

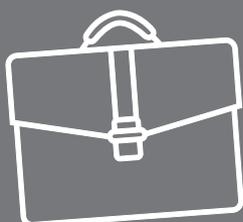
# CSR SECTION

OF THE 2016  
MANAGEMENT  
REPORT



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# FOREWORD

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Groupe Auchan announced the reorganisation of its governance at the end of 2015. This saw the entity being split into three large stand-alone businesses, all coming under the Auchan Holding umbrella:

- **Auchan Retail**, which encompasses all the food retailing formats (hypermarkets, supermarkets, convenience stores, drive-through outlets and e-commerce sites)
- **Immochan**, the retail property arm
- **Oney**, the banking activity.

This transformation was prompted by an ambition, shared by all three of the businesses above, to improve their performance levers, acquire greater leeway and enhance their flexibility and ability to take swift action.

Beyond the structural changes that this transition entails, 2016 was an opportunity to redefine business projects in order to keep up with the ever-evolving expectations of employees, customers and other stakeholders.

The launch of such a large number of new projects has not, however, diminished the businesses' long-standing ambition to be recognised for their ethics.

As tangible evidence of this course of action, an International Committee has been in charge of drafting, implementing and monitoring Corporate Social Responsibility (CSR) policies since late 2008. It promotes the sharing of objectives through common policies and shared best practices and ensures that its members assimilate labour-related and social issues. The company has been communicating on such issues since 2010. Its resolve was underpinned further in 2016 when Auchan Retail International joined the Global Compact network, launched by the United Nations in 1999 and long-supported by some of our entities.

Under Article 225 of the Grenelle 2 Act, Auchan Holding and Oney are required to communicate certified qualitative and/or quantitative data in respect of their entire business with regard to 42 CSR issues. A reporting protocol, available to all contributors, sets out clear, uniform procedures across all sites. It is updated every year in response to consolidation problems reported in certain countries or with certain store formats and to reflect changing regulations.

The external auditors use this protocol as a basis for their checks. With effect from 2016, Auchan France and Alinéa also fall within the scope of this protocol.

In their conclusion for financial year 2015, the external auditors "did not identify any significant anomaly liable to call into question the fair presentation of the CSR information, taken as a whole". The auditors made two observations, the first regarding the exclusion of the French hypermarkets from the gas indicator, and the second the difficulty of comparing 2014 and 2015 carbon emissions from refrigerants, due to a change in the reporting period, which was redefined when the reporting protocol was updated during the period. No such observations have been made regarding 2016.

The balance sheet for 2016 incorporates the data, now consolidated, for Chronodrive and for all the sites opened or acquired that came under our banners between 1 October 2014 and 30 September 2015. It reflects the changes in each indicator across all geographic regions and formats, insofar as such changes can be compared.

For each Auchan Holding business, the progress made and any problem areas are identified with the help of the corporate teams' review work and a detailed analysis for each business at the end of the financial year. These findings serve as a basis for corrective actions. Beyond the publication of earnings, this provides an ideal opportunity to remember the very purpose of the reporting exercise and illustrates the benefits of ever-deeper employee involvement, creating momentum behind a responsible approach that lends itself to the expression of local initiatives, nurturing commitments on a broader scale.

The businesses of Auchan Holding see this reorganisation as a chance to review their policies, creating material and immaterial value. This objective can only be sustained through a constant pursuit of excellence, driven by an openness that implies the cultivation of relationships built on trust.



# EMPLOYEES

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As major employers, Auchan Retail, Immochan and Oney take the responsibility they have towards their 351,474 employees very seriously. Mindful of the importance of safety in the workplace and quality of working life, and eager to forge a trusted relationship with each and every individual, all Auchan Holding entities draw on the diversity of their employee bases to move forward and cultivate a sense of responsibility and sharing.

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# WORKFORCE BREAKDOWN AND ANALYSIS

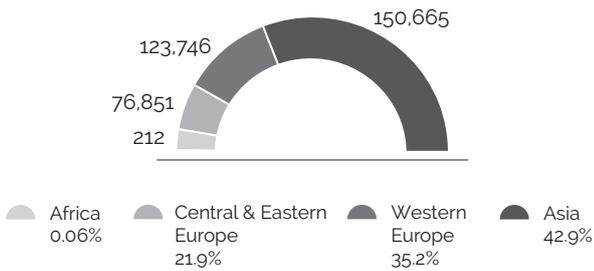
## > TRENDS IN THE WORKFORCE BUSINESS



As at 30 September 2016, the businesses within Auchan Holding's scope employed 351,474 people across the 15 countries in which they operate. This marks a 1.3% increase on 2015. Employee numbers have changed to varying degrees in different geographical regions. The workforce in Asia, for instance, rose by 4% with the opening of 38 new sites. The Western European workforce was stable on 2015 (dipping by 0.1%).

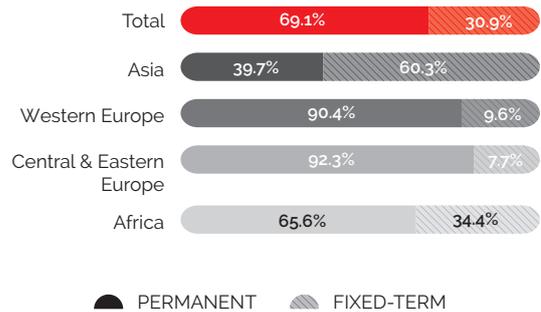
The "Other" category comprises Alinéa and Little Extra. The sharp decrease in the number of employees in this category stems from the incorporation of e-commerce and Chronodrive employees into the Auchan Retail workforce numbers, before comprised in "Other".

## > BREAKDOWN OF THE WORKFORCE BY GEOGRAPHICAL REGION AS AT 30/09/2016



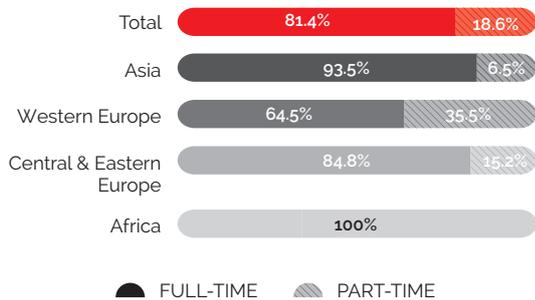
Africa is included in this breakdown in 2016 following the opening of new stores in Senegal in June 2015 (4 supermarkets with a total workforce of 212).

## > BREAKDOWN OF PERMANENT/FIXED-TERM EMPLOYEES BY GEOGRAPHICAL REGION AS AT 30/09/2016



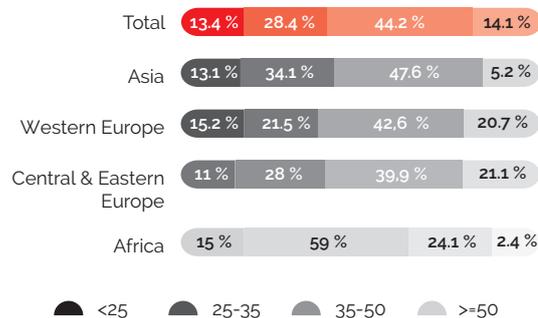
60.3% of the Asian workforce is employed under fixed-term contracts. The disparity with the other geographical regions is due to local employment practices. In China, fixed-term contracts (which can be renewed only once) can be as long as 10 years. Employers therefore tend to prefer such contracts.

> BREAKDOWN OF FULL-TIME/PART-TIME WORKFORCE



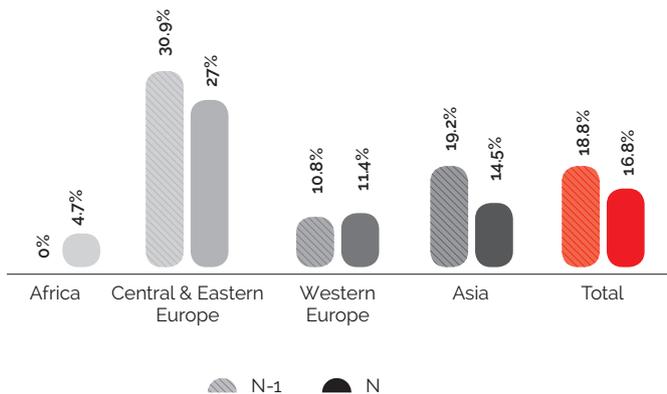
Number of full-time contracts has not changed in relation to 2015, accounting for 81% of the workforce.

> BREAKDOWN OF THE WORKFORCE BY AGE BRACKET AND GEOGRAPHICAL REGION AS AT 30/09/2016



The percentage of the workforce aged 25 and under decreased whereas the percentage aged 50 and over increased. There was a sharp rise (+68%) in the proportion of Russian employees aged 50+. This was because large numbers of persons in that age bracket were hired as a result of changes to legislation that led many people to return to work.

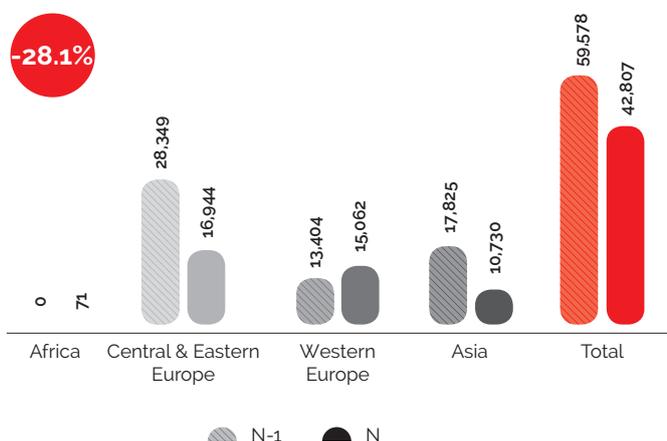
> TURNOVER RATE\* IN THE PERMANENT WORKFORCE BY GEOGRAPHICAL REGION



The overall turnover rate fell between 2015 and 2016 (from 18.8% in 2015 to 16.8%), although it remained high in certain regions. The introduction during the period under consideration of policies aimed at securing employee loyalty, notably in Central and Eastern Europe, helped to improve the stability of the workforce. This was notably the case in Romania, where a new integration programme entitled "My first year at Auchan" was launched. The objective is to enable new employees to move up the pay scale faster through more regular appraisals.

\* The turnover rate is calculated from 1 October 2015 to 30 September 2016.<sup>1</sup>

> TREND IN THE NUMBER OF HIRES UNDER PERMANENT CONTRACTS BY GEOGRAPHICAL REGION



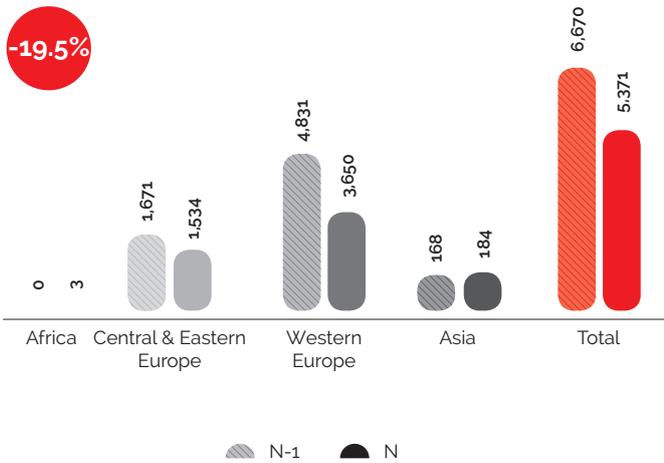
The total number of hires at Auchan Holding decreased from 59,578 to 42,807.

New hires in Central & Eastern Europe fell between 2015 and 2016. The number of hires had risen in 2015 with the acquisition of stores in Poland and Romania. Western Europe registered an increase of 12.4%, mainly driven by a resumption of hiring in France and Italy when the employment protection plans implemented in 2015 came to an end.

