.3	-24.1%	
Income tax expense	(140.2)	(104.6)	-	
Income from associates	-	-	-	
Group net income	326.5	249.7	-23.5%	
Non-controlling interests	(1.4)	-		
Net income Group share	325.1	249.7	-23.2%	
EPS Group share	6.89	5.32	-22.8%	
Number of shares ^(b)	47,173,339	46,898,827		

(a) See Glossary § 8.9.

(b) Average number of shares outstanding net of treasury shares.

MAIN BALANCE SHEET ITEMS

(in million euros)	2015	2016
Shareholders' equity	1,849.5	1,792.6
Current borrowings and bank overdrafts	7.8	49.6
Non-current borrowings	2.4	1.4
Cash and cash equivalents – Assets	385.2	243.8
Other current financial assets	73.0	29.4
Net cash position^(a)	448.0	222.2
Goodwill and intangible assets	421.7	372.7
TOTAL BALANCE SHEET	2,536.2	2,573.7

NB: SOCIÉTÉ BIC did not request any rating from any credit ratings agency nor, to the best of its knowledge, has it been the object of any unsolicited rating by any credit ratings agency.

(a) See Glossary § 8.9.

CONDENSED CASH FLOW STATEMENT

(in million euros)	2015	2016
Cash flow from operations	435.6	417.2
(Increase)/Decrease in net working capital	(24.0)	(62.8)
Other operating cash flows	(44.5)	(55.7)
Net cash from operating activities ^(a)	367.1	298.7
Net cash from investing activities	(113.8)	(132.5)
Net cash from financing activities	(227.8)	(339.5)
Net increase/(decrease) in cash and cash equivalents	25.6	(173.2)
Closing cash and cash equivalents	380.6	217.4

(a) See Glossary § 8.9.





1.2. History

1950

- In 1944, Marcel Bich buys a factory in Clichy, France, and sets up business with his partner, Édouard Buffard, to produce parts for writing instruments. In 1950, after improving the ballpoint pen originally invented by Hungarian Laslo Biro, he decides to launch this revolutionary new product on the French market. He names the pen "pointe BIC®", in a shortened, easy-to-remember version of his own name.

1953

- Marcel Bich and Édouard Buffard create SOCIÉTÉ BIC to manufacture and distribute BIC® ballpoint pens.

1954

- Expansion in Italy.

1956

- Early ventures in the Brazilian market.

1957

- Development in the United Kingdom and the Sterling zone.

1958

- Acquisition of Waterman Pen Company in the U.S. The North American market is developed along with the Africa and Middle-East regions.

1969

- Launch of Promotional Products via the writing instrument segment.

November 15, 1972

- SOCIÉTÉ BIC is listed on the Paris Stock Exchange.

1973

- BIC diversifies its product portfolio and launches the BIC® lighter with an adjustable flame. Its reliability and quality make it an immediate success.

1975

- BIC pioneers the "one-piece shaver".

1981

- The Group diversifies into the leisure industry with its subsidiary, BIC Sport, specializing in windsurf boards.

1992

- To broaden its range of stationery products, BIC purchases Wite-Out®, the U.S. correction products brand.

1997

- Purchase of Tipp-Ex®, the leading European correction products brand, and Sheaffer®, a high-end brand of writing instruments.

2004

- Acquisition of BIC's Japanese distributor, Kosaido Shoji.
- BIC moves into a new stationery market segment: refillable school fountain pens, with the acquisition of French-based Stypen®.

2006

- The acquisition of PIMACO, Brazil's leading manufacturer and distributor of adhesive labels broadens BIC's stationery product offering in Latin America.

2007

- The acquisition of Atchison Products Inc., a U.S.-based supplier of imprinted promotional bags is a major addition to the Group's Promotional Products business.

2008

- November: opening of a new Shaver packaging facility in Mexico.
- December: acquisition of Antalis Promotional Products (Sequana Group), a European promotional products distributor.

2009

- January: BIC finalized an agreement with the Indian Cello group to acquire 40% of the Cello Writing Instrument business (conducted by seven different entities), for 7.9 billion Indian rupees.
- March: BIC's acquisition of 40% of six Cello group entities (out of seven) is completed for a sum of 3.8 billion Indian rupees.
- June: acquisition of Norwood Promotional Products, a U.S. leader in calendars and promotional goods.

2010

- January: Cello management offers to terminate the definitive agreements signed on January 21, 2009 "on terms and conditions to be mutually agreed between the parties". BIC Group confirms its intention to ensure their implementation. On August 4, 2010, BIC announces that it is initiating arbitration proceedings to enforce these agreements, *i.e.*, completion of the acquisition of 40% of one remaining entity.
- June: divestiture of BIC Graphic funeral products business for a total amount of 17.3 million euros.



2011

- First-half: disposals of PIMACO division in Brazil and REVA peg-making business in Australia for 7.6 million euros.
- April: acquisition of Sologear LLC, maker of FlameDisk®, for 1.0 million euros.
- November: acquisition of the assets of Angstrom Power Incorporated, a company specialized in portable fuel cell technology for 13.5 million euros.

2012

- February: disposal by DAPE 74 (a BIC subsidiary specialized in selling to tobacco shops in France – consolidated in the “Other Consumer Products” category) of its phone card distribution business to SPF for 0.8 million euros.
- February: acquisition of a site in Tunisia for the construction of a writing instrument facility to expand the Group’s manufacturing footprint and meet consumer demand in this region more effectively.
- February: expansion of the Shaver packaging facility in Mexico.
- February: the BIC Group receives a favorable court decision from the Tribunal, constituted under the Rules of the Singapore International Arbitration Center, in respect of the acquisition of 40% of the shares in the seventh and last Cello Pens & Stationery (CPS) entity as per the definitive agreements signed on January 21, 2009.
- September: launch of BIC® Education (in collaboration with Intel), a simple and innovative educational solution for elementary schools, combining handwriting and digital technology.

2013

- May: BIC and Cello jointly file an agreement with the Bombay High Court to allow the BIC Group to acquire 40% of the seventh (and last remaining) Stationery entity of Cello group. After reviewing the filing, the Court renders the agreement enforceable.
- September: BIC announces the closing of the acquisition of 40% of the seventh (and last) Cello group stationery entity for a total amount of 3.7 billion Indian rupees (43.3 million euros⁽¹⁾). On September 27, 2013, the Group announces the completion of the purchase of shares pursuant to the call option exercised on September 17, increasing its stake in Cello Pens’ seven entities from 40% to 55% for an amount of 2.9 billion Indian rupees (35.2 million euros⁽²⁾).

- October: the BIC Group acquires land in Nantong, China (130 km North of Shanghai) to build a Lighter production facility. Total investment is estimated approximately 14 million euros.
- December: BIC discontinues the activity of Sologear, maker of FlameDisk®, acquired in April 2011.

2014

- March: Cello group exercises its put option, allowing it to sell 20% of Cello Pens to the BIC Group.
- July: BIC Group increases its stake in Cello Pens seven entities from 55% to 75% for an amount of 4.3 billion Indian rupees (approx. 53 million euros⁽³⁾).
- November: BIC announces the sale of Sheaffer®, BIC’s Fine Writing Instrument business, to A.T. Cross.
- The BIC Group decides to significantly reduce its investment in portable fuel cell R&D and actively explores strategic alternatives for the purpose of monetizing its fuel cell technology business.

2015

- April: BIC’s Portable fuel cell technology business is sold to Intelligent Energy for 14 million euros.
- October: BIC outlines a five-year investment plan to modernize its industrial facilities in the North of France (Pas-de-Calais). The project includes a 12 million euro investment to expand the Samer production facility.
- December: Cello group sells its remaining stake in Cello Pens to BIC for an amount of 5.4 billion Indian rupees (approximately 74 million euros⁽⁴⁾), increasing the Group’s its stake in Cello Pens to 100%.

2016

- February:
 - acknowledging Chief Executive Officer Mario Guevara’s decision to retire in May 2016, the Board of Directors decides to combine the Chairman and Chief Executive Officer functions and to appoint Bruno Bich as Chairman and Chief Executive Officer;
 - considering the recent changes in the competitive landscape of the Promotional Products Industry, the Board decides to initiate a review of strategic alternatives for BIC Graphic. (see more detailed page 23);
 - the Stationery facility in Shanghai (China) is closed down and its production transferred to other BIC Stationery sites.

(1) 84.53 INR = 1 EUR (September 13, 2013; ECB reference rate).

(2) 83.80 INR = 1 EUR (September 26, 2013; ECB reference rate).

(3) 81.17 INR = 1 EUR (July 04, 2014; ECB reference rate).

(4) 72.69 INR = 1 EUR (December 08, 2015; ECB Reference rate).



1.3. Business presentation

In 2016, BIC generated 86% of its sales in Consumer Goods (through its Stationery, Lighters, Shavers and Other Consumer Products categories) and 14% in Advertising and Promotional Products. The Group is present in almost all regions throughout the world and generates more than 90% of its net sales outside France.

CONSUMER BUSINESS

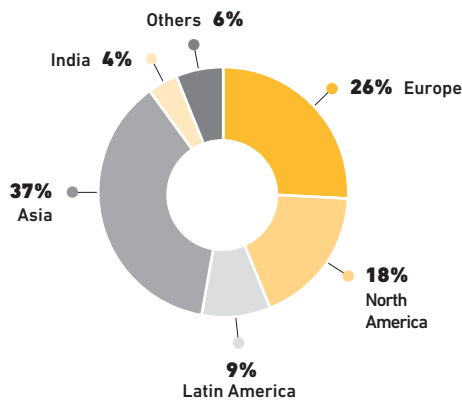
Stationery

The worldwide stationery market is estimated at 8.6 billion euros (based on total supplier sales in 2015). The market is fragmented with a large number of frequently local players. Only three players (BIC, Newell Rubbermaid and Pilot) have managed to win more than 5% of the global stationery market.

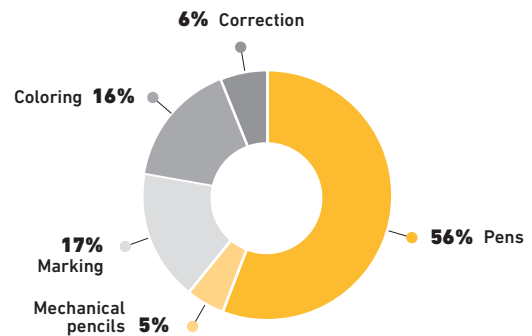
BREAKDOWN OF GLOBAL STATIONERY MARKET

(based on estimated 2015 suppliers' net sales figures, in value)

By geographical area



By product segment



BIC® STATIONERY MARKET SHARES IN VALUE

BIC is No. 2 worldwide with 9.2%⁽¹⁾ of global market share.

Western Europe	No. 1 with 18.3% ^(a)
Brazil	No. 1 with 53.9% ^(b)
U.S.	No. 2 with 14.3% ^(c)
India	No. 1 with 23.4% ^(d)
Africa and Middle-East	No. 1 with a strong historical presence

(a) Source: GFK - December 2016 - Europe 7 countries.

(b) Source: Nielsen - October 2016.

(c) Source: NPD & IRI - November 2016.

(d) Source: Market Pulse - November 2016.

Since the launch of the BIC® Cristal® pen in 1950, BIC has continuously diversified its product range. Our global stationery portfolio, which includes writing, marking, correction, coloring and drawing instruments, is divided into more than 15 product sub-segments (ball pens, rollers, fountain pens, mechanical pencils, markers, correction products, etc.).

(1) Market share data based on 2015 estimated suppliers' net sales figures.



Coloring and drawing (felt pens, coloring pencils, crayons, arts and crafts kits)



Added Value Coloring (felt pens, coloring pencils)



Correction products (correction fluid, correction pens, correction tapes, and erasers) sold under the BIC® Wite-Out® and Tipp-Ex® trademarks.



Adhesive labels in Latin America

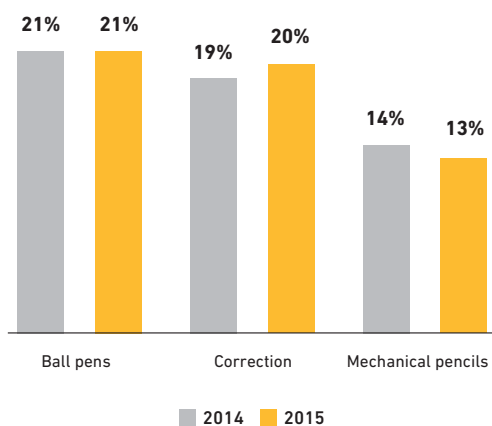


Writing instruments in India

BIC enjoys strong positions in major product segments:

BIC® STATIONERY GLOBAL MARKET POSITIONS AND MARKET SHARES IN VALUE

(BIC estimates in 2015)



BIC has global leader positions in Ball Pens, Correction products and Mechanical Pencils.

BIC stationery products are sold through different channels including Office Product stationers (contract stationers or office superstores) and retail mass market distributors in developed countries, as well as through traditional stores in developing markets.

We aim to generate profitable growth and improve consumers' experience by:

- delivering iconic products that consumers have grown to love and trust;
- constantly improving our existing product portfolio;
- offering high quality products at fair prices;
- leveraging simplicity and BIC's strong brand;
- innovating by driving improved product performance and new usage opportunities;
- offering the right products and promoting education for future generations.





Lighters

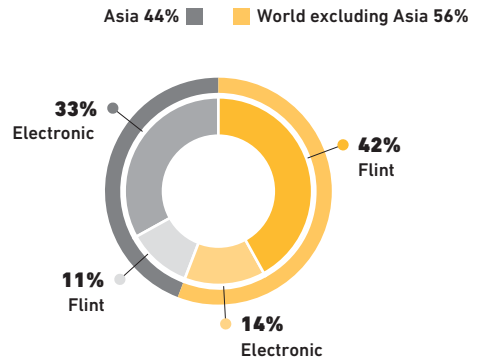
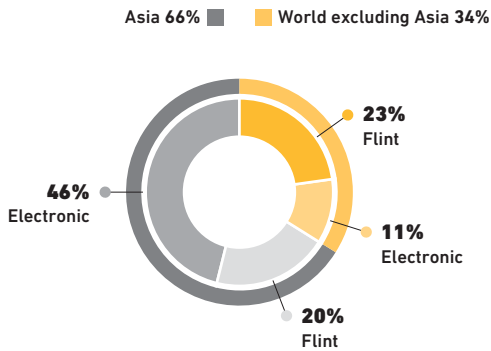
The worldwide lighter market is estimated at 13.8 billion units (4.9 billion euros in value terms⁽¹⁾) and can be broken down as follows:

BREAKDOWN OF GLOBAL LIGHTER MARKET IN 2015

(BIC estimates)

Units

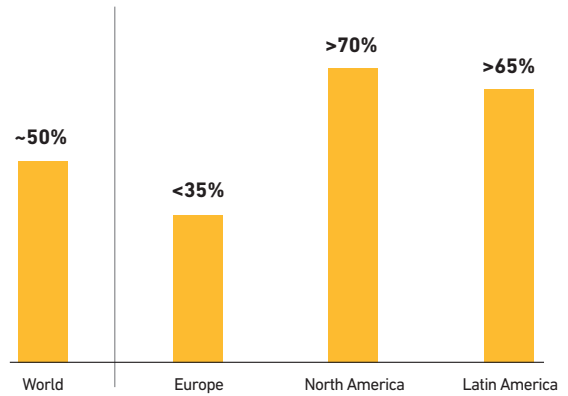
Value in euros



BIC is No. 1 worldwide in branded lighters. In 2015, BIC's global market share (excluding Asia) was approximately 50% in value terms. BIC is No. 1 in North America and in Latin America.

BIC® LIGHTER MARKET SHARE IN VALUE IN 2015 (EXCLUDING ASIA)

(Estimates/In value)



(1) BIC estimates in 2015.



A lighter contains pressurized gas placed in a plastic reservoir in order to produce a flame. Lighters must be designed and manufactured in compliance with very strict safety, quality and performance requirements. International Safety Standards protect consumers from unsafe lighters.

Two key standards apply to pocket lighters:

- international lighter safety standard ISO 9994, which clearly sets out the basic safety requirements for a lighter. ISO 9994 is the reference in major countries such as Canada (1989), Russia (2000), Brazil (2002), Argentina (2003), Thailand (2003), Mexico (2004), South Korea (2005), South Africa (2002), the 28 countries of the European Union (2006), Japan (2011), Indonesia (2011) and Turkey (2012);
- child-resistant requirements. A child-resistant lighter is purposely modified to make it more difficult to operate. The basic requirement under this standard is a lighter that cannot be operated by at least 85% of children under 51 months old. Child-Resistant legislation is the reference in major countries such as the U.S. (1994), Canada (1995), Australia (1997), New Zealand (1999), the 28 countries of the European Union (2006), Japan (2011), South Korea (2012) and Mexico (2016).

Low-cost lighters too often fail to comply with safety standards. Since the late 80's, cheap lighter models imported from Asian countries have been gaining market share and currently account for more than half of the global market (in volume).

In this competitive landscape, BIC defends its position and continues to fight for enhanced lighter safety and quality. BIC® lighters comply with stringent safety, quality and performance requirements. For example, the gas reservoirs of BIC® lighters are made from Delrin®, a high-performance resin with very high impact resistance. This means that BIC® lighters contain more gas and give more lights thanks to the thinness of their wall. They are also filled with pure isobutane, which guarantees the stability of the flame over the entire life of the lighter.

BIC® lighters are sold either through traditional distribution channels (such as convenience stores and tobacconists) or retail mass market distribution outlets.

BIC's objective in the lighter business is to consolidate its position as the only truly global branded lighter:

- by supporting the extension and enforcement of international safety standards;
- by accelerating the development of value-added products (sleeves, cases and multipurpose lighters).

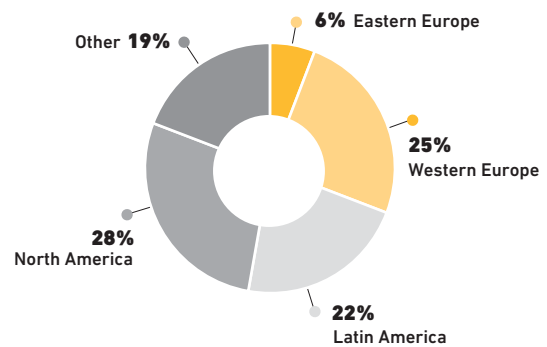
Shavers

The wet shave market generates annual net sales revenue of more than 12.6 billion euros, and accounts for the bulk (60%) of total "hair removal" market segment revenue.

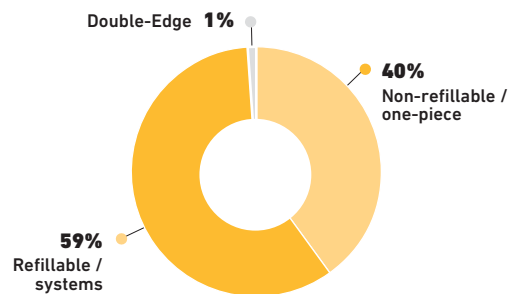
GLOBAL WET SHAVER MARKET IN 2015

(Euromonitor – 2015)

By geographical area



By product segment



As shown above, this market can be separated into three product segments, with refillable and one-piece shavers mainly driving market growth. Within these two segments, new products drive most the market growth by offering enhanced performance and added features. Due to the relentless pace of new product development, a productive new product pipeline is an essential requirement for ongoing success.





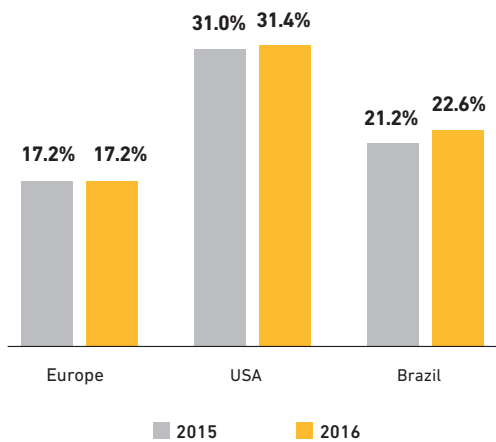
The market is divided among three brands (Gillette, the market leader, BIC® and Schick/Wilkinson), and also features private labels together with a few local players.

In the U.S., the wet shave market has recently undergone significant transformational disruption, notably with the emergence of Direct-to-Consumer online players representing around 12%⁽¹⁾ of the total wet shave market, but which are growing faster than the market as a whole.

BIC'S MARKET SHARE IN THE DISPOSABLE SHAVERS SEGMENT

(Based on IRI and AC Nielsen figures – December 2016 / Europe 15 countries)

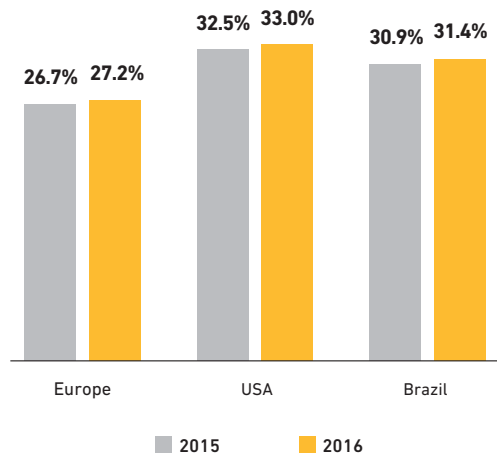
In volume



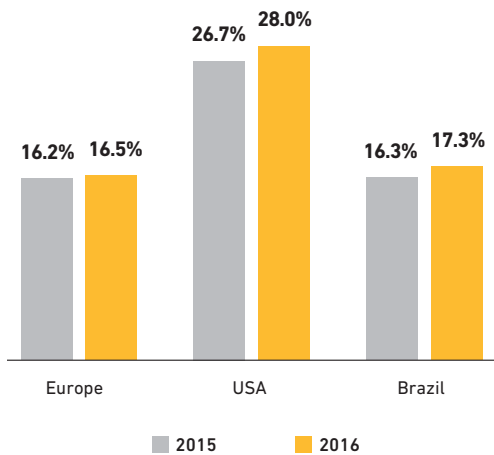
BIC'S MARKET SHARE IN THE MORE THAN THREE-BLADE DISPOSABLE SHAVERS SEGMENT

(Based on IRI, AC Nielsen figures and BIC estimates – U.S. and Brazil December 2016 / Europe 15 countries June 2016)

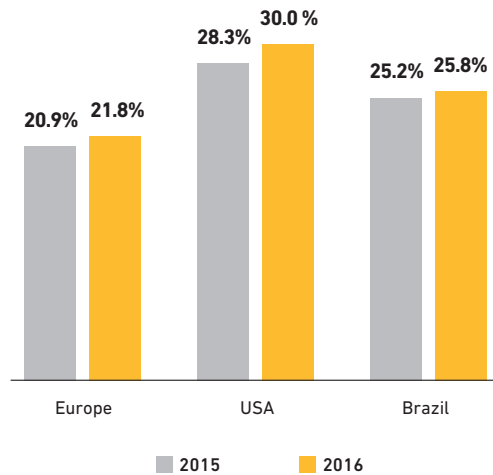
In volume



In value



In value



(1) Source: IRI / Slice Intelligence data - December 2016



In the 70's, BIC revolutionized wet shaving when it launched the first one-piece shaver: the single blade "classic", which still sells nearly one billion units a year. In more recent times, BIC has focused its new products, sales and marketing efforts on the higher performance three, four and five blade sub-segments, launching products such as:

- for Men: BIC 3, BIC® Comfort 3®, BIC® Easy/Hybrid 3-blade, BIC® Flex 4, BIC® Flex 3, BIC® Flex 5, BIC® Flex 5 Hybrid ;
- for Ladies: BIC® Pure 3® Lady, BIC® Soleil® 3-blade, BIC® Soleil® Bella® 4-blade, BIC® Soleil Glow®.

The business results are a testimony to BIC's ability to meet the expectations of increasingly demanding consumers.

BIC's new product pipeline has been a key success, as evidenced by its No. 2 global market position in the one-piece segment with an approximately 22% of market share in value terms. Most of BIC's focus in 2016 has been on the fast-growing three, four and five

blade sub-segments, where its market share is higher than the overall 22% share.

Other Consumer Products

The Other Consumer Products category includes various strategic and tactical activities:

- **BIC Sport** is currently one of the world leaders in Stand-Up-Paddle (SUP) boards, surfboards, windsurf boards and kayaks. BIC Sport products are mainly designed and produced in Vannes (France) and sold through specialized stores and sporting goods superstores;
- **DAPE 74 Distribution**, which sells to tobacco shops in France;
- **BIC® and non BIC®-branded products:** such as pantyhose sold in Greece, batteries and a line of shaving preps, all of which are designed to grow the BIC® brand in key markets.

ADVERTISING AND PROMOTIONAL PRODUCTS (BIC GRAPHIC)

Advertising and Promotional Products include stationery products, clothing, bags, awards, and drinkware that are imprinted with a logo or advertising message to support a company's marketing and media strategy. It is a cyclical business and related to companies' advertising and promotional budgets and discretionary investments.

This industry is very fragmented at all levels, with a large number of suppliers and distributors. Advertising and Promotional industry suppliers sell their products to numerous large, mid-size and small distributors.

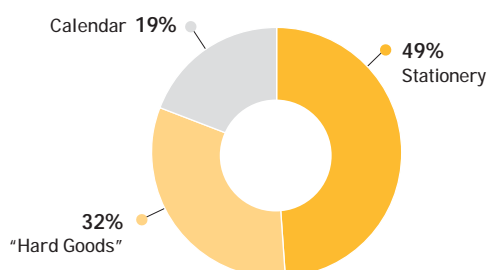
BIC Graphic is the No. 4 supplier in the U.S. and No. 2 in Europe and has a significant presence in Latin America, Australia, Africa and Asia (through its sourcing activities).

Since 2015, the industry has been transformed, notably in the U.S., with new entrants and consolidation among existing players. In view of these recent developments in the Promotional Products competitive landscape, the Board decided to initiate a review of strategic alternatives for BIC Graphic in February 2016.

Following this BIC Graphic strategic review and after conducting a careful review of the business, the following decisions were made:

- BIC Graphic Europe operations will report to the European BIC Consumer Product business. The European BIC Graphic team will focus on implementing a plan to develop a sustainable business model while developing innovative services and maintaining BIC Graphic's imprinting and decorating expertise. In developing markets, BIC Graphic operations that have a sustainable business model will report to the local consumer business;
- Strategic alternative discussions regarding BIC Graphic North America and the Asia sourcing operations are still on-going.

BREAKDOWN OF BIC GRAPHIC NET SALES FOR 2016





1.4. Research and Innovation

Since the creation of the Company in the early 50's, BIC has pursued a clear vision: "Offer simple, inventive and reliable products, for everyone, everywhere, every time". Since then, the Group has been dedicated to making available and affordable everyday products for everyone and research and innovation are part and parcel of BIC's DNA.

In 2016, there were some 283 employees working in the research, development and innovation functions. In 2016, BIC invested approximately 1.6% of sales revenue in new product research and development; new products and line extensions accounted for 12% of BIC Group sales.

The research, development and innovation functions are organized by category. Each category manages its own factories, its own R&D and its own marketing teams, which are also responsible for innovation.

- In Stationery, BIC continuously innovates to bring state-of-the-art writing technology to its consumers and it launches an average of 20 new products every year. The Stationery R&D Department is organized around two activities: design, which focuses on the mechanical properties of products, and Ink Systems, which focus on ink improvements. BIC is the only player in the stationery industry that develops and produces all of its product components in-house – right down to the molds and machines used in production. This gives us complete control over product quality and reliability as we strive to maximize customer satisfaction. Over the last 5 years, BIC launched many innovations in the market such as:
 - BIC Kids learning range: a full range of pens and pencils for Beginners designed with psycho-motricians to facilitate proper handwriting learning;
 - ultra-smooth inks for ball pens;
 - broadest range of ball pen ink colors, allowing for the largest color pallet in the segment;
 - a unique two-toned graphite pencil with BIC Xtra Fun pencil;
 - new graphite lead for mechanical pencils that results in smoother and darker writing.

- In Lighters, new product design and product and process innovation in gas lighters are strictly controlled due to the potentially dangerous nature and widespread uses of the product. Every BIC® lighter remain safe over its entire life cycle – even in the event of any foreseeable misuse. Product developments are supported by several patents and model applications.
- In Shavers, research is organized around multi-disciplined project/product development teams composed of blade, design, engineering, packaging, quality and industrialization. 15 to 20 new products are developed each year, ranging from line extensions to new product launches. BIC uses in-house and external panels of experts to evaluate and validate product performance under real conditions. BIC has also forged basic research partnerships with large universities and research labs focusing on shaving efficiency and manufacturing processes. Over the last 5 years, BIC launched many innovations in the market such as:
 - for Men: BIC® Easy/Hybrid and BIC® Flex 5;
 - for Ladies: BIC® Glow® and BIC® Soleil Shine.
- In Advertising and Promotional Products, BIC Graphic has a long history of developing simple and long-lasting solutions for customers and consumers everywhere. Improving and developing new printing technology is also part of BIC Graphic's strategy to stand out from the competition. Our commitment to social compliance at both our own and sub contractors' factories exceeds that expected from any global organization.



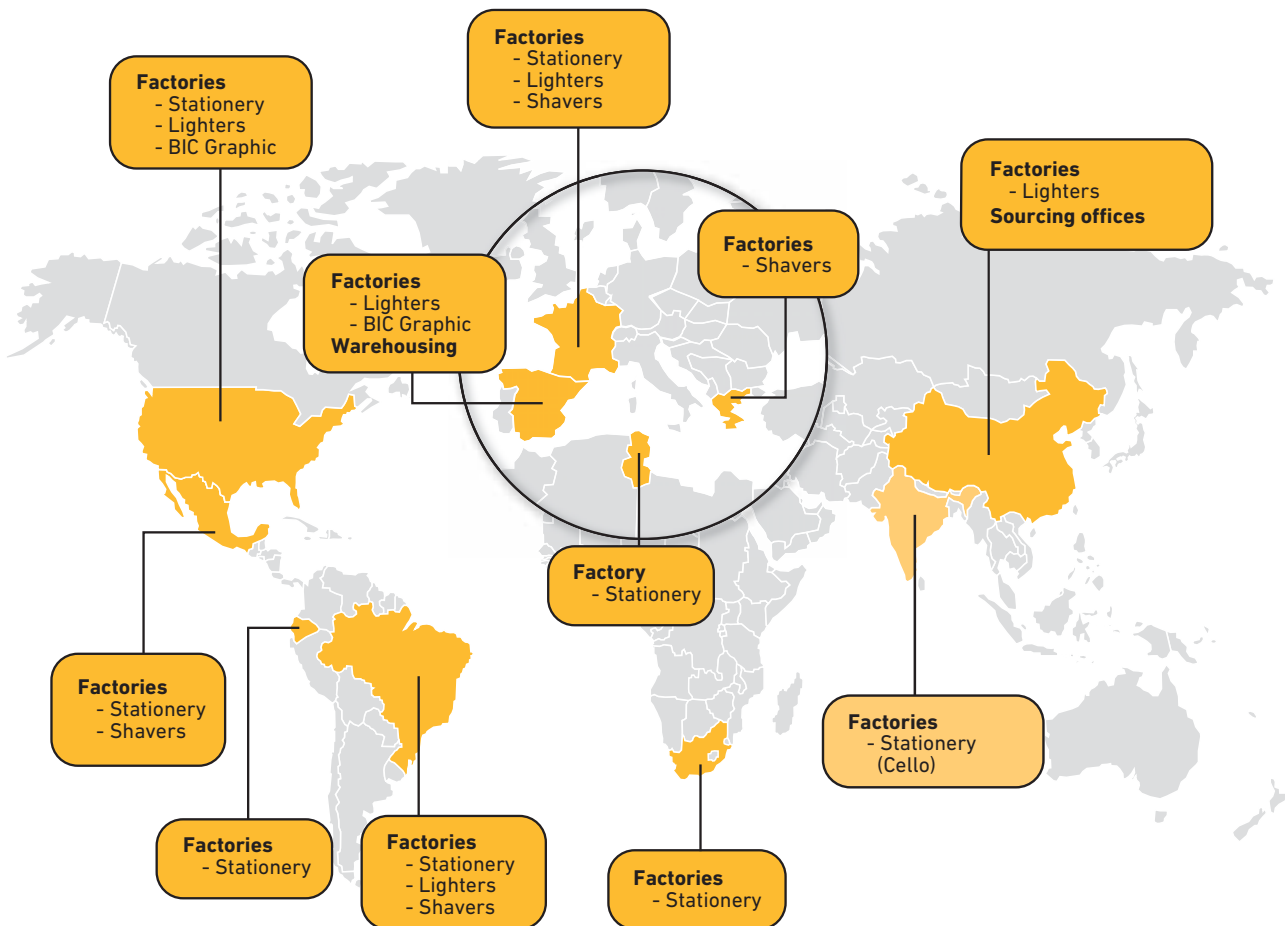
1.5. Property, plant and equipment

90% of Group net sales (93% in the Consumer Products business; 74% in the Advertising and Promotional Products business, BIC Graphic) are generated in BIC owned factories.

BIC owns 27 factories around the world:

- 14 factories are dedicated to manufacturing stationery products⁽¹⁾;
- 5 plants are dedicated to manufacturing lighters;
- 4 plants are dedicated to manufacturing shavers;
- 4 plants are dedicated to Advertising and Promotional Products.

INDUSTRIAL SITES



(1) The factory in Vannes (France) also manufactures to BIC Sport products. The factory in Shanghai was closed in February 2016.





GROUP PRESENTATION
Property, plant and equipment

EXISTING OR PLANNED MATERIAL TANGIBLE FIXED ASSETS (INCLUDING LEASED PROPERTY) AND ANY MAJOR ENCUMBRANCES THEREON

Country	Use	Location	Own/lease	Main manufactured products
SOUTH AFRICA	Factory, warehouse, offices	Johannesburg	Lease	Stationery (ball pens, coloring felt pens, markers)
BRAZIL	Offices and warehouse	Cajamar	Lease	-
	Offices and factory	Rio de Janeiro	Own	Stationery (stickers)
	Factory and warehouse	Manaus	Own	Stationery (ball pens, markers, graphic pencils, coloring pencils), lighters, shavers
CHINA	Factory	Nantong	Own	Lighters
SPAIN	Factories and offices	Tarragona	Own	Stationery (ball pens, mechanical pencils, sticky notes), lighters, printing
	Warehouse	La Granada	Lease	-
USA	Offices	Shelton, CT	Own	-
	Factories	St. Petersburg, FL	Own	Printing
		Milford, CT	Own	Lighters
		Gaffney, SC	Own	Stationery (markers)
		Sleepy Eye, MN	Own	Promotional calendars
		Red Wing, MN	Own	Printing and engraving
	Offices and factory	Clearwater, FL	Own	Stationery (printing, sticky notes)
	Warehouse	Charlotte, NC	Own	-
	Packaging	Charlotte, NC	Lease	-
FRANCE	Offices	Clichy	Own	-
	Factories	Boulogne-sur-Mer	Own	Stationery (writing pens, coloring felt pens, mechanical pencils, markers, white boards)
		Cernay	Own	Stationery (dyes)
		Longueil-Sainte-Marie	Own	Shavers
		Montévrain	Own	Stationery (ball pens)
		Redon	Own	Lighters
		Samer	Own	Stationery (pencils, coloring pencils, leads)
		Vannes	Own	Stationery (ball pens), other products (windsurf boards, surfboards, boats)
GREECE	Factory and offices	Anixi	Own	Shavers
INDIA	Factories	Daman	Own/Lease	Stationery (writing instruments)
		Haridwar	Own/Lease	Stationery (writing instruments)
MEXICO	Factories and offices	Mexico City	Own	Stationery (ball pens, mechanical pencils, correction tapes)
	Warehouse, offices and factory	Tlalneplantla	Lease	Printing
	Factory	Saltillo	Lease	Shavers
SLOVAKIA	Packaging	Sered	Lease	-
TUNISIA	Factory	Bizerte	Own	Stationery (ball pens)

Major related encumbrances correspond to depreciation and rents.



1.6. Risk factors

INTRODUCTION

The BIC Group pursues an active and dynamic approach to risk management. The objective of this approach is to enhance the Group's capacity in identifying, managing, mitigating and monitoring key risks that could affect:

- the Group's personnel, assets, environment or reputation;
- the Group's ability to achieve its objectives and abide by its values, ethics or laws and regulations.

This approach is based on identification and analysis of the main risks to which the Group is exposed, particularly those related to the following areas: financial markets, legal, industry and environment, strategy and operations and including product safety.

A description of the risk management system is disclosed in the Chairman's Report on the conditions of preparation and organization of the work of the Board of Directors and on the risk management and internal control procedures implemented by the Company – see Corporate Governance section 3.1.2.2.3 – Risk management process, page 111.

The risk factors set out below are not the only risks faced by the Group. Additional risks and uncertainties of which the Group is currently unaware or that are deemed not significant could also have an adverse impact on its business, financial position or results.

The Group has put in place several measures to mitigate the risks it is facing. One of them, described at the end of this section, is transferring the risks by insuring them.

LIST OF THE MAIN RISK FACTORS

Market Risks	Foreign Exchange risk Interest Rate exposure Counterparty risk Liquidity risk
Legal Risks	Facts leading to procedures Procedures (governmental, judicial, etc.)
Industrial and Environmental Risks	Industrial Risks Risks related to the environment and climate change

Strategic and Operational Risks	Risks related to Group acquisitions
	Risks related to competition
	Risks related to the concentration on developed markets
	Risks related to experienced employees and skills
	Risks related to anti-smoking measures
	Risks related to manufacturing sites
Other special Risks	Risks related to IT and technology
	Risks related to reputation and brand
	Counterfeit
	Regulatory (Lighters – Stationery)

DESCRIPTION OF THE MAIN RISK FACTORS

Market risks

Foreign Exchange risk

The Group's main currency exposure is the euro-U.S. dollar rate. In 2016, the yearly net exposure for commercial flows (346.5 million U.S. dollars) was hedged at the average rate of 1 EUR = 1.1192 USD. The significant volatility on Foreign Exchange markets leads us to be particularly vigilant throughout the year on any arising element that would affect our Foreign Exchange exposure. Our exposure control and follow-up tools allow us to collect the most accurate and up to date information and make sure we constantly capture the most precise picture of our Foreign Exchange risks. Group Treasury has adequate means to rapidly identify the risks and reliable tools to manage the exposure. As a result, we are able to react efficiently to the elements impacting our exposure. Regarding the 2017 exposure, as of December 31, 2016, 90% of the identified exposure was hedged with forwards or options. The average hedged rate for 2017 is 1 EUR = 1.11 USD.

Concerning the other major exposures of the Group, the 2017 hedge ratio, as of December 31, 2016, is between 80% and 100%.

See also Note 24 to the consolidated financial statements, page 220.





Interest Rate exposure

Exposure to interest rate fluctuations is very limited. All local funding needs are directly indexed on a short-term variable rate. Borrowers' positions are insignificant at Group level, and are of a too limited timescale to require any hedging. We do not hold any financial instrument dedicated to the hedging of the interest rates in our books as of December 31, 2016.

See Note 24 to the consolidated financial statements, page 220.

Counterparty risk

All financial instruments are set up with top-ranking banking institutions, making counterparty risk very low. The minimum Standard & Poor's long-term rating of our main banking counterparties is A-. The rating range goes from A+ to A-. It should nevertheless be noted that the rating is one of the elements we follow to understand the counterparty risk, but it is not the only criterion we use.

Counterparty risk of cash investment decisions is strictly studied (nature of assets, depositaries and custodians). The main part of the portfolio as of December 31, 2016 is on investment grade rated supports. Counterparty risk is estimated not significant as of December 31, 2016.

Liquidity risk

BIC Group manages its equity to keep a cash position positive and available, and to achieve its development and/or external growth strategy. The excess cash and the funding needs of the Group are managed by the Group Treasury, following a secure policy guideline that aims for capital security and liquidity. The excess cash is mainly invested in monetary mutual funds, commercial paper or time deposits, and cash equivalent assets whose volatility is below 0.5, with a recommended holding period of less than three months.

The more structural portion of the cash can be invested in financial assets with a duration above six months. All the investments are valued mark-to-market twice a month by the Group Treasury and the target is to reach an average yearly performance above the Eonia capitalized rate. The Group Treasury has an on-going relationship with the asset management companies, so as to get the best level of information on asset managers' decisions, and identify the impact of market movements on the funds valuation behaviors.

Throughout 2016, a high level of control on our investment portfolio performance and on the composition of the funds in which we invest, has been maintained. The Group Treasury pays great attention to the diversification of our investments and counterparties in order to improve the pooling of risks and reduce the amount invested per counterparty.

The two largest positions in the portfolio at year-end represent 33.89% of the total assets under Group Treasury management. There is a short-term deposit with a top-ranking French bank, noted A-1 by Standard & Poor's for 17.07% and a pure monetary mutual fund for 16.81%. In addition to these two deposits, nine other investments were in our books as of December 31, 2016, for an average amount of 3.2 million euros per unit.

Legal risks

To the best of the Company's knowledge, there is no information (regulation, authorizations, confidentiality, dependence links, tax measures) or exceptional fact susceptible to have or having had in the recent past a significant impact on the financial position, the result, the activity and the assets of the Company and the Group.

Moreover, there are no governmental, judicial or arbitration procedures, including all procedures of which the Company is aware, that are pending or threatening the Company and which may or might have had during the last 12 months significant effects on the financial position or the profitability of the Company and/or the Group.

Industrial and environmental risks

Industrial risks

BIC faces certain industrial risks linked to its production operations around the world and its manufacturing processes.

The Group's highest priority is safety, with quantitative objectives to maintain or reduce the number of workers' accidents at every production site. These objectives are part of the BIC Sustainable Development Barometer. Its good performance over the past 10 years is a reflection of the Group's commitment and the actions that are continually undertaken to improve safety.

In addition to the generic risks inherent to any industrial activity, BIC Group is exposed to specific risks linked to the storage and use of hazardous products and substances, both inflammable and non-inflammable. Among these are:

- gas for lighters in France, Spain, the U.S. and Brazil;
- solvents for permanent markers and dry-wipe markers in France and the U.S.;
- solvents for industrial cleaning processes;
- storage of products containing gas and solvents.

For this reason, at all BIC factories (not including Cello Pens):

- constant attention is paid to the implementation and monitoring of preventive measures and safety systems for gas and solvent storage areas. Suitable control devices and equipment are in place to minimize physical and chemical risks posed by hazardous substances. Priority is given to the use of appropriate fire prevention systems and appropriate fire detection and control equipment;
- hazard and risk assessments are conducted in the Group factories; procedures are established to identify, assess, and prevent incidents and accidents;
- the workforce is trained to recognize potential hazards, as well as to take preventive and corrective actions;
- compliance with local regulatory requirements is an integral part of the daily management of the sites.



In particular, certain Group factories are subject to the EU SEVESO Directive, which identifies industrial sites that could pose major accident risks and requires the manufacturers to carry out risk studies in order to identify possible accident scenarios, evaluate their potential consequences and implement preventive measures.

The SEVESO plants have emergency procedure protocols (*Plan d'Opération Interne and Plan Particulier d'Intervention*) and a major hazard prevention policy. For the two SEVESO plants, the BIC Group has also implemented a safety management system. Outside France, some plants have equivalent emergency plans that address risks with potential off-site consequences.

As concerns the eight Cello Pens factories, the Group Environmental, Health and Safety (EH&S) policy is under implementation since 2016 (see Chapter 2, section 2.1.4.3 "Our policies").

Risks related to the Environment and Climate Change

The nature of our manufacturing operations, primarily molding and the assembly of plastic products and printing of products, has in a relatively low local environmental impact as compared with other manufacturing sectors. Nevertheless, in keeping with the Group's EH&S policy, our Sustainable Development Program requires all BIC plants to measure, assess and reduce any potentially significant environmental impacts. BIC has also implemented health, safety and environmental risk management systems at all of its factories (excluding Cello Pens) in order to ensure the integration of measures to prevent pollution and other risks in its everyday operations, as well as the ongoing improvement of its installations, equipment and procedures for the purpose of risk prevention.

Detailed information on the management systems and specific measures for controlling the environmental consequences of the Group's operations can be found in Chapter 2, sections 2.3.1.1 "Management systems" and 2.3.1.5 "Reducing other forms of environmental impact".

A breakdown of the plants' water and energy consumption, greenhouse gas emissions and waste production is given in Chapter 2, section 2.3 "Environmental responsibility concerning our operations", along with the actions undertaken by the Group and its sites to control and reduce their environmental impact.

The European regulation, REACH (Registration, Evaluation, Authorization and restriction of CHemicals) establishes a regulatory framework for chemical substances and places responsibility on manufacturers to demonstrate the safety of the chemicals they use. BIC has set up a specific organization to facilitate and ensure compliance with this regulation, described in detail in chapter 2, section 2.2.3 "Product safety".

In addition, concerning the programs for adapting to the consequences of climate change, see Chapter 2, section 2.3.1.3 "Reducing energy consumption and greenhouse gas emissions" and the paragraph below "Risks related to manufacturing sites".

As concerns the eight Cello Pens factories, the Group is currently working to pinpoint the risks related to the environment and climate

change in order to define the actions to be carried out in keeping with its EH&S policy.

BIC has not set aside substantial provisions for dealing with the consequences of environmental risks. Should such damages be incurred, the Group considers that the cost of reparations would not significantly affect its financial position.

Strategic and operational risks

Risks related to Group acquisitions

Part of the Group's strategy is to grow through acquisitions. An acquisition may allow for geographical expansion or reinforcement of existing categories. Business integration of an acquired company is one of the key elements of success.

Following an acquisition, the Group deploys a highly qualified management team to monitor the progress of the integration on a regular basis. In addition to monitoring the integration plans, the team reviews the alignment of systems, processes and procedures to the Group's standards.

Risks related to competition

While most end-customers of the Group are individual consumers, the Group sells most of its products to major mass-market retail chains. The retail distribution market is subject to further consolidation; with rationalization of SKU's (stock keeping units) and possible expansion of private label SKU's. This continued trend of consolidation/rationalization processes could translate into a further reduction in the number of retail chains and in their corresponding assortments. It could consequently increase the Group's dependence on fewer retailers and further intensify competition.

However, the Group's international presence, its powerful brand and the diversity of its distribution channels help to mitigate its exposure to market concentration and competitors' rationalization. BIC is closely monitoring sales and demands of distributors and pursues its efforts to differentiate its products from its competitors, emphasizing innovative and economical solutions to satisfy end-consumer needs.

Risks related to the concentration on developed markets

The BIC Group strategy focuses particularly on generating sales growth. BIC has been present for many years in developed markets, where Group perspectives depend mainly on its ability to increase market share and profitability. As European and North American economies are forecasted to grow at a slower pace in the next few years, succeeding in developing markets is a strategic objective for the Group as we continue to strengthen in this region. Therefore, the Group aims to continue its expansion in developing markets.

To achieve this objective, sales and marketing plans have been developed to allow us to continue to gain market share across the region. For instance, our 100% ownership in Cello has reinforced our long-term investment to ensure our growth in this region.





GROUP PRESENTATION

Risk factors

Risks related to experienced employees and skills

The Group has specific skills through experienced resources especially in manufacturing processes and business practices. The loss of experienced employees could slow down the implementation of Group development plans. It could also result in the inability to implement the Group's strategy.

The Group therefore focuses on identifying, developing and managing experienced resources. Succession plans based on a detailed analysis of Group's resources have been prepared and implemented. Additionally, employee training is given specific attention through dedicated programs (see Chapter 2, section 2.4 "Our social responsibility to employees").

Risks related to anti-smoking measures

Lighters represent a significant part of the Group's net sales (31% in 2016). Part of the Group's Lighter business is related to the sales of tobacco products. The tobacco industry is subject to increasingly stringent regulations around the world, mainly in developed countries. Anti-smoking campaigns and devices, such as e-cigarettes, and further restrictions in public places, could have a potential impact on the growth and profitability of the Group.

However, the quality of BIC lighters remains the decisive driver for continuous growth in the lighter market.

Risks related to manufacturing sites

As a result of its manufacturing activities, the Group may potentially be exposed to events of various origins (such as natural disasters, accidents or economic/social/political turmoil) that could disrupt or interrupt a site's activity. Since the Group is dependent on its production facilities to maintain and develop its sales, the interruption of a production site could have a negative impact on the Group's business.

The Group has therefore put in place a pro-active approach to industrial risk prevention through regular audits of protection mechanisms and investment in equipment in buildings and production tools. Each category pursues a policy of diversification in terms of geography and production capacity.

Moreover, a strong social climate and careful management of supplies, as well as continuity plans ensuring the presence or restoration of critical functions, mitigate the potential impact and minimize the occurrence of such events. The Group has also taken out insurance programs (see below, "Insurance – Coverage of any risks to which the issuer may be exposed").

Risks related to IT and technology

The 2016 Information Technology risk assessments and penetration testing have been completed. The results of these activities have been used to develop remediation plans for the identified risks. Remediation of these risks is in process, with many completed and

others in project planning for completion in 2017. As cyber security attacks continue to increase and evolve, BIC will stay diligent in assessment and testing of the IT systems and networks to minimize information security risks.

Risks related to reputation and brand

In the context of increasing environmental awareness, the brand image could be associated with disposable products, leading to customer disaffection for BIC® products. However, through a strong Sustainable Development Program, a range of products with an ecolabel, and communication on environmental benefits, the Group believes it is taking the necessary steps to cover this risk.

Other special risks

Counterfeits

Counterfeits of the most well-known BIC Group products circulate, principally throughout Africa, the Middle-East, Eastern Europe and South America. They are mostly produced in Asia. These counterfeits, often of low quality, are mainly focused on the shape of our products and on the BIC® trademark.

In order to protect our brand image and our economic interests, the Group, through its counterfeiting department, fights against these counterfeits by working in close cooperation with local authorities and law enforcement agencies.

Regulatory

Lighters – EU

The BIC Group is confronted with competition from low cost lighters that in Europe often do not comply with safety standards, the ISO 9994 international safety standard and the EN 13869 child resistance standard. The Group fights against such lighters through communication activities informing the different stakeholders (customers, market surveillance authorities, EU Commission, EU Parliament, etc.) as well as legal action, particularly:

- before the European Commission, it requested that infringement proceedings be brought against the Netherlands, largest Member State for the import of lighters in the European Union, for lack of enforcement of the standards. These proceedings led to the European Commission issuing two formal warning notices to the Netherlands in March 2012 and in July 2014. As of December 31, 2016, these proceedings remain pending;
- before the French courts, proceedings launched in 2012 against a major importer led to a favorable decision, confirmed by the *Cour de Cassation* (French Supreme Court) in September 2016 prohibiting a claim compliance with ISO 9994 for eight lighter models.

In 2016, the Group also contributed to several public consultations and conferences launched by the EU Commission aiming at improving market surveillance rules and implementation.



Adding to this unfair competition is the non-reciprocity of customs duties on lighters: 25% when entering China *versus* 2.7% when entering the EU.

Stationery

The BIC Group is following closely the frequent regulatory changes especially in chemicals regulations in North America and Europe. In 2016 in the EU in particular, a revision process of the Toy Safety Directive is likely to result in a very steep reduction of the authorized migration limits for heavy metals, impacting coloring products very severely.

INSURANCE – COVERAGE OF RISKS LIKELY TO BE INCURRED BY THE ISSUER

BIC purchases:

- “Public Liability” insurance including risks related to products;
- “Environmental Impairment Liability” insurance related to gradual pollution and accidental pollution;
- “Property Damage and Business Interruption” insurance covering all locations;
- Insurance for goods and products while in transit.

Management believes that coverage and limits of these insurance programs are appropriate. Mid-2015, an Analytics project was launched to better quantify the exposures and insurance needs of the Group. All major insurance programs, except for “Property Damage and Business Interruption” which is planned for an analytical review in 2018, were analyzed, audited and challenged. This Analytics Project confirmed that the coverage, limits and premiums of the BIC Group’s insurance programs are adequate.

The objective of the Group’s insurance programs is to develop a uniformly high level of risk management and insurance protection for all the BIC operating entities. This policy should help protect assets and, therefore, revenue, against risks that may be uninsurable or controllable.

BIC believes in the risk management process as a means of protecting its assets from the adverse effects of accidental loss. That is, the practice of identification, analysis and management of all

risks in relation to its operations. All Group entities must be involved. Whenever we can exercise effective loss prevention and loss control, BIC accepts to retain a portion of the risk. While relying on a proactive approach to risk management for the protection of its assets, the Group nevertheless maintains insurance policies to guard against catastrophic loss, or in some cases, the likely risk of loss.

The global cost estimate of the BIC Group insurance programs to third-party insurers amounts to approximately 5 million euros. The total assets covered by the “Property Damage/Business Interruption” insurance programs amounts to approximately 46.4 billion euros.

It is BIC’s intent to control risk through effective risk management techniques, as well as insurance and loss prevention policies in order to meet its long-term objectives of continuous operation, growth and profit.

By meeting the above criteria, BIC’s assets and profitability should be protected to the greatest extent possible.

BIC holds one captive insurance company, SLS Insurance Company Limited (SLS), wholly owned by BIC CORPORATION, which covers the U.S. entities of the Group. SLS allows BIC to reduce its costs on the traditional insurance market and it is also a means to provide coverage for certain risks that are not covered by traditional insurance. In the U.S., BIC is insured by SLS through several insurance policies. One of them issues Product Liability Insurance certificates for customers of the Group’s U.S. entities. Another one provides coverage for any event that is not covered or payable under any existing BIC policies (DIC/DIL insurance policy). SLS also provides Medical Stop Loss coverage. Since January 1, 2015, the captive is also used to extend BIC’s TRIA coverages by including NBCR coverage.

Actions relating to products liability are initiated primarily in the United States. The amount of provisions to cover this risk is limited to 5 million U.S. dollars; which is the amount of coverage provided by SLS to BIC U.S. entities. In 2016, the limit of insurance provided by SLS for Public and Products Liability was challenged with the help of an insurance broker. Based on BIC’s loss history in the U.S. and the current state of the insurance market, it was confirmed that 5 million U.S. dollars is an appropriate captive self-insured retention for BIC U.S. entities.

The other entities of the BIC Group are insured under traditional insurance programs.



1

GROUP PRESENTATION
Risk factors



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OUR ENVIRONMENTAL, SOCIAL, AND SOCIETAL RESPONSIBILITY





2.1. The BIC Sustainable Development Program

The story of BIC is first and foremost the story of a vision: “To offer simple, inventive and reliable choices for everyone, everywhere.” The BIC sustainable development approach is perfectly consistent with this vision, reinforcing it by making sustainable development a core part of the Group’s strategy.

2.1.1. FOUR STRATEGIC DIRECTIONS

In order to deploy its Sustainable Development Program, BIC has defined a strategic direction for each of its areas of responsibility:

- innovate to continually reduce the environmental footprint of all products and their packaging, and make them affordable to all;
- improve the environmental performance of BIC’s factories and reduce the greenhouse gas (GHG) emissions generated by its transport operations;
- be a committed employer by upholding the Group’s values, ensuring safety in the workplace and employability for all personnel;
- fulfill its responsibility in its value chain beyond its direct scope of intervention to ensure respect for Human Rights in the workplace and expand environmental, social and governance (ESG) practices among its suppliers.

2.1.2. BIC GROUP SUSTAINABLE DEVELOPMENT KEY ISSUES

2.1.2.1. Evaluation of the Materiality Matrix of Sustainability Issues

In 2014, BIC performed a study to review the importance of the stakes and risks associated with corporate social responsibility (CSR) through the creation of a materiality matrix, in particular for the purpose of:

- updating its knowledge of the stakes considered to be the most important by its stakeholders;
- identifying any “subtle signals” of emerging topics that could represent a risk or an opportunity in the short or medium term;
- focusing on the most important stakes that requires special attention by the Group;
- ensuring that the Group’s perception is consistent with that of its stakeholders.

This evaluation was conducted by an external consultant and based on a documentary analysis (for example, client questionnaires, mapping of extra-financial risks, results of employee surveys) and interviews with the Group’s internal and external stakeholders (suppliers, customers, NGO’s, investors, General Management of BIC Group, etc.).

All seven of the Group’s key stakeholders have been mobilized (employees, customers, investors, shareholders, suppliers and subcontractors, communities and civil society, regulatory and control authorities).

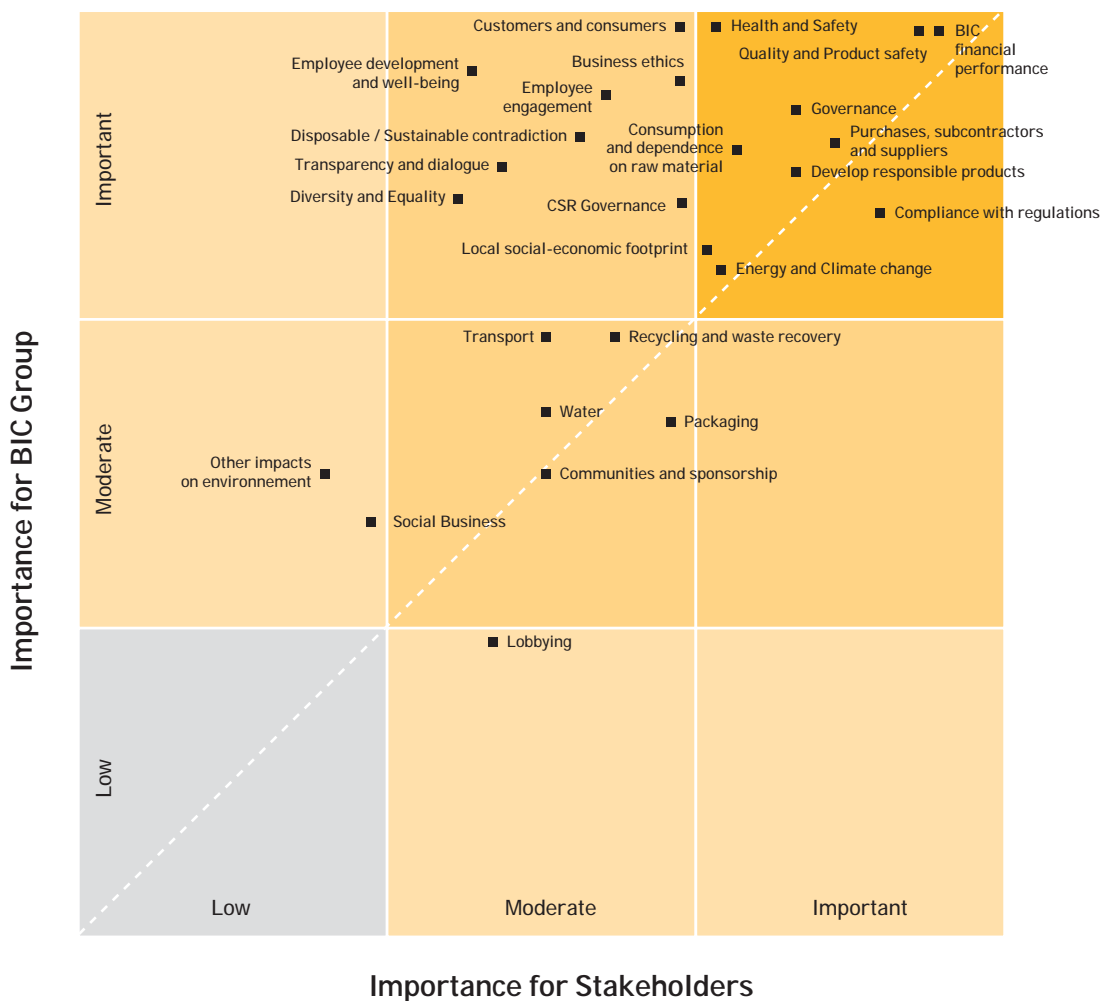




MATERIALITY MATRIX OF SUSTAINABILITY ISSUES

This materiality analysis confirmed the overall balance between the perception of BIC's material stakes by the Group and by the stakeholders. It also highlighted the fact that the 2014-2016 Barometer covers the Group's key stakes. Thus, through its Barometer, BIC ensures active monitoring and close management of its approach to sustainable development and contributes to the overall performance of the Company.

In 2015, this matrix was presented to the Board of Directors, Shareholders and the Leadership Team.





→ PREPARING FOR FUTURE CHANGE

BIC Group has identified a number of social and economic trends that will have a strong impact in the medium and long term:

The globalization of trade flows is facilitating access to new high-growth markets. For BIC, this commercial opening also means increased competition due to low labor costs in certain zones. For several years now, the Group has been developing its product range and adapting its distribution models in emerging markets. It has also bolstered its positioning in these markets, for example through the acquisition of Cello Pens in India in 2013, and has set the goal of "creating products for developing markets" in Commitment #2 of the 2014-2016 Barometer. In addition, BIC's industrial know-how enables it to maintain competitive employment, especially in Europe. Its pragmatic economic model, adapted to the practical context of each geographic zone, allows the Group to seize the opportunities made possible by globalization.

Global demographic growth is expected to increase the world's human population to more than nine billion by 2050, according to the latest United Nations estimates. This population growth will be accompanied by a boom in the middle classes, which in turn will increase the consumption of goods and services, as well as the demand for access to education, healthcare and financial services. Demographic growth represents an opportunity for the Group because BIC® product ranges are especially adapted to middle class consumers, with both traditional and more sophisticated products, as well as responsible products. These ranges are designed to meet all market needs and will continue to evolve to keep pace with consumer trends.

Access to education for the poorest populations is one of the 17 sustainable development goals defined by the UN. In 2015, an estimated 121 million children worldwide were deprived of the right to education and nearly 800 million adults lack basic reading and writing skills. By offering simple, reliable and affordable products all around the world, BIC is providing part of the solution for reaching the UN's goal. Furthermore, the Group intends to continue adapting its products and its manufacturing chain to meet the needs of the populations at the "bottom of the pyramid."

The rarefaction of raw materials, in particular fossil fuels and metals, will make it increasingly difficult to meet the needs of the world's growing populations. BIC has been preparing for this contingency for a long time. From the very beginning, the Group has championed the principle of using "just what's necessary" in the manufacturing of its products. Constantly innovating to reduce the environmental footprint of its products and its factories, BIC will be able to continue offering products that address the environmental and social issues of the future.






2.1.2.2. BIC Group's contribution to the UN Sustainable Development Goals

Among the 17 Sustainable Development Goals (SDGs) set by the United Nations for 2030, BIC Group has identified 13 to which it is contributing.



 Sustainable Development Goals to which BIC is contributing

For four of these goals, BIC has already made an active contribution for a number of years through the products that it manufactures and markets in more than 160 countries, reflecting its vision of offering “simple, inventive and reliable choices for everyone, everywhere, every time.”

1. Eliminating poverty, by giving everyone access to simple, reliable products that meet basic needs (see page 53).

4. Providing quality education, through all the actions that the Company has taken to promote educational opportunities (see page 91).

8. Promoting economic and sustainable growth, in particular through the development of products and production modes that favor the efficient use of resources, including recycled materials (see pages: 47 to 51 and 60 to 65).

12. Establishing sustainable consumption and production modes, through the Company's ecodesign program that offers consumers information to help them make their purchasing choices, and through its monitoring and compliance program, which ensures that the products it markets are safe and comply with health and environmental standards (see pages: 49, 51, 52 and 54 to 56).

Within the direct perimeter of its operations or its sphere of direct influence, the Group also contributes to nine of the other UN Sustainable Development goals, through initiatives that provide support for its employees, the reduction of environmental impacts from its factories and ensuring respect for Human Rights in its own factories and by its suppliers and subcontractors, and through the actions of its Corporate Foundation:

- 3. Promoting good health and well-being for all people of all ages
- 5. Achieving gender equality and autonomy for all women and girls
- 6. Improving water quality ⁽¹⁾
- 7. Improving energy efficiency and the use of renewable energies ⁽¹⁾
- 9. Adapting industries to make them sustainable ⁽¹⁾
- 10. Reducing inequalities within and between countries
- 13. Taking urgent measures to combat climate change
- 15. Promoting forestry management and ending deforestation
- 16. Reducing corruption ⁽¹⁾






(1) For certain goals, only the sub-themes relevant to the Group's operations are mentioned here.





2.1.2.3. Issues for BIC concerning the life cycle of its products

The following table presents the main issues related to the key phases of BIC Group's business, from the supply of raw materials to the use of the products and end of life management.

Step	Stakes	Action plans
Purchasing 	The supply of raw materials that are used to make BIC® products <ul style="list-style-type: none"> • 45% of the Group's purchasing can be attributed to plastics • 9.5% of the plastics used by the Stationery category are recycled 	<ul style="list-style-type: none"> • Reduce consumption of non-renewable raw materials • Promote the use of alternative materials (recycled or plant based) and participate in the emergence of the circular economy • Verify suppliers' compliance with environmental, social and governance standards
Production 	The manufacture of BIC® products in the Group's factories or by contract manufacturers <ul style="list-style-type: none"> • Millions of products sold every day worldwide 	<ul style="list-style-type: none"> • Reduce water and energy consumption • Reduce CO₂ emissions and waste • Reduce waste and increase the proportion of recycled waste • Reduce our impact on biodiversity • Maintain good working conditions for our employees • Ensure respect for Human Rights • Strive to develop employees' skills • Promote diversity in the Company
Distribution 	The shipping of BIC® products by transport service providers <ul style="list-style-type: none"> • 0.768 teqCO₂ per ton of freight 	<ul style="list-style-type: none"> • Optimize shipments and distribution routes • Ensure responsible distribution adapted to local conditions
Usage 	The use of BIC® products (writing instruments, lighters, shavers, etc.) <ul style="list-style-type: none"> • More than 2 km for a BIC® Cristal® pen • Up to 3,000 lights for a BIC® Maxi lighter • Up to 17 shaves for a BIC® Flex 3 	<ul style="list-style-type: none"> • Guarantee long-lasting products (stationery, lighters, shavers, promotional products) • Ensure the quality and safety of products • Promote responsible consumption • Anticipate customer's and consumer's needs • Reduce packaging waste
End of life 	The disposable of BIC® products <ul style="list-style-type: none"> • Weight of a BIC® Cristal® ball pen: 5.9 g • Weight of a BIC® Maxi lighter: 21.8 g • Weight of a BIC® 3 shaver: 8.8 g 	<ul style="list-style-type: none"> • Help reduce the overall quantity of waste produced • Investigate possible recovery and recycling solutions





2.1.3. MANAGING THE APPROACH: THE BIC SUSTAINABLE DEVELOPMENT BAROMETER

Since 2008, the Group has based the application of its approach on a specific management tool: the BIC Sustainable Development Barometer. This Barometer comprises 10 operational commitments that follow on from the four strategic directions.

For its third edition, the 2014-2016 Barometer launched in 2014 once again defines 10 commitments for the Group along with concrete performance indicators. Again, the three major topics

addressed are "Products," "Industry" and "Social/Societal." Certain former commitments have been replaced by new ones that cover points in which BIC seeks to make a special effort to improve its performance.

This approach is implemented on a worldwide scale (except for BIC Graphic in certain cases).

→ HOW IS PERFORMANCE MEASURED BY THE BIC SUSTAINABLE DEVELOPMENT BAROMETER?

- It defines the 10 priority indicators for the Group in terms of sustainable development for the three-year period 2014-2016.
- The 10 indicators were defined in cooperation with the functions concerned and approved by the CEO.
- It covers the perimeter of BIC Group (except Cello Pens), unless specified.
- The "JAN 2014" reference value corresponds to the value at the year-end 2013.
- The indicators are graphically represented as follows: the January 2014 reference value is equal to a 0/10 rating and the 2016 objective is equivalent to a 10/10 rating.
- When an indicator includes several objectives, its representation is the average of their progress.
- The Barometer is consolidated at the beginning of each year.

Additional methodological information can be found in section 2.6.3.3. (page 95).

Completion of the BIC 2014-2016 Barometer and continuation of the BIC Sustainable Development Program

At the end of the three years and through great effort by the Group's teams, the final score is 9/10, up 0.3 points compared to the previous Barometer.

Several commitments concerning the products (innovative and responsible products, products adapted to developing markets and the commitment of the three categories to have at least 50% of their products with at least one environmental benefit) achieved the maximum score. Other commitments regarding the stabilization of

the appeal of air freight, the intensification of the implementation of the BIC Code of Conduct from its contract manufacturers, and finally the employability of its employees, should also be taken into account for improvement of the final score.

Other commitments will require more time to achieve their objectives. The Group will continue to monitor them to ensure they are met in the short term.

BIC wants to increase its efforts to take advantage of sustainable development as a lever for change, creating value over the long term for the benefit of its stakeholders. In 2017, the Group will define ambitious commitments for its Sustainable Development Program along with the appropriate management tools for reaching its goals. The target date of 2025 will be set for these commitments to allow sufficient time to deploy all necessary actions.

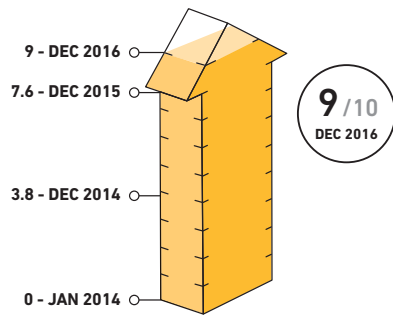




OUR ENVIRONMENTAL, SOCIAL, AND SOCIETAL RESPONSIBILITY
The BIC Sustainable Development Program



2014-2016 Barometer



The global score is the average of the 10 scores

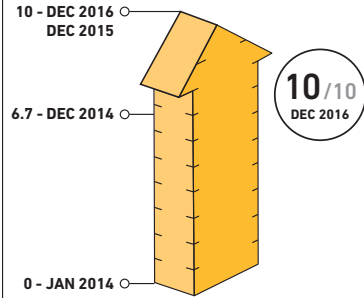
"The BIC Sustainable Development Barometer provides a pragmatic way to monitor the Company's commitment. It also encourages fluid communication within all teams by giving clear direction for three years and precisely reflecting our progress."

Christine Desbois, Sustainable Development Director

PRODUCTS
 INDUSTRY
 SOCIAL/SOCIETAL



Launch innovative responsible products

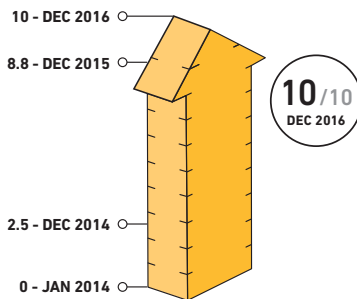


- From 2014 to 2016, BIC will have launched 3 innovative responsible products (Start JAN 14: 0 > DEC 16: 5)

1



Create products for developing markets

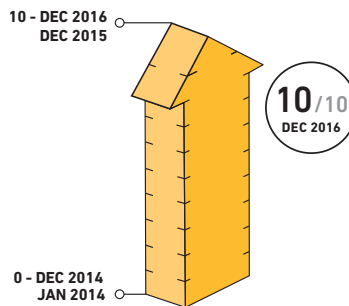


- From 2014 to 2016, BIC will have created 8 products adapted to developing markets (Start JAN 14: 0 > DEC 16: 8)

2



Offer BIC® products with environmental benefits*

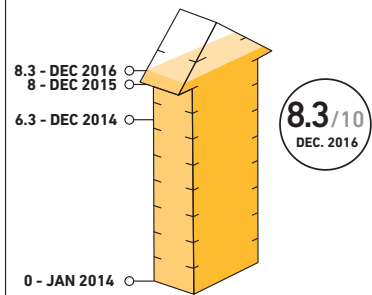


- In 2016, 50% of BIC® products will have at least one environmental benefit (Start JAN 14: 49.88% > DEC 16: 50%)

3



Select responsible materials for packaging*

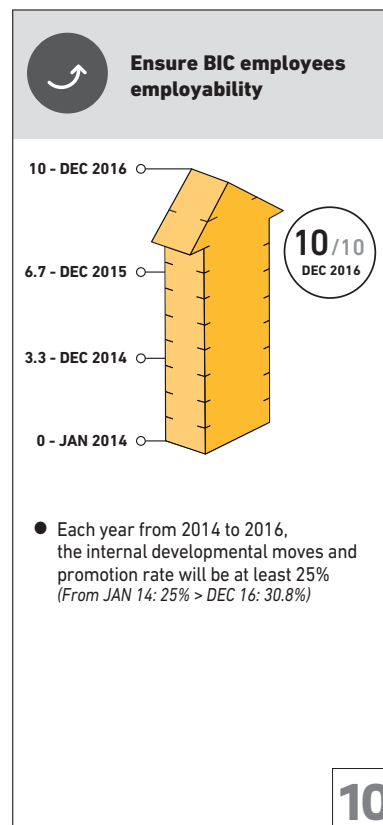
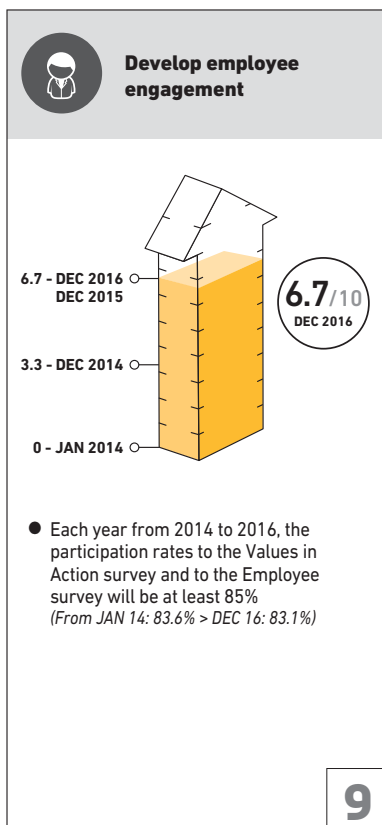
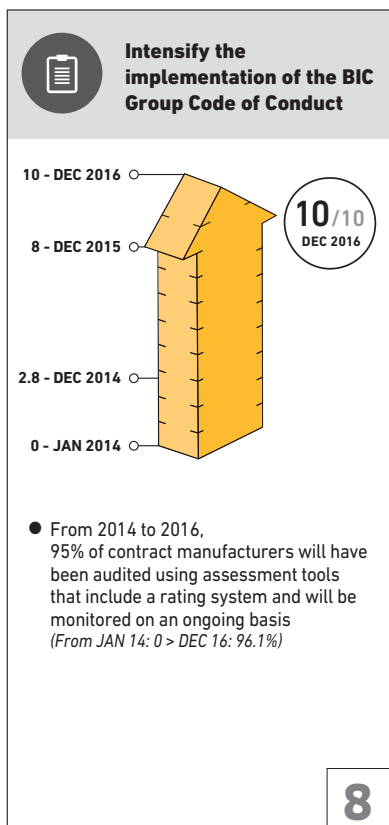
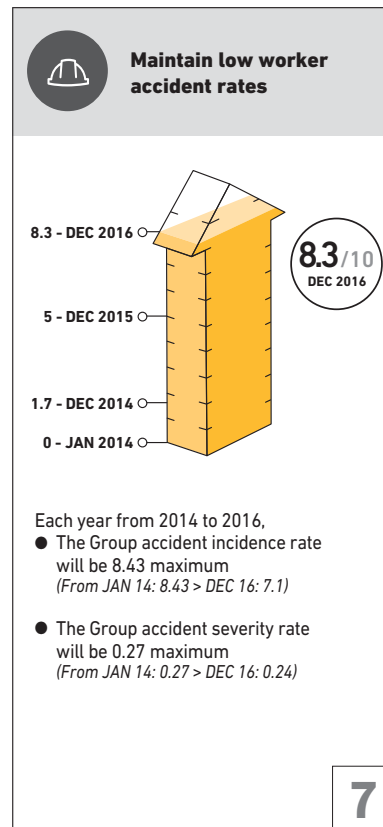
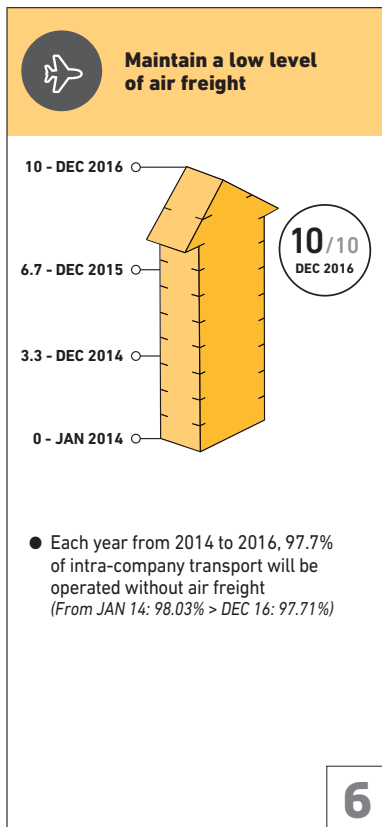
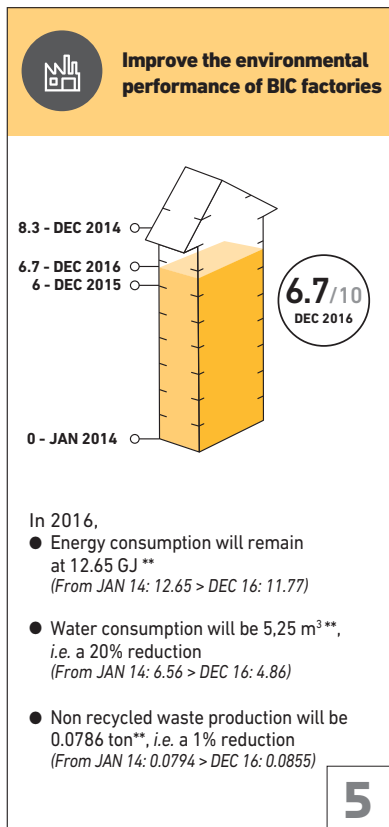


- In 2016,
 - 90% of BIC cardboard packaging will be from a certified and/or recycled source, i.e. a 17% improvement (Start JAN 14: 76.45% > DEC 16: 92.26%)
 - 90% of BIC plastic packaging will be PVC free, i.e. a 27% improvement (Start JAN 14: 71.32% > DEC 16: 83.46%)

4

* BIC Graphic excluded





** Per ton of production





2.1.4. INTEGRATION OF SUSTAINABLE DEVELOPMENT INTO OUR ACTIVITIES

2.1.4.1. Sustainable Development as a key factor in the decision-making process

The issues of sustainable development are considered in the Company's decision-making process. The Group's CEO leads the Sustainable Development Steering Committee and every meeting of the Leadership Team includes an update on recent progress in sustainable development. In 2016, two main topics were discussed: issues concerning product safety and the continuation of the BIC Sustainable Development Program. The Leadership Team approved the decision to define ambitious commitments for the Group with a target completion date of 2025.

The BIC Sustainable Development Program's goals and progress are presented at least once a year to the Board of Directors and at the Annual Shareholders' Meeting. In addition, the Audit Committee is kept abreast of the policies and programs implemented by the Group.

Extra-financial risks are taken into account by the Risk Management Department as part of its risk mapping.

2.1.4.2. Our operational structure

Managing sustainable development is based on a continuous improvement approach that is deployed across the entire BIC Group and benefits from a dedicated structure. This structure includes a Sustainable Development Team comprised of 25 members of different nationalities representing major Group functions. The team meets twice a year and is chaired by the Group's CEO. Taking action at the decision-making and operational levels, the team's role is to propose strategies and corresponding action plans to the BIC Group Executive Committee and then report on the implementation of programs. The team also has the mission of mobilizing internal resources.

These programs are carried out by the departments and operational teams and coordinated by the Group Sustainable Development Director, who reports to one of the Group's three Executive Vice-Presidents.



The annual Forum of the Sustainable Development Committee, chaired by Chairman and CEO, Bruno Bich, was held on June 8 – 10, 2016, with all 25 members of the Sustainable Development Committee attending, as well as all members of the Leadership Team. This important get-together serves as an opportunity for a yearly review of the Group's program, including goals, progress made and perspectives for the future. The topics discussed in 2016

included: future sustainable development issues and how to prepare for them, how sustainable development contributes to the Group's growth, the recycling of plastics, the circular economy, employee engagement, the environmental performance of the Group's products, and the Group's positioning on "Bottom of the Pyramid" (BOP) markets.



2.1.4.3. Our Policies

BIC Group's sustainable development approach is based on a set of documents that defines its vision and gives a framework to each employee's everyday activities to ensure compliance with the principles of sustainable development.

The five BIC Values: Ethics, Responsibility, Teamwork, Simplicity, Ingenuity.

Since 2007, **the BIC Code of Ethics** has defined the fundamental ethical principles that the Group asks all employees to follow under all circumstances and everywhere in the world (see also page 90).

The Group's **Anti-Corruption Policy**, defined in 2016, states that BIC Group will not tolerate bribery or corruption in any place where it operates, upholding its reputation for integrity (see page 90).

The BIC Group Code of Conduct comprises a set of professional and social principles derived from the standards of the International Labor Organization (ILO) (see also page 88).

The Product Safety Policy, introduced in 2001, specifies the 10 commitments adopted to ensure that the products developed and manufactured by BIC are safe in terms of human health and the environment. More specifically, BIC has adopted seven commitments to ensure the quality and safety of its lighters (see also page 55).

The Environment, Health & Safety (EH&S) Policy, defined in 2005 and signed by the CEO, codifies the Group's commitment to minimizing the impact of its industrial activities (see also page 59).

The BIC Charter of Diversity, which was signed by the CEO and the Group's Human Resources Director in 2011, demonstrates BIC's desire to actively promote diversity (see also page 84).

The Responsible Purchasing Charter, signed in 2014, codifies the Group's desire to establish mutually beneficial relationships with its suppliers based on its five Values (see also page 86).

Defined in 2013, **the Responsible Communication Charter** formalizes BIC Group's integration of the Value of Responsibility in its communication. This charter applies to all communication undertaken by the Group around the world. (see also page 44).

A worldwide moratorium on all animal testing was declared by BIC in 1997. The Company is committed to using reliable alternatives to animal testing on chemical substances made possible by the latest technological breakthroughs.

2.1.4.4. BIC's employees: stakeholders in the approach

BIC sponsors and develops training and awareness activities conceived to ensure that its employees are well-versed in the issues related to sustainable development, prepared to anticipate customer demands, and able to convey the Group's commitment in their words and actions:

- An internal newsletter has been distributed to employees since April 2012. Published in five languages, the newsletter keeps all employees worldwide regularly up to date on the latest in sustainable development (except Cello Pens);
- The Group's sites organize activities with local and national events. Examples include Sustainable Development Week in France, participation in the WWF's "Earth Hour" operation in Canada, and "Environment, Health and Safety Week" in Brazil;
- In recent years, proactive *Green Teams* have been formed in certain countries (such as Canada and the U.S.) to promote sustainable development among BIC employees. They raise awareness of "green habits," encourage their co-workers to set goals for improvement, monitor these objectives, encourage participation in environmental and social outreach programs, organize conferences with presentations by associations and experts in the field, etc.

Since 2013, all BIC employees are invited to nominate their co-workers through the "BIC Values in Action" recognition program (page 73). The members of the Executive Committee then select the winners from the list of nominees.

Employee involvement in the promotion of sustainable development is also encouraged and evaluated through a biannual survey on the BIC Sustainable Development Program (page 74).

In 2015, a video on sustainable development was produced in six languages to raise awareness. In 2016 it was made available to all HR entities worldwide to be used as part of locally organized internal events.

The October 2016 newsletter contained an overview of the media used by the Group to communicate on sustainable development, reminding BIC employees of where they can find these resources and the nature of the information they contain.

2.1.5. INTERACTION WITH OUR STAKEHOLDERS

2.1.5.1. Sharing value with our stakeholders

◆ Challenges and approach

BIC Group economic, financial and extra-financial performances have an impact on its stakeholders worldwide, including employees, customers, consumers, suppliers, public authorities and communities. The Group develops strategic methods for creating and sharing the value it generates – choices that enable it to cultivate the Company's goals and responsibly pave the way for the future.





◆ Performance

DISTRIBUTION TO STAKEHOLDERS IN 2016*

→ CUSTOMERS TURNOVER: 2,272.4 MILLION EUROS						
Employees	Suppliers	Shareholders	Banks	Governments	Net investments	Communities
641.5 million euros. Corresponding to payroll, bonuses and other payments to employees.	1,119.7 million euros. Corresponding to purchasing of raw materials, consumables and bought-in services.	277.0 million euros in ordinary dividends and 81.6 million euros for the repurchase of shares.	5.6 million euros in net interest received.	151.8 million euros, including 134.8 million euros paid around the world as corporate income tax and 17.0 million euros in other taxes.	178.9 million euros. Including 180.8 million euros for the acquisition of tangible and intangible fixed assets and 1.9 million euros received from the disposal of assets.	2.4 million euros in donations of funds and products to local communities (internal valuation).

* The distribution of revenues to stakeholders does not include the change in net current working capital and is restated for discontinued operations.

2.1.5.2. Responsible Communication

◆ Challenges

BIC seeks to engage in controlled, responsible communication operations that will allow the Group to retain the confidence of its stakeholders.

◆ Approach

Defined in 2013, the **Responsible Communication Charter** formalizes BIC Group's integration of the Value of Responsibility in its communication. This Charter expresses BIC's intention to share reliable information and release clear, accurate messages; it applies to all communication undertaken by the Group around the world towards all its stakeholders.

To ensure accuracy in the Group's communication, this Charter comprises three principles by which BIC pledges to:

- implement the necessary means, in terms of organization, processes and tools, for verifying all communications issued by the Group;
- make responsible use of its stakeholders' personal data, in compliance with the regulations;
- include the factors of environmental and social impact in the criteria that determine its communication choices.

It also defines communication actions to help build a more responsible world.

Special representatives were designated to facilitate the deployment of the charter and gather best practices.

Since 2013, as a signatory of the Advertisers' Charter of Commitment to Responsible Communication of the *Union Des Annonceurs* (UDA, French advertiser's union), BIC submits to the UDA an annual summary of its actions undertaken to promote responsible communication.

◆ Progress made in 2016

In 2016, BIC supplemented its communication on the Sustainable Development Program with the publication, "The Essentials of Sustainable Development in 2015," which was published in French and English. In 20 illustrated pages, this brochure explains the key aspects of the Group's approach, as well as its performance and initiatives for the year.

→ 100% of the environmental claims that appear on the packaging, in the catalogs and on the websites for BIC® products are approved by the legal department.

2.1.5.3. The BIC Panel

◆ Challenges and approach

To have an outside point of view on its entire sustainable development approach, BIC has organized a panel of four stakeholders since 2005, including two customers, one investor analyst and one supplier.

The panel is consulted once a year during individual reviews that enable each member to:

- comment on the Company's policies and practices;
- suggest improvements that can be integrated into action plans;
- outline future needs and expectations;
- formulate an opinion on the Group's Sustainable Development Program.





Three members of the panel offer their point of view on BIC's Sustainable Development Program and the progress made in 2016:

→ BIC'S COMMITMENT AS SEEN BY LYRECO

Once again this year, I can report that BIC continues to be a key partner for issues concerning sustainable development. BIC is a clear leader in this area for four essential reasons: it has developed a genuine strategy; it has set up a specific dedicated organization; it undertakes practical, pragmatic actions, like obtaining the *NF Environnement* ecolabel for many of its writing products; and lastly, it takes its entire supply chain into account, allowing the Group to address the issues beyond the confines of its own factories. Among the most important actions of the year, I would mention the work carried out to meet the Group's challenges, based on its materiality matrix, to define its future commitments on sustainable development. I also commend the Group's good governance of sustainable development, which allows its management to convey the messages. Lastly, a possible area for improvement would be the more systematic reliance on a framework of standards.

Nasser Kahil, Group Quality, Security and Sustainability Director, Lyreco

→ BIC'S COMMITMENT AS SEEN BY HACO TIGER BRANDS

Haco Tiger brands continues to appreciate BIC's commitment to sustainable development and to support the company's initiatives on products, the environment and governance. We suggest to spread efforts locally with Haco Tiger Brands in Eastern Africa and to share best practices. I value BIC's work to strengthen its codes and policies, and its clear commitment to anti-corruption. This is especially important because counterfeit and corruption are major challenges in Africa. Also, we consider the integration of Cello Pens' Indian entities very important, as the Cello® brand is present and strong in Africa, which may help to fight counterfeiting.

Finally, I see a fantastic opportunity for the BIC Foundation to launch projects in Africa and fight school drop-out while collaborating with local stakeholders.

Antony Mburu, Sales Director, Haco Tiger Brands, a licensed BIC contract manufacturer and distributor

→ BIC'S COMMITMENT AS SEEN BY ODDO

I commend BIC for its positive approach in announcing its intention to make sustainable development part of its long-term goals. This reflects the management team's vision and leadership, taking into account the future succession of the CEO. I would recommend that these commitments not be too subjective. They should be chosen carefully based on the materiality of the issues and the economic model, and associated with benchmarks that will allow them to be implemented quickly. Access to education is a topic closely related to the activities of the Group and its Corporate Foundation, and the link with the United Nations Sustainable Development Goals could be highlighted in BIC publications. The integration of Cello in India represents a genuine social challenge, and it will be important to emphasize all the actions undertaken to send a message to the Shareholders. Lastly, the ongoing work on integrated reporting reflects a degree of maturity, allowing BIC to unite economic viability and sustainable development in the long-term challenges, and making it the ideal instrument in terms of materiality. We will be eager to see the results of this difficult undertaking.

Nicolas Jacob, Head of ESG (Environmental, Social, Governance) Research, Oddo Securities

→ CUSTOMERS' EVALUATION OF THE CORPORATE SOCIAL RESPONSIBILITY APPROACH AND OF THE PRODUCTS' ENVIRONMENTAL AND SOCIAL PERFORMANCE

BIC Group distinguishes its "customers" (*i.e.* companies, administrations and office supply distributors, as well as major mass-market retailers) from its "consumers," the end-users of its products. (The consumers' expectations are discussed in section 2.2.2.).

Customers are becoming increasingly demanding in terms of the environmental and social performance of the products they buy, as well as the evaluation of their suppliers' Sustainable Development Policies.

They submit many questionnaires addressing increasingly specific and diversified topics. In addition to questions on health risks, the local origins of products and respect for Human Rights, they want to know about compliance with product quality and safety regulations, the products' environmental benefits and labeling, environmental management policies and the systems adopted for collecting and recycling wastes.

Retailers and wholesalers also want their collaborators in the distribution chain to show how they are helping reduce the global environmental and social impact of their operations. BIC Group has participated in Walmart's Sustainability Index (since 2014 for shavers and since 2016 for writing instruments), which assesses suppliers' sustainability performance according to indicators established by The Sustainability Consortium. BIC also carries out specific reporting for Walmart every year through the CDP Supply Chain.

In addition to responding to its customers' specific questionnaires on its CSR approach, BIC maintains commercial relations with them on all pertinent topics, including sustainable development issues. In certain cases these relations can take the form of partnerships, for example to optimize shipping. All the professional functions involved (marketing, communication, sales) are equipped with the tools they need to explain BIC's Sustainable Development Program.





2.1.5.4. Responsible lobbying and participation in sector working groups

◆ Challenges

BIC Group considers lobbying to be a positive action, making good use of its industrial expertise and knowledge of the market in its relationships with the public authorities. For the Group, lobbying is quite simply the communication targeted towards decision-makers and important players on key issues on the lessons learned from its experience to help establish the necessary balances. Its purpose is to help improve the effectiveness of the authorities' regulatory actions, to improve the safety of the products available on the market, thus improving consumer safety and ensuring fair competition. In this way, BIC seeks to be recognized and consulted as a stakeholder in all decisions and actions that affect its operations.

◆ Approach

Participation in sector dialogues

BIC Group pursues its lobbying activities in a responsible, ethical way to ensure that the legal and regulatory decisions, as well as the actions undertaken to enforce the rules, have realistic and effective technical and economic consequences, maintaining or restoring fair and honest relations among all the market players.

BIC has no tradition of making public statements on major industrial or societal topics. However, the Group does participate in sector dialogues and seeks to exert its influence in four key areas that are directly related to its commitments as a responsible corporation: product safety, the fight against counterfeiting, the fight against unfair competition and environmental protection.

BIC carries out its lobbying primarily as a member of various organizations, participating as needed in their working groups:

- French, European and American professional federations;
- Standardization committees for toys, lighters and writing instruments;
- French watchdog groups, intra-sector associations.

BIC is a member of the Executive Committees of the main professional associations, and in some cases, has been for many years.

Lobbying activities can also take the form of direct contacts with the pertinent authorities.

BIC's subsidiaries also cultivate direct relations with the authorities in their countries of operation. However, the Group has no professional lobbyists on its payroll.

Clearly identified lobbying responsibilities

At the highest level of the Group, Chairman and CEO, Bruno Bich, and BIC Executive Vice-President, Marie-Aimée Bich-Dufour, along with the Category and Continent Directors, are responsible for steering and monitoring all lobbying actions on a regular basis.

The operational responsibility for BIC's relationships with public authorities and institutions is delegated to a small number of specifically identified managers, who have been named to represent the Group in the above-mentioned proceedings. The Category and Continent Directors are kept informed of the progress of laws and regulations that affect their operations.

BIC Group ensures strict compliance with local laws and regulations in the pursuit of its lobbying activities. Like all the Group's activities, lobbying is governed by the Anti-Corruption Policy and the BIC Code of Ethics, which names the persons to be notified in case of violation.

Employee awareness

The latest developments concerning lighters are shared with the Group's employees during the performance presentations. The General Managers and Marketing Managers are also kept directly abreast of BIC's lobbying actions on lighters.

◆ Progress made in 2016

BIC Group lobbying activity in 2016 focused on pending regulations and standards concerning stationery products (EU directives and regulations: REACH, CLP, Toy Safety) and lighters (ISO 9994 and Child Safety). The Group also participated in the consultations and conferences organized by the European Commission on how to improve market oversight.

2.1.5.5. Dialoging with the financial community

◆ Challenges

Shareholders and investors increasingly seek to integrate sustainable development into the realm of finance. As part of its ongoing dialog with the financial community, BIC strives to offer all relevant information and indicators and shows how its Sustainable Development Program has allowed the Group to seize opportunities and control the associated risks.

◆ Progress made in 2016

Throughout 2016, various events continued the dialog on the topic of sustainable development, including:

- the Annual Shareholders' Meeting on May 18, 2016, at which the topic was presented to the Shareholders;
- the Oddo Mid-Cap Forum in January 2016 in Lyon, France, where BIC met, upon their request, with fund managers and financial and extra-financial analysts in individual or group meetings;
- meetings organized with various socially responsible investment actors.

As majority Shareholders, the members of the Bich family are given regular presentations on the Group's Sustainable Development Program, its ambitions and its progress by the Sustainable Development Director.





2.2. Responsibility concerning our products

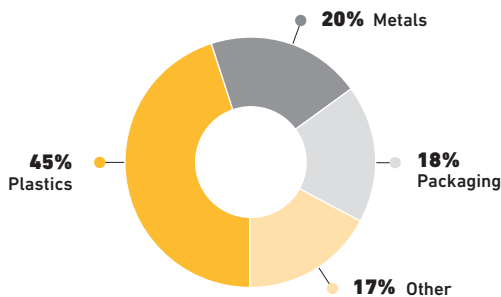
BIC produces and markets consumer products that are lightweight, have a long performance life, and are affordable by everyone. Right from the start, BIC® products have been designed and made with just what's necessary in terms of raw materials, leaving out anything that is superfluous. To attain this goal, the Group has always pursued an approach that is based on innovation and emphasizes economy of materials. By cultivating this active eco-design process and initiating partnerships for the supply of secondary raw materials, BIC is contributing to the emergence of the circular economy. All BIC® products are conceived to meet and anticipate the expectations of all consumers in developed as well as developing countries.

2.2.1. OUR PRODUCTS' ENVIRONMENTAL PERFORMANCE

◆ Challenges

To manufacture its products, BIC uses raw materials (plastics, inks, packaging and metals, etc.) and resources (water and energy), and generates waste. The challenge for BIC is to minimize its products' primary environmental impact, namely the use of these raw materials.

BREAKDOWN OF RAW MATERIAL PURCHASES IN 2016



2.2.1.1. The three eco-design solutions developed by BIC

◆ Approach and progress made in 2016

To minimize the consumption of non-renewable raw materials, BIC has developed an eco-design approach based on three points:

- minimizing the quantity of materials used in the manufacturing of each product, while ensuring long-lasting performance;
- using alternative materials of either vegetable or recycled origin;
- developing refillable products.

→ BIC'S THREE ECO-DESIGN SOLUTIONS

- Economy of materials
- Integrating alternative materials
- Developing refillable products

Economy of materials

BIC has always sought to optimize its use of raw materials as much as possible. As an expert in the processing of plastics, BIC exercises its responsibility above all by minimizing its use of these materials.

In the Stationery category, the BIC® Cristal®, one of the Group's flagship products, exemplifies this approach (see Commitment #3 on page 49). Even though its design already optimized the use of materials in 1950, the BIC® Cristal® ball pen continues to benefit from ongoing research to minimize the quantity of material used:

- It has a minimum writing length of more than 2 km;
- It uses only 2.9 grams of material per kilometer of writing, compared with 6.4 grams for a competing product with comparable characteristics.

In the Shavers category, BIC achieves very good performance on its markets due to its highly competitive price/quality ratio. For each product range, this price/quality ratio is made possible by the development of simple products that require an optimal quantity of materials.

For example, the BIC® Simply Soleil® shaver is designed to weigh as little as possible. Although it is hollow, its handle nonetheless ensures a high level of performance, quality and comfort in shaving. In 2016, the marketing of the BIC® Simply Soleil® shaver was extended to Russia. This product has also been repositioned in Europe under the BIC® Miss Soleil® franchise. The new BIC® Miss Soleil® Colour Collection has made it possible to expand distribution of these shavers throughout Europe.





OUR ENVIRONMENTAL, SOCIAL, AND SOCIETAL RESPONSIBILITY

Responsibility concerning our products

→ BIC® WRITING PRODUCTS EARN THE NF ENVIRONNEMENT ECOLABEL

For equal performance in use, the *NF Environnement* ecolabel granted in France by AFNOR Certification certifies products that have a reduced impact on the environment. To obtain this ecolabel, a product must comply with certain functional and ecological guidelines conceived to reduce its environmental impact throughout its life cycle.

In the case of BIC® writing products, the main criteria for receiving the ecolabel are limited quantities of raw materials or the use of recycled materials, a long performance life and the strength of the pencil leads. BIC was the first manufacturer of writing instruments to earn *NF Environnement* certification. **Today, a full range of 22 BIC® products has been granted this ecolabel**, including historical products like the BIC® Cristal® sold in boxes of 50 and the BIC® 4-Couleurs™ ballpoint pen, as well as the pens in the BIC® Ecolutions® line.

Integrating alternative materials

Research & Development

Regarding new materials, the BIC Research and Development teams, in collaboration with the Purchasing departments, focus on two approaches:

- **the use of existing innovative materials.** An inventory of innovative materials available for industrial use is kept up to date. From this list, engineers select materials that correspond to industrial and economic requirements with the objective of conducting feasibility tests. In the absence of a simple, economical solution to develop a material based on biological material from plants, recycled materials are chosen;
- **collaborative research** with suppliers to identify new materials (e.g. plant-based or recycled, etc.), new concepts or hybrid materials. Many materials are considered and then analyzed. These have included potato starch, sugarcane, plant fibers, woodchips and other materials. Once a formulation is ready, it is tested to ensure that it meets industrial specifications for quality and safety, sometimes going all the way to the final qualification stage.

By the end of 2016, 83 alternative materials had been tested, including 33 recycled plastics, 26 hybrid materials and 24 materials derived from renewable resources.

→ **83 alternative materials tested.**

Integrating alternative or recycled materials into stationery products

Since 2014, BIC has been conducting a research program to maximize the use of recycled and alternative materials in the Group's products. To achieve this, the research teams have identified all BIC® products whose design could be modified or adapted for production using alternative/recycled materials without sacrificing quality. The challenge is, first of all, to ensure a perennial source of such materials that meet the specifications and are

available on the market, and secondly to convert any products that lend themselves to this adaptation.

Exemplifying this approach, the BIC® Ecolutions® range is a complete stationery line that consists of products manufactured using recycled materials (at least 50%) in compliance with the standard ISO 14021. For example, the BIC® Matic Ecolutions® mechanical pencil contains 65% recycled materials. Eventually, all stationery lines will include at least one product made with alternative or recycled materials.

→ THE RECYBIC PROJECT RECOGNIZED BY ADEME

The RecyBIC project was launched in 2016 at the Boulogne site (France) with the goal of increasing production capacity for pencils in the Evolution® line using recycled materials (+ 100 million units). Submitted in response to an ADEME call for proposals entitled ORPLAST (*Objectif Recyclage PLASTiques*), the project received a prize and a cash award to help promote the purchasing by consumers of these products using recycled materials, to subsidize investment in the necessary equipment, and to fund further research.

At BIC Sport, a new, cleaner and more easily recyclable technology

In 2016, BIC Sport continued its efforts to reduce the environmental footprint of its products and operations. A new technology called TOUGH TEC has been developed to produce stand-up paddle (SUP) boards for beginners and schools. It produces lighter, stronger boards than the DURA TEC technology using polyurethane foam. TOUGH TEC replaces this material with less polluting, using a more recyclable polystyrene foam.

In 2016, the Earth SUP and Earth Surf lines, made from paulownia wood and flax fiber, were expanded with the addition of several models. One of the Earth SUP models, the 12'6 Biscayne, was awarded the 2016 "Étoile du Design prize" by *L'Observateur du design* for its environmentally-friendly design and production.

BIC at the heart of an innovation community

Over the years, BIC has cultivated more than 45 strategic partnerships in research and development with startups, companies at the forefront of innovation, universities, research institutes and external laboratories, playing a leading role in a community with which it pursues long-term prospective and development programs. For example, BIC Group works closely with two French startups, Microfactory and Pilibio, specializing respectively in microfluidics and the production of inks from microorganisms. Since 2012, the BIC Group Research & Development (R&D) Department has also been a member of *Matériaux Chimie, Chimie Verte* (formerly called MAUD), a competitiveness cluster based in Villeneuve d'Ascq that backs innovative projects in materials, chemistry, green chemistry and sustainable development. The projects sponsored by the cluster concern multifunctional, eco-designed and bio-sourced materials, high-efficiency processes and clean technologies.

Developing refillable products

BIC makes an ongoing effort to launch refillable products due to their ecological benefits. However, in the case of low-end stationery products, the consumer demand for refills is virtually non-existent.





In the Stationery category, the Group continues to offer consumers refillable pens. In 2016, BIC launched a complete line of refillable gel ink pens under the BIC® Gel-ocity® brand and extended its 4-Colours™ line with the launch of the 4- Colours™ Fluo, combining three “classic” ink colors and one fluorescent ink. On the U.S. market, pen refills are available on the dedicated website www.shopbic.com. They are also available on the website www.bicworld.com, which links to a European e-commerce site offering the BIC® refill range.

In the Shavers category, the BIC® Easy/BIC® Hybrid shaver is sold as a handle with refills (not sold separately). The underside of the handle is ribbed to reduce the use of plastic without altering the shaver’s ergonomic characteristics, which are the same as those of a conventional handle. Because it comes with four to six blades, the product’s performance life is at least four times that of a standard non-refillable shaver. Over its entire life cycle and for one year of shaving, the environmental impact of the BIC® Easy/BIC® Hybrid shaver is 59% less than that of a similar non-refillable BIC® model, like the BIC® Comfort 3® Advance®. As this model is considered non-refillable by the customers, it is compared to a non-refillable model.

This hybrid line of triple-blade shavers is enjoying strong commercial success and is constantly being extended, offering the consumer a combination of shaving quality and environmental performance. In 2016, the BIC® Simply Soleil® Click was launched in Canada. With its lightweight hollow handle and six cartridges for a longer performance life, it offers female consumers a combination of high-quality shaving and good environmental characteristics. In addition, the distribution of the BIC® Hybrid 3, comprising a handle and 12 cartridges, was extended to the United States, and the BIC® Flex 3 Hybrid is selling very well in Russia.

→ OVERCOMING THE DISPOSABLE/SUSTAINABLE CONTRADICTION

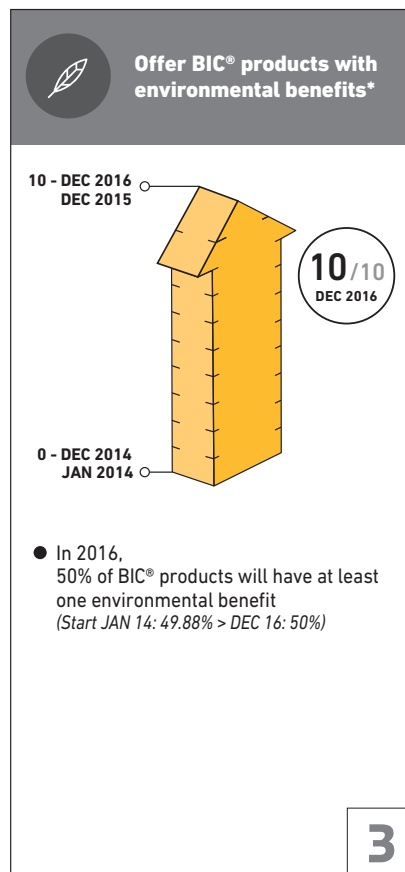
BIC® products are very often stigmatized as “disposable.” Although not all of them are refillable, neither are they used just once. On the contrary, most of them offer long-lasting performance: more than 2 km of writing for a ball pen, up to 3,000 flames produced for a lighter and 17 shaves for a triple-blade shaver. In addition, most of them are designed with no superfluous parts or features, using a minimum of raw materials, and BIC makes an ongoing effort to reduce their environmental impact in daily use. Each of the various products on the market, whether refillable or not, meets a specific consumer need.

◆ Perspectives

The distribution of the BIC® Simply Soleil® shaver will continue to be extended, especially in France. Its presence in stores will be maximized with the introduction of a BIC® Miss Soleil® pack of eight units for France and Poland.

Building on the success of the BIC® Easy/BIC® Hybrid line, the Group plans to launch a BIC® Flex 5 Hybrid shaver in 2017, comprising a handle and four, five-blade cartridges.

◆ Performance of the eco-design approach



* BIC Graphic excluded.

RESULTS FOR 2016: In 2016, the three categories (Stationery, Lighters and Shavers) have all reached the objective of having 50% of their products having at least one environmental benefit (commitment in value). This is due to the good performance of core products for the Stationery and Lighters categories, and the sales increase of hybrid products for the Shavers category. This commitment’s final score is 10/10⁽¹⁾.

2.2.1.2. Tools to facilitate the eco-design process

Measuring products’ environmental performance

Eco-measurement has shown that the product’s weight/performance life ratio is a pertinent indicator for environmental performance. In fact, the more lightweight a product is and the longer it lasts, the better its environmental performance. This illustrates the necessity for finding solutions that are adapted to saving resources.

(1) See section 2.6.3.3 (page 95) for definitions and additional methodological information on the Barometer calculations.









OUR ENVIRONMENTAL, SOCIAL, AND SOCIETAL RESPONSIBILITY

Responsibility concerning our products

To deploy an effective policy for limiting the environmental impact of BIC® products, the first step is to measure these impacts across entire life cycles. BIC has been a pioneer in this field since 1994, commissioning life cycle studies of its products from outside consulting experts, which confirm that the environmental impact of a product is mainly due to raw material usage in its manufacturing.

BIC was moving towards an approach for environmental responsibility, and demonstrated that its founding principle of "just what's necessary" ⁽¹⁾ enabled the Group not only to offer more affordable products, but also products that have less impact on the environment.

ENVIRONMENTAL PERFORMANCE MEASUREMENTS FOR THREE MAIN BIC® PRODUCTS

<i>Life cycle assessment approach – Recipe end point (h/h) method Europe</i>	 Raw materials	 Production	 Distribution	 End of life cycle
BIC® Cristal® ball pen	88%	7%	4%	1%
BIC® Maxi flint lighter	87%	6%	5%	2%
BIC® Classic Single-blade shaver	83%	11%	4%	2%

To evaluate its products' environmental performances, BIC focuses on life cycle phases where it can take action. For shavers, an approach incorporating the usage phase shows that this step – involving water, water heating and the disposal of the shaving cream packaging – plays a key role (78% of the total environmental impact, according to certain estimations), underlining the importance of consumer awareness.

From 2008 to 2014, BIC measured the environmental performances of its products as part of a commitment specified in the Barometer. This phase is now completely integrated in the processes for designing or modifying a product. In Stationery, 100% of new products are thus subject to eco-measurement.

→ **100% of new Stationery products are subject to eco-measurement**

→ **By the end of 2014, 92.5% of all existing BIC® products were subject to eco-measurement**

Our LCA and eco-design tools

In 2004, upon the launch of its Sustainable Development Program, BIC extended the life cycle work and commissioned a normalized Life Cycle Analysis (LCA) along with several simplified LCAs for three category-leading products. The move was immediately followed by the procurement of an internal environmental measurement tool for use by BIC designers.

In 2009, continuing its approach, BIC replaced its first tool with SimaPro, a professional LCA software package that is equipped with

the e-DEA ⁽²⁾ interface to enable Research and Development (R&D) designers to carry out complete and detailed environmental evaluations, as well as create quick decision-making studies during the design process.

Whenever possible for products that are still on the drawing board, BIC R&D teams explore different solutions for minimizing impacts by varying the types and quantities of materials used, while respecting design and manufacturing requirements. In this way, BIC stays on course with regards to finding a balance between quality, cost and environmental requirements.

In 2015, the databases used by the SimaPro tool were updated, making it possible to integrate the most recent scientific knowledge. These updates take place in stages, eventually extending to all categories.

Within BIC Group, the users of SimaPro in combination with the e-DEA interface are essentially the R&D design teams and the Sustainable Development Department, for building the internal scientific expertise needed for the realization of normalized LCAs (ISO 14040).

To bolster and spread the culture of eco-design within the Group, BIC deployed two specific tools in 2016:

- Sharing the **products' environmental profiles** with the teams in charge of their development, in the form of information sheets summarizing the SimaPro findings. These sheets, which are integrated into the design and development process, improve the product managers' knowledge of each product's environmental benefits;
- An in-house **eco-design and LCA guide** is made available to the teams in charge of product design and new product launches.

(1) "Il y aura l'âge des choses légères" by Thierry Kazazian, Victoires Éditions, 2003.

(2) Everybody can Design with Environmental Awareness.



→ **LCA AT BIC**

A Life Cycle Analysis (LCA) is a method for assessing a product's total environmental impact in each successive phase in its life: the extraction and transportation of the raw materials used to make it, the manufacturing processes, transportation to the consumer, product usage, and finally, end of life and waste processing. BIC Group often uses the simplified method of the life cycle approach, which is similar to Life Cycle Analysis except that it does not include the final independent verification phase.

LCA is a comprehensive, multi-criterion method. Unlike carbon footprint analysis, which focuses on measuring a product's impact on climate change, the LCA method takes all environmental aspects into account: water, air, soil, waste, human health, etc. From the very beginning of its Sustainable Development Program, BIC Group has been committed to the life cycle approach to verify that it is making steady progress in all pertinent areas.

As part of the continuation of this partnership, BIC has developed a teaching module entitled *Halte aux Déchets* ("No More Waste") on recycling for elementary school teachers, combining all of the necessary pedagogical material. The pupils are encouraged to learn about waste and recycling through fun and engaging lessons and exercises, and to recycle the pens they use in school through the BIC-TerraCycle program. The module is distributed through the website EDD-Primaire.fr and a demonstration is available at www.bicworld.com.

More than 85% of the waste in BIC factories are recycled or reused in other ways (see page 64). For more than 12 years now, the waste tracking indicators have shown a constant reduction in the proportion of non-recycled waste per ton of production (-16% between 2004 and 2016). BIC Group is committed to reducing non-recycled wastes in its factories and has made this a sub-goal of Commitment #5 of the BIC Sustainable Development Barometer (see page 65).

Although the **fight against food waste** is not a major issue for BIC, the Group holds regular awareness events for employees in its company restaurants, especially in Brazil.

2.2.1.3. BIC Group's contribution to the circular economy

◆ **Waste reduction and management approach**

In partnership with TerraCycle, BIC Group is developing an original model for the **collection and recycling of used writing instruments**.

→ **BIC-TERRACYCLE PARTNERSHIP FOR THE RECYCLING OF USED WRITING INSTRUMENTS**

In 2016, BIC continued its partnership with TerraCycle, a pioneer in the collection and reuse of non-recyclable waste. Launched in 2011, first in France and then in other European countries, this was the first program for the collection and recycling of used writing instruments in Europe. The program allows users of the products to organize at their consumption sites the voluntary collection of all types of writing instruments, whether BIC® branded or not, to be recycled into benches and pencil holders. In return for this civic gesture, one euro cent per writing instrument collected is donated to a charity or not-for-profit association chosen by the organization responsible for the collection. In the case of schools, the money is donated directly to the school to finance a future educational project. So far, more than 350,000 euros has been donated since 2011. This program enables BIC Group through the recuperation of used products, to gain a better understanding of the way its own products are used by consumers and, from an educational point of view, to promote the sorting of waste. Previously, used writing instruments were not collected by any dedicated recycling waste stream. BIC is now in the phase of processing the 20 million writing instruments that have already been collected and has created a task force to develop a model based on the circular economy.

Largely due to its transparency and traceability, the program has been a tremendous success and offers schools and offices an opportunity to put sustainable development into practice in daily life.

◆ **Approach for the sustainable use of resources**

Waste prevention measures are implemented at the stages in the products' life cycles for which BIC has the means to take effective action:

- A three-part approach to eco-design: economy of materials, integrating alternative materials and developing refillable products (pages 47 and 48), monitored by Commitment #3 of the BIC Sustainable Development Barometer (see page 49);
- The RecyBIC project to increase the production capacity for pencils in the Ecolution® line using recycled materials (see page 48);
- The use of certified or recycled fibers for packaging, monitored by Commitment #4 of the BIC Sustainable Development Barometer (see page 57);
- The reduction of water consumption is a sub-goal of Commitment #5 of the BIC Sustainable Development Barometer (see page 65). The factories implement numerous actions to reduce their water consumption every year;
- The reduction of energy consumption is a sub-goal of Commitment #5 of the BIC Sustainable Development Barometer (see page 65). The factories implement numerous actions to improve their energy efficiency every year (see page 61);
- The use of renewable energy sources has been implemented in the United States since 2012 and in Greece since 2016 (see page 62).

→ **9.5% of the plastics (by quantity) used in the Stationery category are recycled**

BIC remains vigilant about the issue of soil protection even though it is not a major issue for the Group. Soil use conditions and the measures undertaken for soil protection are explained on page 65.





2.2.2. PRODUCTS CONCEIVED TO MEET AND ANTICIPATE CONSUMERS' EXPECTATIONS

Since its founding, BIC has believed that its products should satisfy and anticipate the expectations of all its consumers. It therefore strives to develop and offer simple, affordable products leaving out anything superfluous, that meet the expectations of consumers and customers in developed countries as well as the needs of developing countries.

2.2.2.1. Encouraging consumers to adopt more responsible consumption habits

◆ Challenges

In the past few years, the demand for responsible products has become a market trend in developed countries. Although this criterion has become a strong expectation among the Group's customers (major retailers, administrations, distributors – see page 45), BIC has observed that the demand for "products offering the best environmental or social qualities" is not significantly higher among the consumers on its markets. Nonetheless, the Group seeks to promote responsible consumption through its product range and consumer information.

◆ Approach

To promote responsible consumption, BIC uses its know-how to develop responsible products and ensures that its consumers are aware of this fact, making a special effort to:

- offer products with the least possible environmental and social impact;
- give consumers accurate, pertinent information to help them make well-informed choices.

All the products that use recycled materials display the Moebius strip symbol as well as information to help consumers make their purchasing decisions. Some BIC® products are *NF Environnement* certified, while others supply information on their environmental and social qualities (eco-values) to help consumers choose products that meet their expectations. The most appropriate approach is chosen for each continent. For example, the communication in Europe emphasizes the *NF Environnement* ecolabel certification of a given product, where it was manufactured, the amount of recycled materials in it or its writing length.



To help consumers make well-informed decisions, BIC strives to improve the clarity and reliability of the communication used for its range of responsible products.

(1) www.bicworld.com/fr/affichage-environnemental.

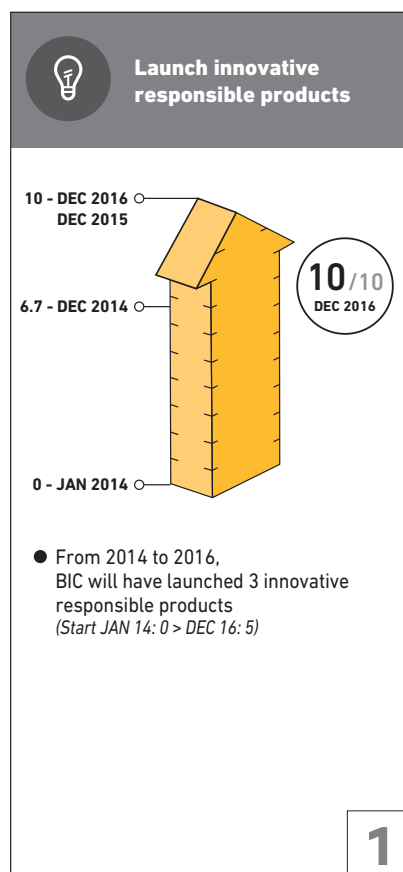
(2) See section 2.6.3.3 (page 95) for definitions and additional methodological information on the Barometer calculations.

In keeping with its Responsible Communication Charter, the Group seeks to provide clear, accurate consumer information on the benefits of BIC® products. (See 2.1.5.2 "Responsible Communication").

In France, BIC is a member of the ADEME-Quantis platform and participates in the joint effort now underway on environmental labeling of products. To this end, in 2012 the Group launched a test score posting in the form of a dedicated website⁽¹⁾ that shows the ecological footprint of the BIC® Flex 3 and BIC® Flexi Lady shavers and proposes eco-habits that allow consumers to help reduce the footprint.

Since 2015, in compliance with French law, BIC Group has been offering consumers sorting instructions for its packaging. This information is posted in a dedicated section of the Group's website.

◆ Performance



RESULTS FOR 2016: A new pen has been added to the list of innovative products with an environmental benefit: the BIC® Cristal® Like Me! Its unique two-shot cap molding gives it a modern, innovative bi-color design, and it is lightweight and long-lasting, giving it a good environmental performance⁽²⁾.



→ **"VOICE OF CONSUMER": FOLLOWING UP ON CUSTOMER AND CONSUMER COMPLAINTS**

BIC's organization makes it possible to collect consumer feedback on its products throughout the Group. All complaints are subject to an in-depth analysis, after which the products in question are sent to the quality team at their factory of origin. The resulting analysis reports, called the "Voice of Consumer," provide a key performance indicator: the number of complaints per million products sold. This ratio has been reduced by half in the past five years and now stands, for example, at 1.6 for all stationery products. The goal for 2020 is to reduce this figure to only one complaint per million products sold.

→ **Twenty-two BIC® writing instruments received the French ecolabel NF Environnement (NF 400)**

◆ **Perspectives**

Responsible products are a permanent and ever-growing feature of BIC's product range. In the coming years the Group will continue integrating these products into its corporate strategy, while giving them greater visibility by pursuing the efforts undertaken to improve the communication of its range of responsible products.

2.2.2.2. Making our products affordable to all

◆ **Challenges**

BIC Group is guided by a vision: "To offer simple, inventive and reliable choices for everyone, everywhere, every time." For BIC Group, making products that everyone can afford means adapting them to markets in developing countries. The pens and shavers marketed by BIC in more than 160 countries promote access to education and personal care. BIC is thus contributing to social progress around the world.

In 2016, 29% of the Group's turnover came from these growth markets.

◆ **Approach**

BIC Group's approach consists of adapting all possible parameters to make its products affordable:

Building close relations between its production units and their distribution markets to facilitate the manufacture of products that are adapted to local consumption habits and purchasing power. For example, a factory opened in Tunisia in 2013 enables the Group to respond more effectively to the needs of the North African markets. In 2015, BIC opened an office in Côte d'Ivoire and a subsidiary in Morocco, allowing it to serve these markets even better.

Creating products for growth markets. One of BIC's goals for 2014-2016 was to create eight products for growth markets, most of which were in emerging countries, as stated by Commitment #2 of the Barometer. In 2016, the BIC® Cristal® Ultra Fine pen was launched in Nigeria, with a fine tip that meets local consumer preferences.

Adapting BIC® products to the buying power of emerging countries, to meet basic needs of the population with quality products. In 2011, the BIC® Comfort 3® shaver was redesigned for South America to suit the buying power of those countries. For its launch in Nigeria, the design and production of the BIC® Cristal® Ultra Fine pen was adapted to ensure compatibility with the local monetary system and buying power.

Completely rethinking the packaging. In certain emerging countries, BIC is marketing its pens, lighters and shavers in packages that contain only one or two items. Examples include the BIC® 1 shaver and the BIC® 1 Lady shaver, which are sold in single-unit or two-unit pouches in Nigeria, Kenya, Madagascar, Côte d'Ivoire, Cameroon, Mali, Pakistan and Bangladesh.

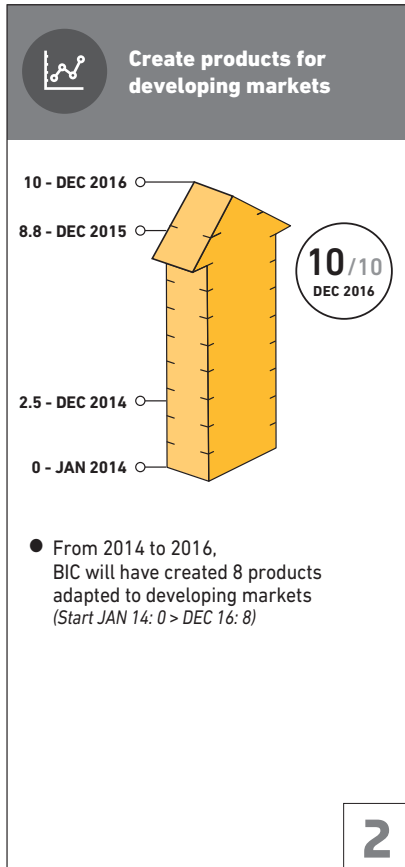
Offering the best functionality at the best price. In emerging countries, where the optimization of the quality-price ratio is of great importance for low-income populations, BIC sets its pricing policies in collaboration with local retailers, taking into consideration local consumption trends and selling price thresholds.

Developing innovative distribution models. To reach the most impoverished consumers wherever they live, generally in remote rural areas or on the outskirts of large cities, BIC relies on local retailers to develop appropriate distribution channels, such as individual kiosks or micro-shops, service outlets near schools or specific "Social Business" initiatives (see page 54).





◆ **Performance**



RESULTS FOR 2016: BIC completed its 2014-2016 Barometer with a score of 10/10 for this commitment after the launch of a new product adapted to developing markets: the BIC® Cristal® Ultra Fine, a classic ballpoint pen offering ultra-smooth, precise writing, conceived for students and young adults in Nigeria. In addition, it is manufactured locally due to the country's import regulations, which would have made it impossible to offer to local consumers at an affordable price⁽¹⁾.

◆ **Perspectives**

In 2017, the Group plans to launch a new BIC® Soleil® Sensitive shaver developed especially for the South American markets, especially Brazil and Mexico. Building on the know-how that it has acquired for meeting the needs of North American consumers, BIC has adapted this product to offer high-quality shaving at a lower cost.

2.2.2.3. Experimenting with innovative alternative distribution modes through a Social Business initiative

◆ **Challenges**

The expression "bottom of the pyramid" (BOP) designates the lowest-income populations, for whom most consumer goods remain

unaffordable, primarily because they are designed for more affluent populations at the "top of the pyramid." Today it is estimated that more than three billion people in the world live on less than three U.S. dollars per day. In keeping with its vision of offering "simple, inventive and reliable choices for everyone, everywhere, every time," BIC Group explores ways to make products available that meet the needs of BOP populations. Its longstanding commitment to sustainable development and the BIC® brand's reputation for offering high-quality products at an affordable price is among the Group's key assets for playing an active role in these markets.

◆ **Approach**

In 2016, BIC Group structured its approach to bottom-of-the-pyramid markets to bolster its commitment in this area. A new position was created for a "BOP and Social Business Director" and the Group is in the process of defining a specific BOP strategy.

In addition, for several years BIC Group has taken advantage of its presence in the conventional retail circuits in Bangladesh to try out an innovative "Social Business" distribution model that makes simple, affordable, good-quality products available to the inhabitants of remote areas. In May 2011, BIC joined the Rural Sales Program established by the NGO CARE, called 'JITA' in honor of self-employed women entrepreneurs called *Aparajitas* (women who never give up). Launched in 2004, JITA fights poverty by promoting entrepreneurial ventures amongst the poorest women. Following a change of management for JITA, studies have been undertaken to explore further opportunities.

◆ **Perspectives**

Through its BOP and Social Business approach, BIC seeks to identify potential channels for making its products affordable to all. As a result, the Group is able to participate in the large-scale sharing of solutions for promoting access to education and personal care.

2.2.3. PRODUCT SAFETY

◆ **Challenges**

Concerns for consumer health and safety have led to increasingly stringent, constantly evolving restrictions and regulations on the use of chemical substances and products, as well as more numerous and specific demands on the part of both the public and the regulatory authorities.

◆ **Approach**

The topics of product safety and the protection of consumer health are of strategic importance for BIC. Regulatory compliance and risk management concerning product safety are integrated into BIC's strategy through a body of documents defining the Group's commitment, and through the adoption of strict processes to ensure compliance with all regulations and the production of safe, compliant products. As a result, each day, BIC supplies millions of products while maintaining consistent quality, checked through a vast array of tests and in compliance with national and international safety requirements.

(1) See section 2.6.3.3 (page 95) for definitions and additional methodological information on the Barometer calculations.





The policies for product safety

The **Product Safety Policy**, introduced in 2001, specifies the ten commitments adopted to ensure that the products developed and manufactured by BIC are safe for human health and the environment. They include:

- a systematic program of pre-market product testing;
- a commitment by BIC to comply with national and international safety standards;
- expecting BIC suppliers to comply with national and international safety standards;
- incorporating safety considerations from the earliest stages of product design;
- active technical and regulatory monitoring on these topics;
- innovation to improve safety;
- client awareness;
- conducting in-depth studies;
- implementing appropriate measures in the case of an incident;
- a senior product safety officer oversees implementation of the BIC Product Safety Policy.

BIC has also adopted seven specific commitments to ensure the quality and safety of its lighters (see below):

→ THE BIC GROUP'S SEVEN COMMITMENTS TO ENSURE THE QUALITY AND SAFETY OF ITS LIGHTERS:

1. All BIC® lighter plants are ISO 9001 certified production plants. BIC® lighter products meet or exceed the ISO 9994 international safety standard requirements;
2. BIC is an active member of various organizations (such as the European Federation of Lighter Manufacturers, ISO, CEN, AFNOR, etc.) to provide the latest and most reliable quality and safety information to its customers;
3. Each BIC® lighter undergoes more than 50 separate automatic quality checks. Additionally, BIC conducts regular post-market product tests of its lighters;
4. BIC continuously develops exclusive technology to ensure the quality and safety of all BIC® lighters, including factors like flame height and stability, extinction time, and a reservoir that can resist extreme drop tests and exposure to elevated temperatures;
5. BIC has an integrated production process, designs and develops much of its own machinery and uses all the latest manufacturing technologies, from basic materials right down to the packaged product;
6. BIC employees are all guided by three principles: Method-Precision-Discipline. Each employee in the lighter plants spends nearly 25% of his or her time checking product conformity and proper operation of the control equipment;
7. BIC has been committed to sustainable, long-term safety programs for over 30 years.

Regulatory monitoring and compliance

BIC Group has implemented a comprehensive monitoring system based on formalized regulatory watch procedures in addition to internal and external resources – in particular, the product safety teams' specific knowledge of BIC® products, their components and the materials used. The Group also participates in studies conducted by intra-sector organizations and professional associations⁽¹⁾. In this way it can anticipate regulatory changes, gain a better understanding of the requirements and, as a manufacturer, share its knowledge of the economic and technical factors involved in their implementation.

- a product safety qualification process for all products before they are launched in the market (see below).

This solid, longstanding organization is constantly being adapted and expanded to take changing regulations into account. The Leadership Team and management teams are systematically kept abreast of new developments in product safety and regulations.

In keeping with the Group's corporate policy, the Advertising and Promotional Products business (BIC Graphic) has developed a dedicated structure and processes to meet its own specific safety challenges. BIC Graphic must ensure the safety of a wide variety of product ranges whose production involves numerous contract manufacturers.

Marketing compliant products that are safe for human health and the environment

To guarantee consumer safety, the BIC Group Category Directors are responsible for marketing safe products that comply with regulations. To this end, they rely on:

- BIC Group's commitment to ensure that its products comply with regulations and are safe for health and the environment (see above);
- monitoring by dedicated regulatory watch teams (see above);

Safety starting at the product design stage

Starting with its design, each BIC® product meets all the national safety requirements for its target market and often international requirements as well. As a result, BIC® products often exceed local safety requirements. For example, a pen sold in France complies with French and European regulations as well as Brazilian standards and the requirements of the U.S. market. It can be sold anywhere in the world and meets the most demanding safety standards.

(1) BIC Group is a member of EWIMA (European Writing Instrument Manufacturer's Association), WIMA (Writing Instrument Manufacturer's Association), ACMI (Art & Creative Materials Institute), TIE (Toy Industries of Europe), EFLM (European Federation of Lighter Manufacturers) and FEBEA (Fédération des Entreprises de la Beauté, French Federation of Beauty Businesses).





OUR ENVIRONMENTAL, SOCIAL, AND SOCIETAL RESPONSIBILITY

Responsibility concerning our products

Systematic tests

Before they arrive on the market, all BIC® products, including modified products, must pass a full program of safety qualification tests. These tests assess potential hazards, including chemical, physical and inflammability risks. For example, all the inks used in our pens are analyzed by an independent toxicologist who evaluates their potential hazards. Tests are also conducted for the identification of the chemical substances present, to evaluate their risk level, verify compliance with standards and identify substitute ingredients with the aim of reducing risks. In addition, BIC® writing products comply with the various safety requirements in force around the world concerning heavy metals.

BIC Group faces competition from several low-cost lighters that too often do not comply with international safety standards. According to tests conducted by independent accredited laboratories, more than three-quarters of the lighter models in the European market fail to meet standards. The Group has initiated actions to raise awareness among the various parties involved.

In 2010, emphasizing the consequences for consumer safety and seeking to counter the competition from the many lighters that do not meet regulatory requirements, BIC filed a complaint against the Netherlands with the European Commission for non-enforcement of the Commission's 2006 decision on lighters. As a result, the Commission opened an infringement procedure against the Netherlands. In March 2012 and then in July 2014, the country was served formal notice to explain its failure. The procedure remains pending.

→ COMPLIANCE WITH THE REACH REGULATION

The European REACH (Registration, Evaluation, Authorization and Restriction of Chemicals) regulation establishes the regulatory framework for chemical substances and places responsibility on manufacturers to demonstrate the safety of the chemicals they use.

To address these requirements, BIC created a dedicated organization to allow the integration of the REACH topics. At Group level, an expert was appointed who, with the support of specialized firms, monitors the regulation, evaluates the impacts for the Group and creates the administrative files. This person is the contact person for all entities on this topic. Since 2008, in response to REACH, BIC has preregistered 70 substances for five of its legal entities. The registration of these substances with the European Chemicals Agency (ECHA) comprises two phases: the first deadline came in 2013 and the second is scheduled for 2018. BIC complied with the 2013 deadline for the three substances that needed to be registered at that time, and the Group has begun preparing for the registration of the remaining substances by 2018.

◆ Progress made in 2016

The training in product safety carried out in 2015 for the Stationery category was continued in 2016 with specific sessions for the BIMA 83 (France) and BIC Bizerte (Tunisia) factories. Training was also extended to Shavers category factories in Europe, involving the factory Directors and quality managers as well as the heads of R&D, marketing and development.

In 2016, these training sessions focused on chemical substance inventories in various countries (REACH in Europe, TSCA in the U.S., NICNAS in Australia, etc.).

Lastly, more than 356 products were tested in independent laboratories.

◆ Perspectives

In the coming years, BIC will continue to adapt its working methods and means to maintain its own standards and level of compliance concerning product safety. The Group also plans to continue developing and extending its product safety training.

2.2.4. OPTIMIZED PACKAGING

◆ Challenges

Packaging is needed at several stages in the life cycle of BIC® products: for their protection, shipping, storage and sale, and for promotional support. BIC's packaging consists primarily of boxes and cases made of plastic, paper and cardboard. This packaging has an environmental impact during its manufacturing and shipping, and at its end of life.

◆ Approach and progress made in 2016

Historically, BIC promotes selling products without consumer packaging or in value packs. In Europe, 72% of writing products are packaged in boxes, trays or pouches of at least ten products (78% in North America), 80% of lighters are sold in trays of at least 50 (72% in North America) and 68% of shavers are marketed in pouches of five, ten or more (50% in North America).

BIC Group Packaging Community

The "Packaging Community" defines and oversees the Group's packaging strategy, specifically through Commitment #4 of the BIC Sustainable Development Barometer – "Select responsible materials for packaging" – as well as other best practices related to packaging (optimization and waste reduction). It unites packaging experts from around the world in a network for sharing tools and best practices in responsible packaging, duplicating them as appropriate. This community meets about six times per year.

Three priorities for reducing the impact of our packaging

Priority #1: Selecting responsible packaging materials

With the aim of continuing and widening its efforts to reduce its environmental footprint resulting from the production of packaging, the Group decided to devote a commitment of the 2014-2016 Barometer to two goals, one on cardboard packaging and one on plastic packaging:

- by 2016, 90% of BIC's cardboard packaging will be from a certified and/or recycled source, *i.e.* an 18% improvement;
- by 2016, 90% of BIC's plastic packaging will be PVC-free, *i.e.* a 27% improvement.





Certified and/or recycled sourcing for cardboard packaging

In order to increase the use of certified or recycled cellulose fiber in its packaging, BIC works closely with its packaging suppliers to help them obtain certification and improve their supply processes. Certifications can be: FSC (Forest Stewardship Council), SFI (Sustainable Forestry Initiative) or PEFC (Pan European Forest Certification).

As of December 2015, the Group has reached its goal of having 90% of its packaging come from certified sources and/or contains more than 50% recycled fibers. At the end of 2016, the Group's rate was more than 92% overall. This result reflects the efforts made on several continents and in some factories to select suppliers that are engaged in a long-term responsible approach.

PVC-free plastic packaging

The elimination of PVC in BIC Group packaging was completed several years ago in Europe (more than 99% PVC-free) and is well advanced in the U.S. and Mexico.

Depending on the type of packaging, the transition from PVC to PET can entail a few simple adjustments of the machine settings or, in other cases, a complete reworking of the packaging system. For this reason, the "Packaging Community" works with the factories and R&D, getting the marketing teams involved as far upstream as possible.

In 2016, the Group made progress in the following areas:

- technical constraints concerning the adaptation of the machines and the stability of the raw materials have slowed down the transition from PVC to PET in Brazil and Mexico;
- however, in Mexico, the packaging of two top-selling lighters was transitioned from PVC to PET in December 2016;
- in the U.S., the transition from PVC to PET began in 2012. At the factory in Charlotte (North Carolina), the installation in 2016 of two new PET-compatible machines for blisters, bringing the total to six, will make it possible to reach the goal of 90% PVC-free packaging in Q1 2017.

Priority #2: Reducing the quantity of packaging per product sold

BIC Group actively seeks to reduce the weight and volume of its packaging through multiple targeted actions around the world in accordance with local distribution models. For example, in the U.S. in 2016, BIC continued its participation in Walmart's "Packaging Scorecard" program, which puts a premium on seven "Rs" for progress: Remove, Reduce, Reuse, Recycle, Renew (use renewable materials), Revenue (look for savings), and Read (educate consumers).

In Brazil, following a study conducted in 2015 to optimize the placement of blister packs in cardboard boxes, two major improvements have been made: since Q1 2017, BIC® 3 and BIC® Comfort 3® shavers are now sold in blisters of eight. Compared with hanging cards of 12 blisters of two, this makes it possible to reduce the packaging per unit sold by 40% for BIC® 3 and 47% for BIC® Comfort 3® shavers.

Priority #3: Reducing packaging waste

The Group is taking action to increase the recycling rate of packaging production waste in the packaging center facilities. The Charlotte site in the U.S. has already reached the program's goal of 100% waste recycling.

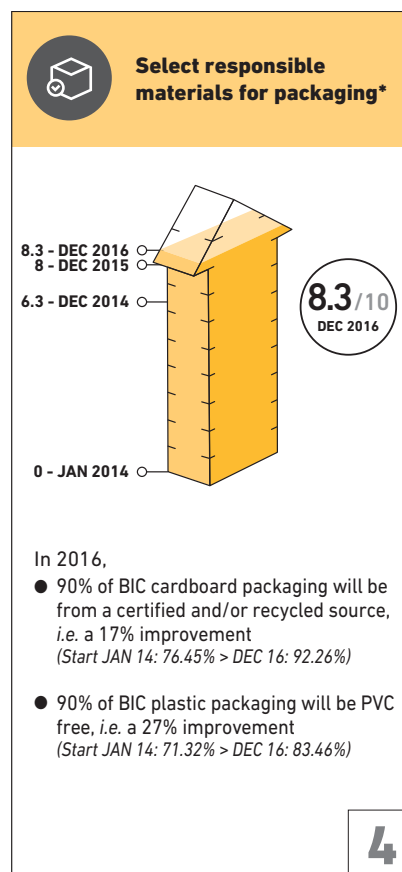
This result has been achieved through packaging design and working with suppliers to minimize waste and provide outlets for recycling paperboard and plastic packaging components; and lastly by using non-recyclable wastes for energy recuperation (3.8%).

Lastly, the "Packaging Community" seeks to reduce the amount of waste generated by the destruction of stocks of obsolete packaging.

In order to encourage recycling by consumers in the U.S., "Club" packaging and blister packs of Stationery and Lighters categories have been redesigned to facilitate the separation of different materials and thus improving recycling.

In Australia, since 2013, BIC has been a member of the Australian Packaging Covenant (APC), a governmental initiative to promote the development of more sustainable packaging systems, increase recycling and reduce packaging waste – three priorities shared by BIC Group. BIC Australia has defined several goals in this area.

◆ Performance



* BIC Graphic excluded.

RESULTS FOR 2016: The Commitment #4 of the BIC Sustainable Development Barometer had the double objective to have 90% of cardboard packaging from a certified and/or recycled source, and 90% of plastic packaging without PVC. In 2016, the first objective has been reached and exceeded (92.26%) thanks to a good performance in all areas. The second objective has not yet been reached (83.46%) but will continue to be monitored so that it is achieved in a short amount of time. This commitment scored 8.3/10⁽¹⁾.

(1) See section 2.6.3.3 (page 95) for definitions and additional methodological information on the Barometer calculations.



2

OUR ENVIRONMENTAL, SOCIAL, AND SOCIETAL RESPONSIBILITY

Responsibility concerning our products

◆ Perspectives

In the U.S., a study is underway to reduce the size of the package for the Mega Lighter™ Flex®, with the goal of increasing the number of lighters shipped per pallet by 50%.

Also in the U.S., once all plastic packaging is 100% PVC-free, the Group will research ways to raise consumer awareness of the importance of sorting these materials for recycling.

In addition, BIC will pursue its programs to reduce the amount of materials used in its product packaging as well as the packaging waste generated by its factories.





2.3. Environmental responsibility concerning our operations

As an industrial leader in the manufacture of consumer products, BIC is committed to ensuring that its production facilities operate in an environmentally responsible way. BIC Group strives to reduce the impact of its manufacturing operations, optimize the shipping of its products and control the environmental footprint of its sales and support activities.

BIC exerts good environmental control over its entire manufacturing chain due to two factors. First, BIC favors in-house production over contract manufacturing (90% of the Group's net sales are generated by products manufactured in its own factories; 93% in the Consumer Goods business and 74% in the Advertising and Promotional Products business of BIC Graphic). Secondly, in the Consumer business in Europe, 85% of the products sold on this continent are also manufactured there.

2.3.1. OUR FACTORIES

◆ Challenges

To manufacture its products, BIC uses raw materials (plastics, inks, paperboard, metals, etc.), consumes resources (water, energy) and produces waste. The Group is aware of the environmental impact of its production activity and is committed to minimizing it. While the need for raw materials is determined mainly by the design of the products (see § 2.2.1. *Our products' environmental performance*, page 47), the factories that manufacture BIC® products assume the important responsibilities of optimizing their water and energy consumption, as well as reducing greenhouse gas (GHG) emissions and waste production.

◆ Approach

The **Environment, Health & Safety (EH&S) Policy**, defined in 2005 and signed by the CEO, codifies the Group's commitment to assessing, managing, and improving the environmental and safety impacts that result from our operations, our products and our packaging. The Policy specifies BIC's dedication to:

- pollution prevention;
- health and safety risk prevention;
- regulatory compliance;
- continuous improvement;
- awareness and involvement.

The EH&S Policy is deployed at all production sites. Since 2010, this Policy applies to all BIC Group factories and is currently being implemented at the Cello Pens' factories.

BIC maintains a formal procedure to review the BIC EH&S Policy to ensure that it remains pertinent and appropriate to the business. This procedure describes a periodic assessment and revision of the Policy to ensure that the Policy is still appropriate for any changes in the Group's activities and products, including acquisitions and changing stakeholder expectations.

2.3.1.1. Management systems

The Group's Policy on Environment, Health & Safety (EH&S) requires factories to implement pragmatic management systems designed to involve all stakeholders, as well as to drive continuous improvement of operational performance. Every BIC factory has a local EH&S manager in charge of deploying and maintaining these management systems. In addition, the Stationery category, which has the most sites around the world, employs a central EH&S manager who coordinates with local EH&S managers to ensure that all facilities comply with the Group's Policy and objectives, and to monitor site performance by consolidating, analyzing and communicating the results achieved.

Implementing an environmental management system involves the identification of the regulatory requirements that apply to the site and the analysis of its compliance with those regulations, as well as an in-depth review of all aspects of the site's activities and environmental impacts (water, air, soil, noise, etc.).

The environmental management system helps ensure **compliance with applicable laws and regulations concerning the environment**. This may include periodic audits and controls that are carried out internally or with the assistance of an independent external company. An action plan is established to correct any identified compliance issues.

Within the framework of the management systems, action plans are defined to limit environmental impact. Simple improvement targets are set for the factories to contribute to BIC's overall environmental performance while meeting their own specific challenges (production, resources, geographic location, etc.).

In 2015, the Conté-Samer (France) and BIC Violex (Greece) factories obtained ISO 50001 certification, the international standard for energy management. This certification requires the definition of goals to improve energy consumption and the adoption of a system to track the results achieved to ensure ongoing improvement in energy management.





OUR ENVIRONMENTAL, SOCIAL, AND SOCIETAL RESPONSIBILITY

Environmental responsibility concerning our operations

In April 2015, the BIC Viorex factory (Greece) was granted European Water Stewardship (EWS) Gold certification in recognition of its adoption of a water management system that optimizes consumption, reduces pollution, encourages the sharing of best practices, etc. EWS certification also requires close cooperation with the other users of the catchment basin for the joint management of this resource.

The environmental management systems deployed in BIC Group's plants call for contingency plans to deal with pollution accidents. Emergency prevention and response plans have been established in locations where there is an identified risk of **an accident with consequences outside plant boundaries**.

For example, in France, the two SEVESO plants have emergency procedure protocols (*Plan d'opération interne* and *Plan Particulier d'Intervention*), and a major hazard prevention policy (*Politique de Prévention des Accidents Majeurs*). They have also implemented a safety management system.

Outside France, some Group plants have equivalent emergency plans that address risks with potential off-site consequences. For example, plants in the U.S. maintain an Emergency Response Plan that includes prevention and management of the off-site consequences of any accidents.

→ A SECOND FACTORY OBTAINS LEED CERTIFICATION

Following the granting of LEED (Leadership in Energy and Environmental Design) certification of the BIC Bizerte factory in Tunisia in 2013, the BIC (Nantong) Plastic Products lighter factory that opened in China in 2015 has also earned this certification. The factory was commended for its optimized water management, its numerous measures to reduce energy consumption (with the goal of -14.5% in relation to a baseline), the elimination of coolants that could damage the ozone layer, the promotion of eco-friendly transport methods for the people who work in its building, the sourcing of more than 20% of its materials within an 800-kilometer radius, the choice of certified wood for sustainable forest management, and its strict air quality management.

◆ Progress made in 2016

Once again in 2016, the management systems of BIC Sport (France) were recognized as a best practice and the subsidiary earned the renewal of its gold level Ecoride label. Ecoride is an initiative of the board sports association EuroSIMA Cluster (in partnership with ADEME Aquitaine). This label stresses the high level commitment of BIC Sport.

Beyond the accounting of its own environmental impacts, BIC Group also considers the impacts of its supply chain. Since 2014, the Workplace Conditions Assessment (WCA) platform for auditing subcontractors' working conditions (see page 88) has included a comprehensive questionnaire on environmental performance, accounting for 10% of the total number of questions posed. Of the 68 suppliers who were active and audited in 2016, nine suppliers had deficiencies relating to the environment. A total of 19 deficiencies were identified, 42% of which were minor and 58% moderate.

PIMACO (Brazil) and BIC Graphic La Granada (Spain) have achieved registration to ISO 14001 in 2016, bring BIC's total to 15 factories registered to the environmental standard. BIC Graphic La Granada has also joined 22 other BIC factories with registration to the ISO 9001 quality standard.

◆ Performance

In 2016, the implementation rate for BIC management systems at BIC-owned product factories is 92% complete for the environment and 91% complete for health and safety. These rates for management system implementation vary every year as plants join or leave the scope and others make progress, but rates remain consistently high.

In addition, 83% of BIC employees work in factories that are registered or engaged in ISO 14001 and 41% of employees work in product facilities that are registered or engaged in OHSAS 18001 registration.

BIC's continued and steady progress in systems registrations underscores the Group's commitment to the highest standards of environmental protection and quality.

2.3.1.2. Reducing water consumption and assessing the scarcity of the resource

Reducing water consumption

◆ Progress made in 2016 and performance

Water consumption per ton of production decreased by 11.7% between 2015 and 2016. Total water consumption decreased by 7.2% over the same period while production increased by 5.1%. This results from a multi-year effort by BIC Group factories to improve water-use efficiency.

By normalizing water consumption to production, the measure of water efficiency is less dependent on fluctuations in production volumes. However, it is important to note that:

- for BIC Group's purposes, "water consumption" is understood to mean total water intake. Some of this water is not used for the factories' operations, in which case it is treated and discharged. The fact that the Group takes water intake and not actual consumption into account tends to maximize its impact;
- a portion of water consumption, for building maintenance or watering for example, cannot be entirely correlated to production, mainly because it depends on external events (climatic conditions for instance);
- the ratio per ton of production is a more relevant measure for BIC Group activities with high tonnage of production (which is not the case for product storage and packaging or for advertising and promotional product printing);
- the gross indicators are disclosed on page 96 for additional information.

In 2016, 13 sites reduced their ratio of water consumption per ton of production. BIC Rasoirs (France), which represents an important part of the Group's water consumption (23%), reported a 25% decrease in its ratio, mostly due to a decrease of groundwater consumption (-38% between 2015 and 2016) via connecting machinery to water-saving cooling systems.

Some improvements have also been reported by BIMA 83 (France), BIC CORPORATION – Gaffney (U.S.), PIMACO (Brazil), BIC Ecuador (Ecuador), BIC Bizerte (Tunisia), B.J.75 (France), BIC Iberia (Spain), BIC Shavers Mexico (Mexico), BIC CORPORATION – Milford (U.S.), BIC Technologies (France), BIC Graphic Tampa (U.S.) and BIC Graphic Sleepy Eye (U.S.). These plants, which represent 29% of the Group's water consumption, and 48% of the production of finished and semi-finished products, have improved their ratio of water consumption per ton of production by 16% overall.

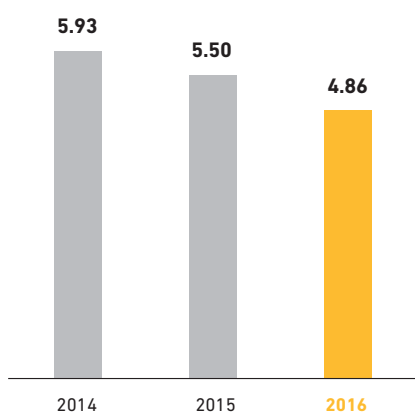




PIMACO and BIC Amazonia (Brazil) have installed rainwater collection systems. Rainwater is reused as domestic water at PIMACO (Brazil) and as cooling water at BIC Amazonia (Brazil).

BIC Group plants completed or implemented six projects targeted specifically at water savings during 2016.

ANNUAL WATER CONSUMPTION NORMALIZED TO BIC FACTORIES PRODUCTION – IN M³/TON



Assessing the scarcity of water resources at our factories

In 2016, BIC Group consumed 482,452 cubic meters of water worldwide. However, in addition to the volumes consumed, it is essential to consider where this consumption takes place. It can occur in so-called “water stress” zones where water is a scarce resource. The uneven distribution of water across the planet and limited access to it, may give rise to severe political and social tensions.

In 2014, to identify priority action zones, BIC Group sought to determine the degree of scarcity of water at its factories. An assessment of the risks related to water and its availability was carried out based on the factories’ geographic locations and use of the “Global Water Tool of the World Business Council for Sustainable Development” (WBCSD).

Only five BIC factories are located in water stress zones: one (in the Picardy region of France) in a medium stress area and four (in South Africa and Spain) in areas of water scarcity. The strain on the water supply in these zones is due to a combination of high population density and limited water resources.

A cross-analysis of the scarcity of water and the factories’ water consumption rates shows that the sites in water scarcity areas already limit their consumption. The Group will continue to improve the water consumption ratios at these sites. This new correlation of water consumption and scarcity enables BIC to prioritize its action plans for reducing water consumption.

2.3.1.3. Reducing energy consumption and greenhouse gas emissions

◆ Progress made in 2016 and performance

Optimizing energy consumption

At the Group level, the Purchasing departments have developed an ambitious procedure for the purchase of “fluids” (electricity, gas, water). A dedicated buyer handles the electrical supply contracts in close cooperation with the factories, talking to the suppliers and negotiating the most advantageous contract for all French plants. The buyer is in contact with the people in charge of monitoring energy consumption at each site, keeps them up to date on the best practices developed in the Group and monitors and shares new developments in cooperation with experts in the field.

Similarly, many factories forge partnerships with their suppliers to explore all options for reducing electrical consumption.

In addition, BIC constantly strives to strike a balance in its factories between optimal productivity and associated energy needs. For example, the Group has implemented a program to replace hydraulic injection machines with more energy-efficient electrical machines.

Energy consumption per ton of production decreased between 2015 and 2016 (-3.6%), resulting from a continuous effort to improve efficiency, led by BIC Group factories. It is notable that during the same period, production increased by 5.1%.

By normalizing energy consumption to production, the measure of energy efficiency is less dependent on fluctuations in production volumes. However, it is important to note that:

- a portion of energy consumption, for building heating or lighting for example, cannot be entirely correlated to production, mainly because it depends on external events (climatic conditions for instance);
- the ratio per ton of production is a more relevant measure for BIC Group activities with high tonnage of production (which is not the case for product storage and packaging or for advertising and promotional product printing);
- the gross indicators are disclosed on page 96 as additional information.

Fourteen sites improved their ratio of energy consumption per ton of production in 2016.

Conté-Boulogne (France), BIMA 83 (France), BIC CORPORATION Gaffney (U.S.), BIC Mexico (Mexico), B.J.75 (France), BIC Iberia (Spain), BIC Violex (Greece), BIC Graphic Sleepy Eye (U.S.) and BIC Graphic Red Wing (U.S.), representing 54% of the Group’s energy consumption and 60% of the production of finished and semi-finished products, have improved their energy efficiency by 4%. For example, BIMA 83 (France) achieved a 10% reduction in its energy consumption per ton of production thanks to the installation of a new high-efficiency boiler in 2015.

Improvements were also reported by PIMACO (Brazil), BIC South Africa (South Africa), BIC Bizerte (Tunisia), BIC Shavers Mexico (Mexico), BIC Technologies (France) and BIC Sport (France).





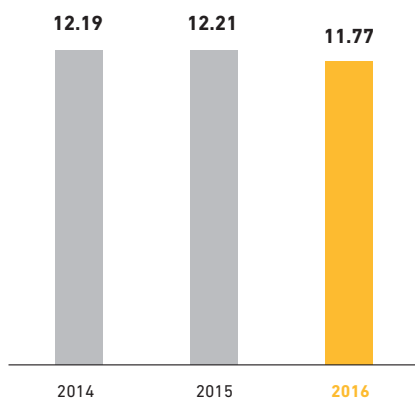
OUR ENVIRONMENTAL, SOCIAL, AND SOCIETAL RESPONSIBILITY

Environmental responsibility concerning our operations

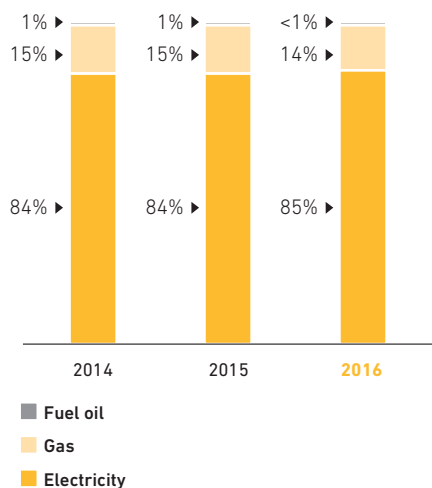
Energy efficiency programs at Group sites also included the replacement of production equipment with more energy efficient units, replacement of lighting with energy-saving units or LED lamps, as well as the optimization of heating and cooling systems.

BIC plants completed or implemented 28 projects targeted specifically at energy savings during 2016.

ANNUAL ENERGY CONSUMPTION NORMALIZED TO BIC FACTORIES PRODUCTION – IN GIGAJOULES/TON



CATEGORIZATION OF THE BIC FACTORIES ENERGY CONSUMPTION



The use of renewable energy

BIC Group continues to seek and seize opportunities to promote renewable energy sources, depending on local contexts and feasibility. Since 2012, BIC has purchased renewable energy certificates (RECs) for 100% of the grid electricity used by BIC's three Connecticut (U.S.) locations: the headquarters, a factory and a warehouse facility. BIC renewed this commitment in 2015 for the period from 2015 to 2017, to help support the development and production of renewable wind-generated electricity. Constellation NewEnergy, the supplier, estimates that based on BIC's projected annual consumption for the next two years, these RECs represent the avoidance of approximately 9,800 teqCO₂ indirect emissions per year that would otherwise be produced by the electricity grid.

A portion of this REC purchase concerns 7,100 teqCO₂, corresponding to emissions attributable to the grid electricity consumption of BIC CORPORATION in Milford (U.S.). Since this site is included in the Group's environmental reporting perimeter, this represents 8% of all greenhouse gases emitted by the Group's factories.

In addition, in 2016, the BIC Viorex site purchased guarantee of origin (GoO) certificates that cover its entire energy consumption with renewable energy. These certificates represent 37% of all indirect greenhouse gas emissions from the Group's factories. This proactive approach by one of BIC's largest energy-consuming sites exemplifies the investments made every year to improve energy efficiency, as well as the Group's commitment to reduce the impact of its energy consumption.

Therefore, in 2016, the Group owns renewable energy certificates (REC; GoO) for 23% of the Group's electricity consumption, corresponding to 45% of its indirect greenhouse gases emissions.

Limiting the contribution to climate change

Fighting climate change is an integral part of BIC's Sustainable Development Program.

For 2016, BIC Group quantified the direct and indirect emissions of GHG from its manufacturing plants (scopes 1 and 2):

- **the direct emissions** (scope 1) are GHG emissions resulting from the combustion of fossil fuels, primarily natural gas and fuel oil, mainly used to heat buildings. The total amount of direct GHG emissions in 2016 was estimated at 8,689 teqCO₂, *i.e.* a 4.1% decrease compared to 2015;
- **the indirect emissions** (scope 2) are GHG emissions resulting from the production of the electricity consumed by the factories. The total amount of indirect GHG emissions in 2016 was estimated at 89,742 teqCO₂, *i.e.* an increase of 0.2% compared to 2015.

The total amount of direct and indirect GHG emissions was thus estimated to be 98,431 teqCO₂ in 2016. Given that production increased by 5.1% between 2015 and 2016, the ratio of direct and indirect GHG normalized to the Group's production has decreased by 5.1%. The ratio of energy consumption normalized to production decreased by -3.6% over the same period.

In addition, BIC Group conducted a study of the main causes of greenhouse gas emissions related to BIC's operations and consumption of goods and services, based on a carbon footprint study of the Clichy headquarters (France) and two factories (BIC Amazonia in Brazil and BIC Rasoirs in France) using the ADEME *Bilan Carbone*[®] method. The results demonstrated that in addition to direct emissions (scope 1) and indirect emissions (scope 2), the main sources of scope 3 emissions are: the purchase of products and services, upstream and downstream transport, and product end of life. In these areas, the Group is implementing procedures to limit its

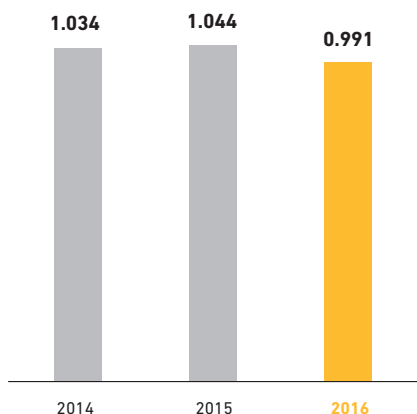




footprint through: eco-design (see page 47), the optimization of shipping by limiting the weight of its products, the reduction of air freight, the optimization of shipping routes, including selection of its locations (see page 65), as well as adoption of a circular economy approach (see page 51).

Added to scopes 1 and 2, these five sources account for nearly 80% of the Group's total emissions (excluding Cello Pens). In 2017, BIC Group will study the possibility of introducing more detailed reporting on the main scope 3 emission sources.

**ANNUAL DIRECT AND INDIRECT GREENHOUSE GAS EMISSIONS
NORMALIZED TO PRODUCTION - IN TONS OF CO₂
EQUIVALENT/TON - BIC FACTORIES**



For the past nine years, BIC has provided information to the Carbon Disclosure Project (CDP). In 2016, the Group received an A rating, which places it on the CDP "Climate A List" of companies that are making an outstanding contribution to the fight against climate change. This makes BIC one of 14 French companies to have received this distinction, out of more than a thousand participating companies. In 2016, BIC Group has also joined the "Supplier Climate A List" by answering to an additional "Supplier" module, as requested by some customers.

Moreover, BIC Group is one of the 29 worldwide companies that are a part of the "Supplier Engagement Leader Board", recognizing the efforts and actions with respect to climate change and management of its value chain.

**Adapting to the consequences of climate change:
extreme rainfalls, floods, droughts**

Certain BIC sites are located in zones exposed to risks related to climate change, in particular more frequent or extreme rainfall.

BIC has implemented a risk evaluation procedure, as well as management systems, to deal with this type of event, and has taken out insurance policies to cover any financial consequences. All the sites in question have developed a flood emergency plan that is updated annually.

In addition, a specific plan has been developed by an internal group of experts, to protect the information systems that are vital to the Group's operations. This plan makes it possible to identify any environmental or accident risks and implement the appropriate security measures.

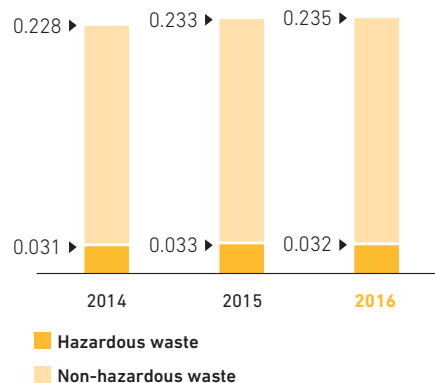
2.3.1.4. Reducing waste production

◆ Progress made in 2016 and performance

In 2016, BIC Group reported a slight increase (+0.5%) in the amount of waste generated per ton of production compared to 2015. This results from an increase in the ratio of non-hazardous waste per ton of production (+1.0%), which represents almost 88% of the waste generated by the Group, and from a decrease in the ratio of hazardous waste (-3.6%). The increase in non-hazardous waste is mainly due to expansion work or renovation of buildings or development of new products and manufacturing equipment.

BIC plants completed or implemented 11 programs targeted specifically at waste reduction during 2016.

**ANNUAL PRODUCTION OF WASTE NORMALIZED TO PRODUCTION
- IN TONS/TON - BIC FACTORIES**



Hazardous waste

In 2016, BIC Group registered a 3.6% decrease in hazardous waste generated per ton of production compared to 2015. This decrease is mainly due to a return to normal after a temporary surge in non-compliant products being destroyed in 2015. In total, nine sites improved their ratio of hazardous waste generated per ton of production in 2016.

PIMACO (Brazil) reported a 20% decrease in its ratio of hazardous waste per ton of production, following the substitution of paint-cleaning liquid with a non-hazardous product. Improvements were also reported by Conté-Boulogne (France), BIC CORPORATION – Gaffney (U.S.), BIC South Africa (South Africa), BIC Iberia (Spain), BIC Sport (France), BIC Technologies (France), BIC Graphic Europe (Spain) and BIC Graphic Sleepy Eye (U.S.). These factories, which represent 26% of the Group's annual production of finished and semi-finished products, reported a 31% decrease overall in their ratio of hazardous waste generated per ton of production.

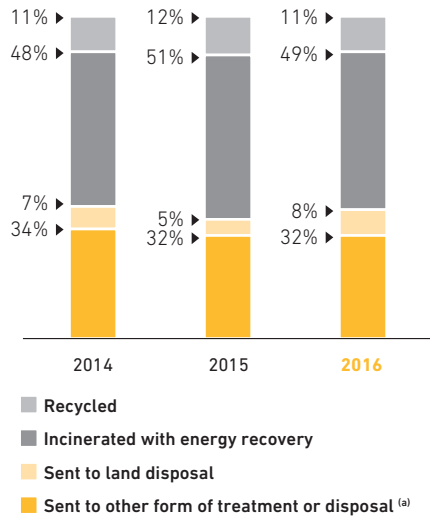
In addition, some factories utilize a wastewater treatment plant to treat some hazardous waste such as that from the surface treatment workshops, transforming it into metal hydroxide sludge, which can be managed to nearly eliminate risk to the environment.





OUR ENVIRONMENTAL, SOCIAL, AND SOCIETAL RESPONSIBILITY
Environmental responsibility concerning our operations

HAZARDOUS WASTE TREATMENT - % OF TOTAL EXPRESSED IN TONS - BIC FACTORIES



(a) "Other treatments/disposal" represents all other forms of waste treatment, including incineration without energy recovery.

Non-hazardous waste

In 2016, BIC Group's ratio of non-hazardous waste generated per ton of production increased slightly compared with 2015 (+1.0%).

Twelve factories improved their ratio of non-hazardous waste generated per ton of production between 2015 and 2016.

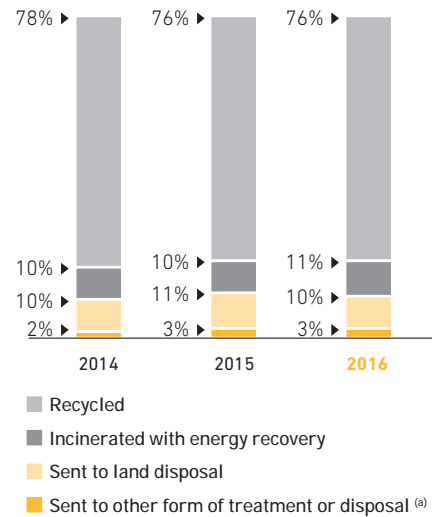
Improvements were reported by Conté-Boulogne (France), BIMA 83 (France), BIC CORPORATION – Gaffney (U.S.), PIMACO (Brazil), BIC Mexico (Mexico), BIC Bizerte (Tunisia), BIC South Africa (South Africa), BIC Iberia (Spain), BIC Shavers Mexico (Mexico), BIC Technologies (France), BIC Graphic Red Wing (U.S.) and BIC Graphic Sleepy Eye (U.S.). These factories, which represent 37% of the

Group's annual production of finished and semi-finished products, reported a 14% decrease overall in their ratio of non-hazardous waste generated per ton of production.

For instance, BIC Iberia (Spain) has improved its extrusion process, which contributed to the reduction of the amount of plastic purge and the decrease the amount of plastic film waste.

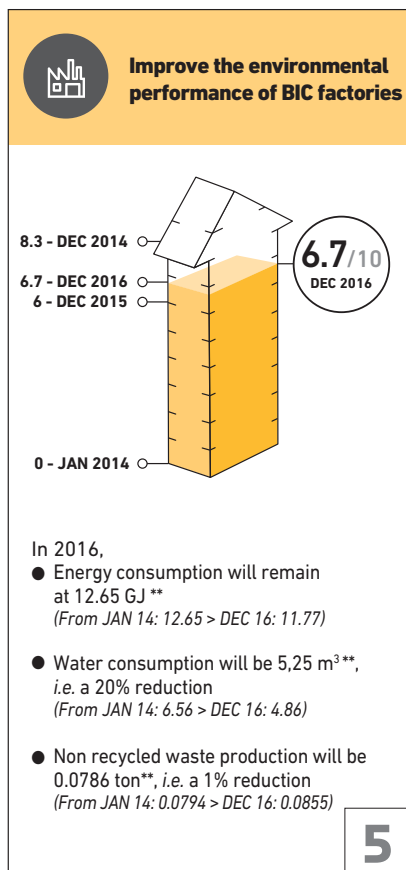
In addition, in 2016, BIC Shaver Mexico (Mexico) has reduced quantities of raw materials shipped by plane (and packed in wooden crates), which enabled a 23% decrease in its ratio of non-hazardous waste generated per ton of production between 2015 and 2016.

NON-HAZARDOUS WASTE TREATMENT - % OF TOTAL EXPRESSED IN TONS - BIC FACTORIES



(a) "Other treatments/disposal" represents all other forms of waste treatment, including incineration without energy recovery.





** Per ton of production.

RESULTS FOR 2016: The commitment score has increased but the objective is not achieved. Reductions in energy and water consumption exceeded the objectives set, as the energy consumption per ton of production has decreased by around 7%, and for water by more than 25%. The non-recycled waste production has increased. The engagement ends with a score of 6.7/10⁽¹⁾

2.3.1.5. Reducing other forms of environmental impact

Impact on biodiversity

BIC Group's effect on biodiversity takes place primarily through its land use (industrial, logistical and administrative sites) around the world.

To evaluate this impact, BIC relies on a "site approach". An initial cartographic analysis of the physical surroundings of each BIC factory has been carried out to identify sensitive zones and prioritize the factory's risks of impacting their particular local biodiversity. The majority of BIC's factories are in non-sensitive (in most cases industrial) zones, and neither their land use, nor their operations, pose any evident risk to their surroundings.

2016 was the sixth year that BIC conducted a survey of the actions undertaken to protect biodiversity. In places where there are specific

obligations, the management systems address the problem and enable follow-up.

In addition, BIC installed three beehives at the Clichy headquarters site (France) in cooperation with Ekodev during 2016. Through this same partnership, BIC also sponsors a hive of Melipona bees in the Yucatan Peninsula of Mexico and contributes to the effort to reintroduce this bee in its natural environment.

Air, water and soil release that seriously affect the environment

The nature of our manufacturing operations, primarily the molding and assembly of plastic products and printing of products, has a relatively low local environmental impact compared with other manufacturing sectors. Nevertheless, the BIC Sustainable Development program, based on the EH&S Policy (see page 59), requires each site to measure, evaluate and reduce every significant form of environmental impact.

Conditions for use of soil

In Europe and the U.S., where most of the Group's sites are located, whenever an industrial site is closed, BIC ensures that plant decommissioning is performed in accordance with local laws and best environmental practices. When appropriate or when required by law, BIC carries out studies of the soil and subsoil, although most sites are not subject to compulsory examination. Such studies of pollution at European plants used over many years demonstrate that the Group's business does not have a significant impact on soil and subsoil.

For French plants subject to specific regulatory requirements, the policy for preventing the risk of soil pollution is an integral part of the operating plan.

Noise and odor impact

Odor is considered an insignificant aspect in the Group's product molding, assembly and printing activities.

As far as noise impact is concerned, measures are taken within the property limits in the context of local regulations. If noise pollution is brought to the Group's attention in the future, studies will be conducted and any appropriate corrective actions implemented.

2.3.2. LIMITING THE ENVIRONMENTAL IMPACT OF SHIPPING

◆ Challenges

The objective of BIC's shipping management system is to ensure the availability of its products to around four million points of sale all over the world, thus maximizing customer satisfaction, while at the same time reducing the environmental impact of its transport activities and to optimize costs.

BIC engages in two types of transport for its products:

- "Inter-site shipping" which refers to factory-factory and factory-warehouse shipments (inter- and intra-continental);
- "Distribution shipping" which refers to shipments from the factories or warehouses to the end customer.

(1) See section 2.6.3.3 (page 95) for definitions and additional methodological information on the Barometer calculations.





OUR ENVIRONMENTAL, SOCIAL, AND SOCIETAL RESPONSIBILITY

Environmental responsibility concerning our operations

Due to the environmental and financial impact of air freight, the key challenge for the Group is to use this form of shipping as little as possible. Even though it accounts for only 1.9% of the total tonnage shipped, air freight is the transport method that generates the most GHG: in 2016 it represented 67.7% of the Group's total emissions from transport.

◆ Approach and progress made in 2016

BIC Group has factories all over the world, which tends to limit the need for shipping its products. For example, in the Consumer business in Europe, 85% of the products sold on a given continent are manufactured on that continent.

In addition, BIC has chosen to outsource its transport operations while maintaining a high level of internal expertise in the management of service providers, flow engineering and transport management tools. A specific effort focused on each transport flow is the best way to provide high-quality, competitive shipping while reducing environmental impact.

Led by BIC's "Transport Community," which unites the shipping managers on each continent, the Group's approach is comprised of three main tactics:

- raising awareness and controlling emissions;
- optimizing shipments and routes;
- selecting responsible carriers.

In 2014, to concentrate the Group's efforts on the reduction of air freight, BIC devoted Commitment #6 of its new Barometer to this challenge (see page 67).

Raising awareness and controlling emissions

Like any function involving the supply chain, the optimization of shipping is a responsibility shared by several teams within BIC Group, from production to transportation, sales and warehouse management.

In 2016, Ecuador joined the Transport Community, thus expanding the sharing of know-how within the Group. Since 2014, the Transport Community has been working closely with the categories (Stationery, Lighters, Shavers) and a steering working group tasked with identifying solutions to achieve significant and long-term reductions in air freight. In 2016, the Transport Community continued to consult with experts and work in cooperation with customers. Transport companies that are committed to sustainable development are regularly consulted on topics that, in 2016, included: improving understanding of the aviation sector, its role in climate change, and an overview of the air transportation industry's comprehensive plan for reducing its future contribution to GHG emissions. A major carrier also presented its sustainable development approach and related tools.

Since 2016, the transport teams of certain countries have been given specific goals for sustainable development, along with cost reduction and improved customer satisfaction, thus boosting innovation and encouraging new initiatives.

The specific monitoring of air transport was introduced in 2014, with quarterly reports to the management teams in each zone. With this new tool in place, the Transport Community is focused on this issue at the highest managerial levels. A detailed analysis of these reports has allowed the Transport Community to identify worldwide flows and to define three key actions for their optimization. A call for

tenders has been launched as a result of this analysis, prioritizing cost and flow optimization while clearly incorporating sustainable development criteria.

In Europe, a new tool is being implemented as part of a pilot project concerning distribution shipping in France, Benelux and the U.K. Called the "TK'Blue index." It is used to measure GHG emissions due to transport as well as all related negative externalities (noise, soil and air pollution, safety, congestion), while also taking social factors into account. This index enables the precise, reliable monitoring of GHG emissions resulting from the shipping of BIC® products, based on the transport providers' current vehicle fleets and applying the same calculation method for all providers. It can be included as a criterion in the selection of carriers.

Optimizing shipments and routes

In shipping, the main leverage points for decreasing emissions are the reduction of the distances traveled, the choice of transportation mode and load optimization. BIC's logistical teams work on all three points in cooperation with other departments within the Group, such as Production and Sales, and its service providers. Following the completion of a project to map all intra-Group flows, a study is being conducted to pool shipments on a Group-wide scale.

A great many actions were undertaken in 2016 to optimize shipping and routing:

- In the United States, the redesign of packaging for the BIC® Simply Soleil® shaver line resulted in a 20 to 40% reduction in the use of plastics and cardboard as well as the optimization of transport;
- A more direct route from France to Central America – bypassing Mexico – (Guatemala, Dominican Republic, Honduras) was opened in 2016 to further reduce shipping costs and related GHG emissions, thus saving 153.9 teqCO₂ emissions;
- Since 2014, shipments of shavers from Greece to Mexico have been optimized by shipping only blades, which are then assembled on handles at the Saltillo site (Mexico). In 2016, this optimization made it possible to avoid the expedition of 13 containers, for a greenhouse gas reduction of 77 teqCO₂;
- As of 2016, nearly 44% of sea-borne imports to Mexico are shipped to the warehouse via rail from the port of Veracruz;
- In Brazil, the opening of a distribution center in the northeastern part of the country has made it possible to replace road transport by coastal shipping. The goal is to ship 20% of the products sold to consumers in this region by water, thus reducing the delivery time by 38% and avoiding the emission of 370 tons of CO₂ per year;
- In France, a test of water transport from the BIC shavers factory to the port of Le Havre was deemed inconclusive. Despite sizable reductions in GHG emissions, the delivery times were too long. The Group continues to monitor the evolution of this service, and would reassess its use if more frequent shipments were possible.

Selecting responsible carriers

Logistical operations are carried out by transport companies chosen by BIC. Therefore, their equipment, methods and management systems are determining factors in the level of GHG emissions, including the condition of the vehicles, training in the techniques of eco-driving, the use of speed governors, tire technology, emission measurement capacities, etc.





In conjunction with the Group's responsible purchasing policy, BIC selects carriers that can reduce the ecological footprint of its shipping operations. For example, in the U.S. and Canada, the Group only works with carriers that have received SmartWay® certification, a program designed by the U.S. Environmental Protection Agency.

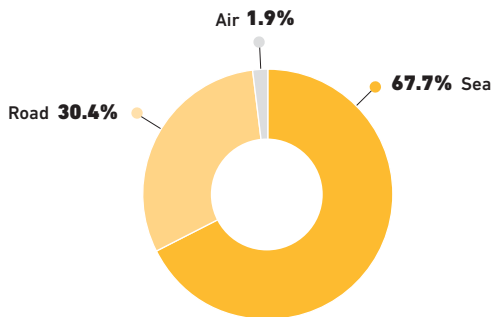
To encourage its transport service providers to adopt responsible practices, BIC has incorporated the reduction of GHG emissions in its criteria for selecting carriers.

Lastly, to foster its carriers' commitment to corporate responsibility, BIC extended its Code of Conduct to logistics service providers. The amended Code was made available to all the Group's transport teams worldwide, to be put into practice with their service providers. To facilitate their carriers' efforts, in 2015 the Brazilian teams developed a methodology for auditing a transporter's commitment in relation to the requirements of the BIC Code of Conduct, with the goal of rewarding the most committed vendors.

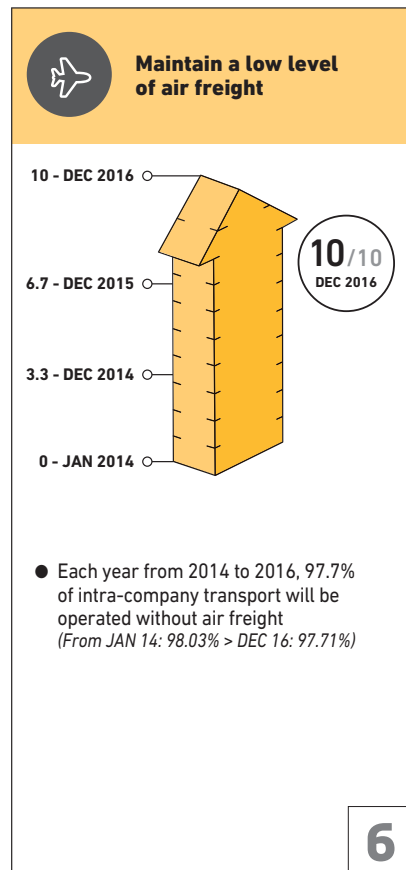
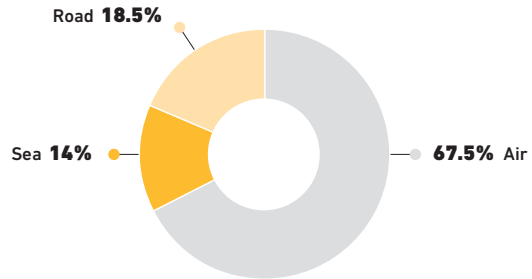
◆ Performance

→ In 100% of the new Group's calls for transport tenders, sustainable development is a criterion for selection

BREAKDOWN OF TONNAGE SHIPPED - AS % OF TOTAL



BREAKDOWN OF GHG EMISSIONS - AS % OF TOTAL



*in tons/kilometers.

RESULTS FOR 2016: In 2016, the intra-Company transport operated without air freight has slightly decreased but is still over 97.7%. Each year from 2014 to 2016, the objective has been reached, the score is then 10/10 for this commitment ⁽¹⁾.

(1) See section 2.6.3.3 (page 95) for definitions and additional methodological information on the Barometer calculations.





OUR ENVIRONMENTAL, SOCIAL, AND SOCIETAL RESPONSIBILITY

Environmental responsibility concerning our operations

◆ Perspectives

In 2017, BIC will continue the programs that are already underway and launch new ones:

- In Mexico, inter-site flows will be streamlined to optimize logistical operations, reducing the number of shipments by half, for a savings of 56 tons of CO₂ emissions;
- A feasibility study is underway on the use of rail transport as an alternative to air freight for direct shipping to Europe from about ten contract writing instrument factories in Asia, a change that could reduce related CO₂ emissions by as much as 95.8%. However, other factors must be considered, such as lead time and product availability;
- The Group will continue optimizing the packaging to reduce the GHG emissions related to shipping.





2.3.3. OUR SALES AND SUPPORT ACTIVITIES

◆ Challenges

To be comprehensive, BIC Group's sustainable development approach encompasses all of its operations, including office activities.

◆ Approach and progress made in 2016

The carbon footprint of our sales and support activities

In 2006, BIC began measuring the GHG emissions of its headquarters in Clichy (France). A *Bilan Carbone*[®] (carbon analysis) was compiled using the data from 2005, taking office activities into account. The emissions profile is that of an office operation, whose environmental impact arises primarily from:

- staff transportation, for which emissions can be broken down as follows: air travel, which accounts for 73% of the transportation emissions and road travel in BIC vehicles (mainly by the sales force), which accounts for more than 10% of the transportation emissions;
- emissions by service providers;
- electricity: heating and equipment.

Company vehicles

The management of company vehicles is handled locally on each continent where policies integrate environmental and safety concerns. Staffs use indicators to monitor for instance the accidents or the fleet's GHG emissions.

In France, in 2016, the average level of GHG emissions is 130 g eqCO₂/km for the global car fleet.

Reporting of main headquarters

Since 2014, BIC has implemented KPI reporting for its three main headquarters facilities: Clichy (France), Shelton (U.S.), and Cajamar (Brazil).

Environment

In 2016, the annual energy consumption for the three BIC headquarters operations was 0.72 GJ/m². This represents a 9.5% performance improvement between 2015 and 2016, mostly due to improved energy efficiency of IT data centers in Clichy.

The greenhouse gas emissions attributed to energy consumption of the headquarters represented around 1,961 teqCO₂, including 1,741 teqCO₂ of indirect emissions and 220 teqCO₂ of direct emissions. The Shelton location purchased renewable energy certificates covering 100% of its electricity consumption.

In 2016, water consumption increased (+6%) to 18,540 m³, or approximately 18.5 m³/workstation occupied.

Paper consumption, the main raw material consumption for any office facility, increased slightly in 2016 to 26.7 tons, or 26 kg/workstation occupied.

Waste production was 340 tons, which represented an increase of 22% compared to 2015, in particular because of renovations at

Clichy's corporate restaurant. The Shelton headquarters recycles or reuses 100% of waste generated. All three sites have a dedicated program to responsibly manage end of life for computer equipment.

To minimize food waste, the Cajamar headquarters cooperates with the on-site restaurant to communicate the number of absent employees each day to adjust the number of meals prepared to meet actual requirements.

Since 2014 the Clichy headquarters is equipped with four recharging stations for electric vehicles. Visitors to the site can recharge their own electric car and BIC employees may use a corporate electric car for professional and personal purposes.

The Shelton site was designed in compliance with LEED (Leadership in Energy and Environmental Design) standards. This internationally recognized certification confirms that the structure meets the highest standards for environmental design and construction.

◆ Perspectives

To optimize energy consumption and improve working conditions, BIC Group plans to study the possibility of equipping the headquarters building in Clichy (France) with sensors connected to a "smart building" central control system.

Green IT

The IT support departments participate directly in BIC Group's sustainable development approach by choosing energy-efficient computer equipment and proposing solutions and tools that enable the Group's employees to reduce the environmental impact of their everyday professional activities.

In 2016, a new position was created for an IT Risk Manager, whose responsibilities include Green IT.

Throughout Group subsidiaries, various Green IT initiatives were implemented in the last few years. The number of IT servers used worldwide has been significantly reduced using virtualization: this leads to important energy savings while providing similar IT performance and services.

The virtualization of the Group's internal and external servers was initiated in 2012. Through this virtualization, the Group reached the optimal level of about 80% in 2016. This gradual conversion has made it possible to reduce the number of machines and to use increasingly efficient equipment, thus reducing the amount of energy needed for cooling. The virtualization program will be finalized by the end of 2017.

New applications shared by users Group-wide are installed in the "cloud," *i.e.* on virtual servers that are externalized and therefore mutualized. In 2016, the office applications package, which is used by all BIC employees who are equipped with a computer, was installed in the cloud, as is the sales planning tool for the Europe zone (with more than 600 users in the Group). This virtualization is optimized regularly to reduce both cost and energy consumption. Applications are configured for automatic standby and to improve ergonomics. Only useful software functions are activated to minimize the energy consumption resulting from their use. To guarantee data security, only service providers with ISO 27001 certification are chosen for externalized "cloud" storage.





OUR ENVIRONMENTAL, SOCIAL, AND SOCIETAL RESPONSIBILITY

Environmental responsibility concerning our operations

The "Skype for Business" tool offers internal chat, videoconferencing and a Live meeting function that allows several employees to view a document on their own screens as it is being discussed or modified by the meeting administrator. The system enables employees who work in multiple locations to reduce their travel and to work faster. Since 2013, in the Europe and Middle East-Africa zones, 100% of the employees who use a computer are now equipped with Skype for Business, bringing the total number of users to more than 4,000. In addition, all the Group's meeting rooms are now equipped with videoconferencing systems, appropriate to each room's capacity and use. For example, since 2009 the Group's Sustainable Development Team has used multi-site live meetings to unite its 25 members at seven sites (Clichy and Redon in France, Athens in Greece, Shelton in the U.S., Toronto in Canada, Johannesburg in South Africa and São Paulo in Brazil).

◆ Perspectives

Migration to the cloud will continue in the coming years, with the goal of maximizing cloud usage by 2020.

BIC plans to conduct a Group-wide survey of best practices for workstation configuration (including energy consumption and machine end of life), with the aim of standardizing practices by the end of 2017.

Lastly, the Group plans to optimize the reliability of its videoconferencing systems with the aim of reaching a 100% service rate.





2.4. Our social responsibility to our employees

The women and men who make up BIC Group have been the key to its success from the very beginning. With factories all around the world, distribution teams in 53 countries and about 4 million sales outlets spanning the globe, BIC thrives on a shared corporate culture, enriched by local specificities. The challenge for its Human Resources is to continue to nurture this common culture, founded on BIC's values and philosophy, across geographic, professional and organisational borders. Shared protocols, based on the Group's history and built to serve its industrial and commercial goals both present and future, are deployed to develop the skills and strengthen the commitment of everyone in the Company, while protecting and improving their health, safety and well-being. Working with its social partners, BIC strives to create a favorable environment for the long-term development of its employees, and of the Group as a whole.

2.4.1. THE WORKFORCE

For the year ending December 31, 2016, BIC Group reported 17,362 permanent employees and 3,268 temporary staff.

The BIC workforce, Cello Pens excluded, totaled 9,856 permanent and 1,578 temporary employees located in 53 countries around the world.

The seven legal entities of Cello Pens, which joined BIC Group in 2013, reported 7,506 permanent employees and 1,689 temporary staff present on December 31, 2016.

The following sections describe the profile and evolution of BIC's workforce in 2016, Cello Pens excluded.

2.4.1.1. Breakdown of the workforce by region and activity

Changes in staff numbers by region are shown below:

WORKFORCE BY REGION - IN FULL-TIME EQUIVALENTS AS OF DECEMBER 31 (EXCLUDING CELLO PENS)

Workforce by region	Dec. 2014	Dec. 2015	Dec. 2016	Variation 2016/2015
Europe	3,850	3,928	4,144	+5.0%
North America	2,311	2,317	2,345	+1.0%
Developing Markets	3,389	3,395	3,367	-1.0%
TOTAL PERMANENT STAFF	9,550	9,640	9,856	+2.0%
Temporary staff	1,475	1,504	1,579	+5.0%
TOTAL	11,025	11,144	11,435	+2.6%

In 2016, permanent employees increased by +2.6%

This essentially reflects the headcount increase in the plants, mainly in Greece (+82 employees), in United States (+44 employees in the Charlotte plant) and in Tunisia (+29 employees in the Stationery plant). The headcount also increased significantly in the Eastern Europe and Morocco subsidiaries.