<sup>1</sup> Temporary workers, interns and employees whose contracts have been suspended are not included in the calculation



> TREND IN THE NUMBER OF DISMISSALS FROM PERMANENT POSITIONS BY GEOGRAPHICAL REGION



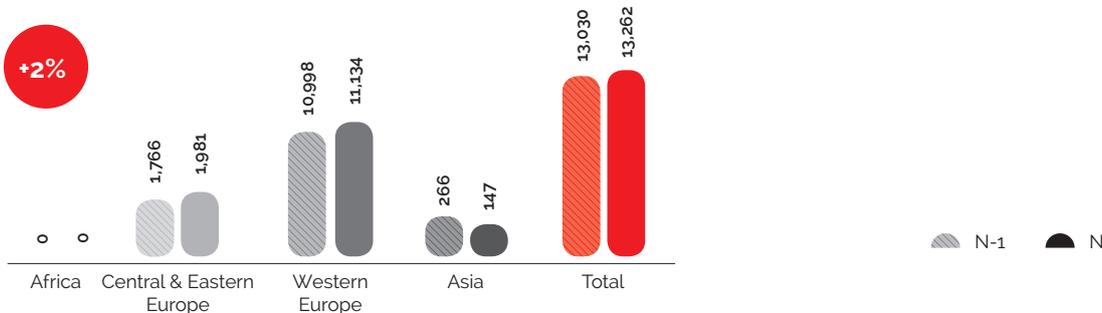
The total number of dismissals decreased by 19%, with a more pronounced fall in Western Europe (down by 24%). The number of dismissals had risen in Western Europe in 2015 because of an employment protection plan implemented during the period. Specifically in Italy, this plan resulted in 1,540 redundancies for the period from 1 October 2014 to 30 September 2015.

Data calculated as at 30/09/2016, except the number of hires and dismissals and the turnover rate, which are calculated from 1 October 2015 to 30 September 2016.

- The following are excluded from the calculation of this data:
- temporary workers, interns and employees whose contracts have been suspended;
  - The notions of full-time and part-time are applied in accordance with legal definitions in each country;
  - The number of permanent contract hires corresponds to the total number of permanent contract hires and the number of fixed-term contracts converted to permanent contracts during the reporting period;
  - The number of dismissals corresponds to every contract terminated on the employer's initiative;
  - The turnover rate corresponds to the ratio of employees on permanent contracts who left the company, relative to the average workforce.

## LABOUR DIALOGUE AS A LEVER FOR SOCIAL PROGRESS

> NUMBER OF MEETINGS WITH EMPLOYEE REPRESENTATIVES



In Central & Eastern Europe, employees are appointed locally by trade unions, whose representatives are elected by employees to promote strong messages and formulate specific demands to site management. At the national level, members are elected and sit on the representative bodies of their entities. This is the forum in which topics of major interest to employees concerning the social and economic environment are discussed. Collective bargaining agreements are also negotiated.

Proactive action regarding labour policy has been taken in countries where there is no legislative framework and where labour dialogue is not as prevalent as in Western Europe.

In China, Taiwan, Ukraine and Russia, special committees addressing life in the workplace meet once a month or once every quarter in every hypermarket. These committees bring together representatives of senior management, managers and employees at the site. All employees are given an opportunity to submit questions, comments or proposals, which are examined prior to committee meetings and included on the agenda.

During meetings, corrective measures are identified and objectives set. These meetings are also an opportunity to share information relating to the company in an open manner and to respond to any questions that may be raised.

Four trade unions signed a labour dialogue agreement in May 2015 at the Auchan Retail France hypermarkets. This agreement stipulates the means available to union representatives, above and beyond the employer's legal obligations: time credits, coverage of travel expenses and leave authorisations. It also determines the full-time secondment of the central union representative and establishes his/her availability to handle issues raised by employees throughout his/her entire term as central union representative.

Discussions between the company and the trade unions led to the signature of 7 collective agreements and amendments in 2016. These related, in particular, to: the adaptation of collective healthcare reimbursement guarantee systems; the introduction of a collective retirement savings plan (PERCO) and measures to guide employees through the retirement process; employee profit sharing; and the results-based bonus.

In order to extend and strengthen labour dialogue and the information available in each business through its own forums, and after consulting with employee representatives, Auchan wanted to improve upon and further develop the manner in which Auchan Holding's two cross-departmental works councils function for its national and international operations (increases in the number of meeting days and the time set aside for union representatives to prepare for meetings, and growth in the total number of representatives):

- The Group works council was formed in 2005 and comprises companies that are representative of the French activities of Auchan Holding. The 22 representatives meet twice a year. The Group works council was formed in 2005 and comprises companies that are representative of the French activities of Auchan Holding. The 22 representatives meet twice a year.
- The European works council was formed in 1996 and represents the 8 eurozone countries in which the company operates. The 35 representatives that sit on this council, all engaged in local or national union activities, are appointed in accordance with the legislation in force in each country and meet in person once a year.

The effectiveness of a dialogue on such a level is borne out by the interest and enthusiasm expressed by the representatives who sit on the works councils. They are kept informed of all strategic directions, including those that go beyond the scope of their own assignments. This gives them greater insight into their own duties.

With this in mind, and with a view to facilitating an exchange of views and opening up a dialogue, the works council representatives are free to pose questions during preparation meetings based on information provided to them beforehand.

In the case of the European works council, the questions to be submitted are selected by the 6 bureau members, whose main role is to prepare and define the meeting agenda with the Chairman. International cross-departmental issues of interest to all those involved, spanning all manner of areas (labour, economic, commercial issues, etc.) are selected.

Ahead of each meeting, the matters to be addressed are selected and translated if needed, before being submitted to experts in each particular field so that summarised answers can be provided and backed up during the meeting.

This preparation work facilitates discussions with management regarding any changes underway in relation to activities, as well as the macroeconomic situation and outlook and the prospects for jobs.

This dialogue forges cohesion around strong values such as solidarity, respect for human rights, diversity within teams and the health and safety of each employee.

### A EUROPEAN COMMITTEE WITH A VERY EUROPEAN FLAVOUR

For the first time since 1996, the 2016 annual meeting of the European works council was not held in France, but in Budapest, in keeping with the true *raison d'être* of a body that is intended to share labour-related concerns and identify areas for improvement in the European countries in which Auchan Retail operates. Auchan Retail's management team in Hungary kicked off the meeting by giving a presentation on the country and the host business. As is the case every year, a great many questions were addressed, most of them focused on:

- The economic results for the previous year and the current year's nine-month results;
- The establishment of an international commitment indicator;
- The development of the digital sector at the company;
- The clarity of, and changes to, certain indicators;
- Labour dialogue in countries outside Europe;
- The repercussions of the company's reorganisation on its structures and on the composition of the shareholder base.

A labour assessment<sup>2</sup> will be carried out in 2017 to examine the impact of Auchan Retail's labour policies in greater detail. There will be an exceptional meeting of the members of the works council bureau in March to plan this assessment. On completion of the assessment, the HR departments in each country will discuss the findings with union representatives and the data will be consolidated internationally. This will allow Auchan Retail to compare itself to other companies in the sector and assess the situation.

<sup>2</sup> In accordance with macroeconomic criteria correlated with disposable income based on the average wage paid by the company



## WELCOMING NEW TALENT

Auchan Retail, Immochan and Oney are cultivating relationships with schools and universities in the countries in which they operate. Employees visit partner establishments to present their brand's core businesses and key features. These events offer many students and young graduates the chance to acquire in-store work experience, work-study contracts or their first job on completion of their studies.

In Romania, a presentation on the manager training programme was given at 8 universities in 7 cities. An "Auchan Open Day" subsequently gave 40 students and professors from the University of Economic Studies an opportunity to learn more about the company and its businesses.

In 2016, 7,184 trainees and 5,197 work-study applicants were given the opportunity to acquire professional experience, which was highly beneficial to their training. Auchan Retail hypermarkets in Poland notably worked with the University of Warsaw to help students enter the working world through in-store work experience and practical case studies entitling students to academic credits. Open days were held to give students a chance to learn about the workings of a store.

In Portugal, Auchan Retail submitted a strategy proposal to the government involving the recruitment of 177 young graduates over 3 years. The company sees this as a way of planning for retirement departures by recruiting younger members into its workforce.

In addition to management positions, there are many core businesses in which Auchan Retail has a significant need for qualified workers.

In every part of Russia in which Auchan Retail has a foothold, schools under the Auchan Retail banner provide training in fishmongery, catering, butchery and fruit and vegetables.

A similar training programme in food-related and sales professions has also been in place at Auchan Retail in Hungary over the past 2 years.

Support from tutors, apprenticeship instructors and experienced trainee tutors, following a very precise calendar and approach, facilitates integration and ensures better training for new employees. For instance, as part of its intergenerational work agreement, Alinéa plans to assign an experienced tutor to every new employee aged under 26. These tutors will provide young employees with permanent feedback throughout their integration phase.

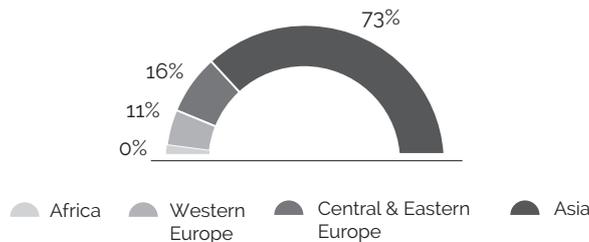
In the interests of diversifying recruitment profiles, the Auchan Holding businesses seek to strike the right balance between in-house promotions and external hiring. Auchan Retail has developed a shared sourcing project in France that groups together vacancy notices and job applications entrusted to professional sourcers. This ensures faster processing of external vacancy notices and a high standard of professional experience in the applications received. In parallel, recruitment pools across stores and the publication of vacancies via French national job centres resulted in 13,108 recruitments in 2016.

In this digital age, Auchan Retail's image as an employer is being formed through professional networking in each of the countries in which it operates. In Asia, Auchan Retail China and RT-Mart Taiwan have notably been using datamining to facilitate the selection of job applicants and to target particular profiles in their vacancy notices.

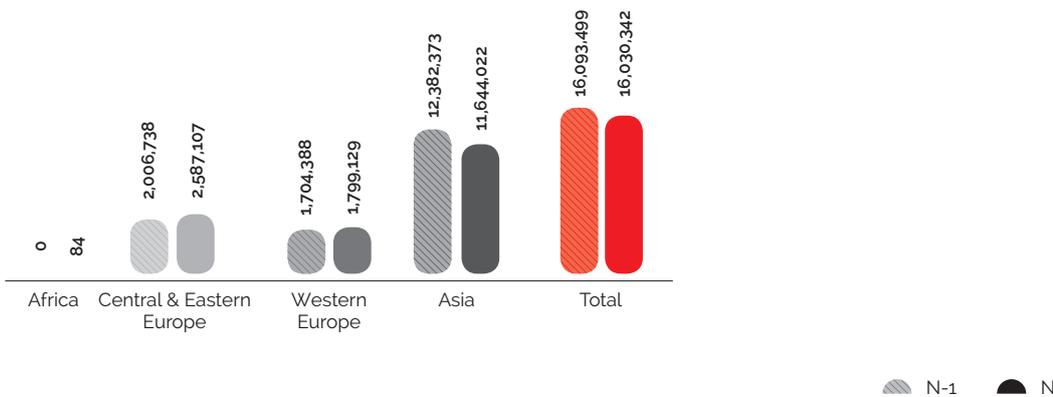
Auchan Retail in China and Alinéa are also experimenting with referral recruitment.

## CONTRIBUTING TO THE PERSONAL DEVELOPMENT OF EACH EMPLOYEE

> BREAKDOWN OF THE TOTAL NUMBER OF TRAINING HOURS BY GEOGRAPHICAL REGION

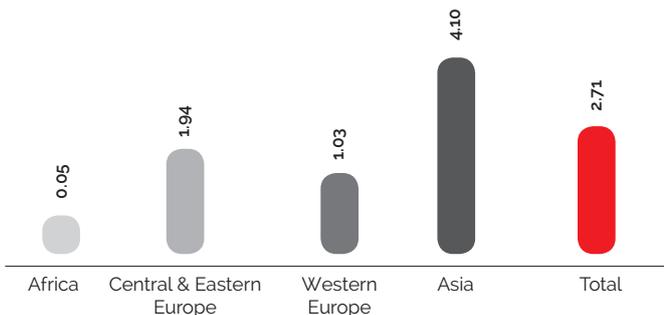


> TREND IN THE NUMBER OF TRAINING HOURS BY GEOGRAPHICAL REGION AT 31/12/2015\*



\*Data calculated for calendar year 2015 compared with calendar year 2014

> RATIO OF TRAINING HOURS TO TOTAL HOURS WORKED IN 2015 BY GEOGRAPHICAL REGION



More than 15 million hours were set aside for training in 2015 at the businesses within Auchan Holding's scope (including RT-Mart China), with Central & Eastern Europe registering the sharpest increase (29%), i.e. 2,587,107 training hours as at 31/12/2015.

Training courses meeting the needs of the different core businesses were developed and dispensed primarily in the areas of: the company's values, personal development, product knowledge, work posture or, for new hires, becoming acquainted with their new position.

Some modules have also been developed to train employees in different aspects of CSR, in both social and environmental areas.

**LAUNCH OF THE GRADUATE PROGRAMME**

Auchan Retail has launched a Graduate Programme to meet demand for high-potential individuals in all countries. This programme aims to integrate and develop the employment of people with international profiles who have graduated from diverse training programmes, to expand the company's cultural diversity and allow for "generation-skipping" in future Executive Committees.

26 talented individuals from 9 countries, some young employees and others graduates of the best schools and universities, were selected from a pool of 3,121 applicants to complete a programme of international excellence.

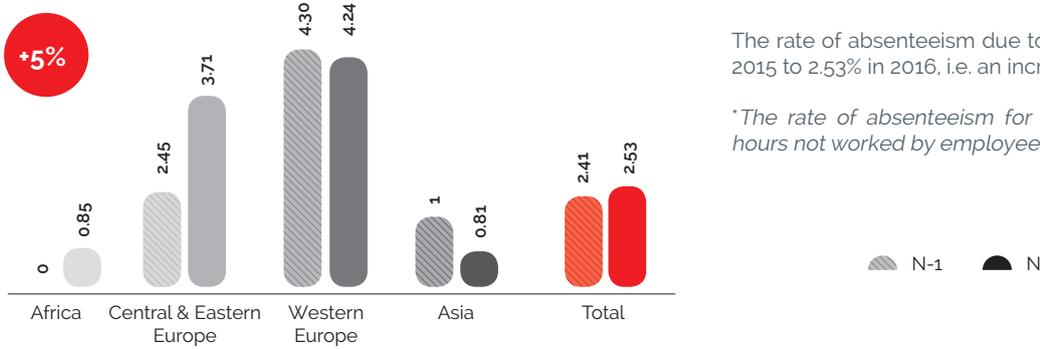
They will be able to develop their skills and their leadership qualities through:

- 3 on-site assignments, one in the international sphere;
- 2 annual academic sessions run by the CentraleSupélec school of engineering and the ESSEC business school;
- The continual community-based support of the Graduate Programme through blended learning;
- Individual, intercultural coaching and mentoring;
- Regular follow-up by a sponsor, a mentor, their assigned manager and the human resources department.



# HEALTH, SAFETY AND WORKING CONDITIONS

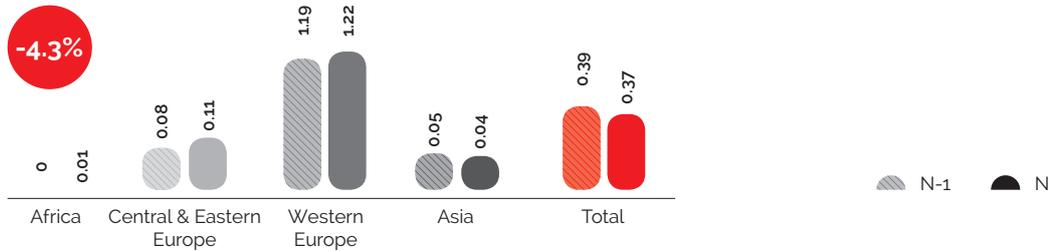
## > TREND IN THE RATE OF ABSENTEEISM DUE TO ILLNESS BY GEOGRAPHICAL REGION\*



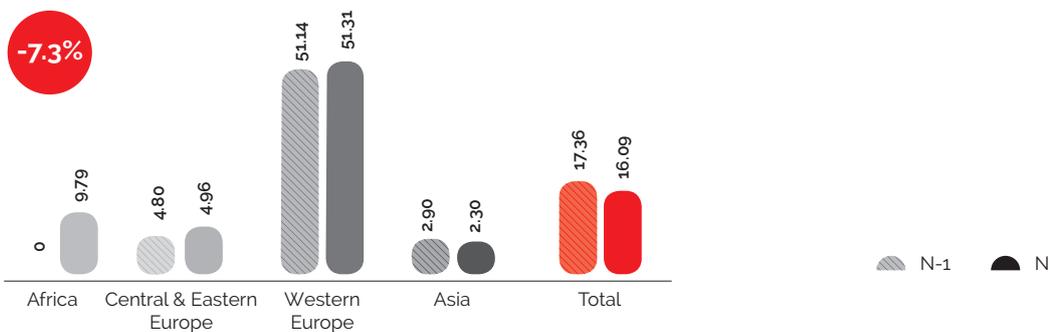
The rate of absenteeism due to illness rose from 2.41% in 2015 to 2.53% in 2016, i.e. an increase of 5%.

\*The rate of absenteeism for illness corresponds to all hours not worked by employees due to illness.

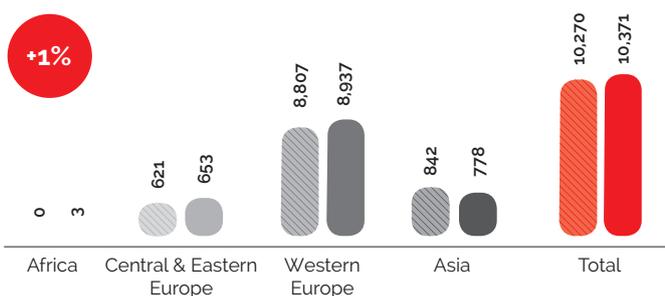
## > TREND IN THE RATE OF SEVERITY OF WORKPLACE ACCIDENTS BY GEOGRAPHICAL REGION



## > CHANGE IN THE ACCIDENT FREQUENCY RATE BY GEOGRAPHICAL REGION



## > NUMBER OF WORKPLACE ACCIDENTS BY GEOGRAPHICAL REGION

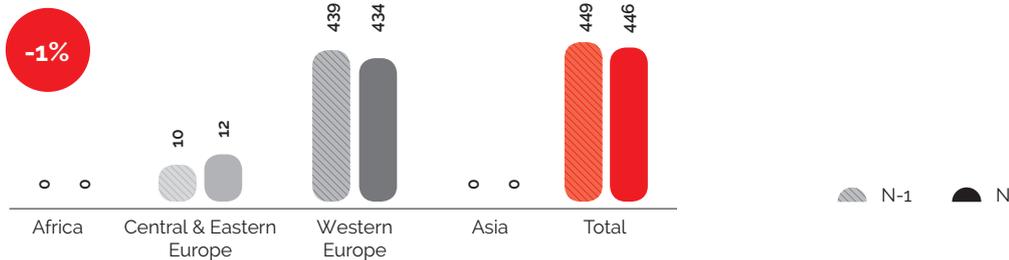


As was the case in 2015, the number of accidents in the workplace varied considerably from one geographical region to another and increased by 1% overall in 2016. However, such accidents were also less severe and less frequent, as illustrated by the decrease in the rates of severity (-4%) and frequency (-7%).

This improvement was due to the large number of corrective, training and preventative actions implemented by the businesses falling within the Auchan Holding scope.



### > NUMBER OF OCCUPATIONAL ILLNESSES BY GEOGRAPHICAL REGION\*\*



#### Explanatory notes:

Workforce calculated as at 30/9/2016

The following accidents alone are included for the purposes of the frequency rate: accidents leading to medical leave of one or more calendar days, not counting the day of the accident.

For the severity rate, only the number of days of medical leave due to a workplace accident are taken into account, including the day on which the accident occurred.

\*\*Number of illnesses recognised by an official national body.

### THE FIRST INTERNATIONAL COMMITMENT AND SATISFACTION INDICATOR

For 15 years now, the vast majority of Auchan Retail businesses in each country assess, every two years or so, employee perception of human resource and management policies, on an anonymous basis across their entire business.

In 2016, Auchan Retail organised its first international commitment and satisfaction indicator in order to expand the existing spectrum and harmonise measurement methods and values. All employees<sup>3</sup> in the 14 countries in which the company operates received a questionnaire in digital format in October 2016. The employees of Im-mochan and Oney Banque Accord also participated in the survey over the same period.

The satisfaction indicator assesses what the employees think of the company, whether they are satisfied and motivated, and to what degree.

The commitment indicator is more than a gauge of what the employees think of the company, as it also reflects the manner in which they act. By measuring commitment, the company is able to tell what motivates employees and what makes them want to invest in their daily duties with enthusiasm. It is intended as a way of giving the company insight into where, how and for whom action is needed.

Each employee was asked to complete the questionnaire on an anonymous basis. The questions covered major themes such as: the content of their work, team relationships, management quality, opportunities for progression, human resources policies, customer service and the company's strategies and image. Open-ended questions gave them an opportunity to express and identify actions that should be prioritised to improve performance and simplify operations.

At 83%, the participation rate guaranteed the representative nature of the recorded and consolidated results. In early 2017, the managers will analyse and report these results at local and national level. This will allow critical areas to be identified and corrective actions to be defined and implemented across all affected scopes.

<sup>3</sup> Conditions of participating in the survey: the person must have been employed by the company before 1 May 2016 and still be on the payroll at the time of the survey.

- Included: people employed under permanent and fixed-term contracts, on both a full and part-time basis.

- Excluded: people outside of the company and temporary workers, interns and employees whose contracts have been suspended (potential reasons for suspension: parental leave, leave to create a business, sabbatical leave and national service, military or otherwise)



The Auchan Retail businesses implement risk prevention systems designed to combat workplace accidents and occupational illnesses.

Some of the main causes include:

- Lifting<sup>4</sup> and manual handling<sup>5</sup> accidents.
  - Main means of prevention: training in lifting techniques and the purchase of spring-loaded or load suspension equipment.
- Impact-related accidents such as collisions or crushing accidents. Such accidents mostly involve cuts due to incorrect use of box cutters when opening boxes or knives in food preparation areas.
  - Main means of prevention: increased use of suitable protective gloves and re-working of storage/inventory organisation.
- Loss of balance or falls, primarily due to slippery surfaces (water, grease around stalls and broken bottles).
  - Main means of prevention: systematic quick-dry floor cleaning procedure and fitting of non-slip surfaces in food preparation areas.

MSD<sup>6</sup> are by far the most prevalent occupational illnesses due to repetitive movements performed incorrectly at some work stations, such as goods handling or badly positioned cash register work. To limit these risks, training is provided to raise awareness among all the employees exposed to such risks and to teach them the correct movements and postures when carrying out their duties. Specific technical training is also provided. Auchan Retail in Poland has developed its "School of Safe Work" project with this in mind.

Alongside the additional training courses designed for managers and employees, procedures are in place to enable the sufferers of carpal tunnel syndrome to undergo surgery, in conjunction with the Polish social security body.

In addition to nationwide initiatives, regular meetings between employee representatives and store managers are the most important way of reducing the number of workplace accidents at Auchan Retail hypermarkets. Reported accidents are analysed in order to take necessary action and introduce specific measures. Before a new site is opened, the lessons learnt elsewhere are examined to minimise the aforementioned risks.

Some businesses are more exposed than others to safety risks and have therefore gone further in their approach to the issue. Chronodrive has formed a group of "safety representatives" comprising store managers and regional coordinators that meets once a month to analyse statistics and decide on actions to be undertaken and how their conclusions should be presented to all site managers. With respect to prevention, a third of the Chronodrive training budget is assigned to safety training. A national safety director has been appointed at Alinéa, which has also referenced a body specialised in health and safety training.

More than €15 million was invested in safety and prevention at Auchan Retail's hypermarkets and supermarkets in 2016.

**FOR A BETTER QUALITY OF WORKING LIFE**

As part of a continual effort to improve conditions in the workplace, the Human Resources Department for the Auchan Retail France hypermarkets introduced a 4-year plan (2014-2018) that hinges on a co-constructive approach involving people at all levels of the business, occupational health physicians and representatives of the national healthcare insurance agency.

Auchan's QWL (quality of working life) approach hinges on 3 key prevention themes: human, technical and organisational.

A pilot procedure has been implemented with the different business sectors to determine the equipment best suited to each working environment. Instructions with QR codes (video links to tutorials) are directly affixed to equipment to ensure employees are aware of how it should be used.

Employee exposure to 10 occupational health risks, as defined by the regulations in force, has been assessed with the help of Bureau Veritas. The assessment found that some professions were exposed to 3 main occupational health risks: noise, night work and mechanical vibrations. The findings were communicated to the employee unions in January and March 2016.