Permanent employees (with a permanent employment contract) accounted for 86% of the Group's total workforce. Temporary

workers accounted for 14% of the workforce, split across temporary staff, fixed-period contracts and school and university interns. As of December 31, 2016, the number of temporary workers was higher than December 31, 2015: +75 (1,579 vs.1,504)

Temporary workers are employed in manufacturing (83% of temporary staff), sales support (9%) and distribution and administration (8%), essentially due to the highly seasonal nature of BIC's activities.

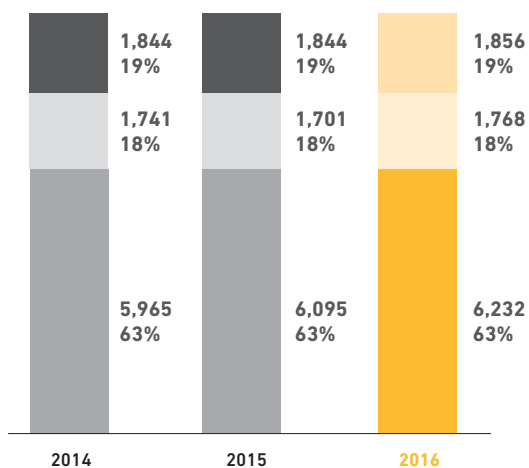




OUR ENVIRONMENTAL, SOCIAL, AND SOCIETAL RESPONSIBILITY

Our social responsibility to our employees

PERMANENT EMPLOYEES BY ACTIVITY (EXCLUDING CELLO PENS)



- Distribution, Marketing and G&A
- Sales and Customer Service
- Manufacturing and R&D

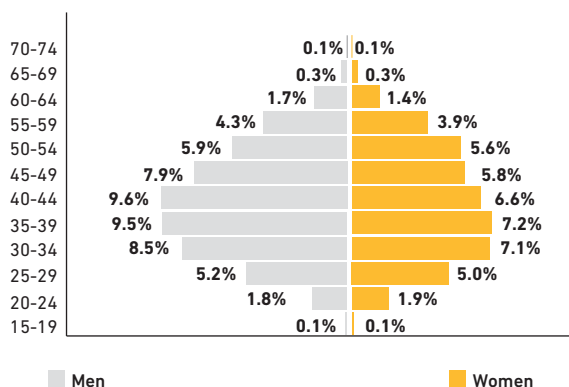
The workforce, across each activity, has remained proportionally constant for the last years, reflecting the stability of BIC's system of organization.

The indicators and figures given below are based on permanent BIC Group employees (excluding Cello Pens).

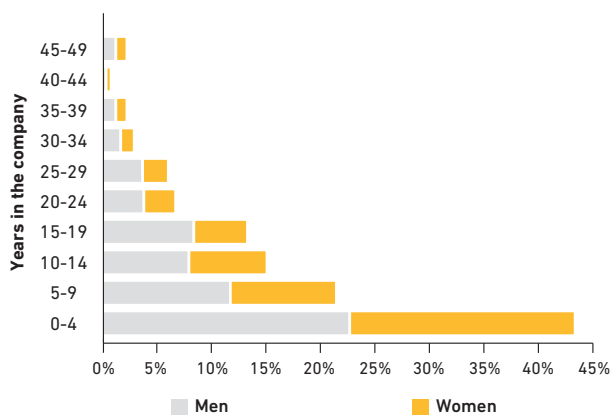
2.4.1.2. Age and seniority

In November 2014, an in-depth analysis showed that the average age of BIC employees was 41 years and average seniority was 10 years. The analysis of the 2014 age pyramid shows that all ages are represented in the Group. The 2014 seniority pyramid shows the loyalty of BIC employees (29% of BIC employees have more than 15 years of seniority and 500 employees have more than 30 years of seniority).

AGE STRUCTURE - 2014 (EXCLUDING CELLO PENS) - PERMANENT WORKFORCE



SENIORITY STRUCTURE - 2014 (EXCLUDING CELLO PENS) - PERMANENT WORKFORCE



Employees covered by both indicators above: 9,484 permanent employees in 2014.

2.4.1.3. Breakdown of the workforce by category

PERMANENT HEADCOUNT BY CATEGORY (EXCLUDING CELLO PENS)

	December 2014	December 2015	December 2016	Variation 2016/2015
Managers	2,513 (26%)	2,680 (28%)	2,830 (29%)	+5.6%
Non-managers	7,037 (74%)	6,960 (72%)	7,026 (71%)	+0.9%

Managers accounted for 29% of permanent Group employees in 2016. For BIC Group, the main characteristic of a manager is that he/she coordinates a range of resources for which he/she is responsible, with a degree of autonomy and responsibility necessary for the achievement of objectives on at least an annual basis. Management might refer to a team, a project, a process, a technique, or a customer or supplier portfolio.

2.4.1.4. Recruitment and terminations (excluding Cello Pens)

For recruitment purposes, the Group has, over recent years, developed a mobility policy and an active internal promotion policy backed by career management tools (Individual Development Plan, Succession Plan, talent accelerators, etc.).

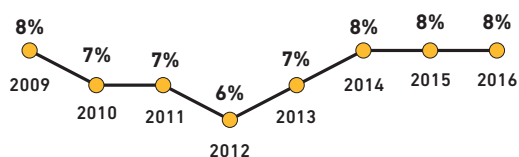
The Group recruited 397 external candidates for management positions, and 976 for worker and staff positions, a 2% increase compared with 2015. In 2016 the external recruitment rate was 15% for managers and 14% for other employees.





The Group enhances awareness of the Company in the international employment market through the use of tools such as LinkedIn. The Group also partners with internationally reputed specialized recruitment companies. Over recent years, the Group has reinforced its managers' expertise in recruitment techniques and has developed a more efficient selection and tracking process.

VOLUNTARY TURNOVER - PERMANENT WORKFORCE



Voluntary turnover in the Group, excluding Cello Pens, reached 8%, representing 726 resignations and retirements. The highest voluntary turnover took place in North America, at 11% in 2016 (a constant rate versus 2015). For the second year in a row, Asia shows a decrease with a rate of 8% in 2016 versus 10% in 2015 and 30% in 2014. For the third year in a row, Europe has the lowest voluntary turnover (5%) due to staff stability in factories.

The low, stable voluntary turnover rate is another sign of the employees' engagement and adherence to the Group's values.

The Group carried out 448 terminations in 2016, 65% of which took place in Latin America, specifically in Mexico (138) and Brazil (101). BIC has seen rapid growth in both countries, resulting in the adjustment of the workforce. Within this context, many reorganizations are ongoing and have generated job eliminations and the dismissals of profiles not adapted to the changes.

In the event of staff restructuring, Group policy is to respect local legal obligations as a minimum, in cooperation with social partners. Moreover, BIC strives to reassign employees whenever possible.

2.4.1.5. Breakdown of the workforce of Cello Pens

In 2016 Cello Pens reported 7,506 permanent headcount as follows:

- manufacturing: 6,949 (92%);
- sales: 424 (6%);
- distribution, marketing & administration: 133 (2%).

Managers accounted for around 2% of permanent employees of Cello Pens.

Women accounted for 65% of permanent employees.

The number of temporary workers was 1,689.

2.4.2. SHARING OUR VALUES, LISTENING TO OUR EMPLOYEES

◆ Challenges

The Group's philosophy "Honor the past, Invent the future" symbolizes for BIC a respect for its heritage, which is one of the keys to its success, as well as the way in which its employees build the future of the Group together. BIC's heritage encompasses many aspects: an entrepreneurial spirit, products that have become icons within their markets, irreproachable quality, attention to detail, and the commitment of the employees who have built the BIC® brand.

This philosophy constitutes a central element of BIC's culture and arises from the following five shared Values: Ethics, Responsibility, Teamwork, Simplicity and Ingenuity.

BIC values the opinions of all its employees and regularly seeks their views on the Group, their work environment and their perception of the Group's programs.

◆ Approach

Since 2005, BIC has conducted two biannual employee surveys, alternating the topic each year between values and engagement. In 2016, these two surveys were combined into a single survey on engagement and adherence to values. It still measures the difference between the values as they are defined in the communication tools and as they are truly experienced by employees in the workplace, as well as the employees' engagement and related factors like working conditions, individual recognition, independence, career opportunities and management effectiveness.

Accompanying this survey, the "Values in Action Awards" are conferred on team members, nominated by their co-workers, who embody and excel in certain BIC values in the workplace. To date, over 1,300 team members have been recognized within this program, which started in 2006.

Lastly, since 2011, the Group has conducted a biannual survey on the BIC Sustainable Development Program. Carried out by an independent company and targeting 5,500 team members worldwide, it sheds light on their perceptions and expectations concerning sustainable development within the Group.

◆ Performance and progress made in 2016

The Engagement and Adherence to Values Survey

In 2016, the Engagement and Adherence to Values Survey was conducted for the first time in its new "merged" format. In all, 9,980 employees (permanent and temporary employees under contract) were surveyed, compared with 9,155 in 2014. The participation rate remains high and relatively steady at 83.1%, although slightly below the goal of 85% set by BIC Group in Commitment #9 of the Barometer. This time, 78% of the replies were completed online, compared with 48% in 2014.

The results of the 2016 survey show an engagement level of nearly 83%, which is relatively stable compared with 2014 (85%).





OUR ENVIRONMENTAL, SOCIAL, AND SOCIETAL RESPONSIBILITY
Our social responsibility to our employees

For the first time in 2016, a new feature of the survey measured one of the main factors in employee engagement: the Communication Index. The overall score of 68% for this index indicates that the Group's managers communicate effectively with their teams.

BIC's strongest points for increasing engagement and adherence to the Group's values were:

- a **sense of pride in belonging to the Group**: 85% of the employees would recommend BIC as a good place to work;
- 85% of the employees have a **good understanding of the goals**, at the Group level and within their own department;
- 86% of the employees consider that they have the **independence** they need to do their job well.

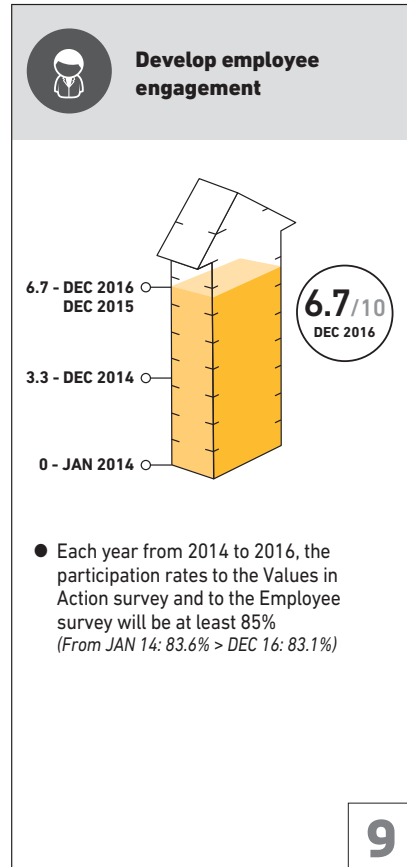
The survey also revealed areas for improvement, primarily concerning the employees' perception of their development opportunities, recognition and compensation for their performance, the opportunity for all employees to find fulfillment in their work, stress management and the Group's capacity to recruit the right people to prepare for its future.

The engagement of its employees is a key asset that BIC seeks to maintain. To that end, the Group's managers are offered specially developed tools and coaching to help them define local action plans in response to the survey results.

The Sustainable Development Survey

In February 2016, BIC conducted its third survey on the Group's Sustainable Development Program, this time involving 6,185 employees. The participation rate rose sharply in 2016, reaching 49% (up from 40% in 2013 and 39% in 2011). The percentage of employees who describe themselves as concerned or highly concerned by sustainable development remains very high at 80%. For 99% of the respondents, the BIC Sustainable Development program is essential (77%) or important (22%), a result that remains stable in comparison with 2013. Also of note, 94% of the respondents believe that sustainable development generates added value for BIC. Lastly, 60% feel that the Group should be more ambitious in this area. BIC Group will take these findings into account when defining the new goals for its Sustainable Development Program to 2025.

◆ Performance



RESULTS FOR 2016: In 2016, Commitment #9 of the Barometer was not achieved. Although the coverage rate was reached (86%), the participation rate was insufficient (83.1%).

This is due to the switch from paper to online questionnaires for BIC factories, and weaker participation of BIC Graphic team members.

Commitment #9 of the Barometer closes with a score of 6.7/10 ⁽¹⁾.

◆ Perspectives

BIC will continue its program of in-house surveys, with the goal of being attentive to its employees and implementing plans for improvement.

(1) See section 2.6.3.3 (page 95) for definitions and additional methodological information on the Barometer calculations.





2.4.3. HEALTH/SAFETY IN THE WORKPLACE

◆ Challenges

Safety in the workplace is a fundamental priority for BIC Group. BIC's operations, both industrial and commercial, expose its workers to various professional risks (mechanical, chemical, psychosocial, biological, ergonomic) that differ from function to function (headquarters, factories, sales force). For the Group, workplace safety means ensuring its employees' physical and mental well-being by preventing accidents and occupational diseases. The Group deploys all useful means: health and safety management, ongoing improvement of working environments and the organization of working hours, and actions to raise employees' awareness of safety issues.

The information presented in this chapter on health and safety in the workplace primarily concerns BIC Group's factories, representing more than three-fourths of its workforce (excluding Cello Pens).

◆ Approach

BIC adopts measures that allow it to guarantee a working environment that protects its employees' physical integrity, in particular by deploying **safety management systems at its production sites. In keeping with its Environment, Health & Safety (EH&S) Policy**, BIC Group strives to prevent or at least reduce health and safety risks for its employees, subcontractors and people who live or work near its production sites. This policy is deployed at the production sites. Each site has an EH&S manager in charge of the deployment and follow-up of programs for reducing the employees' health and safety risks, under the responsibility of the Industrial Directors. For the Stationery category, which has the largest number of factories within the Group, a new position was created in 2016 for a category EH&S Manager who oversees and coordinates the deployment of the EH&S policy. In the Shavers category, three of the four factories have taken the policy even further since 2011, qualifying for triple certification in Safety, Quality and Environment.

The self-assessments of compliance with the Code of Conduct in the factories bolster this system. The organization of work in BIC's factories complies with local laws and the Group's Code of Conduct, which is modeled on the standards of the International Labor Organization.

In addition to the monitoring system that has been in place for more than 10 years in the factories, a system for reporting the incidence and severity of workers' accidents was implemented in 2013 at the Group's three main headquarters: Clichy (France), Shelton (U.S.) and São Paulo (Brazil). The adoption of this measurement system marks the first phase of an effort to further improve working conditions and accident prevention at these head offices.

◆ Progress made in 2016

Every year, the Group's factories and sites focus on various initiatives to improve their safety conditions. Examples in 2016 include:

- Defining an **EH&S reference** system for the Stationery category. This system specifies three levels of requirements to allow the sites to undertake a process of continuous improvement;
- An extension of the **orientation process for new hires** in the Stationery factories. During their first two weeks with the Group, all new employees follow a three-part program: an e-learning module on the basic safety rules common to all the sites, training by the EH&S manager on the specific rules for the site, and an individual orientation and training by their manager at their workstation;
- **Safety training for Stationery category managers** was extended with a one-day session devoted to safety leadership. All managers at the Bizerte site (Tunisia) have completed this module;
- A project called "**Safety Promotion**", which was initiated by the shavers factory in Saltillo (Mexico) and educates employees, through the sharing of experience, about accident prevention and hazardous situations and behaviors;
- The BIC Viorex shavers factory (Greece) implemented a total of **25 projects to improve safety** in the following areas: machine protection, noise reduction, fire prevention and preventing falls in the case of overhead work. Training sessions, which totaled 1,700 hours, were held on related topics (first aid, safety in the workshop, personal equipment) with more than 700 participants;
- BIC Technologie (France) implemented a program to help prevent and combat addictions;
- The triennial program of social audits, launched in 2015 at BIC factories around the world, continued in 2016. Following an audit conducted according to the Workplace Condition Assessment (WCA) protocol (see page 88) at the Mexico factory (Mexico) in 2015, a 10-point action plan was implemented to improve working conditions.

◆ Performance

In 2016, health and safety management systems were operational at 91% of BIC's sites.

In the factories, accidents resulting in lost work time for BIC employees were mainly caused by falls at floor level and the handling of materials. Most of the occupational diseases, which so far have only been monitored in France, were related to musculoskeletal disorders.

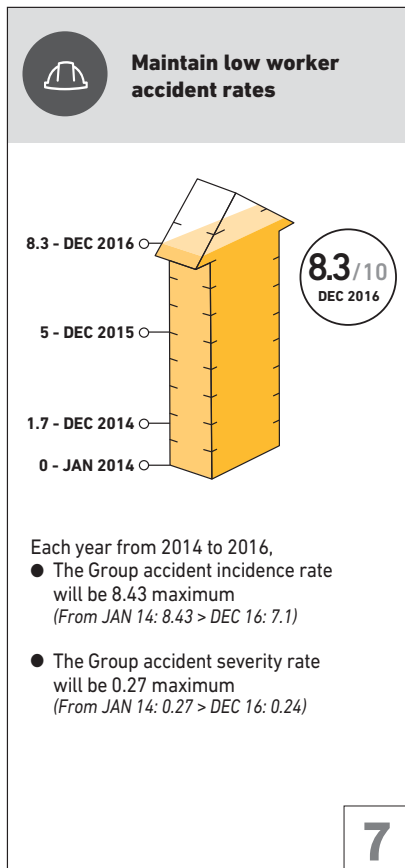
In 2016, the Group experienced two injuries with more than one lost workday (excluding commuting injuries) at its three-main headquarters, representing a frequency rate of 1.45 and a severity rate of 0.01.





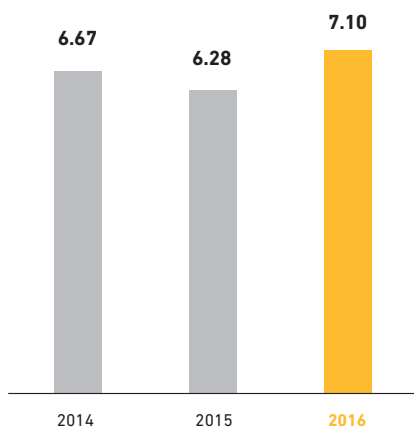
OUR ENVIRONMENTAL, SOCIAL, AND SOCIETAL RESPONSIBILITY

Our social responsibility to our employees

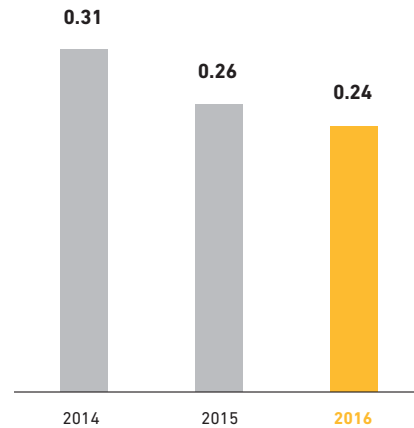


RESULTS FOR 2016: The two objectives of this commitment have been reached this year. The accident incidence rate is improving and the severity rate is stabilizing compared to 2015. As the objective was not fully achieved by 2014, the final score is 8.3/10⁽¹⁾.

INCIDENCE RATE: NUMBER OF ACCIDENTS LEADING TO LOSS OF WORKTIME - BIC PLANTS - PER MILLION HOURS WORKED - PERMANENT WORKFORCE



SEVERITY RATE: NUMBER OF CALENDAR DAYS LOST DUE TO AN ACCIDENT - PER THOUSAND HOURS WORKED - BIC PLANTS - PERMANENT WORKFORCE



◆ Perspectives

Starting in 2017, the Stationery category plans to accelerate its entire EH&S system through the following actions:

- deployment of the EH&S reference system;
- implementation of the e-learning module for all factory employees;
- a program of internal cross-audits;
- training of managers within the French and Mexico sites;
- a monthly "Safety Talk" to boost employees' involvement in prevention.

2.4.4. HEALTH AND WELL-BEING IN THE WORKPLACE

◆ Challenges

For BIC Group, employee health and well-being is also a matter of reducing the incidence of work-related diseases, primarily musculoskeletal disorders and psychosocial risks (PSR) such as stress. BIC keeps a close watch on these issues and constantly strives to reduce all of forms of job-related suffering.

To this end, in conjunction with the above-mentioned approaches to organization and health-safety in the workplace, programs to promote well-being at work are coordinated Group-wide and deployed locally depending on each site's specific needs.

◆ Approach

The Group's **worldwide program called "Quality of Life at Work"**, launched for the purpose of defining a goal and a global strategy for improving quality of life in the workplace, continues to be developed at many sites. As part of this worldwide program, action plans have been defined and implemented locally based on past initiatives deployed in various countries. Through this program, BIC seeks to promote wellness at work in the interest of its employees and their

(1) See section 2.6.3.3 (page 95) for definitions and additional methodological information on the Barometer calculations.





engagement. In this way, the Group will help limit the effects of professional or personal stress on its employees' health.

This program promotes both short- and long-term initiatives and action plans based on a combination of reactive and preventive approaches. It includes a separate section on the "Role of Managers". "Quality of Life at Work" also examines employees' job responsibilities and the quality of their working environment.

The efforts focus on four main areas:

- **health and well-being:** safety, physical exercise, nutrition;
- **the manager's role:** stress management and prevention as well as the new skills required for team leaders;
- **workspace and workstations:** ergonomics, configuration of workspaces and common areas;
- **employee services:** to make everyday life easier and help employees deal with personal and professional difficulties.

In each of the four above-mentioned fields, new initiatives have been undertaken and the programs developed over the past several years in various countries are being continued. The most significant programs are described below.

◆ Progress made in 2016: health and well-being

2016 was marked by a great many projects adapted to each local context:

The "You First by BIC" program in the U.S.

In the United States, BIC CORPORATION continues to build a framework that takes all aspects of employee health and well-being into consideration. Launched in 2015 and proven successful, the "You First by BIC" initiative emphasizes three types of well-being: physical, psychological and financial. In 2016, the program was pursued with the formation of "Well-being Committees" and the availability of health and life coaches at all U.S. sites. By the end of the year, more than 2,400 individual coaching sessions had taken place. "You First by BIC" aims to encourage employees to take active responsibility for their own health and well-being, offering them all the necessary tools and resources.

To promote physical well-being, BIC CORPORATION continues to offer its employees several on-site preventive screening programs (for osteoporosis, glaucoma, oral cancer, high blood pressure, mammography, etc.). In addition, biometric screenings are offered at all BIC sites in the United States (body mass index, cholesterol levels, etc.).

Prevention/awareness campaigns in Latin America

For the past several years, the Brazilian sites (BIC Amazonia, PIMACO and the headquarters in Cajamar) have offered weekly exercise sessions to help reduce stress and prevent occupational diseases. In 2016, these sites also continued their campaigns for cancer prevention (breast and prostate cancer), stress reduction, flu vaccination and heart disease screening.

The BIC Amazonia site continued initiatives like its pregnancy monitoring program for expectant mothers, as well as the "Healthy

BIC Project," conceived to foster a "culture of health" in the Group. All employees are encouraged to have regular checks of their blood pressure, body mass index and blood sugar levels.

In Mexico, a monthly communication program addresses topics like food poisoning, flu prevention, avoiding stress, nutrition and exercise programs to promote general health, etc. In 2016, the Saltillo (Mexico) site reported a 57% increase in the participation rate, with more than 290 medical consultations.

The fight against HIV/AIDS in South Africa and programs to help employees maintain good health

Since 2000, BIC South Africa has implemented a program to fight against HIV and AIDS in a country where the virus is taking an especially heavy toll. This initiative is managed by an in-house clinic and a group of peer educators composed of Group employees who receive annual training. The program consists of three parts: education of employees, voluntary counseling and testing for anyone, permanent and temporary employees alike, and a health program. BIC South Africa pays the majority of medical expenses for HIV-positive employees: 100% of the employees who ask for antiretroviral medication receive it. If needed, seropositive employees can be vaccinated against hepatitis B. The Company raised awareness of the disease, as it does every year, on World AIDS Day, which took place on December 1, 2016. To reach a maximum of employees, small discussion groups were organized throughout the day with the theme "It's in your hands," emphasizing the role of everyone in combating the epidemic.

The in-house clinic provides primary medical care for health problems and work-related diseases, in particular for shift-work employees. It also conducts numerous preventive and screening campaigns: eyesight, hearing, blood pressure, blood sugar, cholesterol, complete annual checkups, screening for various forms of cancer and tuberculosis, etc. Special well-being days offer employees an opportunity to participate in seminars on fitness, reflexology, etc.

Reducing physical stress on the job in France

In 2016, in compliance with new regulations, the parameters for diagnosing strenuous working conditions were updated at all sites. One key point is the reduction in the number of jobs associated with strenuous conditions. The "job strain account," which was adopted in France in 2015 with four criteria defined by law, was extended to include eight new criteria.

Developing the social protection systems available to BIC employees

In 2016, 75% of all BIC employees in the United States were covered by health insurance linked to a "healthcare savings account" that enables them to invest tax-exempt funds to cover healthcare expenses. In addition, subscribers can earn monetary incentives by participating in initiatives to improve their health. At the end of October 2016, 73% of BIC's employees and their spouses had taken advantage of this incentive system.





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Our social responsibility to our employees

In France, following a year of healthcare plan coordination, the results achieved are consistent with the goals: perpetuation of the system by reducing long-term costs, more effective monitoring to anticipate abuses, and increased employee awareness of the social and financial issues involved in health insurance.

In Dubai, employees who join a fitness center are offered assistance, and all employees are regularly reminded that their medical insurance covers screening examinations and services related to well-being.

◆ Perspectives concerning health and well-being

In 2017, BIC CORPORATION in the United States will continue its partnership with OneExchange, a private health care exchange that offers a broad range of plan choices in compliance with U.S. healthcare reform. The percentage of employees with health insurance linked to a healthcare savings account is expected to increase, with the backing and encouragement of the Group.

In France, a new consultation with insurers and intermediaries in the sector will be an opportunity to propose the extension of the current system to include screening campaigns at all French sites. The preventive healthcare offered to employees could focus on the primary causes of mortality and diseases in France: cardiovascular diseases, skin cancer, breast cancer, oral hygiene.

◆ Progress made in 2016: the role of the manager

The managers' attitudes and behavior are the cornerstone of any effort to combat psychosocial risks (PSR). As a responsible company, BIC trains its managers in the ability to acquire and apply new managerial skills and in their fundamental role as the providers of a positive dynamic for themselves and for their teams. They also have a clearly stated mission to be on the lookout for the subtle signals that indicate an employee is in distress, and are trained to detect those signals. The "My Job: Manager@BIC" and "My Job: Leader@BIC" training modules, created to help managers deal effectively with the challenges they face as team leaders, increasingly incorporate the aspects of psychosocial risks and stress management.

In 2016, the BIC Amazonia factory (Brazil) launched a program entitled "Leadership Development." This program targeted 50 managers and pursues two main goals: to develop their managerial skills with a focus on the human factor, and to foster managerial behavior through the sharing of experiences in keeping with BIC Group's corporate culture.

In Greece, the development of managerial and people-oriented management skills was a priority for 2016. Managers were offered the "Recruiter@BIC" training module in addition to two workshops on people-oriented management. After reaching a total of 114 participants in 2016, these training modules will be continued in the years to come.

◆ Progress made in 2016: workstations and workspaces

Local initiatives are carried out to improve the ergonomics of the Group's workspaces and workstations. Examples from 2016 include:

- the Saltillo factory (Mexico) assessed the risk of injury in its packaging operations. The molding, printing and assembly stations will be assessed in 2017. In addition, the molding workshop has been equipped with a machine that allows workers to hoist and maneuver the molds with no musculoskeletal strain;

- in Manaus (Brazil), the focus in this area for 2016 was on the identification and elimination of workstations that pose a high ergonomic risk;

- at the Clichy headquarters (France), the refurbishment of the ground floor made it possible to expand the restaurant, creating a more comfortable, enjoyable space during mealtimes and throughout the day.

◆ Progress made in 2016: employee services

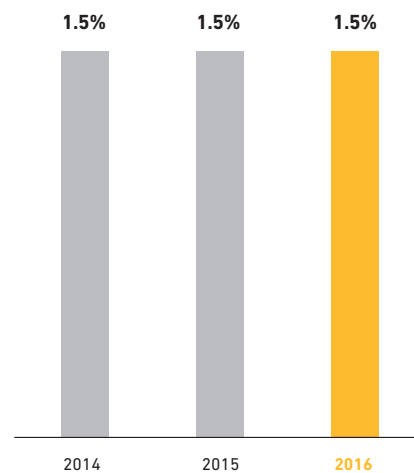
In 2016, an Employee Assistance Program was launched for the Asia-Pacific zone, offering the same services as in the United States and France (see below).

An Employee Assistance Program (EAP) has been in operation in France (the PASS program) and in the United States (at BIC CORPORATION) for several years. Set up for the benefit of employees and their families, this service offers a 24-hour helpline plus the possibility of face-to-face meetings with professionals.

◆ Performance

In France, BIC had recorded 33 recognized cases of occupational diseases by the end of 2016.

ABSENTEEISM (EXCLUDING ON-SITE ACCIDENTS AND MATERNITY) - PERMANENT WORKFORCE



Absenteeism (excluding on-site accidents and maternity) remained low for a Group average at 1.5% in 2016, similar to 2014 and 2015, and compared with 1.4% in 2013.

The total absenteeism rate (including on-site accidents and maternity) is also low and stable, at around 2% during the last four years.

◆ Perspectives

In France, the Group will consider the integration of services like PASS in the supplementary mutual healthcare plan starting in 2017 to provide even more effective support for its employees.





The Group will pursue its efforts to make “Quality of Life at Work” a permanent program by continuing to share and promote its vision in the four main areas of focus, taking both reactive and preventive action through both short- and long-term initiatives. All new initiatives will be studied and adopted if appropriate.

2.4.5. EMPLOYEE DEVELOPMENT

◆ Challenges

The values of Responsibility and Ethics at BIC go hand in hand with the implementation of programs to cultivate its employees’ skills and employability.

The employee development is the cornerstone of BIC’s Human Resources policy, as it is strategic to:

- reach the economic goals set by the various BIC entities;
- define internal succession plans to ensure the continuity of the Group’s activities;
- further raise the level of its employees’ skills and expertise;
- maintain an above-market level of engagement;
- develop the internal and external employability of every man and woman who works for BIC.

◆ Approach

Regardless of function, level of responsibility, and type and length of contract, all BIC employees will be given opportunities to increase their external and internal employability. That is the employability commitment of BIC to its employees.

Therefore, BIC aims at being a learning environment for its employees based on the 70/20/10 model, which boosts development by combining three dimensions:

- **learning from new professional experiences** (70%): by promoting project management, BIC offers opportunities for employees to work in multi-functional teams;
- **learning from others** (20%): developing a feedback culture, every employee has opportunities to receive and offer further feedback, either to build on a strong point or to strengthen a developmental point;
- **learning from training** (10%): by increasing access to the BIC University programs, as well as locally developed training programs.

The Talent Development team makes this model actionable across the organization. It is for example used to structure BIC tools like the Taleo system, the People Acceleration Plan, etc.

BIC Group’s competencies framework specifies the Core Competencies that all employees around the world must cultivate to ensure BIC’s success: “displays strategic agility”, “drives for results”, “champions MPD” (Method, Precision, Discipline), “engages others”, “acts with courage” and “develops self and others”. These core competencies are being embedded in all BIC University training programs.

◆ Progress made in 2016

Numerous actions were undertaken in 2016 to encourage the use of the 70/20/10 model. Some examples are given below.

Learning from new professional experiences (“70”)

Talent Frameworks roll-out

The roll-out of the Talent Frameworks and their adoption by all employees remain the cornerstone of BIC Group’s managerial culture. In 2016, each site continued to take specific actions to establish these tools and frameworks. Examples include:

- in Ecuador and Colombia, to help employees develop the competency “displays strategic agility,” better inter-department communication is being encouraged and quarterly meetings are held to inform employees of the Company’s performance. A similar initiative has been implemented in Dubai, under the title BICause we need to chat;
- in Argentina and Chile, the Core Competencies were included in the orientation program. In 2016, all new hires adopted the competencies framework as part of their orientation;
- in the Stationery category, the Core Competencies have been integrated in the fundamental training program on the category’s industrial culture, BIC Manufacturing System.

For the first time in 2016, webinars were offered worldwide to improve all employees’ understanding of the performance management process. Conducted in French, English and Spanish, these online sessions were recorded and made freely accessible on the BIC University virtual platform.

Job mobility and succession plans

The “People in Play” sessions, launched in 2014 at the Leadership Team level and designed to facilitate the mobility process, were made available Group-wide in 2015 and further extended in 2016. At these meetings, leaders discuss detailed situations of specific people to make sure that they are offered the best options for their own development and for the business. This creates better cross-entity mobility and anticipation of moves.

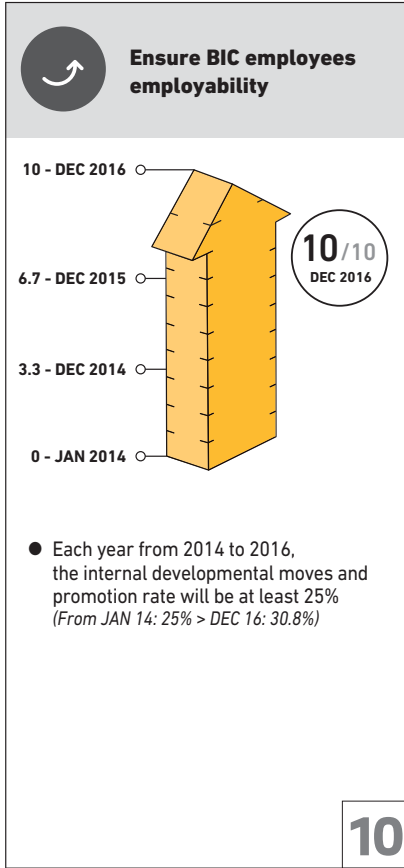
At the Group level, a succession planning process has been implemented to make sure that employees can access succession plans across all entities. In this spirit, the “Talent Review” conducted in 2015 offered an opportunity to clarify the criteria for identifying successors, offering even greater transparency, and to define individualized action plans.





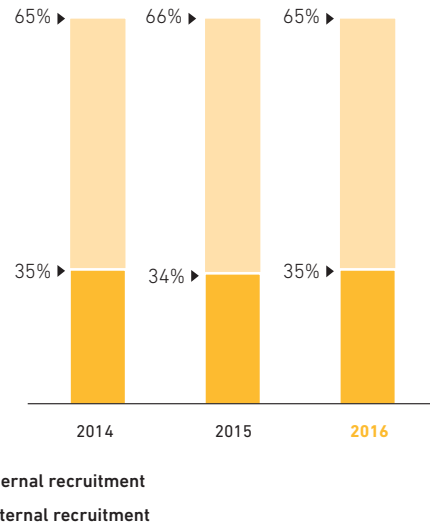
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Our social responsibility to our employees

◆ Performance



RESULTS FOR 2016: The objective of this commitment is to maintain internal development moves within the Group and a promotion rate of 25% for each of the three years. This goal was achieved in 2016 thanks to a rate of 30.8%. 613 manager and non-manager positions were executed internally out of a total of 1,986 executed positions in the Group⁽¹⁾.

RATE OF INTERNAL PROMOTION AMONG MANAGERS (LEVELS 3, 4, 5 AND 6) - BIC GROUP



In 2016, the internal promotion rate was 65% for the four top manager levels. This rate was 66% in 2015, 65% in 2014 and 64% in 2013. For all managers' categories, the internal promotion rate has remained stable for several years at 45%.

Learning from others ("20")

At BIC, the cultivation of a feedback culture is a cornerstone of personal development, performance development and therefore career development. This feedback culture is reinforced in all management training modules and is a key topic in the programs "manager@BIC," "recruiter@BIC" and "learner@BIC."

As part of the effort to integrate it into the Group's culture, feedback is gradually being included in the manager performance evaluation criteria. Greater use of 360° feedback, in which employees receive feedback not only from their managers but also from a selection of co-workers or internal clients representative of their professional relations, is being made.

The following examples from 2016 illustrate the initiatives being taken to make the best use of feedback:

- at the BIC Graphic factory in Tarragona (Spain), training modules on "How to give and receive feedback" were organized for the sales and marketing teams as well as the production teams;
- in Argentina and Chile, all employees receive quarterly feedback from their manager on their performance and development. The managers also receive feedback from their co-workers.

In 2016, internal and external coaching was developed in several regions: Consumer Products managers in Europe, Brazil and South Africa were offered sessions with external coaches, a program to develop internal coaching skills was launched in Greece, and lastly, all managers in Dubai received coaching or mentoring.

(1) See section 2.6.3.3 (page 95) for definitions and additional methodological information on the Barometer calculations.





To help them learn while drawing inspiration from others, BIC also offers its employees perspectives from outside the Group. All BIC managers have access to a platform for sharing best management practices from around the world, allowing them to hone their skills and implement, with their teams, tools covering all aspects of management.

Learning from training (“10”)

The programs developed by BIC University

With plants and sales teams in 53 countries, it is critical for BIC to make training accessible to everyone, everywhere in the world. This is the main mission of BIC University. Created in 1998, BIC University is a network of company training centers focused on developing team members’ potential and promoting BIC Group’s culture. Since its creation, BIC University has developed numerous training programs that serve as vehicles for developing the core competencies that must be shared by everyone in the Group.

In 2016, the deployment of the Core Curriculum training programs was stepped up in every region of the world, focusing on two key themes:

- **the BIC leadership model:** more than 800 participants on five continents, with a total of nearly 80 sessions;
- **BIC financial terminology and ratios:** 12 sessions with 137 participants, covering all continents for the first time, with face-to-face or virtual classes.

The management curriculum is now complete and available everywhere, enabling trainees to assimilate the BIC managerial culture and learn how to use the Group’s specific tools for building a team and developing its individual members (Talent Frameworks). The curriculum comprises four key modules, created for BIC in collaboration with its own employees and an outside service provider:

- **recruiter@BIC:** how to recruit the right person for today and tomorrow;
- **manager@BIC:** how to create the conditions that will allow each employee to succeed;
- **leader@BIC:** how to build an effective team based on BIC’s values and vision;
- **learner@BIC:** how to learn purposefully and effectively to improve current performance and future development.

In 2016, a team of BIC project managers and change leaders worked with an outside firm specializing in project and change management to develop “ProChange,” a reference system for optimizing the Group’s competencies in project and change management.

Assessing training and increasing BIC University’s impact

The quality and impact of BIC University’s training programs are always assessed by the ForMetris system, which uses questionnaires to measure an array of qualitative aspects and make comparisons with the results achieved by other companies (with

more than 1.5 million questionnaires processed per year). For the past several years, it has rated BIC University’s programs as “well above average.”

BIC continues to invest in its organisational capacities to make BIC University’s training available to everyone everywhere. In 2016, the Group began implementing the deployment strategy defined in late 2015, and progress was made in each of the key elements that make up BIC University:

● Teams:

- Formalization of the network of external trainers, supervised by the central BIC University team;
- Establishment of a “BIC U Pilots” community comprised of 10 HR employees who are in charge of the local deployment of BIC U’s global solutions, sharing best practices.

- **Processes:** To ensure operational excellence, processes were formalized for “managing the quality of training” and “organizing a training module,” and guidelines were defined for the development of training modules.

● Tools:

- The worldwide deployment of ForMetris, along with training for its users;
- Finalization of the deployment of the BIC University virtual platform in Europe;
- Creation of the first global reporting system for BIC University, to guide the roll-out in all countries and all entities, and to evaluate the quality of the programs.

Technical/functional training

The technical training for BIC’s specific industrial operations is developed locally: each entity invests in a program to build the technical and functional skills it needs.

In 2016, the Consumer Products business in Europe continued its “Best In Class” training program. So far, 72 sessions have been offered and 54% of the Sales and Customer Service teams have been trained.

The financial curriculum, which provides fundamental training in the concepts and tools specific to BIC Group, was revised in 2016 and made available worldwide, with a particular focus on South America. In addition, virtual class training was tested for the first time, with participants on three continents.

A “Manufacturing” program was launched in 2016, with the aim of training young people in the mechanical professions to perpetuate key technical skills within the Group. In 2016, BIC worked closely with seven apprenticeship training centers in France and two schools in Spain, and is already training 10 apprentices.

◆ Performance

In 2016, 10,042 employees received training with an average of 2.1 days per employee.

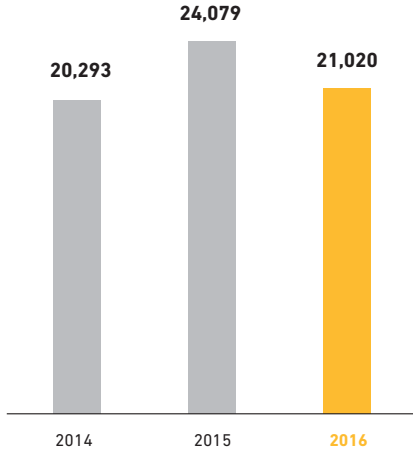




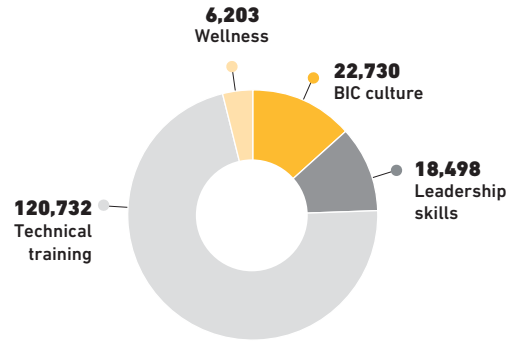
OUR ENVIRONMENTAL, SOCIAL, AND SOCIETAL RESPONSIBILITY

Our social responsibility to our employees

NUMBER OF TRAINING DAYS - BIC GROUP - PERMANENT AND TEMPORARY WORKFORCE



NUMBER OF TRAINING HOURS (PER THEME) - BIC GROUP 2016 - PERMANENT AND TEMPORARY WORKFORCE



◆ Perspectives

The quality of BIC University's global programs (management & finance) and their impact on employee performance have resulted in a significantly increased demand for training in 2017 (+45%).

The BIC "ProChange" reference system is being integrated into the BIC U training programs and will be deployed worldwide in 2017.

In 2017, BIC University will further strengthen its presence in Latin America.





2.4.6. THE REMUNERATION SYSTEM

◆ Challenges and approach

BIC seeks to develop a fair and motivating remuneration system that can make the Group both competitive and appealing to potential employees.

BIC Group's remuneration policy is determined every year by the Human Resources Department in agreement with the Leadership Team. It is based on three principles:

- pay for individual and/or collective performance;
- internal equity;
- external competitiveness.

The acknowledgement of the performance of the individuals and the teams is an essential element in BIC Group's remuneration policy. Thus, for managers, salary increases reflect individual merit (except in certain countries where legal obligations require general increases).

In 2016, variable remuneration relating to performance represented an average of 11% of fixed remuneration for Group employees (excluding Cello Pens).

For non-managers, BIC guarantees an appropriate remuneration and respects minimum salaries determined by local laws.

Human Resources teams worldwide are responsible for implementing BIC Group's remuneration policy and for ensuring that it is adhered to.

◆ Performance

Within the Group (excluding Cello Pens), the average annual cost (including payroll taxes) of each employee totaled 58,800 euros in 2016, or a 3.5% increase versus 2015, at actual exchange rates.

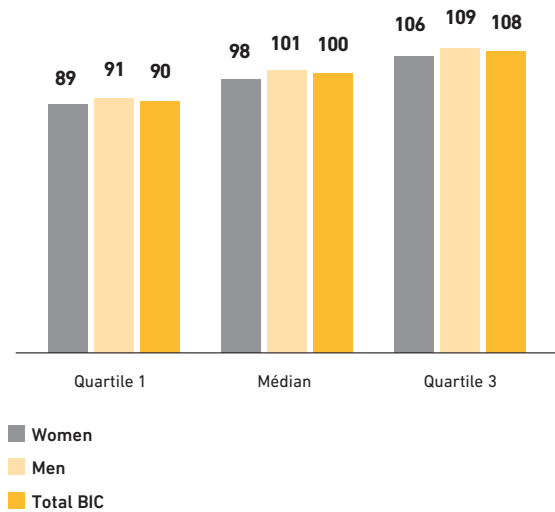
Analysis using constant exchange rates shows a 5% increase compared with 2015. Overall, this increase in the average annual cost of each employee is due to:

- a +3% increase in average fixed remuneration;
- a +17% increase in variable remuneration compared to 2015, partly due to the payment of a special bonus to all employees who are not eligible to Performance Shares grants;
- a +6% increase in payroll taxes and other benefits.

Information on Senior Management remuneration is provided on pages 119 to 140.

An analysis of the external competitiveness of BIC managers' base salaries is conducted on a regular basis in about 50 countries. This competitiveness analysis conducted at end-2015 shows that, on average, BIC managers' base salaries are positioned at their local market median for both men and women.

COMPARISON OF MANAGERS' SALARIES WITH THE MARKET (IN 2015)



A new analysis will be conducted at the end of 2017.

The difference in pay between team members reflects responsibilities, experience, performance, potential and takes into account the characteristics of local markets.





OUR ENVIRONMENTAL, SOCIAL, AND SOCIETAL RESPONSIBILITY

Our social responsibility to our employees

2.4.7. PROMOTING DIVERSITY

◆ Challenges

As an international Company, BIC considers diversity to be an intrinsic part of its corporate culture, as well as a key factor for its sustainable growth, beyond any legal or ethical considerations. This increase is explained by the Group's development in new subsidiaries, notably in the Middle East and Africa, and also by the anchoring of the diversity policy in the Group's recruitment processes.

Diversity also contributes to making the Group more attractive to its consumers and partners and to team members who prefer to work for a responsible company that makes an effort to reflect the society that it serves.

◆ Approach

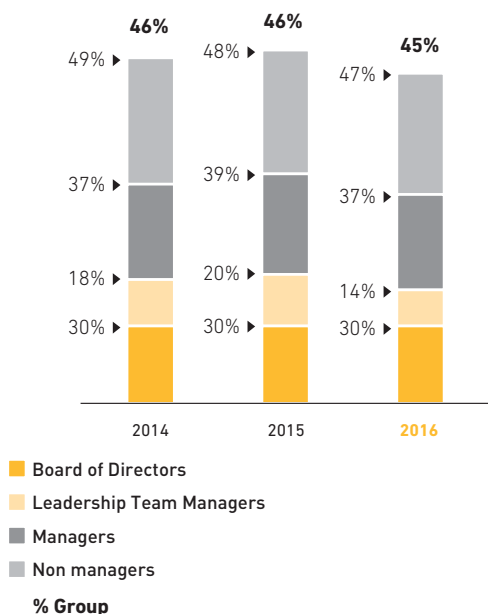
The BIC Charter of Diversity, which was signed by the CEO and the Group's Human Resources Director in 2011, demonstrates BIC's desire to take action to promote diversity. It is shared by all the Group's entities worldwide and has been translated into the main languages spoken in the Group.

As part of its approach, BIC takes all different types of diversity into account: gender diversity, disabled employees, minorities, seniors, etc. Actions are organized locally every year to address these topics, depending on local contexts and initiatives. In 2016, "Diversity Month" was celebrated in some South American countries, with festive and social events that served to reinforce the fundamental principles of the Charter of Diversity.

◆ Progress made in 2016 and performance

Male/female equality

PERCENTAGE OF WOMEN ON THE PERMANENT WORKFORCE - BIC GROUP (EXCLUDING CELLO PENS)

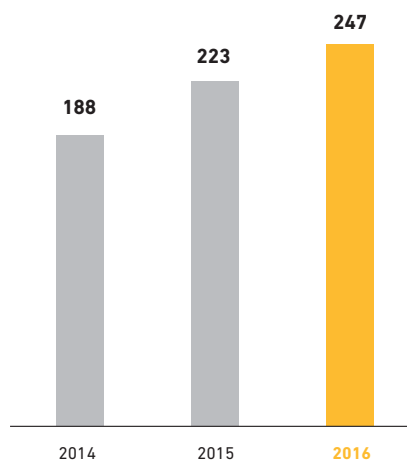


In 2016, women accounted for 45% of permanent employees in the Group. They accounted for 37% of the workforce in Europe, 53% in North America, 48% in the rest of world (Middle East, Africa, Oceania, Latin America and Asia).

Disabled employees

BIC Group is committed to promoting employment for the disabled. Its entities conduct short-term and long-term initiatives in this direction at the local level.

NUMBER OF DISABLED WORKERS ON THE PERMANENT WORKFORCE - BIC GROUP (EXCLUDING CELLO PENS)



In 2016, disabled workers at the Group's largest sites totaled 247 (excluding indirect jobs associated with outsourcing). They numbered 52 in Europe, 138 in North America and 57 in the rest of world (Middle East, Africa, Oceania, Latin America and Asia). The commitment of BIC in favor of diversity is reflected particularly by local training and employment assistance for disabled workers.

Intergenerational equity

The aging of the population and its consequences will be a major issue in the years to come, especially in regions like Europe and the U.S. To ensure the transmission of skills and continuity of the Company's know-how, an analysis of the age structure and seniority of has been made in the factories of the Group.

In this context, BIC seeks to promote:

- cooperation among generations;
- professional motivation for seniors, and their employability throughout their careers;
- the transmission of knowledge and skills.





The professional integration of minorities

In France, BIC became a member of the association *Nos Quartiers ont des Talents* ("Our Neighborhoods Have Talent") and its mentorship program in April 2012. Founded in 2005, this non-profit organization helps young professional and technical school graduates from disadvantaged neighborhoods to find work. Its mentorship program mobilizes managers of member companies to coach young graduates during their job search. At the Clichy headquarters site, 26 managers participate in the program. 147 young graduates have been mentored since the beginning of the partnership and six are now in the program. Through the program, 70 young graduates were hired between 2012 and the end of 2016.

◆ Perspectives

The Group will continue to pursue the development of local initiatives. New initiatives will be undertaken in awareness, communication, training and the deployment of mechanisms for compliance with legal requirements.

2.4.8. SOCIAL DIALOG

◆ Challenges

BIC Group strives to use all the means available to engage in dialog with its employees. In this spirit, it sets up the initiatives on listening to employees mentioned on pages 73 and 74. To maintain its employees' engagement and remain attentive to their expectations, the Group strives to cultivate a high-quality social dialog, either directly with the management or with the employees themselves, their representatives, or labor union representatives at unionized sites.

◆ Approach

In every country where the Group has operations, it complies with all applicable collective agreements. In addition, each subsidiary strives, insofar as its resources allow, to improve working conditions by offering wages above the legal minimums, through superior employee benefits, or through investments to improve the working environment.

These types of social progress are always a subject of prior dialog, and the employees and their representatives are kept informed to ensure optimal communication.

◆ Progress made in 2016

The topics discussed in the negotiations are related either to local obligations or to the previously mentioned management points. For example, many mechanisms to promote safety and health in the workplace have been initiated through social dialog.

The following table gives a few examples of such agreements.

Perimeter	Topic
France – Stationery category	The signing of an agreement on measures to support the Samer 2020 project, which aims to develop and ensure the future of the Conté company through a sizeable investment in the Samer factory after the shutdown of the Boulogne site.
France – BIC Services profit sharing agreement	The signing of an agreement defining a profit sharing plan, which will be more closely linked to employee performance, more easily comprehensible and more motivating.

◆ Performance

The audit conducted in 2014 showed that at the end of the year, 63% of BIC employees were covered by a form of employee representation through Works Councils or Committees, Health and Safety Committees, trade unions and collective agreements or equivalent. This representation takes place through regular meetings for explaining the monthly or annual financial results, describing the Company's strategy, answering questions, etc.

It should be noted that, for employees at the sites in Greece and the U.S. (Sleepy Eye, Red Wing, Clearwater and Shelton) who do not have formal representation, i.e. 30% of BIC employees, a direct dialog with the management is actively pursued.

In addition to regular meetings between management and employees to identify possible improvements, there are specific and original ways for employees to raise any concerns that they might have, such as suggestion boxes placed all over the campus, or, once a month, inviting ten employees, selected at random, to have lunch with the site's Director and HR manager.

Overall, 93% of the Group's employees can be considered to have access to a dialog channel with their management, either through a conventional form of staff representation (63%) or through direct dialog.

◆ Perspectives

This culture of remaining attentive to its personnel and taking collective requests into consideration is vital for the Group and will be maintained in the years to come through contacts with both labor union and employee representatives. Highly diversified initiatives will be carried out at the local level to offer the best responses to local situations and needs.

In 2017, negotiations on working hours will be held in various entities in France, and the global five-year agreement at the Milford site (U.S.) will be renegotiated.

The 2014 study on employee representation and coverage will be updated in 2017.





2.5. Our societal responsibility

In September 2015, the United Nations adopted a new Sustainable Development Program comprising 17 worldwide goals for combating poverty, inequality and injustice. These goals emphasize the crucial role of universal access to education and hygiene. The Group strives to meet these challenges through its local economic presence, with about four million points of sale offering BIC® products worldwide, and through its global presence: BIC manufactures and distributes its products in 160 countries, supplying the most developed marketplaces as well as some of the most impoverished ones (see page 53).

The societal challenges undertaken by BIC also include respect for ethics and Human Rights in the workplace and the fight against corruption. To meet these challenges, BIC Group's operations and subcontracting activities integrate the application of its Code of Conduct, Code of Ethics and, since 2016, its Anti-Corruption Policy.

Lastly, BIC seeks to support local communities through the development of philanthropic policies that favor involvement at both the Group and the individual level.

2.5.1. FULFILLING OUR RESPONSIBILITY ACROSS OUR ENTIRE VALUE CHAIN

2.5.1.1. Responsible purchasing and sustainable relations with suppliers

◆ Challenges

The vast majority of BIC® products, representing 90% of the Group's turnover, are produced in BIC factories. BIC's corporate organization prevents it from diluting its responsibility when it calls upon subcontractors: all purchased or subcontracted products and their suppliers are subject to stringent prior qualification processes in terms of quality, safety and social criteria.

In the course of its operations, BIC works with about 2,000 suppliers and subcontractors. For the Group, being a responsible Company means maintaining control over the entire value chain. To this end, the Purchasing departments analyze all risks: stock levels, diversification of suppliers and sourcing zones, risks associated with the country and the rarity of the resource. BIC also strives to extend the high standards that it applies in its own operations, in terms of quality, respect for the environment, ethics and Human Rights, to all the parties involved in the production and distribution of its

products. Its demands encompass factors like compliance with deadlines, cost control, quality and innovation, but also include adherence to the Group's values and commitments in terms of sustainable development.

The issues and challenges concerning Human Rights are discussed in section 2.5.1.2 "Ensuring respect for Human Rights in the workplace" (page 88).

◆ Approach and progress made in 2016

The Responsible Purchasing Charter

The Group seeks to cultivate long-term commercial relationships with its suppliers, establishing responsible relations with them and upholding its commitment to Responsible Purchasing. BIC's Responsible Purchasing Charter, finalized in 2014, codifies the Group's relations with its suppliers in keeping with its five shared Values: Ethics, Responsibility, Teamwork, Simplicity and Ingenuity. This charter applies to relations with suppliers and contract manufacturers involved in the production or shipping of BIC® products.

Through the Responsible Purchasing Charter, the Group reminds its suppliers and subcontractors that all of the commitments that BIC has made concerning its own operations apply to their activities as well. This charter is submitted to all suppliers and subcontractors to whom it is applicable.





Cartography of suppliers, subcontractors and service providers

To apply its Responsible Purchasing Charter, BIC has developed three risk management programs: compliance with the Code of Conduct (see page 88), audit programs (see page 88) and ESG evaluations by EcoVadis (see below).

EXAMPLE OF RISK MANAGEMENT PROGRAMS FOR SUPPLIERS AND SUBCONTRACTORS INVOLVED IN THE PRODUCTION AND/OR SHIPPING OF BIC® PRODUCTS

	ESG Evaluation by EcoVadis	Code of Conduct	Audit program
Raw materials suppliers (plastics, metals, packaging and inks)	X		
Contract manufacturers, licensed manufacturers, manufacturers of BIC®-brand promotional products		X	X
Transport carriers		X	

Evaluation of suppliers' ESG performance and collaboration for continuous improvement

Since 2011, BIC has assessed its raw materials suppliers according to environmental, social and governance (ESG) criteria with the help of the EcoVadis firm. The EcoVadis scoring system is comprised of 21 indicators in four areas: Environment, Social, Ethics and Suppliers/Supply Chain. The evaluation consists of assessing the suppliers' policies, actions undertaken and results achieved in sustainable development. The supplier is rated in each area and given an overall score with a maximum of 100. This initiative enables BIC not only to identify suppliers that pose a risk, but also to work with them in a process of continuous improvement and develop best practices that can then be shared.

Following the 2014-2015 EcoVadis assessment campaign focusing on strategic raw materials purchasing categories: Plastics, Metals, Packaging (France and Greece) and Inks, a new campaign was launched in October 2016 targeting newly approved suppliers and service providers, those that had not responded to the previous campaigns, and those whose scores expired in December 2016.

A total of 301 strategic suppliers are registered on the platform and 155 of them responded to the questionnaire. The average score is 46.8 out of 100, higher than the average EcoVadis score of 42. Among the re-evaluated suppliers, 75% of them increased their score.

The "Transport Community" uses the tools made available by the Group to help its transport service providers make progress in sustainable development. In 2013 the BIC Code of Conduct was amended to make it applicable to transport carriers. The updated Code was shared everywhere the Group has operations. Brazil dedicated a booklet to the presentation of the BIC Code of Conduct for transport contractors.

The "Packaging Community" works with its suppliers in a similar way. In particular, paper and cardboard packaging suppliers are encouraged to obtain SFI, FSC or PEFC certification or to supply packaging containing recycled materials (see page 56).

Training in responsible purchasing and the formation of a Responsible Purchasing Community

In 2016, buyers from the three categories and Europe received training in responsible purchasing. Nineteen employees attended a one-day session on the issues of responsible purchasing and the approach adopted by BIC Group. The training also included a toolbox for integrating responsible practices in the purchasing process.

Ensuring perennial supplies

The Purchasing departments are responsible for implementing the supply risk management approach, and monitoring the resulting action plans. The buyers and suppliers ensure the steady supply of raw materials for their factories as well as secondary and recycled raw materials (reliability of sourcing, availability, price stability). All people involved in supplier relations work closely together to keep the system running smoothly and share best practices.

◆ Performance

- **46.8: Average score of the strategic suppliers assessed by EcoVadis according to sustainable development criteria**
- **Less than 2% of the suppliers received a score of less than 24 out of 100**
- **50% of BIC's suppliers have been working with the Group for more than 10 years**

◆ Perspectives

In the years to come, the Group will continue to conduct supplier assessment campaigns and pursue the action plans that it has defined and implemented in collaboration with the factories.



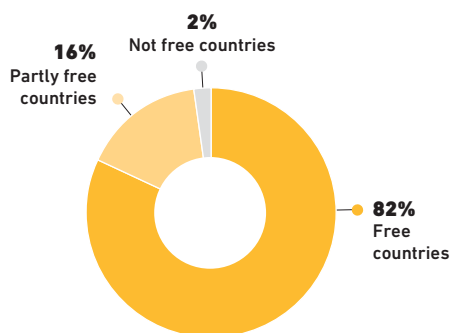
2.5.1.2. Ensuring respect for Human Rights in the workplace

◆ Challenges

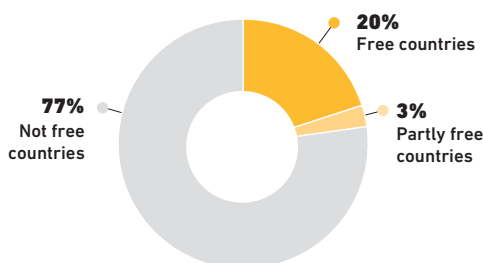
BIC's reliance on contract manufacturing is relatively low. Overall, 90% of the Group's net sales are generated by products made in its own factories: 93% for the Consumer business and 74% in BIC Graphic's Advertising and Promotional Products business. 86% of these factories are located in countries with no Human Rights risk according to Freedom House ⁽¹⁾.

BIC works with subcontractors primarily for stationery products in the Consumer business and for Advertising and Promotional Products. Subcontracting gives the Group greater flexibility.

PERMANENT WORKFORCE BY CATEGORY OF COUNTRY IN RELATION TO HUMAN RIGHTS RISK ⁽¹⁾ IN 2016 - BIC GROUP



GLOBAL CONTRACT MANUFACTURERS BY COUNTRY IN RELATION TO HUMAN RIGHTS RISK ⁽¹⁾ IN 2016 - BIC GROUP



◆ Approach

An approach guided by the BIC Group Code of Conduct

To ensure respect for Human Rights in the workplace, BIC has implemented a **Code of Conduct**. This document comprises a set of professional and social principles derived from the standards of the International Labor Organization (ILO). The Group is committed to upholding socially responsible behavior in all its operations. The principles in this document are applied at all production facilities, whether owned by the Group or operated by contract manufacturers, and BIC conducts audits to ensure its implementation.

The Code of Conduct is based on the following 10 principles:

- a safe and healthy work environment;
- fair wages and reasonable working hours;
- no child labor;
- no forced labor;
- no discrimination;
- freedom of association;
- legal compliance;
- no animal testing;
- environmental responsibility;
- publication of the Code.

This Code of Conduct applies to BIC factories, which are mainly located in South Africa, Brazil, Spain, the U.S., France, Greece and Mexico. It also applies to contract manufacturers, which are primarily located in China, the U.S. and Italy.

The social audit program

Compliance with the Code of Conduct is verified by an audit program covering all the factories where BIC® products are manufactured. BIC has had a specific audit program in place for 15 years to ensure worldwide compliance with its Code of Conduct by **contract manufacturers**. The program applies to both **global contract manufacturers** and **manufacturers under local contracts** producing BIC® products for local markets and all of BIC's activities: **BIC Consumer Products** and **BIC Graphic** (Advertising and Promotional Products). Regular audits are conducted every three years to verify that standards are maintained at a satisfactory level.

- **For Consumer Products contract manufacturers**, these audits are carried out by third party auditors. In 2014, BIC Group introduced a new tool called the Workplace Condition Assessment (WCA) platform. Considered the next generation in social auditing, the WCA will give brands and manufacturers improved performance measurement tools and more meaningful results, while helping improve workplace conditions. This assessment tool is based on national laws, integrating ILO standards and existing best practices, and is consistent with the BIC Group Code of Conduct. The WCA comprises more than 180 evaluation criteria covering a range of topics: child labor, forced labor, discrimination, harassment, freedom of association, working hours, salaries, employment contracts, health and safety and environmental responsibility.

(1) Source: "Freedom in the World 2015", a study by the non-governmental organization Freedom House.





Contract manufacturers are audited and rated on each criterion and then given an overall score. This platform allows the Group to closely monitor a contract manufacturer's performance in relation to each indicator. Deficiencies in each evaluation criterion are rated as major, moderate or minor, thus allowing the implementation of targeted corrective action plans where needed. It also includes global benchmarks for each country and each Group business sector.

All contract manufacturers are audited over a three-year cycle, during which improvement programs will be implemented based on deficiencies identified during the assessment. In the future, coaching programs could be launched by BIC to help contract manufacturers correct recurring deficiencies.

BIC sees social responsibility as a partnership that requires shared values. In this spirit, BIC favors a common commitment to improvement rather than breaking off relations with a partner. The box below explains the main steps in the evaluation of contract manufacturers.

- **For BIC Graphic contract manufacturers**, the audit process combines external audits and audits by specially-trained BIC employees.
- Self-assessments have been conducted by all **BIC factories** since 2006. The responses are analyzed by independent auditors. Overtime is scrupulously recorded and strictly controlled in all the units concerned. Each factory Director is required to implement a corrective action plan in cooperation with the Human Resources Department.

→ THE SIX STEPS FOR EVALUATING CONTRACT MANUFACTURERS:

- 1 The BIC contract manufacturer signs the BIC Group Code of Conduct.
2. An independent external monitoring agency (or in the case of BIC Graphic, a specially trained employee) conducts an initial assessment of the contract manufacturer.
3. BIC presents a corrective action plan (CAP) to the contract manufacturer.
4. The contract manufacturer implements the CAP within an agreed, reasonable time frame.
5. The auditor conducts follow-up assessment(s) to confirm implementation of the CAP.
6. Ongoing assessments are conducted every three years.

→ SA 8000 CERTIFICATION FOR THE BIC AMAZONIA FACTORY

In 2010, BIC Amazonia obtained SA 8000 social benchmarking certification on a voluntary basis. In 2013 and in 2016, this certification was renewed for a further three-year period. Examples of results achieved include: improvement in relations between management and employees; greater transparency in the HR process, in relation to internal recruitment, training and skills development; and the rollout of best practices to subcontractors working directly at BIC sites.

Social audits in the Advertising and Promotional Products business

First launched in 2000, this approach is fully embedded in the Group's processes. Compliance with BIC standards in respect of Human Rights was a mandatory requirement for the integration of BIC Graphic's activities. Due to the large number of contract manufacturers in the Advertising and Promotional Products business, the audit process involves a combination of external audits by third-party auditors and audits by specially-trained BIC Graphic employees.

Quality Certification Alliance (QCA)

In North America, BIC Graphic has been accredited by the Quality Certification Alliance (QCA) since 2012. QCA accreditation requires audit scores of 91% or better (BIC Graphic's U.S. facilities) and 81% or better (BIC Graphic's Asian sourcing office and BIC Graphic contract manufacturers) in five different areas: quality, product safety and regulatory compliance, environmental stewardship, supply chain security and social compliance. In 2016, BIC Graphic North America's three sites in the U.S., as well as BIC Graphic Asia's sourcing office in Shenzhen, China and three finished product suppliers were successfully audited by the QCA.

SEDEX platform and SMETA audits

BIC Graphic Europe and BIC Graphic North America joined the SEDEX platform in 2012. SEDEX, the Supplier Ethical Data Exchange, is a not-for-profit membership organization dedicated to driving improvements in responsible and ethical business practices along the supply chain. Being a member of SEDEX provides the added benefit of having a confidential platform for sharing social compliance audit reports and related information and participation in working groups. The SEDEX Members Ethical Trade Audits (SMETA) standard combines several reputable programs including the ILO Convention, ETI (Ethical Trading Initiative) Base Code, SA 8000 and ISO 14001. No audit was conducted to a SMETA standard in 2016 on the U.S. factories in Sleepy Eye, Clearwater and Red Wing, but all three U.S. sites were audited by one major client.

◆ Progress made in 2016

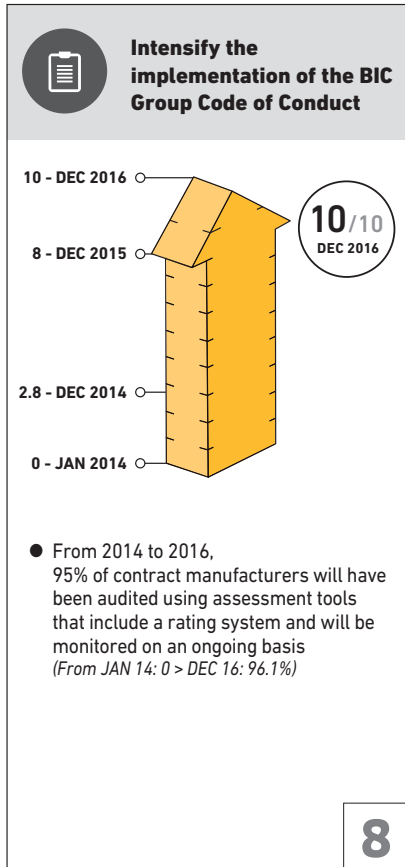
In 2016, 14 Consumer products contract manufacturers were audited, representing 21%, along with 108 contract manufacturers of Advertising and Promotional Products (BIC Graphic), representing 31% in high risk countries. The Consumer Products audits conducted in 2016 revealed 28 major, 210 moderate and 195 minor deficiencies, and 24 corrective action plans were implemented. The four biggest areas of deficiency were found in working hours and management systems:

- 1) hours exceeds allowable limits under applicable law or agreement -3%;
- 2) the facility has comprehensive chemicals management processes and procedures in a written manual that support adherence to social compliance requirements but they are not all being properly implemented -3%;
- 3) the facility has comprehensive working hour and wages management processes and procedures in a written manual that support adherence to social compliance requirements but they are not all being properly implemented -4%, and;
- 4) the facility has comprehensive employee safety processes and procedures in a written manual that support adherence to social compliance requirements but they are not all being properly implemented -5%.





◆ Performance



RESULTS FOR 2016: From 2015 to 2016, 96.1% of BIC contract manufacturers have been audited using assessment tools that include a rating system, thanks to a good performance for both Consumer and BIC Graphic activities. The result exceeds the objective, which was 95%. The score is then 10/10⁽¹⁾.

→ **Two-thirds of BIC's Asian subcontractors for the Consumer Products business have maintained close relationships with the Group for at least five years**

→ **In Asia, BIC Graphic has had a business relationship with its main suppliers for more than 15 years**

2.5.1.3. Ethics and the fight against corruption

◆ Challenges

BIC generates 31% of its sales in countries where the risk of corruption is considered high or very high (such as Brazil, Mexico, India, Italy and Argentina) and 69% in countries with a medium or low risk of corruption according to Transparency International, including France, the United States and Spain.

◆ Approach

Compliance with ethical principles and the fight against all forms of corruption, active or passive, are stipulated among the standards of **the BIC Group Code of Ethics**.

Since 2007, this document has defined the fundamental ethical principles that the Group asks all of its employees to follow under all circumstances and everywhere in the world. The objective is to build and sustain an authentic corporate culture of integrity, honesty and fairness. The Code of Ethics comprises:

- 14 standards covering the following aspects: respect for fundamental Human Rights, respect for the environment, compliance with the law, listening and communicating, and the prevention of any form of active or passive corruption;
- 13 principles governing the behavior of BIC employees to control risks arising from conflicts of interest, the protection of the Group's assets, professional commitments, and relationships with its stakeholders;
- a Guide listing the questions that all BIC employees must ask themselves to assess their level of compliance with the Code of Ethics and facilitate its understanding and implementation.

The Code of Ethics, as approved by the CEO and the Board of Directors, and its guide are available in 15 languages. The text of the Code is available to all employees on the Group Intranet.

◆ Progress made in 2016

The Code of Ethics was shared with all employees in 2016, accompanied by a video introduction from Executive Vice-President Marie-Aimee Bich-Dufour.

In addition, BIC has adopted an **Anti-Corruption Policy** that applies to all employees, Directors, administrators and subsidiaries, as well as companies affiliated with the Group. This internal policy document specifies the relevant principles, responsibilities and behavioral guidelines, and answers common questions about corruption. Published in 18 languages, it was shared with all Group employees in December 2016.

In countries where corruption is a potential problem, a risk evaluation campaign was launched in late 2016 and will be completed in spring 2017. Each evaluation is reviewed by an independent auditor and followed by an on-site visit.

In North America, all employees have been offered a 30-minute e-learning module on the Code of Ethics and the Anti-Corruption Policy. At the completion of the e-learning module, employees electronically confirm that they understand the Group's commitments and have completed the online training module.

(1) See section 2.6.3.3 (page 95) for definitions and additional methodological information on the Barometer calculations.





◆ Perspectives

The Group plans to extend its anti-corruption efforts with:

- The deployment of the e-learning module (also covering ethics) in Europe starting in January 2017;
- A face-to-face training module for all managers in risk countries;
- Starting in 2017, a corruption hotline in 200 languages, accessible to all employees 24 hours a day and 365 days a year;
- Consideration of the possibility of allowing third-party access to the hotline.

2.5.2. ACTING AS A LOCAL AND HUMANITARIAN FORCE

2.5.2.1. Generating and maintaining jobs

◆ Approach

BIC Group participates directly and indirectly in the local economy in every region where it has operations.

Every time it starts operations in a new region, BIC's policy is to favor local hiring over expatriation. As a result, the Group has a total of only 81 expatriated employees today (0.82% of permanent employees). BIC thus contributes directly to local economies by generating jobs.

BIC has been historically developing and maintaining industrial jobs in Europe, in particular in France, Spain and Greece, for several decades. The Group promotes "Made in France" and "Made in Europe" products in its catalogues, thus contributing to the creation of value and jobs in these countries, which have been especially hard hit by the economic crisis that began in 2008.

BIC values the local manufacturing of its products so that it contributes to local economic development and includes the local communities in the value chain. The Group has strongly localized its manufacturing operations, especially via a network of six licensed factories solely for the Middle East-Africa zone. This local partnership approach has brought BIC® products closer to its consumers, making them more affordable and minimizing the transportation share of the costs. There are multiple benefits for the partners and the communities alike, especially in local job creation, technology sharing and transfers, and enhanced product competitiveness.

→ ECONOMIC IMPACT STUDY ON THE BIC FACTORY IN MANAUS (BRAZIL)

A pilot study conducted in 2004, and discussed in detail in the BIC Group 2005 Sustainable Development Report, provides a better understanding of the impact of the activities of a BIC site on the local economy in a developing country. The findings showed that in the city of Manaus, which is located in a very remote region (the Amazon) where industry is concentrated in just a few sectors, only a quarter of the site's expenditures remained locally in Manaus, with the remaining expenditures going to the rest of Brazil and foreign countries.

In terms of employment, the study showed that each direct job at BIC Amazonia generated up to three local jobs and indirectly supported as many as 10 people just in the city of Manaus.

Since 2004, Brazil has opened its economy to more foreign investment and improved its economic and transportation infrastructures. As a result, the findings of this study would no doubt be somewhat different today, but it nonetheless remains valid for a site operating in a developing country.

2.5.2.2. Promoting access to education

◆ Challenges

The UN Sustainable Development Goal no. 4 is "to ensure inclusive and equitable quality education and to promote lifelong learning opportunities for all." Today, 57 million children in the world still have no access to education, more than half of them in Sub-Saharan Africa.

◆ Approach and progress made in 2016

With its historical vision "to offer simple, inventive and reliable choices for everyone, everywhere," BIC Group offers a direct response to this challenge — a response that it seeks to bolster by extending its presence on bottom-of-the-pyramid markets (see page 54), through the projects backed by the BIC Corporate Foundation, and by actively promoting handwriting and the distribution of stationery products to educational charities products. For more than 60 years, BIC writing instruments have been an integral part of students' lives, constantly evolving to adapt to the different stages of the process of learning to write. Its close collaboration with the educational community (children, students, parents, teachers...) allows BIC to identify new needs in writing instruments and develop optimal solutions through its R&D programs in materials, inks and technologies.





The BIC Corporate Foundation

The BIC Corporate Foundation was founded in late 2015. Born of the Group's desire to promote its civic activities and structure its philanthropic approach while bolstering its employees' sense of pride and belonging, the Foundation supports access to education, putting the emphasis, over the long term, on the funding of social entrepreneurship and innovation in education. It focuses on two main fields, namely reducing the school dropout rate and promoting equal access to education for boys and girls, as well as the advancement of environmental education.

The BIC Corporate Foundation Board of Directors consists of nine members, six from BIC Group plus three external experts:

- Runa Khan, founder and President of the NGO Friendship;
- Marine de Bazelaire, Managing Director of the HSBC Foundation for Education;
- Jean-Marc Guesné: General Manager of the Ashoka France network.

After holding its first Board Meeting in May 2016, the BIC Corporate Foundation began the task of defining its mission, along with the vision and values that will guide its operations.

Its first funding programs began in December 2016 and will be announced in 2017 with the initial reports on the projects.

The promotion of handwriting

In the learning process, writing by hand is a basic skill that helps structure the thought process. For this reason, pens and pencils are indispensable tools for advancing education. In recent years, a considerable amount of work has been done by BIC teams to support handwriting and its importance in children's development, especially through:

- the launch of the BIC® Kids range (Europe and U.S.), created in association with psychomotor specialists, ergonomists and teachers;
- the BIC's Fight for Your Write campaign in the U.S., provides information to parents, teachers and students about the benefits that writing has on cognitive development, fine motor skills, self-confidence and creativity;
- the launch of the BIC® Kids website in Europe, offering fun, creative learning activities in two spaces, one for children and the other for teachers;
- in South Africa, an annual roadshow to teach children about the importance of education, writing and educational guidance and the fight against bullying.

2.5.2.3. Philanthropic actions by BIC Group and its subsidiaries

◆ Approach

The philanthropic actions of BIC Group and its subsidiaries can take three forms: monetary gifts, the donation of products, and volunteer work/skills sponsorship. The Group and its subsidiaries favor operations that benefit local populations near its sites.

BIC Citizens in Action

Launched by the Group in 2008, "BIC Citizens in Action" is a worldwide program based on a shared commitment by BIC and its employees aiming to protect the environment and help local communities, thus responding to societal challenges at both the global and local levels.

At the global level, this commitment takes the form of matching fund campaigns, which means the employees are mobilized through fundraising drives in all subsidiaries worldwide, and the Group matches the amount of money collected. All BIC subsidiaries around the world participate in these campaigns. In 2014, 120,000 euros was raised and the Group teamed up with the NGO *Planète Urgence* as it did in 2010 and 2012 to offer financial and scholastic aid to Haitian families through the initiative *Haiti: Sur le Chemin de l'École* ("Haiti: Back to School").

At the local level, "BIC Citizens in Action" encompasses numerous volunteer projects around the world, in which BIC employees donate their time, energy and resources to help local associations and organizations.

Major philanthropic actions and charity products to promote education

Each year, BIC develops and markets charity-linked products, some of which are useful in education. For the consumer, these products offer the possibility of spending the same amount of money while making a humanitarian gesture, because part of the purchase price is donated to a charitable organization. The organization in turn can diversify its funding sources and benefit from additional publicity. And for BIC, it is an opportunity to underline the Group's civic commitment and boost sales.

In 2016, BIC South Africa renewed its large-scale "Choose BIC and Change a Future" charity products campaign. South Africa is a country that faces enormous educational challenges: 4.7 million of its citizens are illiterate and its unemployment rate exceeds 24%. For this campaign, for each product purchased, BIC South Africa donates one pen to the NGO READ Educational Trust, which distributes them to underprivileged children. As in previous years, the operation was a huge success, with 1.2 million pens once again donated, bringing the overall total to 6 million pens in five years.

In Europe, for the seventh consecutive year, the *Kit Scolaire 2016* operation, to which BIC contributes through the French NGO *Dons Solidaires*, met with great success. In all, 140 associations received shipments and distributed the products to 20,000 underprivileged children at the beginning of summer vacation and the start of the school year. As in 2015, BIC gave five employees the opportunity to help assemble the *Kit Scolaire* school kits (the volunteers take a half-day of leave and the Group matches their donation by offering them the other half of the day with pay).

In Morocco, BIC also took part in the *Un cartable pour tous* initiative as part of the "Back to School" operation organized by the charity *Les Colis du Cœur*. These school bags, each containing exercise books, a whiteboard and a complete pencil case, were donated to 407 children in the Timahdit province.





In France, as it has every year since 2008, BIC supported the AFEV association with a financial donation. AFEV (*Association de la Fondation Étudiante pour la Ville*) was founded in 1992 to combat inequality among children and young people who are experiencing social or scholastic difficulties.

In the U.S., Enactus is an international not-for-profit organisation that supports students leadership development and social responsibility by bringing together the power of business and education. Leading universities from around the world identify and implement impactful, socially responsible initiatives at the local and international level that positively impact the lives of thousands of people around the world. In 2016, BIC made financial and product donations through its sponsorship of the U.S. National Exposition in St. Louis, the Canada National Exposition in Toronto and the Enactus World Cup in Toronto.

Examples of philanthropic actions by BIC Group subsidiaries in 2016

Around the world, BIC employees are taking action for the benefit of local charities. A few examples:

- France: the employees of BIC France were mobilized to raise money for ELA, an association that helps victims of leukodystrophy, in an operation entitled *Mets Tes Baskets* ("Put On Your Sneakers"). For every step taken by a BIC employee, one centime was contributed to a fund donated to the association. With an average of 10,000 steps per person around 7,000 euros were collected;
- Canada: BIC team members participated in a variety of events throughout the year to fundraise for The Children's Breakfast Club. These events include, sports game raffles, charity lunches, products sale and more. The BIC Inc. team has raised a total of 3,500 CAD dollars for the Children's Breakfast Club in 2016.
- Ecuador: In April of this year there was an earthquake in the province of Manabí. To assist the people who were affected by this natural disaster, BIC created a project called "BIC with Manabí" to incentivize employees to donate clothing, non-perishable food and other essential items. BIC also donated 3,960 euros in products that included markers and lighters, first aid and personal hygiene products.

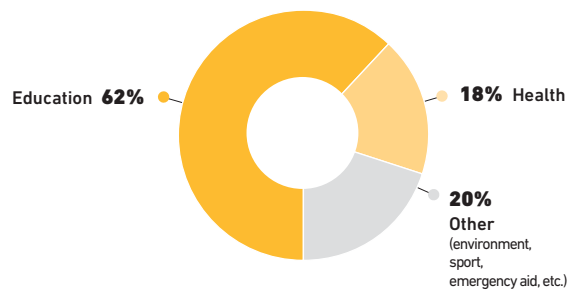
◆ Performance

In 2016, product donations and financial aid worldwide represented 2.4 million euros (internal valuation), primarily in education and health. These two sectors represent 75% of BIC's community activities in number and 80% of their total estimated financial value.

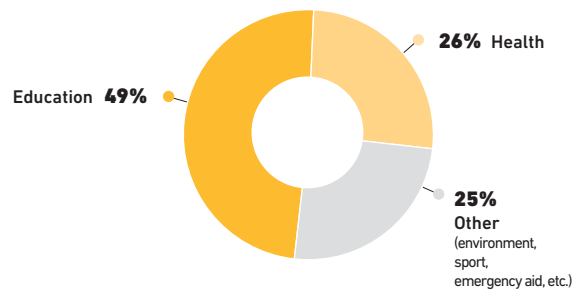
→ **BIC Group objective is achieved: the contribution toward communities is more than 0.50% of pretax profit**

→ **228 philanthropic projects involving volunteer work, product donations and financial aid carried out worldwide in 2016 (all fields combined)**

FINANCIAL BREAKDOWN OF ACTIONS - BIC GROUP - 2016



BREAKDOWN OF ACTIONS BY FIELD - BIC GROUP - 2016





2.6. Milestones

2.6.1. EXTRA-FINANCIAL RATINGS

In 2016, BIC was once again listed on the following socially responsible investment indexes:

- The 2016 CDP A List (see page 63);
- The 2016 CDP Supplier A List;
- Member of the Supplier Engagement Leader Board of the CDP Supplier Engagement Rating;
- The FTSE4Good indexes;
- Ethibel Sustainability Index (ESI), Excellence Europe;
- Euronext Vigeo – Eurozone 120;
- Euronext Vigeo – Europe 120;
- Stoxx Global ESG Leaders Index.

2.6.2. PRIZES

BIC was awarded the prize for *Meilleur Document de Gestion 2015* ("Best management report of 2015") as part of Labrador's *Grands Prix de la Transparence Financière des Sociétés Cotées* ("Financial Transparency for Listed Companies Awards").

The BIC Boulogne factory (France) received an award from ADEME (*Agence De l'Environnement et de la Maîtrise de l'Énergie*) for its RecyBIC program, developed in response to the ORPLAST call for projects. The award honors BIC's commitment to maximizing the integration of recycled plastics in its Ecolution® line.

BIC Group Sustainable Development Director, Christine Desbois, was selected by the newspaper *La Parisienne* for the distinction of *Femme Parisienne d'Influence en Faveur de l'Environnement 2016* ("2016 Influential Parisian Woman Working for the Environment").

BIC Group was ranked by Vigeo-Eiris among the "Top Performers 2016: Responsible Management of the Supply Chain."

BIC was awarded the *Prix Spécial du Jury: Rapport Intégré* ("Special Judges' Award for Integrated Reporting") at the 16th *Trophées RSE* (CSR) awards ceremony co-hosted by the *Conseil Supérieur de l'Ordre des Experts-Comptables* (Executive Board of the Institute of Certified Accountants) and the *Compagnie Nationale des Commissaires aux Comptes* (National Institute of Statutory Auditors).

2.6.3. PERIMETER AND SELECTION OF INDICATORS

The reporting period covered by the present report is from January 1 to December 31, 2016.

2.6.3.1. Perimeter

Regarding the indicators that refer to human resources and communities, the reporting perimeter encompasses all permanent

employees of all French and foreign operational units within the Group, with the exception of information on training and the disabled, for which temporary employees are included.

The indicators that refer to environment and workers' accidents only concern the operations that have a significant impact, namely the industrial activities owned by the Group. These indicators therefore concern BIC Group factories that produce finished or semi-finished products, as well as its engineering units and packaging operations of more than 50 employees or whose operations are regulated by government directives such as SEVESO (EU), PSM or RMP (U.S.). Other sites are included on a voluntary basis.

The environmental and health & safety reporting perimeter is fixed for the period 2014-2016 to ensure consistency with the data in the Barometer. Any new site or new acquisition during this period would therefore only be included in the next Barometer period.

BIC Group's share in the capital of the seven Cello Pens entities went from 75% to 100% in December 2015. Cello Pens activities have not been included in the environmental, social and societal reporting for 2013 to 2016. In 2014, BIC started working on the implementation of an environmental and health & safety reporting with the objective of integrating Cello Pens' factories in the Group consolidated reporting by 2017. Similarly, in 2016, BIC Group initiated a process to be able to publish specific data for India, extracted from the Human Resources Key Performance Indicators (HR KPI), as from December 2018.

Headquarters reporting concerns the Group headquarters around the world with more than 200 permanent employees. The indicators on accident incidence and severity rates concern only permanent employees of the Group.

2.6.3.2. Indicators

The published indicators are chosen to best represent BIC's main social and environmental stakes.

The inventory of activities for the benefit of our communities is compiled from information and data sent annually by the management of each subsidiary.

The financial indicators, those referring to Human Resources, workers' accidents and the environment are compiled using several data collection systems that make use of privileged access to dedicated Intranet tools under the responsibility of their respective departments. The consistency of the data is verified before consolidation.

Concerning environmental reporting only, to ensure that the published data is more reliable, information from previous years may be corrected or fine-tuned when necessary.

Concerning the reporting on greenhouse gas emissions, the conversion factors have been normalized based on those proposed annually by the International Energy Agency. The present report follows the methodological recommendations of the Global Reporting Initiative (GRI). The GRI indicators used in the report are referenced in the correspondence table for environmental and social indicators (page 301).





2.6.3.3. Methodological information concerning the BIC Sustainable Development Barometer

◆ Definitions

Products

#1 Launch innovative responsible products

The concerned products will be innovative while offering a social or environmental benefit. This innovation is defined as never been done at BIC before.

#2 Create products for Developing Markets

Through its vision ("We offer simple, inventive and reliable products for everyone, everywhere, every time"), BIC develops or adapts products to bring what's essential to the greatest number of people. The eight products will be designed to meet the needs of local Developing Markets. Markets considered as developing to BIC (definition in the registration document) include a majority of developing countries according to HDI (Human Development Index of United Nations Development Program).

#3 Offer BIC® products with environmental benefits

BIC has defined environmental benefits for its products by complying with at least one of the following criteria as follows:

- light and long lasting (writing instrument ≤ 3 g per km; correction tape ≤ 1.8 g per m; lighter ≤ 8 g per 1,000 flames; shaver ≤ 1 g per shaving);
- made from alternative materials (recycled, vegetable origin, etc.);
- refillable;
- ecolabeled (*NF Environnement*, etc.).

This commitment is calculated on net sales.

Industry

#4 Select responsible materials for packaging

This commitment includes all packaged BIC® products delivered to the Group's customers all over the world (except pallets): consumer packaging (pouch, blister, cardboard box), outer/inner, shrink-wrap, lighter displays, etc. It is calculated on material weight.

#5 Improve environmental performance of BIC factories

Since 2002, BIC has introduced environmental reporting for its factories that monitor their energy and water consumption as well as their production of hazardous and non-hazardous waste. Deployment and maintenance of EMS ensures the regular implementation of programs designed to improve the performance of these indicators.

#6 Maintain a low level of air freight

By minimizing air-freight, maintaining low GHG emissions from products transportation is possible. The scope of this objective is the inter-site shipping, *i.e.* all the factory to factory and factory to warehouse shipments (BIC factories and warehouses, contract manufacturers; inter and intra-continental). It is expressed in tons/kilometer.

Social/Societal

#7 Maintain low worker accident rates

In 2013, BIC holds an Incidence Rate (IR) of 8.43 and a Severity Rate (SR) of 0.27 for its factories, which are lower than the last French mechanical industry published rates (2012): 21.4 for IR and 1.1 for SR. IR is expressed in number of accidents resulting in more than one calendar lost day per million hours worked and SR is expressed in number of calendar lost days per thousand hours worked.

#8 Intensify the implementation of the BIC Group Code of Conduct

The commitment applies to all contract manufacturers of finished products. The rating system measures the level of performance of each contract manufacturer based on the social indicators of the BIC Group Code of Conduct. BIC Graphic audits are conducted only in sites located in countries with "Human Rights" risks (not free and partly free according to Freedom House, 2013).

#9 Develop employee engagement

BIC conducts Employee and BIC Values surveys which alternate on a biennial basis: in 2014 the Employee survey, in 2015 the Values in Action survey and in 2016 the Employee survey. In 2016, both surveys were merged into one: the Engagement and Adherence to Values survey. The scope has to be at least 80% of BIC permanent headcount and temporary workers.

#10 Ensure BIC employees' employability

This commitment measures the number of manager and non-manager positions executed internally compared to the total number of executed positions in the Group over the same period of time. This includes the following: promotions (increase in level) and developmental moves (position moves that encompass a change in position or geographical area or entity).





2.6.4. INDICATORS TABLE

Environmental indicators	Barometer	Unit	2014	2015	2016
Management systems of factories					
Factories with environmental and health & safety management systems (or with implementation under way)		%	89.0	89.0	91.5
BIC employees working in ISO 14001 certified factories (or in the process of certification)		%	84.0	80.0	83.0
Energy consumption					
Annual energy consumption		Gigajoules	1,111,280	1,154,083	1,168,908
Annual energy consumption normalized to production	Barometer	Gigajoules per ton	12.19	12.21	11.77
Greenhouse Gas (GHG) emissions					
Total amount of annual GHG emissions		tCO ₂ -e	94,234	98,641	98,431
• Direct GHG emissions		tCO ₂ -e	8,800	9,061	8,689
• Indirect GHG emissions		tCO ₂ -e	85,434	89,580	89,742
Total amount of annual GHG emissions normalized to production		tCO ₂ -e/ton	1.034	1.044	0.991
Water consumption					
Annual water consumption		m ³	540,531	519,911	482,451
Annual water consumption normalized to production	Barometer	m ³ per ton	5.93	5.50	4.86
Waste production					
Annual waste production		Tons	23,575	25,130	26,531
• Non-hazardous waste		Tons	20,744	22,017	23,377
• Hazardous waste		Tons	2,831	3,113	3,154
Annual production of waste normalized to production		Tons/tons	0.259	0.266	0.267
Annual production of non-recycled waste normalized to production	Barometer	Tons/tons	0.078	0.084	0.086
Recovered waste (recycled or incinerated with energy recovery)		%	84	83	83
Transportation					
GHG emissions related to intra-company transport*		tCO ₂ -e/ton	0.662	0.633	0.768
Intra-company transport operated without air freight	Barometer	%	98.15	98.09	97.71
Products					
Number of products certified with the French <i>NF Environnement</i> ecolabel			22	22	22
Number of innovative responsible products launched	Barometer		2	4**	5
Number of products adapted to developing markets created	Barometer		2	7**	8
Number of products that have at least one environmental benefit***	Barometer	%	49.6	50.0	50.0
Packaging					
BIC cardboard packaging from a certified and/or recycled source	Barometer	%	87.97	90.44	92.26
BIC plastic packaging PVC free	Barometer	%	79.00	82.43	83.46
Other Indicators					
Expenses for preventing consequences of the business on the environment ^(a)		Million euros	3.8	4.8	6.1
Provisions and guarantees for environmental risks ^(b)		Million euros	0	0	0
Compensation paid during the fiscal year under court order		Million euros	0	0	0

* BIC Graphic (Advertising and Promotional Products) excluded.

** 2014 and 2015.

*** BIC Graphic (Advertising and Promotional Products) and BIC Sport excluded.

(a) Investment budgets related to short and long-term improvement programs to prevent or minimize environmental consequences are an integral part of the factories' budgets.

(b) Guarantees received regarding the environment are listed in Note 25 "Off-balance sheet commitments: sureties, deposits and guarantees" of the consolidated financial statements for the year.