The following measures have been implemented to reduce the number of employees exposed to such risks:

- Referencing of a plastic customer trolley with a wheel mechanism that is less noisy;
- Efforts to reference handling equipment with less vibration;
- Initiation of an acoustic study to better determine the causes of noise in cashdesk areas;
- Testing of a silent cash register;
- Reduction of the height of display shelves and pallets, which must not exceed 1.8m: thus lessening the strain on the upper limbs and the risk of falls from a height;
- €1.5 million investment in load suspension equipment.

<sup>4</sup> Any movement that involves lifting heavy objects, either manually or with lifting aids

<sup>5</sup> Any action that involves transporting or supporting a load, necessitating a physical effort on the part of one or more persons

<sup>6</sup> Musculoskeletal disorders

## COMBATING INSECURITY AND PREVENTING HEALTH RISKS

The businesses within Auchan Holding's scope can only ensure their own health by proactively supporting the well-being and health of their employees. This is why healthcare and supplemental social security coverage have been introduced in nearly every country where such benefits are not already in place<sup>7</sup>.

Faced with some governments repeatedly withdrawing coverage for certain healthcare costs, a number of entities have taken steps to offer high-quality services (health care/death & disability) at competitive rates, so as to protect employee purchasing power.

In Poland, the Auchan Retail supermarkets notably offer healthcare coverage for a token zloty (€0.25). Under this scheme, employees can now afford to visit GPs or specialised practitioners and have basic tests done. An annual flu jab campaign is also conducted in the autumn.

Each Auchan Retail store in Russia holds two "focus on health" days. Doctors, psychologists and sports coaches are on hand to answer any questions employees may have. Sports demonstrations are also held to encourage employees to engage in regular physical activity.

Immochan Ukraine and its partners (Europa Colon Ukraine, Olymed Gastro Zentrum and Synevo) have organised a colon cancer screening campaign, free of charge, for every employee who wishes to have the test. There is long-term monitoring of every employee, regardless of the outcome of the test.

Working with the health and safety committee (CHSCT) and occupational health physicians, Oney France has arranged supplementary medical follow-up for its employees through an assessment carried out by an occupational health nurse (ESTI).

Customer advisors will be the first to be assessed: they have been identified as a population necessitating close follow-up, given the intensity of call centre work.

They will be asked to complete a questionnaire that will be used to tailor a plan to each individual and determine framework policies for all.

At certain Auchan Retail hypermarkets that have sufficient space, cafeterias serve affordable, balanced meals to staff. Additional subsidies are granted by the management of some sites and by works councils. These are primarily offered to employees who are unable to return home at meal times (due to transportation constraints).

For instance, the RT-Mart hypermarkets in China allocate the equivalent of 27 euros a month in meal expenses to their employees.

### LENDING AN EAR

The HumaniA hotline was set up at the end of 2013. It is manned by professional social workers 12 hours a day, 6 days a week to provide counselling to any employee of Auchan Retail France who is having problems. It is intended to provide psychological assistance (work-related and/or personal problems) and support to help resolve family, financial and/or housing problems.

By the end of September 2016, the HumaniA teams had taken more than 915 calls and provided counselling to 489 employees. A €80,000 social assistance fund was set up in June 2016 and is made available to the HumaniA social workers to provide additional help to employees who are struggling the most.

<sup>7</sup> Except in Luxembourg



## DIVERSITY AND EQUAL OPPORTUNITY, A CORPORATE AFFAIR

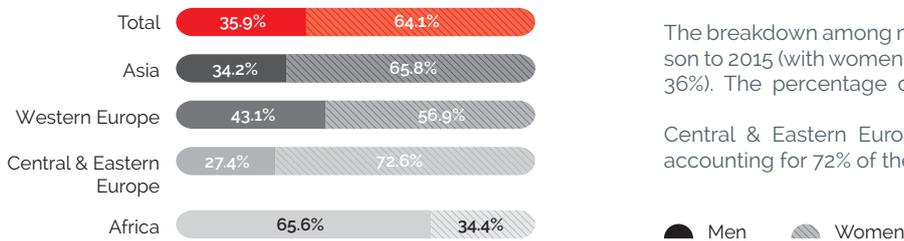
The company boasts a diverse range of professions and seeks to open up a large number of its career pathways to men and women from every background and with all types of qualifications. Hiring policies prohibit any form of discrimination, be it in respect of gender, age, disability, religion, sexual orientation or other reasons.

The company views diversity as a key performance lever.

The diversity of the teams reflects that of the core businesses, customers, countries and societies in which the entities within Auchan Holding's scope operate.

Some entities develop and devote large policy sections to the fight against all forms of discrimination. All these principles and rules are defined in rules of procedure, the company's code of ethics, internal regulations, training courses and company agreements.

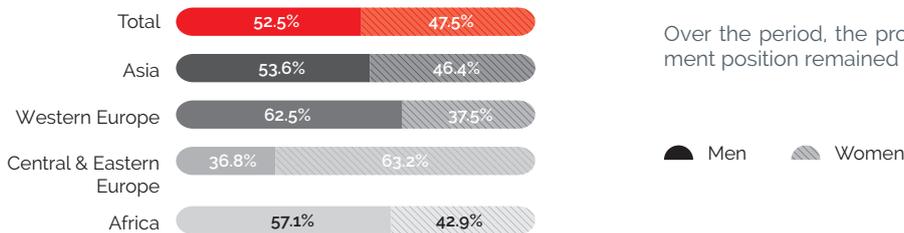
### > BREAKDOWN OF THE WORKFORCE BETWEEN MEN/WOMEN BY GEOGRAPHICAL REGION



The breakdown among men and women remained flat in comparison to 2015 (with women making up 64% of the workforce and men 36%). The percentage of women employees improved slightly.

Central & Eastern Europe stood out in particular with women accounting for 72% of the total workforce.

### > BREAKDOWN OF MANAGERS<sup>8</sup> BETWEEN MEN/WOMEN BY GEOGRAPHICAL REGION



Over the period, the proportion of women holding a management position remained stable.

In France, Hungary, Spain and Portugal, male/female equality agreements or plans have been signed with the various employee representatives.

These agreements underpin the company's commitment to developing a series of measures with regard to hiring equality, work/life balance, promotion, training and communication, and avoiding any direct or indirect gender discrimination.

While there is no formal framework for such agreements in other countries, all entities must uphold and commit to the key principles. There is notably no wage discrimination between men and women in the majority of the countries in which Auchan Retail operates.

In Hungary, wages are reviewed annually on the basis of local surveys with a view to correcting any differences that may be identified.

The Human Resources Department at Auchan Retail France has been adapting career pathways since 2014 to ensure that they best reflect the company's policies on employee diversity. Diversity is one of the common threads running through these pathways, which go by the names of "Passerelles" (gateways), "Talents" (talents) and "Déclic" (triggers), and is, without fail, the focus of a full day's training.

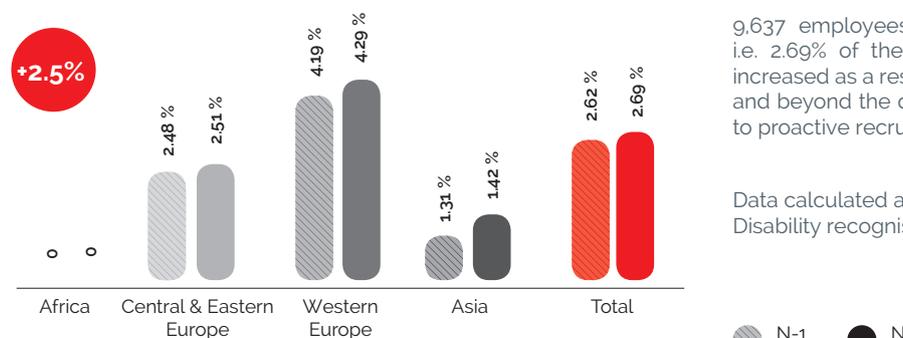
In Portugal, Auchan Retail provides all managers with gender equality training. A mechanism is in place to enable each and every employee to lodge a complaint or submit suggestions, all anonymously. All year long, there is a strong focus on training women to ensure more equity in leadership positions and to make positions that had traditionally been held by men available to women. Lastly, employees at the Alfragride and Amadora hypermarkets can entrust their children to crèches and playgrounds located within the hypermarkets, 362 days a year, from 7am to midnight. These facilities are also open to local residents.

<sup>8</sup> The following are considered to hold a management position: all employees who are independently responsible for organisational, management and administrative matters across a given scope (department, market, sector, store, support function, etc.), regardless of whether they manage other members of staff



## FOSTERING AND SUPPORTING THE INTEGRATION OF PEOPLE WITH DISABILITIES

### > PERCENTAGE OF EMPLOYEES WITH A DISABILITY



9,637 employees had a recognised disability in 2015, i.e. 2.69% of the total workforce. This percentage has increased as a result of the company's efforts to go above and beyond the quotas set by national legislation, thanks to proactive recruitment policies.

Data calculated as at 31/12/2015 (see methodology). Disability recognised by an official agency.

To facilitate the integration of new disabled employees, commitments have been made to adapt work stations (access ramps, information notices in Braille, specially-adapted chairs, etc.) or work hours, to train managers to accommodate these employees and to heighten awareness among all employees to encourage them to accept differences in others and regarding posture-related issues in certain specific situations.

Some businesses, like Auchan Retail Portugal and Auchan Retail France, work with union representatives to put institutional agreements in place to establish a structure for their integration policies. Under other agreements, signed locally, vacancies are offered to job seekers with a disability. In Madrid, for instance, the hypermarkets held a second department manager recruitment campaign specifically targeting disabled applicants.

In the vast majority of the countries in which it operates, Auchan Retail calls on the services of specialised outsourcing companies in the adapted and protected sector for services such as: the maintenance and cleaning of green spaces, trolley repair or the sale of items designed by people with a disability or involved in a back-to-work or special employment scheme.

In some sales locations, in order to improve customer awareness of employees with disabilities, the presence of cash register attendants who are deaf or hard of hearing is indicated by specific signage at the registers. In some countries, such as Hungary or Poland, employees can be trained in sign language.

In 2016, Auchan Retail's Spanish hypermarkets introduced a system specifically catering for customers who are deaf or hard of hearing.

With the help of a video interpreting system, they can communicate easily with store personnel, who are better equipped to assist them.

The Auchan Retail supermarkets and Oney Spain have introduced an individual chart system to monitor the integration of each disabled employee and keep track of any HR meetings they may have had, with a view to assessing whether adjustments are needed.

A toll-free number has been available to all Auchan Retail employees in France since 2012 to answer any question they may have regarding disabilities, whether it relates to their own personal situation, or that of a colleague or a relative. The company is committed to providing training and raising awareness to dispel any common preconceptions regarding disabilities. Some employees are being trained as lead instructors in disabilities at each site. Their role is to:

- Welcome and accompany new employees with a disability;
- Be on hand to assist existing employees should they express such a need;
- Represent the HR manager in the coordination of the disability policy and identify possible partnerships in the protected sector.

During on-site audits, specialised firm "Atout et Handicap" identified a large number of best practices that can help the lead instructors in their role. These practices have been grouped together in a guide, available on the internal networking sites.



## SHARING IN THE COMPANY'S SUCCESS

Auchan Holding has been cultivating policies centred on sharing since 1977. It understands that shared success goes hand in hand with team spirit, a sense of belonging and pride in one's work. Enabling employees to become shareholders is just one aspect of what is a singular approach both in France and abroad.

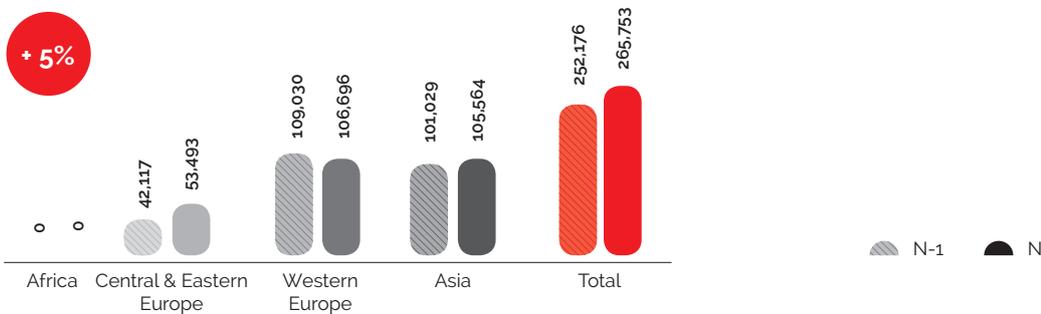
The employee shareholder system has been adapted to the new structure of the Auchan Holding businesses and is now in place in 9 countries. As such, 265,753 employees, representing more than 90% of those eligible to hold shares in the company and more than €176 million in assets, can partake in the value created by their company.

The company began extending these policies to international markets in 1996, still with the same conviction: in order to win the sales battle and secure the trust of customers, it is essential that employees share in profits and have a stake in the company's achievements.

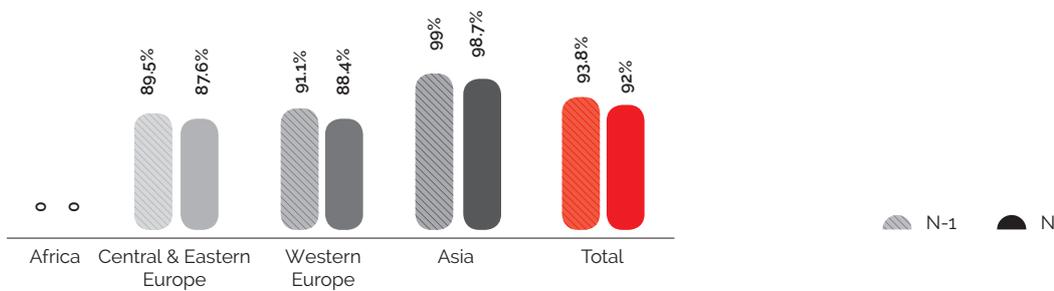
### REWARD FOR A DYNAMIC APPROACH

Auchan Holding was presented with the French federation of employee shareholder associations' "Grand Prix FAS 2016" award by France's minister for finance and the economy, Michel Sapin. In what was its first time participating in these awards, Auchan Holding was rewarded by the jury of independent experts for adapting its employee shareholding scheme to best suit each employee. With the new structure put in place at the end of 2015, employees in every country can become shareholders in the business by which they are employed as well as in a large international group. This dual dimension helps strengthen their daily commitment to the company, not to mention their sense of belonging.

#### > TREND IN THE NUMBER OF SHAREHOLDERS BY GEOGRAPHICAL REGION



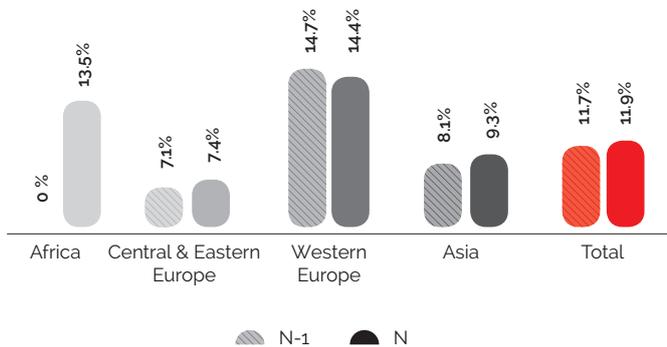
#### > CHANGE IN THE PERCENTAGE OF SHAREHOLDERS AMONG ELIGIBLE EMPLOYEES, BY GEOGRAPHICAL REGION



RT-Mart also offers a similar scheme to enable its employees to become shareholders under which more than 91,000 RT-Mart employees are eligible to acquire shares.



> CHANGE IN PERSONNEL COSTS INCLUDING TEMPORARY EMPLOYEES BY REVENUE BEFORE TAX AND GEOGRAPHICAL REGION



Each entity is responsible for applying its remuneration policy within its own economic, legislative and regulatory context. Overall remuneration aims to be attractive, with a fixed portion in line with market practices and a variable portion dependent on the employee's individual performance as well as on collective performance. The remuneration systems also include various benefits adapted to the local context, which notably address healthcare and death/disability benefits for employees and their families.

## ENCOURAGING INNOVATION

The company's success is inconceivable without the talents, individual initiative and innovative capacity of every employee. Auchan Retail, Immochan and Oney have traditionally given every individual, whether they are a manager or an employee, the chance to suggest ideas, try them out and develop them if successful. In 2011, this approach led to the launch of a global participatory innovation programme, "Creative Attitude".

This programme was first rolled out in Western Europe before being successfully launched in Taiwan in 2015. The company reorganisation meant that international coordination of the programme was momentarily put on hold in 2016. This presented us with the perfect opportunity to rethink how innovation fits into the company's policies. With the new balanced governance structure, innovation directors were appointed at corporate level and for each Auchan Retail country. Their newly-created departments report directly to the Chairs of each entity and work closely with a wide array of support functions across a multidimensional scope: digital, e-commerce, data management, customer service and satisfaction, disruptive innovation<sup>9</sup>.

The "Creative Attitude" programme fits in perfectly with this latest addition to our scope. In Portugal, it takes the form of a platform in which employees can share ideas through a "Kiosk das Ideias"<sup>10</sup>. Suggestions are gathered, selected, and sometimes combined, before undergoing trial runs to determine if they can be put into action.

In order to be taken on board, every new idea must be able to add value, be it for sales, operational efficiency, or the development of CSR policies. Running alongside this common thread, more occasional events are staged to create added momentum.

The 2016 innovation and entrepreneurship awards (to reward individual or collective efforts) sought to provide an answer to the following key questions:

- How can we set ourselves apart from our competitors?
- How can we work better?
- How can we cut down on waste?
- How can we sell more items?

The ideas were first pre-selected by local store committees. The 10 best ideas then entered a national competition with the winners travelling to Lille to visit the corporate headquarters.

Many ideas have taken shape through "Creative Attitude", including:

- **"Distrib'Auchan"**: vending machines carrying staple goods available any time of the day or night.
- **"Fioul Connect"**: installing sensors in customers' oil tanks so that they can tell how much oil they have left and can be offered refills when prices are attractive.
- **"Raw Feeding"**: sale of scraps from fish and frozen meat counters in the animal feed department.

### START-UP FAIR

Auchan organised its first start-up fair on 19 October 2016 to accompany its "new ideas" ethos and encourage original ideas. Employees and innovative players from outside the company were able to express and share ideas relating to projects that can act as agents for change and modernity: the digitalisation of food shopping, the collaborative economy, recruitment 2.0, analysis of how customers live their in-store experience, indoor positioning solutions, robotics, etc. A treasure chest of themes to enhance customer experience and satisfaction.

<sup>9</sup> Breakthrough innovation

<sup>10</sup> Ideas kiosk



# ENVIRONMENT

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The various activities led by Auchan Holding businesses have an inevitable impact on the living world, bearing in mind that millions of customers visit their stores and shopping malls every day. Each entity therefore strives to limit its carbon footprint in an effort to better safeguard the world's natural resources and common goods.

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## GOVERNANCE OF ENVIRONMENTAL AND SOCIAL POLICIES

Sustainable development policies have been written, implemented and tracked by an International CSR Committee since the end of 2008. This committee is made up of CSR managers from each Auchan Retail country as well as experts in specific businesses. The members hold a conference call every month as part of a joint effort to make headway with key company objectives and to share best practices. They also meet in person once a year at a CSR seminar.

Each participating country is in charge of emulating the directions taken by the Committee within their own scope. Depending on their resources, maturity level and business type, Auchan Retail entities adopt different types of organisation to promote CSR on a daily basis. This involves setting up working groups and local CSR committees in central purchasing departments or in stores in order to relay best practices and develop new projects.

Such policies will be anchored over the long run if, and only if, each and every person has taken ownership of them. This is why a strong emphasis is placed on accountability at all levels: from managers to employees.

Everyone can attend training sessions specifically focused on sustainable development or on the underlying environmental levers (energy savings, waste sorting, eco-design, circular economy, organic product range, combating food waste, environmental management, etc.). Various internal media at each entity (posters, leaflets, newsletters, intranet, etc.) make it possible to share and spread initiatives with, and for the benefit of everyone.

## COMBATING FOOD WASTE

The fight against food waste is a core component of Auchan Retail's strategy, as it combines economies of scale and accountability. Additional efforts are being made in all countries in two particular areas: cutting down on waste in stores and further developing the circular economy.

The issue of food waste took on even greater importance in France in 2016 with the enactment of a law in early February. Under this law, it is now illegal for large and medium-sized food retailers to throw out unsold food products: until then, unsold food had been binned in order to comply with health standards.

Auchan Retail's Dury and Boulogne sur Mer hypermarkets in France took part in an ADEME<sup>11</sup> study into ways of reducing food waste by a quarter at large and medium food retailers, as part of the energy transition for green growth act ("Loi de Transition Énergétique pour la Croissance Verte"). This enabled the two stores to improve their measurement of food waste and to take corrective action. Some of the avenues identified: developing guided selling of fruit and vegetables, optimising the choice of product ranges, developing food donations to associations and raising awareness among employees and customers. The result: overall average savings of €70,000 a year. Beyond the economic aspect, these measures have also created an echo effect from a social perspective, by motivating employees to work together to tackle food waste.

### Cutting down on waste

The Auchan Retail stores apply a series of measures to reduce the number of binned items. Training of employees is at the top of the list.

In Romania, efforts are made to raise awareness among employees regarding the management of inventories, the display of items with short best-before dates and careful handling of fragile items.

In Ukraine, 92 employees received order management training and 1,157 undertook food waste training in 2016.

Stores in a number of countries also apply promotional offers and use a special sticker system for items with short use-by dates.

### Donating unsold food

In the vast majority of countries, Auchan Retail stores donate unsold items, in accordance with the national laws in force.

The Auchan hypermarket in Luxembourg has been working since 2009 with local association "Stëmm Vun Der Strooss", which works to promote the social inclusion of the less fortunate and helps them (re)enter the workforce. Together, they organised a collection of unsold items, which they repackaged into food parcels for people in difficulty living in the region.

The two partners went a step further in their cooperation in 2014 with the creation of the "Stëmm Caddy". This saw them repackage and donate 139 tonnes of food in 2016, compared to 20 tonnes before.

<sup>11</sup> A French environment and energy management agency

In Ukraine, no reliable organised donation channels exist, which is why the Auchan Retail stores have opted to donate food items to organisations that care for animals, such as zoos, farms and shelters located nearby. In 2016, the country's 11 hypermarkets donated more than 530 tonnes of food.

In order to measure the methods mentioned above, a recovery rate is calculated on hypermarkets and shopping malls. However, it is difficult to track overall waste production for smaller stores, notably supermarkets and drive-through outlets. Unsorted waste is generally collected by local municipalities, which do not communicate the weight or the volume of such waste.

After a thorough examination by a working group composed of experts from 5 of the countries in which Auchan operates, it soon became obvious that no estimation method could calculate the tonnage of waste produced. The methodologies explored were either far too costly or inexact.

Instead of publishing the waste recovery rate, the decision was therefore made to communicate the damage rate for fresh produce. This rate reflects the quality of inventory management and the commitment to the fight against food waste.

> TREND IN THE DAMAGE RATE FOR FRESH PRODUCE AT SUPERMARKETS <sup>12</sup>

	2014	2015	% change
Western Europe	3.48	3.25	-7%
Central & Eastern Europe	3.92	3.98	+15%
<b>TOTAL</b>	<b>3.59</b>	<b>3.41</b>	<b>-5.1 %</b>

The 5.1% decrease in the total damage rate was helped by a substantial decrease in the rate of damage at Italian supermarkets in 2015. That year saw a reorganisation of the stores' fresh produce departments, resulting in an increase in shrinkage. The supermarkets thus worked to optimise the reorganisation, which ultimately led to a reduction in the damage rate.

## SORTING AND RECOVERING WASTE PRODUCED

Site operation (hypermarkets, supermarkets, shopping malls and logistics sites) generates various types of waste.

The main waste produced by the stores is:

- secondary packaging (shipping boxes and plastic wrapping);
- organic waste from expired food;
- to a lesser extent, scrap metal and wood (crates).

For other materials, in particular plastic and other organic waste, sorting is organised based on local collection systems.

Waste recovery is expanding each year, as the stores and logistics sites find the appropriate systems. The main form of waste recovery by far is recycling, which accounts for between 60% and 100% of recovered tonnage.

This is followed by recovery for energy production and methanisation, a method that most Auchan Retail France stores use only as a last resort.