Social indicators	Barometer	Unit	2014	2015	2016
Group workforce (Cello Pens excluded)					
Total workforce (full-time equivalent)			11,025	11,144	11,435
• Permanent employees			9,550	9,640	9,856
• Temporary workers			1,475	1,504	1,578
Voluntary turnover		%	8	8	8
Permanent workforce by region					
Permanent workforce by geographical area					
• Europe		%	40.5	40.7	42.0
• North America		%	24.0	24.0	23.8
• Developing countries		%	35.5	35.3	34.2
Permanent workforce by activity					
Workforce by activity					
• Manufacturing and R&D		%	63	63	63
• Distribution, marketing et G&A		%	19	18	18
• Sales force and customer service		%	18	19	19
Training, career management and engagement					
Employees that have received one training		%	92	92	95
Number of training days		days	20,293	24,079	21,020
Number of training days per employee		days	2.2	2.7	2.1
Number of training hours per theme		hours	162,347	192,633	168,163
• Technical training		hours	100,837	132,782	120,732
• Leadership skills		hours	21,648	25,867	18,498
• BIC culture		hours	35,384	25,408	22,730
• Health & Wellbeing		hours	4,478	8,576	6,203
Internal promotion rate among managers (highest levels: 3 to 6)					
• External recruitment		%	35	34	35
• Internal recruitment		%	65	66	65
Participation rate in surveys	Barometer	%	90.5	85.1	83.1
Internal development moves and promotion rate	Barometer	%	30.5	31.5	30.8
Diversity					
Percentage of women in management and workforce					
• Board of Directors		%	30	30	30
• Leadership Team		%	18	20	14
• Managers (highest levels: 3 to 6)		%	29	29	30
Safety					
Incidence rate of workers' accidents in the factories (accidents with temporary or permanent incapacity)	Barometer	Number per millions of hours worked	6.67	6.28	7.10
Severity rate of workers' accidents in the factories (in days of temporary incapacity)	Barometer	Number per thousands of hours worked	0.31	0.26	0.24
Absenteeism					
Absenteeism rate (excluding on-site accidents and maternity)		%	1.5	1.5	1.5





OUR ENVIRONMENTAL, SOCIAL, AND SOCIETAL RESPONSIBILITY Milestones

Societal indicators	Barometer	Unit	2014	2015	2016
Respect for Human Right in the workplace					
Net sales from BIC® products manufactured in its own factories		%	84.6	86.0	90.0
BIC permanent employees working in countries with no Human Rights risk ^(a)		%	80.4	81.0	82.0
BIC factories located in countries with no Human Rights risk ^(a)		%	83	86	89
Contract manufacturers located in countries with no Human Rights risk ^(a)		%	22	28	20
Contract manufacturers that have been audited using assessment tools that include a rating system and been monitored on an ongoing basis	Barometer	%	26.8	75.7	96.1
Net sales in countries with no Human Rights risk ^(a)		%	87.4	88.3	88.1
Sponsorship					
Contribution to communities (percentage of the Group's pretax profit)		%	0.49	>0.7	>0.5

(a) Source: Freedom House.





2.6.5. INDEPENDENT VERIFIER'S REPORT ON CONSOLIDATED SOCIAL, ENVIRONMENTAL AND SOCIETAL INFORMATION PRESENTED IN THE MANAGEMENT REPORT

ERNST & YOUNG et Associés
SOCIÉTÉ BIC
Year ended 31 December 2016
To the Shareholders,

In our quality as an independent verifier accredited by the COFRAC ⁽¹⁾, under the number no 3-1050, we present our report on the consolidated social, environmental and societal information established for the year ended on the 31 December 2016, presented in chapter 2 of the registration document including the management report, hereafter referred to as the "CSR Information," pursuant to the provisions of Article L. 225-102-1 of the French Commercial Code (*Code de commerce*).

Responsibility of the company

It is the responsibility of the Board of Directors to establish a management report including CSR Information referred to in Article R. 225-105-1 of the French Commercial Code (*Code de commerce*), in accordance with the protocols used by the company which are procedures for environmental, health and safety, human resources and Barometer information in their versions dated of January or November 2016 (hereafter referred to as the "Criteria"), and of which a summary is included in chapter 2 of the registration document.

Independence and quality control

Our independence is defined by regulatory requirements, the Code of Ethics of our profession as well as the provisions in the article L. 822-11 of the French Commercial Code (*Code de commerce*). In addition, we have implemented a quality control system, including documented policies and procedures to ensure compliance with ethical standards, professional standards and applicable laws and regulations.

Responsibility of the independent verifier

It is our role, based on our work:

- to attest whether the required CSR Information is present in the management report or, in the case of its omission, that an appropriate explanation has been provided, in accordance with the third paragraph of R. 225-105 of the French Commercial Code (*Code de commerce*) (Attestation of presence of CSR Information);
- to express a limited assurance conclusion, that the CSR Information, overall, is fairly presented, in all material aspects, in accordance with the Criteria.

Our verification work mobilized the skills of five people between October 2016 and February 2017 for an estimated duration of twelve weeks.

We conducted the work described below in accordance with the professional standards applicable in France and the Order of 13 May 2013 determining the conditions under which an independent third-party verifier conducts its mission, and in relation to the opinion of fairness, in accordance with the international standard ISAE 3000 ⁽²⁾.

1. Attestation of presence of CSR Information

Nature and scope of the work

We obtained an understanding of the company's CSR issues, based on interviews with the management of relevant departments, a presentation of the company's strategy on sustainable development based on the social and environmental consequences linked to the activities of the company and its societal commitments, as well as, where appropriate, resulting actions or programmes.

We have compared the information presented in the management report with the list as provided for in the Article R. 225-105-1 of the French Commercial Code (*Code de commerce*).

In the absence of certain consolidated information, we have verified that the explanations were provided in accordance with the provisions in Article R. 225-105-1, paragraph 3, of the French Commercial Code (*Code de commerce*).

We verified that the information covers the consolidated perimeter, namely the entity and its subsidiaries, as aligned with the meaning of the Article L.233-1 and the entities which it controls, as aligned with the meaning of the Article L.233-3 of the French Commercial Code (*Code de commerce*) with the limitations specified in the Methodological Note in chapter 2.6.3 "Perimeter and selection of indicators" of the registration document, notably the one concerning the exclusion of Cello Pens activities.

Based on this work, and given the limitations mentioned above we confirm the presence in the management report of the required CSR information.

2. Limited assurance on CSR Information

Nature and scope of the work

We undertook a dozen of interviews with the people responsible for the preparation of the CSR Information in the departments in charge of the data collection process and, if applicable, with the people responsible for internal control processes and risk management, in order to:

- Assess the suitability of the Criteria for reporting, in relation to their relevance, completeness, reliability, neutrality, and understandability, taking into consideration, if relevant, industry standards;
- Verify the implementation of the process for the collection, compilation, processing and control for completeness and consistency of the CSR Information and identify the procedures for internal control and risk management related to the preparation of the CSR Information.

(1) Scope available at www.cofrac.fr

(2) ISAE 3000 – Assurance engagements other than audits or reviews of historical information.





OUR ENVIRONMENTAL, SOCIAL, AND SOCIETAL RESPONSIBILITY Milestones

We determined the nature and extent of our tests and inspections based on the nature and importance of the CSR Information, in relation to the characteristics of the Company, its social and environmental issues, its strategy in relation to sustainable development and industry best practices.

For the CSR Information which we considered the most important ⁽¹⁾:

- At the level of the consolidated entity, we consulted documentary sources and conducted interviews to corroborate the qualitative information (organisation, policies, actions, etc.), we implemented analytical procedures on the quantitative information and verified, on a test basis, the calculations and the compilation of the information, verified their coherence and consistency with the other information presented in the management report;
- At the level of the representative entities that we selected ⁽²⁾, based on their activity, their contribution to the consolidated indicators, their location and a risk analysis, we undertook interviews to verify the correct application of the procedures and undertook detailed tests on the basis of samples, consisting in

verifying the calculations made and linking them with supporting documentation. The sample selected therefore represented 11% of the workforce as at 31 December 2016, 18% of the annual production (in metric tons), 20% of energy consumption and 14% of waste generation, that were considered as representative characteristics of the environmental and social domains.

For the other consolidated CSR information, we assessed their consistency in relation to our knowledge of the company.

Finally, we assessed the relevance of the explanations provided, if appropriate, in the partial or total absence of certain information.

We consider that the sample methods and the sizes of the samples that we considered by exercising our professional judgment allow us to express a limited assurance conclusion; an assurance of a higher level would have required more extensive verification work. Due to the necessary use of sampling techniques and other limitations inherent in the functioning of any information and internal control system, the risk of non-detection of a significant anomaly in the CSR Information cannot be entirely eliminated.

Conclusion

Based on our work, we have not identified any significant misstatement that causes us to believe that the CSR Information, taken together, has not been fairly presented, in compliance with the Criteria.

Paris-La Défense, 1st March 2017

Independent Verifier
ERNST & YOUNG et Associés

Eric Mugnier
Partner, Cleantech & Sustainability

Bruno Perrin
Partner

(1) Quantitative information :

Products: number of innovative responsible products launched in 2016 (and score for Commitment #1 within the BIC Sustainable Development Barometer), number of products created in 2016 for developing markets (and score for Commitment #2), share of BIC® products with at least one environmental benefit (and score for Commitment #3), production of finished and semi-finished products;

Environment: percentage of cardboard packaging from a certified and/or recycled source and percentage of plastic packaging PVC free (and score for Commitment #4 within the BIC Sustainable Development Barometer), water consumption per ton of production, energy consumption per ton of production, direct and indirect emissions of greenhouse gases, hazardous and non-hazardous waste generation, score for Commitment #5 within the BIC Sustainable Development Barometer, annual production of non-recycled waste per ton of production, share of intra-company transport that is operated without air freight (and score for Commitment #6);

Safety: accident incidence and severity rate (and score for Commitment #7 within the BIC Sustainable Development Barometer);

Societal: share of contract manufacturers that have been audited using assessment tools that include a rating system and that will be monitored on an ongoing basis (and score for Commitment #8 within the BIC Sustainable Development Barometer);

Human resources: participation rates to the Engagement and Adherence to Values survey (and score for Commitment #9 within the BIC Sustainable Development Barometer), internal developmental moves and promotion rate (and score for Commitment #10), workforce as of 31 December 2016, percentage of women in workforce, recruitment and terminations, absenteeism rate.

Qualitative information:

Implementation of the BIC Sustainable Development Barometer, general policies for human resources, environment and safety at the workplace, employee development, Engagement and Adherence to Values survey among employees, transport activities, Group's "bottom of the pyramid" strategy, BIC Corporate Foundation and philanthropic actions.

(2) BIC Gaffney (United States), BIC Rasoirs (France), BIC Amazonia (Brazil) and BIC Sport (France).





CORPORATE GOVERNANCE

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CORPORATE GOVERNANCE



3.1. Chairman's Report on the conditions governing the preparation and organization of the work of the Board of Directors and on the risk management and internal control procedures implemented by the Company

Dear Madam, Sir, Shareholders,

You will find hereafter the Chairman's Report in compliance with Article L. 225-37 of the French Commercial Code. This report was established with the support of the Internal Control and Audit, Legal and Human Resources Departments. It was approved by the Board of Directors held on February 10, 2017, after it had been checked, for the parts that concern them, by the Audit Committee and the Compensation and Nomination Committee.

The Company refers to the AFEP/MEDEF's Corporate Governance Code for listed corporations (version dated November 2016 available on the website www.medef.fr). The Company complies with this Code except when indicated in this report.

3.1.1. COMPOSITION AND FUNCTIONING OF ADMINISTRATIVE AND MANAGEMENT BODIES

3.1.1.1. Composition of the Board of Directors

The positions and functions of the Directors, of the Chairman and Chief Executive Officer and of the Executive Vice-Presidents are presented in section 3.5. of this registration document.

The Board of Directors is chaired by Bruno Bich. The functions of Chairman and Chief Executive Officer were consolidated and entrusted to Bruno Bich following the Shareholders' Meeting of May 18, 2016, following the retirement of Mario Guevara, Chief Executive Officer. This temporary unification of functions will allow Bruno Bich to continue preparing a successor in the function of Chief Executive Officer.

Pierre Vareille has been appointed correspondingly as Vice-President, Lead Director with the mission to assist the Chairman of the Board regarding smooth running of the bodies of governance and prevention of conflicts of interests.

The Internal Rules and Procedures of SOCIÉTÉ BIC's Board of Directors were amended to include the appointment of the Vice-President, Lead Director.

The Directors are appointed by the Shareholders' Meeting. The term of their office is three years except when shorter in order to favor a smoother replacement of Directors.

According to the Articles of incorporation, the Board of Directors must comprise between three and twelve members. With the help of the Compensation and Nomination Committee, the Board strives for a balanced composition adapted to the challenges that the Group faces. The Board is thus composed of men and women, all with high level management experience and/or with expertise in a particular field (such as finance, production and human resources). Moreover, the Board of Directors endeavors to be composed of at least one-third Independent Directors.

Among the ten members of the Board of Directors of SOCIÉTÉ BIC are:

- three women: Elizabeth Bastoni, Marie-Pauline Chandon-Moët and Marie-Henriette Poinot;
- four nationalities, helping the BIC Group to benefit from an international vision;
- four independent Directors within the definition of the AFEP/MEDEF's Corporate Governance Code: Elizabeth Bastoni, John Glen, Frédéric Rostand and Pierre Vareille.

The Director called to replace Frédéric Rostand at the next Shareholders' Meeting being a woman, four women out of ten Directors will then sit on the Board.

Independent Directors do not have any relation of any kind with the Company, its Group or its management that is such as to color their judgment. Characterization as an Independent Director was reviewed by the Board of Directors on February 10, 2017.





CORPORATE GOVERNANCE

Chairman's Report on corporate governance and internal control

RESULTS OF THE REVIEW OF THE CHARACTERIZATION AS INDEPENDENT DIRECTOR BY THE BOARD OF DIRECTORS:

Criteria provided by the AFEP/MEDEF Code	Elizabeth Bastoni	John Glen	Frédéric Rostand	Pierre Vareille
Not to be an employee or Executive Officer of the Company, or an employee or Executive Officer or a Director of a company consolidated within the Company and/or the Company's parent company or a company consolidated within this parent, and not to have been in such a position during the previous five years	Compliant	Compliant	Compliant	Compliant
Not to be an Executive Officer of a company in which the Company holds a directorship, directly or indirectly, or in which an employee appointed as such or an Executive Director of the Company (currently in office or having held such office within the past five years) is a Director	Compliant	Compliant	Compliant	Compliant
Business relationships: not to be ^(a) a customer, supplier, commercial banker or investment banker:				
<ul style="list-style-type: none"> that is material to the Company or its Group; or for a significant part of whose business the Company or its Group accounts. 	Compliant	Compliant	Compliant	Compliant
Not to be related by close family ties to a Company Officer	Compliant	Compliant	Compliant	Compliant
Not to have been an Auditor of the Company within the previous five years	Compliant	Compliant	Compliant	Compliant
Not to have been a Director of the Company for more than twelve years	Compliant	Compliant	Compliant	Compliant

(a) Or be bound directly or indirectly to.

When business relationships defined in the table above exist, the Board assesses their importance on a case-by-case basis, more specifically or not in view of the commitments and the amount of the transactions they represent for each of the interested parties. The business relationships that could exist are considered non-significant because they represent less than 0.01% of the commercial flows of each group involved. Moreover, the Director concerned does not interfere in these business relationships, which

were implemented before his/her appointment as Director of the Company.

According to the Internal Rules and Procedures, Directors qualified as independent strive to maintain this quality. However, if a Director believes that he/she can no longer or will shortly no longer be qualified as independent under the AFEP/MEDEF's Corporate Governance Code, such Director must immediately notify the Chairman, who will place this item on the agenda of the next meeting of the Board of Directors.

DIRECTORS RENEWED IN 2016:

Date	Event	Position within the Board of Directors
May 18, 2016	Renewal of Bruno Bich as a Director	Chairman, Chief Executive Officer
May 18, 2016	Renewal of Elizabeth Bastoni as a Director	Independent Director, Member of the Compensation and Nomination Committee
May 18, 2016	Renewal of Mario Guevara as a Director	

As they consist in the renewal of existing mandates, these events had no impact on diversity within the Board of Directors (in terms of feminization, nationality or international experience).



3.1.1.2. Functioning of the Board of Directors

SOCIÉTÉ BIC's Internal Rules and Procedures formalize the mission, organization and ethical principles that guide the actions of the Board of Directors. The Internal Rules and Procedures are available on the website of the Company (bicworld.com – Governance).

a) Missions of the Board of Directors, of the Chairman and of the Vice-President/Lead Director

The Board of Directors determines the broad lines of the Company's business activities and ensures their implementation. It deals with all matters relating to the proper conduct of the Company's business and decides all pertinent issues.

The Board of Directors has to give its opinion on matters that can have a significant impact on the development, strategy or operation of the Group.

The Chairman is in charge of organizing and directing the work of the Board and reports to the Shareholders' Meeting as provided by the legislation. He also ensures that the bodies of the Company function properly and that the Directors are able to fulfill their mission.

The Vice-President and Lead Director's mission is to assist the Chairman of the Board regarding the smooth running of the bodies of governance and prevention of conflicts of interests. He may be required to replace the latter in case of unavailability.

To bring his mission to a successful conclusion, the Vice-President and Lead Director may:

- suggest to the Chairman of the Board items for the agenda of any Board's Meeting;
- attend any meeting of the committees;
- organize meetings of the non-Executive Directors;
- lead the assessments of the functioning of the Board of Directors;
- implement the necessary measures for the identification of conflicts of interests and inform the Board of any conflict situation identified.

b) Rights and duties of the Directors – Ethics – Conflicts of interests

In order to successfully carry out its mission, the Board of Directors has complete, accurate and early information, in particular regarding the activity of each business, as well as the financial and treasury position of the Company. The Internal Rules and Procedures set out how the Board of Directors is kept informed about the financial position of the Company. The Rules also provide

that each Director has the duty to keep up-to-date and to ensure that he/she receives in due time sufficient and relevant information.

The Rules provide that all Directors must be Shareholders and should hold, beyond the sole statutory requirement (one share), 500 shares.

Moreover, rules have been drawn up in writing concerning restrictions and/or prohibitions regarding share purchase or sale activity when the Directors and other concerned parties have information not yet made public.

According to the Rules, any Director must inform the Board, completely and beforehand, of any real or potential conflict of interest in which he/she could be directly or indirectly involved. In such case, the Director cannot take part in either the debates or in the decision on this matter.

c) Organization and work

The Board of Directors is assisted by two specialized committees, the Audit Committee and the Compensation and Nomination Committee. The Audit Committee meets at least two days before the Board Meeting, which allows the management team to take any necessary corrective measures before the Board Meeting.

Invitation and notification to Board members for upcoming meetings may take place by any means and are always confirmed in writing.

In principle, the Board of Directors meets at least six times a year in ordinary session, as follows:

- in February, to review the previous year's financial statements and approve the upcoming annual budget;
- in April, to examine the accounts of the 1st quarter of the year;
- in May, after the Ordinary Annual Shareholders' Meeting;
- in August, to review the half-year results;
- in October, to examine accounts of the 3rd quarter of the year;
- in December, to analyze the activity and the initial estimates of full-year results.

Other meetings of the Board of Directors are organized as required by the Group's business activities throughout the year. The meetings serve to provide the Board with regular and relevant information and promote an environment for strong corporate governance.

The Executive Vice-Presidents, the Leadership Team members or any other person having a particular expertise as to the matters included in the agenda, are authorized, at the request of the Chairman, to attend the whole or part of the Board Meeting. The Statutory Auditors can also be invited to attend meetings other than the ones for which their convening is legally mandatory.





CORPORATE GOVERNANCE

Chairman's Report on corporate governance and internal control

In 2016, the Board of Directors met six times for meetings of an average of four hours and twenty-five minutes. The rate of attendance at the meetings was 95% and breaks down as follows:

Director	Attendance
Bruno Bich – Chairman	6/6 meetings
Mario Guevara	5/6 meetings
François Bich	4/6 meetings
Elizabeth Bastoni	6/6 meetings
Marie-Pauline Chandon-Moët	6/6 meetings
John Glen	6/6 meetings
Marie-Henriette Poinot	6/6 meetings
Frédéric Rostand	6/6 meetings
SOCIÉTÉ M.B.D. (Édouard Bich)	6/6 meetings
Pierre Vareille	6/6 meetings

Additionally, non-Executive Directors met several times during the fiscal year. These meetings allowed them to discuss the governance arrangements in the Group and the future of its management.

In 2016, the Board of Directors ruled in particular on the following points:

- accounts and budget:
 - settlement of the statutory accounts and of the consolidated financial statements for the year ended December 31, 2015 and for the first half of the year 2016,
 - review of the quarterly results,
 - revision of the 2016 budget and 2017 preliminary budget;
- corporate governance:
 - setting compensation for Corporate Officers and Directors,
 - succession plan for the Corporate Officers,
 - search for a new Director,
 - mode of designation of the Director representing the employees,
 - allocation of free shares with or without performance conditions,
 - drawing-up of the various documents submitted to the Shareholders' Meeting;

- strategy:

- strategy relating to acceleration of growth on all of our markets,
- analysis of the strategy for the Stationery, Lighter and Shaver activities and for BIC Graphic,
- analysis of the Group's strategy in India,
- BIC Group's Sustainable Development Program,
- share buyback program,

d) Evaluation

The Internal Rules and Procedures prescribe that, once a year, the Board of Directors must devote a point of its agenda to debate its operation. This assessment must make it possible to discuss the functioning of the Board of Directors in order to increase its efficiency, to ensure that the important questions are suitably prepared and discussed and to measure the actual contribution of each Director to the Board's works based on his/her competencies and involvement in discussions.

In early 2017, an assessment was conducted. It was carried out under the supervision of the Vice-President Lead Director and of the Compensation and Nomination Committee with the assistance of an external consultant. This evaluation allowed to highlight various improvement avenues and will result in a concrete action plan.





e) Summary of non-compliance with the AFEP/MEDEF Code

The Company abides by the AFEP/MEDEF Code, except for the following recommendations:

Recommendation of the AFEP/MEDEF Code		
No.	Paragraph	Justification
9.3	Evaluation of the Board of Directors	
	<i>There is formal evaluation at least once every three years. This could be implemented under the leadership of the appointments or nominations committee or an independent director, with help from an external consultant.</i>	<p>The last formal evaluation with the help of an external consultant was realized in 2011. The importance of the topics to be addressed by the Board of Directors did not allow the Board to carry out such an evaluation in 2015 and in 2016.</p> <p>The Board conducted a formal evaluation in February 2017.</p>
24.6.2.	Supplementary pension schemes	
	<i>Supplementary pension schemes must be subject to the condition that the beneficiary must be a Director or employee of the Company when claiming his or her pension rights pursuant to the applicable rules.</i>	<p>James DiPietro, Executive Vice-President of SOCIÉTÉ BIC and CFO of BIC INTERNATIONAL, a U.S. company, could be entitled to a pension with defined benefit established by BIC CORPORATION, even while no longer being a Corporate Officer of SOCIÉTÉ BIC and BIC INTERNATIONAL when exercising his pension rights. This pension scheme is not governed by Article L.137-11 of the French Social Security Code. U.S. senior managers, members of the Group Leadership Team promoted before 2011, benefited and continue to benefit from this pension plan established by BIC CORPORATION more 30 years ago. James DiPietro, in the Group for 19 years, has been eligible for this pension for 14 years, therefore well before his appointment as Executive Vice-President. This pension plan has not been modified since this appointment.</p> <p>Gonzalve Bich, Executive Vice-President of SOCIÉTÉ BIC and COO of BIC INTERNATIONAL, a U.S. company, could be entitled to a pension with defined benefit established by BIC CORPORATION, if he does not resign before the age of 52, even while no longer being a Corporate Officer of SOCIÉTÉ BIC and BIC INTERNATIONAL when exercising his pension rights. This pension scheme is not governed by Article L.137-11 of the French Social Security Code. All U.S. employees hired before 2007 benefited and continue to benefit from this pension plan. Gonzalve Bich, in the Group for 14 years, has been eligible to this pension for 14 years, therefore well before his appointment as Executive Vice-President.</p>
	<i>The supplementary pension scheme may not give right to more than 45% of the reference income (fixed and variable annual compensation due in the reference period).</i>	<p>The pension plans of James DiPietro and Gonzalve Bich are not governed by Article L.137-11 of the French Social Security Code. The limitation of the maximum right to 45% of the reference income cannot be applied.</p> <p>James DiPietro has already accrued a pension benefit equivalent to 45% of the average remuneration of the last three years of service.</p> <p>If he does not resign before the age of 52, Gonzalve Bich will have already accrued a pension benefit equivalent to approximately 20% of the average remuneration of the last three years of service.</p>

Moreover, with regard to the representation of men and women, the Board of Directors was not able to propose Shareholders an appointment that would allow it to reach the proportion of 40% of women in the Board of Directors in 2016. This proportion will however be complied with in 2017 as provided by the legislation.

3.1.1.3. Committees set up by the Board of Directors

Two specialist committees, the Audit Committee and the Compensation and Nomination Committee assist the Board of Directors.

a) Audit Committee

John Glen – Chairman (Independent Director).

Pierre Vareille (Independent Director, Vice-President, Lead Director).

Édouard Bich (permanent representative of SOCIÉTÉ M.B.D.).

The Audit Committee was created in 1997. Its primary mission is to ensure that the accounting principles applied to the Company's consolidated and statutory accounts comply with current standards and are consistently applied, and to ensure that the internal consolidation procedures and controls yield financial statements that fairly represent business results.

The review of financial statements by the Audit Committee is accompanied by a presentation from the External Auditors of their

audit reports and the accounting methods chosen, and by a presentation from the CFO of the risks and significant off-balance sheet items of the Company.

The Audit Committee is responsible for providing its opinion on nomination of External Auditors, as well as attesting to the quality of the Auditors' work and their independence. This includes verifying there is no potential conflict between the Auditors and the Company.

It interviews the External Auditors, and also the persons responsible for finance, accounting, treasury matters, and Internal Audit and Risk Control.

These interviews can be held, if the Committee so wishes, without the presence of the corporation's executive management. Additionally, the Audit Committee Chairman meets (on his own) with the External Auditors at least once a year.

The Committee can call upon outside independent experts on matters within their competence, at the expense of the Company, after having informed the Chairman of the Board of Directors or the Board itself and reports their conclusions to the Board.





The career of the Audit Committee members allows them to benefit from financial and accounting skills necessary to fulfill their mission. John Glen, Chairman of the Committee, has eight years experience as Group Finance Director of Air Liquide between 2000 and 2008. He was Vice Chairman of EFRAG (European Financial Reporting Advisory Group) Supervisory Board for four years. He is a fellow of the Chartered Institute of Certified Accountants and holds a Masters degree in Economics. Édouard Bich spent eight years in the Finance Department of Procter & Gamble in France. He holds a MBA in Finance from Wharton University – USA. Pierre Vareille was until July 2016 Chairman and CEO of Constellium, a global leader in the aluminum industry listed on Euronext and the New York Stock Exchange. He started his career in 1982 with Vallourec, holding various management positions before being appointed CEO of several subsidiaries. After having held various general management positions at GFI Aerospace, Faurecia and Pechiney, he was, from 2004 to 2008, Chief Executive of the English automotive equipment manufacturer Wagon Plc (listed company in London) and, then from 2008 to 2011, Chairman and CEO of FCI, a world leading manufacturer of electronic connectors. He graduated from the *École Centrale* of Paris, he is an alumnus of the *Institut d'Études Politiques* of Paris as well as of Sorbonne University (Economy and Finance) and of *Institut de Contrôle de Gestion* (Audit).

During 2016, the Audit Committee met four times in the presence of its Chairman and of all other members. Representatives from both audit firms attended the meetings when Group results were reviewed. The meetings of the Audit Committee relating to the review of the financial statements are held several days before the examination by the Board (with a minimum of two days according to the Rules of Procedures).

Among other tasks, the Committee continues to monitor communications and requirements related to the new accounting and financial rules applying to the Group and the Company's implementation plan to meet these requirements. The Audit Committee also reviews any new change in International Financial Reporting Standards, Internal Control Structure and other financial reporting matters including the registration document.

In 2016, the Audit Committee also worked on:

- review of the goodwill amortization and impairment tests;
- review of pensions and employee benefits;
- review of the Group's effective tax rate;
- review of the Group's Internal Control and Audit findings;
- review of the Group's risk mapping assessment;
- the preparation and planning of the Auditors' renewal in 2017;
- review of current Delegation of Authority Levels within the Group;
- benchmark of audit fees;
- review of treasury arrangements including liquidity.

b) Compensation and Nomination Committee

Frédéric Rostand – Chairman (Independent Director).

Marie-Henriette Poinot.

Elizabeth Bastoni (Independent Director).

The Compensation Committee was created in 2001 and is responsible for examining the remuneration of Corporate Officers and of the members of the General Management and making proposals to the Board of Directors. The Committee's responsibility also includes Group salary policy, benefits, stock option plans and free share awards.

From 2007, the Board of Directors decided to allocate to this committee, now called the Compensation and Nomination Committee, the following additional tasks:

- proposal to the Board of Directors of appointment of new Directors, taking into account the rules regarding the appointment of independent Directors;
- examination and proposal to the Board of Directors of the succession plan for Corporate Officers, in case of unforeseeable vacancy.

Bruno Bich, Chairman of the Board, takes part in the Committee work for certain topics and in particular the succession plan and the remuneration of the Chief Executive Officer (CEO).

During 2016, the Compensation and Nomination Committee met three times. The rate of attendance was 100%. The Committee's activity focused specifically on:

- details and level of remuneration for the Chairman;
- details and level of base remuneration, plus annual variables and long-term incentives for the CEO and the Executive Vice-Presidents;
- determination of the criteria and annual targets used to calculate their variable remuneration 2016;
- details of their supplementary pension plans and other benefits;
- analysis of the positioning of the total compensation of the Corporate Officers and of the management;
- principles and amounts of free share awards based on performance, portion of the grant dedicated to Corporate Officers, determination of three-year targets that govern these awards, in addition to principles in case of departure from the Company;
- principles and number of free shares granted to employees without performance conditions;
- analysis of the compliance with AFEP/MEDEF recommendations;
- preparation of the Corporate Officer succession plan (for which the contribution of the Chairman of SOCIÉTÉ BIC was requested).

The Committee also gave its opinion on the remuneration 2016/2017 of the BIC Management team and on the practice of the compensation policy in the Group.



3.1.1.4. Limitation of the powers of the Chief Executive Officer

The Internal Rules and Procedures specify the type of operations that must in all cases be subject to prior authorization by the Board of Directors:

- transactions outside SOCIÉTÉ BIC's announced strategy;
- decisions to set up French or foreign operations by creating an establishment, direct or indirect subsidiary, or by acquiring a shareholding, as well as any decisions to discontinue such operations, if the amount of such operations exceeds 50 million euros;
- internal reorganization if the cost of such operation exceeds 50 million euros.

3.1.2. RISK MANAGEMENT AND INTERNAL CONTROL PROCEDURES IMPLEMENTED BY THE COMPANY

3.1.2.1. Risk management and internal control definitions and objectives

3.1.2.1.1. Adoption of the principles of the AMF's reference framework for risk management and internal control systems

For the issuance of this report, the Group complies with the principles outlined in Part II of the *Risk Management and Internal Control Systems – Reference Framework* updated in July 2010 by the Working Group chaired by Olivier Poupart-Lafarge and set up by the AMF (*Autorité des Marchés Financiers* – French Financial Markets Authority). This corresponds to a partial adoption of the full text that also provides an *Application Guide for Internal Control Procedures related to the Accounting and Financial Information Published by the Issuer*.

The related specific control activities are the responsibility of the local subsidiaries that continuously adapt them to their current situation, with guidance from the Group Accounting and Controlling's Manuals. The Application Guide has not been formally compared to the existing procedures and processes but the Company does not expect material differences considering the similarity of the Application Guide with these two manuals.

a) Risk management

The adoption process considers the definition of risk management as the Company's dynamic system, defined and implemented under its responsibility. This system is comprehensive and covers all the Company's activities, processes and assets.

Risk management encompasses a set of resources, behaviors, procedures and actions that are adapted to the characteristics of the Company and that enable managers to keep risks at an acceptable level for the Group.

Risk represents the possibility of an event occurring that could affect:

- the Company's ability to reach its objectives;
- the Company's ability to abide by its values, ethics, laws and regulations;
- the Company's personnel, assets, environment or reputation.

Risk management is also a lever for managing the Company that helps to:

- create and preserve the Company's value, assets and reputation;
- secure decision-making and the Company's processes to attain its objectives;
- promote the consistency of the Company's actions with its values;
- mobilize the Company behind a shared vision of the main risks.

b) Internal control

The adoption process also incorporates the definition of internal control as a Company system, defined and implemented under its responsibility, which aims to ensure that:

- laws and regulations are complied with;
- the instructions and directional guidelines fixed by Executive Management are applied;
- the Company's internal processes are functioning correctly, particularly those implicating the protection of its assets;
- financial information is reliable.

In general, internal control contributes to the control over a company's activities, to the efficiency of its operations and to the efficient utilization of its resources.

The first objective refers to all regulations and laws in force to which the Company is subject and incorporates in its daily activities to achieve its compliance objectives.

The second addresses the guidelines given to the staff to understand what is expected from them and to be aware of the scope of freedom of action. This communication process is based on the Company's objectives cascaded to the employees.

The third covers all operational, industrial, commercial and financial processes. Assets are understood to be both tangible and intangible assets (know-how, image or reputation) and are used throughout the existing processes of the Company.

The last objective deals with the preparation of reliable financial statements, including full, interim and condensed financial statements and selected financial data derived from such statements, such as net sales releases. The reliability of this information depends on the quality of the associated internal control procedures and system (see reporting procedures section 3.1.2.2.4. "Internal Control procedures") that should ensure:

- the segregation of duties principle, enabling a clear distinction between recording, operational and retention duties;
- that functions' description provides guidelines to identify the source of the information and of materials produced;
- the validity of means to check that operations have been performed in accordance with general and specific instructions, and have been accounted for to produce financial information that complies with the relevant accounting standards of the Company.





3.1.2.1.2. Scope of risk management and internal control

Risk management and internal control as defined in this report apply to SOCIÉTÉ BIC as the parent company of the Group and all the entities consolidated within the Group.

The internal control in place has been designed for all entities to suit the existing organization, the objectives determined by the Board of Directors and the Leadership Team (see section 3.1.2.3. "*Risk management and internal control participants, specific structure(s) in charge/respective roles and interactions*"), and compliance with laws and regulations.

Supporting principles and system have been set up in all relevant areas and subsidiaries, considering local specificities and regulations. These principles are also known and followed by the different centralized Group departments.

The Risk Management principles are also applicable to any entity entering the Group; and, whenever possible, the Group asks its subcontractors and suppliers to comply with these principles. For instance, SOCIÉTÉ BIC asks its suppliers to follow the safety rules for employees that are applied within the BIC Group.

3.1.2.1.3. Limitations of risk management and internal control systems

Even with the most efficient organization, limitations inherent in risk management and internal control exist. Indeed, risk management and internal control systems cannot provide an absolute guarantee that the Company's objectives will be met.

The major existing limitations are the evolution and the uncertainties in the outside world, the judgmental nature of people's decisions and the result of potential human failure or of a simple error.

Moreover, any time a control activity is to be implemented, the comparative cost/benefit is considered ensuring reasonable control coverage.

3.1.2.2. Components of risk management and internal control of the Company and its subsidiaries

The efficiency of the risk management and internal control systems of a Company relies on its components built to serve the objectives as defined previously.

3.1.2.2.1. Control environment

a) Organization

The Group implemented a structured internal control system giving the appropriate guidelines and responsibilities to achieve the objectives set by the Board of Directors and the Leadership Team.

This organization is based on the definition of responsibilities and objectives set by the Management and then shared individually with the employees.

b) Main tools

To support this structure and measure its accuracy and efficiency, different tools have been implemented. Below are listed the main tools shared by all entities of the Group:

- Code of Ethics (see section 3.1.2.3.6. "*Employees*");
- Group Anti-Corruption Policy (see section 3.1.2.3.6. "*Employees*");
- Group Vision and Values (see section 3.1.2.3.6. "*Employees*");
- Group Accounting and Controller's Manuals:

These manuals distributed in all entities and available on the Group intranet provide the guidelines respectively for bookkeeping and financial reporting activities under IFRS standards, and for the procedures to respect the internal control system in all sectors of the Company (*i.e.* Purchasing, Treasury, Tax, Sales, etc.);

- Fraud Reporting Protocol:

The purpose of the Fraud Reporting Protocol is to ensure that all fraud suspicions or actual cases are reported in a timely, consistent and uniform manner and to coordinate the subsequent investigations. A fraud reporting template has been shared with all BIC subsidiaries;

- Human Resources Management Policy:

Detailed in section 2.4. "*Our social responsibility to our employees*", Human Resources Management participates fully in internal control efficiency.

In particular, it ensures that the recruitment process is in line with the knowledge and skills required by the Group. In addition, it communicates Management's objectives to each individual in accordance with his/her role and responsibilities.

For example, the Performance, Evaluation and Development (PED) tool was created to meet the following goals efficiently:

- cascading of the Company's objectives to the employees throughout the year,
- training and people development: see section 2.4. "*Our social responsibility to our employees*";
- Information systems:

Different information systems are used depending on the business processes they support. They are organized primarily by continent. However, consolidation procedures are in place to have access to a consolidated result that allows Group Management to monitor performance and manage the operations.

Most of the Group's entities use fully integrated systems (ERP) to assist them in the management of the business and report financial data using a consolidation and management software (see section 3.1.2.2.4. "*Internal Control procedures*"). Continents and countries are in charge of implementing operational procedures to secure access, back-up and recovery of critical system data.



3.1.2.2.2. Dissemination of relevant and reliable information

The Company has implemented efficient information dissemination processes and systems that allow accurate communication to the relevant level of responsibility and authority.

The formats of these tools are diverse. They range from IT (Information Technology) solutions (including the Group intranet, the financial consolidation software, the integrated system implemented per continent, etc.) to existing procedures that include information management.

These information tools aim to support the whole internal control system of the Company and to help the decision processes and follow-up for the achievement of Management's objectives.

3.1.2.2.3. Risk management process

Risk management, among its objectives, aims to address the existing risks that could potentially significantly impact the Company. All risks cannot be addressed. However, when addressed, the means used include internal mitigation processes and/or external insurance protection.

This specific process leads to a three-step approach based on the following activities:

- risk identification and analysis;
- risk management;
- risk monitoring.

a) Risk identification and analysis

The risk identification and analysis is performed by the Risk Management Department.

The identification process highlights the main risks arising from both external and internal sources. The driver for identification is the potential significant impact on the Company's objectives, personnel, assets, environment or reputation.

The risk identification and analysis process consists of two components: a bottom-up approach and a top-down approach.

Bottom-up approach

Since 2015, within a framework defined by Group Risk Management, a self-assessment of significant risks is made at the subsidiary level on a voluntary reporting basis.

Questionnaires are addressed to the representatives of the targeted level (local General Manager/local Chief Financial Officer). They are requested to complete and return the questionnaire to Group Risk Management whenever a risk must be notified.

Top-down approach

Following a recommendation of the Audit Committee and a request of the Leadership Team, in 2010 the Company initiated a project to improve formalization of risk management.

This project enables to obtain a synthetic overview of major risks that the Group is or could be exposed to.

The approach that consisted in updating the Group risk mapping can be summarized as follows:

- risk identification through a questionnaire completed by each member of the Leadership Team and an individual interview led by the project team;
- synthesis of main risk areas;

- ranking of risks according to criteria in terms of potential impact and management effectiveness.

The Group's risk mapping process reviews the status of prior risks identified and reassesses any potential new risk every year. In 2016, the Top-down approach also included questionnaires sent to contributors outside of the Leadership Team.

Risks listed by this approach have been considered in the "Group Presentation" – section 1.6. "Risk factors" and are considered for the internal audit schedule.

The Risk Management Department, as the process coordinator, challenges when required the answers received and the action plans mentioned in response to the identified risks. It also consolidates the documents and weighs the impacts to deliver a Group Risk Matrix. This matrix provides for all risk categories the impact for the Group and a summary is shared with the Audit Committee and the Statutory Auditors. It is also shared with the Chairman of the Board.

The analysis and measurement of the identified risks are conducted for internal use.

A similar methodology has been applied to the process of preparing financial statements and consolidation.

b) Risk management

The major risks identified in the Group risk mapping are managed by the Leadership Team. These risks were followed and monitored during the year. Progress and status of action plans related to certain key risks have also been reviewed and discussed at Board Meetings. The other risks continue to be monitored closely.

In addition, different procedures exist (see section 3.1.2.2.4. "Internal Control procedures"). The Leadership Team, Categories, Continents and centralized departments such as Legal, Sustainable Development or Treasury, monitor risks on an ongoing basis. They are involved in the management of risks disclosed in the "Group Presentation" – section 1.6. "Risk factors":

- the Group Treasury manages and monitors interest rate exposure and foreign exchange exposure daily;
- the Legal Department regularly monitors changes in laws/regulations and litigation in progress;
- the main industrial and environmental risks are considered by the category or country Management and the Sustainable Development Department;
- the significant strategic and operational risks are managed by the Leadership Team.

A yearly review of Insurance coverage process is also performed: see "Group Presentation" – section 1.6. "Risk Factors – Insurance – Coverage of risk likely to be incurred by the issuer".

c) Risk monitoring

The Leadership Team performs regular reviews of risk exposure.

Each site/department creates its own scorecards and key indicators to detect, follow and measure the effectiveness of risk mitigation.

The risk mappings are updated on a regularly basis.





3.1.2.2.4. Internal Control procedures

a) Internal Control procedures related to the preparation of accounting and financial information published by the Company

The accounting and financial information used internally for management, or for external reporting, is prepared in compliance with the IFRS (International Financial Reporting Standards) as adopted by the European Union.

The information follows a bottom-up reporting process from the local statutory accounts data to the consolidated/management set of financial statements. This reporting is performed using consolidation software following every monthly closing.

The finance teams of the subsidiary companies, under the control of their respective Finance and Operations Directors, report information to the continent finance teams and then report to the Group. This reported package is audited by the local External Auditors for the significant entities. Statutory Auditors prepare memorandums and a synthesis of significant comments for the Group.

Cost controllers work closely with operations and report to local Management and functionally to the continent/category Financial Director.

The Group developed a Controllers' Manual of policies and internal procedures that was presented and communicated to the Finance Directors of the subsidiaries. This review is ongoing, with key policies and procedures updated and validated by functional managers as needed. When a new policy is created or an update or enhancement is made to an existing policy, the information is communicated via an "Internal Control bulletin" posted on the employee intranet and is also cascaded by the Leadership Team to all subsidiaries.

The reporting procedures within the Group are the following:

- the Group finance information system allows preparation of statutory consolidations and management consolidations within the same reference frame;
- the Group also uses a detailed sales reporting system. A monthly reconciliation is prepared between the sales reporting and financial information systems. Any meaningful variance is explained;
- the Group financial information system is used in all the subsidiary companies, which allows an analysis at each level of reporting (subsidiaries, continents, Group or by category of products) starting from the same source data and according to the same reporting format;
- the Group internal financial information is analyzed monthly and compared with the budget at the subsidiary level and the Leadership Team also reviews the consolidated data and the related analysis monthly;
- an analysis is performed between the budget, the forecasts and the strategic plan and is reviewed by the Leadership Team;
- the consolidated financial information is validated by the Group Chief Financial Officer. Significant issues are reviewed with the Chairman of the Board and the Chief Executive Officer;
- the Audit Committee validates this information and provides the Board of Directors with a report if necessary;

- the External Auditors are involved in the validation performed on a yearly basis of the production process of financial information.

The account closing process includes in particular the following:

- the fixing and circulation of accounting rules by the Group Finance through the Group Accounting Manual;
- the preparation and sending of a calendar and instructions to the affiliates by the Consolidation Department at each monthly closing;
- the existence of a checklist with the corresponding tasks to be performed by the subsidiary for the account closing;
- the signature of an internal representation letter by the subsidiary for the annual closing. The purpose of this representation letter is to assess the compliance of financial statements: it lists controls, actions and assertions critical to the proper completion of Group financial reporting.

b) Other internal control procedures

As already mentioned, internal control within BIC Group is decentralized. It is then the responsibility of each organization (subsidiary, department, category, continent, etc.) to establish the relevant procedures in all concerned sectors to support the objectives and definition of internal control.

However, as a global framework, the Group Controllers Manual provides the general guidelines to be satisfactorily adopted, following adaptation, at the respective level of internal control.

The Group's main procedures are described below:

Purchasing and capital investment procedures

The constant emphasis in these procedures is upon the commitment authorization. This initial step is the main driver for the rest of the process, from the acknowledgement of receipt of the purchased goods or service, to the payment of vendors.

Therefore, the Group has implemented an authorization matrix that identifies the level of responsibilities required in accordance with the amount to be committed. All authorizations are expected to be formalized on the appropriate form or through the IT systems. The delegation of authority matrix is regularly updated according to changes in the Group organization.

This approval process is the foundation of the three-way-match procedure followed within the Group. Starting with an approved purchase order, it requires that matching is performed at the following stages:

- at the delivery/service rendering with the proof of delivery or completion;
- when receiving the supplier's invoice for generation of payment.

The three-way match process assures the segregation of duties principle and allows clear tracking of the validity of transactions throughout the purchasing process.

In terms of capital expenditure, an additional step is required for the purchase initiator. Prior to any investment, specific documentation is prepared to gather all necessary data such as description and return on investment features, approvals in accordance with the level of commitment and a post-acquisition audit schedule.



In terms of organization, attention is drawn to the segregation of the procurement function from that of purchasing. The goal is to mitigate any risk of overlapping responsibilities. This process also centralizes at Group level the procurement flows on strategic materials, to better control the needs and level of financial commitment.

Finally, vendor management, including the suppliers' database, also follows specific control procedures and rules throughout any relationship these third parties could have with the Group.

Selling procedures

The selling procedures follow common rules and principles, but they are customized for local markets and customers, based on the existing nature of transactions.

These common principles deal in particular with:

- the validity of selling prices and selling conditions (price list set-up process, special pricing authorization schemes, etc.);
- the completeness and accuracy of the selling orders received through different media;
- the respect of recognition timing with emphasis on cut-off processes and adjustment procedures;
- the fair value of trade receivables with procedures for bad debt reserve computation and credit note issuance.

Similarly, to the relationships with suppliers, procedures deal with customers' master file management, including the creation of new accounts, the cash allocation process for the payment receipts and credit management.

Inventory management procedures

The management of inventory covers physical custody of the goods, valuation of these items and monitoring of the related flows. Thus, the procedures in place address all these topics.

Regarding physical safeguarding, Group policies are provided in addition to local regulations. They deal with:

- the safety objectives for the employees involved in the inventory management;
- the assets' security with clear guidelines in terms of storage conditions, stock-take process or segregation of duties.

In terms of valuation, a BIC costing procedure is established to help local controllers to follow the Group rules as well as comply with local accounting and financial standards. The Group rules are disclosed in "Note 1 of the consolidated financial statements – Main rules and accounting policies".

Cash management procedures

Mostly centralized within the Group Treasury, some aspects of cash management are maintained at the local level. For both levels, procedures are in place to cover:

- cash balance and payment management including physical safeguards, the performance of bank reconciliations and supervision of segregation of tasks performed;
- bank mandates and management of authorization signatures;
- debt financing activities, whether short or long term.

Centrally, the Group Treasury follows specific procedures regarding its investment portfolio and foreign exchange exposure management, as described in the "Comments on the year" – section 4.3. "Management of currency and interest rate risks".

Fixed asset management procedures

As defined in the objectives for internal control, asset security is identified as a matter of priority. To achieve this, procedures have been implemented within the Group. Some of them are described above.

The existence and the validity of assets being essential, instruction is given to local sites to perform physical inventories on a regular basis for reconciliation with the financial systems.

In addition to the investment authorization process mentioned earlier, all fixed asset movements (*i.e.* transfers, disposal and sales) are regulated by dedicated procedures.

Finally, specific rules are required for the management of the Fixed Asset Registers to support compliance with both local and Group accounting standards and to permit efficient control activities.

3.1.2.2.5. Control activities

Each level of the Group is involved in control activities to ensure that Group rules, guidelines and procedures are correctly applied.

Moreover, the IC&A Department ensures through its annual audit plan that no material discrepancy with the Group procedures exists.

This control addresses both operational and financial environments and focuses on:

- validity of the operations and transactions, including the authorization processes for expenditures and investments;
- completeness of transaction reporting;
- proper evaluation and recognition of operations for accurate information availability and disclosure;
- the guarantee of the Company's future.





3.1.2.3. Risk management and internal control participants, specific structure (s) in charge/respective roles and interactions

Risk management and internal control implemented by the Group are fully integrated functions within the organization.

3.1.2.3.1. The Board of Directors

The Board of Directors of SOCIÉTÉ BIC, which represents the Shareholders, acts in all circumstances in the interests of the Company. It must also review and approve the Company's strategic objectives.

3.1.2.3.2. The Leadership Team

The Leadership Team, under the direction of Bruno Bich, Chairman of the Board of Directors and Chief Executive Officer of SOCIÉTÉ BIC, is comprised of 15 members whose principal goal is to implement the strategy of the Company as defined by the Board. It is also responsible for defining the implementation and the supervision of the means to achieve the objectives.

In addition to Bruno Bich, and to the three Executive Vice-Presidents, Gonzalve Bich, Marie-Aimée Bich-Dufour and James DiPietro, the Leadership Team members include:

- Gonzalve Bich⁽¹⁾, Chief Operating Officer;
- operational representatives responsible for continents:
 - Billy Salha, General Manager Europe and Asia Pacific,
 - Chris Mills, General Manager North America,
 - Ricardo Ibarra, General Manager Latin America,
 - Peter Van den Broeck, General Manager Middle East, Africa & India;
- representatives of product categories:
 - Benoît Marotte, General Manager for Stationery,
 - François Clément-Grandcourt, General Manager for Lighters,
 - Thomas Brette, General Manager for Shavers,
 - Edgar Hernandez, General Manager for BIC Graphic;
- representative of transverse functions:
 - Marie-Aimée Bich-Dufour, Sustainable Development, BIC Foundation Chairwoman and Board Secretary,
 - Ed Dougherty, Strategy Advisor,
 - Alison James, Chief Human Resources Officer,
 - James DiPietro, Chief Financial Officer,
 - Édouard Maruani, General Counsel,
 - Laurent Serano, Chief Information Officer.

Category General Managers are directly responsible for Manufacturing, New Product Development, Research and Quality Assurance. In addition, they are responsible for developing and proposing each category's long-term strategy.

The Leadership Team also monitors the quality of the internal control process and the implementation of risk coverage. It also ensures, with the Group Chief Financial Officer's support, that indicators are consolidated to measure the operational performance against the budget and, if necessary, focus on the variances and corrective measures that may need to be implemented.

In addition to the budget, forecasts are prepared and revised three times during the year to monitor the budget achievement and understand any current marketplace dynamics. A strategic planning process is in place to help identify future growth opportunities.

3.1.2.3.3. The Audit Committee

The Audit Committee, described earlier in this report (see section 3.1.1.3. "Committees set up by the Board of Directors"), among other assignments, monitors closely the risk management and internal control systems on a regular basis. The Committee can interview the Internal Audit Manager to be updated on the work performed during the year and can give its opinion on the department's organization. A summary of internal audit findings is shared with the Committee on a yearly basis.

3.1.2.3.4. The Internal Control & Audit (IC&A) Department

The Internal Control and Audit Department reports operationally to the Group Finance Department and, on request, to the Leadership Team and the Chairman of the Board.

This department reviews both financial and operational activities and expresses an independent assessment on the degree of compliance with the policies, rules and procedures of the Group. The IC&A Department focuses on:

- business cycle and process reviews (such as sales and collection, purchasing and disbursements, fixed assets, inventories, payroll, cash management and accounting entry processing) at both subsidiary and Corporate level;
- testing of the controls in place to ensure their effectiveness and efficiency;
- coordination with functional managers for the continuous updating of the Controller's Manual;
- issuance of guidance and recommendations for improvement to existing processes, including the sharing of Group best practices;

This department also provides assistance on timely and specific engagements, such as external acquisition or internal restructuring operations.

The Internal Control and Audit Department provides assistance on fraud prevention, awareness and also investigations on reported fraud cases within the Group.

The approach of the IC&A Department also includes Group information systems through reviews of IT (Information Technology) accesses and business continuity procedures.

Each year, the IC&A Department presents the audit schedule to the External Auditors, provides updates and shares the reports resulting from site reviews. In addition, the IC&A Department coordinates site reviews with Group Finance and the External Auditors to ensure coverage of any specific areas.

(1) Gonzalve Bich was General Manager Consumer Categories & Latin America until December 31, 2016.



a) IC&A Department's activities in 2016

A multi-year audit rotation schedule is in place to ensure that all sites and key processes are reviewed on average every three years.

The 2016 schedule led the IC&A Department to perform 23 audits, in manufacturing and distribution entities, combining initial and follow-up visits.

These audits were carried out in accordance with the methodology and procedures set by the IC&A Department, including in particular:

- performance of tests (walkthroughs and detailed testing) and interviews with the contributors of the cycles reviewed on a risk based approach;
- the issuance of a report after the audit, which lists recommendations for improvements to be considered by the site/department, in accordance with a precise action plan and deadlines. The IC&A Report is an excellent communication tool and plays an important role in the continuous improvement of controls within the Group.

No significant issue was identified further to these reviews. The issued recommendations in the audit reports highlighted improvements to certain controls for better efficiency. Local Management has shared their response to these recommendations and proposed action plans with the related implementation dates and responsibilities for execution. These implementations have been checked during follow-up visits performed by the IC&A Department. Furthermore, quarterly follow-up of action plans progress contributes to an efficient monitoring of the recommendations implementation related to significant audit issues. Dashboards are communicated quarterly to the representatives of continents and categories. Finally, the best practices in terms of internal control noted while performing these reviews have been communicated and shared within the Group.

In addition, all General Managers and Finance Directors of the subsidiaries signed a letter attesting that the internal controls in place are comprehensive and operate adequately to manage the operations. In the letter, they also attest to the reliability of the financial information reported and compliance with relevant laws and regulations.

If necessary, the General Manager of the subsidiary provides details of non-significant weaknesses for which corrective actions will be implemented the following year. This process allows for a reasonable confidence being placed on the achievement of operational goals, on the reliability of financial information reported and on compliance with relevant laws and regulations. All this information has been collected for 2016 and no new major issues have been identified to date.

A summary of the work performed by the IC&A Department during the year is presented to the Leadership Team, Audit Committee and Board of Directors. The analysis includes a summary of the main audit findings and recommendations as well as a summary of the risk analysis and action plans for progress.

b) Perspectives and Action Plan for 2017

The IC&A Department will continue to focus on processes and efficiency improvements, testing of operational effectiveness of key controls and enhancing the overall review process.

The 2017 audit schedule, prepared by the IC&A Department and validated by the Audit Committee and the Leadership Team, meets the multi-year rotation principle for the site and processes reviews. It maintains the same level of intervention as in 2016, in terms of number of audits and type of audited sites and processes.

Finally, the IC&A Department will maintain its coordination role for the continuous improvement of Group procedures, and it will continue to be involved in the risk management approach.

3.1.2.3.5. The Risk Management Department

The Risk Management Department collects, analyzes and ranks the external and internal arising risks that could have an impact on the Group. It coordinates the risks monitoring in accordance with the Leadership Team.

3.1.2.3.6. Employees

Each employee is involved in internal control in accordance with his/her respective knowledge and has access to information to design, operate and monitor the internal control system. For connected employees, Group Internal Control Policies including the Group Controllers Manual are available on the Group Intranet.

To reinforce the commitment of all employees to the importance of internal control in the Company, the Values of the Group are posted at all Group locations so that all employees have access to them. In 2005, the Group Vision and Values were updated and presented to all employees. Since 2005, a survey on the application of the Values across the Group, supplemented since 2010 by an engagement survey, are carried out biannually. In 2016, the engagement survey and the survey on the Values were merged. 84% of invited employees participated in the survey and the engagement was stable at 83%, confirming the interest of employees in this type of initiative and their willingness to share their opinions.

The Group Code of Ethics is available for all employees on the Group Intranet. The Code of Ethics and its guide were updated in 2014. The Board of Directors has taken note of it and reasserted, as necessary, the importance of the action and behavior principles mentioned in this Code. The Leadership Team validated the Group Code of Ethics and related procedures and policies, and distributes it throughout the Group.

A Group Anti-Corruption Policy was also made available for all employees on the Group Intranet in 2016, stating that the Group prohibits bribery and corruption in any form and upholding our reputation for integrity.

Additionally, a Charter of Diversity was signed in 2011 by the Chief Executive Officer. This Charter of Diversity, shared by all the entities, defines the Group commitment to continually improving and educating employees about the importance of diversity and aims to assist in the prevention of discrimination in the workplaces.





3.2. Statutory Auditors' Report prepared pursuant to Article L. 225-235 of the French Commercial Code on the report prepared by the Chairman of the Board of Directors

For the year ended December 31, 2016

This is a free translation into English of the Statutory Auditors' Report issued in French prepared in accordance with Article L. 225-235 of the French Commercial Code on the report prepared by the Chairman of the Board of Directors on the internal control procedures relating to the preparation and processing of accounting and financial information issued in French and is provided solely for the convenience of English speaking users. This report should be read in conjunction with, and construed in accordance with, French law and the relevant professional standards applicable in France.

To the Shareholders,

In our capacity as Statutory Auditors of SOCIÉTÉ BIC, and pursuant to Article L. 225-235 of the French Commercial Code (*Code de Commerce*), we hereby report to you on the report prepared by the Chairman of your Company in accordance with Article L. 225-37 of the French Commercial Code for the year ended December 31, 2016.

It is the Chairman's responsibility to prepare, and submit to the Board of Directors for approval, a report on the internal control and risk management procedures implemented by the Company and containing the other disclosures required by Article L. 225-37 of the French Commercial Code, particularly in terms of corporate governance.

It is our responsibility:

- to report to you on the information contained in the Chairman's Report in respect of the internal control and risk management procedures relating to the preparation and processing of accounting and financial information; and
- to attest that this report contains the other disclosures required by Article L. 225-37 of the French Commercial Code, it being specified that we are not responsible for verifying the fairness of these disclosures.

We performed our procedures in accordance with professional standards applicable in France.

Information in respect of the internal control and risk management procedures relating to the preparation and processing of accounting and financial information

The professional standards require that we perform the necessary procedures to assess the fairness of the information provided in the Chairman's Report in respect of the internal control and risk management procedures relating to the preparation and processing of accounting and financial information. These procedures mainly consisted in:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of accounting and financial information on which the information presented in the Chairman's Report is based and the existing documentation;
- obtaining an understanding of the work involved in the preparation of this information and the existing documentation;
- determining whether any significant weaknesses in the internal control procedures relating to the preparation and processing of accounting and financial information that we would have noted in the course of our engagement are properly disclosed in the Chairman's Report.

On the basis of these procedures, we have no matters to report on the information given in respect of the internal control and risk management procedures relating to the preparation and processing of financial and accounting information, set forth in the report of the Chairman of the Board of Directors, prepared in accordance with the provisions of Article L. 225-37 of the French Commercial Code.

Other disclosures

We hereby attest that the Chairman's Report includes the other disclosures required by Article L. 225-37 of the French Commercial Code.

Neuilly-sur-Seine, March 8, 2017

The Statutory Auditors

French original signed by

Grant Thornton

French Member of Grant Thornton International

Vincent PAPAZIAN

Deloitte & Associés

François BUZY





3.3. Report on Compensation Policy for Chairman, Chief Executive Officer and Executive Vice-Presidents of SOCIÉTÉ BIC

3.3.1. GENERAL PRINCIPLES GOVERNING COMPENSATION

In addition to the AFEP/MEDEF's Corporate Governance Code's principles (except the recommendations stated in section 3.1.1.2.e), the following general principles characterize the compensation policy and practices across the Group:

3.3.1.1. Presentation of principles

Internal equity

Internal differentials have credible justification and reflect level of responsibilities, experience, performance, potential and market practice.

Pay for performance

Individual and collective performance plays an important role in remuneration at BIC. Base remuneration increases at the individual level are based on the market yearly evolution and, differentiated based on individual performance. Remuneration includes a variable part (annual or long-term) based on the achievement of individual and/or collective objectives that are critical to the team, business unit and/or company's success.

Competitiveness

BIC refers to benchmarks from external remuneration markets and designs its remuneration systems to be aligned with its business needs, growth objectives and values. Total compensation for well-established and performing employees is competitive.

Effective communication

Compensation & benefits policies and practices are openly and clearly communicated, both in their structure and their "value" to the individual.

3.3.1.2. Method of determining the pay elements

BIC uses third-party consultant experts in compensation and benefits to analyze the remuneration package of executives with comparable responsibilities to those of BIC executives based in France and USA. In line with previous years, the comparison panel includes the following companies:

- in France: Accor Hotels, Atos, Bureau Veritas, Carrefour, Danone, Dassault Systèmes, Essilor, Gemalto, Hermes international, Kering, Lafarge, L'Oreal, LVMH, Pernod Ricard, Unibail-Rodamco, Valeo, Vallourec, Vivendi ;
- in USA: Amway, Coca Cola Enterprises, Diageo North America, Hasbro, Kellogg, Kimberly-Clark, Mary Kay, NBTY, NU Skin Enterprises, PepsiCo, SC Johnson & Son, Scotts Miracle-Gro, Sealed Air, Sherwin-Williams, Tupperware Brands, Unilever USA.

Remuneration is set, in respect of the above-mentioned principles and the practice of comparable companies, by the Board of Directors upon

the recommendation of the Compensation and Nomination Committee. This committee:

- analyzes and compares trends in remuneration for comparable individuals and positions in the French marketplace for Bruno Bich and Marie-Aimée Bich-Dufour, and in the U.S. marketplace for Gonzalve Bich and James DiPietro.
- analyzes the performance of individuals and of the Company as a whole;
- ensures that the Group's policies and priorities are reflected in variable remuneration programs, both short and long-term;
- analyses the total reward including all benefits (and including pension).

3.3.1.3. Allocation of the variable and exceptional pay elements

Under the new provisions of Article L.225-37-2 of the French Commercial Code, the payment of the variable annual part and of exceptional items requires an *ex post* vote of the Shareholders' Meeting.

3.3.2. PARTICULAR PRINCIPLES GOVERNING COMPENSATION

In application of the general principles of the BIC Compensation Policy, which are set forth in the present report, and upon the recommendation of the Compensation and Nomination Committee, the Board has applied a specific remuneration structure for the Chairman, Chief Executive Officer and Executive Vice-Presidents, with:

- a fixed part;
- an annual variable part;
- a long-term incentive;
- exceptional items;
- pension plans;
- benefits in kind.

3.3.2.1. Fixed part

At the beginning of each year, the Board sets the fixed part of the remuneration of the executives for the fiscal year.

The fixed part of the remuneration for the Chairman, the Chief Executive Officer and the Executive Vice-Presidents reflects the responsibilities of the executive, his/her experience and his/her skills.

The fixed part is the base from which the annual variable part is determined.





CORPORATE GOVERNANCE

Report on Compensation Policy for Chairman, Chief Executive Officer and Executive Vice-Presidents

3.3.2.2. Annual variable part

The Chairman, Bruno Bich, received no variable remuneration for 2016.

The annual variable target for the Chief Executive Officer and the Executive Vice-Presidents, is a percentage of the fixed part, with a maximum potential payout of 150% of the target. The annual bonus is calculated based on six criteria:

- 20%: Group/Categories and/or geographical area Net Sales;
- 20%: Group/Categories Income from Operations;
- 10%: Group Net Income;
- 10%: Group/Categories Inventory;
- 10%: Group/geographical area Accounts Receivables;
- 30%: Individual Objectives and overall performance.

At the end of the fiscal year, the individual and financial results are evaluated against the bonus criteria.

3.3.2.3. Long-Term Incentive

Grant of Performance Shares since 2005

From 2005, exercising the power placed at its disposal by the Shareholders' Meeting, the Board of Directors decided, upon the recommendation of the Compensation and Nomination Committee, to put in place a policy of three-year performance-based free share grants. Performance is assessed according to the achievement of two objectives:

- Net sales growth;
- net cash flow from operations and change in inventory, as a percentage of Net sales.

If the average percentage for the achievement of the two performance conditions is between 100% and 75%, and for each percent below 100%, the number of shares actually given to each beneficiary on the vesting date will be reduced by 2% compared to the initial grant.

If the average percentage for the achievement of the two objectives is less than 75%, no shares will be given.

BIC Corporate Officers are required to keep 20% of free shares given, until their mandate expires. The 20% requirement is reduced to 10% when the Chief Executive Officer owns five years of base salary in BIC shares and when the Executive Vice-Presidents own three years of base salary in BIC shares.

No grant of stock options since 2011

As part of a policy recommended by the Compensation and Nomination Committee, since 2011, the Board has decided to no longer award stock options and has set up a policy of performance share grants.

3.3.2.4. Supplementary pension plans

The Chairman, the Chief Executive Officer and the Executive Vice-Presidents benefit from supplementary pension plans as presented in detail in section 3.4.1.7.

3.3.2.5. Benefits in kind

In the course of their regular duties, the Chairman, the Chief Executive Officer and the Executive Vice-Presidents may benefit from a company car (if based in France) or a car allowance (if based in the United States).

3.3.2.6. Termination Payment and Sign on Bonus

No Corporate Officer has received a Termination Payment or Sign on Bonus.

However, the Board reserves the right to make provision for such payments, in particular in consideration of the personal situation of the person concerned (change in status, termination of an employment contract)

The Board of Directors





3.4. Senior Management compensation and employees' interests in the issuer's capital

3.4.1. SENIOR MANAGEMENT COMPENSATION

3.4.1.1. Rules governing the granting of the variable annual part (Bonus) for 2016

The Board of Directors set the annual fixed and the annual variable parts of the remuneration for 2016:

Corporate Officer	Annual Fixed Part 2016	Annual Target Variable 2016 (corresponds to 100% achievement of the objectives)
Bruno Bich Chairman, then Chairman and Chief Executive Officer from June 2016	200,000 euros	-
Mario Guevara Chief Executive Officer until May 2016	810,000 U.S. dollars, paid <i>pro rata temporis</i> until June 1, 2016	-
François Bich Executive Vice-President until February 2016	490,000 euros to pay <i>pro rata temporis</i> until February 29, 2016;	-
Gonzalve Bich Executive Vice-President from June 2016	400,000 U.S. dollars, from June 2016	70% of the fixed part as of June 2016
James DiPietro Executive Vice-President from June 2016	500,000 U.S. dollars, from June 2016	75% of the fixed part as of June 2016
Marie-Aimée Bich-Dufour Executive Vice-President	295,000 euros	45% of the fixed part

a) The Chairman and Chief Executive Officer, Bruno Bich, received no variable remuneration for 2016.

Bruno Bich took the role of CEO upon the retirement of Mario Guevara. This expanded his role from Chairman to Chairman and CEO during a managing transition period that will end at the latest in October 2018, when Bruno Bich will attain 72 years old (the maximum age of the Chairman, the Chief Executive Officer and the Executive Vice-Presidents as per SOCIÉTÉ BIC Articles of incorporation). At this point no additional remuneration was granted in variable form. This explains why Bruno Bich has no variable compensation in his package; he kept the same

remuneration structure (fixed base remuneration only) as he had been granted when he was in the role of Chairman only.

b) Mario Guevara, Chief Executive Officer through May 2016, and François Bich, Executive Vice-President through February 2016 did not receive any variable remuneration for 2016.

c) The bonus paid to the Executive Vice-Presidents, Gonzalve Bich, James DiPietro and Marie-Aimée Bich-Dufour, was calculated on the basis of four to six criteria proposed by the Compensation and Nomination Committee and authorized by the Board of Directors at the beginning of the fiscal year.

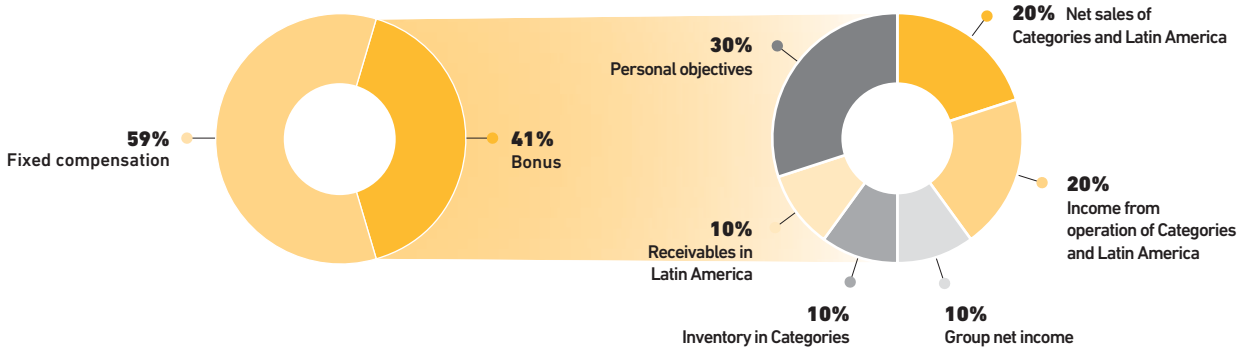




CORPORATE GOVERNANCE

Senior Management compensation and employees' interests in the issuer's capital

STRUCTURE OF THE VARIABLE REMUNERATION OF GONZALVE BICH FROM MAY 2016



BONUS - GONZALVE BICH

Criteria	2016 Bonus as a % of base salary			Index of achievement of 2016 objectives	Actual 2016 bonus paid, as a % of base salary
	Minimum	Target (index 100)	Maximum		
Net sales of Categories and Latin America	5.10%	12.75%	19.10%	99.0	12.37%
Income from operations of Categories and Latin America	5.10%	12.75%	19.10%	99.0	12.37%
Group Net income	2.50%	6.40%	9.60%	104.4	7.30%
Inventory in Categories	2.50%	6.40%	9.60%	101.2	6.66%
Account Receivables in Latin America	2.50%	6.40%	9.60%	102.3	6.85%
Personal Objectives	7.80%	19.05%	28.50%	100.0	19.05%
TOTAL	25.50%	63.75%	95.50%		64.60%

In June 2016, target bonus increased from 55% to 70% of base salary, i.e. a global rate of 63.75% for the year.

At the end of the year, individual and collective achievements on each criteria were assessed.

Personal objectives are qualitative criteria related to the implementation of a development plan defined by the Board in April 2016, the implementation of the Information Technology strategy, building of digital capabilities, development projects in

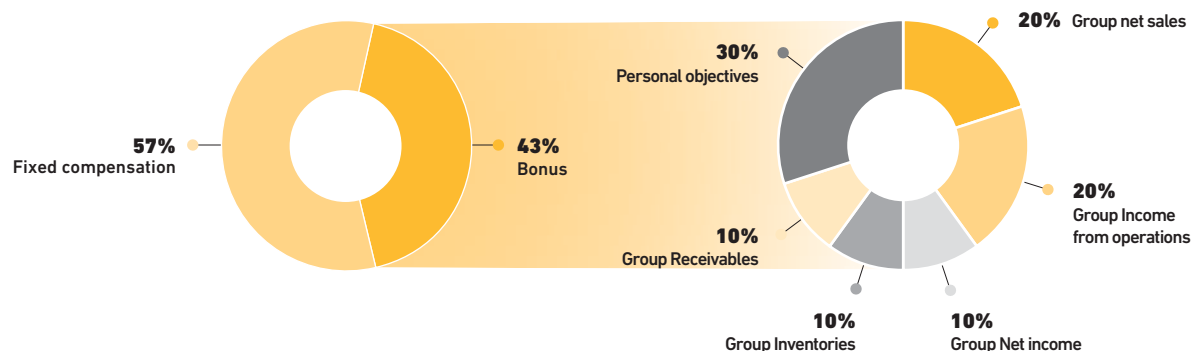
Brazil and people management. The individual part represents 29% of the target bonus and represents a maximum of 28.50% of the base salary. For 2016, the individual part represents 29.5% of the bonus paid.

The Board of Directors has decided to pay to Gonzalve Bich a bonus amounting to 258,400 U.S. dollars representing 64.60% of base salary and 101.3% of the target bonus.





STRUCTURE OF THE VARIABLE REMUNERATION OF JAMES DIPIETRO FROM MAY 2016



BONUS - JAMES DIPIETRO

Criteria	2016 Bonus as a % of base salary			Index of achievement of 2016 objectives	Actual 2016 bonus paid, as a % of base salary
	Target				
	Minimum	(si index 100)	Maximum		
Group Net sales	5.30%	13.30%	20.00%	98.7	12.90%
Group Income from operations	5.30%	13.30%	20.00%	104.0	14.90%
Group Net income	2.70%	6.70%	10.00%	104.4	7.64%
Group Inventory	2.70%	6.70%	10.00%	100.6	6.83%
Group Receivables	2.70%	6.70%	10.00%	99.9	6.70%
Personal Objectives	8.00%	20.00%	30.00%	100.0	20.00%
TOTAL	26.70%	66.70%	100.00%		68.97%

In June 2016, target bonus increased from 55% to 75% of base salary, i.e. a global rate of 66.70% for the year.

At the end of the year individual and collective achievements on each criteria were assessed.

Personal objectives are qualitative criteria related to the quality of reporting and analysis, tax management, participation in strategic projects and improvement of audits and procedures. The individual part represents 30% of the target bonus and represents a maximum of 30% of the base salary. For 2016, the individual part represents 29 % of the bonus paid.

The Board of Directors has decided to pay James DiPietro a bonus amounting to 344,850 U.S. dollars representing 68.97% of base salary and 103.4% of the target bonus.

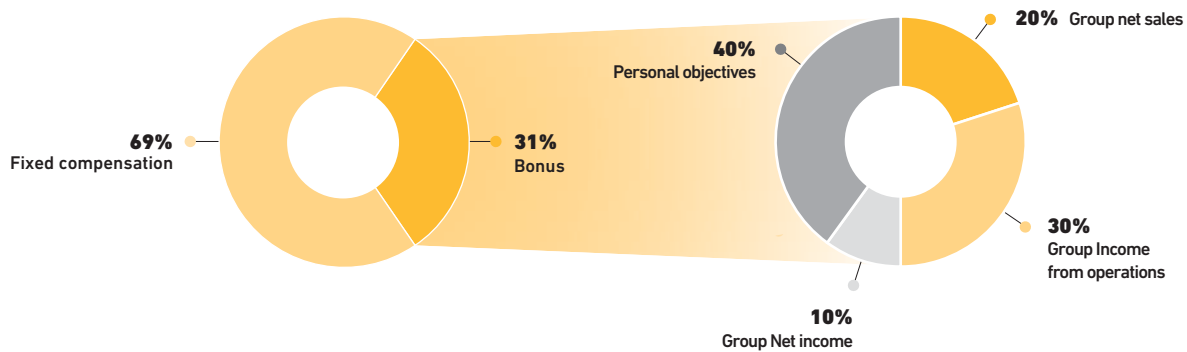




CORPORATE GOVERNANCE

Senior Management compensation and employees' interests in the issuer's capital

STRUCTURE OF THE VARIABLE REMUNERATION OF MARIE-AIMÉE BICH-DUFOUR IN 2016



BONUS – MARIE-AIMÉE BICH-DUFOUR

Criteria	2016 Bonus as a % of base salary			Index of achievement of 2016 objectives	Actual 2016 bonus paid, as a % of base salary
	Minimum	Target (index 100)	Maximum		
Group Net sales	3.60%	9.00%	13.50%	98.7	8.73%
Group Income from operations	5.40%	13.50%	20.25%	104.0	15.12%
Group Net income	1.80%	4.50%	6.75%	104.4	5.13%
Personal objectives	7.20%	18.00%	27.00%	100.0	18.00%
TOTAL	18.00%	45.00%	67.50%		46.98%

At the end of the year 2016, individual and collective achievements on each criteria were assessed.

Personal objectives are qualitative criteria related to the launch of the foundation, social business projects and the engagements for Sustainable Development. The individual part represents 40% of the target bonus and represents a maximum of 27% of the base salary. For 2016, the individual part represents 38.3% of the due bonus.

The Board of Directors has decided to pay to Marie-Aimée Bich-Dufour a bonus amounting to 138,591 euros representing 46.98% of base salary and 104.4% of the target bonus.

3.4.1.2. Fixed part of the Remuneration for 2017

The Board has set the annual fixed parts of the remunerations 2017:

- 204,000 euros (+2% vs. 2016) for Bruno Bich, Chairman and Chief Executive Officer;
- 500,000 U.S. dollars (451,998 euros⁽¹⁾) (+25% vs. 2016) for Gonzalve Bich, promoted Chief Operating Officer and Executive Vice-President on January 1, 2017;
- 515,000 U.S. dollars (465,558 euros⁽¹⁾) (+3% vs. 2016) for James DiPietro, Chief Finance Officer and Executive Vice-President;

- 300,900 euros (+2% vs. 2016) for Marie-Aimée Bich-Dufour, President of BIC Foundation and Sustainable Development, and Executive Vice-President.

3.4.1.3. Individual remuneration

The total amount of fixed and variable remuneration awarded to the six Corporate Officers for the fiscal year 2016 is equal to 1,361,636 euros in respect of fixed remuneration (base) and 683,926 euros in respect of variable remuneration (bonus). For the fiscal year 2015, those amounts were 1,711,256 euros in respect of fixed remuneration (base) and 1,858,070 euros in respect of variable remuneration (bonus)⁽¹⁾.

The total amount of remuneration awarded to the 16-members of the Leadership team (including the Chief Executive Officer and the four Executive Vice-Presidents) for the fiscal year 2016, is equal to 4,751,032 euros in respect of fixed remuneration (base) and 2,223,851 euros in respect of variable remuneration (bonus). For the fiscal year 2015, the team was made up of 11 members and those amounts were 4,004,027 euros in respect of fixed remuneration (base) and 3,244,829 euros as variable remuneration (bonus).

Total compensation and fringe benefits awarded for fiscal years 2015 and 2016 by SOCIÉTÉ BIC and by the companies it controls, within the meaning of Article L. 233-16 of the French Commercial Code, to members of the Management bodies of SOCIÉTÉ BIC in respect of their functions within the Group, were as follows:

(1) Amounts in U.S. dollars were converted into euros using the average exchange rate for 2015 (1 EUR = 1.1092 USD) and for 2016 (1 EUR = 1.1062 USD).





TABLES A – SUMMARY OF COMPENSATION, OPTIONS AND SHARES AWARDED TO EACH CORPORATE OFFICER

(Table 1 following the format of the French Financial Markets Authority Position-Recommendation No. 2009-16)

Bruno Bich	Fiscal year 2015	Fiscal year 2016
Chairman, then Chairman and Chief Executive Officer from June 2016	<i>(in euros)</i>	<i>(in euros)</i>
Compensation due in respect of the year (detailed in table B)	196,000	200,000
Valuation of long-term variable compensation awarded during the year	-	-
Valuation of stock options awarded during the year (detailed in table D)	-	-
Valuation of performance shares awarded during the year (detailed in table G)	-	-
TOTAL	196,000	200,000

Bruno Bich was the Non-Executive Chairman in January 2016. In May 2016, he was appointed Chairman and Chief Executive Officer. The structure and the amount of his remuneration have remained unchanged. He receives a fixed remuneration (with no variable element) from SOCIÉTÉ BIC.

Mario Guevara	Fiscal year 2015	Fiscal year 2016
Chief Executive Officer until June 1, 2016	<i>(in U.S. dollars)^(a)</i>	<i>(in U.S. dollars)^(b)</i>
Compensation due in respect of the year (detailed in table B)	2,411,714	721,388
Valuation of long-term variable compensation awarded during the year	(2,174,281 euros)	(652,130 euros)
Valuation of stock options awarded during the year (detailed in table D)	-	-
Valuation of performance shares awarded during the year (detailed in table G)	2,860,322	3,142,714
	(2,578,725 euros)	(2,841,000 euros)
TOTAL	5,272,036	3,864,102
	(4,753,006 EUROS)	(3,493,130 EUROS)

(a) Amounts in U.S. dollars were converted into euros using the average exchange rate for 2015 (1 EUR = 1.1092 USD)

(b) Amounts in U.S. dollars were converted into euros using the average exchange rate for 2016 (1 EUR = 1.1062 USD). (See Note 3 to the consolidated financial statements).

François Bich	Fiscal year 2015	Fiscal year 2016
Executive Vice-President until February 2016	<i>(in euros)</i>	<i>(in euros)</i>
Compensation due in respect of the year (detailed in table B)	934,672	82,279
Valuation of long-term variable compensation awarded during the year	-	-
Valuation of stock options awarded during the year (detailed in table D)	-	-
Valuation of performance shares awarded during the year (detailed in table G)	916,880	-
TOTAL	1,851,552	82,279

Gonzalve Bich	Fiscal year 2015	Fiscal year 2016
Executive Vice-President from June 2016	<i>(in U.S. dollars)^(a)</i>	<i>(in U.S. dollars)^(b)</i>
Compensation due in respect of the year (detailed in table B)	Not applicable	721,788
Valuation of long-term variable compensation awarded during the year	-	(652,493 euros)
Valuation of stock options awarded during the year (detailed in table D)	-	-
Valuation of performance shares awarded during the year (detailed in table G)	Not applicable	628,543
		(568,200 euros)
TOTAL	NOT APPLICABLE	1,350,331
		(1,220,693 EUROS)

(a) Amounts in U.S. dollars were converted into euros using the average exchange rate for 2015 (1 EUR = 1.1092 USD).

(b) Amounts in U.S. dollars were converted into euros using the average exchange rate for 2016 (1 EUR = 1.1062 USD). (See Note 3 to the consolidated financial statements).





CORPORATE GOVERNANCE

Senior Management compensation and employees' interests in the issuer's capital

James DiPietro Executive Vice-President from June 2016	Fiscal year 2015 <i>(in U.S. dollars)^(a)</i>	Fiscal year 2016 <i>(in U.S. dollars)^(b)</i>
Compensation due in respect of the year (detailed in table B)	Not applicable	995,469 (899,900 euros)
Valuation of long-term variable compensation awarded during the year	-	-
Valuation of stock options awarded during the year (detailed in table D)	-	-
Valuation of performance shares awarded during the year (detailed in table G)	Not applicable	1,005,669 (909,120 euros)
TOTAL	NOT APPLICABLE	2,001,138 (1,809,020 EUROS)

(a) Amounts in U.S. dollars were converted into euros using the average exchange rate for 2015 (1 EUR = 1.1092 USD).

(b) Amounts in U.S. dollars were converted into euros using the average exchange rate for 2016 (1 EUR = 1.1062 USD). (See Note 3 to the consolidated financial statements).

Marie-Aimée Bich-Dufour Executive Vice-President	Fiscal year 2015 <i>(in euros)</i>	Fiscal year 2016 <i>(in euros)</i>
Compensation due in respect of the year (detailed in table B)	435,610	435,079
Valuation of long-term variable compensation awarded during the year	-	-
Valuation of stock options awarded during the year (detailed in table D)	-	-
Valuation of performance shares awarded during the year (detailed in table G)	372,483	367,900
TOTAL	808,093	802,979

TABLES B - SUMMARY OF THE COMPENSATION OF EACH CORPORATE OFFICER

(Table 2 following the format of the French Financial Markets Authority Position-Recommendation No. 2009-16)

Bruno Bich Chairman, then Chairman and Chief Executive Officer from June 2016	Amounts for fiscal year 2015 <i>(in euros)</i>		Amounts for fiscal year 2016 <i>(in euros)</i>	
	Due	Paid	Due	Paid
Fixed compensation	196,000	196,000	200,000	200,000
Annual variable compensation	-	-	-	-
Long-term variable compensation	-	-	-	-
Extraordinary compensation	-	-	-	-
Directors' fees	-	-	-	-
Fringe benefits	-	-	-	-
TOTAL	196,000	196,000	200,000	200,000





Mario Guevara Chief Executive Officer until June 1, 2016	Amounts for fiscal year 2015 (in U.S. dollars) ^(a)		Amounts for fiscal year 2016 (in U.S. dollars) ^(b)	
	Due	Paid	Due	Paid
	810,000	810,000	340,615	340,615
Fixed compensation	(730,256 euros)	(730,256 euros)	(307,914 euros)	(307,914 euros)
Annual variable compensation	1,417,500 (1,277,948 euros)	943,200 (850,343 euros)	-	1,417,500 (1,281,413 euros)
Long-term variable compensation	-	-	-	-
Other remuneration ^(c)	67,406 (60,770 euros)	67,406 (60,770 euros)	315,809 (285,490 euros)	315,809 (285,490 euros)
Directors' fees	-	-	-	-
	1) Car allowance: 19,200	1) Car allowance: 19,200	1) Car allowance: 8,074	1) Car allowance: 8,074
Fringe benefits	(17,310 euros)	(17,310 euros)	(7,298 euros)	(7,298 euros)
	2) Company contributions to Company U.S. savings plan: a) 401 K: 7,950 (7,167 euros)	2) Company contributions to Company U.S. savings plan: a) 401 K: 7,950 (7,167 euros)	2) Company contributions to Company U.S. savings plan: a) 401 K: 7,950 (7,187 euros)	2) Company contributions to Company U.S. savings plan: a) 401 K: 7,950 (7,187 euros)
	b) Exec Comp Plan: 32,400 (29,210 euros)	b) Exec Comp Plan: 32,400 (29,210 euros)	b) Exec Comp Plan: -	b) Exec Comp Plan: -
	3) Other: 57,258 (51,620 euros)	3) Other: 57,258 (51,620 euros)	3) Other: 48,940 (44,241 euros)	3) Other: 48,940 (44,241 euros)
TOTAL	2,411,714 (2,174,281 EUROS)	1,937,414 (1,746,676 EUROS)	721,388 (652,130 EUROS)	2,138,888 (1,933,543 EUROS)

(a) Amounts in U.S. dollars were converted into euros using the average exchange rate for 2015 (1 EUR = 1.1092 USD).

(b) Amounts in U.S. dollars were converted into euros using the average exchange rate for 2016 (1 EUR = 1.1062 USD).

(c) In 2015, remuneration equivalent to the dividends unpaid on the shares acquired and held by SOCIÉTÉ BIC until the end of the compulsory holding period. In 2016, the amount includes remuneration in respect of paid leave.

François Bich Executive Vice-President until February 2016	Amounts for fiscal year 2015 (in euros)		Amounts for fiscal year 2016 (in euros)	
	Due	Paid	Due	Paid
Fixed compensation	490,000	490,000	81,667	81,667
Annual variable compensation	441,000	345,888	-	441,000
Long-term variable compensation	-	-	-	-
Extraordinary compensation	-	-	-	-
Directors' fees	-	-	-	-
	Vehicle (Value of benefit): 3,672	Vehicle (Value of benefit): 3,672	Vehicle (Value of benefit): 612	Vehicle (Value of benefit): 612
Fringe benefits				
TOTAL	934,672	839,560	82,279	523,279





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Gonzalve Bich Executive Vice-President from June 2016	Amounts for fiscal year 2015 <i>(in U.S. dollars) ^(a)</i>		Amounts for fiscal year 2016 <i>(in U.S. dollars) ^(b)</i>	
	Due	Paid	Due	Paid
			375,000	375,000
Fixed compensation	Not applicable	Not applicable	(338,998 euros)	(338,998 euros)
Annual variable compensation			258,400	193,245
Long-term variable compensation			(233,593 euros)	(174,693 euros)
Other remuneration ^(c)			-	-
Directors' fees			11,241	11,241
Fringe benefits			(10,162 euros)	(10,162 euros)
			-	-
			1) Car allowance:	1) Car allowance:
			14,400	14,400
			(13,017 euros)	(13,017 euros)
			2) Company contributions to Company U.S. savings plan	2) Company contributions to Company U.S. savings plan
			a) 401 K: 7,950	a) 401 K: 7,950
			(7,187 euros)	(7,187 euros)
			b) Exec Comp Plan:	b) Exec Comp Plan:
			16,000	16,000
			(14,464 euros)	(14,464 euros)
			3) Other: 38,797	3) Other: 38,797
			(35,072 euros)	(35,072 euros)
TOTAL	NOT APPLICABLE	NOT APPLICABLE	721,788	656,633
			(652,493 EUROS)	(593,593 EUROS)

(a) Amounts in U.S. dollars were converted into euros using the average exchange rate for 2015 (1 EUR = 1.1092 USD).

(b) Amounts in U.S. dollars were converted into euros using the average exchange rate for 2016 (1 EUR = 1.1062 USD).

(c) Remuneration equivalent to the dividends unpaid on the shares acquired and held by SOCIÉTÉ BIC until the end of the compulsory holding period.





James DiPietro Executive Vice-President from June 2016	Amounts for fiscal year 2015 (in U.S. dollars) ^(a)		Amounts for fiscal year 2016 (in U.S. dollars) ^(b)	
	Due	Paid	Due	Paid
			493,333	493,333
Fixed compensation	Not applicable	Not applicable	(445,971 euros)	(445,971 euros)
Annual variable compensation			344,850	278,569
Long-term variable compensation			(311,743 euros)	(251,825 euros)
Other remuneration ^(c)			-	-
Directors' fees			76,739	76,739
			(69,372 euros)	(69,372 euros)
Fringe benefits			-	-
			13,800	13,800
			(12,475 euros)	(12,475 euros)
			2) Company contributions to Company U.S. savings plan	2) Company contributions to Company U.S. savings plan
			a) 401 K: 7,950	a) 401 K: 7,950
			(7,187 euros)	(7,187 euros)
			b) Exec Comp Plan: 20,000	b) Exec Comp Plan: 20,000
			(18,080 euros)	(18,080 euros)
			3) Autres: 38,797	3) Autres: 38,797
			(35,072 euros)	(35,072 euros)
TOTAL	NOT APPLICABLE	NOT APPLICABLE	995,469	929,188
			(899,900 EUROS)	(839,982 EUROS)

(a) Amounts in U.S. dollars were converted into euros using the average exchange rate for 2015 (1 EUR = 1.1092 USD).

(b) Amounts in U.S. dollars were converted into euros using the average exchange rate for 2016 (1 EUR = 1.1062 USD).

(c) Remuneration equivalent to the dividends unpaid on the shares acquired and held by SOCIÉTÉ BIC until the end of the compulsory holding period.

Marie-Aimée Bich-Dufour Executive Vice-President	Amounts for fiscal year 2015 (in euros)		Amounts for fiscal year 2016 (in euros)	
	Due	Paid	Due	Paid
Fixed compensation	295,000	295,000	295,000	295,000
Annual variable compensation	139,122	134,876	138,591	139,122
Long-term variable compensation	-	-	-	-
Extraordinary compensation	-	-	-	-
Directors' fees	-	-	-	-
Fringe benefits	Vehicle (Value of benefit): 1,488	Vehicle (Value of benefit): 1,488	Vehicle (Value of benefit): 1,488	Vehicle (Value of benefit): 1,488
TOTAL	435,610	431,364	435,079	435,610





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3.4.1.4. Directors' fees

Bruno Bich, Gonzalve Bich, James DiPietro and Marie-Aimée Bich-Dufour did not receive Directors' fees in connection with the functions they perform for the Group.

Similarly, none of the Leadership Team members received Directors' fees in connection with the functions they perform for the Group.

Following their retirement, François Bich and Mario Guevara have remained members of the BIC Group Board and, as such, they receive Director' fees.

Total Directors' fees paid to Mrs. Bastoni, Mrs. Chandon-Moët, Mrs. Poinot, Mr. François Bich, Mr. Glen, Mr. Guevara, Mr. Rostand, Mr. Vareille and SOCIÉTÉ M.B.D. are determined on the basis of their participation in the Audit Committee and the Compensation and Nomination Committee of the Board of Directors.

Mr. Vareille was appointed Lead Director as of May 2016 and he receives additional Directors' fees in connection with this responsibility.

For fiscal year 2016, the allocation of Directors' fees is based on the following policy:

- Director fixed annual fee: 12,500 euros (+2.5% *versus* 2015);
- Lead Director fixed annual fee: 35,500 euros;
- Variable part corresponding to 100% Board Meeting Attendance: 22,000 euros (+1.9% *versus* 2015);
- Variable part corresponding to the role of Committee Chairman: 18,000 euros (+1.1% *versus* 2015);
- Variable part corresponding to the role of Committee Member: 13,500 euros (+2.3% *versus* 2015).

These Board members do not receive any other compensation from BIC.