<sup>12</sup> Information calculated over a calendar year – from 1 January 2015 to 31 December 2015 for the purposes of the 2016 reporting exercise

Depending on the country, sorting and recovery rates and the reliability of escalated information can vary significantly. This can be due to a variety of country-specific problems:

- Regulations and the existence or lack of official recovery circuits;
- A lack of space for sorting and for installing composters at convenience stores;
- Logistics resources that are ill-suited to the format of certain activities or sites, particularly the smaller formats;
- The profitability of sorting certain types of waste such as organic waste, for which it is proving difficult to establish a system;
- The fact that there are no methanisation procedures in place in many countries;
- The fact that supermarket waste is often managed by the local town councils, meaning that information on its disposal or re-use may not always be available.

However, all Auchan Retail stores are committed to continually improving their management of waste. This involves inciting employees to rise to the challenge.

New employees are trained to ensure that every member of staff participates in cutting down and sorting waste. Follow-up indicators are also used and communicated on a regular basis. The technical departments of Auchan Retail's French supermarkets circulate and update a dashboard that enables the sites to keep track of their sorting and recovery rates. This data is relayed via internal channels every month. By showing the costs and the financial gain attributable to the stores' waste management efforts, everyone can feel involved and understand the underlying financial considerations.

New initiatives are being tested at some stores.

The Auchan Retail supermarkets in France signed a framework agreement with La Poste in 2016 to enable them to use the Recy'go service. Recy'go is a responsible recycling circuit: employees at the stores and at head office are asked to sort their office waste paper, which is then collected by the La Poste agents during their rounds.

The paper is taken for sorting to Nouvelle Attitude, a subsidiary of La Poste that provides a springboard for people who want to (re)enter the workforce, and other firms in the social and solidarity-based economy. It is then recycled.

For instance, organic waste composters have been installed in China, with the gas created by the fermentation process being used to fuel the stores' hot water systems.

Immochan is keen to extend waste sorting facilities for retailers to all its shopping malls. Where sorting is carried out, the waste can be processed directly by a service provider, the town council or the hypermarket, depending on the country and the size of the mall. In 2016, 68 shopping malls had their waste processed through service providers or town councils.

In Spain, for instance, a system was put in place to turn into compost the organic waste from restaurants in the Zenia Boulevard mall. More than 24 tonnes of waste was turned into 17.5 tonnes of compost, creating 36 tonnes worth of carbon savings. A focus was also placed on awareness through the preparation and distribution in all stores of a manual of best practices for cutting down and sorting waste.

Moreover, since 2011, Immochan has been committed to systematically obtaining BREEAM NEW BUILDING environmental certifications for its major development projects. This internationally recognised process ensures a very ambitious environmental performance for the projects on which it is used, with a particular focus on 10 types of environment impacts, including waste management and sorting.

Immochan applies its environmental quality charter to all other development projects and to its existing sites.

This charter already incorporates the BREEAM requirements, but Immochan wants to go even further. It strives to guarantee optimal design through projects that are energy efficient, eco-friendly and pleasant places to work and visit. Optimal sorting of waste is facilitated through pre-sorting of the waste produced by construction sites via a "green site" approach.

### « ZERO RESIDUOS<sup>13</sup> »

Auchan Retail's Spanish hypermarket arm has set a long-term "zero waste" objective with the long-term aim that no waste deriving from their operations will end up in landfills and become a pollutant. With this in mind, a programme was launched to transform all inert waste produced by stores into fuel. This pioneering initiative in the Spanish retailing industry is being tested in Madrid, Valencia, Zaragoza, as well as in Catalonia. It has led to the production of 150,000 tonnes of SRF<sup>14</sup>.

<sup>13</sup> "Zero waste"

<sup>14</sup> Solid Recovered Fuel

## &gt; TREND IN PRODUCTION AND RECOVERY OF WASTE FROM OPERATIONS

		Tonnes of recycled waste			TOTAL
		Western Europe	Central & Eastern Europe	Asia	
Retailing	Hypermarkets	218,227	72,042	96,300	386,568
	Supermarkets	43,614	16,305	-	59,919
	Drive-throughs	3,444	-	-	3,444
Immochan		6,624	641	-	7,265
Other		3,175	-	-	3,175

	Recovery rate for waste produced by hypermarkets and shopping malls <sup>15</sup>		
	2015	2016	% change
Hypermarkets Western Europe	82	82.4	+0.4%
Hypermarkets Central & Eastern Europe	40	49.7	+24.3%
Hypermarkets Asia	42.6	52	+22.2%
Immochan	31.7	37.3	+18%

The recovery rate for waste produced by hypermarkets increased significantly between 2015 and 2016. This was essentially due to considerable progress at RT-Mart in China. The centralisation of waste data for this entity, which makes up 27.4% of the total commercial surface area, facilitated a more comprehensive follow-up of waste production at its stores. However, there was a sharp deterioration in the quality of escalated data at Auchan China, due to extensive changes in internal organisation. An action plan is underway to safeguard the quality of the 2017 data. In Russia, improvements in the follow-up of waste data are still needed.

Data for a certain number of stores in China and Russia has been omitted to ensure the reliability of the consolidated data.

The waste recovery rate remained stable overall, even rising slightly, in the countries that are the most advanced in the management of waste. The incorporation of the Real stores in Poland and Romania did not prevent the recovery rates in these countries from increasing (by 0.5 and 2 points respectively), despite the logistical constraints that arise when managing new outlets.

Immochan registered a marked increase in its recovery rate (up by 5.6 points). This was essentially driven by higher sorting rates in Hungary and Italy. However, the recovery rate is based on a small number of sites since the collection and processing of waste produced by Immochan shopping malls is generally handled by the hypermarkets and separate tracking is not possible.

<sup>15</sup> The coverage rate for the waste recovery rate indicator stands at 80%

## REDUCING THE ENVIRONMENTAL IMPACT OF PLASTIC BAGS

The energy transition for green growth act was passed in 2016 in France: it is now illegal for retailers to supply single-use plastic bags with a thickness of less than 50 microns at their tills.

However, Auchan Retail France had already prepared for this restriction. In 2012, its hypermarkets and supermarkets started working with T.T.PLAST, an SME based in Lens ('Nord' region) that specialises in plastics processes, with a view to establishing a new plastic waste treatment sector in the region. T.T.PLAST recovers flexible plastic packaging that has been collected and sorted in stores and recycles it into bags sold at the tills at every Auchan store. Roughly 500 tonnes of plastic is recycled every year as part of this initiative. By comparison with the production of conventional plastic bags, carbon emissions are cut by 40%. The initiative has also played a part in the economic development of the Lens community, through the creation of 30 stable jobs.

None of the Auchan Retail stores supply plastic bags free of charge, except in Russia and Poland. However, certain commitments have been made in these two countries:

- In Russia, every new hypermarket that opens has a policy of not supplying plastic bags in order to avoid customers taking them for granted.

- In Poland, bagging remains a considerable competitive advantage. However, training was provided in 2016 to demonstrate how plastic bag use can be optimised.

In Ukraine, the Petrivka store is the only one that still supplies free plastic bags. In 2016, the decision was made to stop supplying free bags when stocks run out.

The other Auchan Retail businesses have come up with solutions that are more respectful of the environment, involving selling bags that are biodegradable, reusable and/or made of recycled materials.

For instance, in China, the plastic bags sold at the tills are made of a material derived from calcium carbonate and take 6 months to decompose in sunlight. In Italy, the hypermarkets provide bags made out of corn starch. The hypermarkets in Poland and Hungary supply bags made of materials sourced from PET plastic bottles. The Spanish hypermarkets sell bags certified by AENOR (the Spanish association for standardisation and certification). These bags are made from recycled plastics and are part of a circular economy approach as they can be recycled up to 15 times without any deterioration in the material.

## APPLYING SUSTAINABLE WATER MANAGEMENT

As with energy, the main water consumption drivers vary depending on site surface area and type of business. The food preparation areas (meat, fish and baked goods), floor cleaning, equipment cleaning, lavatories and watering of green spaces are the activities that consume the most water.

While the vast majority of water used by the stores, logistics sites and shopping malls comes from municipal waterworks, some sites have rainwater catchment tanks and basins. The water thus recovered can be used for cleaning floors, lavatories and watering plants.

Furthermore, water-efficient equipment is systematically installed in new projects. Auchan Retail's hypermarkets and Immochan are gradually installing "smart" meters to provide consumption data automatically and in real time. These serve to alert technical crews to any possible anomalies and help in improving invoicing reliability by eliminating human error in meter readings.

Concerning wastewater, the car parks managed by Immochan and Auchan are equipped with hydrocarbon separators to treat water runoff before it reaches the public networks.

### IMMOCHAN PORTUGAL'S ANSWER TO WATER STRESS

The sites located in Mediterranean countries are used to monitoring their water consumption, due to weather-related constraints. Immochan Portugal carefully monitors proper water use at its shopping malls to avoid any water stress.

The shopping malls perform constant checks and regularly track water consumption via dashboards. They seek to optimise water consumption volumes, notably through improvements in automatic watering systems and the installation of new devices such as tap timers, which decrease water flow, and waterless urinals. Biodiversity is also taken into account, as it is an integral part of the areas where the shopping malls are located. Careful thought is put into choosing plants: in most cases, native plants<sup>16</sup> are selected that require little water. Rainwater is captured to water green spaces, to clean carparks and to fill fire-fighting tanks.

### > BREAKDOWN AND TREND IN WATER CONSUMPTION

Water consumption by square metre of surface area<sup>17</sup> rose by 1.3% between 2015 and 2016, with mixed performances. Tracking of this indicator could be improved. Water consumption is proving difficult to track due to:

- the multitude of local suppliers;
- the lower frequency of water bills by comparison with energy bills;
- the limited potential savings, which does not facilitate investment.

Tracking quality also varies depending on how old the installations are and the number of meters installed at each site. The water consumption data for the French hypermarkets has been excluded from the reporting basis due to inadequate tracking.

		Water consumption, in litres/sq. m. of surface area			TOTAL
		Western Europe	Central & Eastern Europe	Asia	
Retailing	Hypermarkets	812.7	1,244	3,510.5	2,233.8
	Supermarkets*	775.7	943.9	-	826.9
	Drive-throughs	78.2	-	-	-
<b>Immochan</b>		2,135.3	1,002.8	3,042.5	1,998.3
<b>Other</b>		269.7	-	-	269.7

\*Excluding the Italian supermarkets.

Water consumption levels vary significantly between sites<sup>18</sup> (depending on whether or not the site has food preparation areas) and between regions. For instance, a typical hypermarket in Spain uses 6 times less water than a Chinese hypermarket. This is because the Iberian Peninsula can sometimes experience periods of water stress, making the tracking and reduction of water consumption a major CSR issue.

<sup>16</sup> Varieties that grow naturally and self-seed

<sup>17</sup> The overall coverage ratio for this indicator stands at 86.9%

<sup>18</sup> And notably depends on whether a site has food preparation areas and a seafood department

**Trend in water consumption 2015/2016, in litres/sq. m. of surface area**

	Western Europe	Central & Eastern Europe	Asia	<b>TOTAL</b>	
<b>Retailing</b>	Hypermarkets	+6.8%	-9%	-2.3%	<b>+1.7%</b>
	Supermarkets*	+12.1%	-0.9%	-	<b>+9.5%</b>
	Drive-throughs**	Not comparable	-	-	<b>Not comparable</b>
<b>Immochan</b>	-5.7%	-6.8%	-23.5%	<b>-19.6%</b>	
<b>Other</b>	+23.2%	-	-	<b>+23.2%</b>	

\* Excluding the Italian supermarkets.

\*\* Last year, only 3 drive-throughs in Luxembourg were included in the reporting scope. The 2016 data incorporates water consumption levels for the Chronodrive sites.

Using comparable methodologies, the Western European supermarkets accounted for most of the overall increase recorded in 2016. This is because water consumption tracking is a particularly complex process for this store format<sup>19</sup>. The hypermarkets also registered an increase (1.7%), even after a significant decrease in consumption levels at hypermarkets in Central & Eastern Europe. In contrast, water consumption by square metre of surface area dropped in all countries in which Immochan operates, with a particularly impressive decrease in Asia (down by 23.5%).

## OPTIMISING AND REDUCING OUR ENERGY CONSUMPTION

Energy consumption (electricity, fuel oil and gas) represents a major environmental and financial issue for Auchan Retail, as it incurs costs of several hundreds of millions of euros. Reducing energy consumption was the first joint priority of the International CSR Committee.

The 3 primary energy consumption categories for stores are food refrigeration, lighting and heat/air conditioning. Their order varies from one site or country to another but they invariably account for around 80% of stores' final energy consumption.

A series of initiatives have been taken to reduce stores' energy consumption. Firstly, energy audits are performed in most of the countries in which Auchan Retail operates. Alongside this, most hypermarkets and supermarkets are or will be equipped with closed sub-zero freezers and many sites use "screens" to better insulate refrigerators and freezers when the stores are closed. In Spain, for instance, all the refrigerators and freezers at Auchan Retail's hypermarkets are closed. LED lighting is also preferred over other forms. In 2016, the Auchan Retail hypermarkets in Poland spent more than €845,000 in replacing their old lighting systems.

Lastly, energy savings are also achieved via training, employee awareness and the introduction of monthly charts to ensure better consumption tracking. This makes it possible to analyse variations observed over the same calendar period.

Daily maintenance of Immochan malls is essentially managed by the hypermarkets' technical crews. For new operations, a bioclimate design approach favours natural lighting and passive energy consumption reduction systems, by enhancing building insulation and recovering the calories generated wherever possible via the installation of dual-flow heat recovery ventilation systems.

Immochan also has a long-term approach to its cooperation with the retail banners at its malls through a mutual commitment that takes the form of an environmental clause incorporated into its commercial leases. The aim is to improve the overall energy efficiency of its shopping malls. 1,446 "green leases" have been signed since 2012.

Using renewable sources of energy is another way for the company to reduce its carbon footprint. Some of the sites owned by Auchan Retail or Immochan are fitted with solar panels to cover some of the buildings' electrical consumption and heating needs. This is the case in Spain, Italy, Hungary, Portugal, France and Poland. However, the solar panels are only efficient below a certain latitude. The solar panels installed on the rooftops of Immochan shopping malls generated 2,019,955 kWh of electricity in 2016, 22% more than in the previous year.

<sup>19</sup> Since supermarkets use less water than hypermarkets, their water bills often cover 6-month or even 12-month periods. This means that they have to estimate their water consumption, undermining the overall reliability of the data that they report



## SPECIAL SECTION

# Making energy efficiency a captivating project supported by all areas of the company

Despite the work of the technical departments and the efforts made in every country to reduce energy consumption, the gains plateaued at a level that was insufficient to offset the steady increase in energy bills. Based on this premise, Groupe Auchan's Executive Committee at the time decided to embark on an experimental trial, starting in 2013, at a number of Spanish sites across different store formats.

Working with specialist consulting firm Schneider Electric, a full-scale test was performed to verify the merits of an ambitious disruptive approach and our capacity to set minimum energy consumption goals. Over a 9-month period, the 18% energy saving target set in the assessment phase was achieved during the lever implementation phase, thanks to changes in methods and behaviours<sup>20</sup>, as well as the necessary investments made.

Based on these findings, Groupe Auchan's Executive Committee decided to launch an energy efficiency plan in all countries in early 2015, with 3 primary objectives:

- To establish specific governance with extensive involvement on the part of managers, calling on all the related areas of internal expertise, with the nomination of a person exclusively in charge of handling energy-related issues;
- To draw up a detailed 3-year roadmap with the objective of lowering energy consumption by 20% in that time;
- To deploy, as quickly as possible, levers with an ROI of less than 3 years.

To facilitate the smooth implementation of this plan, a robust and detailed diagnosis was carried out to gauge its potential. This was followed by the gradual implementation of the main levers, which included:

- Optimising the settings and the management of existing equipment, making this mandatory for all sites;
- Modifying technical installations, necessitating equipment and performance improvements;
- Relamping<sup>21</sup> at all commercial sites;
- Speeding up the replacement of refrigeration systems;
- Installing doors on upright refrigerators<sup>22</sup> used in stores (depending on sales policy);
- Changing behaviours and applying best practices at all levels;
- Smoothing out energy consumption levels in an optimal manner over the course of the day

The trade-off in terms of the investments required hinged on a combination of short-term gains and key longer-term levers, with an average ROI of 3.7 years.

Alongside this renovation programme for the technical installations at our sites, we implemented an equipment aggregation programme on an international scale.

Groupe Auchan was one of the 39 large French companies to sign the climate manifesto at the COP21 conference held in Paris in December 2015, when it announced that it was targeting a 20% reduction in its energy consumption over a 4-year period, running from the end of 2014 to the end of 2018. With Groupe Auchan's reorganisation, Auchan Retail took up the gauntlet, since it accounts for 97.9% of Auchan Holding's annual consolidated revenue.

A quarterly reporting schedule was introduced in early 2016 to help Auchan Retail maintain this commitment. The plans for all the BUs are managed at corporate level in accordance with this reporting schedule. Follow-up is coordinated by a Steering Committee chaired by Auchan Retail International's Chief Financial Officer.

The implementation phase was slightly behind schedule at the end of 2016, mainly due to:

- An excessively long timeframe between the official launch of the programme and the consolidation of the roadmaps;
- Long delays with the start of country upgrade work (because of inadequate capacities to perform such work or conflicting priorities), bearing in mind that the initial €220 million budget set aside for the work had not been fully used.

A combination of these two factors has led to significant differences in reported consumption reduction levels within a given country<sup>23</sup> and between countries.

Based on these observations made at the end of 2016, the Steering Committee will take steps to ensure that all countries get behind the programme in 2017, and that a plan be put in place to bring them all into line with the initial objective.

<sup>20</sup> ROI over less than 3 years

<sup>21</sup> Changes in lighting systems

<sup>22</sup> Only positive cold

<sup>23</sup> From one format to another

### EFFICIENCY OF THE POWER BUMPS INSTALLED AT THE MILAN STORE

A vehicle loses energy every time it slows down. This energy can be harnessed. With this in mind, Auchan Retail Italy called on the services of Underground Power to install Lybra speed bumps or rather "power bumps" in the carpark of its Rescaldina store.

When a vehicle rolls over these power bumps, the kinetic energy thereby created is captured and transformed into electricity.

This system produced 40,000 kWh of energy in 2016 and the output is expected to be even higher in 2017 through upgrades.

### > BREAKDOWN AND TREND IN ELECTRICITY CONSUMPTION

Electricity consumption levels per square metre of commercial surface area<sup>24</sup> were down for the reporting period (by 5.0%). Most countries registered pronounced falls, with the notable exception of Poland, where the integration of the more energy-intensive Real stores weighed on the overall figures. Lower gas consumption to fuel some technical installations at the Polish sites may have placed a heavier burden on electricity-fuelled systems. In Russia, the reduction in consumption levels was accentuated by an improved segregation of the levels attributable to the hypermarkets and those attributable to the shopping malls. Chinese hypermarkets are less energy-intensive<sup>25</sup> and their growth momentum therefore also helped bring down the overall kWh/sq. m. ratio.

		Electricity consumption, in kWh/sq. m. of surface area			
		Western Europe	Central & Eastern Europe	Asia	TOTAL
Retailing	Hypermarkets	438.8	519	380.2	429.9
	Supermarkets	618.9	740.6	-	640.7
	Drive-throughs	277.2	-	-	277.2
Immochan		198.8	202.6	313.9	226.6
Other		206.8	-	-	206.8

Overall, Immochan and all the Retail formats registered a sharp fall in their electricity consumption levels relative to their commercial surface area. This decrease was especially pronounced at Immochan (falling by 5.8%), with results differing from one country to the next. The supermarkets reduced their consumption levels by 2.9% whereas the hypermarkets recorded a greater decrease (of 4.4%).

		Trend in electricity consumption 2015/2016, in kWh/sq. m. of surface area			
		Western Europe	Central & Eastern Europe	Asia	TOTAL
Retailing	Hypermarkets	-4.1%	-5%	-5%	-4.4%
	Supermarkets	-2.7%	-6.1%	-	-2.9%
	Drive-throughs	-7.7%	-	-	-7.7%
Immochan		-8.9%	-2.9%	+0.8%	-5.8%
Other		-3.1%	-	-	-3.1%

<sup>24</sup> The overall coverage ratio for this indicator stands at 99%

<sup>25</sup> Less heating and fewer frozen goods shelves

## > BREAKDOWN AND TREND IN ENERGY CONSUMPTION

Energy consumption levels per square metre of commercial surface area<sup>26</sup> also fell, although not as heavily as electricity levels. This was because gas consumption rose by 11.2% overall, i.e. by 5,2 kWh/sq. m. Gas accounts, on average, for 11.0% of the energy consumed at commercial sites.

Energy consumption, in kWh/sq. m. of surface area					
	Western Europe	Central & Eastern Europe	Asia	TOTAL	
Retailing	Hypermarkets	516.8	610.1	391.4	480.3
	Supermarkets	691.3	796.3	-	710.3
	Drive-throughs	297.7	-	-	297.7
Immochan	266.2	303.2	313.9	287.8	
Other	209.9	-	-	209.9	

There was more of a contrast in performance between entities in countries in which gas accounts for a larger share of the energy mix. The Russian hypermarkets, for example, registered a significant increase in their energy consumption levels (up by 2.9%). This was due to improved tracking of gas consumption at sites where the hypermarket and the shopping mall use shared heating systems<sup>27</sup>.

Trend in energy consumption 2015/2016, in kWh/sq. m. of surface area					
	Western Europe	Central & Eastern Europe	Asia	TOTAL	
Retailing	Hypermarkets*	-4.7%	-1.7%	-5.3%	-2.8%
	Supermarkets	-3.2%	-0.2%	-	-2.3%
	Drive-throughs	-2.4%	-	-	-2.4%
Immochan	-7.1%	+19%	+0.8%	+0.4%	
Other	-0.4%	-	-	-0.4%	

\*Excluding the French hypermarkets: in 2015, the French hypermarkets' energy consumption data was excluded amid reliability issues relating to gas consumption levels. As a result, the French hypermarkets have been excluded from the above table.

Over the international scope as a whole, the hypermarkets recorded a 3.0% fall in their energy consumption levels and the supermarkets a 2.3% fall. Immochan, however, registered an overall rise of 0.4% in its energy consumption levels due to increases in Central & Eastern Europe, despite the decreases observed in Western Europe. Gas accounts for a particularly high proportion of the energy consumption levels at its shopping malls (more than 20%). Gas is widely used for heating and, of all the indicators, is the one that is most closely correlated with weather conditions.

## MEASURING THE CARBON FOOTPRINT OF COMMERCIAL SITES

Auchan Retail has already published one or more national carbon footprints for its hypermarkets activity (in France, Spain, Portugal and Italy), but an international footprint has yet to be compiled.

Furthermore, measurements are carried out in most categories and, while they could be improved, they are nonetheless regular. An indicator has yet to be developed for CO<sub>2</sub> emissions linked to logistics supply. The fact that logistics supply is often outsourced makes it difficult to track data. Despite the delay in reporting on this topic, all the Auchan Retail and Immochan businesses intend to take necessary steps to reduce their impact in key areas.

Since it is the most obvious and the most closely monitored category by virtue of the costs involved, energy consumption is very closely scrutinised as part of the international energy efficiency plan (see page 29). On average, CO<sub>2</sub> emissions from refrigerants account for over half of a store's carbon footprint (excluding customer travel to/from stores). That said, these emissions can vary significantly from one site to the next, depending on the type of refrigerant used. As a result, refrigerants that are most harmful to the environment are gradually being replaced by ones that pose less of a threat. For new food refrigeration systems in EU countries, the installation of technologies based on R744 (CO<sub>2</sub>) is preferred whenever possible.

<sup>26</sup> The overall coverage ratio for this indicator stands at 98.8%

<sup>27</sup> At some sites, the hypermarket uses the shopping mall's heating system

> BREAKDOWN AND TREND IN CO<sub>2</sub> EMISSIONS FROM REFRIGERANTS

	Trend in CO <sub>2</sub> emissions from refrigerant leakage per sq. m.		
	2015	2016	% change
Hypermarkets Western Europe	118	95.6	-19%
Hypermarkets Central & Eastern Europe	136.3	123.7	-9.3%
Hypermarkets Asia	64.7	55.7	-13.9%
Supermarkets	215.4	242.8	+12.7%

The total weight of refrigerant refills decreased by around 10 tonnes (0.6%) between 2015 and 2016, even though the number of stores increased. China registered a fall of 9.9%, stemming mainly from a sharp decrease in refrigerant refills at RT-Mart, which modified its refrigeration installations in order to stop using R22. In Western Europe, the French hypermarkets managed to cut their refrigerant refill usage by 28.2%. The installation of smart systems to detect refrigerant levels shortened the time taken to identify any leaks. The situation in Central & Eastern Europe was more mixed, with Ukraine registering a sharp decrease but not enough to offset increases in Poland and Russia. The expansion of the Russian supermarket network and a deterioration in Italy pushed up refrigerant refill usage for supermarkets.