TABLE C - SUMMARY OF DIRECTORS' FEES

(Table 3 following the format of French Financial Markets Authority Position-Recommendation No. 2009-16)

Board members	Directors' fees paid relating to 2015 (in euros)	Directors' fees paid relating to 2016 (in euros)
Elizabeth Bastoni	47,000	48,000
François Bich	-	28,000
Marie-Pauline Chandon-Moët	33,800	34,500
John Glen	51,600	52,500
Mario Guevara	-	20,000
Marie-Henriette Poinot	47,000	48,000
Frédéric Rostand	51,600	52,500
SOCIÉTÉ M.B.D.	47,000	48,000
Pierre Vareille	47,000	68,500
TOTAL	325,000	400,000





3.4.1.5. Allocation of stock options

As part of a policy recommended by the Compensation and Nomination Committee, from 2011, the Board decided to no longer award stock options and set up a policy of performance share grants.

To the best of the Company's knowledge, no hedging instrument has been put in place by the four Corporate Officers holding stock

options (Mario Guevara, Gonzalve Bich, James DiPietro and Marie-Aimée Bich-Dufour).

The dilutive impact of the previous stock option grants is reported in Note 8 to the consolidated financial statements. A table that summarizes all stock option plans is included in Note 23 to the consolidated financial statements.

All the Corporate Officers complied with the blackout periods preceding the publication of annual and interim financial statements.

TABLE D – STOCK OPTIONS AWARDED DURING THE FISCAL YEAR 2016 TO EACH EXECUTIVE CORPORATE OFFICER

(Table 4 following the format of French Financial Markets Authority Position-Recommendation No. 2009-16)

Options awarded to each Executive Corporate Officer by the issuer and by any company of the Group (nominative list)	Number and date of the plan	Nature of the options (purchase or subscription)	Valuation of the options according to the method used for the consolidated financial statements (in euros)	Number of options awarded during the fiscal year	Exercise price (in euros)	Exercise period
N/A	-	-	-	-	-	-

STOCK OPTIONS AWARDED DURING THE FISCAL YEAR 2015 TO EACH EXECUTIVE CORPORATE OFFICER

Options awarded to each Executive Corporate Officer by the issuer and by any company of the Group (nominative list)	Number and date of the plan	Nature of the options (purchase or subscription)	Valuation of the options according to the method used for the consolidated financial statements (in euros)	Number of options awarded during the fiscal year	Exercise price (in euros)	Exercise period
N/A	-	-	-	-	-	-

TABLE E – STOCK OPTIONS EXERCISED DURING THE FISCAL YEAR 2016 BY EACH EXECUTIVE CORPORATE OFFICER

(Table 5 following the format of French Financial Markets Authority Position-Recommendation No. 2009-16)

Options exercised by Executive Corporate Officers (nominative list)	Number and date of the plan	Number of options exercised during the fiscal year	Exercise price (in euros)	Award year
N/A	-	-	-	-

STOCK OPTIONS EXERCISED DURING THE FISCAL YEAR 2015 BY EACH EXECUTIVE CORPORATE OFFICER

Options exercised by Executive Corporate Officers (nominative list)	Number and date of the plan	Number of options exercised during the fiscal year	Exercise price (in euros)	Award year
N/A	-	-	-	-





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TABLE F - HISTORY OF STOCK OPTION PLANS

(Table 8 following the format of French Financial Markets Authority Position-Recommendation No. 2009-16)

	Plan no. 12	Plan no. 13
Annual Shareholders' Meeting date	May 21, 2008	May 12, 2010
Board of Directors' Meeting date	Dec. 15, 2009	Dec. 16, 2010
Number of options available for subscription	360,000	382,950
<ul style="list-style-type: none">Among which, options granted to the Corporate Officers (% of BIC Shares as of December 31, 2016)	-	-
Date from which options may be exercised	Dec. 16, 2012	Dec. 17, 2013
Option expiry date	Dec. 14, 2017	Dec. 15, 2018
Exercise price (in euros) ^(a)	47.99	63.71
Number of options exercised as of Dec. 31, 2016	269,546	236,895
Number of void options as of Dec. 31, 2016	32,900	42,850
Number of remaining options as of Dec. 31, 2016	57,554	103,205

(a) No discount on the exercise price.

Bruno and François Bich were not granted any options under the above stock option plans.





3.4.1.6. Performance-based share allocations

From 2005, exercising the power placed at its disposal by the Shareholders' Meeting, the Board of Directors decided, upon the recommendation of the Compensation and Nomination Committee, to put in place a policy of three-year performance-based share

grants. The Corporate Officers mentioned in the table below benefit from this policy.

Performance is assessed according to the achievement of two objectives:

- net sales growth;
- net cash flow from operations and change in inventory, as a percentage of net sales.

RESULTS OF THE PLANS: INDEX OF ACHIEVEMENT OF PERFORMANCE CONDITIONS, PER CRITERIA AND PER PLAN

	Plan 1 (2005-6-7)	Plan 2 (2006-7-8)	Plan 3 (2007-8-9)	Plan 4 (2008-9-10)	Plan 5 (2009-10-11)	Plan 6 (2010-11-12)	Plan 7 (2011-12-13)	Plan 8 (2012-13-14)	Plan 9 (2013-14-15)	Average of the plans
Net sales growth	84.8	66.4	95.2	147.1	119.1	89.2	76.8	88.1	108.1	97.2
Cash Flow	85.5	88.2	98.6	99.7	110.1	103.1	98.9	105.8	98.9	98.8
Combined criteria (maximum 100)	85	77	97	100	100	96	88	97	100	93.3
Final acquisition as a percentage of the initial grant	70%	54%	94%	100%	100%	92%	76%	94%	100%	87%

If the average percentage for the achievement of the two Performance Conditions is between 100% and 75%, and for each percent below 100%, the number of shares actually acquired by each beneficiary on the vesting date will be reduced by 2% compared to the initial grant.

If the average percentage for the achievement of the two objectives is less than 75%, no shares will be given.

BIC Corporate Officers are required keep 20% of free shares acquired, until their mandate expires. The 20% requirement is reduced to 10% when the Chief Executive Officer owns five years of

base salary in BIC shares and when the Executive Vice-Presidents own three years of base salary in BIC shares.

To the best of the Company's knowledge, no hedging instrument has been put in place by the five Corporate Officers mentioned in tables G and H below. Moreover, these Corporate Officers have made a formal commitment not to use hedging instruments.

The impact of previous years' shares grants on dilution is non-existent because granted shares are existing shares.

The total number of shares granted is reported in Note 23 to the consolidated financial statements.

TABLES G – PERFORMANCE SHARES AWARDED DURING THE FISCAL YEAR 2016 TO EACH EXECUTIVE CORPORATE OFFICER

(Table 6 following the format of French Financial Markets Authority Position-Recommendation No. 2009-16)

Performance shares awarded during the fiscal year to each Executive Corporate Officer by the issuer and by any company of the Group (Nominative list)	Number and date of the plan	Number of shares awarded during the fiscal year	Valuation of the shares according to the method used for the consolidated fiscal statements (in euros)	Acquisition date	Availability date	Performance conditions
Mario Guevara	12 (May 18, 2016)	25,000	2,841,000	Mar 31, 2022	Mar 31, 2022	1) Net sales growth 2) Cash flow from operations and change in inventory as a percentage of net sales
Gonzalve Bich	12 (May 18, 2016)	5,000	568,200	Mar 31, 2022	Mar 31, 2022	idem
James DiPietro	12 (May 18, 2016)	8,000	909,120	Mar 31, 2022	Mar 31, 2022	idem
Marie-Aimée Bich-Dufour	12 (May 18, 2016)	3,250	367,900	May 18, 2019	Mar 31, 2022	idem





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PERFORMANCE SHARES AWARDED DURING THE FISCAL YEAR 2015 TO EACH CORPORATE OFFICER

Performance shares awarded during the fiscal year to each Corporate Officer by the issuer and by any company of the Group (Nominative list)	Number and date of the plan	Number of shares awarded during the fiscal year	Valuation of the shares according to the method used for the consolidated fiscal statements (in euros)	Acquisition date	Availability date	Performance conditions
Mario Guevara	11 (Feb. 10, 2015)	22,500	2,578,725	Mar. 10, 2021	Mar. 10, 2021	1) Net sales growth 2) Cash flow from operations and change in inventory as a percentage of net sales
François Bich	11 (Feb. 10, 2015)	8,000	916,880	Mar. 10, 2018	Mar. 10, 2021	idem
Marie-Aimée Bich-Dufour	11 (Feb. 10, 2015)	3,250	372,483	Mar. 10, 2018	Mar. 10, 2021	idem





TABLES H – PERFORMANCE SHARES THAT BECAME AVAILABLE DURING THE FISCAL YEAR 2016 TO EACH EXECUTIVE CORPORATE OFFICER

(Table 7 following the format of French Financial Markets Authority Position-Recommendation No. 2009-16)

Performance shares that became available for each Executive Corporate Officer (nominative list)	Number and date of the plan	Number of shares that became available during the fiscal year	Acquisition terms	Award year
Mario Guevara	3 S (Dec. 13, 2006)	276	94% of the initial allocation is definitively acquired. based on the achievement of performance conditions	2006
Mario Guevara	6 M (Feb. 16, 2010)	18,768	92% of the initial allocation is definitively acquired. based on the achievement of performance conditions	2010
Gonzalve Bich	6 M (Feb. 16, 2010)	552	92% of the initial allocation is definitively acquired. based on the achievement of performance conditions	2010
James DiPietro	3 S (Dec. 13, 2006)	276	94% of the initial allocation is definitively acquired. based on the achievement of performance conditions	2006
James DiPietro	6 M (Feb. 16, 2010)	4,600	92% of the initial allocation is definitively acquired. based on the achievement of performance conditions	2010
Marie-Aimée Bich-Dufour	6 M (Feb. 16, 2010)	3,220	92% of the initial allocation is definitively acquired. based on the achievement of performance conditions	2010

PERFORMANCE SHARES THAT BECAME AVAILABLE DURING THE FISCAL YEAR 2015 TO EACH EXECUTIVE CORPORATE OFFICER

Performance shares that became available for each Executive Corporate Officer (nominative list)	Number and date of the plan	Number of shares that became available during the fiscal year	Acquisition terms	Award year
Mario Guevara	2 S (Dec. 14, 2005)	128	54% of the initial allocation is definitively acquired. based on the achievement of performance conditions	2005
Mario Guevara	5 M (Feb. 10, 2009)	16,450	100% of the initial allocation is definitively acquired. based on the achievement of performance conditions	2009
Marie-Aimée Bich-Dufour	5 M (Feb. 10, 2009)	3,500	100% of the initial allocation is definitively acquired. based on the achievement of performance conditions	2009

M = Main.

S = Secondary.





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TABLE I - PERFORMANCE SHARE PLANS

(Table 10 following the format of French Financial Markets Authority Position-Recommendation No. 2009-16)

	Plan no. 1		Plan no. 2		Plan no. 3		Plan no. 4		Plan no. 5	
Annual Shareholders' Meeting date	May 19, 2005		May 19, 2005		May 19, 2005		May 23, 2007		May 23, 2007	
Board of Directors' Meeting date	May 19, 2005		December 14, 2005		December 13, 2006		December 11, 2007		February 10, 2009	
Grant	M	S	M	S	M	S	M	S	M	S
Number of shares granted	31,800	2,618	31,800	2,618	33,450	2,352	37,550	2,644	57,500	2,643
<ul style="list-style-type: none"> Of which, shares granted to the Corporate Officers (% of BIC Shares as of December 31, 2016) 										
<ul style="list-style-type: none"> Mario Guevara 	2,650	238	2,650	238	12,250 (0.02%)	294	14,350 (0.03%)	302	16,450 (0.03%)	806
<ul style="list-style-type: none"> François Bich 	-	-	-	-	-	-	-	-	-	-
<ul style="list-style-type: none"> Gonzalve Bich 	-	-	-	-	-	-	-	-	-	-
<ul style="list-style-type: none"> James DiPietro 	2,650	238	2,650	238	2,650	294	2,650	302	5,050 (0.01%)	247
<ul style="list-style-type: none"> Marie-Aimée Bich-Dufour 	2,650	-	2,650	-	2,650	-	2,650	-	3,500	-
End of the Acquisition Period	May 19, 2008	May 19, 2012	March 14, 2009	March 14, 2013	March 13, 2010	March 13, 2014	March 11, 2011	March 11, 2015	March 10, 2012	March 10, 2016
End of the Holding Period	May 19, 2011	May 19, 2014	March 14, 2012	March 14, 2015	March 13, 2013	March 13, 2016	March 11, 2014	March 11, 2017	March 10, 2015	March 10, 2018
Performance conditions	1) Increase net sales									
Performance conditions	2) Net cash from operating activities as a percentage of net sales									
Total number of free shares definitively acquired as of December 31, 2016	20,405	1,162	15,741	512	31,443	1,104	37,550	1,436	57,500	2,156
Total number of void or lapsed shares as of December 31, 2016 ^(a)	11,395	1,456	16,059	2,106	2,007	1,248	-	1,208	-	487
Total number of free shares outstanding as of December 31, 2016	-	-	-	-	-	-	-	-	-	-

	Plan no. 6	Plan no. 7	Plan no. 8	Plan no. 9	Plan no. 10	Plan no. 11	Plan no. 12
Annual Shareholders' Meeting date	May 23, 2007	May 12, 2010	May 12, 2010	May 12, 2010	May 15, 2013	May 15, 2013	May 18, 2016
Board of Directors' Meeting date	February 16, 2010	February 15, 2011	February 14, 2012	February 12, 2013	February 11, 2014	February 10, 2015	May 18, 2016
Grant	M	M	M	M	M	M	M
Number of shares granted	83,475	87,650	159,940	161,010	159,660	176,740	159,680
<ul style="list-style-type: none"> Of which, shares granted to the Corporate Officers (% of BIC Shares as of December 31, 2016) 							
<ul style="list-style-type: none"> Mario Guevara 	20,400 (0.04%)	22,500 (0.05%)	22,500 (0.05%)	22,500 (0.05%)	22,500 (0.05%)	22,500 (0.05%)	25,000 (0.05%)
<ul style="list-style-type: none"> François Bich 	10,000 (0.02%)	10,000 (0.02%)	10,000 (0.02%)	10,000 (0.02%)	6,000 (0.01%)	8,000 (0.02%)	-
<ul style="list-style-type: none"> Gonzalve Bich 	600	600	750	1,000	3,250	4,500 (0.01%)	5,000 (0.01%)
<ul style="list-style-type: none"> James DiPietro 	5,000 (0.01%)	5,000 (0.01%)	6,000 (0.01%)	6,000 (0.01%)	8,000 (0.02%)	8,000 (0.02%)	8,000 (0.02%)
<ul style="list-style-type: none"> Marie-Aimée Bich-Dufour 	3,500	3,500	3,000	4,250	3,250	3,250	3,250
End of the Acquisition Period	March 16, 2013	March 15, 2014	March 14, 2015	March 12, 2016	March 11, 2017	March 10, 2018	May 18, 2019
End of the Holding Period	March 16, 2016	March 15, 2017	March 14, 2018	March 12, 2019	March 11, 2020	March 10, 2021	March 31, 2022
Performance conditions	1) Increase net sales						
Performance conditions	2) Net cash from operating activities, as a percentage of net sales						
Total number of free shares definitively acquired as of December 31, 2016	76,797	57,551	135,452	148,050	-	-	-
Total number of void or lapsed shares as of December 31, 2016 ^(a)	6,678	30,099	24,488	12,960	12,760	7,220	1,360
Total number of free shares outstanding as of December 31, 2016	-	-	-	-	146,900	169,520	158,320

(a) The performance share grants are void due to the beneficiary leaving the Company or to all performance conditions not being achieved.

M = Main.

S = Secondary.





3.4.1.7. Pension plans

a) Since April 2006, the Chairman, Bruno Bich, has been receiving a pension paid by the BIC CORPORATION Supplementary Executive Retirement Plan, which he contributed to for more than 30 years. In 2016 Bruno Bich received 555,360 U.S. dollars.

b) Mario Guevara retired on June 2, 2016. Mario Guevara opted to receive his pension as a lump sum. On May 31, 2016, he received 121,933 U.S. dollars for his pension rights related to his tenure in Mexico. On December 2016, he received 13,595,188 U.S. dollars in a lump sum payment.

c) François Bich retired on March 1, 2016. From this date, he receives a pension paid under the Supplementary Executive Retirement Plan for BIC Group executives in France. This defined benefit plan is covered by Article L. 137-11 of the French Social Security Code.

- Conditions for pension benefit eligibility:
 - a minimum period of five consecutive years of participation;
 - be officially qualified for a pension under the Social Security scheme;
 - retire from BIC in accordance with the provisions of Article L. 137-11 of the Social Security Code.
- Method for determining the pensionable salary:
 - the pensionable salary is the average remuneration of the last three years of service;
 - to determine the pensionable salary, only base and annual bonus are included and all other direct or indirect payments are excluded.
- Rate of pension rights acquisition:
 - the supplementary pension is equal to 1.25% of the average remuneration of the last three years of service, based on years of membership of the plan, with a maximum of 25% (i.e. 20 years).
 - the commitments arising from this plan are recorded in SOCIÉTÉ BIC's financial statements in accordance with IAS 19.
- Maximum Payments:
 - the consolidation of all pension rights cannot exceed a replacement rate of 50%. This ceiling is verified at the date of retirement.
- Method of funding:
 - the Supplementary Executive Retirement Plan is funded.
- Other expenses paid by the Company:
 - BIC pays the Fillon tax, which is 24% of the contributions to the Fund.

The annual gross pension (before social contributions) paid to François Bich is 212,832.22 euros.

d) Gonzalve Bich participates in the BIC CORPORATION Restoration Plan, which has existed since 2006 and which benefits selected Company executives whose compensation in the U.S. Qualified Pension Plan benefit is restricted due to regulations.

- Condition for pension benefit eligibility:
 - a minimum period of five years of participation is necessary to benefit from the plan.
- Method for determining the pensionable salary:
 - the pensionable salary is the average remuneration based on the highest three consecutive years within the last 10 years.
- Rate of pension rights acquisition:
 - the defined-benefit plan provides for a single life annuity, payable at normal retirement age (65) equal to 1.1% of average pay up to the average Social Security wage base multiplied by the number of years of service (not to exceed 35 years); plus 1.5% of average pay in excess of the average Social Security wage base multiplied by the number of years of service, (not to exceed 35 years); plus 1.4% of average pay per year of service in excess of 35 years. The plan also includes the pension granted by the U.S. Qualified Pension Plan. Full vesting in the Restoration Plan occurs at age 52 with 15 or more years of service or at age 60 with 5 years of participation. Full vesting in the U.S. Qualified Plan occurs at 5 years of service;
 - in addition, the Plan provides reduced early retirement benefits for beneficiaries prior to age 65 (or age 62 if they retire at or after age 55 with 10 or more years of service);
 - the commitments arising from this plan are recorded in BIC CORPORATION's financial statements in accordance with IAS 19.
- Maximum Payments:
 - Not applicable.
- Method of funding:
 - the Restoration Plan is unfunded. The U.S. Qualified Pension Plan is funded through a trust.
- Other expenses paid by the Company
 - BIC pays the cost of administration, accounting valuations under IAS 19 and funding valuations for the U.S. Qualified Pension Plan.

Gonzalve Bich has accrued a pension benefit equivalent to 19.5% of the average remuneration of the last three years of service based on his 13.9 years of service (i.e., for information, an annual pension equal to 98,603 U.S. dollars payable at age 65 (inclusive of the U.S. Qualified Pension Plan benefit). This estimation is based on the assumption that he stops his activity on December 31, 2016). He has elected to receive his Restoration Plan benefit as a lump sum.

e) James DiPietro participates in the BIC CORPORATION Supplementary Executive Retirement Plan, which has existed since 1970 and which benefits the main executives of BIC Corporation.

- Condition for pension benefit eligibility:
 - a minimum period of five years of participation is necessary to benefit from the plan.
- Method for determining the pensionable salary:
 - the pensionable salary is the average remuneration of the best three years of the last five years of service.





CORPORATE GOVERNANCE

Senior Management compensation and employees' interests in the issuer's capital

- Rate of pension rights acquisition:
 - this defined-benefit plan provides, by year of seniority, a pension equal to 2.5% of the pensionable salary with a maximum of 50% (i.e. 20 years of service), including the pension granted by the U.S. Qualified Pension Plan.
 - Full vesting in the Supplementary Executive Retirement Plan occurs at age 52 with fifteen or more years of service or at age 60 with five years of participation. Full vesting in the U.S. Qualified Plan occurs at five years of service;
 - The commitments arising from this plan are recorded in BIC CORPORATION's financial statements in accordance with IAS 19.
 - Maximum Payments:
 - Maximum of 50% of remuneration, i.e., 20 years of service, including the pension granted by the U.S. Qualified Pension Plan.
 - Method of funding:
 - The Supplementary Executive Retirement Plan is unfunded. However, BIC invests in life insurance policies to offset the cost of the plan. The U.S. Qualified Pension Plan is funded through a trust.
 - Other expenses paid by the Company
 - BIC pays the cost of administration, accounting valuations under IAS 19 and funding valuations for the U.S. Qualified Pension Plan.
 - Method for determining the pensionable salary:
 - the pensionable salary is the average remuneration of the last three years of service;
 - to determine the pensionable salary, only base and annual bonus are included, all other direct or indirect payments are excluded.
 - Rate of pension rights acquisition:
 - the supplementary pension is equal to 1.25% of the average remuneration of the last three years of service, based on years of membership of the plan, with a maximum of 25% (i.e. 20 years);
 - on May 18, 2016, SOCIÉTÉ BIC's Board decided to freeze the rights awarded by Marie-Aimée Bich-Dufour during her new mandate;
 - the commitments arising from this plan are recorded in SOCIÉTÉ BIC's financial statements in accordance with IAS 19.
 - Maximum Payments:
 - the consolidation of all pension rights cannot exceed a replacement rate of 50% of remuneration. This ceiling is verified on the date of retirement.
 - Method of funding:
 - the Supplementary Executive Retirement Plan is funded.
 - Other expenses paid by the Company:
 - BIC pays the Fillon, tax which is 24% of the contributions to the Fund.
- As of December 31, 2016, James DiPietro has accrued a pension benefit equivalent to $2.5\% \times 18.583$ years of service = 46.46% of the average remuneration of the last three years of service (i.e., for information, an annual pension equal to 355,816 U.S., dollars as a single life annuity payable at age 57 (inclusive of the U.S. Qualified Pension Plan benefit). This estimation is based on the assumption that he had stops his activity on December 31, 2016. He has elected to receive his Supplementary Executive Retirement Plan benefit as a lump sum.
- f) Marie-Aimée Bich-Dufour contributes to the Supplementary Executive Retirement Plan (governed by Article L. 137-11 of the French Social Security Code) for BIC executives in France.
- Condition for pension benefit eligibility:
 - a minimum period of five years of participation is necessary to benefit from the plan;
 - be officially qualified for a pension under the Social Security scheme;
 - retire from BIC in accordance with the provisions of Article L. 137-11 of the Social Security Code.

On December 31, 2016, the pension, which has been determined based on seniority in the Plan and on her remuneration as of May 18, 2016, amounts to 107,318 euros (for information purposes).





3.4.1.8. Exceptional remuneration (paid upon assuming or relinquishing an appointment)

No commitment was entered into with Corporate Officers regarding exceptional remuneration to be paid at the conclusion of their term of appointment.

TABLE J

(Table 11 following the format of French Financial Markets Authority Position-Recommendation No. 2009-16)

Executive Corporate Officers	Employment contract		Supplementary pension plan		Mandate termination indemnities or benefits		Non-competition indemnities	
	Yes	No	Yes	No	Yes	No	Yes	No
Bruno Bich Chairman, then Chairman and Chief Executive Officer Beginning of the mandate of Chairman and Chief Executive Officer : June 2, 2016 End of mandate: October 2, 2018		X	X			X		X
Mario Guevara Chief Executive Officer until May 2016 Beginning of mandate: March 1, 2006 End of mandate: June 2, 2016		X ^(a)	X			X		X
François Bich Executive Vice-President until February 2016 Beginning of mandate: December 15, 1988 End of mandate: February 29, 2016		X	X			X		X
Gonzalve Bich Executive Vice-President Beginning of mandate: June 2, 2016 End of mandate: day of appointment of a new Chief Executive Officer		X ^(b)	X			X		X
James DiPietro Executive Vice-President Beginning of mandate: June 2, 2016 End of mandate: day of appointment of a new Chief Executive Officer		X ^(c)	X			X		X
Marie-Aimée Bich-Dufour Executive Vice-President Beginning of mandate: March 22, 1995 End of mandate: end of the Chairman and CEO's mandate		X	X			X		X

(a) No employment contract was concluded between SOCIÉTÉ BIC and Mario Guevara. Mario Guevara was also Chief Executive Officer of BIC CORPORATION and BIC International, American companies. No termination payments were provided for these two functions, which could be terminated at any time.

(b) No employment contract was concluded between SOCIÉTÉ BIC and Gonzalve Bich. His remuneration is paid by BIC International. No termination payments are provided for these functions, which can be terminated at any time.

(c) No employment contract was concluded between SOCIÉTÉ BIC and James DiPietro. His remuneration is paid by BIC International. No termination payments are provided for these functions, which can be terminated at any time.





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Senior Management compensation and employees' interests in the issuer's capital

3.4.2. TRANSACTIONS IN COMPANY SHARES BY CORPORATE OFFICERS IN 2016 (ARTICLE L. 621-18-2 OF THE FRENCH MONETARY AND FINANCIAL CODE)

Summary of notifications established pursuant to Article L. 621-18-2 of the French Monetary and Financial Code (details available on www.amf-france.org):

Declaring	Type and number of transactions				Number of shares
	Purchase	Sale	Exchange	Other	
Bruno BICH				3	300,000
Mario GUEVARA	2	2			30,714
Pierre VAREILLE	1				2,000





3.4.3. EMPLOYEES' INTERESTS IN THE ISSUER'S CAPITAL

3.4.3.1. Agreements for profit sharing

No plan in respect of the issuer (SOCIÉTÉ BIC has no salaried employees) but each subsidiary can have its own agreement according to the applicable law.

3.4.3.2. Stock options granted to the first ten employees who are not Corporate Officers beneficiaries, and options exercised

TABLE K

(Table 9 following the format of French Financial Markets Authority Position-Recommendation No. 2009-16)

Stock options granted to the first 10 employees who are not Corporate Officers beneficiaries, and options exercised	Total number of attributed options/of subscribed shares	Weighted average price (in euros)	Date of maturity	Plan no.
Options granted during the fiscal year by the issuer and by any company included in the perimeter of allocation of the options, to the 10 employees of the issuer and any company included in this perimeter, receiving the highest number of options so granted	-	-	-	-
Options held on the issuer and the companies concerned previously, exercised during the year , by the ten employees of the issuer and these companies, receiving the highest number of options so subscribed	13,700	40.18	Dec. 9, 2016	11
	4,660	47.99	Dec. 14, 2017	12
	3,750	63.71	Dec. 15, 2018	13
TOTAL	20,900	45.82		

The characteristics of these plans are described in Note 23 to the consolidated financial statements, as is the use made by the employees. No stock options have been granted since 2011.

3.4.3.3. Free share allocations with or without performance conditions

Since 2005, exercising the power granted to it by the Shareholders' Meeting, the Board of Directors has resolved, upon the recommendation of the Compensation and Nomination Committee, to put in place a policy of three-year performance-based free share grants. From 2012, some 500 executives who historically received stock options based on their position in the Company (eligible executives) now receive three-year performance-based free share grants.

Regarding the plans in force since 2013, performance is assessed over a three-year period based on the achievement of two objectives:

- net sales growth;
- net cash flow from operations and change in inventory, as a percentage of net sales.

At the conclusion of this three-year period during which the required level of performance must be achieved, the shares, which are definitively transferred, will be non-transferable for a further period of three years.

In 2016, 159,680 performance shares were granted to 546 beneficiaries.

In 2015, 176,740 performance shares were granted to 539 beneficiaries.

In parallel, to replace the stock option programs rewarding staff selected by Management and key contributors of the year, the Board of Directors decided, on the recommendation of the Compensation and Nomination Committee, to award free share grants without performance conditions.

The vesting period is four years. Until 2015, after this four-year period, the shares would be non-transferable for a further period of two years for French beneficiaries. This holding period has been eliminated in the 2016 plan.

In 2016, 20,750 shares were granted without performance conditions to 258 beneficiaries.

In 2015, 21,700 shares were granted without performance conditions to 258 beneficiaries.

The total number of shares is reported in Note 23 to the consolidated financial statements.





CORPORATE GOVERNANCE

Senior Management compensation and employees' interests in the issuer's capital

FREE SHARES GRANTED AND TRANSFERRED IN 2016 TO THE FIRST TEN EMPLOYEES WHO ARE NOT CORPORATE OFFICERS

Free shares granted and transferred to the first 10 employees who are not corporate officers	Number of shares	Valuation of the shares according to the method used for the consolidated financial statements (in euros)	Acquisition date	Availability date	Plan no
<ul style="list-style-type: none"> Shares granted during the fiscal year by the Company or by any company included in the perimeter of allocation of shares, to the 10 employees of the Company and of any company included in this perimeter, who are so allocated the highest number of shares ^(a) 	28,900	3,277,816	May 18, 2019	March 31, 2022	12 M
<ul style="list-style-type: none"> Shares transferred during the fiscal year by the Company or by any company included in the perimeter of allocation of shares, to the 10 employees of the Company and of any company included in this perimeter, who are so transferred the highest number of shares ^(a) 	576	26,940	March 13, 2016	March 13, 2016	3 S
	479	15,491	March 10, 2016	March 10, 2018	5 S
	14,353	677,031	March 16, 2016	March 16, 2016	6 M
	12,750	1,121,873	March 12, 2016	March 12, 2019	9 M

(a) These shares are all allocated under performance conditions.

M = Main.

S = Secondary.



3.5. Mandates of the Directors and Corporate Officers as of December 31, 2016

CHAIRMAN OF THE BOARD OF DIRECTORS AND CHIEF EXECUTIVE OFFICER

MR. BRUNO BICH



Chairman of the Board of Directors and Chief Executive Officer

Basis of the appointment

Article L. 225-18 of the French Commercial Code

Independent Director

No

Date of 1st appointment

Annual Shareholders' Meeting of June 2, 1986

Expiration date

Annual Shareholders' Meeting in 2019, for fiscal year 2018

Member of a committee

No

Professional address

SOCIÉTÉ BIC
14 rue Jeanne d'Asnières
92110 Clichy – France

Main position

- Chairman and Chief Executive Officer of SOCIÉTÉ BIC

Other current mandates or functions

- Chairman of the Board – Cello Plastic Products Private Ltd.⁽¹⁾ – India
- Chairman of the Board – Cello Stationery Products Private Ltd.⁽¹⁾ – India
- Chairman of the Board – Cello Tips and Pens Private Ltd.⁽¹⁾ – India
- Chairman of the Board – BIC-Cello Exports Private Ltd.⁽¹⁾ – India
- Chairman of the Board – Cello Writing Instruments and Containers Private Ltd.⁽¹⁾ – India
- Chairman of the Board – Pentek Pen and Stationery Private Ltd.⁽¹⁾ – India
- Chairman of the Board of – Cello Pens Private Ltd.⁽¹⁾ – India
- Director, Member of the Compensation and Nomination Committee – Seb – France (listed company)
- Member of the International Advisory Board – Edhec – France
- Trustee – Harlem Academy – U.S.A.

Expired mandate or function in the previous five years (non-BIC Group companies)

- Member of the Supervisory Board – Bluwan – France

Biography

From March 2006 to the end of May 2016, Bruno Bich was Chairman of the Board of Directors of SOCIÉTÉ BIC and since the beginning of June 2016, he has been Chairman of the Board of Directors and Chief Executive Officer, replacing Mario Guevara in his functions as Chief Executive Officer.

In 1993, he was appointed Chairman and Chief Executive Officer of SOCIÉTÉ BIC, replacing the Company founder, Marcel Bich. Prior to 1993, Bruno Bich served for nine years as Chairman and Chief Executive Officer of BIC CORPORATION, the Group's North American subsidiary. He had previously held several key corporate positions in this subsidiary including Sales and Marketing Vice-President and Sales Director.

Bruno Bich graduated from New York University in Marketing and Finance. He began his career by working for five years in the Corporate Finance Department of White, Weld & Company, an investment banking firm, prior to joining BIC Group.

70 years old

Nationality:
French/American

Number of BIC shares held:
Holds BIC shares directly and indirectly through the family holding, SOCIÉTÉ M.B.D.
On December 31, 2016, SOCIÉTÉ M.B.D. held 26.69% of SOCIÉTÉ BIC share capital and 36.66% of the voting rights.

(1) BIC Group.





VICE-PRESIDENT AND LEAD DIRECTOR

MR. PIERRE VAREILLE



59 years old

Nationality:
French

Number of BIC
shares held:
3,000

Vice-President and Lead Director

Basis of the appointment

Article L. 225-18 of the French Commercial Code

Independent Director

Yes

Date of 1st appointment

Annual Shareholders' Meeting of May 14, 2009

Expiration date

Annual Shareholders' Meeting in 2018, for fiscal year 2017

Member of a committee

Audit Committee

Professional address

BERNOS Advisors
Schwerzelrain 2
6315 Oberägeri – Switzerland

Main position

- Co-President, Founder of "The Vareille Foundation" - Switzerland

Other current mandates or functions

- Director – Verallia – France
- Director – Vectra – U.S.A.

Expired mandates or functions in the previous five years (non-BIC Group companies)

- Chief Executive Officer – Constellium NV – Netherlands
- Chairman of the Board of Directors – Constellium Switzerland AG – Switzerland
- President – Constellium France Holdco – France
- Chairman – Association des Centraliens – France

Biography

Pierre Vareille was Chief Executive Officer of Constellium N.V. (listed company in New York) from March 1, 2012 until July 10, 2016.

Pierre Vareille has key experience in the management of industrial companies at a global level. He started his career in 1982 with Vallourec, holding various positions in manufacturing, financial control, sales and strategy before being appointed CEO of several subsidiaries. After having held various general management positions at GFI Aerospace, Faurecia and Péchiney, he was, from 2004 to 2008, Chief Executive of the English automotive equipment manufacturer Wagon Plc (listed company in London) and, then from 2008 to 2011, Chairman and CEO of FCI, a world leader in the manufacture of electronic connectors.

Pierre Vareille was appointed Vice-President and Lead Director of SOCIÉTÉ BIC, as of June 2, 2016.

He graduated from the *École Centrale de Paris*, he is an alumnus of the *Institut d'Études Politiques de Paris* as well as of the Sorbonne University (Economy and Finance) and of the *Institut de Contrôle de Gestion*.





DIRECTORS

MRS. ELIZABETH BASTONI



51 years old

Nationality:
American

Number of BIC
shares held:
500

Director

Basis of the appointment

Article L. 225-18 of the French Commercial Code

Independent Director

Yes

Date of 1st appointment

Annual Shareholders' Meeting of May 15, 2013

Expiration date

Annual Shareholders' Meeting in 2019, for fiscal year 2018

Member of a committee

Compensation and Nomination Committee

Professional address

Choukette, Inc.
2606 E Garfield Street
Seattle, WA 98112
U.S.A.

Main position

- President of Choukette, Inc. – U.S.A.

Other current mandates or functions

- Chairman, Compensation Committee – Jerônimo Martins – Portugal
- President of Bastoni Consulting Group, LLC – U.S.A.

Expired mandates or functions in the previous five years (non-BIC Group companies)

- Head of Human Resources at B.M.G.I. – U.S.A.
- Human Resources consultant – EBB LLC – U.S.A.
- Director, Chairman of the Compensation Committee – Rezidor Hotel Group – Sweden
- Director, Chairman of the Compensation Committee – Carlson Wagonlit Travel – France
- Executive Vice-President, Human Resources and Communication – Carlson – U.S.A.

Biography

An American citizen, Elizabeth Bastoni holds a Bachelor of Arts degree with a concentration in Accounting from Providence College, Providence, RI (U.S.A.). She has a degree in French Language and Civilization from Paris' Sorbonne University (Paris IV). She is a former student of the École du Louvre.

Having lived and worked for over 18 years in France, Elizabeth Bastoni held various executive roles at KPMG, Lyonnaise des Eaux and Thales in Paris. From 2005 to 2010, she was Head of the Compensation, Benefits and International Mobility for The Coca-Cola Company in Atlanta, GA (U.S.A.).

From February 2011 to October 2012, she was Executive Vice-President, Chief Human Resources and Communications Officer for the Carlson Group and, from March 2011 to October 2012, Director of the Board and Chairman of the Compensation Committee of Carlson Wagonlit Travel. She was also Director and Chairman of the Compensation Committee of The Rezidor Hotel Group (listed company) from April 2011 to April 2013.





CORPORATE GOVERNANCE

Mandates of the Directors and Corporate Officers as of December 31, 2016

MR. FRANÇOIS BICH



67 years old

Nationality:
French

Number of BIC shares held:
Holds BIC shares directly and indirectly through the family holding, SOCIÉTÉ M.B.D.
On December 31, 2016, SOCIÉTÉ M.B.D. held 26.69% of SOCIÉTÉ BIC share capital and 36.66% of the voting rights.

Director

Basis of the appointment

Article L. 225-18 of the French Commercial Code

Independent Director

No

Date of 1st appointment

Board of Directors of September 30, 1977 ratified by the Annual Shareholders' Meeting of May 29, 1978

Expiration date

Annual Shareholders' Meeting in 2017, for fiscal year 2016

Member of a committee

No

Other current mandate or function

- Chairman of the Supervisory Board – SOCIÉTÉ M.B.D. – France

Expired mandate or function in the previous five years (non-BIC Group companies)

None

Biography

In the BIC Group since March 1, 1969, François Bich has been a Director since September 30, 1977 and Executive Vice-President of SOCIÉTÉ BIC from December 15, 1988 to February 29, 2016. He has been General Manager for the Lighters category of the BIC Group and Chairman of the company Société du Briquet Jetable 75 from its creation in 1975 until February 29, 2016.





MRS. MARIE-PAULINE CHANDON-MOËT (MAIDEN NAME: BICH)



Director

Basis of the appointment

Article L. 225-18 of the French Commercial Code

Independent Director

No

Date of 1st appointment

Annual Shareholders' Meeting of May 28, 2003

Expiration date

Annual Shareholders' Meeting in 2017, for fiscal year 2016

Member of a committee

No

Current mandates or functions

- Member of the Supervisory Board – SOCIÉTÉ M.B.D. – France
- President – Ferrand SAS – France

Expired mandate or function in the previous five years (non-BIC Group companies)

None.

Biography

Marie-Pauline Chandon-Moët has been a Director of the Board of SOCIÉTÉ BIC since May 28, 2003. She was European real estate projects Manager for BIC Group until December 31, 2010. Before this, she successively held, since 1991, the positions of Sales Administration Assistant, Sales Administration Manager (France then Europe), as well as Supply Chain Manager for Europe.

Marie-Pauline Chandon-Moët has a Bachelor of Science degree from Northeastern University in Boston (U.S.A.).

49 years old

Nationality:
French

Number of BIC shares held:

Holds BIC shares directly and indirectly through the family holding, SOCIÉTÉ M.B.D. On December 31, 2016, SOCIÉTÉ M.B.D. held 26.69% of SOCIÉTÉ BIC share capital and 36.66% of the voting rights.





CORPORATE GOVERNANCE

Mandates of the Directors and Corporate Officers as of December 31, 2016

MR. JOHN GLEN



57 years old

Nationality:
British

Number of BIC
shares held:
500

Director

Basis of the appointment

Article L. 225-18 of the French Commercial Code

Independent Director

Yes

Date of 1st appointment

Board of Directors of December 10, 2008 ratified by the Annual Shareholders' Meeting of May 14, 2009

Expiration date

Annual Shareholders' Meeting in 2018 for fiscal year 2017

Member of a committee

Chairman of the Audit Committee

Professional address

THE BUCCLEUCH GROUP
27 Silvermills Court
Henderson Place Lane
Edinburgh EH3 5DG - United Kingdom

Main position

- Chief Executive Officer of Buccleuch Group – United Kingdom.

Other current mandates or functions

- Director – Thames River Property Investment Trust – United Kingdom (listed company)
- Member of the Board – The Three Stills Company – United Kingdom

Expired mandate or function in the previous five years (non-BIC Group companies)

None

Biography

John Glen, Scottish, is Chief Executive Officer of Buccleuch Group, the holding company of a family owned group that operates in industry and agro-businesses.

He has previously held various positions at Unilever and was Finance Director at Air Liquide Group (listed company) from 2000 until June 2008 and Vice-Chairman of the Supervisory Board at EFRAG (European Financial Reporting Group) for four years. He is a fellow of the Chartered Institute of Certified Accountants and graduated with a Master's degree in Accounting and Economics from the University of Edinburgh.





MR. MARIO GUEVARA



57 years old

Nationality:
Mexican/American

Number of BIC shares held:
46,450

Director

Basis of the appointment

Article L. 225-18 of the French Commercial Code

Independent Director

No

Date of 1st appointment

Director: Annual Shareholders' Meeting of May 22, 2001

Expiration date

Annual Shareholders' Meeting in 2019, for fiscal year 2018

Member of a committee

No

Current mandate or function

None

Expired mandate or function in the previous five years (non-BIC Group companies)

None

Biography

Chief Executive Officer of SOCIÉTÉ BIC from March 1, 2006 until the end of May, 2016, Mario Guevara began his career at BIC in 1992 as Finance Controller before becoming Manager of BIC MEXICO then Manager for South America in 1998. Following this, he held the position of Chairman of BIC CORPORATION and in charge of North and Latin Americas from 2001 to March 10, 2004 and then Executive Vice-President in charge of SOCIÉTÉ BIC operations until February 28, 2006.





CORPORATE GOVERNANCE

Mandates of the Directors and Corporate Officers as of December 31, 2016

MRS. MARIE-HENRIETTE POINSOT (MAIDEN NAME: BICH)



55 years old

Nationality:
French

Number of BIC shares held:
Holds BIC shares directly and indirectly through the family holding, SOCIÉTÉ M.B.D. On December 31, 2016, SOCIÉTÉ M.B.D. held 26.69% of SOCIÉTÉ BIC share capital and 36.66% of the voting rights.

Director

Basis of the appointment

Article L. 225-18 of the French Commercial Code

Independent Director

No

Date of 1st appointment

Annual Shareholders' Meeting of May 21, 1997

Expiration date

Annual Shareholders' Meeting in 2018 for fiscal year 2017

Member of a committee

Compensation and Nomination Committee

Expired mandates or functions in the previous five years (non-BIC Group companies)

- Director of Strategic Planning – Options SAS – France
- Member of Strategic Planning Committee – Options SAS – France

Biography

Marie-Henriette Poinsot was Director of Strategic Planning and Member of the Strategic Committee of the Options Group (France) from 2006 to 2013.

She previously worked for nine years in the BIC Group, where she held different positions including that of Deputy Administrative Director of SOCIÉTÉ BIC.



MR. FRÉDÉRIC ROSTAND



54 years old

Nationality:
French

Number of BIC
shares held:
1,000

Director

Basis of the appointment

Article L. 225-18 of the French Commercial Code

Independent Director

Yes

Date of 1st appointment

Annual Shareholders' Meeting of May 28, 2003

Expiration date

Annual Shareholders' Meeting in 2017 for fiscal year 2016

Member of a committee

Chairman of the Compensation and Nomination Committee

Professional address

SODIAAL
1-3 rue des Italiens
75009 Paris – France

Main position

Chief Executive Officer of SODIAAL Group – France

Other current mandates or functions

- Chief Executive Officer – Sodiaal Union – France
- Director, Chief Executive Officer – Sodiaal International – France
- Director – Entremont Alliance – France
- Member of the Supervisory Board – Candia – France
- Director – Eurosérum – France
- Director – Monts & Terroirs (ex-Juragruyere) – France
- Vice-Chairman and Chief Executive Officer – CF&R Gestion (Compagnies des Fromages & RichesMonts) – France
- Vice-Chairman of the Board – CF&R Gestion (Compagnies des Fromages & RichesMonts) – France
- Director – Nutribio – France
- Chairman of the Supervisory Board – Yoplait SAS – France
- Member of the Management Board – Orlait – France
- Director – Fondation des Foyers de Charité – France
- Chief Executive Officer – 3A Groupe – France
- Director – Bonilait Protéines – France
- Director – Boncolac – France
- Permanent representative of the Chairman (Sodiaal International) – Sodiaal Franchise – France

Expired mandates or functions in the previous five years (non-BIC Group companies)

- Director – 3A Groupe – France
- Director – Louis Delhaize SA – Belgium

Biography

Frédéric Rostand is a graduate of the Institute of Political Studies in Paris and the School of Higher Commercial Studies (HEC). He started his career in various financial institutions from 1987 to 1996. Notably, he was General Manager of Worms & Cie Développement and then Financial Officer of Worms & Cie.

At Saint-Louis Sucre Group between 1996 and 2007, Frédéric Rostand was firstly Financial Officer, and then Executive Vice-President and Chief Executive Officer. He was then appointed Chairman of the Management Board of Saint-Louis Sucre in 2001 and Member of the Management Board of Südzucker AG in 2002.

From 2007 to 2010, Frédéric Rostand was Chairman of the Management Board of Groupe Générale de Santé (listed company).

From June 22, 2011 until December 31, 2016, he has been Chief Executive Officer of Sodiaal Group.





CORPORATE GOVERNANCE

Mandates of the Directors and Corporate Officers as of December 31, 2016

SOCIÉTÉ M.B.D.



Number of BIC shares held:
26.69% of SOCIÉTÉ BIC share capital and 36.66% of the voting rights (as of December 31, 2016)

Director

Type of legal entity

Partnership limited by shares (*Société en Commandite par Actions*)

Registration

389 818 832 – Register of Trade and Companies of Nanterre (France)

Basis of the appointment

Article L. 225-18 of the French Commercial Code

Independent Director

No

Date of 1st appointment

Annual Shareholders' Meeting of May 24, 2006

Expiration date

Annual Shareholders' Meeting in 2018, for fiscal year 2017

Member of a committee

Audit Committee

Address

1 place Paul Verlaine
92100 Boulogne-Billancourt – France

Permanent representative and Managing Director

Mr. Édouard BICH

52 years old

Nationality: French

Edouard Bich spent eight years in the Finance Department of Procter & Gamble and holds an MBA in Finance from Wharton University (U.S.A.).

Other current mandates or functions

Member of the Supervisory Board – Digital Fashion Group SAS – France

Member of the Executive Board for Europe, the Middle East and Africa – The Wharton School – U.S.A.

Managing Director – Platypus Capital SPRL – Belgium

Expired mandate or function in the previous five years (non-BIC Group companies)

None

Holds BIC shares directly and indirectly (through SOCIÉTÉ M.B.D.).

Other current mandate or function

None.

Expired mandate or function in the previous five years (non-BIC Group companies)

None.





EXECUTIVE VICE-PRESIDENTS

MR GONZALVE BICH



Executive Vice-President

Date of 1st appointment

Board of Directors of May 18, 2016 – effect: June 2nd, 2016

Professional address

SOCIÉTÉ BIC
14 rue Jeanne d'Asnières
92110 Clichy – France

Main positions

- Executive Vice-President of SOCIÉTÉ BIC
- Chief Operating Officer of BIC Group

Other current mandates or functions

- Director – BIC (Nantong) Plastic Products Co. Ltd.⁽¹⁾ – China
- Director – BIC (Shanghai) Stationery Manufacturing Co. Ltd.⁽¹⁾ – China
- Non-Executive Director – Cello Plastic Products Private Ltd.⁽¹⁾ – India
- Non-Executive Director – Cello Stationery Products Private Ltd.⁽¹⁾ – India
- Non-Executive Director – Cello Tips and Pens Private Ltd.⁽¹⁾ – India
- Non-Executive Director – BIC-Cello Exports Private Ltd.⁽¹⁾ – India
- Non-Executive Director – Cello Writing Instruments and Containers Private Ltd.⁽¹⁾ – India
- Non-Executive Director – Pentek Pen and Stationery Private Ltd.⁽¹⁾ – India
- Non-Executive Director – Cello Pens Private Ltd.⁽¹⁾ – India
- Chairman – Bic International Development⁽¹⁾ – France
- Director – BIC UK Ltd⁽¹⁾ – United Kingdom
- Alternate Director – No Sabe Fallar, S.A. de C.V.⁽¹⁾ – Mexico
- Alternate Director – Industrial de Cuautitlan S.A. de C.V.⁽¹⁾ – Mexico
- Alternate Director – Servicios Administrativos Industrial de Cuautitlan S.A. de C.V.⁽¹⁾ – Mexico
- President of categories – BIC International Co.⁽¹⁾ – U.S.A.

Expired mandate or function in the previous five years (non-BIC Group companies)

None

Biography

Gonzalve Bich is Chief Operating Officer (COO), responsible for BIC Group Consumer Business, Human Resources and I.T. since January 2017.

He has been Executive Vice-President of SOCIÉTÉ BIC since June 2016.

Gonzalve Bich joined BIC Asia in 2003, where he developed the regional business for four years. He moved on to serve as Group People Development Director before joining the Shaver category as Group Shaver Marketing Director. From 2008 to 2012, he led the Northern European business. In 2012, he was named Deputy General Manager, responsible for Middle East, Africa, Oceania and Asia Pacific. He was promoted to General Manager, Developing Markets in mid-2013 and took the responsibility for BIC Consumer Business Categories & Latin America operations in spring 2016.

Gonzalve Bich earned a Bachelor of Arts in History from Harvard University in 2001. He began his professional career as a Management Consultant for two years with Deloitte & Touche LLP in New York.

37 years old

Nationality:
French/American

Number of BIC shares held:
Holds BIC shares directly and indirectly through the family holding, SOCIÉTÉ M.B.D. On December 31, 2016, SOCIÉTÉ M.B.D. held 26.69% of SOCIÉTÉ BIC share capital and 36.66% of the voting rights

(1) BIC Group.





CORPORATE GOVERNANCE

Mandates of the Directors and Corporate Officers as of December 31, 2016

MR JAMES DIPIETRO



56 years old

Nationality:
American

Number of BIC shares held:
16,636

Executive Vice-President

Date of 1st appointment

Board of Directors of May 18, 2016 – effect: June 2nd, 2016

Professional address

SOCIÉTÉ BIC
14 rue Jeanne d'Asnières
92110 Clichy – France

Main positions

- Executive Vice-President of SOCIÉTÉ BIC
- Group Chief Financial Officer

Other current mandates or functions

- President – Furtuna Holdings Co. Ltd.⁽¹⁾ – British Virgin Islands
- Chief Executive Officer – BIC International Co⁽¹⁾ – U.S.A.
- Chairman, President and Treasurer – BIC Sport USA Inc.⁽¹⁾ – U.S.A.
- President – SHF Pen Corporation⁽¹⁾ – U.S.A.
- President – SHF Manufacturing Co. LLC⁽¹⁾ – U.S.A.
- Chairman and Chief Executive Officer – BIC Corporation⁽¹⁾ – U.S.A.

Expired mandate or function in the previous five years (non-BIC Group companies)

None

Biography

James DiPietro joined BIC in May 1998 as Senior Vice-President Finance of BIC Corporation. He was appointed Chief Financial Officer (CFO) in 2002 and Executive Vice-President of SOCIÉTÉ BIC in June, 2016. Prior to joining BIC, he was Director of Finance for Bayer's consumer pharmaceutical business in North America. He began his career as an Internal Auditor with Chase Manhattan Bank. James DiPietro holds a Bachelor's degree in Accounting from St. John's University, New York, and a Master's degree in Finance from Pace University, New York.

(1) BIC Group.



MRS. MARIE-AIMEE BICH-DUFOUR



Executive Vice-President

Date of 1st appointment

Board of Directors of March 22, 1995

Professional address

SOCIÉTÉ BIC
14 rue Jeanne d'Asnières
92110 Clichy – France

Main positions

- Executive Vice-President of SOCIÉTÉ BIC
- Board of Directors' Secretary
- President of the BIC Corporate Foundation for Education

Other current mandates or functions

- Director – BIC Australia Pty. Ltd.⁽¹⁾ – Australia
- Managing Director – BIC GmbH⁽¹⁾ – Germany
- Director – BIC Violex SA⁽¹⁾ – Greece
- Chairman of the Board – BIC India Pvt. Ltd.⁽¹⁾ – India
- Chairman of the Board – BIC Products Pte. Ltd.⁽¹⁾ – India
- Chairman of the Board – BWI Manufacturing India Pvt. Ltd.⁽¹⁾ – India
- Chairman of the Board – BIC (NZ) Ltd.⁽¹⁾ – New Zealand
- Director – BIC Portugal SA⁽¹⁾ – Portugal
- Director – BIC Holdings Southern Africa (Pty.) Ltd.⁽¹⁾ – South Africa
- Director – BIC Iberia SA⁽¹⁾ – Spain
- Director – BIC Malawi (Pty) Ltd.⁽¹⁾ – Malawi
- Representative of SOCIÉTÉ BIC on the Board – ANSA (Association Nationale des Sociétés par Actions) – France
- Representative of SOCIÉTÉ BIC on the Board – METI (Mouvement des Entreprises de Taille Intermédiaire) – France

Expired mandate or function in the previous five years (non-BIC Group companies)

None.

Biography

Since March 25, 1995, Marie-Aimée Bich-Dufour has been Executive Vice-President of SOCIÉTÉ BIC and Board of Directors' Secretary.

She was appointed as Group General Counsel until February 1, 2016.

In 2004, she also took on the responsibility of the Sustainable Development Program.

Moreover, she is President of the BIC Corporate Foundation for Education.

Before joining BIC Group, Marie-Aimée served 12 years as a Lawyer at the Paris' bar.

She holds a Master's degree in Private Law from Paris Panthéon-Assas University and a Professional Lawyer's Certificate (C.A.P.A.).

58 years old

Nationality:
French

Number of BIC shares held:

Holds BIC shares directly and indirectly through the family holding, SOCIÉTÉ M.B.D. On December 31, 2016, SOCIÉTÉ M.B.D. held 26.69% of SOCIÉTÉ BIC share capital and 36.66% of the voting rights

(1) BIC Group.





CORPORATE GOVERNANCE

Mandates of the Directors and Corporate Officers as of December 31, 2016

ABSENCE OF COURT CONVICTION OF THE DIRECTORS AND THE CORPORATE OFFICERS

To the best of the Company's knowledge, during the last five years, no Director or Corporate Officer has been convicted in relation to fraudulent offences, associated with a bankruptcy, receivership or liquidation or the subject of any official public incrimination or sanction by statutory or regulatory authorities (including designated professional bodies) or a decision by a Court disqualifying them from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer.

ABSENCE OF A CONFLICT OF INTERESTS AMONG THE DIRECTORS AND THE CORPORATE OFFICERS

There is no conflict of interests between any duties to the issuer, of the persons referred to above, and their private interests and/or other duties.





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4.1. Operations and consolidated results

THE GROUP IN 2016 AS PUBLISHED

On February 7, 2017, BIC Group announced the status of the strategic alternatives review initiated in February 2016 for BIC Graphic. The Group mentioned that discussions regarding BIC Graphic North America and the Asia sourcing operations were still ongoing. Consequently, at December 31, 2016 these activities are accounted and presented in accordance with IFRS 5 (Please refer to Note 20 in the part 5.1 "Consolidated financial statements" for further information on the accounting and measurement of the BIC Graphic North America and Asia sourcing's assets at December 31, 2016).

2016 Key Events

February	Acknowledging Chief Executive Officer Mario Guevara's decision to retire in May 2016, the Board of Directors decides to combine the Chairman and Chief Executive Officer functions and to appoint Bruno Bich as Chairman and Chief Executive Officer.
	Considering the recent changes in the competitive landscape of the Promotional Products Industry, the Board decides to initiate a review of strategic alternatives for BIC Graphic.
	The Stationery facility in Shanghai (China) is closed down and its production transferred to other BIC Stationery sites.
September	On 20 September 2016, the "Cour de Cassation" (French Supreme Civil court) has rejected the ultimate legal arguments of Polyflame Europe (a pocket lighter importer), making final the prohibition to claim conformity to the ISO 9994 safety standard of its eight lighter models involved in the court procedure against Société BIC. On 22 October 2014 the Paris Court of Appeal had issued this prohibition on the grounds that such a conformity claim constitutes false advertising and consequently unfair competition.

In 2016, BIC reinforced brand support to accompany the launch of new products, strengthen its existing positions in developing markets, improve in-store visibility and boost awareness of the BIC® brand.

The Group also increased investment in Research & Development to enhance both the quality and performance of newly-launched BIC products, develop new technologies and introduce new added-value products. Our goal is to consistently produce quality products at a

low cost, either in-house with our own technologies or, to a lesser extent, by outsourcing to increase flexibility.

FY 2016 Net Sales were 2,025.8 million euros, up 1.6% (+4.9% on a constant currency basis).

Full Year 2016 Normalized IFO was 409.1 million euros (normalized IFO margin of 20.2% and 20.6% excluding the impact of the special employee bonus).

CONDENSED PROFIT AND LOSS ACCOUNT

<i>(in million euros)</i>	FY 2015	FY 2016	As published
Net sales	1,993.4	2,025.8	+1.6%
Cost of goods	962.6	960.5	
Gross Profit	1,030.8	1,065.3	+3.4%
Administrative & other operating expenses	(606.4)	(661.9)	
Income from operations	424.4	403.4	-4.9%
Finance revenue/costs	32.6	4.8	
Income before tax	457.0	408.2	-10.7%
Income tax expense	(136.3)	(122.7)	
Net Income from continuing operations	320.7	285.5	-11.0%
Net Income from discontinued operations	5.8	(35.8)	NA
Group net income	326.5	249.7	-23.5%
Non-controlling interests	1.4	-	
Net income group share	325.1	249.7	-23.2%
Earnings per share Group share from continuing operations <i>(in euros)</i>	6.77	6.09	
Earnings per share Group share from discontinued operations <i>(in euros)</i>	0.12	(0.77)	
Earnings per share Group share <i>(in euros)</i>	6.89	5.32	-22.8%
Average number of shares outstanding (net of treasury shares)	47,173,339	46,898,827	-





FY 2016 Gross Profit margin came in at 52.6%, compared to 51.7% for FY 2015. Excluding the impact of the special employee bonus in 2016 and the negative impact of the Argentinian ARS in 2015, Gross Profit margin would have grown by 0.7 points.

FY 2016 Normalized IFO was 409.1 million euros (*i.e.*, a Normalized IFO margin of 20.2% or 20.6% excluding the impact of the special employee bonus).

Income before tax fell back to 408.2 million euros, compared to 457.0 million euros for FY 2015. Net finance revenue was a positive 4.8 million euros compared to a positive amount of 32.6 million euros for FY 2015.

Net income Group Share was 249.7 million euros in FY 2016, a 23.2% drop. The effective tax rate in FY 2016 was 29.5%.

- *Net Income Group Share From Continuing Operations* was 285.5 million euros.
- *Net Income Group Share From Discontinued Operations* represented a loss of 35.8 million euros.

EPS Group Share was 5.32 euros, compared to 6.89 euros in FY 2015, down by 22.8%.

- *EPS Group Share From Continuing Operations* was 6.09 euros compared to 6.77 euros in FY 2015.
- *EPS Group Share From Discontinued Operation* was -0.77 euros compared to 0.12 euros in FY 2015.

THE GROUP IN 2016 RESTATED FOR DISCONTINUED OPERATIONS

Figures "restated for discontinued operations" are based on the restatement of the discontinued activities (BIC Graphic North America and Asia sourcing) classification and aim at presenting information consistent with historical presentation.

FY 2016 Net Sales were 2,272.4 million euros, up 1.4% (+4.2% on a constant currency basis). The negative impact of currency fluctuations (-2.8%) was mainly due to the depreciation of Latin American currencies against the euro.

- **Consumer business** grew 5.3% on a constant currency basis (Europe +6.5%, North America +2.7%, developing markets +7.5%).
- **BIC Graphic** Net Sales decreased by 1.9% on a constant currency basis.

In 2016, BIC realized 86% of its sales in Consumer Goods (through its Stationery, Lighter, Shaver and Other Products categories) and 14% in the Advertising and Promotional Products Industry.

Consumer business

- In the Stationery category, net sales increased 5.2% on a constant currency basis. In Europe, BIC net sales grew high-single digit and in North America, net sales increased low-single digit. Developing countries grew low-single digit.
- In the Lighter category, net sales grew 5.6% on a constant currency basis. In Europe and in North America, BIC registered a mid-single digit growth. In developing markets, full year 2016 net sales were stable.
- In the Shaver category, net sales increased 7.0% on a constant currency basis with high-single digit growth in Europe. In North America, net sales were stable. Developing markets grew double digit.

Advertising and Promotional Products

BIC Graphic net sales decreased 1.9% on a constant currency basis.

FY 2016 Gross Profit margin came in at 50.4%, compared to 49.7% for FY 2015. Excluding the impact of the special employee bonus in 2016 and the negative impact of the Argentinian ARS in 2015, Gross Profit margin would have grown by 0.9 points.

FY 2016 Normalized IFO was 418.9 million euros (*i.e.*, a Normalized IFO margin of 18.4% or 18.9% excluding the impact of the special employee bonus).

- **Consumer business** Normalized IFO margin stood at 21.0% for FY 2016, a decline of 0.9 points on FY 2015 (down 0.5 points excluding the impact of the special employee bonus), attributable to increased investment in brand support and research and development.
- **BIC Graphic** Normalized IFO margin decreased by 0.9 points for FY 2016 to 2.4% (if the impact of the special employee bonus is excluded, it was stable at 3.3%).





COMMENTS ON THE YEAR
Operations and consolidated results

Key components of the change in Normalized IFO margin (in % points)	FY 2015 vs. FY 2014	FY 2016 vs. FY 2015
• Change in cost of production ^(a)	+0.6	+1.0
• Total Brand Support ^(b)	-0.3	-0.7
• Of which, promotions and investments related to consumer and business development support accounted for in Gross Profit Margin	-0.2	-0.1
• Of which, advertising, consumer and trade support	-0.1	-0.6
• OPEX and other expenses	+0.3	-0.7
Total change in Normalized IFO margin excluding the special employee bonus^(c)	+0.6	-0.4
Special employee bonus^(c)	-	-0.5
• Of which impact on Gross Profit	-	-0.3
• Of which impact on OPEX	-	-0.2
Total change in Normalized IFO margin	+0.6	-0.9

(a) Gross Profit margin excluding promotions and investments related to consumer and business development support.

(b) Total Brand Support: consumer and business development support + advertising, consumer and trade support.

(c) In 2016, a special bonus was awarded to employees who were not granted shares under performance share plans.

NON-RECURRING ITEMS

(in million euros)	2015	2016
INCOME FROM OPERATIONS	439.9	355.0
IFO margin	19.6%	15.6%
Restructuring costs (BIC Graphic, Lighters, Middle-East and Africa)	+4.5	+10.4
Impairment recognized for BIC Graphic North America and Asia sourcing	-	+54.6
Divestment of Fuel Cell business (net of restructuring costs)	-2.2	-
Gains on real estate operations	-9.2	-
Retiree Medical Adjustment in the U.S.	-	-1.1
Impact of lump sum election for terminated vested pension participants in the U.S.	-4.6	-
Impact of the reevaluation of intercompany accounts payable in Argentina (IAS 21)	+3.6	-
NORMALIZED IFO	432.0	418.9
Normalized IFO margin	19.3%	18.4%
Special employee bonus ^(a)	-	+11.4
NORMALIZED IFO EXCLUDING THE SPECIAL EMPLOYEE BONUS^(A)	432.0	430.3
Normalized IFO margin excluding the special employee bonus^(a)	19.3%	18.9%

(a) In 2016, a special bonus was awarded to employees who were not granted shares under performance share plans.

NORMALIZED IFO MARGIN

	2015	2016
Group	19.3%	18.4%
• Consumer business	21.9%	21.4%
• BIC Graphic	3.3%	3.3%

Income before tax fell back to 354.3 million euros, compared to 466.7 million euros for FY 2015. Net finance revenue was a negative 0.8 million euros compared to a positive amount of 26.8 million euros for FY 2015, due to favorable FY 2015 fair value adjustments to U.S. dollar denominated financial assets when compared to December 2014.

Net Income From Discontinued Operations was a negative 35.8 million euros compared to a positive 5.8 million euros in 2015, due to the impact of the reassessment of BIC Graphic North America and Asia Sourcing carrying value.

Normalized EPS Group Share decreased by 7.8% period on period, from 6.77 euros in FY 2015 to 6.24 euros in FY 2016.





2016 GROUP PERFORMANCE BY CATEGORY (OPERATING SEGMENTS)

BIC GROUP NET SALES AND INCOME FROM OPERATIONS (IFO) BY PRODUCT CATEGORY 2015-2016

(in million euros)	Stationery		Lighters		Shavers		Other Consumer Products ^(a)		BIC Graphic	
	Net sales	IFO	Net sales	IFO	Net sales	IFO	Net sales	IFO	Net sales	IFO
2015	727.0	83.7	675.7	260.9	452.0	83.3	67.6	(1.2)	319.3	13.1
2016	736.6	66.2	696.4	275.3	467.0	68.6	61.0	(2.9)	311.5	(52.2)

(a) See Glossary § 8.9.

BIC GROUP IFO AND NORMALIZED^(a) IFO BY PRODUCT CATEGORY 2015-2016

(in million euros)	Stationery		Lighters		Shavers		Other Consumer Products ^(a)		BIC Graphic	
	Norm. IFO	IFO	Norm. IFO	IFO	Norm. IFO	IFO	Norm. IFO	IFO	Norm. IFO	IFO
2015	83.4	83.7	257.9	260.9	83.6	83.3	(3.4)	(1.2)	10.4	13.1
2016	67.5	66.2	277.3	275.3	69.6	68.6	(2.7)	(2.9)	7.3	(52.2)

(a) See Glossary § 8.9.

Consumer business

Stationery

Stationery full-year 2016 Net Sales increased by 1.3% (+5.2% on a constant currency basis). Full year 2016 volumes grew by 1.5%.

The stationery market continued to show positive momentum in 2016 with mid-single digit growth in value terms well balanced between developed and developing markets. In a relentlessly competitive environment, we held on to market share gains in most geographies especially in developing markets where we had a record year in Brazil and in certain regions such as the Middle-East and Africa. In line with our strategy, we have accelerated our R&D and brand support investment which helped fuel our net sales growth and successful new product launches.

- Developed markets:** Net Sales registered high-single digit growth in Europe with market share gains in most countries thanks to good execution, especially during the Back-to-School season and enhanced brand support. We actively supported our products with communication programs such as the "4 colors™" TV campaigns broadcast throughout the region and the coloring campaign in France, the UK, Spain and Eastern European countries. Despite a very competitive environment in North America, Net Sales registered low-single digit growth, as we continued to benefit from the success of our "Champion Brand" products such Cristal®, Atlantis® and Xtra-Fun graphite pencils with market share gains in all of their respective segments.
- Developing markets:** Net Sales posted low-single digit growth and most of the regions performed well. We continued our successful expansion in Latin America, supported by regional advertising campaigns, notably in the ball pen and coloring segments. In Brazil, BIC reinforced its position with strong market share gains, driven by higher brand support investment and in-store visibility; we consolidated our leadership in the modern mass market channel. In the Middle-East and Africa, BIC delivered

strong growth along with an outstanding performance in South Africa across the whole range, particularly in the Ball Pen and Coloring segments. In India, Cello Pens Net Sales decreased mid-single digit. Domestic sales were flat in a competitive environment. We continued to streamline our product portfolio and to focus on higher value-added items such as the Butterflow™ range.

Full Year 2016 Stationery normalized IFO margin was 9.2% compared to 11.5% in 2015. Excluding the impact of the special employee bonus, Normalized IFO margin for Stationery would have been 9.6%. The year-on-year drop is attributable to the impact of an increase in operating expenses, as well as significant investment in brand support in Europe and North America.

Lighters

Full-year 2016 Net Sales of Lighters grew by 3.1% (+5.6% on a constant currency basis). Full year 2016 volumes were up 2.3%.

- Developed markets:** In Europe, growth in Net Sales was in the mid-single digits, driven by Western Europe and distribution gains in Eastern Europe. In all of these countries, we benefited from the solid performance of our core products and our utility lighters. North America achieved mid-single digit growth, driven by the success of added-value sleeves, notably the new bohemian pocket lighter design series. In the U.S., we also benefited from our creative Facebook page promoting our added value sleeve designs and our New York City Fashion week participation.
- Developing markets:** Full-year 2016 net sales were in the high-single digits. In Latin America, high-single digit growth in Net Sales was underpinned by distribution gains especially in Mexico where Child Resistant regulation came into force this year, and despite a tough business environment in Brazil. In the Middle-East and Africa, growth was driven by the North African region on the back of strong visibility and distribution gains. In Asia, the performance was driven by distribution gains in Japan; we





COMMENTS ON THE YEAR

Operations and consolidated results

continued to focus on building a distribution channel through convenience stores. In Oceania, we continued to extend our market leadership position through increased distribution of pocket lighters and the Utility range into modern mass market accounts.

Full-year 2016 Normalized IFO margin for Lighters was 39.8% compared to 38.2% in 2015. Excluding the impact of the special employee bonus, Normalized IFO margin for Lighters would have been 40.2%, reflecting a higher gross profit margin.

Shavers

Full-year 2016 Net Sales of Shavers grew by 3.3% (+7.0% on a constant currency basis). Full-year 2016 volumes were up by 0.6%.

In 2016, we continued to reinforce our positions in most geographies, especially in Latin America and Eastern Europe. Thanks to the "Great value" positioning of our products, consumers continued to use BIC® shavers and our new products helped us to win new consumers.

- **Developed markets:** In Europe, Full-year Net Sales achieved high-single digit growth with solid performances in Eastern European regions underpinned by distribution gains and successful new products launches in the region, such as the BIC® Flex 3 for men and BIC® Simply Soleil® for women. In North America, the total U.S. wet shave market declined by 5.0% at the end of December 2016. The one-piece segment declined by 6.1%, reflecting consumers' attrition due to less promotional activity and good performances by private labels. Despite this context, Net Sales were stable and we gained market share (+1.4 points to 28.0%⁽¹⁾ in value terms) thanks to our best value/quality positioning across our entire product range and a very strong new product pipeline (the BIC® Flex 5 and the BIC® Soleil® Shine shavers). In the U.S., we continued to invest in advertising with the digital "Smooth up" campaign for the BIC® Flex 5 shaver and the BIC® Soleil® "campaign ("Make your own sun") in both traditional and digital media.
- **Developing markets:** Net Sales posted double digit growth, with solid performance across all regions. In Latin America, the increase in sales was driven by the success of all product ranges (BIC® 3, BIC® Comfort 3 and BIC® Soleil). This growth was also supported by distribution gains and brand support investment in the region, such as TV campaigns in Brazil to promote the BIC® Comfort 3 and the BIC® Soleil shavers. The Middle-East and Africa benefited from the good performance across all regions and in all product ranges, especially in BIC® 1 and BIC® 3 shavers. We maintained our solid positions.

Full-year 2016 Normalized IFO margin for Shavers was 14.9% compared to 18.5% in 2015. Excluding the impact of the special employee bonus, Normalized IFO margin for Shavers would have been 15.4%. This year-on-year decrease was due to increased investment in Research and Development and in brand support.

Other Consumer Products

Full-year 2016 Net Sales of Other Consumer Products decreased by 9.8% (-9.0% on a constant currency basis).

BIC Sport registered a double-digit decline in its full-year Net Sales on a constant currency basis, notably due to an increasingly competitive environment in the U.S.

Full-year 2016 Normalized IFO for Other Consumer Products was a negative 2.7 million euros (negative 2.5 million euros excluding the impact of the special employee bonus), compared to a negative 3.4 million euros in 2015.

Advertising and Promotional Products

BIC Graphic Full-year 2016 Net Sales decreased by 2.5% (-1.9% on a constant currency basis).

Customers continued to recognize the vast expertise of BIC Graphic in the fields of quality, safety compliance and trademarks. We continued to enhance our customer service and we benefited from our "Good value" positioning and new products launches.

Full-year 2016 Normalized IFO margin for BIC Graphic was 2.4% compared to 3.3% in 2015. Excluding the impact of the special employee bonus, Normalized IFO margin would have been 3.3%.

(1) Source: IRI total market YTD through December 25, 2016 (one-piece shavers) – in value terms.





2016 GROUP PERFORMANCE BY GEOGRAPHICAL AREA

NET SALES BREAKDOWN BY GEOGRAPHICAL AREA

<i>(in million euros)</i>	2015	2016	Change 2015/2016	
			Change in %	On a constant currency basis ^(a)
Europe	527.8	544.8	+3.2%	+5.3%
North America	1,040.1	1,058.6	+1.8%	+1.8%
Developing markets	673.8	669.0	-0.7%	+7.1%

(a) See Glossary § 8.9.

IMPACT OF CHANGE IN PERIMETER AND CURRENCY FLUCTUATIONS ON NET SALES

<i>(in %)</i>	2015	2016
Perimeter	-0.6	-
Currencies	+7.7	-2.8
• Of which U.S. dollar	+8.7	+0.1
• Of which Brazilian real	-1.7	-0.2
• Of which Argentinian peso	+0.1	-0.9
• Of which Indian rupee	+0.5	-0.2
• Of which Mexican peso	+0.1	-0.8
• Of which Russia and Ukraine	-0.4	-0.2

SENSITIVITY OF NET SALES TO KEY CURRENCY CHANGES

<i>(in %)</i>	2015	2016
+/-5% change in U.S. dollar	+/-2.2	+/-2.2
+/-5% change in Brazilian real	+/-0.4	+/-0.4
+/-5% change in Mexican peso	+/-0.2	+/-0.2





Europe

The Europe region includes Western and Eastern Europe. In 2016, Net Sales in Europe reached 544.8 million euros, a year-on-year increase of 3.2% (+5.3% on a constant currency basis).

Consumer business

In a fiercely competitive environment, Europe registered a strong performance in 2016 across all consumer categories and all regions, with a recovery in Southern European countries and strong growth in Eastern European countries.

- **In Stationery**, BIC delivered a good performance in both Western and Eastern countries thanks to the success of core stationery products such as BIC® 4 colors™ (Fluo and Shine) and BIC® Cristal® pens, as well as coloring and correction ranges. We reinforced our leadership positions and continued to gain market share in most regions, notably in France, Italy, Germany and Spain. We accelerated brand support investment, mainly through TV campaigns such as the “4 colors/Made in France” campaign and advertising for Evolution coloring pencils in Eastern Europe.
- **In Lighters**, net sales posted mid-single digit growth. Western Europe’s performance was driven by both classic products and utility lighters. Eastern European countries continued their good momentum on the back of distribution gains.
- **In Shavers**, growth was mainly driven by Eastern European countries. In this region, we increased the distribution of our core products and expanded our product portfolio with new products such as the BIC® 3 for men and BIC® Simply Soleil® for women. As planned, we increased brand support investment to boost brand awareness and visibility with a TV advertising campaign in Eastern Europe to support the Miss Soleil® range, a global digital campaign to support our women’s product range and a TV campaign in Russia to promote the BIC® Flex 3.

Advertising and Promotional Products

Net sales were mainly driven by Eastern Europe but key countries such as France, Benelux and Germany also performed well.

North America

The North America region includes the U.S. and Canada. In 2016, Net Sales in North America reached 1,058.6 million euros, up 1.8% both as reported and on a constant currency basis.

Consumer business

BIC delivered a good performance in both the U.S. and Canada and grew or held market share in most categories despite a challenging environment. This good performance continued to be driven by consistently promoting our quality and value positioning, an increased emphasis on our added value products, on driving quality distribution, and the impact of our targeted advertising and marketing programs.

- **In Stationery**, mid-single digit net sales growth reflects BIC’s continued strong market presence. We managed to hold onto our market share despite an increasingly aggressive competitive environment and continued turbulence in the office superstore channel. This performance was driven by a solid back to school season and by focusing on our “Champion brands”. Across the continent, we increased our presence in the adult coloring category (which included the launch of our Conté® coloring brand) and we focused our investments on added value products supported by our BIC “Fight for your Write” campaign promoting the learning and developmental benefits associated with hand-writing.
- **In Lighters**, mid-single digit growth was driven by our continued emphasis on product safety and quality, our extensive distribution, and the success of our added-value sleeve designs notably the new “bohemian” series. In addition, our creative Facebook posts promoting our added value sleeve designs together with our presence at the New York city Fashion Week as part of designer Alexander Wang’s show (where models wore necklaces made with BIC® lighters) generated considerable interest on social media.
- **In Shavers**, 2016 reflects another year of continued market share gains in both countries despite an extremely turbulent U.S. market. BICs success continues to be driven by expanded distribution and shelf presence, our best Quality/Value positioning, the BIC® Soleil® range and the solid growth and continuous pipeline of added value premium flexible blade products including the BIC® Flex 5 and the BIC® Soleil® Shine ranges. In Men’s Shavers, the BIC® Flex 5 was supported by the “Men, it’s time to smooth up” digital campaign in the U.S. and by our successful sponsorship of the “Toronto Raptors”, basketball team in Canada. In both countries, our women’s Shavers continued to be supported by the BIC® Soleil® “Make your own sun” advertising campaign on TV, social, digital, and print media.

Advertising and Promotional Products

Sales of Writing Instruments and Hard Goods continued to be driven by our “Good Value” line and by new products.





Developing markets

Developing markets include Latin America (Mexico, Central America, the Caribbean and South America), the Middle-East, Africa, Oceania and Asia. In 2016, Net Sales reached 669.0 million euros, down 0.7% (+7.1% on a constant currency basis).

Consumer business

Latin America

In Latin America, consumer categories net sales delivered a double-digit increase. BIC reinforced its brand through effective advertising and marketing campaigns such as the coloring TV campaign and the BIC® Comfort3 campaign, both of which ran in Brazil, Argentina, Mexico and Central America.

- **Stationery:** BIC expanded its market share in key countries, thanks to higher brand support investment and in-store visibility, focusing on the Evolution coloring range and Cristal® pens. We rolled out our first ever regional Evolution coloring advertising campaign ("Little artist") and harmonized our packaging throughout the region. As a result, we consolidated our leadership in the coloring segment in the retail trade both in Mexico and Brazil.
- **Lighters:** high-single digit growth in net sales was driven by distribution gains especially in Mexico, where Child Resistant regulation was implemented this year, supported by communication campaigns. We also benefited from the impact of the "Save money with BIC" TV and radio campaigns.
- **Shavers:** Sales continued to grow with good performance in all regions. Mexico posted strong results thanks to the success of BIC® Twin and BIC® Comfort3 Shavers, supported by a TV, radio and digital advertising campaign. Brazil delivered outstanding performance underpinned by increased brand support investment and resulting in market share gains, stronger brand awareness, higher household penetration and repeat purchase rates. BIC's commitment to the Value-for-Money concept was reflected in each of the products in the portfolio, from single- to triple-blade Shavers, for both men and women.

Middle-East and Africa/India

BIC continued to deploy the proximity strategy first rolled out in 2012. During the year, we continued to work closely with distributors and customers to reinforce our presence, leverage the BIC® brand and increase net sales by focusing on distribution gains and improved in-store visibility.

- **Stationery:** BIC registered a good performance in the region, especially in Southern and Eastern Africa, and in Morocco. This growth was mainly driven by the success of core products such as the Ball Pen range, the Cristal® pen and the M10 pen (which celebrated its 60-year anniversary in South Africa in 2016). Southern Africa had a fine year and consolidated the strong back-to-school performance of 2015. Eastern Africa delivered a good performance, thanks notably to excellence in execution from product listing to consumer engagement. In India, 2016 was the first year with BIC having 100% of Cello Pens: substantial progress has been made notably in Human Resources, Marketing, Finance and Manufacturing. We have reinforced our presence and increased distribution within the domestic market. Cello Pens remained leader in the Ball Pen segment and gained leadership in the Gel Pens segment. Domestic sales were flat in an aggressively competitive market.
- **Lighters:** 2016 was a satisfactory year, especially in North-Africa, thanks to our strategy, aimed at gaining distribution and improving in-store visibility. We also benefited from our sleeve strategy, offering consumers novelty with local sleeve series.
- **Shavers:** BIC delivered a good performance across all regions. Growth was supported by effective advertising programs such as the BIC® 1 successful campaign conducted across West Africa, and the "Get Smooth" Premium Range promotion in South Africa (Flex 3, 4 and 5). We also increased in-store activity in South Africa, through additional promotions. Consequently, BIC maintained its solid positions in core shavers and continued to grow sales through added value products.

Asia-Pacific

In Oceania, BIC delivered strong set of results across the region with growth in all categories.

- **Stationery:** in Oceania, we achieved solid growth in mass markets through additional promotional events and distribution gains especially in added value (Ball Pens and Coloring).
- **Lighters:** in Oceania, BIC extended its leadership position through distribution gains. In Asia, the performance was driven by distribution gains in convenience stores in Japan. China continued its growth on the back of distribution gains especially in convenience stores.
- **Shavers:** BIC delivered a strong performance across the entire region. In Australia, we climbed to number two in the market for the first time thanks to the increased distribution of the Flex and Soleil® ranges. In New Zealand, we reinforced our market leadership position.





4.2. Financial situation and cash

At the end of 2016, the net cash position⁽¹⁾ was 222.2 million euros, compared to 448.0 million euros as of December 31, 2015.

2016 Net Cash from operating activities⁽¹⁾ totaled 298.7 million euros.

2016 cash generation is impacted by the dividend payment for 277.0 million euros, 81.6 million euros of cash paid on share buy-backs and 180.8 million euros on CAPEX.

As published⁽¹⁾

MAIN BALANCE SHEET ITEMS AS PUBLISHED

<i>(in million euros)</i>	2015	2016
Shareholders' equity	1,849.5	1,792.6
Current borrowings and bank overdrafts	7.8	49.6
Non-current borrowings	2.4	1.4
Cash and cash equivalents – Assets	385.2	243.8
Other current financial assets	73.0	29.4
Net cash position^(a)	448.0	222.2
Goodwill and intangible assets	421.7	372.7
TOTAL BALANCE SHEET	2,536.2	2,573.7

NB: SOCIÉTÉ BIC did not request any rating from any credit ratings agency nor, to the best of its knowledge, has it been the object of any unsolicited rating by any credit ratings agency.

(a) See Glossary § 8.9.

CONDENSED CASH FLOW STATEMENT AS PUBLISHED

<i>(in million euros)</i>	2015	2016
Cash flow from operations	435.6	417.2
(Increase)/Decrease in net working capital	(24.0)	(62.8)
Other operating cash flows	(44.5)	(55.7)
Net cash from operating activities from continuing operations	351.4	276.2
Net Cash from operating activities from discontinued operations	15.7	22.5
Net cash from operating activities ^(a)	367.1	298.7
Net Cash from investing activities from continuing operations	(108.5)	(127.2)
Net Cash from investing activities from discontinued operations	(5.4)	(5.3)
Net cash from investing activities	(113.8)	(132.5)
Net Cash from financing activities from continuing operations	(224.2)	(291.5)
Net Cash from financing activities from discontinued operations	(3.5)	(48.0)
Net cash from financing activities	(227.8)	(339.5)
Net increase/(decrease) in cash and cash equivalents	25.6	(173.2)
Closing cash and cash equivalents	380.6	217.4

(a) See Glossary § 8.9.

(1) See Glossary § 8.9.





As restated for discontinued operations⁽¹⁾

MAIN BALANCE SHEET ITEMS RESTATED FOR DISCONTINUED OPERATIONS

<i>(in million euros)</i>	2015 ^(a)	2016
Shareholders' equity	1,849.5	1,792.6
Current borrowings and bank overdrafts	7.8	49.6
Non-current borrowings	2.4	1.4
Cash and cash equivalents – Assets	385.2	243.8
Other current financial assets and derivative instruments	76.3	31.1
Net cash position^(b)	448.0	222.2
Goodwill and intangible assets	421.7	388.0
TOTAL BALANCE SHEET	2,536.2	2,573.7

NB: SOCIÉTÉ BIC did not request any rating from any credit ratings agency nor, to the best of its knowledge, has it been the object of any unsolicited rating by any credit ratings agency.

(a) Restated for IFRIC 21.

(b) See Glossary § 8.9.

CONDENSED CASH FLOW STATEMENT RESTATED FOR DISCONTINUED OPERATIONS

<i>(in million euros)</i>	2015	2016
Cash flow from operations	435.6	417.2
(Increase)/Decrease in net working capital	(24.0)	(62.8)
Other operating cash flows	(44.5)	(55.7)
Net cash from operating activities ^(a)	367.1	298.7
Net cash from investing activities	(113.8)	(132.5)
Net cash from financing activities	(227.8)	(339.5)
Net increase/(decrease) in cash and cash equivalents	25.6	(173.2)
Closing cash and cash equivalents	380.6	217.4

(a) See Glossary § 8.9.

(1) See Glossary § 8.9.





4.3. Management of currency and interest rate risks

HEDGING FOREIGN EXCHANGE RISKS ON INTERNATIONAL MARKETS

As BIC has a presence in more than 160 countries, business is subject to fluctuations in financial markets. Our foreign exchange (FOREX) risk management policy is to hedge transactions in foreign currencies through forward contracts and options. The Group does not hedge against FOREX conversion variations arising in the consolidation of foreign affiliates, except for intragroup dividends. Direct and equity investments are also usually carried out in local currencies.

BIC manages foreign exchange risks only in order to protect profitability, enhance liquidity and security and does not engage in any speculative transactions. Group Treasury is not a profit center and reports the status of its FOREX hedges to the Leadership Team on a monthly basis, splitting the transactions matured and non-matured, and the related FOREX results.

Since 2000, the Group has annualized FOREX hedging, permitting subsidiaries to bring their exposure close to zero while all risks are centralized at the parent company level, except for non-convertible currencies.

A regular reporting process common for all subsidiaries allows the identification of FOREX positions for each currency and their forward-looking evolution within the year. SOCIÉTÉ BIC consolidates subsidiaries' FOREX risks and hedges the residual risk on financial markets.

The Group's main currency exposure is to the EUR-USD rate.

In 2016, the yearly exposure for commercial flows was hedged at the average rate of 1 EUR = 1.1192 USD. Regarding the 2017 exposure, as of December 31, 2016, 90% of the identified exposure has been hedged at an average rate of 1 EUR = 1.11 USD.

The main other currencies exposures in order of volume are the Canadian dollar, the British pound and the Australian dollar. These exposures are hedged between 80% and 100% for the full year 2017.

As soon as a transaction is traded on the financial markets, Group Treasury categorizes the hedge in relation to its year of maturity and the nature of flows hedged, commercial or financial. All the hedging

products used comply with the Cash Flow Hedge qualification as defined by IAS 32/39. Thus, Group Treasury does not use any product with leveraging or deactivating effect that could create a position opposed to the intended direction of the Group exposure. This strict discipline in such levels of market volatility is fundamental for the financial security of the Group.

The portfolio of financial instruments benefits from a specific real time monitoring by Group Treasury, which also provides a monthly mark-to-market valuation of each position, in compliance with IAS 32/39 requirements.

All hedging contracts are set up with top-level banking institutions, making counterparty risk very low. Almost all our transactions are negotiated with the historical banks of the BIC Group, which are all "universal banks" with a good protective balance between their different activities that makes them less vulnerable to market risks. To date, the minimum Standard & Poor's long-term rating of our main banking counterparties is A-, the range of ratings going from A+ to A-. Following the requirement of IFRS 13, the counterparty risk on our FX positions in portfolio as of December 31, 2016, has been calculated and the result is considered as not significant enough for a specific booking.

In countries where it is not possible to centralize the risk effectively as described above, foreign exchange exposure is managed locally with continual monitoring by Group Treasury. Such exposure is mainly concentrated in Latin America and South Africa. These subsidiaries produce most of the products sold on their national market locally, but also import some components manufactured inside the Group. Local hedging is set up, after Group Treasury approval.

HEDGING INTEREST RATE RISK

Exposure to interest rate fluctuations is very limited. All local funding needs are directly indexed on a short-term variable rate. Borrowers' positions are insignificant at Group level, and are of too limited a timescale to require any relevant hedging.





4.4. Dividends

The Board of Directors of SOCIÉTÉ BIC proposes the distribution of dividends primarily as a function of the Company's earnings, its investment policy and balance sheet strength, as well as comparisons with peer companies in the same sector. BIC does not foresee a material change in this dividend distribution policy.

Considering the Group's strong full-year 2016 performance, and confident in the BIC Group's prospects and the sustainability of its

strong financial position, the Board of Directors will propose 3.45 euros as an ordinary dividend per share, at the Annual Shareholders' Meeting on May 10, 2017. The pay-out ratio (calculated with the ordinary dividend) would be 65% in 2016, compared to 49% in 2015.

The dividends paid for the last three fiscal years were as follows:

	Net ordinary dividend (in euros)	Net ordinary dividend divided by earnings per share (pay-out ratio)
2015 ⁽¹⁾	3.40	49%
2014	2.85	51%
2013	2.60	51%

(1) In addition to the ordinary dividend, a special dividend of € 2.50 per share has been voted for the full year 2015.





4.5. Investments

PRINCIPAL INVESTMENTS OVER RECENT YEARS

Regarding industrial investments, the BIC Group has organized its manufacturing activities in two areas for several years:

- first, in continued quality improvement for each production line, including continuous investments in manufacturing processes and new technologies;
- second, in the specialization of focused production sites by product category.

In 2006, we opened a distribution subsidiary in Turkey. Moreover, we acquired PIMACO, Brazil's leading manufacturer and distributor of adhesive labels.

In December 2008, the BIC Group announced its intent to acquire Antalis Promotional Products entities (Sequana Group). The acquisition was completed on March 11, 2009, after the signing of an agreement on the basis of a total enterprise value of 33.5 million euros. After the purchase of Antalis Promotional Products, in June 2009 the BIC Group announced the acquisition of Norwood Promotional Products. Norwood Promotional Products is a U.S. supplier of promotional products with leadership positions in calendars and promotional goods. The acquisition was completed on July 6, 2009 and total consideration for the acquisition was 125 million U.S. dollars plus 31 million U.S. dollars in assumed liabilities.

On January 21, 2009, the BIC Group and the Cello group announced that they had signed a definitive agreement whereby the BIC Group acquired 40% of the Cello Writing Instrument business for 7.9 billion Indian rupees. As part of the agreement, BIC had a call option in 2013 to increase its stake to 55%. This agreement was partially completed on March 5, 2009 for 3.8 billion Indian rupees.

In April 2009, BIC launched a worldwide cost reduction plan to adjust to the slowdown of its markets. This initiative negatively impacted full year 2009 IFO by 34.4 million euros. The impact on profit was partially offset by the negative goodwill related to the Antalis Promotional Products acquisition. The net impact was 24.1 million euros.

On April 27, 2011, the BIC Group acquired Sologear LLC, maker of FlameDisk®, a portable heat source for grilling. On November 30, 2011, the BIC Group acquired the assets of Angstrom Power Incorporated, a company specializing in the development of portable fuel cell technology.

In February 2012, the BIC Group acquired land for the construction of a writing instrument facility in the fast growing African and Middle-East region. Located in Tunisia (region of Bizerte). The facility has been operational since the end of 2013. The total investment was 12 million euros.

In October 2012, BIC, announced the launch of BIC® Education in France, a next generation educational solution for primary schools.

In September 2013, the BIC Group closed the acquisition of 40% of the last (7th) stationery entity of the Cello group for a total amount of 3.7 billion Indian rupees (43.3 million euros⁽¹⁾). On September 27, 2013, the BIC Group announced that it had completed the purchase of shares pursuant to the call option, exercised in September 17, to increase its stake in Cello Pens' seven entities from 40% to 55% for 2.9 billion Indian rupees (35.2 million euros⁽²⁾)

In October 2013, the BIC Group acquired land in Nantong, China (North of Shanghai) for the construction of a Lighter facility in China. The total investment is around 14 million euros.

In July 2014, the BIC Group completed the purchase of shares to increase its stake from 55% to 75% in Cello Pens' seven entities for 4.3 billion Indian rupees (approx. 53 million euros⁽³⁾) after Cello group exercised its put option in March 2014, allowing it to sell 20% of Cello Pens to the BIC Group.

In October 2015, the BIC Group presented an investment project intended to modernize its industrial facilities in the North of France (Pas-de-Calais). Planned over a five-year period, the project includes an investment of 12 million euros to extend the production facility at Samer.

In December 2015, BIC increased its stake in Cello Pens to 100% for an amount of 5.4 billion Indian rupees (approximately 74 million euros⁽⁴⁾).

(1) 84.53 INR = 1 EUR (Sep.13, 2013, ECB Reference rate).

(2) 83.80 INR = 1 EUR (Sep.26, 2013, ECB Reference rate).

(3) 81.17 INR = 1 EUR (Jul.04, 2014, ECB Reference rate).

(4) 72.69 INR = 1 EUR (Dec.08, 2015, ECB Reference rate).





PRINCIPAL INVESTMENTS IN 2016

2016 Capex were 180.8 million euros.

In the **Stationery** category, major investments included:

- infrastructure and foundations for new buildings in Samer (France);
- a building extension in Bizerte (Tunisia);
- capacity increase for pencils in the Evolution® range in two production sites: Samer (France) and Manaus (Brazil);
- additional production capacity for Velocity Ball Pen in Marne-La-Vallée (France).

In the **Lighter** category, we invested to increase capacities in Redon (France), Milford (U.S.) and Tarragona (Spain).

In the **Shaver** category, major investments included:

- increasing the size and production capacities of the Manaus (Brazil) factory;
- construction of a new R&D Center in Athens (Greece);
- transfer and capacity increase in Saltillo (Mexico) – accelerating molding and assembly operations.

PRINCIPAL INVESTMENTS IN PROGRESS: GEOGRAPHIC DISTRIBUTION AND FINANCING METHODS

Not applicable.

PRINCIPAL FUTURE INVESTMENTS

Not applicable.





4.6. Prospects for 2017 and strategy

2017 OPERATIONAL OUTLOOK

Group

In 2017, the volatility of currencies and the unpredictable global environment will require increased levels of agility from our teams to ensure continued success. We plan to deliver mid-single digit organic growth in Net Sales. We will continue to launch new products and strengthen our distribution, with a focus on e-commerce in developed markets.

To enhance long-term growth, we plan another year of selected investments in R&D, CAPEX and Brand Support. The total impact of these investments on Normalized Income from Operations margin will be approximately -100 basis points compared to 2016, excluding major currency fluctuations.

Stationery

In 2017, our objective is to deliver organic sales growth and to gain market shares through:

- new product launches, resulting from increased R&D investment;
- our strong "champion brand" strategy buoyed by higher brand support investment;
- new emerging channels such as e-commerce, in developed countries;
- more qualified distribution channels in developing countries.

Lighters

We will continue to leverage our proven safety and quality classic and added-value products, to drive sales increases with new added-value sleeve designs in developed markets. In developing countries, we will consolidate our footprint and enhance BIC® brand awareness.

Shavers

We will continue to enhance product performance and sell at an affordable price. We expect the U.S. market to continue to slow down: in this context, we will step up promotional activities for our added-value products. We forecast continued growth in Latin America and Eastern Europe.

Thanks to increased R&D investment, our growth will be boosted by major new product launches, including:

- the **BIC® Hybrid 5 shaver**, in North America, which offers the best of our technology (moveable blades, optimized pivot, ect.) at a fair price;
- the **BIC® Soleil® Sensitive shaver**, in Latin America, a more advanced version of our BIC® Soleil® shaver;
- **BIC Shave Club**, a direct to consumer online-only subscription service with a refillable shaver will be tested in France.

GROUP LONG-TERM STRATEGIC PRIORITIES

- Continue to create long-term value by outperforming our markets and growing sales organically low to mid-single digit, thanks to:
 - expanded distribution networks in all geographies;
 - increased focus on value-added segments in developed markets;
 - enlarged consumer base in developing markets.
- Grow Normalized Income from Operations through increased productivity as we invest in our people, in brand support and in Research and Development with a focus on quality and innovative new products.
- Maintain strong cash generation to:
 - continue to grow the business organically,
 - finance strategic bolt-on acquisitions,
 - sustain total Shareholders' remuneration.

RISKS AND OPPORTUNITIES

In brief, we foresee the major challenges for 2017 to be:

- continued economic uncertainty;
- the global geopolitical environment;
- continued foreign currency volatility.

While many of these issues are outside of our control, we will make every effort to minimize the related risks in all aspects of our operations.

We believe that our greatest opportunity for growth remains the strength of the BIC® brand, combined with the diverse talents of our multinational workforce in more than 160 countries around the world. Our teams are delivering products and programs, including advertising and promotional support, that speak directly to today's consumers in their local marketplaces, meeting their specific needs.





PERFORMANCE GOALS

Sales growth, market share gains, margins, cash flow and a strong balance sheet are the main indicators of the group performance.

In 2017, our priority is to continue to drive sales growth through selected investments in R&D, brand support and CAPEX.

RECENT EVENTS

Following the BIC Graphic strategic review initiated in February 2016 and after conducting a careful review of the business, the following decisions have been made:

- BIC Graphic Europe operations will report to the European BIC Consumer Product business. The European BIC Graphic team will focus on implementing a plan to develop a sustainable business model while developing innovative services and maintaining BIC Graphic's imprinting and decorating expertise. In developing markets, BIC Graphic operations that have a sustainable business model will report to the local consumer business;
- Strategic alternative discussions regarding BIC Graphic North America and the Asia Sourcing operations are still on-going.





COMMENTS ON THE YEAR
Prospects for 2017 and strategy



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5.1. Consolidated financial statements

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1. CONSOLIDATED INCOME STATEMENT

<i>(in thousand euros)</i>	Notes	Dec. 31, 2015*	Dec. 31, 2016
Net sales	2-2	1,993,421	2,025,771
Cost of goods	4	(962,646)	(960,442)
Gross profit		1,030,775	1,065,329
Distribution costs	4	(278,951)	(285,954)
Administrative expenses	4	(206,694)	(211,932)
Other operating expenses	4	(136,833)	(158,933)
Other income	5	23,954	5,407
Other expenses	5	(7,889)	(10,525)
Income from operations		424,363	403,392
Income from cash and cash equivalents	6	14,237	8,856
Net finance income/(Net finance costs)	6	18,356	(4,057)
Income before tax		456,956	408,191
Income tax expense	7	(136,293)	(122,651)
Net income from consolidated entities		320,663	285,540
Net income from continuing operations		320,663	285,540
Net income from discontinued operations	20	5,839	(35,854)
Consolidated income		326,501	249,686
of which: non-controlling interests		1,443	-
NET INCOME GROUP SHARE	8	325,058	249,686
Earnings per share Group share <i>(in euros)</i>		6.89	5.32
<i>Continuing operations</i>	8	6.77	6.09
<i>Discontinued operations</i>		0.12	(0.77)
Diluted earnings per share Group share <i>(in euros)</i> ^(a)		6.81	5.27
<i>Continuing operations</i>	8	6.69	6.03
<i>Discontinued operations</i>		0.12	(0.76)
Average number of shares outstanding net of treasury shares over the period	8	47,173,339	46,898,827

(a) The dilutive elements taken into account are stock options.

* Restated from IFRS 5 "Discontinued operations" following the envisaged disposal of BIC Graphic North America and Asia (see Note 10-2 and 20).



2. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>(in thousand euros)</i>	Notes	Dec. 31, 2015	Dec. 31, 2016
GROUP NET INCOME	A	326,501	249,686
OTHER COMPREHENSIVE INCOME			
Actuarial differences on post-employment benefits not recyclable to the income statement ^(a)		31,516	(4,282)
Deferred tax on actuarial differences on post-employment benefits	7-2	(11,266)	479
Total actuarial differences not recyclable to the income statement - Net of tax	B	20,250	(3,803)
Gain/(Loss) on cash flow hedge		(575)	(14,107)
Exchange differences arising on translation of overseas operations ^(b)		(9,356)	45,789
Available-for-sale investments		(1)	2
Deferred tax and current tax recognized on other comprehensive income	7-2	(4,787)	4,837
Other comprehensive income recyclable to the income statement - Net of tax	C	(14,719)	36,522
TOTAL COMPREHENSIVE INCOME	D = A + B + C	332,032	282,405
Attributable to:			
• BIC Group		325,605	282,405
• Non-controlling interests		6,428	-
TOTAL		332,032	282,405

(a) The impact of actuarial differences is mainly due to U.S. and French plans.

(b) The main items impacting the translation reserve variance for the period, by currency, are as follows: U.S. dollar 9.7 million euros, Brazilian real 45.9 million euros and Mexican peso -15.9 million euros.





3. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets

<i>(in thousand euros)</i>	Notes	Dec. 31, 2015	Dec. 31, 2016
Property, plant and equipment	9-1, 9-2	508,533	564,420
Investment properties	9-3	2,150	2,088
Goodwill	10	324,894	297,304
Intangible assets	11	96,777	75,447
Other non-current assets	12	28,636	29,472
Deferred tax assets	13	163,756	174,669
Derivative instruments	22-6, 24-4	549	33
Non-current assets		1,125,295	1,143,433
Inventories	14	478,413	468,142
Income tax advance payments		11,614	30,823
Trade and other receivables	14	439,979	483,099
Other current assets		19,391	20,584
Derivative instruments	22-6, 24-4	3,296	1,702
Other current financial assets	22-6, CF (f)	73,048	29,439
Cash and cash equivalents	22-4, 22-6, 24-7	385,156	243,762
Current assets		1,410,897	1,277,551
Assets held for sale		-	152,697
TOTAL ASSETS		2,536,192	2,573,680

CF: See consolidated cash flow statement.





Equity and liabilities

<i>(in thousand euros)</i>	Notes	Dec. 31, 2015	Dec. 31, 2016
Share capital	15-1	180,169	178,333
Accumulated profits		1,652,982	1,552,100
Translation reserve		16,393	62,182
Shareholders' equity Group share		1,849,544	1,792,615
Non-controlling interests		-	-
Shareholders' equity	SHEQ	1,849,544	1,792,615
Non-current borrowings	16, 22-6	2,450	1,452
Other non-current liabilities		1,259	1,178
Employee benefits obligation	18-3, 18-7	208,832	205,455
Provisions	17	41,526	35,560
Deferred tax liabilities	13	52,506	51,358
Derivative instruments	24-4	134	4,234
Non-current liabilities		306,707	299,239
Trade and other payables	14	124,867	118,676
Current borrowings	16	7,780	49,578
Current tax due		15,183	13,596
Other current liabilities	19	228,406	232,111
Derivative instruments	24-4	3,705	15,591
Current liabilities		379,941	429,553
Liabilities held for sale		-	52,273
TOTAL EQUITY AND LIABILITIES		2,536,192	2,573,680

SHEQ: See consolidated statement of changes in equity.





4. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

<i>(in thousand euros)</i>	Notes	Share capital	Accumulated profits	Actuarial differences recognized in equity	Translation reserve	Cash flow hedge derivatives	Shareholders' equity Group share	Non-controlling interests	Shareholders' equity
At January 1, 2015		179,939	1,514,926	(99,531)	20,609	2,792	1,618,734	28,836	1,647,570
<i>Dividends paid</i>	CF, 21	-	(134,829)	-	-	-	(134,829)	-	(134,829)
<i>Decrease in share capital</i>		(688)	(25,623)	-	-	-	(26,311)	-	(26,311)
<i>Increase in share capital</i>		614	8,043	-	-	-	8,657	-	8,657
<i>Treasury shares</i>		305	(413)	-	-	-	(108)	-	(108)
<i>Recognition of share-based payments</i>	CF, 23	-	15,126	-	-	-	15,126	-	15,126
<i>Cello Pens - Put on non-controlling interests</i>	16	-	77,071	-	-	-	77,071	-	77,071
<i>Cello Pens - Change in interest</i>			(48,840)	-	10,126	-	(38,714)	(35,263)	(73,977)
<i>Other movements</i>		-	4,314	-	-	-	4,314	-	4,314
Total transactions with Shareholders		230	(105,151)	-	10,125	-	(94,796)	(35,263)	(130,058)
<i>Net income for the period</i>		-	325,058	-	-	-	325,058	1,443	326,501
<i>Other comprehensive income</i>		-	(3,044)	20,250	(14,341)	(2,319)	547	4,985	5,531
Total comprehensive income		-	322,014	20,250	(14,341)	(2,319)	325,605	6,428	332,032
At December 31, 2015		180,169	1,731,790	(79,281)	16,393	473	1,849,544	-	1,849,544
<i>Dividends paid</i>	CF, 21	-	(277,042)	-	-	-	(277,042)	-	(277,042)
<i>Decrease in share capital ^(a)</i>		(1,724)	(54,063)	-	-	-	(55,787)	-	(55,787)
<i>Increase in share capital ^(b)</i>		234	2,646	-	-	-	2,880	-	2,880
<i>Treasury shares</i>		(346)	(23,981)	-	-	-	(24,326)	-	(24,326)
<i>Recognition of share-based payments</i>	CF, 23	-	14,944	-	-	-	14,944	-	14,944
<i>Other</i>		-	(1)	-	-	-	(1)	-	(1)
Total transactions with Shareholders		(1,835)	(337,497)	-	-	-	(339,333)	-	(339,333)
<i>Net income for the period</i>		-	249,686	-	-	-	249,686	-	249,686
<i>Other comprehensive income</i>		-	139	(3,803)	45,789	(9,406)	32,719	-	32,719
Total comprehensive income		-	249,824	(3,803)	45,789	(9,406)	282,404	-	282,404
At December 31, 2016		178,333	1,644,117	(83,085)	62,182	(8,933)	1,792,615	-	1,792,615

(a) 451,339 shares were cancelled during 2016.

(b) Following the exercise of stock options, the share capital was increased by 61,384 shares.

CF: See consolidated cash flow statement.





5. CONSOLIDATED CASH FLOW STATEMENT

Operating activities	Notes	Dec. 31, 2015	Dec. 31, 2016
Net income Group share	IS	325,058	249,686
• Net income from discontinued operations		5,839	(35,854)
• Net income from continuing operations		319,220	285,540
Income and expense without cash impact			
Non-controlling interests	IS	1,443	-
Depreciation and amortization of intangible and tangible assets and investment properties	4, 9, 11	89,574	93,716
Impairment loss	4, 5, 9-2, 11, (n)	1,650	20,901
Goodwill impairment	10-2, (n)	-	33,965
Provision for employee benefits		20,525	22,000
Other provisions (excluding provisions on current assets)	17	(11,760)	(5,133)
Unrealized foreign currency gain/loss		-	3,303
Hedging and derivative instruments	24-4	2,076	4,031
Option premium expense	24-4	187	1,876
Recognition of share-based payments	23, SHEQ	15,126	14,944
Deferred tax variation	13	4,772	(21,835)
(Gain)/Loss from disposal of fixed assets	5, (a)	(13,039)	(223)
Cash flow from operations		435,612	417,231
(Increase)/Decrease in net working capital	14, (k)	(23,968)	(62,815)
Payments related to employee benefits	18-2, (l)	(39,975)	(34,019)
Financial expense/(income)	6	(11,742)	(5,676)
Interest (paid)/received		10,872	5,553
Income tax expense	7-1	139,675	113,300
Income tax paid		(143,328)	(134,838)
• Net cash from operating activities from continuing operations		351,401	276,188
• Net cash from operating activities from discontinued operations		15,746	22,548
NET CASH FROM OPERATING ACTIVITIES		367,147	298,736
Investing activities			
Disposal of fixed assets	(b)	14,901	1,944
Change in payables to suppliers of fixed assets	(i)	2,316	-
Purchases of property, plant and equipment	9-1, (i), (h)	(112,778)	(170,618)
Purchases of intangible assets	11, (h)	(7,945)	(10,212)
(Increase)/Decrease in other investments		(460)	294
(Purchase)/Sale of other current financial assets	(f)	(23,840)	46,103
Business and asset divestitures	(c)	13,977	-
• Net cash from investing activities from continuing operations		(108,458)	(127,178)
• Net cash from investing activities from discontinued operations		(5,371)	(5,310)
NET CASH FROM INVESTING ACTIVITIES		(113,829)	(132,489)
Financing activities			
Dividends paid	SHEQ, 21, (d)	(134,829)	(277,042)
Non-controlling interest buy-back	SHEQ, 1-2, (m)	(73,977)	-
Borrowings/(Repayments)	16, (j)	(78)	19,820
Payments of obligations under finance leases		(1,104)	(1,214)
Purchase of financial instruments	24-4, (e)	(1,031)	(1,919)
Increase in treasury shares	15-2, 23, (g)	(26,399)	(81,782)
Exercise of stock options	15-2, 23, (g)	9,666	2,666
• Net cash from financing activities from continuing operations		(224,219)	(291,513)
• Net cash from financing activities from discontinued operations		(3,533)	(47,958)
NET CASH FROM FINANCING ACTIVITIES		(227,752)	(339,471)
Net cash and cash equivalents net of bank overdrafts		25,566	(173,224)
Opening cash and cash equivalents net of bank overdrafts	BS, 16, 22-4	348,503	380,612
Exchange difference		6,543	10,042
CLOSING CASH AND CASH EQUIVALENTS NET OF BANK OVERDRAFTS	BS, 16, 22-4	380,612	217,430

IS: See consolidated income statement.

SHEQ: See consolidated statement of changes in equity.

BS: See consolidated balance sheet.



As of December 31, 2016 cash and cash equivalents amount to 243.8 million euros and bank overdrafts to 26.3 million euros.

Net cash from operating activities

2016 net cash flows from operating activities amounts to 298.7 million euros and include 8.0 million euros in payments related to restructuring (5.9 million euros during 2015).

During 2016, there was no gain on disposal of individually significant assets ^(a).

The main gains on disposal in 2015 were related to the disposals of ^(a):

- An Auckland property in New Zealand for 7.8 million euros;
- Fuel Cell Technology assets for 2.8 million euros;
- San Antonio manufacturing site based in Texas, U.S. for 1.4 million euros.

The working capital increase amounted to 62.8 million euros compared to an increase in 2015 of 24.0 million euros. The 2016 variance is mainly explained by a strong increase in trade receivables ^(k).

As presented in Notes 10-2 and 20, Bic Graphic North America and Asia are classified as discontinued operations at December 31, 2016. As a consequence the Bic Graphic assets and liabilities (including the Norwood goodwill) were measured at December 31, 2016 in accordance with IFRS 5, Non-Current Assets Held For Sale And Discontinued Operations, at the lower of their carrying amount and fair value less costs to sell. Based on the expected net selling price, a full impairment expense (33.9 million euros) on the Norwood goodwill was recorded as of December 31, 2016 as well as an impairment of 20.6 million euros related to intangible and tangible assets ^(m).

The payments related to employee benefits are mainly driven by the U.S. ⁽ⁿ⁾.

Net cash from investing activities

Net cash flows from investing activities shows a slight increase in 2016 (-132.5 million euros) compared to 2015 (-113.8 million euros).

During 2016, the BIC Group purchased 180.8 million euros of property, plant and equipment and intangible assets ^(o).

Purchases of property, plant and equipment do not include finance leases booked as a counterpart to a financial debt, as these transactions do not have any impact on cash ^(p).

During 2016, there was no disposal of individually significant fixed assets ^(b).

The main fixed assets sold during 2015 were ^(b):

- a property in Auckland, New Zealand for 8.8 million euros.
- San Antonio manufacturing site based in Texas, U.S. for 2.8 million euros.

In 2015, the BIC Group disposed of its Fuel Cell Technology assets. This amount is net of disbursement related to restructuring costs ^(c).

The amount of financial assets classified under "Other current financial assets" refers to investments not eligible for classification as cash & cash equivalents under IAS 7. As of December 31, 2016, these investments consist of units of UCITS and negotiable debt securities, all of which are liquid within five days ^(r).

Net cash from financing activities

Net cash flows from financing activities amounts to -339.5 million euros in 2016 compared to -227.8 million euros in 2015.

The dividends paid represent the dividends paid by SOCIÉTÉ BIC to its Shareholders (see Note 21) ^(d).

The non-controlling interest buy-back in 2015 related to Cello Pens. The BIC Group acquired the remaining 25% minority stake in December 2015 ^(m).

During 2016, 652,745 shares were repurchased by SOCIÉTÉ BIC for 81.6 million euros. Under the liquidity agreement, SOCIÉTÉ BIC bought 439,202 shares for 56.5 million euros and sold 437,650 shares for 56.4 million euros. In addition, 61,384 options were exercised in the period for 2.9 million euros, including 0.6 million euros which have not yet been received at end of December 2016. Moreover, in early 2016, SOCIÉTÉ BIC received 0.4 million euros related to stock options exercised at the end of 2015 ^(q).

During 2015, 180,213 shares were repurchased by SOCIÉTÉ BIC for 26.3 million euros. Under the liquidity agreement, SOCIÉTÉ BIC bought 158,419 shares for 22.5 million euros and sold 157,661 shares for 22.4 million euros. In addition, 160,628 options were exercised in the period for 8.7 million euros, including 0.4 million euros which had not been received at end of December 2015. Moreover, in early 2015, SOCIÉTÉ BIC received 1.4 million euros related to stock options exercised at the end of 2014 ^(q).

As of December 31, 2016, new borrowings amount to 20.6 million euros (mainly France) ⁽ⁱ⁾.

They consist of very short-term financing to ensure the temporary liquidity needs of SOCIÉTÉ BIC.



6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 1 MAIN RULES AND ACCOUNTING POLICIES

Approval of the financial statements

The BIC Group's consolidated financial statements for FY 2016 have been approved by the Board of Directors' Meeting of February 10, 2017 and are submitted for approval to the Annual Shareholders' Meeting to be held on May 10, 2017.

1-1 Accounting policies

1-1-1 General policies

Pursuant to the European regulation CE no. 1606/2002 of July 19, 2002 on international accounting standards, the consolidated financial statements of the BIC Group have been prepared in accordance with accounting principles as defined by the International Accounting Standards Board (IASB) as adopted by the European Union as of December 31, 2016. These standards are available on the European Commission website at http://ec.europa.eu/finance/accounting/ias/index_en.htm.

The international standards include the IFRS (International Financial Reporting Standards), the IAS (International Accounting Standards), as well as their SIC (Standing Interpretations Committee) and IFRIC (International Financial Reporting Interpretations Committee) interpretations.

At the end of the year, there are no differences between the reference standards used and the standards adopted by the IASB, whose application is mandatory for the period presented.

The financial statements have been prepared on a historical cost basis, except for the valuation of certain financial instruments. The main accounting policies remain unchanged compared to the prior year, except for the following policies, effective since January 1, 2016.

1-1-2 Adoption of new and revised IFRS, interpretations and amendments

Standards, interpretations and amendments effective in the current period

The following standards and amendments are effective since January 1, 2016 and have been applied to the consolidated financial statements for the period ended December 31, 2016:

- Annual improvements to IFRSs 2010-2012 cycle:
 - IFRS 2 – Share-based payment: Definition of vesting condition;
 - IFRS 3 – Business combinations: Accounting for contingent consideration in a business combination;
 - IFRS 8 – Operating Segments: Aggregation of operating segments and reconciliation of the total of the reportable segments' assets to the entity's assets;
 - IFRS 13 – Fair Value Measurement: Short-term receivables and payables;
 - IAS 16 and IAS 28 – Property, Plant and Equipment and Intangible assets: Revaluation method – Proportionate restatement of accumulated depreciation;
 - IAS 24 – Related party disclosures: Key management personnel.

- Annual improvements to IFRSs 2012-2014 cycle:
 - IFRS 5 – Non-current assets held for sale and discontinued operations: Changes in methods of disposal;
 - IFRS 7 – Financial Instruments – Disclosure of information;
 - IAS 19 – Employee benefits – Actuarial assumptions (Discount rate);
 - IAS 34 – Interim financial reporting: Other disclosures of information.
- Amendments to IAS 1 – Disclosure Initiative;
- Amendments to IAS 16/IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortization;
- Amendments to IAS 19 – Defined Benefits Plans: Employee Contributions;
- Amendments to IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations.

Standards, interpretations and amendments with mandatory application after 2016 and adopted by the European Union

As of December 31, 2015, the Group did not elect to early apply any standard, interpretation or amendment approved by the European Union, particularly regarding:

- IFRS 9 – Financial instruments;
- IFRS 15 – Revenue from Contracts with Customers and Amendments to IFRS 15 – Clarification*;
- Amendments to IAS 7 – Disclosure initiative;
- Amendments to IAS 12 – Recognition of deferred tax assets for unrealized losses.

The implementation of the standard on revenue recognition is subject to a dedicated project within the BIC Group. The work carried out, so far, shows that the expected effects on the consolidated financial statements should be limited and relate to some contractual clauses in the sales contracts. The cumulative revenue will not change, but its split could be different over time.

In addition, the Group has not yet decided on the transition method to be applied on January 1, 2018.

The Group is currently conducting analysis on the practical consequences of these other new regulations and the effects of their implementation on the financial statements.

Standards, interpretations and amendments issued with mandatory application after 2016 but not yet adopted by the European Union that may have an impact on the Group's financial statements

- IFRS 14 – Regulatory Deferral Accounts;
- IFRS 16 – Leases;
- Amendments to IFRS 2 – Classification and measurement of share-based payment transactions;
- Amendments to IFRS 4 – Applying IFRS 9 and IFRS 4.

Analysis of the practical consequences of these new standards is in progress.

* Not yet adopted by the European Union.





1-1-3 Consolidation of subsidiaries

The consolidated financial statements include the financial statements of the parent company, SOCIÉTÉ BIC, and of the entities controlled by SOCIÉTÉ BIC ("its subsidiaries"). An investor controls an investee if it has the exposure, or rights, to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the investor's returns.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to align their accounting policies with those used by other entities of the Group.

All intra-Group transactions, balances, income and expenses are eliminated for consolidation purposes.

1-1-4 Estimates and judgments

In preparing the consolidated financial statements, the BIC Group has to make estimates and assumptions that impact the

consolidated financial statements and information reported in certain notes to the financial statements. The BIC Group regularly reviews these estimates and assumptions in order to take into account past experience as well as changes in the economic environment, especially in some key countries of the Group. The results of these reviews could lead to the amounts published in future consolidated financial statements differing from those previously disclosed.

The assumptions on which the main estimates are based and the assessment made are explained in the following notes:

- Note 1-2: Change in scope of consolidation;
- Note 10: Goodwill;
- Note 17: Provisions;
- Note 18: Pensions and other employee benefits;
- Note 22-6: Fair value of financial assets and liabilities;
- Note 24: Derivative financial instruments and hedge accounting.

1-2 Change in scope of consolidation

Accounting policies

In accordance with Revised IFRS 3 "Business Combinations", business combinations completed after January 1, 2010 are accounted for using the purchase method. Identifiable assets acquired and liabilities assumed are measured at fair value at the acquisition date and, when appropriate, non-controlling interests in the acquiree are measured at either fair value or at the proportionate part in the fair value of the assets and liabilities of the acquired entity. This option is available on an individual basis for each business combination transaction.

Any share previously held in the acquiree before the takeover, should be reassessed at fair value and the corresponding profit or the loss recorded in the income statement.

Badwill is recorded immediately in the income statement.

When incurred, acquisition costs are recognized immediately as expenses, except those relating to equity instruments.

Any potential price adjustment is estimated at fair value as of the acquisition date and this initial assessment can later be adjusted against goodwill only in the case of new information related to facts and circumstances existing at the date of acquisition and to the extent that the assessment was still described as provisional (assessment period limited to 12 months); any subsequent adjustments that do not meet these criteria are recorded as a liability or debt through the Group income statement.

Put options granted to non-controlling interests of fully consolidated subsidiaries are considered as financial debt. The value of the debt is estimated using the contract formulas or prices. When utilizing formulas based upon multiples of earnings minus debt, the Group uses the actual profit/loss of the period and the debt of the subsidiary at the closing date of the fiscal year.

The Group recorded these put options as a financial debt at the present value of the put exercise price with Group Shareholders' equity as a counterpart; subsequent changes in debt are treated similarly.

Change in the consolidation scope

There is no significant change in the consolidation scope in 2016.



NOTE 2 OPERATING SEGMENTS

Accounting policies

According to IAS 18, revenue is measured at the fair value of the counterpart received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales-related taxes. Thus, sales of goods are recognized when goods are delivered and titles are transferred.

2-1 General information

BIC operating segments have been determined based on the reports regularly provided to the management and used to make strategic decisions.

The management considers the business from a product category perspective, knowing that each category can be reviewed for a specific geographic area if necessary.

The categories are as follows: Stationery Consumer, Lighters, Shavers, Other Consumer and BIC Graphic (Advertising and Promotional Products).

These operating segments receive their revenues from the production and distribution of each product category.

2-2 Information on the income statement and assets by activity

All indicators are determined according to IFRS, except for:

- normalized income from operations, which is the income from operations restated for non-recurring items (in particular real estate gains, the gain or loss on the sale of businesses and restructuring costs). It constitutes the key financial metrics used within the Group;
- normalized income from operations excluding the impact of the special employee bonus that has been awarded to employees who have not been granted shares under our performance share plan and after approval of the exceptional dividend;
- capital additions, which are the purchases and internal generation of property, plant and equipment and intangible fixed assets for the period.



FINANCIAL STATEMENTS
Consolidated financial statements

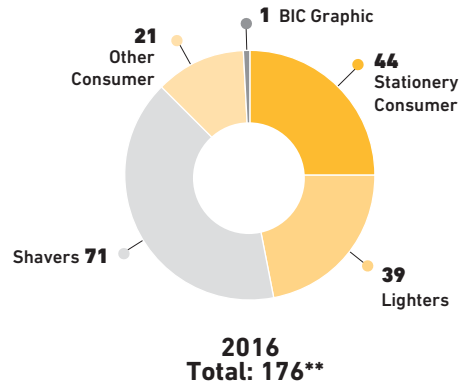
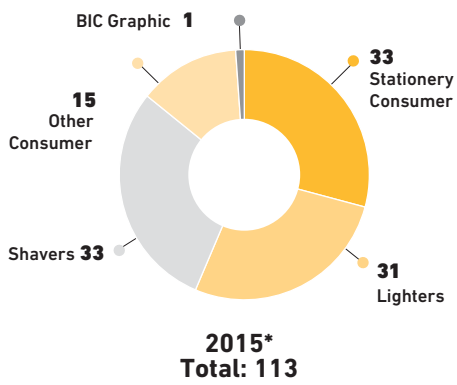
	(in million euros)								Dec. 31, 2015								Dec. 31, 2016							
	Stati- nery Consu- mer	Light- ers	Sha- vers	Other Consu- mer	BIC Gra- phic	Total	Total disc.	Total as publi- shed	Stati- onery Consu- mer	Light- ers	Sha- vers	Other Consu- mer	BIC Gra- phic	Total	Total disc.	Total as publi- shed								
Income Statement																								
• Net sales	727	676	452	68	319	2,242	(248)	1,993	737	696	467	61	311	2,272	(247)	2,026								
• Depreciation and amortization	(27)	(18)	(21)	(13)	(11)	(90)	9	(81)	(27)	(19)	(23)	(14)	(11)	(94)	10	(84)								
• Impairment loss	3	-	(1)	-	-	2	-	2	-	-	-	-	(55)	(55)	55	-								
• Income from operations	84	261	83	(2)	13	440	(16)	424	66	276	69	(3)	(52)	355	48	403								
Restatements made to obtain the Normalized Income from Operations																								
• Real estate gains	(3)	(3)	(2)	-	(1)	(9)	1	(8)	-	-	-	-	-	-	-	-								
• Retiree medical adjustment in the United States									-	-	-	-	-	(1)	-	(1)								
• Impact of lump sum election for terminated vested pension participants in the U.S.	(1)	(1)	(1)	-	(2)	(5)	1	(4)	-	-	-	-	-	-	-	-								
• Restructuring costs related to distribution reorganization in the Middle East and Africa	2	-	2	-	-	4	-	4	1	-	1	-	-	2	-	2								
• Profit and restructuring costs related to Fuel Cell assets sale	-	-	-	(2)	-	(2)	-	(2)	-	-	-	-	-	-	-	-								
• Restructuring costs related to U.S. sales force reorganization									1	1	-	-	-	2	-	2								
• Graphic restructuring costs									-	-	-	-	5	5	(4)	1								
• Impact of the revaluation of intra-Group payables (Argentina)	2	1	1	-	-	4	-	4	-	-	-	-	-	-	-	-								
• Impairment of assets									-	-	-	-	55	55	(55)	-								
• Other									-	1	-	-	-	2	-	2								
• Normalized income from operations	83	258	84	(4)	10	432	(13)	419	67	278	70	(3)	7	419	(10)	409								
• Special employee bonus	-	-	-	-	-	-	-	-	3	2	3	-	3	11	(2)	9								
• Normalized income from operations excluding the impact of the special employee bonus	83	258	84	(4)	10	432	(13)	419	71	280	72	(3)	10	430	(12)	418								



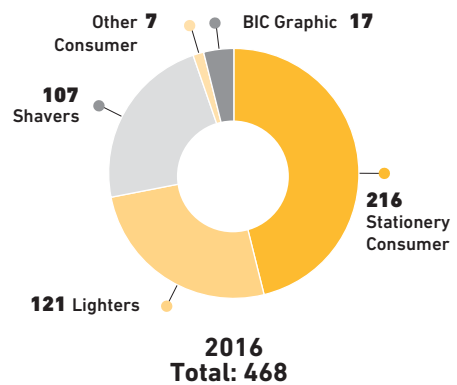
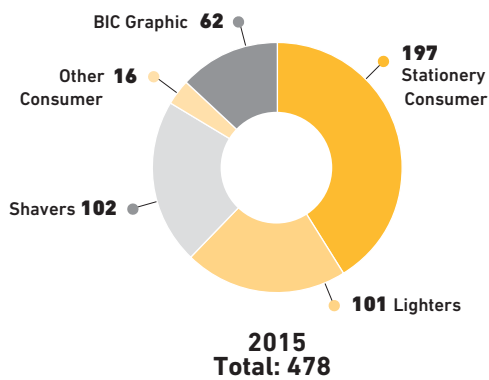


As of December 31, 2016, Walmart Group has been identified as the major customer by the BIC Group.

CAPITAL ADDITIONS (in million euros)



NET INVENTORIES (in million euros)



* Restated from IFRS 5 "Discontinued operations" following the envisaged disposal of BIC Graphic North America and Asia (see Note 10-2 and 20).

** Excluding capital additions of discontinued operations (5 million euros).

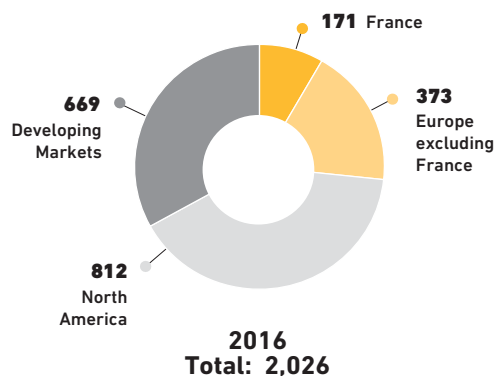
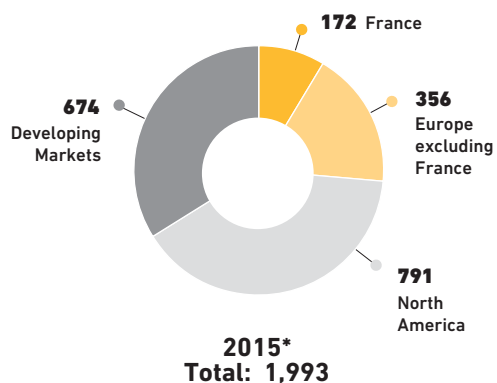




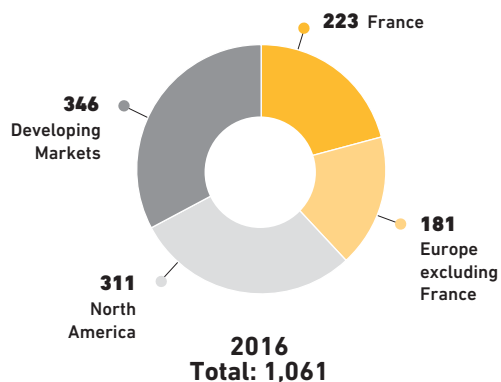
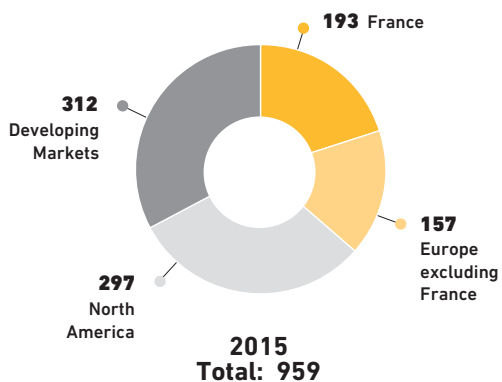
2-3 Information by geography

Since 2010, the geographies identified by the management are: France, Europe (excluding France), North America and Developing Markets.

NET SALES (in million euros)



NON-CURRENT ASSETS ^(a) (in million euros)



* Restated from IFRS 5 "Discontinued operations" following the envisaged disposal of BIC Graphic North America and Asia (see Note 10-2 and 20).

(a) Other than financial instruments (0.03 million euros in 2016 and 0.5 million euros in 2015), deferred tax assets (174.7 million euros in 2016 and 163.8 million euros in 2015).





NOTE 3 EXCHANGE RATES OF FOREIGN CURRENCIES

Accounting policies

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the result and financial position of each entity are expressed in a common currency, the Euro, which is the functional currency of SOCIÉTÉ BIC as well as the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At each closing date, monetary items denominated in foreign currencies are translated at the closing rate. Non-monetary items that are measured in terms of historical cost are translated using the exchange rate at the transaction date. Non-monetary items that are measured at fair value are translated using the exchange rates prevailing at the date of the measurement.

Exchange differences arising from the settlement of monetary items, and on the translation of monetary items, are recognized in profit or loss for the period.

In order to hedge its exposure to certain foreign exchange risk, the Group enters into forward contracts and options (see Note 24 for details of the Group's accounting policies regarding derivative financial instruments).

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in euros using the exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rate at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognized in profit or loss in the period in which the foreign operation is disposed of.

The following table shows foreign currency equivalents of one euro (for instance: average 2016 is 1 euro = 1.11 U.S. dollars).

Foreign currencies	2015 Average	2016 Average	Dec. 31, 2015	Dec. 31, 2016
	Euro	Euro	Euro	Euro
U.S. dollar - USD	1.11	1.11	1.09	1.05
Australian dollar - AUD	1.48	1.49	1.49	1.46
Canadian dollar - CAD	1.42	1.46	1.51	1.42
Swiss franc - CHF	1.07	1.09	1.08	1.07
Chinese renminbi - CNY	6.97	7.35	7.06	7.32
British pound - GBP	0.73	0.82	0.73	0.86
Hong Kong dollar - HKD	8.60	8.59	8.44	8.18
Indian rupee - INR	71.15	74.36	72.02	71.59
Japanese yen - JPY	134.30	120.25	131.07	123.40
Korean won - KRW	1,255.10	1,284.71	1,280.78	1,269.00
Malaysian ringgit - MYR	4.33	4.58	4.70	4.73
New Zealand dollar - NZD	1.59	1.59	1.59	1.52
Philippine peso - PHP	50.48	52.55	51.00	52.27
Polish zloty - PLN	4.18	4.36	4.26	4.41
Swedish krona - SEK	9.35	9.47	9.19	9.55
Singapore dollar - SGD	1.52	1.53	1.54	1.52
South African rand - ZAR	14.14	16.26	16.95	14.46
Argentinian peso - ARS	10.25	16.37	14.11	16.68
Brazilian real - BRL	3.68	3.85	4.31	3.43
Mexican peso - MXN	17.58	20.69	18.91	21.77
Venezuelan bolivar - VEF *	120.61	556.31	183.09	711.31
Ukrainian hryvnia - UAH	24.55	28.35	26.24	28.67
Russian ruble - RUB	67.89	74.03	80.67	64.30

* The Venezuelan subsidiary financial statements as of December 31, 2016, are translated using the SICAMI rate representing the most conservative exchange rate.

To date we do not see any significant impact attributable to Brexit. The British subsidiary of the BIC Group, BIC UK, has been importing most of its products from BIC factories located in the Euro zone for years and is invoiced in euros by these entities.

The fluctuation of the exchange rate of the British Pound against the Euro is fully integrated into our foreign exchange risk management processes and the volatility generated by the result of the UK referendum remained contained with regard to the movements triggered by the episode of the subprime crisis of 2008-2009.





NOTE 4 OPERATING EXPENSES

Accounting policies

- Government grants are recognized in profit or loss over the periods necessary to match them with the associated costs and presented as a reduction of the related expenses.
- The research and development tax credit is deducted from operating expenses and the French tax credit for Competitiveness and Employment is deducted from labor costs.
- Research expenses are recognized through the income statement in the period in which they were incurred.

<i>(in thousand euros)</i>	Dec. 31, 2015*	Dec. 31, 2016
Raw materials, consumables used and change in inventory	516,751	516,279
Staff costs	498,257	532,026
Depreciation and amortization expenses	80,243	83,949
Impairment loss	3,908	-
Other operating expenses	456,068	487,585
Loss on operational foreign currency translation	29,897	(2,578)
TOTAL	1,585,124	1,617,261

* Restated from IFRS 5 "Discontinued operations" following the envisaged disposal of BIC Graphic North America and Asia (see Note 10-2 and 20).

Other operating income and expenses are not included in the total amount and are disclosed in Note 5.

Staff costs include special premiums for 8.8 million euros in 2016.

Other operating expenses mainly include outside services.

Research and development costs expensed for 2016 amount to 35.4 million euros, versus 28.6 million euros for 2015.

They include the French research tax credit for 1.1 million euros, versus 1.7 million euros for 2015.

The tax credit for competitiveness and employment (CICE) amounts to 1.8 million euros in 2016, versus 1.9 million euros in 2015.

NOTE 5 OTHER INCOME AND EXPENSES

<i>(in thousand euros)</i>	Dec. 31, 2015*	Dec. 31, 2016
Royalties income	106	24
Gain on disposal of fixed assets	8,917	209
Fuel Cell asset divestiture and related costs reduction plan	2,205	-
U.S. Retiree Medical Plan	-	905
Impact of lump sum election for terminated vested pension participants in the U.S.	3,068	-
Other	9,658	4,269
Other income	23,954	5,407
Impairment loss	(537)	(33)
Restructuring costs related to distribution reorganization in the Middle East and Africa regions	(4,480)	(1,864)
Cost reduction plan - U.S.	-	(1,658)
Graphic restructuring costs	-	(1,380)
Others cost reduction plans	(835)	(1,688)
Other	(2,037)	(3,902)
Other expenses	(7,889)	(10,525)
TOTAL	16,065	(5,118)

* Restated from IFRS 5 "Discontinued operations" following the envisaged disposal of BIC Graphic North America and Asia (see Note 10-2 and 20).



Other income and expenses incurred in 2016 mainly include:

- Graphic restructuring costs for -1.4 million euros;
- restructuring costs for -1.9 million euros related to distribution reorganization in the Middle East and Africa regions;
- restructuring costs for -1.7 million euros related to U.S. sales force reorganization
- a favorable adjustment related to the change in the U.S. retiree medical plan for 0.9 million euros.

Other income and expenses related to 2015 mainly included:

- income of 2.2 million euros related to the sale of Portable Fuel Cell Technology assets, net of related restructuring expenses;
- restructuring costs for -4.5 million euros related primarily to distribution reorganization in the Middle East and Africa regions;
- 3.1 million euros related to lump sum election for terminated vested pension participants in the U.S.;
- gain of 7.8 million euros related to the sale of the property in New Zealand net of related expenses.

NOTE 6 FINANCE INCOME

Accounting policies

Interest income is accrued on a time basis, by reference to the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts over the expected life of the financial asset to the asset's initial value.

Dividend income from investments is recognized when the Shareholder's right to receive payment has been established.

Considering the nature of the BIC Group's activities, interest and dividends received are disclosed as financial income in the income statement.

All borrowing costs are recognized as expenses in the period in which they are incurred.

<i>(in thousand euros)</i>	Dec. 31, 2015*	Dec. 31, 2016
Interest income from cash and cash equivalents	8,443	5,224
Interest on bank deposits	5,794	3,632
Income from cash and cash equivalents	14,237	8,856
Interest expense	3,173	2,349
Hedging instruments revaluation	(674)	(2,206)
Net financial foreign exchange difference	15,856	(4,198)
Net finance income/(Net finance costs)	18,356	(4,057)
FINANCE (COSTS)/REVENUE	32,593	4,799

* Restated from IFRS 5 "Discontinued operations" following the envisaged disposal of BIC Graphic North America and Asia (see Note 10-2 and 20).

The decrease in finance income during the year 2016 compared to the year 2015 comes from several factors:

- Income from cash and cash equivalents decreased compared to the previous period due to lower investment volumes;
- The appreciation of the Brazilian real against the U.S. dollar has generated an unfavorable impact on the valuation of financial

assets denominated in U.S. dollars, while in the same period of the previous year, the Brazilian real depreciated against the U.S. dollar, generating a profit.

- Since the U.S. dollar strengthened less against the euro in 2016 than in the year 2015, profits on the valuation of financial assets denominated in U.S. dollars were significantly lower this year.



NOTE 7 INCOME TAX

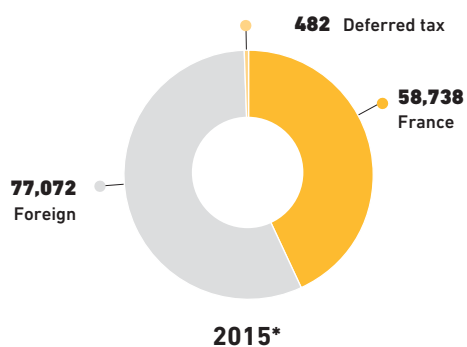
Accounting policies

Income tax expense represents the sum of the tax currently payable and deferred tax.

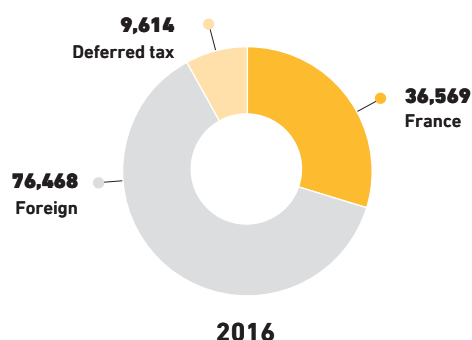
The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as published in the income statement because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted as of the balance sheet date.

BIC Sport, BIMA 83, BIC Écriture 2000, BIC Services, Conté, Société Immobilière BIC Clichy, Société Immobilière Valiton Gesnouin, BIC Rasoirs, Société du Briquet Jetable 75, BIC Graphic France, BIC Assemblage, BIC Technologies, BIC International Développement, DAPE 74 Distribution, Stypen, Electro-Centre, BIC Éducation and BIC Clichy are part of the SOCIÉTÉ BIC tax Group.

7-1 Income tax expense (in thousand euros)



Income tax expense
Total: 136,293



Income tax expense
Total: 122,651

The normal income tax rate in France is 34.43% (including social and exceptional contributions) for the fiscal year 2016. It was 38% in 2015.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective countries.

The Group uses the French tax rate as the theoretical base. Thus one of the main elements of reconciliation is the effect of differences in tax rates.

As of December 31, 2016, the main contributors are the U.S., Greece, Singapore, Spain and Mexico. (As of December 31, 2015, the main contributors were the U.S., Greece, Brazil, Spain and Mexico).

(*) Restated from IFRS 5 "Discontinued operations" following the envisaged disposal of BIC Graphic North America and Asia (see Note 10-2 and 20).



Reconciliation between theoretical tax charge and effective income tax expense:

<i>(in thousand euros)</i>	Dec. 31, 2015*	Dec. 31, 2016
Income before tax	456,956	408,191
Tax rate	38.00%	34.43%
Theoretical tax charge	173,643	140,540
Effects of:		
• differences in tax rates	(17,143)	(8,206)
• income taxed at reduced rate	(5,837)	(5,715)
• initial recognition exemptions	8,105	12,651
• intra-Group accruals eliminations	(3,586)	580
• tax assets not recognised on tax losses	3,242	600
• tax assets/liabilities not recognised on prior years	(1,849)	(613)
• tax assets recognised on prior year tax losses	(2,898)	(2,215)
• tax credits	(15,358)	(16,576)
• foreign exchange differences	(2,027)	1,604
Income tax expense	136,293	122,651
EFFECTIVE TAX RATE	29.83%	30.05%

* Restated from IFRS 5 "Discontinued operations" following the envisaged disposal of BIC Graphic North America and Asia (see Note 10-2 and 20).

In addition, as of December 31, 2016, the BIC Group has 19.6 million euros of unrecognized deferred tax assets relating to unused tax losses, versus 23.0 million euros in 2015.

7-2 Deferred and current tax recognized in other comprehensive income

Deferred and current taxes recognized on other comprehensive income result from the following items:

At December 31, 2016

<i>(in thousand euros)</i>	Other comprehensive income	Deferred taxes
Actuarial differences on post-employment benefits (1)	(4,282)	479
Cash flow hedge	(14,107)	4,701
Foreign exchange impact	45,789	90
Other	2	47
Total other comprehensive income (2)	31,685	4,837
TOTAL (1) + (2)	27,403	5,316

At December 31, 2015

<i>(in thousand euros)</i>	Other comprehensive income	Deferred taxes
Actuarial differences on post-employment benefits (1)	31,516	(11,266)
Cash flow hedge	4,731	(1,743)
Foreign exchange impact	(9,356)	(3,043)
Other	(1)	-
Total other comprehensive income (2)	(4,627)	(4,787)
TOTAL (1) + (2)	26,889	(16,053)



NOTE 8 EARNINGS PER SHARE GROUP SHARE

Earnings per share (Group share) and diluted earnings per share (Group share) correspond to the Group net income divided by the relevant number of shares.

The number of shares used to calculate the earnings per share (Group share) is the weighted average number of ordinary shares outstanding during the period less the weighted average number of shares held in treasury stock by SOCIÉTÉ BIC during the period and presented as a reduction to equity.

The number of shares used to calculate the diluted earnings per share (Group share) is the weighted average number of shares potentially in circulation during the period, which corresponds to the number of shares used for basic earnings per share Group share, adjusted for the dilutive effect of stock options.

As of December 31, 2016, there are no shares with relative impact and the maximum dilutive effect from stock options not exercised is around 0.3 % of the share capital.

	Dec. 31, 2015*	Dec. 31, 2016
Numerator (in thousand euros)		
Net income Group share from continuing operations	319,220	285,540
Denominator (in number of shares)		
Weighted average number of ordinary shares in circulation	47,173,339	46,898,827
Dilutive effect of stock options	520,743	437,274
Diluted weighted average number of ordinary shares in circulation	47,694,082	47,336,101
Earnings per share Group share from continuing operations (in euros)		
Earnings per share Group share from continuing operations	6.77	6.09
Diluted earnings per share Group share from continuing operations	6.69	6.03

* Restated from IFRS 5 "Discontinued operations" following the envisaged disposal of BIC Graphic North America and Asia (see Note 10-2 and 20).

NOTE 9 PROPERTY, PLANT AND EQUIPMENT

Accounting policies

Land and buildings held by the Group for use in the production or supply of goods or services, or for administrative purposes, are recognized in the balance sheet at their historical cost, less any subsequent accumulated depreciation and impairment losses.

Depreciation is booked to profit or loss. Property, plant and equipment in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any identified impairment loss. Depreciation of these assets, on the same basis as other property, plant and equipment assets, starts when the assets are ready for their intended use.

Fixtures and equipment are stated at historical cost less accumulated depreciation and impairment losses.

Depreciation is booked to profit or loss so as to reduce the carrying amount of assets, other than land and properties under construction, over their estimated useful life, using the straight-line method.

Leases transferring risks and rewards linked to ownership (finance leases) are booked in assets with a financial debt as a counterpart. They are depreciated over their expected useful life on the same basis as owned assets or, where shorter, on the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

The depreciation method is the straight-line method, on the following basis:

• Buildings	25 years
• Fixtures, machinery and equipment	5 to 8 years
• Vehicles	3 to 5 years





9-1 Property, plant and equipment - Gross value

<i>(in thousand euros)</i>	Land & buildings	Machinery & equipment	Construction in progress	Other fixed assets	Total
At January 1, 2015	388,760	1,101,531	85,516	29,332	1,605,139
Additions	5,364	34,312	70,918	2,184	112,778
Business disposal	(596)	416	769	(58)	531
Disposals/Write-offs	(1,195)	(14,685)	(3,699)	(2,083)	(21,662)
Other decrease/increase	-	(1)	(6)	26	19
Other transfers	9,006	20,306	(29,309)	(3)	-
Exchange differences	11,383	23,295	(38,210)	720	(2,812)
At January 1, 2016	412,722	1,165,174	85,979	30,118	1,693,993
Acquisitions	7,581	39,574	120,870	2,593	170,618
Disposals/Write-offs	(656)	(33,758)	(482)	(5,854)	(40,750)
Transfers to non-current assets held for sale (see Note 20)	(42,822)	(103,402)	(1,666)	(879)	(148,768)
Other transfers	12,985	55,171	(69,723)	1,568	1
Exchange differences	6,422	18,014	3,388	(271)	27,553
At December 31, 2016	396,233	1,140,773	138,365	27,276	1,702,647

The gross value of property, plant and equipment includes 8 million euros of finance lease assets as of December 31, 2016 (7.8 million euros as of December 31, 2015).

9-2 Property, plant and equipment - Depreciation and impairment loss

Accounting policies

At each balance sheet date, the Group reviews the carrying amount of its property, plant and equipment and intangible assets to determine whether there is any indication that these assets have suffered an impairment loss. If such indication exists, the recoverable amount of the asset is estimated in order to determine, if applicable, the amount of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risk specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount. However, the increased carrying amount should not exceed the carrying amount that would have been determined if no impairment loss had been recognized for the asset (or cash-generating unit) in prior years.

A reversal of an impairment loss is recognized immediately in profit or loss unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation decrease.





<i>(in thousand euros)</i>	Land & buildings	Machinery & equipment	Construction in progress	Other fixed assets	Total
At January 1, 2015	216,641	881,146	3,888	20,991	1,122,666
Depreciation for the period	14,019	62,570	-	2,523	79,112
Impairment loss	-	4,435	(2,785)	-	1,650
Disposals/Write-offs	(997)	(14,466)	-	(1,788)	(17,251)
Business disposal	(290)	279	-	(58)	(69)
Exchange differences	359	(806)	-	(201)	(648)
At January 1, 2016	229,732	933,158	1,103	21,467	1,185,460
Depreciation for the period	14,042	66,016	-	2,842	82,900
Impairment loss	6,600	6,735	141	-	13,476
Disposals/Write-offs	(457)	(33,254)	(113)	(5,285)	(39,109)
Transfers to non-current assets held for sale (see Note 20)	(29,008)	(94,249)	-	(577)	(123,934)
Exchange differences	4,308	15,292	(224)	(43)	19,333
At December 31, 2016	225,217	893,698	906	18,404	1,138,226
NET VALUE					
At December 31, 2016	171,015	247,076	137,459	8,872	564,420
At December 31, 2015	182,990	232,017	84,876	8,651	508,533

The net value of property, plant and equipment includes 4.7 million euros of finance lease assets as of December 31, 2016 (5.4 million euros as of December 31, 2015).

As of December 31, 2016 the gross value of fully depreciated but still used property, plant and equipment was 670 million euros.

9-3 Investment property

Accounting policies

Investment property (land or buildings), which is held to earn rentals or for capital appreciation, is stated at its acquisition cost, less accumulated depreciation and impairment losses at the balance sheet date if any.

Investment property is depreciated according to the same method as property, plant and equipment.

<i>(in thousand euros)</i>	Gross value	Depreciation and impairment loss	Net value
At January 1, 2016	3,321	(1,171)	2,150
Depreciation for the period	-	(112)	(112)
Exchange differences	94	(44)	50
At December 31, 2016	3,415	(1,327)	2,088

The main investment properties as of December 31, 2016 are located in the U.S. for 1.6 million euros.

The valuation of the Group's investment property is performed at level 2 (observable inputs). Thus the Group relies on internal valuations based on surface areas and transaction prices for similar properties on the real estate market or on the market price. For each investment property, fair value exceeds or is equal to the net booked value. Total fair value amounts to 3.3 million euros.

None of the Group's investment property is the subject of an off-balance sheet commitment (guarantee, mortgage, etc.).

Property rental income earned by the Group from its investment properties for 2016 amounts to 0.6 million euros (0.7 million euros for 2015).

Rental payments to be received for the coming years are as follows:

- 0.4 million euros within 1 year;
- 2.3 million euros between 2 and 5 years;
- no rent is expected beyond 5 years.

The main direct operating expenses arising on the investment properties in the period, except depreciation, correspond to insurance, maintenance and security costs and amount to 0.1 million euros (0.3 million euros in 2015).



NOTE 10 GOODWILL

Accounting policies

Goodwill arising from the acquisition of a subsidiary represents the excess of the acquisition price over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognized at the date of acquisition. Goodwill is calculated in the currency of the acquired subsidiary. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

Goodwill and fair value adjustment arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

For the purpose of impairment testing, goodwill is allocated to cash-generating units ("CGU") representing the smallest level at which the goodwill is monitored at Group level. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is first allocated to the reduction in the carrying amount of any goodwill allocated to the cash-generating unit and then to the other assets of the unit prorated on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

On disposal of an activity, the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

<i>(in thousand euros)</i>	Notes	Gross value	Impairment loss	Net value
At January 1, 2015		323,972	(16,577)	307,395
Exchange differences		17,846	(347)	17,499
At January 1, 2016		341,818	(16,924)	324,894
Impairment loss		-	(33,965)	(33,965)
Transfers to assets held for sale (see Note 20)		(33,939)	33,939	-
Exchange differences		6,467	(91)	6,376
At December 31, 2016		314,345	(17,041)	297,304

The balance, as of December 31, 2016, includes the following principal net goodwill:

<i>(in thousand euros)</i>	Dec. 31, 2015	Dec. 31, 2016
BIC CORPORATION ^(b)	119,361	122,634
Cello Pens	101,973	102,579
BIC Violex	49,174	49,174
Norwood North America ^{(a)(b)}	32,861	-
PIMACO ^(a)	5,606	7,046
Others ^(a)	15,919	15,871
TOTAL	324,894	297,304

(a) These goodwill amounts are linked to cash-generating units represented by distribution subsidiaries.

(b) Following the reorganization of the BIC Graphic activity, the goodwill of Norwood North America includes the goodwill of Norwood Promotional Products and Atchison.





To perform the impairment tests, the Group used the following discounted and perpetual growth rates:

	Weighted average cost of capital (wacc) before tax		Perpetual growth rate	
	2015	2016	2015	2016
BIC CORPORATION	10.6%	10.0%	1.5%	1.5%
Cello Pens	15.4%	13.5%	8.75%	8.0%
BIC Viorex	11.8%	13.3%	3.0%	2.9%
Norwood North America	8.6%	-	1.5%	-
PIMACO	13.6%	19.7%	1.7%	1.7%

Each goodwill item has been allocated to a cash-generating units ("CGU") representing the lowest level at which goodwill is monitored by the Group.

The goodwill on BIC CORPORATION is thus mainly allocated to cash-generating units linked to the distribution by BIC CORPORATION of stationery products and lighters.

The goodwill on Cello Pens is allocated to the cash-generating units linked to the production and distribution by Cello of stationery products.

The remaining goodwill on BIC Viorex is limited to the cash-generating unit linked to shavers developed and/or produced by BIC Viorex and sold all over the world. This cash-generating unit also includes the portion of BIC CORPORATION goodwill allocated to shavers.

As every year, as of June 30, 2016, the Group performed impairment tests on these goodwill amounts (except for Norwood, for which a test was performed as of December 31, 2016).

The goodwill impairment test methodology is based on a comparison between the recoverable amount of each of the Group's cash-generating units and the corresponding assets' net booked value (including goodwill).

Such recoverable amounts correspond to the value in use and are determined using discounted future cash flow projections over a maximum of five years and a discounted residual value using the perpetual growth method, including notably the following:

- the discount rate before taxes used is the Group weighted average cost of capital. Particular attention has been paid to the analysis of the main market items used for the calculation of the discount rate;
- the perpetual growth rates were determined based on external (inflation rate) and internal (business growth) sources. Perpetual growth rates above 2% take into account market specifics.

As presented in Note 20 to the consolidated financial statements, Bic Graphic North America and Asia are classified as discontinued operations at December 31, 2016 following the envisaged disposal of

Bic Graphic North America and Asia which represents almost all the assets and liabilities of Bic Graphic (operating segment). As a consequence these assets and liabilities (including the Norwood goodwill) were measured at December 31, 2016 in accordance with IFRS 5, Non-Current Assets Held For Sale And Discontinued Operations at the lower of their carrying amount and fair value less costs to sell. Based on the expected net selling price, a full impairment expense (33.9 million euros) on the Norwood goodwill was recorded as of December 31, 2016 as well as an impairment of 20.6 million euros related to intangible and tangible assets (see notes 9.2 and 11).

At December 31, the Group assessed whether there was an indicator that the various cash generating units tested annually at June 30 may be impaired. When assessing the financial performance of Cello at that date compared to what was budgeted, the Group concluded that an indicator existed that the cash generating unit may be impaired. As a consequence, an additional impairment test was performed using the latest long-term strategic plan available, a 13.5% weighted average cost of capital (WACC) before tax and a 8.0% perpetual growth rate.

Regarding the test performed on Cello Pens, sensitivity to the assumptions used in the calculation indicates that to cover assets, and for each factor taken independently:

- the discount rate before tax should not exceed 14.3%;
- the perpetual growth rate should not be less than 7.3%;
- net sales at constant income from operations margin over the future five-year period should not be less than 9% compared to the level retained in the impairment test;
- the income from operations on the future 5-year period may not be less than 12% compared to the level retained in the impairment test.

The sensitivity of the other impairment tests to changes in the key assumptions indicates that no reasonably likely change would lead to an impairment, taking into account the observed margin on tests conducted.





NOTE 11 INTANGIBLE ASSETS

Accounting policies

Internally-generated intangible assets - research and development expenditure

An internally-generated intangible asset arising from the development or a development phase of an internal project is only recognized if all of the following conditions are met:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention of the Group to complete the intangible asset and use or sell it;
- the ability of the Group to use or sell the intangible asset;
- the Group can demonstrate how the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- the ability of the Group to measure reliably the expenditure attributable to the intangible asset during its development.

Internally-generated intangible assets are amortized on a straight-line basis over their estimated useful life.

When no internally-generated intangible asset can be recognized, development expenditure is charged to profit or loss in the period in which it is incurred.

Patents, trademarks, licenses and software

Patents, trademarks, licenses and software are measured initially at purchase cost less accumulated amortization and impairment loss, if any. Amortization is booked to profit or loss so as to reduce the carrying amount of assets over their estimated useful life, using the straight-line method.

Patents, trademarks, licenses and softwares (excluding goodwill)

See Note 9-2.

<i>(in thousand euros)</i>	Software	Trademarks & patents	Research & development	Intangible assets in progress	Other	Total
GROSS VALUE						
At January 1, 2015	93,749	95,045	6,179	4,938	3,147	203,058
Acquisitions	684	526	-	5,608	(3)	6,815
Internally-generated	-	-	-	1,130	-	1,130
Disposals/Write-offs	(799)	(5)	-	(100)	(33)	(937)
Business disposal	-	-	-	-	566	566
Other transfers	4,423	-	-	(4,433)	10	-
Exchange differences	6,453	6,373	266	(3,785)	82	9,389
At January 1, 2016	104,510	101,939	6,445	3,358	3,769	220,021
Acquisitions	951	644	-	6,342	(4)	7,933
Internally-generated	-	-	-	2,279	-	2,279
Disposals/Write-offs	(578)	(80)	-	(195)	(11)	(864)
Transfers to non-current assets held for sale (see Note 20)	(37,172)	(4,125)	-	(84)	(453)	(41,834)
Other transfers	-	-	-	-	1	1
Exchange differences	6,165	3,102	83	(7,493)	3,609	5,466
At December 31, 2016	73,876	101,480	6,529	4,207	6,912	193,003





<i>(in thousand euros)</i>	Software	Trademarks & patents	Research & development	Intangible assets in progress	Other	Total
AMORTIZATION AND IMPAIRMENT LOSS						
At January 1, 2015	60,402	40,983	6,168	78	586	108,217
Amortization for the period	9,319	900	8	37	86	10,350
Disposals/Write-offs	(783)	-	-	-	(33)	(816)
Business disposal	-	(237)	-	-	-	(237)
Exchange differences	1,248	4,225	266	(12)	3	5,730
At January 1, 2016	70,186	45,871	6,442	103	642	123,244
Amortization for the period	9,791	778	2	28	104	10,704
Impairment loss	7,425	-	-	-	-	7,425
Disposals/Write-offs	(574)	(67)	-	-	(11)	(652)
Transfers to non-current assets held for sale (see Note 20)	(25,473)	(910)	-	-	(199)	(26,582)
Exchange differences	1,982	1,465	85	(6)	(109)	3,417
At December 31, 2016	63,337	47,137	6,529	125	428	117,556
NET VALUE						
At December 31, 2016	10,539	54,343	-	4,082	6,483	75,447
At December 31, 2015	34,323	56,068	3	3,255	3,127	96,777

Software

Internally-generated software is principally related to investments linked to the upgrade of information technology systems.

Trademarks and patents

The main trademarks booked in the balance sheet as of December 31, 2016 are the Pimaco® trademark for 5.0 million euros, acquired

in 2006 and the Cello Pens trademark for an amount of 3.6 billion rupees (49.8 million euros at December 31, 2016).

These trademarks have an infinite lifetime. For impairment test purposes, they are linked to the PIMACO and Cello Pens subsidiaries' cash-generating units. Given the indefinite nature of the life of the trademark, no impact was recognized in the income statement.

NOTE 12 OTHER NON-CURRENT ASSETS

<i>(in thousand euros)</i>	Dec. 31, 2015	Dec. 31, 2016
Other investments	42	28
Guarantee deposits	4,786	4,779
Deferred pensions	1,849	2,471
Other non-current assets	21,958	22,194
TOTAL	28,636	29,472



NOTE 13 DEFERRED TAX

Accounting policies

Deferred tax is recognized on temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases, using the balance sheet liability method and tax rates enacted or nearly enacted at the balance sheet date.

Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that profits will be available against which deductible temporary differences can be utilized.

Such assets and liabilities are not recognized if the temporary differences arise from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences arising from investments in subsidiaries and associates, and interests in joint ventures and branches, except when the Group is able to control the reversals of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred taxes is reviewed at each balance sheet date. Deferred tax assets are only recognized to the extent that it appears probable that the Group will generate future taxable profits against which these tax assets will be able to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the periods when the liability is settled or the asset realized.

Deferred tax is charged or credited to profit or loss in the period, except when it relates to a transaction or an event directly credited or charged to equity, in which case the deferred tax is also recognized in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

<i>(in thousand euros)</i>	Dec. 31, 2015	Dec. 31, 2016
Deferred tax assets	163,756	174,669
Deferred tax liabilities	(52,506)	(51,358)
NET POSITION	111,251	123,311

The movement for the year in the Group's deferred tax position was as follows:

<i>(in thousand euros)</i>	Notes	Dec. 31, 2016
At January 1, 2016		111,251
Deferred tax income/(expense) for the period ^(a)	CF	21,835
Booked in Shareholders' equity		6,984
Transfers to non-current assets held for sale	20	(18,692)
Exchange differences		1,933
At December 31, 2016		123,311

(a) Excluding amounts booked to provision for risks and charges.

<i>(in thousand euros)</i>	Notes	Dec. 31, 2015
At January 1, 2015		128,424
Deferred tax income/(expense) for the period ^(a)	CF	(4,772)
Booked in Shareholders' equity		(17,604)
Exchange differences		4,662
At December 31, 2015		111,251

(a) Excluding amounts booked to provision for risks and charges.





Origin of deferred tax

<i>(in thousand euros)</i>	Dec. 31, 2015	Dec. 31, 2016
Pension and other employee benefits	69,912	86,742
Intra-Group profit elimination	30,634	37,154
Cello trademark	(16,838)	(16,939)
Other temporary differences	27,543	16,354
NET DEFERRED TAX	111,251	123,311

NOTE 14 CHANGE IN NET WORKING CAPITAL

Accounting policies

Inventories are stated at the lower of cost and net realizable value. Cost comprises direct raw material costs and, where applicable, direct labor costs, as well as those overheads that have been directly incurred in bringing the inventories to their present location and condition. Cost is generally calculated using the weighted average cost method. Net realizable value represents the estimated selling price in the normal course of business less all estimated costs of completion and costs to be incurred in the sale (marketing, selling and distribution).

Trade receivables are initially measured at fair value. Appropriate allowances for estimated unrecoverable amounts are recognized in profit or loss when there is an indication of impairment.

Trade payables are initially measured at fair value, and subsequently measured at amortized cost, using the effective interest rate method.

<i>(in thousand euros)</i>	Dec. 31, 2015	Cash flows impact	Foreign exchange and others	Transfers to assets/liabilities held for sale (see Note 20)	Dec. 31, 2016
Net inventory	478,413	29,740	10,724	(50,735)	468,142
• <i>Inventory - Gross value</i>	495,590	31,735	10,858	(54,553)	483,629
• <i>Inventory - Impairment</i>	(17,177)	(1,994)	(134)	3,818	(15,487)
Trade and other receivables	439,979	74,091	8,830	(39,801)	483,099
Trade and other payables	(124,867)	(22,171)	(1,746)	30,108	(118,676)
Other assets and liabilities	(188,337)	(18,846)	325	16,497	(190,360)
NET WORKING CAPITAL	CF 605,188	62,815	18,133	(43,932)	642,205

CF: See consolidated cash flow statement.





NOTE 15 SHARE CAPITAL

15-1 Share capital

<i>(in thousand euros)</i>	Dec. 31, 2015	Dec. 31, 2016
Authorized, issued and fully paid up share capital	183,139	181,649
Repurchase of shares of the Company	(2,970)	(3,316)
SHARE CAPITAL	180,169	178,333

As of December 31, 2016, the registered share capital of SOCIÉTÉ BIC is 181,649,411.64 euros divided into 47,552,202 shares of 3.82 euros each. Registered shares held for more than two years carry double voting rights.

In addition, SOCIÉTÉ BIC holds 868,020 treasury shares, acquired at an average price of 83.11 euros in accordance with Article L. 225-209 of the French Commercial Code, which represent 1.83% of the share capital.

The share capital breakdown is shown in section 6-3 "Shareholding".

15-2 SOCIÉTÉ BIC shares held in treasury stock and share buyback program as of December 31, 2016

Purpose of the repurchase	Number of shares	Average acquisition price <i>(in euros)</i>	% of the share capital
Liquidity agreement ^(a)	4,548	128.24	0.01%
Free share grants ^(a)	863,472	82.87	1.82%
TOTAL	868,020	83.11	1.83%

(a) Article L. 225-209 of the French Commercial Code.

In accordance with the liquidity agreement with Natixis in respect of SOCIÉTÉ BIC shares, as of December 31, 2016, the liquidity account contained the following:

- 4,548 BIC shares;
- 3,208,966.48 euros.

At initial set-up, the liquidity account contained the following:

- 2,312 BIC shares;
- 912,744.48 euros.

SOCIÉTÉ BIC obtained authorization from the Annual Shareholders' Meeting on May 18, 2016, to renew its share buyback program.

Number of shares purchased in 2016 ^(b)

• Share buyback program authorized by the Annual Shareholders' Meeting held on May 18, 2016	319,380
• Share buyback program authorized by the Annual Shareholders' Meeting held on May 6, 2015	333,365
Average share buyback price for the purchases during 2016 <i>(in euros)</i>	124.96

(b) Excluding shares repurchased under the liquidity contract.

During the 2016 fiscal year, SOCIÉTÉ BIC cancelled 451,339 shares.

To the best of the Company's knowledge, as of December 31, 2016, Shareholders holding more than 5%, 10%, 15%, 20%, 25%, 33.33%, 50%, 66.66%, 90% or 95% of the share capital and/or of the voting rights of the Company were as follows:

	At December 31, 2016	
	% of shares (approx.)	% of voting rights (approx.)
SOCIÉTÉ M.B.D.	26.69%	36.66%
Bich family	16.51%	22.55%





NOTE 16 BORROWINGS AND FINANCIAL LIABILITIES

<i>(in thousand euros)</i>	Dec. 31, 2015	Dec. 31, 2016
Bank overdrafts	4,544	26,332
Bank loans and non-current financial liabilities (see detail below)	1,984	21,838
Obligations under finance leases	3,702	2,860
BANK BORROWINGS AND OVERDRAFTS	10,230	51,030

Bank overdrafts are due within one year.

The long-term portion of obligations under finance leases is not significant.

Bank loans and financial liabilities have the following maturities:

<i>(in thousand euros)</i>	Dec. 31, 2015	Dec. 31, 2016
On demand or within one year	1,974	21,832
In the 2 nd year	3	-
In the 3 rd year	3	3
In the 4 th year	3	3
TOTAL	1,984	21,838

Main bank loans/credit lines and financial liabilities are as follows:

Borrowing country	Currency	Euro equivalents	
		Dec. 31, 2015	Dec. 31, 2016
<i>(in thousand euros)</i>			
• France	EUR	-	20,000
• Malaysia	MYR	745	-
• Turkey	TRY	-	564
• South Korea	KRW	1,171	1,182
• Other	Misc.	68	92
TOTAL		1,984	21,838

Information on interest rates

As of December 31, 2016, outstanding loans and credit lines were contracted with floating rates ranging between 0.4% and 12.75%.

Relative exposure, deemed not significant, has not been hedged.

Information on covenants

None of the loans contain any covenants that could trigger early repayment of the debt.



NOTE 17 PROVISIONS

Accounting policies

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation and the outflow required to settle said obligation can be reliably measured. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

In accordance with IAS 12, tax provisions relate to uncertain situations assuming a detection risk of 100% and retaining the most likely amount.

<i>(in thousand euros)</i>	Tax and social risks and litigation	Litigation	Product liability	Other risks and charges	Total
At January 1, 2016	29,377	6,855	2,019	3,275	41,526
Additional provisions	6,366	3,398	236	1,630	11,631
Reversals of provisions utilized	(2,221)	(2,948)	(309)	(629)	(6,106)
Reversals of provisions not utilized	(7,250)	(1,835)	(899)	(673)	(10,658)
Exchange differences	648	394	28	18	1,088
Transfers to non-current liabilities held for sale (see Note 20)	(1,360)	(387)	-	(174)	(1 921)
At December 31, 2016	25,560	5,477	1,075	3,447	35,560

As of December 31, 2016, it was not deemed necessary to book provisions for the risks described in the Part 1 "Group Presentation" that could affect:

- the Company's personnel, assets, environment or reputation;
- the Group's ability to reach its objectives and abide by its values, ethics or the laws and regulations.

Tax and social risks and litigation

Provisions for tax and social risks and litigation relate mainly to:

- tax risks;
- U.S. workers' compensation.

Tax audits are carried out regularly by local tax authorities which may dispute positions taken by the individual local entities of the

Group. In accordance with the Group's accounting policies, it may be decided to record provisions when tax-related risks are considered likely to generate a payment to local tax authorities.

The Group reviews the evaluation of all its tax positions on a regular basis, using external counsels and considers that its tax positions are adequately provided for. However, the Group cannot predict the ultimate outcome of future audits.

Litigation

As of December 31, 2016, the litigation provision mainly represents distributor and commercial agent risks for 2.2 million euros (2.1 million euros at December 31, 2015).

Product liability

Product liability mainly relates to the U.S.



NOTE 18 PENSIONS AND OTHER EMPLOYEE BENEFITS

Accounting policies

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit plans are dealt with as payments to defined contribution plans where the Group's obligation under these plans are equivalent to those arising in defined contribution retirement benefit plans.

For defined benefit retirement plans, the amount of provision is determined using the Projected Unit Credit Method, with actuarial valuations being carried out for each balance sheet date. All actuarial differences are recognized in other comprehensive income in the period in which they occur. Past service costs are recognized for their full amount as a component of cost of services (in the income statement), whether benefits are vested definitively to their beneficiaries or are being acquired.

The retirement benefit obligation recognized in the balance sheet represents the present value of the defined benefit obligation reduced by the fair value of plan assets. Any net asset resulting from this calculation is limited to the present value of available refunds and reduction in future contributions to the plan.

18-1 Plan characteristics

Types of post-employment benefits and other long-term benefits

Pursuant to the laws and practices in force in the countries where it operates, the Group has obligations in terms of employee benefits, in particular post-employment benefits:

● In the U.S.

Two pension plans ("Salaried Pension Plan" and "Local 134L Pension Plan") are effective (depending on the site) and are funded by their respective pension funds. In addition to these plans, medical and life insurance plans exist ("Salaried Retiree Medical and Life Insurance Plan" and "Local 134L Retiree Medical and Life Insurance Plan" depending on the site):

a) Salaried Pension Plan

Beneficiaries hired prior to 2007 accrue retirement benefits under a final average pay formula that reflects years of service, average pay, and is integrated with Social Security retirement benefits. The formula provides for a life annuity, payable at normal retirement age (65) equal to 1.1% of average pay up to the average Social Security wage base multiplied by the number of years of service, which may not exceed 35 years plus 1.5% of average pay in excess of the average Social Security wage base multiplied by the number of years of service, which may not exceed 35 years, plus 1.4% of average pay per year of service in excess of 35 years. (Average pay is based on the highest three consecutive years within the last 10 years). In addition, the Plan provides reduced early retirement benefits for beneficiaries prior to age 65 (or age 62 if they retire at or after age 55 with 10 or more years of service). Eligible beneficiaries who terminate employment after January 1, 2015 are eligible for a lump sum payment from the plan.

Employees hired after 2006 accrue benefits under a Cash Balance Arrangement. These participants receive annual credits of 5% of their year's pay for plan years before January 1, 2013, and for plan years after December 31, 2012, eligible beneficiaries receive annual credits of 5% for less than five years of service, 6% for at least five but less than 10 years of service, 7% for at least 10 but less than 15 years of service, 7.5% for at least 15 but less than 20 years of service and 8% for 20 or more years of service, which are accumulated with guaranteed interest equal to 30-year Treasury

rates, to retirement. Participation in this plan is closed for BIC Graphic employees hired after January 1, 2011. The Plan is subject to minimum funding requirements under U.S. law.

The long-term objective of the Plan's investment policy is to provide sufficient funding to cover expected benefit obligations, while assuming a prudent level of portfolio risk relative to the Plan's liability. The Plan's assets are invested in the BIC Corporation Master Trust - with a target asset allocation of 32.5% U.S. equity, 5% global low volatility equity, 12.5% non-U.S. equity, and 50% fixed income.

b) Local 134L Pension Plan

For beneficiaries hired before December 4, 2007, benefits under the Plan are based on a participant's years of service multiplied by a fixed set amount (40.75 U.S. dollars per month for 2013, increasing by 1 U.S. dollar each year until 2017).

Employees hired after December 4, 2007 accrue benefits under a Cash Balance Arrangement. These participants receive annual credits equal to 3.00% of pay through November 30, 2012, and 3.75% of pay beginning on December 1, 2012 which are accumulated with interest, equal to 30-year Treasury rates, to retirement.

The Plan is subject to minimum funding requirements under U.S. law.

The long-term objective of the Plan's investment policy is to provide sufficient funding to cover expected benefit obligations, while assuming a prudent level of portfolio risk relative to the liability. The Plan's assets are invested in the BIC Corporation Master Trust-with a target asset allocation of 13.6% U.S. equity, 1.8% global low volatility equity, 4.6% non-U.S. equity, and 80% fixed income.

c) Salaried Retiree Medical and Life Insurance Plan

Employees hired prior to 2007 are eligible to receive medical coverage if they are at least age 55 and have 20 or more years of service at retirement. The Plan is closed to new employees. Effective January 1, 2011 post-retirement medical coverage was eliminated for BIC Graphic employees who were not at least age 50 with 15 or more years of service at December 31, 2010. Effective October 1, 2013, as part of an exchange, certain covered retirees and future retirees, age 65 and over, will receive a fixed payment of 3,500 U.S. dollars annually to purchase retiree medical coverage. This amount will be reviewed in the future to reflect the upward trends in healthcare costs.





Retiree life insurance is available to employees who retire at or after age 55 with 10 or more years of service. BIC Graphic employees hired after January 1, 2011 are no longer eligible for retiree life insurance. The benefit is equal to 100% of final salary with a cap ranging from 10,000 U.S. dollars for managerial employees to 100,000 U.S. dollars for BIC Level 4s and above.

The Plan does not have any assets.

d) Local 134L Retiree Medical and Life Insurance Plan

Employees who retire at or after age 60 with 10 or more years of service are eligible to receive medical and life insurance coverage.

Post-age 65 retirees who retire on or after December 1, 2002, receive a fixed annual payment of 900 U.S. dollars to purchase prescription drugs. Retirees prior to December 1, 2002 receive fixed annual payments ranging from 2,600 U.S. dollars to 3,500 U.S. dollars to purchase retiree medical coverage. The amounts will be reviewed in the future to reflect the upward trends in healthcare costs.

Retiree life insurance benefits are 9,500 U.S. dollars for employees who retire on or after December 1, 2012 increasing by 500 U.S. dollars for retirements on each future anniversary date until December 1, 2016.

The Plan does not have any assets.

● **In the United Kingdom**

There is a closed defined-benefit plan for a specified list of beneficiaries (plan closed to new entrants) and closed to the acquisition of further rights. An independent professional Trustee, an employer-representative Trustee and an employee-representative Trustee oversee the governance of the scheme. Plan assets are currently invested in a portfolio of stocks, bonds and real estate. Asset allocation is reviewed regularly to ensure that the assets held are still appropriate and sufficient to cover future pension obligations.

Both schemes are subject to the same risks as the majority of final salary occupational pension schemes, *i.e.* inflation risks, investment risks, life expectancy risks, etc. The strategic asset allocation must comply with the investment guidelines laid out in the "Statement of Investment Principles" set up by the Trustee to limit the risks.

● **In France**

Retirement indemnities are mandatory in France. The rights granted (expressed in months of salary) are determined by the national collective agreement for companies and on the employee's seniority at retirement date. The benefit payment is subject to the employee working for the Company when he/she retires.

The defined benefit supplementary pension plan provides a percentage of the final salary for each year of service to senior managers working for BIC's French companies. There is a ceiling applied to the pension benefits. The benefits are vested only if the beneficiary is working for the Company when he/she retires.

● **In Canada**

The Plan is funded chiefly through employer contributions and investment earnings on Plan assets. Prior to 1992, beneficiaries were required to contribute to the Plan, however since January 1, 1992; they are no longer required or permitted to make contributions to the Plan. BIC Inc. contributions to the Plan comply with the minimum funding requirements of the "Pensions Benefits Act of Ontario".

The Pension fund set up to finance the retirement scheme for employees of BIC Inc. is held by an Independent Trust in the interests of beneficiaries. This fund is not part of the income or assets of BIC Inc.

This Plan is closed to new employees hired after November 14, 2011.

For hourly paid employees, the retirement benefit is defined as a fixed amount per year of service, whose value varies according to the date on which the beneficiary retires (400 CAD per year for retirement after January 1, 2010). For employees receiving a regular salary, the formula for calculating the retirement benefit is 1.5% of final average salary per year of service (the calculation of the final average salary is based on the highest three consecutive years out of the last 10 years preceding retirement). The total benefit under the Plan is capped by the limits imposed by the Income Tax Act in Canada. The normal retirement age is 65, however beneficiaries can retire from age 55, with a reduced benefit for early retirement. The benefit is unreduced at age 63 for members who commence their pension immediately following termination of employment.

To monitor and control the performance of the Fund, BIC Inc. and the Investment Manager must comply with the objectives set out in the "Statement of Investment Policy and Objectives". The basic goal underlying the establishment of these guidelines is to ensure that the Fund assets, together with the expected contributions and investment returns are invested in a prudent manner so that the Fund will be sufficient to meet the obligations of the Plan as they come due. The long-term investment strategy is to invest approximately 36% in bonds, 35% in Canadian equities, 27% in foreign equities and 2% in cash and cash equivalents.

● **For other countries**, the plans depend on local legislation, the activity and other historical practices of the subsidiary.





18-2 Change in the net obligation of defined benefits plans

<i>(in thousand euros)</i>		Pension	Including U.S. Pension	Other employee benefits	Including U.S. other employee benefits	Total employee benefits	Including total U.S. employee benefits
PRESENT VALUE OF OBLIGATION							
At January 1, 2016		551,949	420,127	100,050	98,144	651,999	518,271
Period costs:		34,669	26,977	5,506	4,961	40,174	31,938
• Current service costs		13,043	9,275	2,555	2,017	15,598	11,292
• Past service costs (including curtailment (gain)/loss)		16	-	(1,085)	(1,085)	(1,069)	(1,085)
• Settlement		(196)	-	-	-	(196)	-
• Interest costs		21,805	17,702	4,036	4,029	25,841	21,731
Benefits paid		(54,296)	(39,933)	(3,160)	(2,933)	(57,455)	(42,866)
Actuarial difference on obligation		26,135	7,791	(4,551)	(4,555)	21,584	3,235
• Financial assumptions		25,504	8,649	2,290	2,286	27,793	10,935
• Demographic assumptions		631	(859)	(6,841)	(6,841)	(6,210)	(7,700)
Taxes paid included in DBO		(807)	-	-	-	(807)	-
Participant contributions		23	-	-	-	23	-
Administrative expenses		(5)	-	-	-	(5)	-
Exchange differences		9,051	16,893	4,181	4,105	13,232	20,998
Transfer to non-current liabilities held for sale (See Note 20)		(1,203)	-	-	-	(1,203)	-
At December 31, 2016	A	565,516	431,854	102,025	99,721	667,541	531,576
FAIR VALUE OF PLAN ASSETS							
At January 1, 2016		445,017	366,065	-	-	445,017	366,065
Total period income:		18,174	15,446	-	-	18,174	15,446
• Interest income		18,174	15,446	-	-	18,174	15,446
Benefits paid		(51,250)	(39,933)	(2,933)	(2,933)	(54,183)	(42,866)
Contributions paid by participants		23	-	-	-	23	-
Contributions paid by employer		29,122	21,969	2,933	2,933	32,056	24,902
Taxes paid from plan assets		(807)	-	-	-	(807)	-
Administrative expenses		(1,314)	(1,159)	-	-	(1,314)	(1,159)
Return on assets (excluding interest income)		17,306	15,244	-	-	17,306	15,244
Exchange differences		8,284	13,430	-	-	8,284	13,430
At December 31, 2016	B	464,556	391,061	-	-	464,556	391,061
NET LIABILITY IN THE BALANCE SHEET AS OF DECEMBER 31, 2016	C = A - B	100,960	40,793	102,025	99,721	202,985	140,514
NET LIABILITY IN THE BALANCE SHEET AS OF DECEMBER 31, 2015		106,931	54,062	100,050	98,144	206,982	152,206





18-3 Funded/unfunded obligations

<i>(in thousand euros)</i>	Notes	Pension	Other employee benefits	Total
At December 31, 2016				
Amount of funded obligations		511,392	-	511,392
Fair value of plan assets		(464,556)	-	(464,556)
Surplus of obligation over assets		46,836	-	46,836
Fair value of unfunded obligations		55,328	102,024	157,352
Transfers to non-current liabilities held for sale (see Note 20)		(1,203)	-	(1,203)
Net value in the balance sheet	18-7	100,961	102,024	202,985
• Asset	12			2,471
• Liability				205,455

<i>(in thousand euros)</i>	Pension	Other employee benefits	Total
At December 31, 2015			
Amount of funded obligations	483,744	-	483,744
Fair value of plan assets	(444,935)	-	(444,935)
Surplus of obligation over assets	38,809	-	38,809
Fair value of unfunded obligations	68,122	100,050	168,173
Net value in the balance sheet	106,931	100,050	206,982
• Asset			1,849
• Liability			208,832

18-4 Period costs

<i>(in thousand euros)</i>	Dec. 31, 2015	Dec. 31, 2016
Current service costs	14,434	15,598
Past service costs (including curtailment (gain)/loss)	(14)	(1,069)
Settlement	(2,510)	(196)
Net interest costs	8,616	7,667
Administrative expenses and taxes	1,546	1,310
TOTAL PERIOD COSTS	22,071	23,310

18-5 Additional information

Nature of plan assets

<i>(in thousand euros)</i>	Fair value of plan assets		Including fair value of plan assets with a quoted market price	
Equity	193,984	41.8%	193,984	41.8%
Bond and other fixed income	239,080	51.5%	239,080	51.5%
Cash and cash equivalents	4,947	1.1%	4,947	1.1%
Real Estate	24,246	5.2%	24,246	5.2%
Assets held by insurance companies	2,100	0.5%	2,100	0.5%
Other	201	-	201	-
TOTAL	464,556	100.0%	464,556	100.0%





At December 31, 2016 <i>(in thousand euros)</i>	U.S. fair value of plan assets		Including U.S. fair value of plan assets with a quoted market price	
Equity	178,441	45.6%	178,441	45.6%
Bond and other fixed income	209,833	53.7%	209,833	53.7%
Cash and cash equivalents	2,788	0.7%	2,788	0.7%
TOTAL	391,062	100.0%	391,062	100.0%

18-6 Actuarial assumptions for main countries

Actuarial assumptions used to calculate the benefit obligations vary according to the economic conditions of the country in which the plan is located. They have been adjusted according to the actual interest rate and the mortality table. Assumptions for plans representing the main obligations are set out below:

At December 31, 2016	United States	United Kingdom	France
Discount rate	4.19%	2.80%	0.95%
Inflation rate	2.50%	3.55%	1.50%
Expected rate of salary increases	3.60%	N/A	1.75%
Average plan duration <i>(years)</i>	14.80	18.69	10.97

At December 31, 2015	United States	United Kingdom	France
Discount rate	4.39%	3.85%	2.09%
Inflation rate	2.50%	3.25%	2.00%
Expected rate of salary increases	3.60%	N/A	2.25%
Average plan duration <i>(years)</i>	14.94	17.53	9.84

The discount rates for our U.S. and UK retirement programs were developed using the Mercer Pension Discount Yield Curve, which is built from the yields of high quality (AA) corporate bonds. For our other international plans, the discount rates were set by benchmarking against corporate bonds rated AA or better on the various markets.

The discount rate for the French obligation is based on the IBOXX AA 10+ index. The rate shown for France is that of the main plan (retirement indemnities).

The rate shown for the U.S is for the main plan, each U.S. plan being valued with a specific discount rate (from 3.39% to 4.32%).

Sensitivity of the obligation to a change in discount rate

According to the Group's estimates, a +/-1% change in the discount rate would result in a change of, respectively, -13.71% and +15.02% in the obligations. This change would not, however, fully impact the Group net liability on employee benefits, as a change in plan assets may partly offset the impact.

Sensitivity of the obligation to a change in inflation rate

According to the Group's estimates, a +/-0.5% change in the inflation rate would result in a change in the obligations for the following countries of respectively:

- +0.2% and -0.23% for the U.S.;
- +5.07% and -6.68% for the U.K.;
- +2.31% and -2.37% for France.

This change would not, however, fully impact the Group net liability on employee benefits, as a change in plan assets fair value may partly offset the impact.

Cash Flows for future years

The Group is expected to pay 17.2 million euros in employer contributions for 2017.

The expected total benefit payments, in million euros, is:

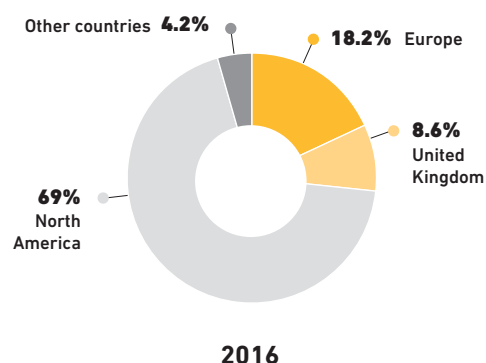
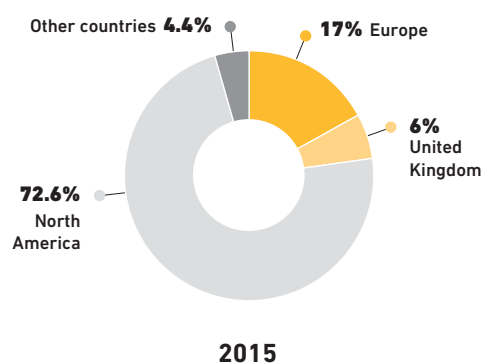
2017	36
2018	34
2019	35
2020	41
2021	37
After 2021	214



18-7 Information by geography

At December 31, 2016 (in thousand euros)	Obligation		Plan assets		Net liability	
Europe	46,000	6.9%	8,995	1.9%	37,005	18.2%
United Kingdom	57,594	8.6%	40,181	8.6%	17,413	8.6%
North America	553,857	83.0%	413,873	89.1%	139,984	69.0%
Other countries	10,089	1.5%	1,507	0.3%	8,582	4.2%
TOTAL	667,541	100.0%	464,556	100.0%	202,985	100.0%

At December 31, 2015 (in thousand euros)	Obligation		Plan assets		Net liability	
Europe	48,349	7.4%	13,251	3.0%	35,098	17.0%
United Kingdom	56,657	8.7%	44,274	10.0%	12,382	6.0%
North America	536,391	82.3%	386,008	86.8%	150,382	72.6%
Other countries	10,520	1.6%	1,400	0.3%	9,120	4.4%
TOTAL	651,917	100.0%	444,935	100.0%	206,982	100.0%



For plans located in North America and Europe (mainly the United Kingdom), plan assets levels as of December 31, 2016 comply with minimum funding obligations, as legally or contractually defined.

NOTE 19 OTHER CURRENT LIABILITIES

(in thousand euros)	Dec. 31, 2015	Dec. 31, 2016
Social liabilities	96,489	98,104
Other tax liabilities	11,585	12,123
Other current liabilities	120,332	121,884
OTHER CURRENT LIABILITIES	228,406	232,111



NOTE 20 DISCONTINUED OPERATIONS

Bic Graphic North America and Asia are classified as discontinued operations at December 31, 2016 following the envisaged disposal of these activities, which represent almost all the assets and liabilities of Bic Graphic (operating segment).

As a consequence these assets and liabilities (including the Norwood goodwill) were measured at December 31, 2016 in accordance with IFRS 5, Non-Current Assets Held For Sale And Discontinued

Operations at the lower of their carrying amount and fair value less costs to sell.

Another minor activity is also considered as held for sale as of December 31, 2016. Only assets and liabilities have been reclassified.

Only BIC Graphic North America and Asia have been subject to a restatement in the income statement and the cash flow statement as follows:

Income statement

<i>(in thousand euros)</i>	Notes	Dec. 31, 2015	Dec. 31, 2016
Net sales	2-2	248,284	246,673
Cost of goods	4	(166,027)	(167,261)
Gross profit		82,258	79,412
Distribution costs	4	(35,846)	(38,325)
Administrative expenses	4	(27,481)	(24,463)
Other operating expenses	4	(3,832)	(4,274)
Other income	5	2,838	215
Other expenses	5	(2,442)	(60,908)
Income from operations		15,494	(48,343)
Income from cash and cash equivalents	6	8	66
Net finance income/(Net finance costs)	6	(5,799)	(5,637)
Income before tax		9,703	(53,914)
Income tax expense	7	(3,865)	18,060
Net income from consolidated entities		5,839	(35,854)

Cash flow statement

<i>(in thousand euros)</i>	Dec. 31, 2015	Dec. 31, 2016
Opening cash and cash equivalents net of bank overdraft	-	30,288
Net cash from operating activities	15,746	22,548
Net cash from investing activities	(5,371)	(5,310)
Net cash from financing activities	(3,533)	(47,958)
Exchange difference	1,403	432
Net cash from discontinued operations	8,246	-

As of December 31, 2016, the contribution of the discontinued activities to the balance sheet is the following:

<i>(in thousand euros)</i>	Dec. 31, 2016
Non-current assets	59,088
Current assets	93,609
Non-current liabilities	3,125
Current liabilities	49,147



NOTE 21 DIVIDENDS

For the 2015 fiscal year, an ordinary dividend of 3.40 euros per share and a special dividend of 2.50 euros per share were distributed to the Shareholders on June 1, 2016.

For the 2014 fiscal year, an ordinary dividend of 2.85 euros per share was distributed to the Shareholders on May 21, 2015.

NOTE 22 EXPOSURE TO MARKET RISKS

22-1 Counterparty risk

All financial instruments are set up with top-ranking international banking institutions, making counterparty risk very low. The minimum Standard & Poor's long-term rating of the main banking counterparties is A-, the rating range being from A+ to A-.

Cash investment decisions are subject to strict counterparty risk assessment (both depositories and custodians). The main part of the portfolio as of December 31, 2016 is on investment grade rated supports. Counterparty risk is estimated not significant as of December 31, 2016.

22-2 Foreign exchange risk

See Note 24-2.

22-3 Interest rate risk

See Note 24-3.

22-4 Liquidity risk

The BIC Group manages its equity in order to keep a positive and liquid as cash position, so as to be able to achieve its development and/or external growth strategy.

The excess cash and the funding needs of the Group are managed by the Treasury Department, following prudent policy guidelines, that aim for capital security and to maintain a satisfactory liquidity position.

Excess cash is mainly invested in money market UCITS, negotiable debt securities and cash equivalents whose volatility is below 0.5, with a recommended holding period of less than three months.

The more structural portion of the cash can be invested in money market funds qualified as "dynamics", with a holding period that can be in excess of six months.

All the investments are valued mark-to-market twice a month by Group Treasury and the target is to reach an average annual performance above the Eonia capitalized rate.

The two largest positions in the portfolio at year-end represent 33.89% of the total assets under Group Treasury management.

As of December 31, 2016, the portfolio structure comprises 63.41% "UCITS with daily liquidity", 19.38% term deposits or remunerated accounts, 13.95% products such as short term negotiable debt securities (less than 3 months) and 3.23% bonds.

<i>(in thousand euros)</i>	Dec. 31, 2015	Dec. 31, 2016
Cash equivalents: marketable securities	211,879	88,523
Cash	173,277	155,239
CASH AND CASH EQUIVALENTS, EXCLUDING BANK OVERDRAFTS	385,156	243,762

22-5 Credit risk

The Group's credit risk is primarily attributable to its trade and other receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables.

The Group has no significant concentration of credit risk, with exposure spread over a large number of customers.

Trade and other receivables comprise:

- gross amounts receivable for the sale of goods as well as other receivables, mainly related to VAT credits. These trade and other

receivables are short-term assets, with maturity dates within 12 months;

- an allowance for estimated unrecoverable amounts from the sale of goods. This allowance has been determined by reference to past default experience and based on the current economic environment. It is booked in a separate account.

The BIC Group considers that the carrying amount of trade and other receivables is close to their fair value. Receivables past due but not impaired are not significant at Group level as of December 31, 2016.



Maximum exposure to credit risk corresponds to the net booked value of financial assets in the balance sheet, including derivatives with positive market values (see table below):

<i>(in thousand euros)</i>	Note	Dec. 31, 2015	Dec. 31, 2016
Gross receivables			
Not yet due or past due for less than 60 days		399,519	437,704
Past due for 60 to 90 days		6,067	5,622
Past due for 90 to 120 days		5,757	3,323
Past due for more than 120 days		7,763	6,244
Total gross receivables		419,106	452,892
Doubtful receivables		15,883	12,022
TOTAL BEFORE ALLOWANCE		434,989	464,914
Allowance on specific trade receivables		(19,833)	(16,932)
Allowance on statistically calculated trade receivables		(3,407)	(3,856)
Other receivables		28,229	38,972
TRADE AND OTHER RECEIVABLES – NET	14	439,979	483,099

22-6 Fair value of financial assets and liabilities

Accounting categories and fair value of financial instruments

Dec. 31, 2016

Breakdown by category of instruments

<i>(in thousand euros)</i>	Note	Balance sheet value	Fair value	At fair value through the income statement	Derivative hedging instruments	Held-to-maturity investments	Loans and receivables (including cash)	Available-for-sale assets	Debt at amortized cost	At fair value through equity
Financial assets		758,063	758,063	116,534	1,735	1,428	638,337	28	-	-
Non current										
• Derivative financial instruments	24-4	33	33	-	33	-	-	-	-	-
• Other investments		28	28	-	-	-	-	28	-	-
Current										
• Trade and other receivables	14	483,099	483,099	-	-	-	483,099	-	-	-
• Derivative financial instruments	24-4	1,702	1,702	-	1,702	-	-	-	-	-
• Other current financial assets		29,439	29,439	28,011	-	1,428	-	-	-	-
• Cash and cash equivalents		243,762	243,762	88,523	-	-	155,239	-	-	-
Financial liabilities		189,531	189,531	-	19,825	-	-	-	169,706	-
Non-current										
• Borrowings	16	1,452	1,452	-	-	-	-	-	1,452	-
• Derivative instruments	24-4	4,234	4,234	-	4,234	-	-	-	-	-
Current										
• Borrowings	16	49,578	49,578	-	-	-	-	-	49,578	-
• Derivative instruments	24-4	15,591	15,591	-	15,591	-	-	-	-	-
• Trade and other payables	14	118,676	118,676	-	-	-	-	-	118,676	-



Dec. 31, 2015

Breakdown by category of instruments

Balance sheet items <i>(in thousand euros)</i>	Note	Balance sheet value	Fair value	At fair value through the income statement	Derivative hedging instruments	Held-to-maturity investments	Loans and receivables (including cash)	Available for-sale assets	Debt at amortized cost	At fair value through equity
Financial assets		902,070	902,027	280,676	3,845	4,251	613,256	42	-	-
Non-current										
• Derivative financial instruments	24-4	549	549	-	549	-	-	-	-	-
• Other investments		42	42	-	-	-	-	42	-	-
Current										
• Trade and other receivables	14	439,979	439,979	-	-	-	439,979	-	-	-
• Derivative financial instruments	24-4	3,296	3,296	-	3,296	-	-	-	-	-
• Other current financial assets		73,048	73,005	68,797	-	4,251	-	-	-	-
• Cash and cash equivalents		385,156	385,156	211,879	-	-	173,277	-	-	-
Financial liabilities		138,937	138,937	-	3,839	-	-	-	135,097	-
Non-current										
• Borrowings	16	2,450	2,450	-	-	-	-	-	2,450	-
• Derivative instruments	24-4	134	134	-	134	-	-	-	-	-
Current										
• Borrowings	16	7,780	7,780	-	-	-	-	-	7,780	-
• Derivative instruments	24-4	3,705	3,705	-	3,705	-	-	-	-	-
• Trade and other payables	14	124,867	124,867	-	-	-	-	-	124,867	-

The valuation methods adopted for financial instruments are as follows:

- Financial instruments other than derivatives recorded in the balance sheet:

The book values used are reasonable estimates of their market value except for marketable securities whose carrying values used are determined based on the last known net asset values as of December 31, 2016.

- Derivative financial instruments:

Market values were calculated internally on the basis of last-known closing prices as of December 31, 2016. They are

consistent with valuation reports provided by financial institutions.

Fair value valuation method

The tables below set out the fair value method for valuing financial instruments, using the following three levels:

- level 1 (quoted prices in active markets): money market UCITS and other current financial assets;
- level 2 (observable inputs): derivatives - hedge accounting;
- level 3 (non-observable inputs): no such instruments are held as of December 31, 2016.

Category of instruments <i>(in thousand euros)</i>	Dec. 31, 2016			
	Total	Level 1	Level 2	Level 3
At fair value through the income statement - Assets	116,534	116,534	-	-
Derivative hedges - Assets	1,735	-	1,735	-
Derivative hedges - Liabilities	19,825	-	19,825	-



22-7 Net income impact by category of instruments

Net income related to the different categories of financial assets and liabilities are as follows:

At December 31, 2016

Breakdown by category of instruments

Nature of impact <i>(in thousand euros)</i>	Breakdown by category of instruments						
	Total	At fair value through the income statement	Derivative hedging instruments	Held-to-maturity investments	Loans and receivables (including cash)	Available for-sale assets	Debt at amortized cost
Interest income/(expense)	5,668	2,966	-	-	5,947	-	(3,246)
Revaluation at fair value	(2,207)	-	(2,207)	-	-	-	-
Translation	(15,109)	-	-	-	(13,044)	-	(2,828)
Net depreciation	(1,038)	-	-	-	(1,038)	-	-
TOTAL	(12,686)	2,966	(2,207)	-	(8,134)	-	(6,074)

At December 31, 2015

Breakdown by category of instruments

Type of impact <i>(in thousand euros)</i>	Breakdown by category of instruments						
	Total	At fair value through the income statement	Derivative hedging instruments	Held-to-maturity investments	Loans and receivables (including cash)	Available for-sale assets	Debt at amortized cost
Interest income/(expense)	11,742	5,199	-	-	9,046	-	(2,503)
Revaluation at fair value	(674)	-	(674)	-	-	-	-
Translation	4,620	-	-	-	10,735	-	(6,115)
Net depreciation	(2,669)	-	-	-	(2,669)	-	-
TOTAL	13,018	5,199	(674)	-	17,111	-	(8,618)

NOTE 23 SHARE-BASED PAYMENTS

The Group issues equity-settled share-based payment for services to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. This fair value on the vesting date is expensed over the vesting period, based on the Group's estimate of the shares that will eventually be vested and adjusted for the effect of non-market-based vesting conditions.

Fair value is measured using the method given below. The expected life used in the model has been adjusted, based on management's best estimates, for the effect of non-transferability, exercise restrictions and behavioral considerations.

Share-based payments are booked in staff costs (see Note 4 "Operating expenses", line "staff costs" and in the lines of the income statement presented by functions).

23-1 Grant of stock option plans

All granted plans are equity settled plans.

Group stock option plans

As part of a policy recommended by the Compensation and Nomination Committee, the Board of Directors decided not to award stock options with effect from 2011 and to set up a policy of free share grants. Some 500 executives receiving stock options on the basis of their position in the Company (eligible managers) received share grants subject to three-year performance conditions. To replace the stock option programs rewarding staff selected by Management, free share grants without performance conditions were introduced.



BREAKDOWN BY PLAN	Plan no. 11	Plan no. 12	Plan no. 13
Annual Shareholders' Meeting date	May 21, 2008	May 21, 2008	May 12, 2010
Board of Directors' Meeting date	Dec. 10, 2008	Dec. 15, 2009	Dec. 16, 2010
Number of beneficiaries	613	602	643
Number of stock options	371,400	360,000	382,950
Date from which options may be exercised	Dec. 11, 2011	Dec. 16, 2012	Dec. 17, 2013
Option expiry date	Dec. 9, 2016	Dec. 14, 2017	Dec. 15, 2018
Exercise price (in euros) ^(a)	40.18	47.99	63.71
Number of options exercised as of December 31, 2016	334,750	269,546	236,895
Number of void options as of December 31, 2016	36,650	32,900	42,850
Number of remaining options as of December 31, 2016	-	57,554	103,205

(a) No discount on the exercise price.

Plans no. 11 (stock options) expired on December 9, 2016.

Assumptions for fair value calculation of stock options plans according to binomial model

	Plan no. 11	Plan no. 12	Plan no. 13
Expected volatility	29.00%	26.00%	26.00%
Risk-free rate	3.56%	2.95%	3.31%
Expected dividend yield	2.50%	2.75%	2.9%
Expected life in years ^(a)	6.18 & 5.70	6.36 & 5.94	6.32 & 5.87

(a) The first figure applies for French tax residents, the second figure for foreign tax resident.

23-2 Free share allocations with performance conditions

From 2005, exercising the power placed at its disposal by successive Annual Shareholders' Meetings, the Board of Directors resolved, upon the recommendation of the Compensation and Nomination Committee, to put in place a policy of free share awards subject to three-year performance conditions.

The shares delivered by the current plans are existing shares.

For plans nos. 1 to 5, shares are granted either by SOCIÉTÉ BIC or BIC CORPORATION. Shares granted by SOCIÉTÉ BIC are delivered to the beneficiaries at the definitive grant date. Beneficiaries must hold the shares during an additional period of three years.

For U.S. tax reasons, the shares granted by BIC CORPORATION will only be delivered at the conclusion of a three-year period following

the definitive grant date. As a compensation for dividends not received between the conclusion of the vesting period and the actual date of delivery, additional shares will be delivered at that time.

For plans nos. 6 to 12, shares are only granted by SOCIÉTÉ BIC. For French tax resident beneficiaries, shares are delivered at the definitive grant date.

For foreign tax resident beneficiaries, shares are delivered at the conclusion of a three-year period following the definitive grant date. For plans nos. 6 and 7, as compensation for dividends not received between the conclusion of the vesting period and the actual date of delivery, additional shares will be delivered at that time. From Plan no. 8, this compensation system by delivery of shares has been terminated and is replaced by a cash compensation system.



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	Plan no. 1		Plan no. 2		Plan no. 3		Plan no. 4		Plan no. 5		Plan no. 6		Plan no. 7		Plan no. 8		Plan no. 9		Plan no. 10		Plan no. 11		Plan no. 12	
Annual Shareholders' Meeting date	May 19, 2005		May 19, 2005		May 19, 2005		May 23, 2007		May 23, 2007		May 23, 2007		May 12, 2010		May 12, 2010		May 12, 2010		May 15, 2013		May 15, 2013		May 18, 2016	
Board of Directors' Meeting date	May 19, 2005		Dec. 14, 2005		Dec. 13, 2006		Dec. 11, 2007		Feb. 10, 2009		Feb. 16, 2010		Feb. 15, 2011		Feb. 14, 2012		Feb. 12, 2013		Feb. 11, 2014		Feb. 10, 2015		May 18, 2016	
Grant	M	S	M	S	M	S	M	S	M	S	M	M	M	M	M	M	M	M	M	M	M	M	M	M
Number of beneficiaries	12	11	12	11	9	8	11	10	17	16	27	28	536	525	525	539	546							
Number of free shares granted	31,800	2,618	31,800	2,618	33,450	2,352	37,550	2,644	57,500	2,643	83,475	87,650	159,940	161,010	159,660	176,740	159,680							
																								Mar. 31, 2019/
Definitive grant date	May 19, 2008	May 19, 2012	Mar. 14, 2009	Mar. 14, 2013	Mar. 13, 2010	Mar. 13, 2014	Mar. 11, 2011	Mar. 11, 2015	Mar. 10, 2012	Mar. 10, 2016	Mar. 16, 2013	Mar. 15, 2014	Mar. 14, 2015	Mar. 12, 2016	Mar. 11, 2017	Mar. 10, 2018	Mar. 18, 2019							
Number of free share grants definitively acquired at December 31, 2016	20,405	1,162	15,741	512	32,547	-	37,550	1,436	57,500	2,156	76,797	57,551	135,452	148,050	-	-	-							
Of which number of shares transferred or to be transferred to beneficiaries by:																								
• SOCIÉTÉ BIC	7,420	498	5,724	-	7,473	-	9,950	-	25,250	577	76,797	55,551	-	-	-	-	-							
• BIC CORPORATION	12,985	664	10,017	512	25,074	-	27,600	-	32,250	1,579	N/A	57,551	N/A	N/A	N/A	N/A	N/A							
Delivery date of the shares by:																								
• SOCIÉTÉ BIC	May 19, 2008	May 19, 2012	Mar. 14, 2009	Mar. 14, 2013	Mar. 13, 2010	Mar. 13, 2014	Mar. 11, 2011	Mar. 11, 2015	Mar. 10, 2012	Mar. 10, 2016														
• French beneficiaries											Mar. 16, 2013	Mar. 15, 2014	Mar. 14, 2015	Mar. 12, 2016	Mar. 11, 2017	Mar. 10, 2018	Mar. 18, 2019							
• Foreign beneficiaries											Mar. 16, 2016	Mar. 15, 2017	Mar. 14, 2018	Mar. 12, 2019	Mar. 11, 2020	Mar. 10, 2021	Mar. 31, 2022							
• BIC CORPORATION	May 19, 2011	May 19, 2014	Mar. 14, 2012	Mar. 14, 2015	Mar. 13, 2013	Mar. 13, 2016	Mar. 11, 2014	Mar. 11, 2017	Mar. 10, 2015	Mar. 10, 2018	N/A	N/A	N/A	N/A	N/A	N/A	N/A							
Shares delivered by BIC CORPORATION as compensation for dividends not received	1,665	-	1,151	-	-	-	-	-	-	-	-	-	-	-	-	-	-							
Shares to be delivered by BIC CORPORATION as compensation for dividends not received	-	-	-	-	3,148	-	3,231	-	3,251	-	1,285	-	-	-	-	-	-							
Total number of void free share grants as of December 31, 2016 ^(a)	11,395	1,456	16,059	2,106	903	2,352	-	1,208	-	487	6,678	30,099	24,488	12,960	12,760	7,220	1,360							
Total number of free share grants still under acquisition period as of December 31, 2016	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	146,900	169,520	158,320						

(a) These free share grants are void due to beneficiaries leaving the Company or to a part of the performance conditions not being achieved.

M = Main

S = Secondary



Estimated fair value of shares granted and impact on the income statement

Free share grant date	Plans' unit fair value (in euros)		Expense/(income) booked in income statement (in thousand euros)	
	Main grant	Secondary grant	Dec. 31, 2015	Dec. 31, 2016
May 19, 2005	40.51	38.00	-	-
Dec. 14, 2005	48.09	45.10	-	-
Dec. 13, 2006	50.67	46.77	-	-
Dec. 11, 2007	44.99	40.71	-	-
Feb. 10, 2009	36.10	32.34	2	1
Feb. 16, 2010	47.17	N/A	-	-
Feb. 15, 2011	58.83	N/A	-	-
Feb. 14, 2012	64.81	N/A	(99)	(15)
Feb. 12, 2013	87.99	N/A	4,708	491
Feb. 11, 2014	77.82	N/A	3,926	3,515
Feb. 10, 2015	114.61	N/A	5,183	6,000
May 18, 2016	113.52	N/A	-	3,399
TOTAL			13,720	13,391

The fair value of the free shares is the share price at the grant date discounted by the present value of potential future dividends.

23-3 Free share allocations without performance conditions

From 2012, as recommended by the Compensation and Nomination Committee, the Board has decided to set up a policy of free share grants without performance conditions, to replace the stock option

programs rewarding staff selected by Management and key contributors during the year.

For plans nos. F1, F2, F3, F4 and F5, the shares are delivered by SOCIÉTÉ BIC at the definitive grant date, whether the beneficiaries are French or foreign country tax residents. French tax residents must hold the shares during an additional period of two years for Plan F1 to F4. In Plan F5, this holding period has been eliminated.

These plans provide for the allocation of existing shares.

	Plan no. F1	Plan no. F2	Plan no. F3	Plan no. F4	Plan no. F5
Annual Shareholders' Meeting date	May 12, 2010	May 12, 2010	May 15, 2013	May 15, 2013	May 18, 2016
Board of Directors' Meeting date	Feb. 14, 2012	Feb. 12, 2013	Feb. 11, 2014	Feb. 10, 2015	May 18, 2016
Number of beneficiaries	223	233	243	258	258
Number of free shares granted	20,050	19,950	19,700	21,700	20,750
Definitive grant date	Feb. 14, 2016	Feb. 12, 2017	Feb. 11, 2018	Feb. 10, 2019	May. 18, 2020
Number of free share grants definitively acquired at December 31, 2016	16,600	-	-	-	-
Total number of void free share grants at December 31, 2016 ^(a)	3,450	2,250	2,100	400	50
Total number of free share grants still under acquisition period at December 31, 2016	-	17,700	17,600	21,300	20,700

(a) These free share grants are void due to beneficiaries leaving the Company.



Estimated fair value of shares granted and impact on the income statement

Free share grant date	Plans' unit fair value - binomial model (in euros)	Expense/(income) booked in income statement (in thousand euros)	
		Dec. 31, 2015	Dec. 31, 2016
Feb. 14, 2012	62.90	232	25
Feb. 12, 2013	85.39	393	382
Feb. 11, 2014	75.70	327	301
Feb. 10, 2015	111.49	454	551
May 18, 2016	109.85	-	295
TOTAL		1,406	1,554

NOTE 24 FINANCIAL INSTRUMENTS

Accounting policy

Financial assets and financial liabilities are recognized on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

a) Trade receivables

See Note 14.

b) Investments

Investments are recognized and derecognized on a transaction date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable costs.

After initial recognition, investments for which the Group has the positive intention and ability to hold to maturity (Held-to-maturity investments) are measured at amortized cost using the effective interest method, less any impairment loss booked to reflect unrecoverable amounts.

An impairment loss is recognized in the income statement when there is objective evidence that the financial asset is impaired and the amount of the loss is measured at the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

The previously recognized impairment loss is reversed in a subsequent period if the amount of the impairment loss decreases and the reversal will not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been if the impairment had not been recognized at the date the impairment was reversed. The amount of the reversal is recognized in profit or loss for the period.

Investments other than those held to maturity are classified as either investments held for trading (marketable securities) or as available-for-sale (equity investments), and are measured at fair value. Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in profit or loss for the period.

For available-for-sale investments, gains and losses arising from changes in fair value are recognized directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity (shares) is included in the profit or loss for the period. Impairment losses recognized in profit or loss for equity investments (shares) classified as available-for-sale are not subsequently reversed through profit or loss. Impairment losses recognized in profit or loss for debt instruments (bonds), are subsequently reversed if an increase in the fair value of the instrument can be objectively observed.

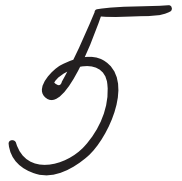
c) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and other short-term (less than three-months) highly liquid money market investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. The implementation of IAS 7 has resulted in money market UCITS with a historical volatility over the last 12 months of above 0.50% being considered non-eligible as "cash equivalents." These items are now classified as "Other current financial assets."

d) Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deduction of all its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.





e) Bank borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method. Any difference between the proceeds (net of direct transaction costs) and the settlement of redemption of borrowing is recognized in profit or loss over the term of the borrowing in accordance with this method.

f) Trade payables

See Note 14.

g) Equity instruments

Equity instruments issued by the parent Company are recorded at the proceeds received, net of direct issue costs.

h) Derivative financial instruments and hedge accounting

The Group's activities expose it primarily to the financial risk of changes in foreign exchange and interest rates.

The Group uses derivative financial instruments (primarily foreign currency forward contracts and currency options) to hedge its risk associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions. The Group designates these as cash flow hedges of foreign currency.

The use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provide written guidelines on the use of financial derivatives consistent with the Group's risk management strategy. The Group does not use derivative financial instruments for speculative purposes.

Measurement and presentation

Derivatives are initially recognized at fair value of received counterpart on the contract date and are remeasured to fair value at subsequent reporting dates. They are disclosed in the balance sheet in current assets for the part within one year and in non-current assets for the part beyond one year.

The fair value of forward exchange contracts and currency swaps is determined by discounting future cash flows, using closing-date market rates (exchange and interest rates).

The fair value of foreign exchange options is determined in the same way, using interest rate curves, exchange rates, as well as the volatility of each related currency.

Counterparty risk was measured under IFRS 13 and is not significant.

Hedge accounting

The treatment of derivatives designated as hedging instruments depends on the type of hedging relationship:

- cash flow hedge;
- hedge of a net investment in a foreign operation.

The Group clearly identifies the hedging instrument and the hedged item as soon as the hedge is set up, and formally documents the hedging relationship stating the hedging strategy, the risk hedged and the method used to determine the effectiveness of the hedge. This documentation is subsequently updated, such that the effectiveness of the designated hedge can be demonstrated.

Hedge accounting uses specific measurement and recognition methods for each category of hedge:

- **cash flow hedges:** no adjustment is made to the value of the hedged item; only the hedging instrument is adjusted to fair value. Following this adjustment, the effective portion of the change in fair value attributable to the hedged risk is recorded, net of taxes, in equity, while the ineffective portion is included in the income statement. The cumulative amount included in equity is transferred to the income statement when the hedged item has an impact on net income.

If the cash flow hedge of a commitment or forecasted transaction results in the recognition of an asset or a liability, then, at the time the asset or liability is recognized, the associated gains or losses on the derivative that had previously been recognized in equity are included in the initial measurement of the asset or liability.

For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognized in the income statement in the same period in which the hedged item affects the net income.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument initially recognized directly in equity while the hedge was effective, is retained separately in equity until the forecasted transaction occurs.

The Group stops hedge accounting if the commitment or forecasted transaction is no longer expected to occur, and the net cumulative gain or loss recognized directly in equity is transferred to profit or loss for the period;

- **hedge of net investment in a foreign operation:** the hedging instrument is adjusted to fair value. Following this adjustment, the change in fair value attributable to the hedged exchange risk is recorded, net of taxes, in equity. The cumulative amount included in equity is transferred to the income statement at the date of liquidation or sale of the net investment.





Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and financial characteristics are not closely related to those of the host contract and the hybrid instrument is not carried at fair value with gains or losses reported in profit or loss. The BIC Group did not carry out any such transactions over the past three years.

i) Fair value hierarchy

Financial instruments measured at fair value are classified within three fair value levels (IFRS 13):

- level 1: quoted prices in active markets for identical assets or liabilities;
- level 2: observable inputs other than quoted prices included within level 1;
- level 3: non-observable inputs.

24-1 Derivatives and hedge accounting

The financial risk management is mainly concentrated at the SOCIÉTÉ BIC level and managed and/or coordinated by the Group Treasury.

This department is not a profit center.

Group Treasury has ongoing contact with subsidiaries and collects information throughout the year to identify, follow and lead risk management.

Regarding foreign exchange risk, the Group policy is to hedge the net position currency by currency on a yearly basis. Buyer and seller positions are aggregated and the determined net nominal is hedged on the market.

Depending on the fluctuation of the foreign exchange market, Group Treasury can speed up the hedging pace in order to benefit from favorable trends or slow it down so as not to fix too early a rate and remain flexible. All the positions are constantly monitored in real-time by the Group Treasury, which has the necessary information and analytical tools. An update of all the positions is transmitted to management each month and detailed by currency, product (forward, option, etc.), and purpose (commercial flows or net investments).

In case of local constraints that would not permit the centralization at optimum conditions, the hedges are performed locally under the strict control of Group Treasury.

24-2 Foreign exchange risk

To manage its exchange rate exposure, the Group uses forward foreign currency contracts, currency swaps and currency options. Forward foreign currency contracts are recognized as hedges insofar as they are designated as such. These hedges may cover the net investment of the Group in certain foreign entities, foreign currency receivables or debts, or budgets in foreign currency.

As Group Treasury is centralized, SOCIÉTÉ BIC has current accounts with its main subsidiaries. Credit balances in foreign currencies are swapped against the euro for a very short term and the euro is invested in money market UCITS and other short-term investments.

Every day, Group Treasury adjusts the liquidity situation of the current accounts as a result of currency swaps realized on the market. This strategy, even though it uses exchange instruments, cannot be considered as a full foreign exchange risk management hedging program, as there is no definitive translation of bank accounts. It only relates to optimization of funding by SOCIÉTÉ BIC through foreign liquidity management.

24-3 Interest rate risk

As of December 31, 2016 BIC Group has no significant debt or related hedging instrument.

The exposure to interest rate fluctuations on borrowings is very limited. All local funding needs are directly indexed on a variable rate. Borrowers' positions are insignificant at Group level and are of too limited a time scale to require any relevant hedging.



24-4 Impact of interest rate and foreign exchange risk hedging on consolidated financial statements as of December 31, 2016

The following amounts have been booked as the fair value of derivatives at the end of December 31, 2016 (in thousand euros):

Derivative items and revaluation	Hedge income qualification/hedged risk	Financial net Income/(expense) before tax ^(a) - Note 6	Income from operations - Note 4	Other comprehensive income before tax ^(a)	Current assets ^(b)	Non Current assets	Current Liabilities	Non-current Liabilities
Hedging revaluation impact								
Commercial flows	Cash flow hedge/ Foreign exchange risk	(2,164)	(1,977)	(10,977)	1,702	33	(12,335)	(4,234)
Dividends	Net investment/ Foreign exchange risk	-	-	(3,129)	-	-	(2,890)	-
Subtotal (1)		(2,164)	(1,977)	(14,107)	1,702	33	(15,225)	(4,234)
Revaluation of cross-currency swaps backed by cash positions in foreign currencies	At fair value through P&L/ Foreign exchange risk							
Subtotal (2)		152	-	-	-	-	(366)	-
TOTAL 1 + 2		(2,012)	(1,977)	(14,107)	1,702	33	(15,591)	(4,234)

(a) This corresponds to mark-to-market of hedging instruments in the portfolio at December 31, 2016, restated for the reversal of the mark-to-market of the portfolio of hedging instruments as of December 31, 2015.

(b) Including options not yet exercised held by SOCIÉTÉ BIC representing current assets for 979 thousand euros.

24-5 Impact of interest rate and foreign exchange risk hedging on the consolidated financial statements as of December 31, 2015

The following amounts have been booked as the fair value of derivatives at the end of December 2015 (in thousand euros):

Derivative items and revaluation	Hedge income qualification/hedged risk	Financial net Income/(expense) before tax ^(a) - Note 6	Income from operations - Note 4	Other comprehensive income before tax ^(a)	Current assets ^(b)	Non-current assets	Current Liabilities	Non-current Liabilities
Hedging revaluation impact								
Commercial flows	Cash flow hedge/ Foreign exchange risk	(674)	(785)	4,491	3,057	549	(3,187)	(134)
Dividends	Net investment/ Foreign exchange risk	-	-	239	239	-	-	-
Subtotal (1)		(674)	(785)	4,731	3,296	549	(3,187)	(134)
Revaluation of cross-currency swaps backed by cash positions in foreign currencies	At fair value through P&L/ Foreign exchange risk							
Subtotal (2)		(618)	-	-	-	-	(518)	-
TOTAL 1 + 2		(1,292)	(785)	4,731	3,296	549	(3,705)	(134)

(a) This corresponds to mark-to-market of hedging instruments in the portfolio at December 31, 2015, restated for the reversal of the mark-to-market of the portfolio of hedging instruments as of December 31, 2014.

(b) Including options not yet exercised held by SOCIÉTÉ BIC representing current assets for 937 thousand euros.



24-6 Portfolio of foreign exchange risk hedges as of December 31, 2016

To cover its future cash flows, the BIC Group had the following hedges as of December 31, 2016.

Maturity	Hedge	Forward	Currency	Purchase of options	Sale of options	Currency
2017	USD/EUR	314,000,000	USD	22,500,000	45,000,000	USD
	USD/CAD	15,500,000	USD	18,000,000	25,000,000	USD
	USD/AUD	3,500,000	USD	5,000,000	7,500,000	USD
	USD/JPY	7,000,000	USD	1,000,000	1,500,000	USD
	GBP/EUR	4,000,000	GBP	22,500,000	35,500,000	GBP
	AUD/EUR	8,000,000	AUD	17,000,000	26,500,000	AUD
	CHF/EUR	5,400,000	CHF	-	-	-
	EUR/MXN	3,500,000	EUR	-	-	-
	JPY/EUR	300,000,000	JPY	900,000,000	1,250,000,000	JPY
	CAD/EUR	2,000,000	CAD	15,000,000	22,500,000	CAD
	NZD/EUR	6,500,000	NZD	5,000,000	7,500,000	NZD
	PLN/EUR	4,000,000	PLN	31,000,000	43,000,000	PLN
	RON/EUR	14,000,000	RON	-	-	RON
	SEK/EUR	25,300,000	SEK	-	-	-
	USD/NZD	1,829,000	USD	-	-	USD
2018	USD/EUR	123,500,000	USD	26,000,000	46,500,000	EUR
	CHF/EUR	3,000,000	CHF	-	-	CHF
	USD/JPY	4,500,000	USD	-	-	USD

As of December 31, 2016, regarding the 2017 exposure, the main significant exchange exposure related to EUR/USD for 381.5 million U.S. dollars. This exposure was 90% hedged as of December 31, 2016 and related cash flows will occur in 2017.

Net income and equity sensitivity to a variance of +/-1% EUR/USD on balance sheet items as of December 31, 2016, as defined in IFRS 7, is not considered to be significant for the Group.

As of December 31, 2015, regarding the 2016 exposure, the main significant exchange exposure related to EUR/USD for 383.5 million U.S. dollars. This exposure was 90% hedged as of December 31, 2015 and related cash flows occurred in 2016.

24-7 Main balance sheet items deriving from foreign currencies

Regarding the balance sheet items, the weight of the different currencies is as follows as of December 31, 2016 for the main non-current items:

<i>(in thousand euros)</i>	Total	EUR	Translated from USD	Translated from BRL	Translated from MXN	Translated from INR	Other
Property, plant and equipment	564,420	323,749	75,480	62,001	42,528	25,215	35,447
Net goodwill	297,304	77,541	102,981	8,406	-	101,971	6,405
Cash and cash equivalents (excluding bank overdrafts)	243,762	33,878	88,326	29,571	5,807	49,456	36,723
Employee benefits obligation	(205,455)	(34,363)	(143,008)	-	(3,841)	(1,681)	(22,562)



NOTE 25 RELATED PARTIES

Pursuant to IAS 24, BIC Group considers the following to be related parties:

- all consolidated subsidiaries (see Note 30);
- all members of the Board of Directors (see *Corporate Governance - section 3.5. "Mandates of the Directors and the Corporate Officers as of December 31, 2016"*) as well as their close relatives;

- all companies in which a member of the Board of Directors or of the Leadership Team has a significant voting right.

25-1 Consolidated subsidiaries

Transactions between the parent company and its subsidiaries as well as transactions between subsidiaries are eliminated through the consolidation process.

25-2 Members of the Board of Directors and of the Leadership Team

Transactions concluded in 2016 with members of the Board of Directors and of the Leadership Team are as follows:

<i>(in thousand euros)</i>	Expenses	Net amount in balance sheet
Short-term employee benefits	9,358	2,468
Post-employment benefits	3,031	24,054
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
TOTAL OF TRANSACTIONS	12,389	26,522

Directors' fees are not included in the above table and are disclosed under Corporate Governance – section 3.4.1.4. Directors' fees.

25-3 Companies in which a member of the Board of Directors or of the Leadership Team has a significant voting right

As of December 31, 2016, no such related parties were identified.

NOTE 26 OFF-BALANCE SHEET ITEMS

The following schedule summarizes the off-balance sheet sureties, deposits and guarantees for the Group. All significant items are disclosed in this table.

No other pledge of assets or registered shares is to be reported.

26-1 Sureties, deposits and guarantees issued

None.

26-2 Sureties, deposits and guarantees received

<i>(in thousand euros)</i>	Due			Dec. 31, 2016	Dec. 31, 2015
	< 1 year	1 to 5 years	> 5 years		
Guarantees for credit lines	-	4,197	-	4,197	3,542
Trade guarantees	95	-	-	95	281
Lease guarantees	747	-	212	959	959
Sureties and deposits	-	111	458	569	443
Other guarantees	-	-	217	217	220
TOTAL	842	4,308	887	6,038	5,444

As of December 31, 2016, the guarantees for credit lines mainly relate to the Group's subsidiaries in Turkey, South Korea and Singapore for 3.9 million euros.

As of December 31, 2015, the guarantees for credit lines mainly relate to the Group's subsidiaries in South Korea, Turkey and Singapore for 3.0 million euros.



NOTE 27 OBLIGATIONS UNDER FINANCIAL LEASES

Finance-leases represent a non-significant portion of the Group's property, plant and equipment (1%).

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

The fair value of the Group's finance lease obligations approximates to their carrying amount.

NOTE 28 CONTINGENT LIABILITIES

As of December 31, 2016, neither SOCIÉTÉ BIC nor its subsidiaries has any pending litigation, claims or disputes which, in the opinion of management, after consultation with their advisors, would have a material adverse impact on the consolidated financial statements.

NOTE 29 OPERATING LEASE ARRANGEMENTS

Accounting policies

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

a) The Group as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized as expenses on a straight-line basis over the lease term.

The Group is only involved as lessor in operating leases on land and buildings disclosed in the balance sheet as investment properties.

b) The Group as lessee

Assets held under finance leases are recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance-lease obligation. Lease payments are broken down between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the income statement.

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

29-1 The BIC Group as lessee

<i>(in thousand euros)</i>	Dec. 31, 2015	Dec. 31, 2016
Rentals under operating leases recognized as an expense in the year	8,851	10,843

At the balance sheet date, the BIC Group has outstanding commitments under non-cancellable operating leases, which fall due as follows:

<i>(in thousand euros)</i>	Dec. 31, 2015	Dec. 31, 2016
Within one year	9,104	9,637
In the second to fifth years inclusive	17,159	19,495
Beyond five years	3,788	2,506
TOTAL	30,051	31,638

Operating lease rentals are primarily linked to office properties.



29-2 The BIC Group as lessor

See Note 9-3 on investment property.

NOTE 30 CONSOLIDATED SUBSIDIARIES

The main operating companies at December 31, 2016, are as follows:

Name of subsidiary	Place of incorporation (or registration) and operation	Main Shareholders	Proportion of ownership interest (direct or indirect)	Principal activity
Fully consolidated subsidiaries				
FRANCE				
BIC Clichy SAS	Clichy	SOCIÉTÉ BIC SA	100.0%	Holding company
BIC Services SASU	Clichy	BIC Clichy SAS	100.0%	Delivery of services
BIMA 83 SASU	Clichy/Cernay	BIC Clichy SAS	100.0%	Manufacturing of consumer products
Société du Briquet Jetable 75 SASU	Clichy/Redon	BIC Clichy SAS	100.0%	Manufacturing of consumer products
DAPE 74 Distribution SASU	Clichy	SOCIÉTÉ BIC SA	100.0%	Distribution of consumer products
Électro-Centre SASU	Velars-sur-Ouche	BIC Clichy SAS	100.0%	Manufacturing of consumer products
BIC Technologies SA	Clichy	BIC Clichy SAS	99.9%	Industrial equipment production
BIC Rasoirs SASU	Verberie	BIC Clichy SAS	100.0%	Manufacturing of consumer products
BIC Sport SASU	Vannes	BIC Clichy SAS	100.0%	Manufacturing and distribution of consumer products
Conté SASU	Boulogne-sur-Mer	BIC Clichy SAS	100.0%	Manufacturing of consumer products
BIC Graphic France SASU	Clichy	BIC Clichy SAS	100.0%	Distribution of consumer products
BIC Écriture 2000 SASU	Clichy/Montévrain	BIC Clichy SAS	100.0%	Manufacturing of consumer products
BIC Éducation SASU	Clichy	BIC Clichy SAS	100.0%	Manufacturing and distribution of IT solutions
SI Valiton Gesnouin SASU	Clichy	BIC Clichy SAS	100.0%	Real estate
SI BIC Clichy SASU	Clichy	BIC Clichy SAS	100.0%	Real estate
Stypen SASU	Clichy/Montévrain	BIC Clichy SAS	100.0%	Manufacturing of consumer products
BIC International Development SASU	Clichy	BIC Clichy SAS	100.0%	Delivery of services
EUROPE				
BIC Deutschland GmbH & Co. OHG	Germany	BIC Erzeugnisse GmbH BIC Verwaltungs GmbH	100.0%	Distribution of consumer products
BIC Erzeugnisse GmbH	Germany	SOCIÉTÉ BIC SA	100.0%	Holding company
BIC Verwaltungs GmbH	Germany	SOCIÉTÉ BIC SA	100.0%	Holding company
BIC GmbH	Germany	SOCIÉTÉ BIC SA	100.0%	Holding company
Mondialoffice Verwaltungs-und Vertriebsgesellschaft mit beschränkter Haftung	Germany	BIC Deutschland GmbH & Co.	100.0%	Holding company
BIC (Austria) Vertriebsgesellschaft mbH	Austria	BIC Clichy SAS	100.0%	Distribution of consumer products
BIC Belgium SPRL	Belgium	BIC Clichy SAS	100.0%	Distribution of consumer products
BIC Iberia SA	Spain	BIC Clichy SAS	100.0%	Manufacturing and distribution of consumer products
BIC Graphic Europe SA	Spain	BIC Iberia SA	100.0%	Manufacturing and distribution of consumer products
Norwood Promotional Products Europe S.L.U.	Spain	BIC Graphic Europe SA	100.0%	Distribution of consumer products
BIC Violex SA	Greece	BIC Clichy SAS BIC CORPORATION Furtuna Holding Co. Ltd.	100.0%	Manufacturing and distribution of consumer products





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Name of subsidiary	Place of incorporation (or registration) and operation	Main Shareholders	Proportion of ownership interest (direct or indirect)	Principal activity
BIC Hungaria k.f.t.	Hungary	BIC Clichy SAS	100.0%	Distribution of consumer products
BIC (Ireland) Private Company Limited By Shares	Ireland	BIC Clichy SAS	100.0%	Distribution of consumer products
BIC Italia Spa	Italy	BIC Clichy SAS	100.0%	Distribution of consumer products
Norwood Promotional Products Italia SPA (liquidation in progress)	Italy	BIC Graphic Europe SA	100.0%	Distribution of consumer products
BIC Netherlands BV	Netherlands	BIC Clichy SAS	100.0%	Distribution of consumer products
JOMO Holding B.V (liquidation in progress)	Netherlands	BIC UK Ltd.	100.0%	Holding company
BIC Polska SP ZOO	Poland	BIC Clichy SAS	100.0%	Distribution of consumer products
BIC Portugal SA	Portugal	SOCIÉTÉ BIC SA	100.0%	Distribution of consumer products
BIC (Romania) Marketing & Distribution SRL	Romania	BIC Clichy SAS	100.0%	Distribution of consumer products
BIC UK Ltd.	United Kingdom	BIC Clichy SAS	100.0%	Distribution of consumer products
BIC Slovakia s.r.o.	Slovakia	SOCIÉTÉ BIC SA	100.0%	Distribution of consumer products
BIC Product Slovakia s.r.o. (ex Sheaffer Slovakia) - liquidation in progress since Nov 1, 2015	Slovakia	BIC Clichy SAS	100.0%	Manufacturing and distribution of consumer products
BIC CIS ZAO	Russia	BIC Clichy SAS	100.0%	Distribution of consumer products
BIC Nordic AB	Sweden	BIC Clichy SAS	100.0%	Distribution of consumer products
SOCIÉTÉ BIC (Suisse) SA	Switzerland	BIC Clichy SAS	100.0%	Distribution of consumer products
BIC Pazarlama Ltd. Sti.	Turkey	BIC Clichy SAS	100.0%	Distribution of consumer products
BIC Ukraine CA	Ukraine	BIC Clichy SAS	100.0%	Distribution of consumer products
NORTH AMERICA				
BIC Inc.	Canada	BIC CORPORATION	100.0%	Distribution of consumer products
BIC CORPORATION	United States	BIC Clichy SAS	100.0%	Holding company
BIC USA Inc.	United States	BIC CORPORATION	100.0%	Distribution of consumer products
BIC Consumer Products Manufacturing Co. Inc.	United States	BIC USA Inc.	100.0%	Manufacturing of consumer products
BIC Graphic USA Manufacturing Co. Inc.	United States	BIC USA Inc.	100.0%	Manufacturing of consumer products
BIC Sport North America Inc.	United States	BIC Sport SASU	100.0%	Manufacturing and distribution of consumer products
Wite-out Products Inc.	United States - Delaware	BIC CORPORATION	100.0%	Holding company
Furtuna Holding Co. Ltd.	British Virgin Islands	BIC CORPORATION	100.0%	Holding company
Xenia Insurance Co. Ltd. (dissolved Aug. 4, 2015)	Bermuda	BIC CORPORATION	100.0%	Insurance coverage company
SLS Insurance Company	United States	BIC CORPORATION	100.0%	Insurance coverage company
BIC International Co.	United States	SOCIÉTÉ BIC SA	100.0%	Delivery of services
Wite-out Products Inc.	United States - Marinland	Wite-out Products Inc. - Delaware	100.0%	Distribution of consumer products
OCEANIA				
BIC Australia Pty. Ltd.	Australia	BIC Clichy SAS	100.0%	Distribution of consumer products
BIC Sport Australia Pty. Ltd.	Australia	BIC Sport SASU	100.0%	Distribution of consumer products
BIC (NZ) Ltd.	New Zealand	BIC Clichy SAS	100.0%	Manufacturing and distribution of consumer products
LATIN AMERICA				
BIC Argentina SA	Argentina	BIC Clichy SAS SOCIÉTÉ BIC SA	100.0%	Distribution of consumer products
BIC Graphic Brasil Ltda.	Brazil	BIC Amazonia SA	100.0%	Distribution of consumer products





Name of subsidiary	Place of incorporation (or registration) and operation	Main Shareholders	Proportion of ownership interest (direct or indirect)	Principal activity
BIC Amazonia SA	Brazil	SOCIÉTÉ BIC SA	100.0%	Manufacturing and distribution of consumer products
PIMACO Autoadesivos Ltda.	Brazil	BIC Amazonia SA	100.0%	Manufacturing and distribution of consumer products
BIC Chile SA	Chile	BIC Amazonia SA	100.0%	Distribution of consumer products
BIC Colombia SAS	Colombia	BIC Clichy SAS Nelgor SA Bic Amazonia SAS SOCIÉTÉ BIC SA	100.0%	Distribution of consumer products
BIC de Costa Rica SA	Costa Rica	BIC de Guatemala SA	100.0%	Distribution of consumer products
BIC Ecuador SA	Ecuador	BIC Amazonia SA	100.0%	Manufacturing and distribution of consumer products
BIC de Guatemala SA	Guatemala	BIC CORPORATION	100.0%	Distribution of consumer products
No Sabe Fallar SA de CV	Mexico	BIC CORPORATION Industrial de Cuautitlan SA de CV	100.0%	Manufacturing and distribution of consumer products
Industrial de Cuautitlan SA de CV	Mexico	BIC CORPORATION No Sabe Fallar SA de CV	100.0%	Manufacturing and distribution of consumer products
Servicios administrativos Industrial de Cuautitlán, SA de CV	Mexico	Industrial de Cuautitlan SA de CV	100.0%	Delivery of services
BIC Andina Peru SA	Peru	BIC Clichy SAS	100.0%	Distribution of consumer products
BIC Uruguay SA	Uruguay	BIC Amazonia SA	100.0%	Distribution of consumer products
Nelgor SA	Uruguay	BIC Amazonia SA	100.0%	Holding company
Nelgor Trading CA	Venezuela	Nelgor SA	100.0%	Distribution of consumer products
BIC de Venezuela CA	Venezuela	BIC Amazonia SA	100.0%	Distribution of consumer products
ASIA				
BIC Stationery (Shanghai) Co. Ltd.	China	SOCIÉTÉ BIC SA	100.0%	Distribution of consumer products
BIC (Shanghai) Stationery Manufacturing Co. Ltd.	China	SOCIÉTÉ BIC SA	100.0%	Manufacturing and distribution of consumer products
BIC (Nantong) Plastic Products Co., Ltd.	China	BIC Clichy SAS	100.0%	Manufacturing of consumer products
BIC Product (Korea) Ltd.	South Korea	SOCIÉTÉ BIC SA	100.0%	Distribution of consumer products
BIC Advertising and Promotional Products Asia Ltd.	Hong-Kong	BIC Graphic France SASU	100.0%	Distribution of consumer products
BIC India Pvt. Ltd.	India	SOCIÉTÉ BIC SA	100.0%	Distribution of consumer products
Cello Writing Instruments and Containers private Ltd.	India	BIC Clichy SAS	100.0%	Manufacturing of consumer products
Cello Stationery Products private Ltd.	India	BIC Clichy SAS	100.0%	Manufacturing of consumer products
Pentek Pen and Stationery private Ltd.	India	BIC Clichy SAS	100.0%	Manufacturing and distribution of consumer products
Cello Plastic Products private Ltd.	India	BIC Clichy SAS	100.0%	Manufacturing and distribution of consumer products
Cello Tips and Pens private Ltd.	India	BIC Clichy SAS	100.0%	Manufacturing of consumer products
Cello Pens private Ltd.	India	BIC Clichy SAS	100.0%	Distribution of consumer products
BIC Cello Exports Private Ltd (ex. Cello Writing Aids Private Ltd. since October 2016)	India	BIC Clichy SAS	100.0%	Manufacturing and distribution of consumer products
BIC Japan CO, Ltd	Japan	BIC Clichy SAS	100.0%	Distribution of consumer products
BIC Product (Malaysia) Sdn. Bhd.	Malaysia	SOCIÉTÉ BIC SA	100.0%	Distribution of consumer products
BIC Product (Singapore) Pte. Ltd.	Singapore	SOCIÉTÉ BIC SA	100.0%	Distribution of consumer products
BIC Product (Asia) Pte. Ltd.	Singapore	SOCIÉTÉ BIC SA	100.0%	Distribution of consumer products





Name of subsidiary	Place of incorporation (or registration) and operation	Main Shareholders	Proportion of ownership interest (direct or indirect)	Principal activity
BIC Product (Thailand) Ltd.	Thailand	SOCIÉTÉ BIC SA	100.0%	Distribution of consumer products
Brand Expo Asia (ex Sheaffer (Hong-Kong) Co. Ltd.)	Hong-Kong	SOCIÉTÉ BIC SA	100.0%	Distribution of consumer products
MIDDLE-EAST AND AFRICA				
BIC (South Africa) (Pty.) Ltd.	South Africa	BIC Holdings Southern Africa (Pty.) Ltd.	100.0%	Manufacturing and distribution of consumer products
BIC Holdings Southern Africa (Pty.) Ltd.	South Africa	SOCIÉTÉ BIC SA BIC UK Ltd.	100.0%	Holding company
BIC Middle East FZ-LLC	Dubai	BIC Clichy SAS	100.0%	Distribution of consumer products
BIC Malawi Pty. Ltd.	Malawi	BIC Holdings Southern Africa (Pty.) Ltd.	100.0%	Distribution of consumer products
BIC Mozambique Ltd.	Mozambique	BIC Holdings Southern Africa (Pty.) Ltd.	100.0%	Distribution of consumer products
BIC Bizerte (ex BMT11 SARL since February 2016)	Tunisia	BIC Clichy SAS	100.0%	Manufacturing of consumer products
BIC Zambia Ltd.	Zambia	BIC Holdings Southern Africa (Pty.) Ltd.	99.0%	Distribution of consumer products
BIC Maroc SARL - Creation on May 27, 2015	Morocco	BIC Clichy SAS	100.0%	Distribution of consumer products

NOTE 31 SUBSEQUENT EVENTS

On February 7, 2017, BIC Group announced the status of the strategic alternatives review initiated in February 2016 for Bic Graphic. The Group has confirmed that discussions regarding Bic Graphic North America and the Asia sourcing operations were still ongoing. Consequently, at December 31, 2016 these activities are accounted and presented in accordance with IFRS 5 (Please refer to Note 20 for further information on the accounting and measurement of the Bic Graphic North America and Asia sourcing's assets at December 31, 2016).



NOTE 32 AUDITOR'S FEES

Fees paid by the Group to the Statutory Auditors' and members of their networks are as follows:

	Deloitte & Associés				Grant Thornton			
	Amount (excluding VAT)		%		Amount (excluding VAT)		%	
<i>(in thousand euros)</i>	2015	2016	2015	2016	2015	2016	2015	2016
Audit								
Statutory Auditors, certification, review of statutory and consolidated financial statements								
• Issuer	279	286	12%	14%	129	129	19%	12%
• Fully consolidated subsidiaries	1,271	1,178	57%	58%	537	535	81%	50%
Other due diligence and services directly linked to the Statutory Auditor's mission								
• Issuer	182	210	8%	10%	-	-	-	-
• Fully consolidated subsidiaries	57	43	3%	2%	-	411	-	38%
Subtotal	1,789	1,717	80%	84%	666	1,075	100%	100%
Other network services for the fully consolidated subsidiaries								
• Legal, tax, labor-related	458	328	20%	16%	-	-	-	-
Subtotal	458	328	20%	16%	-	-	-	-
TOTAL	2,247	2,045	100%	100%	666	1,075	100%	100%



5.2. Statutory Auditors' Report on the consolidated financial statements

For the year ended December 31, 2016

This is a free translation into English of the Statutory Auditors' Report on the consolidated financial statements issued in the French language and is provided solely for the convenience of English speaking users. The Statutory Auditors' Report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the consolidated financial statements and includes explanatory paragraphs discussing the Auditors' assessments of certain significant accounting and auditing matters. These assessments were made for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements. This report also includes information relating to the specific verification of information given in the management report. This report should be read in conjunction with, and is construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In accordance with our appointment as Statutory Auditors at your Annual General Meeting, we hereby report to you for the year ended December 31, 2016 on:

- the audit of the accompanying consolidated financial statements of SOCIÉTÉ BIC;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these consolidated financial statements, based on our audit.

I. Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, using sample testing techniques or other selection methods, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made, as well as evaluating the overall financial statement presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of financial position of the Group as of December 31, 2016 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

II. Justification of our assessments

Pursuant to Article L. 823-9 of the French Commercial Code (*Code de Commerce*) governing the justification of our assessments, we bring to your attention the following matters:

- Goodwill was tested for impairment as described in Note 10 to the consolidated financial statements. We examined how these tests were implemented as well as the data and assumptions used. We assessed the reasonableness of these estimates, we reviewed the calculations made by your Company and we satisfied ourselves that Note 10 to the consolidated financial statements provides appropriate disclosure;
- Procedures for assessing pension and other employee benefits are set out in Note 18 to the consolidated financial statements. Our work consisted in examining the data used and assessing the assumptions used. We have reviewed the calculations performed and we satisfied ourselves that Note 18 to the consolidated financial statements provides appropriate disclosure;
- The Group recognizes provisions, according to the principles described in Note 17 to the consolidated financial statements. Based on the information provided to us, we have assessed the data and assumptions on which these estimates are based, reviewing the calculations made by the Company and examining the procedures for approving these estimates by management; we have also ensured that Note 17 to the consolidated financial statements provides appropriate disclosure;
- The Group presents certain held for sale activities, mainly BIC Graphic North America and Asia in accordance with IFRS 5, as outlined in Note 20 to the consolidated financial statements. Assets held for sale were adjusted to fair value: the estimated selling price, less costs to sell. We have reviewed the criteria used for the held for sale classification as well as the available information and assumptions used to determine the expected net selling price and the related impairment charges. We also ensured that Note 9, 10, 11 and 20 to the consolidated financial statements provide appropriate disclosures.

These assessments were performed as part of our audit approach for the consolidated financial statements taken as a whole and contributed to the expression of the opinion in the first part of this report.



III. Specific verification

In accordance with professional standards applicable in France and as required by law, we also verified the information presented in the Group's management report.

We have no matters to report as to its fair presentation and consistency with the consolidated financial statements.

Paris et Neuilly-sur-Seine, March 8, 2017

The Statutory Auditors

French original signed by

Grant Thornton

French Member of Grant Thornton International

Vincent PAPAIZAN

Deloitte & Associés

François BUZY





FINANCIAL STATEMENTS

Parent company financial statements of SOCIÉTÉ BIC (French GAAP)

5.3. Parent company financial statements of SOCIÉTÉ BIC (French GAAP)

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1. INCOME STATEMENT

<i>(in thousand euros)</i>	Notes	Dec. 31, 2015	Dec. 31, 2016
Net sales	11	661,573	675,728
Reversal of depreciation, amortization and provisions, transfer of charges		22,823	9,737
Other income	12	94,303	101,806
Total operating income		778,699	787,271
Purchases of goods and changes in inventories		(396,130)	(408,210)
Purchases of raw materials, other supplies and changes in inventories		(19,772)	(20,884)
Other purchases and external charges		(167,734)	(183,355)
Taxes, levies and similar payments		(5,143)	(4,607)
Payroll costs	13	(2,485)	(4,440)
Depreciation, amortization and provisions		(32,473)	(19,579)
Other expenses		(180)	(247)
Total operating expenses		(623,917)	(641,322)
NET OPERATING INCOME		154,782	145,949
NET FINANCIAL INCOME	14	116,416	27,566
NON-RECURRING INCOME AND EXPENSES	15	(4,546)	(5,030)
Income tax expense	16 to 18	(55,986)	(49,850)
NET INCOME		210,666	118,635





FINANCIAL STATEMENTS

Parent company financial statements of SOCIÉTÉ BIC (French GAAP)

2. BALANCE SHEET

Assets

<i>(in thousand euros)</i>	Notes	Dec. 31, 2015	Dec. 31, 2016		
		Net	Gross	Deprec., amort. and provisions	Net
Research and development expenses		-	3,823	(3,823)	-
Patents and similar rights		15,995	59,087	(38,999)	20,088
Intangible assets under construction		-	-	-	-
Intangible assets	3, 4	15,995	62,910	(42,822)	20,088
Land		1,345	1,345	-	1,345
Buildings		1,817	16,296	(13,875)	2,421
Industrial fixtures and equipment		953	11,306	(10,062)	1,244
Other property, plant and equipment		3,156	6,214	(2,643)	3,571
Fixed assets under construction		746	2,075	(192)	1,883
Property, plant and equipment	3, 4	8,017	37,236	(26,772)	10,464
Equity Investments	23	860,063	887,191	(25,007)	862,184
Loans to equity investments		-	-	-	-
Other long-term investments	3	53,775	72,554	-	72,554
Long-term investments	3	913,838	959,745	(25,007)	934,738
Non-current assets		937,850	1,059,891	(94,601)	965,290
Raw materials and supplies		1,287	1,495	-	1,495
Work-in-process goods		-	533	(533)	-
Goods		33,849	38,827	(1,402)	37,425
Inventories		35,136	40,855	(1,935)	38,920
Advances and prepayments paid		1,532	2,393	-	2,393
Trade receivables and related accounts	5, 6	113,424	137,102	(7,851)	129,251
Other receivables	5, 6	239,745	214,501	(22,183)	192,318
Short-term financial investments	7	181,865	38,944	-	38,944
Cash and cash equivalents		60,062	11,332	-	11,332
Prepaid expenses	5	635	1,022	-	1,022
Unrealized losses from foreign exchange	8	213	128	-	128
Current assets		632,612	446,277	(31,969)	414,308
TOTAL ASSETS		1,570,462	1,506,168	(126,570)	1,379,598





Liabilities & Shareholders' equity

<i>(in thousand euros)</i>	Notes	Dec. 31, 2015	Dec. 31, 2016
Share capital		183,139	181,649
Share issue premiums, merger contributions		133,790	136,435
Legal reserve		22,410	22,410
General reserve		180,389	180,408
Retained earnings		371,023	250,564
Net income for the year		210,666	118,635
Shareholders' equity	9	1,101,417	890,101
Provisions for contingencies and losses	10	50,907	35,318
Provisions for contingencies and losses		50,907	35,318
Bank borrowings (Bank overdraft)	5	1,047	45,914
Other borrowings	5	303,770	291,291
Financial liabilities		304,817	337,205
Trade payables and related accounts	5, 6	95,896	96,916
Tax and employee-related liabilities	5	7,381	7,700
Other liabilities	5	8,545	10,619
Deferred income	5	308	13
Operating liabilities		112,130	115,248
Unrealized gains from foreign exchange		1,191	1,726
Liabilities		418,138	454,179
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY		1,570,462	1,379,598





3. CASH FLOW STATEMENT

<i>(in thousand euros)</i>	Notes	Dec. 31, 2015	Dec. 31, 2016
Operating activities			
Net income		210,666	118,635
Dividends received	14	(120,461)	(19,397)
Depreciation, amortization and provisions on non-current assets		9,383	(15,151)
(Gain)/Loss on the disposal of fixed assets		(5,186)	(11)
Gross cash flow from operating activities		94,402	84,076
(Increase)/Decrease in net current working capital		6,811	(24,001)
NET CASH FLOW FROM OPERATING ACTIVITIES		101,213	60,075
Investing activities			
Dividends received from subsidiaries	14	120,461	19,397
Proceeds from disposals of property, plant and equipment and intangible assets		13,662	11
Purchases of property, plant and equipment	3	(1,718)	(3,915)
Acquisition of intangible assets	3	(1,490)	(6,275)
(Increase)/Decrease in treasury shares		(12,972)	(78,819)
(Increase)/Decrease in other investing expenses	3	498	(168)
Acquisitions of subsidiaries	23-2	(1)	(3,008)
NET CASH FLOW FROM INVESTING ACTIVITIES		118,440	(72,777)
Financing activities			
Dividends paid	9-2	(134,829)	(277,042)
Loans/(Repayments)		(131)	(3)
Movement in current accounts		(24,149)	53,233
NET CASH FLOW FROM FINANCING ACTIVITIES		(159,109)	(223,812)
Net increase/(decrease) in cash and cash equivalents		60,544	(236,514)
Opening cash and cash equivalents		180,335	240,879
CLOSING CASH AND CASH EQUIVALENTS		240,879	4,365





4. NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

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NOTE 1 MAIN EVENTS

None.

NOTE 2 ACCOUNTING PRINCIPLES, RULES AND METHODS

The financial statements are prepared in accordance with the accounting policies and methods defined by the French Plan Comptable Général, as presented by Regulation no. 2014-03 of the French Accounting Standards Authority of June 5, 2014 on the Plan Comptable Général, repealing Regulation no. 99-03 of the French Accounting Regulatory Commission of April 29, 1999 on annual financial statements.

They have been drawn up according to the basic accounting principles of:

- going concern;
- consistency;
- independence of financial years.

The items presented in the financial statements are valued on a historical cost basis.

The main accounting rules and methods adopted are the following:

a) Intangible assets

Research and development expenditures are capitalized when major applied research and development projects in progress (above 500 thousand euros) can be clearly defined, costs separately identified and reliably measured, and the project has a significant chance of commercial profitability. Capitalized research and development expenditures are amortized on a straight-line basis over a period of three to five years from the commencement of production.

Research and development expenditures that do not meet these criteria are expensed in the fiscal year.

Patents and technical processes are amortized over their period of protection or use.

Software is depreciated on a straight-line basis over a period of three to five years.

b) Property, plant and equipment

Property, plant and equipment are valued at their purchase price or production cost. Depreciation is calculated on a straight-line basis over periods depending on the asset type:

Buildings	25 years
Fixtures and fittings	8 to 10 years
Vehicles	3 to 4 years
Industrial plant, machinery and fittings	2 to 8 years
Office and IT equipment, furniture	3 to 8 years

c) Fixed asset valuation

At year end, SOCIÉTÉ BIC checks the existence of internal or external indicators that could lead to a change in the net realizable value of its assets.

When the net book value of fixed assets exceeds the market value or the value in use, an impairment charge is recorded for the difference.

d) Long-term investments

Long-term investments are recorded at the value at which they were brought into assets. An impairment is booked when the value in use of an investment is less than its purchase cost. The value is determined in reference to Shareholders' equity of the relevant investment, adjusted to take into consideration the importance of the Company to the Group and its development and profit perspectives. In addition, BIC shares purchased pursuant to Article L. 225-209 of the French Commercial Code (*Code de commerce*), not intended exclusively for stock option plans, are recorded within long-term investments. These shares are valued at purchase cost and provision for impairment is booked at year-end when the probable trading value (based on the average shares market price during the last month of the fiscal year) is less than purchase cost. Loans in foreign currency are translated at the closing exchange rate

e) Inventory

Goods are valued at purchase cost, including incidental expenses, in accordance with the weighted average cost method. Inventory provisions are booked, when necessary, to reduce inventory value to the market value.

f) Receivables and payables

Receivables and payables are recorded at nominal value. Receivables are written down by way of provision, when appropriate, to take into consideration recovery risks. Foreign currency denominated receivables and payables are translated at the official closing exchange rate.

Unrealized losses on foreign exchange are booked as assets with a related provision for foreign exchange risk. Unrealized profits on foreign exchange are booked as liabilities.

Profit and loss on foreign exchange for current accounts are directly recognized in the profit and loss account and are not taken to the translation reserve.

g) Financial investments

Financial investments comprise investments in marketable securities, and SOCIÉTÉ BIC shares bought back pursuant to Article L. 225-209 of the French Commercial Code (*Code de commerce*). Treasury shares are valued at purchase cost. An impairment provision is booked at year-end when the probable trading value (based on the average stock market price during the last month of the fiscal year or the exercise price of the options for which they were purchased) is less than purchase cost.





h) Provisions for contingencies and losses

Provisions for contingencies and losses are liabilities for which maturity or amounts cannot be precisely measured. Provisions for contingencies and losses are calculated using the best estimate of funds required to settle the liability.

i) Borrowings

Borrowings in foreign currency are translated at the official closing exchange rate.

NOTES TO THE BALANCE SHEET

NOTE 3 NON-CURRENT ASSETS

<i>(in thousand euros)</i>	Gross value as of Dec. 31, 2015	Acquisitions	Disposals	Gross value as of Dec. 31, 2016
Research and development expenses	3,823	-	-	3,823
Other intangible assets	53,296	10,965	(5,174)	59,087
TOTAL INTANGIBLE ASSETS	57,119	10,965	(5,174)	62,910
Land	1,345	-	-	1,345
Buildings	15,295	1,001	-	16,296
Industrial fixtures and equipment	13,683	979	(3,356)	11,306
Other property, plant and equipment	9,239	657	(3,682)	6,214
Property, plant and equipment under construction	798	3,932	(2,655)	2,075
TOTAL PROPERTY, PLANT AND EQUIPMENT	40,360	6,569	(9,693)	37,236
Equity Investments ^(a)	884,183	3,008	-	887,191
Treasury Shares ^(b)	53,529	141,992	(123,382)	72,139
Loans and other long-term investments	246	209	(40)	415
TOTAL LONG-TERM INVESTMENTS	937,958	145,209	(123,422)	959,745

(a) Equity Investments are detailed in Note 23.

(b) These refers to 863,472 shares for the free share plans and 4,548 shares related to the liquidity contract.

NOTE 4 DEPRECIATION AND AMORTIZATION

<i>(in thousand euros)</i>	Deprec. and amort. as of Dec. 31, 2015	Increase in the period	Reduction in the period	Deprec. and amort. as of Dec. 31, 2016
Research and development expenses	3,823	-	-	3,823
Other intangible assets	34,755	1,698	-	36,453
TOTAL INTANGIBLE ASSETS	38,578	1,698	-	40,276
Buildings	13,478	397	-	13,875
Industrial fixtures and equipment	12,730	683	(3,351)	10,062
Other property, plant and equipment	6,083	243	(3,683)	2,643
TOTAL PROPERTY, PLANT AND EQUIPMENT	32,291	1,323	(7,034)	26,580



**FINANCIAL STATEMENTS**

Parent company financial statements of SOCIÉTÉ BIC (French GAAP)

NOTE 5 MATURITY OF RECEIVABLES AND PAYABLES

Receivables <i>(in thousand euros)</i>	Gross	Within one year	More than one year	o/w notes receivables	o/w related parties
Other long-term investments	72,554	72,554	-	-	-
Trade receivables and related accounts	137,102	137,102	-	2,152	92,978
Other receivables	214,501	214,501	-	-	183,647
Prepayments	1,022	1,022	-	-	-
TOTAL	425,179	425,179	-	2,152	276,625

Payables <i>(in thousand euros)</i>	Gross	Within one year	More than one year	o/w notes payables	o/w related parties
Bank borrowings	45,914	45,914	-	-	-
Other borrowings	291,291	291,284	7	-	291,281
Trade payables and related accounts	96,916	96,916	-	-	47,400
Tax and employee-related liabilities	7,700	7,700	-	-	-
Other liabilities	10,619	10,619	-	-	-
Deferred Income	13	13	-	-	-
TOTAL	452,453	452,446	7	-	338,681

NOTE 6 INFORMATION ON RELATED PARTIES

Gross value <i>(in thousand euros)</i>	Dec. 31, 2016
Assets	
Equity investments	887,191
Trade receivables and related accounts	92,978
Other receivables	183,647
Liabilities	
Other long-term loans and investments	291,281
Trade payables and related accounts	47,400
Deferred income	-





NOTE 7 SHORT-TERM FINANCIAL INVESTMENTS

Gross value (in thousand euros)	Dec. 31, 2016
Marketable securities ^(a)	38,944
TOTAL	38,944

(a) These are money market UCITS or short-term deposit certificates.

NOTE 8 TRANSLATION ADJUSTMENTS

Unrealized losses on foreign exchange are recorded as a provision for contingencies and losses (128 thousand euros).

NOTE 9 SHAREHOLDERS' EQUITY

9.1 Share capital

As of December 31, 2016, the share capital is 181,649,411.64 euros divided into 47,552,202 shares of 3.82 euros each. Registered shares held for more than two years carry double voting rights.

To the best of the Company's knowledge, as of December 31, 2016, Shareholders known to hold more than 5%, 10%, 15%, 20%, 25%, 33.33%, 50%, 66.66%, 90% or 95% of the share capital and/or of the voting rights of the Company were as follows:

	% of shares (approx.)	% of voting rights (approx.)
SOCIÉTÉ M.B.D.	26.69%	36.66%
Bich family	16.51%	22.55%

As of December 31, 2016, SOCIÉTÉ BIC held 868,020 BIC shares classified as long-term investments (863,472 shares for the free share plans and 4,548 shares in relation to the liquidity contract).

9.2 Changes in Shareholders' equity

(in thousand euros)

Shareholders' equity as of December 31, 2015 (before distribution)	1,101,417
Dividend distribution with respect to fiscal year 2015	277,042
Shareholders' equity as of December 31, 2015 (after distribution)	824,375
Increase in share capital ^(a)	234
Decrease in share capital ^(b)	(1,724)
Share issue premium ^(a)	2,645
Retained earnings ^(b)	(54,064)
Net income for the year	118,635
Shareholders' equity as of December 31, 2016 (before distribution)	890,101

(a) The increase in share capital relates to 61,384 stock options exercised during 2016.

(b) During the year 2016, SOCIÉTÉ BIC cancelled 451,339 shares.





FINANCIAL STATEMENTS

Parent company financial statements of SOCIÉTÉ BIC (French GAAP)

NOTE 10 PROVISIONS

<i>(in thousand euros)</i>	Dec. 31, 2015	Allocations during the year	Release during the year (used)	Release during the year (unused)	Dec. 31, 2016
Risk - Subsidiaries	8,199	-	(4,059)	-	4,140
Risk - Consolidated subsidiaries	15,093	-	-	(15,093)	-
Risk - Tax audit	2,314	1,104	(2,314)	-	1,104
Foreign exchange losses	731	493	(731)	-	493
Hedging of share grants	23,222	9,749	(4,423)	-	28,548
Other provisions for contingencies	1,348	-	(27)	(288)	1,033
PROVISIONS FOR CONTINGENCIES AND LOSSES	50,907	11,346	(11,554)	(15,381)	35,318

<i>(in thousand euros)</i>	Dec. 31, 2015	Allocations during the year	Release during the year	Dec. 31, 2016
Property, plant and equipment	2,597	141	-	2,738
Investments	24,120	3,852	(2,965)	25,007
Work-in-process goods	646	-	(114)	532
Goods	1,839	1,402	(1,839)	1,402
Trade receivables	5,815	5,371	(3,334)	7,852
Other receivables	25,891	1	(3,708)	22,184
PROVISIONS FOR DEPRECIATION AND AMORTIZATION	60,908	10,767	(11,960)	59,715

NOTES TO THE INCOME STATEMENT

NOTE 11 NET SALES BREAKDOWN

The net sales of SOCIÉTÉ BIC can be analyzed as follows:

<i>(in thousand euros)</i>	Dec. 31, 2015			Dec. 31, 2016		
	France	Export	Total	France	Export	Total
Consumer Stationery	115,269	218,165	333,434	118,933	229,815	348,748
Lighters	20,863	203,409	224,272	20,057	200,757	220,814
Shavers	22,193	64,960	87,153	20,641	69,553	90,194
Other Consumer	4,957	11,757	16,714	4,673	11,299	15,972
TOTAL	163,282	498,291	661,573	164,304	511,424	675,728





NOTE 12 OTHER REVENUES

Other revenues mainly comprise royalties (69,872 thousand euros) and management fees (31,659 thousand euros) invoiced to affiliates.

NOTE 13 MANAGEMENT COMPENSATION

<i>(in thousand euros)</i>	Dec. 31, 2015	Dec. 31, 2016
Administrative bodies	318	325
Management bodies	1,467	1,160

SOCIÉTÉ BIC has no salaried employees as of December 31, 2016.

A member of the Management bodies retired in 2016. Another member benefits from a supplementary pension scheme (defined benefit plan, additive type) for which he has validated the maximum number of years provided for by the regulation and for which the Board of Directors of May 2016 decided that he would not acquire any additional rights during the term of his new mandate.

NOTE 14 FINANCIAL INCOME

Net financial income amounts to 27,566 thousand euros and is detailed as follows:

<i>(in thousand euros)</i>	Dec. 31, 2015	Dec. 31, 2016
Dividends received	120,461	19,397
Interest income	697	-
Net reversal of provisions	(7,011)	3,082
Foreign exchange gains and losses	2,526	5,718
Other	(257)	(631)
FINANCIAL INCOME	116,416	27,566

NOTE 15 NON-RECURRING INCOME AND EXPENSES

The non-recurring income and expenses break down as follows:

<i>(in thousand euros)</i>	Dec. 31, 2015	Dec. 31, 2016
Capital gains/(losses) on asset disposals	5,186	6
Provision for contingencies (net of reversal)	(286)	20,524
Other tax impact	(2,576)	(925)
Compensation for breaking of distribution contracts, net of provisions	(4,079)	-
Debt waivers	(2,907)	(20,396)
Other	116	(4,239)
NON-RECURRING INCOME AND EXPENSES	(4,546)	(5,030)





FINANCIAL STATEMENTS

Parent company financial statements of SOCIÉTÉ BIC (French GAAP)

NOTE 16 INCOME TAX BREAKDOWN

<i>(in thousand euros)</i>	Net income before tax	Income tax expense	Net income after tax
Current net income	173,515	(47,590)	125,925
Non-recurring income and expenses	(5,030)	(2,260)	(7,290)
TOTAL	168,485	(49,850)	118,635

NOTE 17 TAX GROUPING

SOCIÉTÉ BIC is the parent company of the tax Group comprising the following companies as of December 31, 2016: BIC Sport, Bima 83, BIC Écriture 2000, BIC Services, Conté, Société Immobilière BIC Clichy, Société Immobilière Valiton Gesnouin, BIC Rasoirs, Société du Briquet Jetable 75, BIC Graphic France, BIC Assemblage, BIC Technologies, BIC International Development formerly Compagnie de

Moulages, DAPE 74 Distribution, Stypen, BIC Clichy, Electro-Centre and BIC Éducation.

As parent company, SOCIÉTÉ BIC recognizes in its accounts the gain or loss related to the effects of the tax consolidation. In this respect, the gain recorded by SOCIÉTÉ BIC in 2016 amounts to 951,907 euros.

NOTE 18 MAIN INCREASES/DECREASES IN THE DEFERRED TAX BASIS

<i>(in thousand euros)</i>	Dec. 31, 2016
C3S	1,208
Provision for contingencies	(4,236)
Provision on trade receivables	2,506
Provision on inventories	1,402
Foreign exchange losses	(2,822)
Financial investments	4,161
Provision on free shares	22,502
Other	141
TOTAL	24,862
Decrease in deferred tax liabilities	(8,560)





NOTES TO THE OFF-BALANCE SHEET COMMITMENTS

NOTE 19 OFF-BALANCE SHEET FINANCIAL INSTRUMENTS

The following are SOCIÉTÉ BIC's main off-balance sheet financial instruments:

19.1 Currency derivatives

Hedge nominals denominated in currencies other than the euro are converted to euros at December 31, 2016 closing rates.

The valuation of the hedges computed in accordance with market practices in terms of inputs (spot, yield curves, volatility curves) and calculation models.

Forward portfolio detail

Hedging support	Nominal (euros)	Market value (euros)	Instrument
Commercial Flows 2017	357,735,127	(10,313,400)	Forward
Commercial Flows 2018	124,224,161	(3,790,572)	Forward
Intra-Group Dividends	64,510,009	(2,889,909)	Forward
Loans/Borrowings	149,842,727	(365,983)	Currency Swap
TOTAL	696,312,024	(17,359,864)	

Options portfolio detail

Hedging support	Options purchased Nominal (euros)	Options sold Nominal (euros)	Market value (euros)	Instrument
Commercial Flows 2017	110,232,653	175,249,303	(1,298,671)	Option
Commercial Flows 2018	24,665,592	44,113,462	(410,664)	Option
Intra-Group Dividends	-	-	-	Option
TOTAL	134,898,245	219,362,765	(1,709,335)	

As of December 31, 2016, Société BIC had contracted:

- derivative contracts (foreign currency forwards and options) maturing in 2017 and 2018 for an equivalent of 836.2 million euros in gross nominal value. These contracts hedge, on a basis of forecast cash flow, a significant part of the Group's foreign currency transaction risks. The foreign currency transactions are denominated in U.S. dollars, British pounds, Canadian dollars, Australian dollars, New Zealand dollars, Japanese yen, Swiss francs, Polish zloty, Romania leu and Mexican pesos. The market value of these contracts is negative for 15.8 million euros;

- derivative contracts (foreign currency forwards and options) maturing in 2017 and 2018 for an equivalent of 64.5 million euros in gross nominal value, dedicated to the hedge of the intra-group dividends received in foreign currencies. The market value of these contracts is negative for 2.9 million euros;
- foreign currency swaps for an equivalent of 149.8 million euros, in connection with the Group's foreign currency liquidity and intra-group foreign currency loans and borrowings. The market value of these contracts is negative for 365,983 euros.

In 2017, more than 90% of the foreign currency transaction exposure is hedged.

19.2 Interest rate derivatives

As of December 31, 2016, SOCIÉTÉ BIC does not have any interest rate derivatives in the portfolio.

All local funding needs are directly indexed on variable rate. Borrowers' positions are insignificant at Group level, and are of a too limited timescale to require any hedging.





NOTE 20 OFF-BALANCE SHEET COMMITMENTS

20.1 Guarantees

The following schedule summarizes the off-balance sheet sureties, deposits and guarantees for SOCIÉTÉ BIC. All significant items are disclosed in this table.

No other assets or registered shares have been pledged.

Sureties, deposits and guarantees issued

<i>(in thousand euros)</i>		Maturity			
	Dec. 31, 2015	< 1 year	1 to 5 years	> 5 years	Dec. 31, 2016
Trade guarantees	4,510	-	-	-	-
Sureties and deposits	4,800	4,800	-	-	4,800
Other guarantees	15,217	-	-	20,511	20,511
TOTAL	24,527	4,800	-	20,511	25,311

Sureties, deposits and guarantees received

<i>(in thousand euros)</i>		Maturity			
	Dec. 31, 2015	< 1 year	1 to 5 years	> 5 years	Dec. 31, 2016
Guarantees for credit lines	3,706	3,599	-	-	3,599
Sureties and deposits	271	397	-	-	397
TOTAL	3,977	3,996	-	-	3,996

20.2 Pension obligations

<i>(in thousand euros)</i>	Dec. 31, 2016
Present value of pension obligation	7,723
Fair value of plan assets (external management)	-
NET PENSION LIABILITY	7,723





OTHER INFORMATION

NOTE 21 STOCK MARKET PRICE

<i>(in euros)</i>	Dec. 31, 2015	Dec. 31, 2016
BIC shares	151.65	129.15

NOTE 22 STOCK OPTION PLANS

As part of a policy recommended and approved by the Compensation and Nomination Committee, the Board has decided not to award stock options from 2011 and to set up a policy of free share grants. Some 500 executives receiving stock options on the

basis of their position in the Company (eligible managers) will receive three-year performance-based free share grants. To replace the stock option programs rewarding staff selected by Management, free share grants without performance conditions will be awarded.

	Plan 12	Plan 13
Annual Shareholders' Meeting date	May 21, 2008	May 12, 2010
Board of Directors' Meeting date	Dec. 15, 2009	Dec. 16, 2010
Number of beneficiaries	602	643
Number of options available for subscription	360,000	382,950
<ul style="list-style-type: none"> • <i>o/w options granted to the current members of the Leadership Team as of December 31, 2016</i> 	1,000	1,000
Date from which options may be exercised	Dec. 16, 2012	Dec. 17, 2013
Option expiration date	Dec. 14, 2017	Dec. 15, 2018
Exercise price <i>(in euros)</i> ^(a)	47.99	63.71
Number of options exercised as of Dec. 31, 2016	269,546	236,895
Number of void options as of Dec. 31, 2016	32,900	42,850
Number of remaining options as of Dec. 31, 2016	57,554	103,205

(a) No discount on the exercise price.

Bruno and François Bich were not issued any options under the above stock option plans.





FINANCIAL STATEMENTS

Parent company financial statements of SOCIÉTÉ BIC (French GAAP)

NOTE 23 EQUITY INVESTMENTS

23.1 Subsidiaries and equity interests

		Number of shares			Net book	Net loans	Share capital	Currency
		S: Shares	P: Parts	% of interest	value			
I - French Subsidiaries								
BIC Assemblage SARL	1,000		P	100%	15,245	-	15,240	EUR
BIC Clichy SAS	52,059,469		S	99%	795,468,690	-	795,469,068	EUR
DAPE 74 Distribution SASU	70,000		S	100%	910,000	-	1,070,000	EUR
Subtotal I					796,393,935	-		
II - Foreign subsidiaries								
BIC Erzeugnisse GmbH - Germany	2		P	100%	16,345,730	-	664,700	EUR
BIC Verwaltungs GmbH - Germany	2		P	100%	73,814	-	50,000	EUR
BIC GmbH - Germany	1		P	100%	-	-	25,600	EUR
BIC Portugal SA - Portugal	464,675		S	100%	6,585,611	-	2,323,575	EUR
BIC Slovakia S.R.O. - Slovakia	1		P	100%	15,444,502	-	15,574,255	EUR
BIC INTERNATIONAL Co. - U.S.	100		S	100%	1	-	1	USD
BIC Amazonia SA - Brazil	274,485,732		S	100%	18,565,900	-	606,613,472	BRL
Brand Expo Asia Ltd. - China	7,800,000		P	100%	-	-	7,800,000	HKD
BIC Stationery (Shanghai) Co. Ltd. - China	-		S	100%	2,760,486	-	12,408,000	USD
BIC (Shanghai) Stationery Manufacturing Co. Ltd. - China	-		S	100%	2,984,898	-	3,630,000	USD
BIC Product (Singapore) Pte. Ltd. - Singapore	297,000		S	99%	163,865	-	300,000	SGD
BIC Product (Asia) Pte. Ltd. - Singapore	5,627,602		S	100%	-	-	5,627,602	SGD
BIC India Pvt. Ltd. - India	8,087,395		S	100%	-	-	80,873,960	INR
Ball Point Manufacturing Co. - Iran	90		S	45%	-	-	16,000,000	IRR
BIC Product (Korea) Ltd. - South Korea	345,320		S	100%	-	-	1,726,600,000	KRW
BIC Product (Thailand) Ltd. - Thailand	1,713,993		S	100%	-	-	171,400,000	THB
Mondial Sdn. Bhd. - Malaysia	1,140,000		S	30%	-	-	3,800,000	MYR
BIC Product (Malaysia) Sdn. Bhd. - Malaysia	1,257,400		S	100%	-	-	1,260,000	MYR
BIC Colombia SAS - Colombia	167,714		S	19%	890,498	-	9,000,000	COP
Subtotal II					63,815,305	-		
III - Participating interests								
BIC Technologies SA - France	1		S	-	-	-	7,440,988	EUR
BIC Holdings South Africa Pty. Ltd. - South Africa	41,860		S	5%	1,522,934	-	8,372	ZAR
BIC Argentina SA - Argentina	750		P	5%	450,500	-	15,000	ARS
BIC BIZERTE (ex BMT 11 - since February 2016) - Tunisia	1		S	-	100	-	21,700,000	EUR
BIC Andina Perú SA - Peru	1		P	1%	-	-	5,400,000	PEN
BIC Pazarlama Ltd. Sti. - Turkey	5		P	-	345	-	13,489,500	TRY
BIC Iberia SA - Spain	2		P	-	-	-	12,333,391	EUR
BIC Belgium SPRL - Belgique	1		P	-	999	-	124,235,677	EUR
BIC Maroc SARL - Morocco	1		P	-	9	-	79,100,000	MAD
Cello Writing Instruments and Containers private Ltd. - India	1		P	-	40	-	3,600,000	INR
Cello Stationery Products private Ltd. - India	1		P	-	6	-	116,666,670	INR
Pentek Pen and Stationery private Ltd. - India	1		P	-	7	-	16,666,670	INR
Cello Plastic Products private Ltd. - India	1		P	-	10	-	83,333,340	INR
Cello Tips and Pens private Ltd. - India	1		P	-	5	-	16,666,670	INR
Cello Pens private Ltd. - India	1		P	-	26	-	9,550,000	INR
BIC Cello Exports Private Ltd. - India	1		P	-	4	-	188,000,000	INR
Subtotal III					1,974,985	-		
TOTAL					862,184,225	-		

Net sales, net income and Shareholders' equity other than the share capital of subsidiaries are not provided for reasons of confidentiality related to commercial and industrial strategy.





23.2 Analysis of movements in equity investments

(in thousand euros)

Equity investments (net) as of December 31, 2015	860,063
Acquisitions, capital increases, creations and disposals in 2016	
BIC Colombia SAS - Colombia	3,008
(Allocations to)/Reversals of provisions in 2016	
Mondial Sdn. Bhd. - Malaysia	(1,054)
BIC Stationery (Shanghai) Co. Ltd. - China	(681)
BIC Colombia SAS - Colombia	(2,117)
BIC Product (Singapore) Pte. Ltd. - Singapore	164
BIC Portugal SA - Portugal	2,801
EQUITY INVESTMENTS (NET) AS OF DECEMBER 31, 2016	862,184

5. ADDITIONAL INFORMATION ON THE PARENT COMPANY FINANCIAL STATEMENTS

SOCIÉTÉ BIC five-year financial summary

(in euros)	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2016
1 - Shareholders' equity at year-end					
Share capital	184,805,095	181,976,098	183,213,854	183,139,039	181,649,411
Number of shares outstanding	48,378,297	47,637,722	47,961,742	47,942,157	47,552,202
Number of bonds convertible into shares	-	-	-	-	-
2 - Net results					
Net sales	557,479,419	591,748,483	611,424,057	661,573,108	675,728,517
Net income before tax, deprec., amort. and provisions	217,727,923	227,503,156	249,664,309	280,814,295	154,721,960
Income tax	25,838,033	29,267,191	53,444,920	55,985,737	49,849,725
Net income after tax, deprec., amort. and provisions	173,647,194	185,282,676	195,350,462	210,665,506	118,634,879
Dividend distribution ^(a)	121,761,516	119,959,980	134,247,645	278,271,488	161,060,428
3 - Per share data					
Net income after tax, but before deprec., amort. and provisions	3.97	4.16	4.09	4.69	2.21
Net income after tax, deprec., amort. and provisions	3.59	3.89	4.07	4.39	2.49
Dividend per share	2.56	2.60	2.85	5.90	3.45
4 - Payroll					
Non-salaried staff	3	3	3	3	2
Total payroll	1,381,777	1,325,148	1,440,406	1,502,331	811,476
Social welfare benefits (social security, social works)	2,867,265	1,190,885	794,168	983,317	3,628,184

(a) Applicable to the issued number of shares (treasury shares deducted) as of December 31. The final amount will depend on the number of shares entitled to dividends on the day of payment





FINANCIAL STATEMENTS

Parent company financial statements of SOCIÉTÉ BIC (French GAAP)

Law on the Modernization of the Economy (LME)

Publication of customer payment periods

Article L. 441-6-1 of the French Commercial Code

<i>(in thousand euros)</i>	Total	Current	Overdue		
			30 days	60 days	90 days
Dec. 31, 2016	131,027	113,116	2,053	2,973	12,885
Dec. 31, 2015	113,208	100,322	1,519	1,136	10,231

Publication of supplier payment periods

Article L. 441-6-1 of the French Commercial Code

The Company has opted for the payment of supplier invoices with a due date of 60 days.

<i>(in thousand euros)</i>	Total	Current	Overdue		
			30 days	60 days	90 days
Dec. 31, 2016	53,284	48,002	2,381	1,164	1,737
Dec. 31, 2015	50,406	46,470	1,571	1,059	1,306



5.4. Statutory Auditors' Report on the financial statements

For the year ended December 31, 2016

This is a free translation into English of the Statutory Auditors' Report issued in French and is provided solely for the convenience of English speaking users. The Statutory Auditors' Report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the Company's financial statements and includes an explanatory paragraph discussing the Auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the Company's financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the Company's financial statements. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In accordance with our appointment as Statutory Auditors at your Annual General Meeting, we hereby report to you for the year ended December 31, 2016 on:

- the audit of the accompanying financial statements of SOCIÉTÉ BIC;
- the justification of our assessments;
- the specific procedures and disclosures required by law.

These financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements, based on our audit.

I. Opinion on the financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, using sample testing techniques or other selection methods, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In our opinion, the financial statements give a true and fair view of the financial position and the assets and liabilities of the Company as of December 31, 2015 and the results of its operations for the year then ended in accordance with accounting principles generally accepted in France.

II. Justification of our assessments

Pursuant to Article L. 823-9 of the French Commercial Code (*Code de Commerce*) governing the justification of our assessments, we bring to your attention the following matters:

Long-term investments are valued and, when necessary, impaired as described in Note 2.d) to the financial statements. Our work consisted in assessing the appropriateness of the methodology applied and examining the underlying data and assumptions. On this basis, we assessed the reasonableness of these estimates.

These assessments were performed as part of our audit approach for the financial statements taken as a whole and contributed to the expression of the opinion in the first part of this report.

III. Specific procedures and disclosures

We have also performed the other procedures required by law, in accordance with professional standards applicable in France.

We have no matters to report as to the fair presentation and consistency with the financial statements of the information given in the Board of Directors' Report and in the documents addressed to Shareholders with respect to the financial position and the financial statements.

Concerning the information given in accordance with the requirements of Article L. 225-102-1 of the French Commercial Code relating to remunerations and benefits received by the corporate officers and any other commitments made in their favor, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from companies controlling your Company or controlled by it. Based on this work, we attest that this information is accurate and fair.

Pursuant to the law, we have verified that the Board of Directors' Report contains the appropriate disclosures as to the identity of the Shareholders and holders of the voting rights.

Neuilly-sur-Seine, March 8, 2017
The Statutory Auditors

French original signed by

Grant Thornton
French Member of Grant Thornton International
Vincent PAPAŽIAN

Deloitte & Associés
François BUZY





5.5. Statutory Auditors' Special Report on regulated agreements and commitments

Annual General Meeting to approve the financial statements for the year ended December 31, 2016

This is a free translation into English of the Statutory Auditors' special report on regulated agreements and commitments with related parties that is issued in the French language and is provided solely for the convenience of English speaking readers. This report on regulated agreements and commitments should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France. It should be understood that the agreements and commitments reported on are only those provided by the French Commercial Code and that the report does not apply to those related party transactions described in IAS 24 or other equivalent accounting standards.

To the Shareholders,

In our capacity as Statutory Auditors of your Company, we hereby report to you on regulated agreements and commitments with related parties.

The terms of our engagement do not require us to identify such agreements and commitments, if any, but to communicate to you, based on information provided to us, the principal terms and conditions, as well as the reasons justifying the interest for the Company, of those agreements and commitments brought to our attention, without expressing an opinion on their usefulness and appropriateness. It is your responsibility, pursuant to Article R. 225-31 of the French Commercial Code (*Code de Commerce*), to assess the interest involved in respect of the conclusion of these agreements and commitments for the purpose of approving them.

In addition, we are required, where applicable, to inform you in accordance with Article R. 225-31 of the French Commercial Code concerning the implementation, during the year, of the agreements and commitments previously approved by the Shareholders' Meeting.

We conducted our procedures in accordance with the professional guidelines of the French National Institute of Statutory Auditors (*Compagnie nationale des commissaires aux comptes*) relating to this engagement. Those procedures consisted in verifying the information provided to us with the relevant source documents.

Agreements and commitments submitted to the approval of the Shareholders' Meeting

Agreements and commitments authorized during the year

We hereby inform you that we have not been advised of any agreement or commitment authorized during the year to be submitted to the approval of the Shareholders' Meeting pursuant to Article L. 225-38 of the French Commercial Code.

Agreements and commitments previously approved by the Shareholders' Meeting

Agreements and commitments approved in previous years that were continued but not performed during the year

In addition, we have been informed of the continuation of the following agreements and commitments, previously approved by the Shareholders' Meetings of prior years, which were not performed during the year.

Additional pension plan

On May 19, 2005, the Board of Directors authorized the adoption of a "top-up" retirement plan (to replace the plan set up in 1986). The beneficiaries are grade 6 Senior Executives and Corporate Officers of BIC in France, who are also members of the Group's Executive Committee and who will finish their career with the Group.

The amount of their supplementary pension will be equal to 1.25% of the yearly last remuneration of the last three years of service, per year of participation in the plan, subject to a maximum of 20 years, representing a maximum pension of 25% of the final remuneration.

Persons involved: François Bich, Director and Marie-Aimée Bich-Dufour, Executive Vice-President.

Paris and Neuilly-sur-Seine, March 8, 2017

The Statutory Auditors

French original signed by

Grant Thornton

French Member of Grant Thornton International

Vincent PAPAIZIAN

Deloitte & Associés

François BUZY





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6.1. Information on the Company

HISTORY AND DEVELOPMENT OF THE ISSUER

Legal and commercial name of the issuer

Legal name: SOCIÉTÉ BIC

Commercial name: BIC

Place of registration of the issuer and registration number

Place of registration: Nanterre

Registration number: 552 008 443

APE Code:

- 7010Z – Registered offices activities
- 3299Z – Other manufacturing activities

Date of incorporation and length of life of the issuer

Date of incorporation: March 3, 1953

Date of expiration: March 2, 2052, unless an Extraordinary Shareholders' Meeting decides to wind up the Company earlier or to extend it.

Registered office and legal form of the issuer

Registered office: 14 rue Jeanne d'Asnières – 92110 Clichy – France

Telephone: 33 (0)1 45 19 52 00

Legal form and legislation governing the issuer: Limited Company (*société anonyme*) governed by French law and subject to all texts applicable to commercial companies in France and in particular the French Commercial Code.

Significant change in the issuer's financial or trading position

No significant event has occurred since the end of the last fiscal period.

Important events in the development of the issuer's business

No events to report other than those mentioned in *Group Presentation – section 1.2. History*.

MEMORANDUM AND ARTICLES OF INCORPORATION

The memorandum and articles of incorporation can be consulted at the registered office of the Company. The articles of incorporation are also available on the website www.bicworld.com (under Regulated information).

Corporate purpose

Extract from the articles of incorporation (Article 3) – "Corporate Purpose"

"The Company's corporate purpose is, in all countries, the purchase, sale, commissioning, brokerage, representation, manufacturing, operation, import and export of all tangible and intangible property, and in particular of all items that are used for writing.

And generally all movable property, real property, industrial or commercial operations pertaining directly or indirectly to the abovementioned purpose or to all similar or related purposes or to purposes that could serve to promote the extension or development of the above-mentioned purpose.

The Company may carry out all operations falling within its purpose, either alone and for its own account, or for the account of third parties, as representative, licensee or intermediary, for the commissioning, brokerage, subcontracting, as lessee, farmer, manager, in a joint venture or partnership, in any form whatsoever."

Members of the administrative and management bodies

See Corporate Governance – Section 3.5. "Mandates of the Directors and the Corporate Officers as of December 31, 2016".

Rights, preferences and restrictions attached to each class of existing shares

Double voting rights

Extract from the articles of incorporation (Article 15.5) – "Shareholders' Meetings" (Article introduced into the articles of incorporation at the Extraordinary Shareholders' Meeting of June 26, 1972)

"A voting right which is double the right conferred on the other shares, in light of the portion of the share capital they represent, is attributed to all the fully paid-up shares for which proof is provided of a nominative registration for at least two years in the name of the same Shareholder.

Any share converted to a bearer share or the ownership of which is transferred loses the aforementioned double voting right. Nonetheless, a transfer following death, the liquidation of the community estate of two spouses or a donation among the living in favor of a spouse or a relative entitled to inherit does not cause the loss of the right acquired and does not interrupt the two-year period referred to above.

Furthermore, in the event of a capital increase, through the incorporation of reserves, profits or share premiums, the double voting right may be conferred, at the time of issue, upon the nominative shares allotted at no charge to a Shareholder on account of existing shares for which he or she enjoys this right."



Indivisibility of the shares

Extract from the articles of incorporation (Article 8 *ter*) – “Indivisibility of the shares”. (Article introduced into the articles of incorporation at the Extraordinary Shareholders’ Meeting of September 6, 2006).

1. “The shares are indivisible vis-à-vis the Company. Joint owners of shares are represented at Shareholders’ Meetings by one of them or by a joint representative of their choice. If they are unable to agree, a representative will be appointed by the Presiding Judge of the Commercial Court, ruling in chambers (*référé*), at the request of the most diligent joint-owner.
2. If the shares are burdened with a right of usufruct, the entry in the books recording their registration will mention this right of usufruct. Unless the Company is informed of an agreement to the contrary, the voting right will belong to the usufructuary at Ordinary Shareholders’ Meetings and to the bare owner at Extraordinary Shareholders’ Meetings. However, notwithstanding any agreement to the contrary, when the usufruct results from a donation of the bare ownership of shares performed under the provisions of Article 787 B of the General Tax Code, the usufructuary’s voting right will be limited to decisions concerning the allocation of profits. For all other decisions that lie within the competence of an Ordinary or Extraordinary Shareholders’ Meeting, the voting right will belong to the bare owner. The usufructuary and the bare owner must notify the Company that they intend to take advantage of these provisions.”

Action necessary to change the Shareholders’ rights

The articles of incorporation do not contain any special condition relating to changing the Shareholders’ rights.

Shareholders’ Meetings – Methods of calling meetings – Conditions of admission – Conditions for exercising voting rights

Extract from the articles of incorporation (Article 15) – “Shareholders’ Meetings”. (Last version approved by the Ordinary and Extraordinary Shareholders’ Meeting of May 6, 2015).

“15.1 Shareholders’ Meetings are convened, and deliberate under the conditions stipulated by law and the decrees in force.

Meetings take place either at the registered office or at any other place specified in the notice.

15.2 Any Shareholder may take part, personally or by proxy, in the Shareholders’ Meetings, upon presenting proof of his/her identity and of the ownership of his/her shares, in accordance with the terms and conditions provided for by the laws and regulations in force.

Upon decision of the Board of Directors published in the notice of meeting, the Shareholders can participate and vote at the Shareholders’ Meeting by videoconference or by telecommunication or teletransmission means allowing their identification, in compliance with legal and regulatory conditions in force at the moment of their use. These Shareholders are deemed present or represented.

15.3 Remote voting is exercised in compliance with legal and regulatory conditions in force.

Upon decision of the Board of Directors published in the notice of meeting, Shareholders can use for this purpose, within the mandatory deadlines, the electronic remote proxy or voting form available on the website put in place by the Meeting’s centralizing agent. These Shareholders are deemed present or represented.

The proxy or the vote addressed by such electronic means before the Meeting, as well as their acknowledgement of receipt, will be deemed irrevocable written instructions enforceable on all parties, it being specified that if the shares are sold before the record date provided by Article R. 225-85 of the French Commercial Code, the Company shall invalidate or amend accordingly, as the case may be, the proxy or vote expressed before such date and time.”

Provision that would have an effect of delaying, deferring or preventing a change in control of the issuer

See section 6.3 “Shareholding”.

Provision setting the ownership threshold above which Shareholder ownership must be disclosed

Extract from the articles of incorporation (Article 8 *bis*) – “Crossing thresholds”. (Last version approved by the Ordinary and Extraordinary Shareholders’ Meeting of May 14, 2014).

“Any individual or legal entity, acting alone and/or in concert, coming into possession, in any manner whatsoever within the meaning of Articles L. 233-9 and L. 233-10 of the French Commercial Code, of a number of securities representing a fraction of the capital and/or of the voting rights equal or higher than 2% and, starting from this threshold, equal to any whole multiple of 1%, must communicate to the Company the total number of shares, of voting rights and of securities giving access to the capital (and voting rights potentially attached to these securities), that this individual or legal entity holds, alone and/or in concert, directly and/or indirectly. The information shall be sent by registered letter with acknowledgement of receipt within fifteen days following the date the threshold has been crossed.

This obligation applies under the same conditions and within the same deadline, when the holding in the share capital falls below the foregoing thresholds.

Upon request, recorded in the minutes of the Shareholders’ Meeting, of one or several Shareholders holding at least 2% of the capital and/or of the voting rights of the Company, the Shareholder who has not carried on the declarations provided for in the present article is deprived of the voting rights attached to the shares exceeding the fraction of the capital that has not been declared, at any Shareholders’ Meeting held until the expiry of a two-year period following the date at which such disclosure is properly made”.

Conditions imposed by the articles of incorporation, governing changes in the capital, where such conditions are more stringent than is required by law

Not applicable.





6.2. Share capital

As of December 31, 2016, the registered share capital of SOCIÉTÉ BIC amounts to 181,542,184.24 euros divided into 47,524,132 shares of 3.82 euros each, the par value. Issued shares are fully paid-up. Taking into account the share subscription options

exercised in 2016 (and pending the recording of these transactions by the Board of Directors), the share capital amounts to 181,649,411.64 euros divided into 47,552,202 shares (compared with 47,942,157 shares as of January 1, 2016).

AUTHORIZATIONS TO INCREASE THE CAPITAL AT THE CLOSING OF THE 2016 FISCAL YEAR

SOCIÉTÉ BIC has, as at December 31, 2016, the following authorizations which were granted by the Annual Shareholders' Meeting:

I. Authorization to increase the capital with Shareholders' pre-emptive subscription rights^(a)

Maximum amount <i>(in million euros)</i>	Ordinary shares: 50 Complex investment securities: 650
Date	May 18, 2016 (resolutions 15 and 16)
Term	26 months
Expiration date	July 17, 2018
Use in 2016	No
Issuance price	The issuance price of new ordinary shares and/or complex investment securities (and the shares to which the latter shall give right), is set by the Board of Directors, with or without premium, in compliance with the rules and regulations in force.

(a) Articles L. 225-129, L. 228-91 and L. 228-92 of the French Commercial Code.

II. Authorization to increase the capital by capitalization of reserves, income, premiums or other^(b)

Maximum amount	Total amount of reserves, profits and/or premiums or other sums that may likely be capitalized into the share capital and which will exist at the moment of the decision to increase the share capital, net of the amount that may be necessary to preserve, in compliance with the law, the rights of bearers of already issued securities giving right to the shares of the Company.
Date	May 18, 2016 (resolution 17)
Term	26 months
Expiration date	July 17, 2018
Use in 2016	No

(b) Articles L. 225-129 and L. 225-130 of the French Commercial Code.



III. Authorizations to increase the capital in favor of employees and corporate officers

	Issue of shares reserved for members of an employee savings plan ^(c)	Grantings of free shares to be issued ^(d)	Share options ^(e)
Maximum amount	3% of the share capital	4% of the share capital over 38 months (with a maximum of 0.4% for the Corporate Officers) and 6% of the share capital (taking into account the stock options)	2% of the share capital over 38 months (with a maximum of 0.8% for the Corporate Officers) and 6% of the share capital (taking into account the free grant of shares)
Date	May 18, 2016 (resolution 18)	May 18, 2016 (resolution 20)	May 18, 2016 (resolution 21)
Term	26 months	38 months	38 months
Expiration date	July 17, 2018	July 17, 2019	July 17, 2019
Use in 2016	No	No	No
Issuance price	Determined by the Board of Directors pursuant to Article L. 3332-19 of the French Labor Code	-	Cannot be lower than the Paris Stock Exchange average share price, on the market with monthly payment, during the twenty sessions of the Paris Stock Exchange before the day the options are granted

(c) Articles L. 225-138 and L. 225-138-1 of the French Commercial Code and L. 3332-1 et seq. of the French Labor Code.

(d) Articles L. 225-197-1 et seq. of the French Commercial Code.

(e) Articles L. 225-177 et seq. of the French Commercial Code.

The text of these delegations is available on the website www.bicworld.com/en/finance/meetings/.

SHARE CAPITAL EVOLUTION OVER THE LAST THREE YEARS

Date	Type of operation	Amount of capital change (in euros)	Impact on share premium/ retained earnings (in euros)	Total share capital (in euros)	Shares outstanding at conclusion of the operation
2014 (Dec. 17 BM)	Issue of shares following exercise of share subscription options, in accordance with stock option plans	1,282,702.52	17,027,502.74	183,115,806.50	47,936,075
2015 (Dec. 16 BM)	Cancellation of treasury shares as authorized by SM of May 6, 2015	(688,413.66)	(25,622,684.34)	182,427,392.84	47,755,862
2015 (Dec. 16 BM)	Issue of shares following exercise of share subscription options, in accordance with stock option plans	680,991.40	8,984,556.85	183,108,384.24	47,934,132
2016 (Dec. 10 BM)	Cancellation of treasury shares as authorized by SM of May 18, 2016	(1,724,114.98)	(54,063,361.01)	181,384,269.26	47,482,793
2016 (Dec. 10 BM)	Issue of shares following exercise of share subscription options, in accordance with stock option plans	157,914.98	1,913,145.41	181,542,184.24	47,524,132

BM: Board Meeting.

SM: Shareholders' Meeting.





6.3. Shareholding

SHARE CAPITAL BREAKDOWN

The table below lists the Shareholders who, to the best of the Company's knowledge, hold more than 5% of the share capital and/or of the voting rights of the Company. The Company is not

aware of any other Shareholder holding more than 5% of the share capital or of the voting rights. This table also gives information regarding treasury shares owned by SOCIÉTÉ BIC.

Dec. 31, 2014						
Name	Number of shares	% of shares (approx.)	Number of theoretical voting rights ^{(c)(d)}	% of theoretical voting rights	Number of voting rights exercisable in SM ^{(c)(d)}	% of voting rights exercisable in SM
Bich family concert, including ^(a) :	20,549,598	42.85	40,766,268	58.77	40,766,268	59.50
• SOCIÉTÉ M.B.D.	12,642,000	26.36	25,284,000	36.45	25,284,000	36.90
• Bich family (excluding M.B.D.)	7,907,598	16.49	15,482,268	22.32	15,482,268	22.60
Other Shareholders	26,554,839	55.36	27,745,634	40	27,745,634	40.50
Treasury shares ^(b)	857,305	1.79	857,305	1.23	-	-
TOTAL	47,961,742	100	69,369,207	100	68,511,902	100

Dec. 31, 2015						
Name	Number of shares	% of shares (approx.)	Number of theoretical voting rights ^{(c)(d)}	% of theoretical voting rights	Number of voting rights exercisable in SM ^{(c)(d)}	% of voting rights exercisable in SM
Bich family concert, including ^(a) :	20,481,818	42.72	40,841,149	58.79	40,841,149	59.46
• SOCIÉTÉ M.B.D.	12,642,000	26.37	25,284,000	36.40	25,284,000	36.81
• Bich family (excluding M.B.D.)	7,839,818	16.35	15,557,149	22.39	15,557,149	22.65
Other Shareholders	26,682,841	55.66	27,845,464	40.09	27,845,464	40.54
Treasury shares ^(b)	777,498	1.62	777,498	1.12	-	-
TOTAL	47,942,157	100	69,464,111	100	68,686,613	100

Dec. 31, 2016						
Name	Number of shares	% of shares (approx.)	Number of theoretical voting rights ^{(c)(d)}	% of theoretical voting rights	Number of voting rights exercisable in SM ^{(c)(d)}	% of voting rights exercisable in SM
Bich family concert, including ^(a) :	20,543,956	43.20	40,913,554	59.21	40,913,554	59.96
• SOCIÉTÉ M.B.D.	12,689,506	26.69	25,331,506	36.66	25,331,506	37.13
• Bich family (excluding M.B.D.)	7,854,450	16.51	15,582,048	22.55	15,582,048	23.83
Other Shareholders	26,140,226	54.97	27,316,596	39.53	27,316,596	40.04
Treasury shares ^(b)	868,020	1.83	868,020	1.26	-	-
TOTAL	47,552,202	100	69,098,170	100	68,230,150	100

(a) Bich family concert is composed of SOCIÉTÉ M.B.D. (a company – société en commandite par actions) and of Bich family members holding direct interests in SOCIÉTÉ BIC. Most Bich family members hold direct interests in SOCIÉTÉ BIC as well as indirect interests through SOCIÉTÉ M.B.D.

(b) Treasury shares temporarily without voting right.

(c) The difference between the number of shares and the number of voting rights is caused by double voting rights (see section 6.1. "Information on the Company").

(d) Voting rights attached to treasury shares are included in the number of theoretical voting rights but excluded from the number of exercisable voting rights.



To the best of the Company's knowledge, there are no agreements between the Shareholders providing preferential transfer or purchase conditions for BIC shares or agreements whose implementation could result in a change of control.

It is specified that the Bich family holding, SOCIÉTÉ M.B.D., which holds more than 20% of the share capital and of the voting rights, has concluded various collective agreements relating to the retention of at least 12 million BIC securities. These agreements date back as far as December 15, 2003 for the oldest one and are, for the most part, still in force. They include various members of the family's concert in order to allow these members, if the need arises, to take advantage of Articles 885 I *bis* and 787 B of the French General Tax Code. The following officers are part of all or of some of these agreements: Bruno Bich, Gonzalve Bich, Marie-Aimée Bich-Dufour. All the signatories have close personal links with the officers and none of them – with the exception of SOCIÉTÉ M.B.D. – holds more than 5% of the share capital or of the voting rights of the Company.

Except for the granting of double voting rights to nominative shares owned for at least two years, no special voting rights are granted to the main Shareholders.

The Company is controlled as described in the table above. The prevention of potential abusive exercise of its power by a Shareholder is ensured by regular meetings of the Board of Directors and by the presence of four Independent Directors who are in the majority in the committees (Audit Committee and Compensation and Nomination Committee).

CROSSING OF LEGAL THRESHOLDS

To the best of the Company's knowledge, no crossing of legal thresholds has been declared during fiscal year 2016 and up to March 7, 2017.

ELEMENTS THAT COULD HAVE INFLUENCE ON A TAKE-OVER BID OR THAT COULD DELAY OR PREVENT A CHANGE OF CONTROL (ARTICLE L. 225-100-3 OF THE FRENCH COMMERCIAL CODE)

To the best of the Company's knowledge, no element other than those mentioned below is likely to have an influence on a take-over bid, or have the effect of delaying or preventing a change of control:

- SOCIÉTÉ M.B.D., SOCIÉTÉ BIC's family holding, is a *société en commandite par actions*;
- The articles of incorporation provide:
 - the granting of double voting right to nominative shares owned for at least two years (see *section 6.1. "Information on the Company"*). These provisions comply with the principle of double voting rights introduced in France by law No. 2014-384 of March 29, 2014;
 - the obligation to inform the Company when the holding of share capital or of voting rights becomes equal to or higher than 2% and, beyond this threshold of 2%, higher than a multiple of 1% (see *section 6.1. "Information on the Company"*);
- Shareholders' Meeting authorizations to increase the share capital (see *section 6.2. "Share Capital – Table relating to these authorizations"*).





6.4. Treasury shares and share buyback

SOCIÉTÉ BIC TREASURY SHARES AS OF DECEMBER 31, 2016

Purpose ^(a)	Number of shares	% capital	Nominal value (in euros)
Liquidity agreement	4,548	0.01	17,373.36
Free share grants	863,472	1.82	3,298,463.04
Cancellation	-	-	-
External growth operations	-	-	-
TOTAL^(b)	868,020	1.83	3,315,836.40

(a) Article L. 225-209 of the French Commercial Code.

(b) As of December 31, 2016, the book value of BIC shares held by SOCIÉTÉ BIC in accordance with Articles L. 225-209 et seq. of the French Commercial Code amounts to 72,139,197.94 euros. As of the same date, the market value of these shares is 112,104,783.00 euros (on the basis of the closing price at this date, that is to say 129.15 euros).

SHARE BUYBACK PROGRAM – OPERATIONS REALIZED IN 2016

Operation	Number of shares	% capital	Nominal value (in euros)	Average sale/purchase price (in euros)
Share buyback (excl. liquidity agreement) ^(a)	652,745	1.37	2,493,485.90	124.96
Liquidity agreement ^(a) :				
• Share buyback	439,202	0.92	1,677,751.64	128.62
• Sale of shares	437,650	0.92	1,671,823.00	128.93
Shares transferred under free shares plans	112,436	0.24	429,505.52	35.04
Canceled shares	451,339	0.95	1,724,114.98	123.60
Shares used for external growth operations	-	-	-	-

(a) Brokerage fees related to sale and buy-back transactions disclosed above amounted to 296,518.71 euros.

During the last 24 months, the Board of Directors cancelled 631,552 shares, representing 1.33% of the share capital as of December 31, 2016.



SHARE BUYBACK PROGRAM PROPOSED TO THE SHAREHOLDERS' MEETING OF MAY 10, 2017

The Board of Directors will submit to the Shareholders' Meeting to be held on May 10, 2017, a resolution authorizing the Board of Directors to undertake operations with regards to the shares of the Company (see section 7: "Board of Directors' Report and proposed resolutions to the Shareholders' Meeting of May 10, 2017 – Resolution 5"). If this resolution is approved by the Shareholders, the Board of Directors will implement the share buyback program described below. This paragraph constitutes the description of the share buyback program provided by Articles 241-1 *et seq.* of the General Regulation of the AMF.

SOCIÉTÉ BIC TREASURY SHARES AS OF MARCH 1ST, 2017

Purpose	Number of shares
Liquidity agreement	8,269
Free share grants	847,172
Cancellation	38,433
External growth operations	-
TOTAL	893,874

If the Shareholders' Meeting of May 10, 2017 approves the above-mentioned resolution, the Board of Directors will be authorized to buy back shares representing 10% maximum of the share capital on the date of the Board of Directors' decision to buy back the shares (as of March 1st, 2017 and for information purposes: 4,755,965 shares), for a maximum amount of 1.427 billion euros and in order to:

- provide liquidity and stimulate the market of the shares of the Company through an investment service provider acting pursuant to a liquidity agreement compliant with professional ethics standards recognized by the French Financial Markets Authority;
- hold them in order to subsequently remit them as payment, as exchange or otherwise, within the scope of potential external growth operations in accordance with the market practices approved by the French Financial Markets Authority;

- remit them at the moment of the exercise of rights attached to securities giving access to the Company's share capital by redemption, conversion, exchange, presentation of a warrant or by any other means;
- allocate them to employees and officers, notably within the scope of sharing in the Company's success, employee profit-sharing schemes, the stock option program, the free share plan or through an employee savings scheme;
- cancel them entirely or partly, in accordance with the conditions provided by the regulations in force, within the limit of 10% of the capital existing on the cancellation date, per period of 24 months;
- implement all market practices that may be authorized by the French Financial Markets Authority.

If some shares are bought back in order to hold them and to subsequently remit them as payment or exchange within the scope of a merger, demerger or contribution operation, the above-mentioned limits shall be decreased to 5% of the share capital on the date of the Board of Directors' decision to buy back the shares (as of March 1st, 2017 and for information purposes: 2,377,982 shares) and to a maximum amount of 713.3 million euros. The Company will not at any time hold more than 10% of the total number of its own shares forming the share capital.

The purchase price may not be higher than 300 euros per share.

The authorization so given by the Shareholders would be valid for a period of 18 months starting from May 10, 2017.

It could be used during public offers of the Company's shares in accordance with the legislation in force.

The purchase of shares of the Company realized pursuant to this authorization would also comply with the rules enacted by the French Financial Markets Authority regarding the conditions and the periods of intervention on the market.





6.5. Investor relations

The Investor Relations Department is dedicated to answering all inquiries from individual and institutional investors alike. Shareholder and general financial and economic information regarding SOCIÉTÉ BIC is available via the Company's website: <http://www.bicworld.com/> or by addressing an email to investors.info@bicworld.com or actionnaires@bicworld.com or by sending a written letter by post to BIC Group – Investor Relations Department, 14 rue Jeanne d'Asnières, 92611 Clichy Cedex, France.

Throughout the year, BIC holds meetings with analysts and institutional investors through roadshows and brokers' conferences in the major financial marketplaces. In 2016, meetings were organized in Paris, London, New York City, Boston, Frankfurt,

Edinburgh, Montreal and Toronto. We also organized various meetings with dedicated SRI (Socially Responsible Investment) investors.

At the individual investor level, BIC continued its proactive communication, issuing its Shareholders' newsletters four times a year. BIC organizes regular meetings in different French cities. In 2016, the Investor Relations Department met individual Shareholders in Paris, Marseille and Toulouse. Three meetings are already scheduled in 2017.

A toll-free number is also available for individual investors: +33 (0) 800 10 12 14.



6.6. Share information

SOCIÉTÉ BIC is listed on Euronext Paris (continuous quotation) and is part of the SBF 120 and CAC Mid 60 indexes.

BIC is also part of the following Socially Responsible Investment indexes: CDP's Climate A List, CDP's Supplier Climate A List, CDP Supplier Engagement Leader Board, FTSE4Good indexes, Ethibel

Sustainability Index (ESI) Excellence Europe, Euronext Vigeo – Eurozone 120, Euronext Vigeo – Europe 120, Stoxx Global ESG Leaders Index.

Its ISIN Code is FR0000120966.

BIC SHARE PRICE IN 2016

	Closing price	Average price (closing)	Highest	Lowest	Number of shares traded	Trading volumes (in thousand euros)
December 2015	151.65	152.10	157.85	148.10	801,758	122.18
January 2016	150.25	144.51	151.10	135.75	841,923	121.21
February 2016	127.80	135.41	152.00	114.30	1,852,996	241.95
March 2016	132.20	130.83	135.40	126.60	1,196,051	156.33
April 2016	123.95	132.97	138.25	121.25	1,028,262	134.55
May 2016	119.95	123.34	127.40	118.00	1,481,028	182.35
June 2016	126.95	120.76	127.35	114.40	2,269,266	273.15
July 2016	132.20	128.54	134.25	122.25	1,083,409	139.18
August 2016	130.85	132.86	141.70	128.60	921,530	122.85
September 2016	131.65	131.21	136.35	128.00	786,985	103.25
October 2016	126.30	129.02	133.70	125.50	935,003	120.54
November 2016	122.05	122.51	126.65	119.00	1,108,390	135.77
December 2016	129.15	125.47	129.50	119.70	1,108,113	138.18
January 2017	121.05	125.22	130.50	121.05	1,069,833	133.60
February 2017	116.75	119.46	124.35	115.05	1,504,736	179.16

SHARE CUSTODIAL SERVICE

SOCIÉTÉ GÉNÉRALE SECURITIES SERVICES
Département des Titres
32, rue du Champ-de-Tir
BP 81236
44312 Nantes Cedex 3
(France)





INFORMATION ON THE ISSUER
Share information





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7.1. Ordinary Shareholders' Meeting

PROPOSED RESOLUTIONS 1 TO 3 – APPROVAL OF THE FINANCIAL STATEMENTS – APPROPRIATION OF EARNINGS – SETTING OF DIVIDENDS

Board of Directors' Report:

By voting on the first and second resolutions, we ask you to approve the annual and consolidated financial statements of the fiscal year ending December 31, 2016.

The purpose of the third resolution is to allocate the net income of the fiscal year 2016 and to set the dividend.

We propose the distribution of a total dividend of 161,060,427.90 euros corresponding to a dividend per share of 3.45 euros. This is a gross amount excluding social charges (currently 15.5%). The dividend will be paid as from May 24, 2017. If the number of shares carrying rights to the dividend is not 46,684,182, the total amount of the aforementioned dividend will be adjusted consequently and the amount allocated to retained earnings will be determined on the basis of the amount of the dividends actually paid.

In accordance with Article 243 *bis* of the French Tax Code (CGI), it is hereby specified that the total dividend will be eligible for the 40% tax allowance granted, according to Article 158-3 of this Code, to French tax resident individuals. Dividends are subject to the compulsory withholding tax provided by Article 117 *quater* of the CGI as amended (currently 21%). A withholding-exemption can be claimed under certain conditions by the beneficiary prior to the end of November of the previous year. The compulsory withholding tax is held by the Bank.

We remind you that the dividends paid during the last three years (income eligible for the tax allowance provided for in Article 158-3 of the French Tax Code) amount to:

- 2.60 euros in respect of fiscal year 2013;
- 2.85 euros in respect of fiscal year 2014;
- 5.90 euros in respect of fiscal year 2015 (3.40 euros +2.50 euros of exceptional dividend).

Proposed resolution 1 – Approval of the Statutory Financial Statements of Fiscal Year 2016

The Shareholders, after having considered the reports of the Board of Directors, the Chairman and the Statutory Auditors and having heard the additional explanations given during the meeting, approve the annual financial statements of the fiscal year ending December 31, 2016. They also approve all transactions presented in these statutory financial statements or summarized in these reports.

Proposed resolution 2 – Approval of the Consolidated Financial Statements of Fiscal Year 2016

The Shareholders, after having considered the reports of the Board of Directors, the Chairman of the Board of Directors and the Statutory Auditors and having heard the additional explanations given during the meeting, approve the consolidated financial statements of the fiscal year ending December 31, 2016. They also approve all transactions presented in these consolidated financial statements or summarized in these reports.

Proposed resolution 3 – Appropriation of Earnings and Setting of Dividends

The Shareholders approve the total net income after deduction of income tax for the fiscal year ending December 31, 2016 of 118,634,879.20 euros and decide to allocate this amount in the following manner (*in euros*):

Net income for 2016	118,634,879.20
To add:	
• Retained earnings from previous year	250,564,092.29
TOTAL DISTRIBUTABLE INCOME	369,198,971.49
Appropriation of earnings:	
• Works of art special reserve	38,571.52
• Dividends (excluding treasury shares)	161,060,427.90
• Retained earnings	208,099,972.07
TOTAL EQUAL TO DISTRIBUTABLE INCOME	369,198,971.49





The amount of the dividends for the fiscal year ending December 31, 2016 will be 161,060,427.90 euros corresponding to a dividend per share of 3.45 euros. It will be paid as from May 24, 2017. If the number of shares carrying rights to the dividend is not 46,684,182, the total amount of the aforementioned dividend will be adjusted

consequently and the amount allocated to retained earnings will be adjusted on the basis of the amount of the dividends actually paid.

In accordance with Article 243 *bis* of the French Tax Code (CGI), it is hereby specified that the total dividend will be eligible for the 40% tax allowance provided for in Article 158-3 of this Code, for French tax resident individuals.

In accordance with the law, we also remind you that the following dividends were distributed during the last three years:

Fiscal year	Number of shares	Dividend per share (in euros)	Dividend entitled to the tax allowance defined in Art. 158-3 of the CGI ^(a) (in euros)
2013	47,080,941	2.60	2.60
2014	47,308,363	2.85	2.85
2015	46,956,216	5.90 ^(b)	5.90

(a) French Tax Code (CGI).

(b) 3.40 € ordinary dividend + 2.50 € exceptional dividend.

PROPOSED RESOLUTION 4 – DETERMINATION OF THE AMOUNT OF THE DIRECTORS' FEES

Board of Directors' Report:

It is proposed to set the amount of the Directors' fees to be allocated to the Board of Directors for fiscal year 2017 at 502,400 euros (compared to 400 000 euros for fiscal year 2016). This progression is due to the allocation of fees for a full year of a Vice-President Lead Director rather than a part-year as in 2016, and two Directors who have now become non-executive Directors and as such, receive Directors' fees, and the desire to introduce a special provision for Directors not resident in Europe.

Proposed resolution 4 – Determination of the amount of the Directors' fees

The Shareholders decide to set the annual amount of the Directors' fees to be allocated to the Board of Directors for fiscal year 2017 at 502,400 euros.





PROPOSED RESOLUTION 5 – AUTHORIZATION TO BE GIVEN TO THE BOARD OF DIRECTORS TO UNDERTAKE OPERATIONS WITH REGARD TO THE SHARES OF THE COMPANY

Board of Directors' Report:

We propose that you authorize the Board of Directors to buy back by any means, on one or more occasions, shares of the Company in accordance with the legislation in force.

This authorization may be used during public offers on the Company's shares in compliance with Article L. 233-32 of the French Commercial Code, *i.e.* subject to the powers expressly assigned to the Shareholders within the limit of the Company's interest.

The Company would be authorized, during a period of 18 months, to buy back its own shares for a maximum price per share of 300 euros:

- **within the limit of 10% of the share capital** on the date of the Board of Directors' decision to buy back the shares and for a maximum amount of 1.427 billion euros. This authorization would be used to fulfill the following objectives:
 - provide liquidity in the securities market pursuant to a liquidity agreement managed by an external service provider,
 - allow their subsequent remittance as payment, exchange or otherwise, within the scope of external growth operations (with the exception of mergers, demergers or contribution operations mentioned below),
 - remit the shares at the moment of the exercise of rights attached to securities giving access to the Company's share capital,
 - allocate them to employees and/or officers (in the scope of an employee saving scheme, a stock option program, free allocations of shares, etc.),
 - cancel the shares,
 - implement any market practice authorized by the French Financial Markets Authority (AMF);
- **within the limit of 5% of the share capital** on the date of the Board of Directors' decision to buy back the shares and for a maximum global amount of 713.3 million euros. The shares would be bought back in order to be kept and subsequently remitted as payment or exchange within the scope of a merger, demerger or contribution operation.

SHARE BUYBACK PROGRAM – OPERATIONS REALIZED IN 2016:

Operation	Number of shares	% capital	Nominal value (in euros)	Average sale/purchase price (in euros)
Share buyback (excl. liquidity agreement) ^(a)	652,745	1.37	2,493,485.90	124.96
Liquidity agreement ^(a) :				
• Share buyback	439,202	0.92	1,677,751.64	128.62
• Sale of shares	437,650	0.92	1,671,823.00	128.93
Shares transferred under free share plans	112,436	0.24	429,505.52	35.04
Canceled shares	451,339	0.95	1,724,114.98	123.60
Shares used for external growth operations	-	-	-	-

(a) Brokerage fees related to sale and buy-back transactions disclosed above amounted to 296,518.71 euros.

During the last 24 months, the Board of Directors cancelled 631,552 shares, representing 1.33% of the share capital as of December 31, 2016. For further information, please refer to section 6.4. page 262.





Proposed resolution 5 – Authorization to be given to the Board of Directors to undertake operations with regard to the shares of the Company

The Shareholders, deliberating in compliance with the provisions of Article L. 225-209 of the French Commercial Code, of the General Regulation of the French Financial Markets Authority (AMF), of Regulation N° 596/2014 of the European Parliament and of the Council of April 16, 2014, and after considering the report of the Board of Directors, authorize the Board of Directors to buy back by any means, on one or more occasions, the shares of the Company:

1. Within the limit of a number of shares representing a maximum of 10% of its share capital on the date of the Board of Directors' decision to buy back the shares:

- for a maximum amount of 1.427 billion euros, under the conditions and limits provided by the laws and regulations in force;
- for a maximum purchase price of 300 euros, exclusive of costs.

In accordance with the above-mentioned dispositions and with the market practices allowed by the French Financial Markets Authority (AMF), this authorization can be used by the Board of Directors in order to:

- provide liquidity and stimulate the market of the securities of the Company through an investment service provider acting independently in the name and on behalf of the Company, pursuant to a liquidity agreement compliant with professional ethics standards recognized by the French Financial Markets Authority;
 - hold them in order to subsequently remit them as payment, as exchange or otherwise, within the scope of potential external growth operations (with the exception of mergers, demergers or contribution operations referred to in paragraph 2 below) in accordance with the market practices approved by the French Financial Markets Authority;
 - remit the shares at the moment of the exercise of rights attached to the securities giving access to the Company's share capital by redemption, conversion, exchange, presentation of a warrant or by any other means;
 - allocate them to employees and officers under the conditions and according to the methods prescribed by the law, notably within the scope of employee profit-sharing schemes, the stock option program, the free allocation of shares plan or through an employee savings scheme;
 - cancel them entirely or partly, according to the conditions provided by the regulations in force, by reducing accordingly the share capital, within the limit of 10% of the capital existing on the cancellation date, per period of 24 months, subject to the adoption at the Extraordinary Shareholders' Meeting of resolution 20 hereunder;
 - implement all market practices that may be authorized by the French Financial Markets Authority.
2. Within the limit of a number of shares representing a maximum of 5% of its share capital on the date of the Board of Directors' decision to buy back the shares:
- for a maximum amount of 713.3 million euros;
 - for a maximum purchase price fixed at 300 euros, exclusive of costs;

and in order to hold them and to subsequently remit them as payment or exchange within the scope of a merger, demerger or contribution operation.

The limits provided in paragraphs 1 and 2 above are not cumulative and the Company cannot at any time, directly or through a third party, hold more than 10% of the total number of its own shares forming the share capital.

The acquisition, assignment, transfer or exchange of shares can be carried out by the Board of Directors by any means, on one or more occasions, notably on the market, over the counter or in block and if necessary, having recourse to option mechanisms or to derivative financial instruments negotiated on a regulated market or by mutual consent, excluding the sale of put options, in accordance with the conditions authorized by the legal, regulatory and stock exchange rules in force, and at the times when the Board of Directors or its proxy shall deem appropriate, or by a third party acting on behalf of the Company in compliance with the provisions of the last paragraph of Article L. 225-206 of the French Commercial Code. It is specified that the part of the share buyback program realized by acquisition or transfer of blocks of shares may represent the entire program.

The Shareholders decide that the maximum purchase price per share, excluding costs, should not exceed that of the last independent transaction or, if it is higher, that of the highest current independent offer on the market where the purchase is made.

In the case where the options provided in the fifth paragraph of Article L. 225-209 of the French Commercial Code were used, the sale price (in the event that such a sale price would be necessary) shall thus be determined in accordance with the legal provisions in force.

The acquisition of shares of the Company realized pursuant to this authorization shall also comply with the rules enacted by the applicable regulations regarding the conditions and the periods of intervention on the market. The Company shall abstain from buying more than 25% of the daily average quantity of shares traded on the regulated market where the purchase is made.

This authorization replaces the previous authorization given at the Shareholders' Meeting on May 18, 2016 (Resolution 5). This authorization is given to the Board of Directors for a period of 18 months starting from the date of this Shareholders' Meeting.

This authorization may be used during public offers on the Company's shares in compliance with the legislation in force.

In accordance with the provisions of Article L. 225-210 of the French Commercial Code, the shares of the Company acquired pursuant to this authorization must be registered and must be entirely paid up upon their acquisition. These acquisitions must not have the effect of reducing the net equity to an amount lower than that of the capital increased by non-distributable reserves. Finally, the Company must have reserves (other than the legal reserve) amounting to at least the value of all the shares that the Company owns directly or through a third party.

Within the scope of its global financial management, the Company reserves itself the possibility of using part of its available financial resources to finance the purchase of the shares and to resort to debt to finance the additional needs that may exceed its internal financing.

The Board of Directors shall inform the Shareholders, in its annual management report, of the operations realized pursuant to this authorization.





The Shareholders confer all powers to the Board of Directors to implement this share buyback program and notably to:

- assess opportunities and proceed with the share buyback authorized by this resolution;
- prepare and publish, before the realization of a share buyback program, a description of the share buyback program, in accordance with the conditions and methods set by the General Regulations of the French Financial Markets Authority;
- place all stock market orders, conclude all agreements in particular regarding the holding of the purchases and sales register;
- inform the market and the French Financial Markets Authority of operations carried out, in compliance with the General Regulations of the French Financial Markets Authority;
- delegate to the Chief Executive Officer or, in agreement with the latter, to one or several Executive Vice-Presidents, the authority necessary for the realization of the share buyback program;
- make all declarations and carry out any other formalities and, as a general rule, do all that is necessary to carry out the forgoing authorization.

PROPOSED RESOLUTIONS 6 TO 7 – RENEWAL OF MR. FRANÇOIS BICH AND MRS. MARIE-PAULINE CHANDON-MOËT AS DIRECTORS OF THE BOARD

Board of Directors' Report:

It is proposed to the Shareholders to renew François Bich and Marie-Pauline Chandon-Moët as Directors for a period of three fiscal years expiring at the end of the Shareholders' Meeting called to vote in 2020 upon the approval of the financial statements of the fiscal year ending December 31, 2019.

MR. FRANÇOIS BICH



67 years old

Nationality:
French

Number of BIC shares held:
Holds BIC shares directly and indirectly through the family holding, SOCIÉTÉ M.B.D.
On December 31, 2016, SOCIÉTÉ M.B.D. held 26.69% of SOCIÉTÉ BIC share capital and 36.66% of the voting rights.

Director

Basis of the appointment

Article L. 225-18 of the French Commercial Code

Independent Director

No

Date of 1st appointment

Board of Directors of September 30, 1977 ratified by the Annual Shareholders' Meeting of May 29, 1978

Expiration date

Annual Shareholders' Meeting in 2017, for fiscal year 2016

Member of a committee

No

Other current mandate or function

Chairman of the Supervisory Board – SOCIÉTÉ M.B.D. – France

Expired mandate or function in the previous five years (non-BIC Group companies)

None

Biography

In the BIC Group since March 1, 1969, François Bich has been a Director since September 30, 1977 and Executive Vice-President of SOCIÉTÉ BIC from December 15, 1988 to February 29, 2016. He has been General Manager for the Lighters category of the BIC Group and Chairman of the company Société du Briquet Jetable 75 from its creation in 1975 until February 29, 2016.





MRS. MARIE-PAULINE CHANDON-MOËT (MAIDEN NAME: BICH)



Director

Basis of the appointment

Article L. 225-18 of the French Commercial Code

Independent Director

No

Date of 1st appointment

Annual Shareholders' Meeting of May 28, 2003

Expiration date

Annual Shareholders' Meeting in 2017, for fiscal year 2016

Member of a committee

No

Current mandates or functions

- Member of the Supervisory Board – SOCIÉTÉ M.B.D. – France
- President – Ferrand SAS – France

Expired mandate or function in the previous five years (non-BIC Group companies)

None.

Biography

Marie-Pauline Chandon-Moët has been a Director of the Board of SOCIÉTÉ BIC since May 28, 2003. She was European real estate projects Manager for BIC Group until December 31, 2010. Before this, she successively held, since 1991, the positions of Sales Administration Assistant, Sales Administration Manager (France then Europe), as well as Supply Chain Manager for Europe.

Marie-Pauline Chandon-Moët has a Bachelor of Science degree from Northeastern University in Boston (U.S.A.).

49 years old

Nationality:
French

Number of BIC shares held:
Holds BIC shares directly and indirectly through the family holding, SOCIÉTÉ M.B.D.
On December 31, 2016, SOCIÉTÉ M.B.D. held 26.69% of SOCIÉTÉ BIC share capital and 36.66% of the voting rights.

Proposed resolution 6 – Renewal of Mr. François BICH as Director of the Board

The Shareholders decide to renew, for a period of three fiscal years, the mandate of Mr. François Bich as Director of the Board.

The term of the mandate of Mr. François Bich will thus expire at the end of the Shareholders' Meeting called to vote in 2020 upon the approval of the financial statements for the fiscal year ending December 31, 2019.

Proposed resolution 7 – Renewal of Mrs. Marie-Pauline CHANDON-MOËT as Director of the Board

The Shareholders decide to renew, for a period of three fiscal years, the mandate of Mrs. Marie-Pauline Chandon-Moët as Director of the Board.

The term of the mandate of Mrs. Marie-Pauline Chandon-Moët will thus expire at the end of the Shareholders' Meeting called to vote in 2020 upon the approval of the financial statements for the fiscal year ending December 31, 2019.





PROPOSED RESOLUTION 8 – APPOINTMENT OF MRS. CANDACE MATTHEWS AS A NEW DIRECTOR OF THE BOARD

Board of Directors' Report:

It is proposed to the Shareholders to appoint as a new Director, Mrs. Candace Matthews, for a period of three fiscal years expiring at the end of the Shareholders' Meeting called to vote in 2020 to approve the financial statements of the fiscal year ending December 31, 2019.

Mrs. Matthews would replace Mr. Frédéric Rostand whose mandate expires at the present Shareholders Meeting.

MRS CANDACE MATTHEWS



58 years old

Nationality:
American

Number of BIC
shares held : 0

Director

Basis of the appointment

Article L. 225-18 of the French Commercial Code

Independent Director

Yes

Main position

Region President - The Americas - Amway - U.S.A.

Other current mandates or functions (non BIC Group companies)

- Member of the Board – Popeyes Louisiana Kitchen Inc. - U.S.A. (listed company)
- Member of the Board – Fifth Third Bank, Western Michigan – U.S.A. (private)

Expired mandates or functions in the previous fixe years

None

Biography

Since November 2014, Candace Matthews has been Region President, Americas, Amway. She was recruited to Alticor, the parent company of Amway, in December of 2007, as Chief Marketing Officer.

Prior to joining Amway, she was Executive President from 2001 to 2007 of Soft Sheen-Carson, recently acquired by L'Oréal.

Before that, she held different positions in Marketing at General Mills, Procter & Gamble, Bausch & Lomb and in Management at Novartis and The Coca-Cola Company, in the United States.

Candace Matthews has a Bachelor of Science degree from Carnegie Mellon University in Pittsburg, Pennsylvania (U.S.A.) and an MBA in Marketing from Stanford University Graduate School of Business in Palo Alto, California (U.S.A.).

Proposed resolution 8 – Appointment of Mrs. Candace Matthews as a new Director

The Shareholders decide to appoint, for a period of three fiscal years, Mrs. Candace Matthews as new Director of the Board to replace Mr. Frédéric Rostand whose mandate is due to expire.

The term of the mandate of Mrs. Matthews will thus expire at the end of the Shareholders' Meeting called to vote in 2020 upon the approval of the financial statements for the fiscal year ending December 31, 2019.





PROPOSED RESOLUTION 9 TO 12 – RENEWAL OF THE MANDATES OF THE TWO STATUTORY AUDITORS AND OF THE TWO ALTERNATE AUDITORS

Board of Directors' Report:

We propose to renew, for a period of six fiscal years, the expiring mandates of the Statutory and Alternate Auditors:

- the company Deloitte & Associés and its alternate, the company BEAS,
- the company Grant Thornton and its alternate, the company Institut de gestion et d'expertise comptable – IGEC.

Proposed resolution 9 – Renewal of the mandate of the company Deloitte & Associés as Statutory Auditor

The Shareholders decide to renew, for a period of six fiscal years, the mandate of the company Deloitte & Associés as Statutory Auditor.

The mandate of the company Deloitte & Associés will thus expire at the end of the Shareholders' Meeting called to vote in 2023 upon the approval of the financial statements for the fiscal year ending December 31, 2022.

Proposed resolution 10 – Renewal of the mandate of the company BEAS as Alternate Auditor

The Shareholders decide to renew, for a period of six fiscal years, the mandate of the company BEAS as Alternate Auditor to the company Deloitte & Associés.

The mandate of the company BEAS will thus expire at the end of the Shareholders' Meeting called to vote in 2023 upon the approval of the financial statements for the fiscal year ending December 31, 2022.

Proposed resolution 11 – Renewal of the mandate of the company Grant Thornton as Statutory Auditor

The Shareholders decide to renew, for a period of six fiscal years, the mandate of the company Grant Thornton as Statutory Auditor.

The mandate of the company Grant Thornton will thus expire at the end of the Shareholders' Meeting called to vote in 2023 upon the approval of the financial statements for the fiscal year ending December 31, 2022.

Proposed resolution 12 – Renewal of the mandate of the company IGEC as Alternate Auditor

The Shareholders decide to renew, for a period of six fiscal years, the mandate of the company Institut de gestion et d'expertise comptable – IGEC as Alternate Auditor to the company Grant Thornton.

The mandate of the company Institut de gestion et d'expertise comptable – IGEC will thus expire at the end of the Shareholders' Meeting called to vote in 2023 upon the approval of the financial statements for the fiscal year ending December 31, 2022.

PROPOSED RESOLUTIONS 13 TO 18 – OPINION ON THE ELEMENTS OF THE COMPENSATION DUE OR AWARDED FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016 TO THE CHAIRMAN OF THE BOARD OF DIRECTORS, THE CHIEF EXECUTIVE OFFICER AND THE EXECUTIVE VICE-PRESIDENTS

Board of Directors' Report:

In accordance with the Guidelines for the application of the AFEP/MEDEF's Corporate Governance Code for listed corporations, the table below lists the elements of the compensation due or awarded to Bruno Bich, Mario Guevara, François Bich, Gonzalve Bich, James DiPietro and Marie-Aimée Bich-Dufour for the fiscal year 2016. These elements are described in more detail in the 2016 registration document (see *Chapter 3, section 3.4.1 Senior Management Compensation*).





BRUNO BICH, CHAIRMAN OF THE BOARD FROM JANUARY AND CHIEF EXECUTIVE OFFICER FROM JUNE 2016

Compensation due or awarded in respect of the fiscal year 2016	Amounts or accounting valuation submitted for opinion	Presentation
Fixed compensation 2016	200,000 EUR	+2.04% versus 2015
Annual variable compensation	N/A	The principle of this compensation has not been provided for
Deferred variable compensation	N/A	The principle of this compensation has not been provided for
Multi-year variable compensation	N/A	Absence
Exceptional compensation	N/A	Absence
Stock-options, performance shares and any other element of long-term compensation	N/A	No allocation
Directors' fees	N/A	Absence
Valuation of any benefits-in-kind	N/A	Absence
Sign on bonus	N/A	Absence
Termination payment	N/A	No clause providing a termination payment
Non-competition benefits	N/A	No non-competition clause
Supplementary pension plan	N/A	No supplementary pension plan has been put in place for Bruno Bich with regard to his mandate of Chairman of the Board and Chief Executive Officer or any other current mandate within the Group.

MARIO GUEVARA, CHIEF EXECUTIVE OFFICER UNTIL THE END OF MAY 2016

Compensation due or awarded in respect of the fiscal year 2016	Amounts or accounting valuation submitted for opinion ^(a)	Presentation
Fixed compensation 2016	340,615 USD (307,914 EUR)	-58% versus 2015 (compensation until June 1, 2016)
Annual variable compensation due in respect of 2016	N/A	Absence
Deferred variable compensation	N/A	Absence
Multi-year variable compensation	N/A	Absence
Exceptional compensation	N/A	Absence
Stock-options, performance shares and any other element of long-term compensation	<p>25,000 performance shares granted in 2016.</p> <p>Valuation according to the method used for the consolidated financial statements: 2,841,000 EUR.</p> <p>With regard to the performance shares plans, Mario Guevara received a gross remuneration of 315,809 USD (285,490 EUR) equivalent to the unpaid dividends on the vested shares held by SOCIÉTÉ BIC until the end of the compulsory holding period (including remuneration of paid leave).</p>	<p>Share acquisition depends on two performance conditions:</p> <ul style="list-style-type: none"> • net sales growth; • cash flow from operations and change in inventory, as a percentage of net sales. <p>These criteria are demanding per nature (growth versus value). The grant represents 0.05% of the share capital. Annual Shareholders' Meeting authorization date: May 18, 2016. Board of Directors' Meeting grant date: May 18, 2016.</p>
Directors' fees	N/A	N/A
Valuation of any benefits-in-kind	64,964 USD (58,726 EUR)	<ul style="list-style-type: none"> • Car allowance: 8,074 USD (7,298 EUR) • Company contributions to Company U.S. savings plan: • 401K: 7,950 USD (7,187 EUR) • Other: 48,940 USD (44,241 EUR)
Sign on bonus	N/A	Absence
Termination payment	N/A	No clause providing a termination payment
Non-competition benefits	N/A	No non-competition clause





Compensation due or awarded in respect of the fiscal year 2016	Amounts or accounting valuation submitted for opinion ^(a)	Presentation
Supplementary pension plan	Mario Guevara has opted to receive his pension as a lump sum. On May 31, 2016, he has received 121,933 USD (110,227 EUR) for a part of his pension acquired in Mexico. On December 2016, he has received 13,595,188 USD (12,289,991 EUR).	<p>Mario Guevara participated in the BIC CORPORATION Supplementary Executive Retirement Plan, which has existed since 1970 and which benefits to the main executives of BIC Corporation.</p> <ul style="list-style-type: none"> • Condition for pension benefit eligibility: <ul style="list-style-type: none"> • A minimum period of five years of participation is necessary to benefit from the plan. • Method for determining the pensionable salary: <ul style="list-style-type: none"> • The pensionable salary is the average remuneration (base+bonus) of the best three years of the last five years of service. • Rate of acquisition of rights <ul style="list-style-type: none"> • This defined-benefit plan provides, by year of service, a pension equal to 2,5% of the average pensionable salary, with a maximum of 50% (i.e. 20 years of service) including the pension granted by the U.S. Qualified Pension Plan. • Full vesting in the Supplementary Executive Retirement Plan occurs at age 52 with fifteen or more years of service or at age 60 with five years of participation. Full vesting in the U.S. Qualified Pension Plan occurs at five years of service. • The commitments arising from this plan are recorded in BIC CORPORATION's financial statements in accordance with IAS 19. • Maximum payments: <ul style="list-style-type: none"> • Maximum of 50% of remuneration (i.e., 20 years of service) including the pension obtained from the U.S. Qualified Pension Plan. • Method of funding: <ul style="list-style-type: none"> • The <i>Supplementary Executive Retirement Plan</i> is unfunded. However, BIC invests in life insurance policies to offset the cost of the plan. The U.S. Qualified Pension Plan is funded through a trust. • Other expenses paid by the Company: <ul style="list-style-type: none"> • BIC pays the cost of administration, accounting valuations under IAS 19 and funding valuations for the U.S. Qualified Pension Plan. <p>Mario Guevara has been contributing to this plan since 2001, which is significantly in advance of his appointment as a Corporate Officer of SOCIÉTÉ BIC.</p>

(a) Amounts in U.S. dollars were converted into euros using the average exchange rate for 2016 (1 euro = 1.1062 U.S. dollars)

FRANÇOIS BICH, DIRECTOR AND EXECUTIVE VICE-PRESIDENT UNTIL THE END OF FEBRUARY 2016

Compensation due or awarded in respect of the fiscal year 2016	Amounts or accounting valuation submitted for opinion	Presentation
Fixed compensation 2016	81,667 EUR	-83% versus 2015 (compensation until end of February 2016)
Annual variable compensation due in respect of 2016	N/A	Absence
Deferred variable compensation	N/A	Absence
Multi-year variable compensation	N/A	Absence
Exceptional compensation	N/A	Absence
Stock-options, performance shares and any other element of long-term compensation	N/A	Absence





BOARD OF DIRECTORS' REPORT AND PROPOSED RESOLUTIONS OF THE SHAREHOLDERS' MEETING OF MAY 10, 2017
Ordinary Shareholders' Meeting

Compensation due or awarded in respect of the fiscal year 2016	Amounts or accounting valuation submitted for opinion	Presentation
Directors' fees	N/A	N/A
Valuation of any benefits-in-kind	612 EUR	Company car
Sign on bonus	N/A	Absence
Termination payment	N/A	No clause providing a termination payment
Non-competition benefits	N/A	No non-competition clause
Supplementary pension plan	<p>François Bich retired on March 1, 2016. Since then, he receives a pension paid by an insurance company under the Supplementary Executive Retirement Plan, which provides a defined benefit for BIC executives in France.</p> <p>No payment is due by BIC in respect of 2016, because the pension is paid by the insurance company.</p>	<p>François Bich contributed to the Supplementary Executive Retirement Plan for BIC Group executives in France. This defined benefit plan, which is an additional pension plan, provides a supplementary pension to the compulsory plans and is covered by Article L. 137-11 of the French Social Security Code.</p> <ul style="list-style-type: none">• Condition for pension benefit eligibility:<ul style="list-style-type: none">• a minimum period of five consecutive years of participation is necessary to benefit from the plan;• to officially qualify for a pension under the French Social Security scheme;• to retire at BIC in accordance with the provisions of Article L. 137-11 of the French Social Security Code).• Method for determining the pensionable salary:<ul style="list-style-type: none">• The pensionable salary is the average remuneration of the last three years of service.• To determine the pensionable salary, only base and annual bonus are included and all other direct or indirect payments are excluded.• Rate of acquisition of rights:<ul style="list-style-type: none">• The supplementary pension equals to 1.25% of the average remuneration of the last three years of service, based on years of membership of the plan, with a maximum of 25% (i.e. 20 years).• The commitments arising from this plan are recorded in SOCIÉTÉ BIC's financial statements in accordance with IAS 19.• Maximum payments:<ul style="list-style-type: none">• The consolidation of all their pension rights cannot exceed a replacement rate of 50%. The ceiling is verified at the date of retirement.• Method of funding:<ul style="list-style-type: none">• The Supplementary Executive Retirement Plan is funded.• Other expenses paid by the Company:<ul style="list-style-type: none">• BIC pays the Fillon tax, which is 24% of the contributions to the Fund. <p>The annual gross pension (before social contributions) paid to François Bich amounts to 212,832.22 EUR.</p> <p>The regulated agreements procedure was followed for this pension plan.</p> <p>Board of Directors' Meeting decision date: May 19, 2005.</p> <p>Shareholders' Meeting decision date: May 24, 2006 (Resolution 5).</p>





GONZALVE BICH, EXECUTIVE VICE-PRESIDENT FROM JUNE 2016

Compensation due or awarded in respect of the fiscal year 2016	Amounts or accounting valuation submitted for opinion ^(a)	Presentation
Fixed compensation 2016	375,000 USD (338,998 EUR)	Comparison with 2015 exercise not applicable (No mandate)
Annual variable compensation due in respect of 2016	258,400 USD (233,593 EUR). The annual bonus equals 64.60% of base compensation, represents 101.3% of the bonus target.	The bonus is calculated on the basis of four criteria: <ul style="list-style-type: none"> • net sales (20%); • income from operations (20%); • net income (10%); • inventories (10%); • accounts receivable (10%); • individual qualitative objectives (30%); Target bonus is 63.75% of base salary. The maximum bonus is 95.50% of base salary, equivalent to 150% of target bonus. The qualitative part of the bonus cannot exceed 28.50% of the base salary.
Deferred variable compensation	N/A	Absence
Multi-year variable compensation	N/A	Absence
Exceptional compensation	N/A	Absence
Stock-options, performance shares and any other element of long-term compensation	5,000 performance shares granted in 2016. Valuation according to the method used for the consolidated financial statements: 568,200 EUR. With regard to the performance shares plans, Gonzalve Bich received a gross remuneration of 11,241 USD (10,162 EUR) equivalent to the unpaid dividends on the vested shares held by SOCIÉTÉ BIC until the end of the compulsory holding period.	Share acquisition depends on two performance conditions: <ul style="list-style-type: none"> • net sales growth; • cash flow from operations and change in inventory, as a percentage of net sales. These criteria are demanding per nature (growth <i>versus</i> value). The grant represents 0.01% of the share capital. Annual Shareholders' Meeting authorization date: May 18, 2016. Board of Directors' Meeting grand date: May 18, 2016.
Directors' fees	N/A	Absence
Valuation of any benefits-in-kind	77,147 USD (69,740 EUR)	<ul style="list-style-type: none"> • Car allowance: 14,400 USD (13,017 EUR); • Company contributions to Company U.S. savings plan • 401K: 7,950 USD (7,187 EUR), • Executive Compensation Plan; 16,000 USD (14,464 EUR) • Other: 38,797 USD (35,072 EUR)
Sign on bonus	N/A	Absence
Termination payment	N/A	No clause providing a termination payment
Non-competition benefits	N/A	Absence





Compensation due or awarded in respect of the fiscal year 2016	Amounts or accounting valuation submitted for opinion ^(a)	Presentation
Supplementary pension plan	No payment is due in respect of 2016	<p>Gonzalve Bich participates in the BIC CORPORATION Restoration Plan, a supplementary pension plan in the U.S., which has existed since 2006 and which benefits selected Company executives whose compensation in the U.S. Qualified Pension Plan benefit is restricted due to regulations.</p> <ul style="list-style-type: none">• Condition for pension benefit eligibility:<ul style="list-style-type: none">• A minimum period of five years of participation is necessary to benefit from the plan.• Method for determining the pensionable salary:<ul style="list-style-type: none">• The pensionable salary is the average remuneration which is based on the highest three consecutive years within the last 10 years.• Rate of acquisition of rights:<ul style="list-style-type: none">• The defined-benefit plan provides for a single life annuity, payable at normal retirement age (65) equal to 1.1% of average pay up to the average Social Security wage base multiplied by the number of years of service, which may not exceed 35 years plus 1.5% of average pay in excess of the average Social Security wage base multiplied by the number of years of service, which may not exceed 35 years, plus 1.4% of average pay per year of service in excess of 35 years, including the pension granted by the U.S. Qualified Pension Plan. Full vesting in the Restoration Plan occurs at age 52 with fifteen or more years of service or at age 60 with five years of participation. Full vesting in the U.S. Qualified Plan occurs at five years of service.• In addition, the Plan provides reduced early retirement benefits for beneficiaries prior to age 65 (or age 62 if they retire at or after age 55 with ten or more years of service).• The commitments arising from this plan are provisioned in BIC CORPORATION's financial statements in accordance with IAS 19.• Maximum payments:<ul style="list-style-type: none">• None applicable.• Method of funding:<ul style="list-style-type: none">• The Restoration Plan is unfunded. The <i>U.S. Qualified Pension Plan</i> is funded through a trust.• Other expenses paid by the Company:<ul style="list-style-type: none">• BIC pays the cost of administration, accounting valuations under IAS 19 and funding valuations for the U.S. Qualified Pension Plan. <p>Gonzalve Bich has accrued a pension benefit equivalent to 19,5% of the average remuneration of the last three years of service based on his 13.9 years of service (<i>i.e.</i>, for information, an annual pension equal to 98,603 U.S. dollars payable at age 65 (inclusive of the U.S. Qualified Pension Plan benefit), if he had stopped his activity on December 31, 2016). He has elected to receive his Restoration Plan benefit as a lump sum.</p>

(a) Amounts in U.S. dollars were converted into euros using the average exchange rate for 2016 (1 euro = 1.1062 U.S. dollars)





JAMES DIPIETRO, EXECUTIVE VICE-PRESIDENT FROM JUNE 2016

Compensation due or awarded in respect of the fiscal year 2016	Amounts or accounting valuation submitted for opinion ^(a)	Presentation
Fixed compensation 2016	493,333 USD (445,971 EUR)	Comparison with 2015 exercise not applicable (No mandate)
Annual variable compensation due in respect of 2016	344,850 USD (311,743 EUR) The annual bonus equals 68.97% of base compensation, represents 103.4% of the bonus target.	The bonus is calculated on the basis of four criteria: <ul style="list-style-type: none"> • net sales (20%); • income from operations (20%); • net income (10%); • inventories (10%); • account receivable (10%); • individual qualitative objectives (30%). Target bonus is 66.70% of base salary. The maximum bonus is 100% of base salary, equivalent to 150% of target bonus. The qualitative part of the bonus cannot exceed 30% of the base salary.
Deferred variable compensation	N/A	Absence
Multi-year variable compensation	N/A	Absence
Exceptional compensation	N/A	Absence
Stock-options, performance shares and any other element of long-term compensation	8,000 performance shares granted in 2016. Valuation according to the method used for the consolidated financial statements: 909,120 EUR. With regard to the performance shares plans, James DiPietro received a gross remuneration of 76,739 USD (69,372 EUR) equivalent to the unpaid dividends on the vested shares held by SOCIÉTÉ BIC until the end of the compulsory holding period.	Share acquisition depends on two performance conditions: <ul style="list-style-type: none"> • net sales growth; • cash flow from operations and change in inventory, as a percentage of net sales. These criteria are demanding per nature (growth versus value). The grant represents 0.02% of the share capital. Annual Shareholders' Meeting authorization date: May 18, 2016. Board of Directors' Meeting grant date: May 18, 2016.
Directors' fees	N/A	N/A
Valuation of any benefits-in-kind	80,547 USD (72,814 EUR)	<ul style="list-style-type: none"> • Car allowance: 13,800 USD (12,475 EUR); • Company contributions to Company U.S. savings plan • 401K: 7,950 USD (7,187 EUR), • Executive Compensation Plan; 20,000 USD (18,080 EUR) • Other: 38,797 USD (35,072 EUR)
Sign on bonus	N/A	Absence
Termination payment	N/A	No clause providing a termination payment
Non-competition benefits	N/A	Absence





Compensation due or awarded in respect of the fiscal year 2016	Amounts or accounting valuation submitted for opinion ^(a)	Presentation
Supplementary pension plan	No payment is due in respect of 2016	<p>James DiPietro participates in the BIC CORPORATION Supplementary Executive Retirement Plan, a supplementary pension plan in the U.S. which has existed since 1970 and which benefits to the main executives of BIC Corporation.</p> <ul style="list-style-type: none">• Condition for pension benefit eligibility:<ul style="list-style-type: none">• A minimum period of five years of participation is necessary to benefit from the plan.• Method for determining the pensionable salary:<ul style="list-style-type: none">• The pensionable salary is the average remuneration (base + bonus) of the best three years of the last five years of service.• Rate of acquisition of rights:<ul style="list-style-type: none">• This defined benefit plan provides, by year of seniority, a pension equal to 2.5% of the average pensionable salary with a maximum of 50% (i.e. 20 years of services), including the pension granted by the U.S. Qualified Pension Plan.• Full vesting in the Supplementary Executive Retirement Plan occurs at age 52 with fifteen or more years of service or at age 60 with five years of participation. Full vesting in the U.S. Qualified Plan occurs at five years of service.• The commitments arising from this plan are recorded in BIC CORPORATION's financial statements in accordance with IAS 19.• Maximum payments:<ul style="list-style-type: none">• Maximum of 50% (i.e., 20 years of service), including the pension granted to the U.S. Qualified Pension Plan.• Method of funding:<ul style="list-style-type: none">• The Supplementary Executive Retirement Plan is unfunded. However, BIC invests in life insurance policies to offset the cost of the plan. The U.S. Qualified Pension Plan is funded through a trust.• Other expenses paid by the Company:<ul style="list-style-type: none">• BIC pays the cost of administration, accounting valuations under IAS 19 and funding valuations for the U.S. Qualified Pension Plan. <p>As of December 31, 2016, James DiPietro has accrued a pension benefit equivalent to 2.5% x 18.583 years of service = 46.46% of the average remuneration of the last three years of service (i.e., for information, an annual pension equal to 355,816 U.S., dollars as a single life annuity payable at age 57 (inclusive of the U.S. Qualified Pension Plan benefit), if he had stopped his activity on December 31, 2016). He has elected to receive his Supplementary Executive Retirement Plan benefit as a lump sum.</p>

(a) Amounts in U.S. dollars were converted into euros using the average exchange rate for 2016 (1 euro = 1.1062 U.S. dollars)





MARIE-AIMÉE BICH-DUFOUR, EXECUTIVE VICE-PRESIDENT

Compensation due or awarded in respect of the fiscal year 2016	Amounts or accounting valuation submitted for opinion	Presentation
Fixed compensation 2016	295,000 EUR	+0% <i>versus</i> 2015
Annual variable compensation due in respect of 2016	The annual bonus equals 46.98% of base salary, represents 104.4% of the bonus target and amounts to 138,591 EUR.	<p>The bonus is calculated on the basis of four criteria:</p> <ul style="list-style-type: none"> • net sales (20%); • income from operations (30%); • net income (10%); • individual qualitative objectives (40%) <p>Target bonus is 45% of base salary. The maximum bonus is 67.5% of base salary, equivalent to 150% of target bonus.</p> <p>The qualitative part of the bonus cannot exceed 27% of the base salary</p>
Deferred variable compensation	N/A	The principle of this compensation has not been provided for
Multi-year variable compensation	N/A	The principle of this compensation has not been provided for
Exceptional compensation	N/A	Absence
Stock options, performance shares and any other element of long-term compensation	<p>3,250 performance shares granted in 2016.</p> <p>Valuation according to the method used for the consolidated financial statements: 367,900 EUR.</p>	<p>Share acquisition depends on two performance conditions:</p> <ul style="list-style-type: none"> • net sales growth; • cash flow from operations and change in inventory, as a percentage of net sales. <p>These criteria are demanding per nature (growth versus value).</p> <p>The grant represents 0.01% of the share capital.</p> <p>Annual Shareholders' Meeting authorization date: May 18, 2016.</p> <p>Board of Directors' Meeting grant date: May 18, 2016.</p>
Directors' fees	N/A	Absence
Valuation of any benefits-in-kind	1,488 EUR	Company car
Sign on bonus	N/A	Absence
Termination payment	N/A	No clause providing a termination payment
Non-competition benefits	N/A	No non-competition clause





Compensation due or awarded in respect of the fiscal year 2016	Amounts or accounting valuation submitted for opinion	Presentation
Supplementary pension plan	No payment is due in respect of 2016	<p>Marie-Aimée Bich-Dufour contributes to the Supplementary Executive Retirement Plan (governed by Article L. 137-11 of the Social Security Code) for BIC executives in France:</p> <ul style="list-style-type: none">• Condition for pension benefit eligibility:<ul style="list-style-type: none">• A minimum period of five years of participation is necessary to benefit from the plan.• be officially qualified for a pension under the Social Security scheme.• retire from BIC in accordance with the provision of Article L. 137-11 of the Social Security Code).• Method for determining the pensionable salary:<ul style="list-style-type: none">• The pensionable salary is the average remuneration of the last three years of service;• To determine the pensionable salary, only base and annual bonus are included, all other direct or indirect payments are excluded.• Rate of pension rights acquisition:<ul style="list-style-type: none">• The supplementary pension is equal to 1.25% of the average remuneration of the last three years of service, based on years of membership of the plan, with a maximum of 25% (i.e. 20 years).• On May 18, 2016, Société BIC's Board decided to freeze the acquisition rights of Marie-Aimée Bich-Dufour during the new mandate.• The commitments arising from this plan are recorded in SOCIÉTÉ BIC's financial statements in accordance with IAS 19.• Maximum Payments:<ul style="list-style-type: none">• The consolidation of all pension rights cannot exceed a replacement rate of 50% of remuneration. The ceiling is verified at the date of retirement.• Method of funding:<ul style="list-style-type: none">• The Supplementary Executive Retirement Plan is funded.• Other expenses paid by the Company:<ul style="list-style-type: none">• BIC pays the Fillon tax, which is 24% of the contributions to the Fund. <p>On December 31, 2016, the pension which has been determined based on seniority in the Plan and on her remuneration as of May 18, 2016, amounts to 107,318 EUR (for information purpose).</p> <p>The regulated agreements procedure was followed for this pension plan.</p> <p>Board of Directors' Meeting decision date: May 19, 2005.</p> <p>Shareholders' Meeting decision date: May 24, 2006 (resolution 5).</p>





Proposed resolution 13 – Opinion on the compensation elements due or awarded to Bruno BICH, Chairman of the Board of Directors then Chairman and Chief Executive Officer, for the fiscal year ended December 31, 2016

The Shareholders, deliberating under the conditions of quorum and majority required by the Ordinary Shareholders' Meetings, issue a favorable opinion on the compensation elements due or awarded to Bruno Bich, Chairman of the Board of Directors then Chairman and Chief Executive Officer, for the fiscal year ended December 31, 2016, as described in the Board of Directors' Report and in the 2016 registration document (see *Chapter 3, section 3.4.1. Senior Management Compensation*).

Proposed resolution 14 – Opinion on the compensation elements due or awarded to Mario GUEVARA, Chief Executive Officer, for the fiscal year ended December 31, 2016

The Shareholders, deliberating under the conditions of quorum and majority required by the Ordinary Shareholders' Meetings, issue a favorable opinion on the compensation elements due or awarded to Mario Guevara, Chief Executive Officer, for the fiscal year ended December 31, 2016, as described in the Board of Directors' Report and in the 2016 registration document (see *Chapter 3, section 3.4.1. Senior Management Compensation*).

Proposed resolution 15 – Opinion on the compensation elements due or awarded to François BICH, Executive Vice-President, for the fiscal year ended December 31, 2016

The Shareholders, deliberating under the conditions of quorum and majority required by the Ordinary Shareholders' Meetings, issue a favorable opinion on the compensation elements due or awarded to François Bich, Executive Vice-President, for the fiscal year ended December 31, 2016, as described in the Board of Directors' Report and in the 2016 registration document (see *Chapter 3, section 3.4.1. Senior Management Compensation*).

Proposed resolution 16 – Opinion on the compensation elements due or awarded to Gonzalve BICH, Executive Vice-President, for the fiscal year ended December 31, 2016

The Shareholders, deliberating under the conditions of quorum and majority required by the Ordinary Shareholders' Meetings, issue a favorable opinion on the compensation elements due or awarded to Gonzalve Bich, Executive Vice-President, for the fiscal year ended December 31, 2016, as described in the Board of Directors' Report and in the 2016 registration document (see *Chapter 3, section 3.4.1. Senior Management Compensation*).

Proposed resolution 17 – Opinion on the compensation elements due or awarded to James DIPIETRO, Executive Vice-President, for the fiscal year ended December 31, 2016

The Shareholders, deliberating under the conditions of quorum and majority required by the Ordinary Shareholders' Meetings, issue a favorable opinion on the compensation elements due or awarded to James DiPietro, Executive Vice-President, for the fiscal year ended December 31, 2016, as described in the Board of Directors' Report and in the 2016 registration document (see *Chapter 3, section 3.4.1. Senior Management Compensation*).

Proposed resolution 18 – Opinion on the compensation elements due or awarded to Marie-Aimée BICH-DUFOUR, Executive Vice-President, for the fiscal year ended December 31, 2016

The Shareholders, deliberating under the conditions of quorum and majority required by the Ordinary Shareholders' Meetings, issue a favorable opinion on the compensation elements due or awarded to Marie-Aimée Bich-Dufour, Executive Vice-President, for the fiscal year ended December 31, 2016, as described in the Board of Directors' Report and in the 2016 registration document (see *Chapter 3, section 3.4.1. Senior Management Compensation*).





PROPOSED RESOLUTION 19 – COMPENSATION POLICY OF THE CHAIRMAN, CHIEF EXECUTIVE OFFICER AND EXECUTIVE VICE-PRESIDENTS

Board of Directors' Report:

In application of Article L. 225-37-2 of the French Commercial Law, the Board of Directors submits to the approval of the Shareholders' Meeting the principle and criteria applicable to the determination, distribution and allocation of the fixed, variable and exceptional components of the total remuneration and benefits of any kind attributable to their mandate of Chairman, Chief Executive Officer and Executive Vice-Presidents, in respect of the 2017 financial year and constituting the compensation policy relating to them (*ex ante* vote).

These principles and criteria adopted by the Board of Directors upon the recommendation of the Compensation and Nomination Committee are presented in the report provided for by the aforementioned article and laid down in 3.3. of the 2016 Registration Document.

In application of Article L. 225-100 of the French Commercial Law, amounts resulting from the implementation of these principles and criteria will be submitted to the approval of the Shareholders' Meeting ruling in 2018 on financial statements closed on December 31, 2017 (*ex post* vote).

Proposed resolution 19 – Compensation policy of the President, Chief Executive Officer and Executive Vice-Presidents

The Shareholders' Meeting, acting in accordance to the conditions of quorum and to the majority required by the Ordinary Shareholders' Meetings and having reviewed the report provided for by Article

L. 225-37-2 of the French Commercial law, approves the principles and criteria of determination, distribution and allocation of the fixed, variable and exceptional items composing the total remuneration and benefits of any kind presented in the aforementioned report and attributable to their mandates of Chairman, Chief Executive Officer and Executive Vice-Presidents.





7.2. Extraordinary Shareholders' Meeting

PROPOSED RESOLUTION 20 - AUTHORIZATION TO BE GIVEN TO THE BOARD OF DIRECTORS TO REDUCE THE SHARE CAPITAL BY CANCELLATION OF SHARES ACQUIRED IN ACCORDANCE WITH ARTICLE L. 225-209 OF THE FRENCH COMMERCIAL CODE

Board of Directors' Report:

We propose to renew the authorization given to the Board of Directors, for a period of 18 months, to:

- cancel, within the limit of 10% of the share capital per period of 24 months, all or part of the shares held in the framework of the share buyback program authorized by the fifth resolution and to decrease the share capital accordingly;
- charge the difference between the buyback price of the cancelled shares and their nominal value to premiums and available reserves.

Proposed resolution 20 - Authorization to be given to the Board of Directors to reduce the share capital by cancellation of shares acquired in accordance with Article L. 225-209 of the French Commercial Code

The Shareholders, after having considered the Board of Directors' Report and the Statutory Auditor's Report, deliberating in accordance with the provisions of Article L. 225-209 of the French Commercial Code, authorize the Board of Directors:

- on its sole deliberations, at the times it deems appropriate, to cancel on one or more occasions, by a corresponding reduction of share capital, all or part of the shares of the Company acquired or to be acquired by the Company under the buyback of shares authorized by previous Shareholders' Meetings or by the fifth resolution above, within the limit of 10% of the share capital existing on the date of the Shareholders' Meeting, per period of 24 months;

- to charge the difference between the buyback price of the cancelled shares and their nominal value to available premiums and reserves.

The Extraordinary Shareholders' Meeting delegates to the Board of Directors all authority to proceed with the cancellation(s) of these shares, to take note of the corresponding reduction(s) in share capital, to charge the difference between the carrying amount of cancelled shares and their nominal value to all reserve accounts or others, to proceed with the modification of the articles of incorporation accordingly, to carry out all formalities, make all declarations with all authorities or administrative bodies and in a general manner, do all that may be necessary to carry out the foregoing authorization.

This authorization is given to the Board of Directors for a period of 18 months starting from the date of this Shareholders' Meeting and replaces that given at the Shareholders' Meeting held on May 18, 2016 (Resolution 14).





PROPOSED RESOLUTION 21 – INSERTION IN THE ARTICLES OF INCORPORATION OF AN ARTICLE 10 BIS "DIRECTOR(S) REPRESENTING THE EMPLOYEES"

Board of Directors' Report:

The REBSAMEN Law of August 17, 2015 pertaining to social dialog and employment extended the scope of the mandatory appointment at the Board of Directors of a Director representing the employees. Your Company is now compelled to proceed with the said appointment before the end of fiscal year 2017.

The appointment or election of such Director can be performed in three different manners:

- Election by the employees of the Company and its French subsidiaries;
- Appointment by the labor union having obtained most votes at the first round of professional elections;
- Appointment by the Group Committee (*Comité de Groupe*).

It is incumbent on the Shareholders, based upon submission by the Board of Directors, to insert in the Articles of incorporation a provision that determines how the appointment shall be made.

It is therefore proposed to have the Articles of incorporation provide that the Director representing the employees shall be appointed by the Group Committee.

Proposed resolution 21 – Insertion in the Articles of incorporation of an Article 10 bis "Director(s) representing the employees"

The Extraordinary General Meeting, acting in accordance to the conditions of quorum and to the majority required for Extraordinary Shareholders' Meeting, resolves to insert in the Articles of Incorporation an Article Ten Bis "Employee Representative Director(s)" as follows:

"Article 10 bis - Director(s) representing the employees"

The Board of Directors comprises, additionally, pursuant to article L. 225-27-1 of the French Commercial Code, a Director representing the Group's employees.

Should the number of Directors appointed by the Shareholders' Meeting exceed 12, a second Director representing the Employees would be appointed in accordance with the provisions hereafter, within six months.

The number of members of the Board to be taken into consideration in determining the number of Directors representing employees is assessed at the date on which employee representatives are appointed to the Board. Neither Directors elected by employees pursuant to Article L. 225-27 of the French Commercial Code, nor employee shareholder Directors appointed pursuant to Article L. 225-23 of the French Commercial Code will be taken into account in this calculation.

The Directors representing the employees are appointed by the Group E Committee.

In case of vacancy, for any reason whatever, of a seat of a Director representing the employees, the vacancy is filled in accordance with Article L. 225-34 of the French Commercial Code.

As an exception to the rule provided under Article 10 of these Articles of incorporation, regarding Directors appointed by the Shareholders' Meeting, the Directors representing the employees at the Board are not required to hold a minimum number of shares.

In the event the Company no longer falls under the scope of Article L. 225-27-1 of the French Commercial Code, the mandate of the Director(s) representing the employees at the Board terminates at the close of the meeting during which the Board acknowledges that the company no longer falls under the scope of the obligation."





7.3. Ordinary and Extraordinary Shareholders' Meeting

PROPOSED RESOLUTION 22 - AUTHORIZATION TO PERFORM FORMALITIES

Board of Directors' Report:

This resolution allows the performance of the legal formalities following the present Meeting.

Proposed resolution 22 - Authorization to perform formalities

The Shareholders grant full powers to the bearer of a copy or of an excerpt of the present document to carry out any and all required legal formalities.





7.4. Statutory Auditors' report

STATUTORY AUDITORS' REPORT ON THE SHARE REDUCTION CAPITAL

Combined Shareholders' Meeting of May 10, 2017 - Resolution n°20

This is a free translation into English of a report issued in the French language and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction and construed in accordance with French law and professional auditing standards applicable in France.

To the shareholders,

As Statutory Auditors of your Company and pursuant to the duties set forth in Article L. 225-209 of the French commercial code (Code de commerce) concerning share capital reductions by cancellation of shares purchased, we hereby report to you on our assessment of the reasons for and terms and conditions of the proposed share capital reduction.

The Board of Directors proposes that shareholders delegate to it, for a period of 18 months from the date of this Shareholders' Meeting, all necessary powers to cancel, up to a maximum of 10% of its share capital by 24-month period, the shares purchased by the Company pursuant to the authorization to purchase its own shares in the context of the aforementioned Article.

We conducted the procedures we deemed necessary in accordance with the professional guidelines of the French National Institute of Statutory Auditors (Compagnie nationale des Commissaires aux comptes) applicable to our engagement. These procedures consisted in verifying the fairness of the reasons for and the terms and conditions of the proposed share capital reduction, which does not undermine shareholder equality.

We have no comments on the reasons for and the terms and conditions of the proposed share capital reduction.

Neuilly-sur-Seine, March 8, 2017

The Statutory Auditors

French original signed by

Grant Thornton

French member of Grant Thornton International

Vincent PAPAŽIAN

Deloitte & Associés

François BUZY





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8.1. Documents on display

MEMORANDUM AND ARTICLES OF INCORPORATION

See Chapter 6. "Information on the Issuer".

2016 ANNUAL INFORMATION REPORT

See *Annual Information Report*.

HISTORICAL FINANCIAL INFORMATION

The 2015 and 2016 registration documents are available on SOCIÉTÉ BIC's website (www.bicworld.com).





8.2. Annual Information Report

List of the information published or made public over the past 12 months related to the listing of the shares on Euronext Paris.

PRESS RELEASES AVAILABLE ON WWW.INFO-FINANCIERE.FR AND ON THE COMPANY'S WEBSITE: WWW.BICWORLD.COM

Date	Title
February 17, 2016	Full Year 2015 Results
March 10, 2016	Remuneration of corporate officers
March 23, 2016	Availability of 2015 Registration Document
April 27, 2016	1 st Quarter 2016 Results
August 04, 2016	2 nd Quarter and 1 st Half 2016 Results
October 26, 2016	9 months 2016 Results
December 14, 2016	Gonzalve Bich appointed BIC Chief Operating Officer





8.3. Person responsible

NAME AND FUNCTION

Bruno Bich

Chairman and Chief Executive Officer

DECLARATION BY RESPONSIBLE PERSON OF THE REGISTRATION DOCUMENT

"I certify that I have taken all reasonable care to ensure that the information contained in this registration document is, to the best of my knowledge, accurate and does not omit any material fact.

I certify that to the best of my knowledge, the accounts are prepared in accordance with the applicable set of accounting standards and give a true and fair view of the assets, liabilities and financial position and profit or loss of the Company and all undertakings in the consolidation taken as a whole, and that the management report, referenced in the cross reference table, includes a fair review of the development and performance of the business, profit or loss and financial position of the Company and the undertakings in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

I have received a letter from the Statutory Auditors, confirming that they have completed, in accordance with the professional standards applicable in France, the work necessary to verify the information related to the financial statements included in this registration document. The Auditors also confirmed that they reviewed this document in its entirety."

On March 21, 2017,

Bruno Bich

Chairman and Chief Executive Officer





8.4. Statutory Auditors

NAMES AND ADDRESSES

Statutory Auditors

The Statutory Auditors issue reports on statutory and consolidated accounts of SOCIÉTÉ BIC:

Deloitte & Associés

Represented by Mr. François Buzy
185, avenue Charles-de-Gaulle
92200 Neuilly-sur-Seine
Tel.: +33 1/40.88.28.00

Deloitte & Associés was appointed as Statutory Auditor for SOCIÉTÉ BIC for the first time at the Extraordinary General Shareholders' Meeting on May 4, 1999.

The mandate of Deloitte & Associés as Statutory Auditors is in place for a period of six fiscal years and was renewed at the Annual Shareholders' Meeting on May 11, 2011. It will expire in 2017 at the General Shareholders' Meeting confirming the accounts for fiscal year 2016, which close December 31, 2016.

Grant Thornton

Represented by Mr. Vincent Papazian
29, rue du Pont
92200 Neuilly-sur-Seine
Tel.: +33 1/41.25.85.85

The Company Grant Thornton was appointed as Statutory Auditor for SOCIÉTÉ BIC for the first time at the Ordinary General Shareholders' Meeting on May 23, 2007, in replacement of the Company BDO Marque & Gendrot, outgoing, for the remaining period of the mandate of the latter.

The mandate of Grant Thornton as Statutory Auditors was renewed at the Annual Shareholders' Meeting on May 11, 2011. It will expire in 2017 at the General Shareholders' Meeting confirming the accounts for fiscal year 2016, which close December 31, 2016.

Substitute Auditors

Société BEAS was appointed as Substitute Auditor for the first time at the Annual Shareholders' Meeting on May 19, 2005. The mandate was renewed at the Annual Shareholders' Meeting on May 11, 2011 for the same period as that of Deloitte & Associés.

The Company *Institut de Gestion et d'Expertise Comptable* – IGEC – was appointed as Substitute Auditor for the first time at the Annual Shareholders' Meeting on May 23, 2007, in replacement of

Mr. Patrick Giffaux, outgoing. The mandate was renewed at the Annual Shareholders' Meeting on May 11, 2011 for the same period as that of Grant Thornton.

CHANGE OF STATUTORY AUDITORS

There was no change of Statutory Auditors at the Annual Shareholders' Meeting held on May 11, 2011.

FEEES OF THE AUDITORS AND THE MEMBERS OF THEIR NETWORKS

Joint audit firms' yearly audit fees included in the Group income statement are presented in Note 30 to the consolidated financial statements.

AUDITING OF HISTORICAL ANNUAL FINANCIAL INFORMATION

Audited historical annual financial information and the corresponding Auditors' Report for financial years 2014 and 2015, as well as the review of the financial position and the results related to it, have been presented in previous registration documents, which have been duly filed with the *Autorité des Marchés Financiers* (French Financial Markets Authority) (respectively No. D. 15-0184 and No. D. 16-0193) and available on the website of the BIC Group. In application of Article 28 of Regulation (EC) No. 809/2004, this information is incorporated by reference in this registration document.

INTERIM AND OTHER FINANCIAL INFORMATION

Quarterly financial information has not been audited.

Half Year and annual financial information have been audited.





ADDITIONAL INFORMATION

Cross reference table required under European Commission Regulation n°809/2004

8.5. Cross reference table required under European Commission Regulation n°809/2004

The table below provides cross references between the pages in the registration document and the key information required under European Commission Regulation (EC) No. 809/2004 implementing EC Directive 2003/71/EC of the European Parliament and of the Council.

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13. PROFIT FORECASTS OR ESTIMATES	N/A
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Cross reference table required under European Commission Regulation n°809/2004

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Terms governing unissued capital	N/A
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8.6. Cross reference table with the Annual Financial Report

The 2011 registration document contains all of the information in the Annual Financial Report governed by Article L. 451-1-2 of the French Monetary and Financial Code. To make this information easier to find, the following cross-reference table lists it by main topic.

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Cross reference table with the management report

8.7. Cross reference table with the management report

This registration document includes all of the information in the management report of the Board of the BIC Group, as provided for in Articles L. 225-100 and L. 25-100-2 of the French Commercial Code.

The following table cross-refers each section of the management report of the Board to the corresponding pages of the registration document.

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8.8. Cross reference table for environmental and social indicators

For each section of the registration document, the following table gives the corresponding GRI⁽¹⁾ indicators and principles of the United Nations Global Compact and the general policies of the OECD Guidelines⁽³⁾.

Contents of the registration document	Article 225-105-1 of the French Commercial Code	GRI ⁽¹⁾	CDSB Framework for reporting environmental information & natural capital ⁽²⁾	Principles of the Global Compact	OECD ⁽³⁾ general policies	Page
1. Group presentation		G4-3, G4-4, G4-17, G4-5, G4-6, G4-7, G4-8, G4-9		REQ-07	6, 10	7 to 32
2.1 The BIC Sustainable Development Program	3.b, c	G4-2, G4-45, G4-47, G4-56, G4-15, G4-24, G4-26, G4-27, G4-PR5, G4-EC1, G4-8, G4-16, S05	P1, P2, P7, REQ-01, REQ-02, REQ-03	1 to 10	1, 5	34 to 46
2.2 Responsibility concerning our products	3.c, d	G4-PR1, G4-EN27	P5, P6, REQ-04, REQ-05	8 and 9	2, 3, 7, 8, 10, 12, 13, 14	47 to 58
2.3 Environmental responsibility concerning our operations	2.a, b, c, d, e	G4-EC2, G4-EN1, G4-EN3, G4-EN4, G4-EN5, G4-EN7, G4-EN6, G4-EN8, G4-EN12, EN14, G4-EN15, G4-EN16, G4-EN19, G4-EN23, G4-EN29, G4-EN30, G4-EN31	P4, P5, P6, REQ-01, REQ-02, REQ-04, REQ-05	7, 8 and 9	12	59 to 70
2.4 Our social responsibility to our employees	1.a, b, c, d, e, f, g	G4-10, G4-11, G4-LA1, G4-LA6, G4-LA7, G4-LA8, G4-LA9, G4-LA10, G4-LA11, G4-LA12		1, 3 and 6	2, 4, 10	71 to 85
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(1) GRI: Global Reporting Initiative, version G4.

(2) CDSB: Climate Disclosure Standards Boards.

(3) OECD: Organization for Economic Co-operation and Development.





8.9. Glossary

At constant currencies:

Constant currency figures are calculated by translating the current year figures at prior year monthly average exchange rates.

Comparative basis:

At constant currencies and constant perimeter. Figures at constant perimeter exclude the impacts of acquisitions and/or disposals that occurred during the current year and/or during the previous year, until their anniversary date.

Income from operations:

Profit realized from a business' own operations. Income from operations is generated from running the primary business and excludes income from other sources. It includes other products income from operations as well as Group expenses not allocated to the other categories.

Normalized IFO:

Normalized means excluding non-recurring items as detailed page 158.

Normalized IFO margin:

Normalized IFO as percentage of net sales.

Net cash position:

Cash and cash equivalents + Other current financial assets - Current borrowings - Non-current borrowings.

Net Cash from operating activities:

Principal revenue-producing activities of the entity and other activities that are not investing or financing activities.

FY 2016 as published:

Figures presented within the "as published" caption are taken directly from the consolidated financial statements as of and for the 12 month-periods ended December 31, 2015 and 2016 and present BIC Graphic NAM & Asian Sourcing as discontinued operations in accordance with IFRS.

FY 2016 restated for discontinued operations:

Figures presented within the "restated for discontinued operations" caption are based on the restatement of the discontinued activities classification and aim at presenting information consistent with historical presentation.

New products:

A product is considered as a new one in the year of its launch and the three following years.





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