Refills of R404 A, the most common refrigerant used by stores, rose by 1.7%, after falling sharply the previous year. Stores in Auchan Retail's European locations are gradually replacing it with alternative refrigerants, as it will be gradually banned in Europe from 2020.

All use of R22 ceased at stores in the EU during the reporting period, in accordance with EU regulations. This ozone-depleting gas is now only used in Asia and Russia, where stores are already gradually reducing its use (22.4% decrease during the reporting period).

There was a very strong increase (+86%) in refills of R744 (used in transcritical CO<sub>2</sub> applications) during the period, making it the third most commonly used refrigerant by stores. The advantage with R744 is that it has a very low GWP<sup>28</sup> and does not deplete the ozone layer<sup>29</sup>. However, the overall weight of R744 refills is underestimated at French hypermarkets, which account for a considerable share of total R744 refills. With no legally-binding framework, the stores do not report all their refill volumes. This will be rectified in 2017.

Immochan did not report any refrigerant data for 2016. In many countries, refrigerant leakage in shopping malls is reported by the store. By comparison with food refrigeration systems, the air conditioning systems used in the shopping malls are generally less powerful and use refrigerants that are not as harmful to the environment.

With the increased use of refrigerants with lower GWPs, hypermarkets are lowering their GHG (greenhouse gas) emissions considerably, particularly in Western Europe and Asia. However, greater use of R404 refills by Russian supermarkets has contributed significantly to the increase in emissions by supermarkets per square metre of surface area.

GHG emissions linked to electricity consumption vary depending on the energy mix in each region. In Western Europe, refrigerant leaks are responsible for more GHG emissions than electricity consumption. In Asia, reliance on coal in the national energy mix means that electricity-related GHG emissions are three times higher than in Western Europe.

	Trend in CO <sub>2</sub> emissions from electricity consumption per sq. m.		
	2015	2016	% change
Hypermarkets Western Europe	88	83.6	-5%
Hypermarkets Central & Eastern Europe	265.7	264.7	-0.4%
Hypermarkets Asia	299.9	284.9	-5%
Supermarkets	187.5	184.3	-1.7%

There was an overall decrease in CO<sub>2</sub> emissions linked to electricity consumption between 2015 and 2016, for both supermarkets and hypermarkets. However, the expansion of the hypermarket network in Poland, where coal-fired electricity weighs heavily in the energy mix, limited the improvement in Central & Eastern Europe.

<sup>28</sup> Global Warming Potential. For the same degree of leakage, R744 would emit almost 3,950 times less GHG (greenhouse gas) than R404 A

<sup>29</sup> R744 has an Ozone Depletion Potential (ODP) of 0

## DEVELOPING ENVIRONMENTAL SITE MANAGEMENT

Auchan Retail's entities have plenty of room to employ the management systems and certification methods they feel are most appropriate. In 2016, 19 hypermarkets and 5 Immochan malls were awarded ISO 14001 certification. This certification is awarded in recognition of continual efforts to improve environmental performance through the management of the repercussions of business operations.

Immochan has been committed since 2011 to systematically incorporating BREEAM environmental certification in its major development projects. Companies who employ this approach are assigned a rating based on an assessment of their conformity, which classifies the environmental impact of a project into 10 categories: energy, water, waste, transport, materials, land use and ecology, pollution, innovation, health and well-being, and management. This certification approach ensures a very ambitious environmental performance for the projects to which it is applied via:

- A "green site" approach to prevent and control the slightest pollution risk during the construction phase;
- Maximum recovery of waste attributable to construction and to operations: effective on-site sorting (inert waste, metals, wood, packaging, non-hazardous industrial waste, hazardous waste, household waste, electrical and electronic equipment (WEEE)) and an optimisation strategy for the recovery and reduction of waste at its source;

- Installation of BMS<sup>30</sup> and separate meters to strictly monitor energy and water consumption levels;
- Protection of biodiversity with the help of an ecology expert whose mission it is to maintain the site's ecological quality.

As of the date of publication, 93.94% of the projects under development had received, or were in the process of receiving, BREEAM NEW BUILDING certification.

Building envelopes are designed to be as energy-efficient as possible. Eco-friendly modes of transport are prioritised to ensure a large number of mobility options. Water consumption is restricted (water-efficient equipment, rainwater capture) using, among other things, plot-based management of rainwater runoff (treated on site), thereby reducing drainage to the public networks and hence the risk of flood. This runoff can also be used to clean floors and to water green spaces.

Immochan also applies its own environmental quality charter in all European countries for expansions or renovations to existing sites and for new projects. It defines the architectural and landscape requirements and recommendations and integrates the BREEAM criteria referred to above.

### STRIVING FOR EXCELLENCE

As a reminder, site conformity with these BREEAM criteria is assessed as follows:



- Immochan Romania was rated "Excellent" in the BREEAM certification of the Coresi Shopping Resort in Braşov. This is the first shopping mall to receive such a rating in Romania and the second in Central and Eastern Europe.
- Immochan's Spanish malls El Ventanal de la Sierra and Zenia Boulevard were rated "Excellent" based on the Existing Buildings criterion as part of the BREEAM In-Use certification scheme, and "Outstanding" based on the Building Management criterion.

<sup>30</sup> Building Management Systems

## ASSESSING AND OPTIMISING THE CARBON FOOTPRINT OF OWN-BRAND PRODUCTS

Article 173 of the Grenelle 2 Act, published in July 2016, requires companies to publish the carbon footprint of their products and to communicate on their low-carbon strategy. This law applies retroactively and is therefore applicable to the 2016 reporting period. It is not very specific, however, regarding what companies are exactly required to report. As a result, very few companies fully comply with this obligation. Auchan Retail is currently examining the matter alongside other players in the retailing sector.

In order to keep up with the changing regulations in this respect, Auchan Retail France will carry out a mapping exercise in 2017 relating to the design and use of own-brand products. The aim is to pinpoint the main emissions factors in the supply chain.

So far, the following main areas have been identified as sources of greenhouse gas emissions:

### Scopes 1 and 2

- GHG emissions relating to the transportation of goods;
- Refrigerant leakage;
- GHG emissions tied to gas and electricity consumption.

### Scope 3

- Customer travel to/from stores;
- CO<sub>2</sub> emissions relating to the design and use of Auchan-branded products.

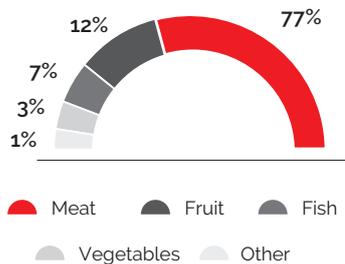
### EXPERIMENT AT AUCHAN RETAIL SPAIN

A study was carried out at the Spanish hypermarkets in a bid to calculate the GHG emissions for some of their products, i.e. Auchan-branded fresh produce such as fruit, vegetables, meat and cheeses. Several criteria were applied to calculate the carbon footprint of these products, such as the farm at which they were produced, their processing, packaging and transportation.

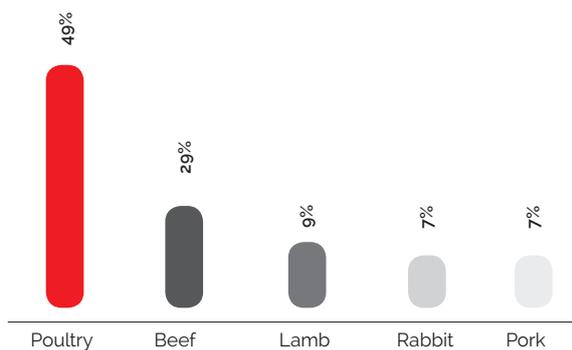
The study provided a measurement and facilitated the mapping of GHG emissions linked to the products sold by the hypermarkets. All in all, it found that meat accounted for 77% of the GHG emissions from the own-branded fresh produce sold, fruit 12%, fish 7% and vegetables 3%.

Each product category was analysed. In the meat category for instance, the sale of poultry was found to make up 49% of the GHG emissions linked to meat sales.

> CARBON FOOTPRINT BY SALES



> MEAT



## MINIMISING NOISE POLLUTION FROM ACTIVITIES

Steps to minimise noise pollution are relatively limited in scope at Auchan Retail, since they only apply to stores located in city centres or around metropolitan areas.

Keeping noise pollution to a minimum means adapting supermarkets' delivery schedules. Adjustments will depend on the particular circumstances of each store and can involve sound insulation of ceilings for stores on the ground floor of a building and noise-reduction walls to protect neighbouring residences. The Auchan Retail supermarkets in Spain have signed up to the "Distribución Urbana Sostenible<sup>31</sup>" plan in Zaragoza and Madrid. This takes the form of a commitment by retailers to reduce inconvenience to the public and the pollution caused by their operations. The supermarkets have invested in 4 trucks that run on liquefied natural gas, reducing the related noise pollution by 50%.

In Poland, noise-free pallet trucks and stackers<sup>32</sup> were the main investments.

Two stores in Portugal have built noise-reduction walls around their unloading bays (Cascais) and the truck delivery zones for the Figueira da Foz stores have been moved.

Most hypermarkets have also adjusted their business hours.

As part of a BREEAM certification process, for each new Immochan mall project, every effort is made to limit noise pollution within an 800 metre radius. An acoustics engineer determines the provisions necessary to keep construction noise pollution below 5 dB from 7 a.m. to 10 p.m. and 3 dB at night.

## LIMITING AIR, WATER AND SOIL POLLUTION AND ADAPTING TO THE CONSEQUENCES OF CLIMATE CHANGE

Except for GHG emissions, the company's commercial activities do not produce much air, water or soil pollution with a strong environmental impact.

Nevertheless, Auchan Retail and Immochan aim to limit any harm caused to natural environments. A particular effort is made to keep their buildings environmentally friendly. Impact studies are carried out on the projects for which BREEAM certification is sought, particularly in relation to the ecological value of the land and soil pollution.

In 2016, the principal investments in environmental risk prevention were centred on renovating:

- Cooling and air conditioning systems in Portugal, Luxembourg, Romania, Ukraine and Taiwan;
- Waste treatment facilities in Spain, Luxembourg and Taiwan;
- Wastewater treatment systems in Spain, Portugal and Taiwan;
- Replacing lighting systems in Italy, Portugal, Luxembourg, Romania, Ukraine, Poland and Taiwan;
- Replacing refrigerants with solutions with less of an impact on global warming in Spain and China;
- Installing heat recovery systems in Hungary and Taiwan.

Audits are carried out regularly to ensure site compliance, either by in-house teams or by accredited third-party agencies. In Portugal, the hypermarkets carry out annual audits at all stores, checking their findings against a list of legal requirements and best practices.

Flood risk is the primary threat to the company from climate change. Immochan and Auchan Retail are working in particular on managing rainwater runoff. In 2016, work was carried out in this area in 3 of Auchan Retail's countries, i.e. Spain, Portugal and Poland. The Konstancin-Jeziorna store in Poland renovated its rainwater management system, which was no longer able to cope with local weather. Water from the store and the carpark is now captured and filtered to eliminate any chemicals so it can be used to water the green spaces surrounding the store.

Lastly, during the year, entities within the Auchan Holding scope did not set aside any additional financial provisions for environmental risks.

<sup>31</sup> Sustainable Uurban Rretailing

<sup>32</sup> Machines used to load and unload trucks

## CONTRIBUTING TO BIODIVERSITY PROTECTION

The different country banners are launching a number of initiatives to protect biodiversity both within and outside commercial sites.

Carpark lay-outs are a key area that is subject to a careful and detailed thought process when a new site or renovation is being designed. The lay-outs invariably incorporate stretches of grass and local plants.

In 2016, the Auchan Retail hypermarkets in Spain teamed up with SEO / BirdLife<sup>33</sup> to promote produce grown in "Natura 2000" zones and thereby contribute to the conservation of local biodiversity. These zones are part of a network of natural sites across Europe that have been singled out to protect rare or threatened plant species and wildlife.

They combine environmental conservation and social and economic concerns, as human activity is authorised for food production as long as it is carried out in a reasonable and responsible manner. In 2017, volunteers from the association will visit stores to raise customer awareness regarding biodiversity issues and to promote the 140 "Zone Natura 2000" products already stocked by the stores: wine, cheese, sausage, oil, etc.

All the stores in Ukraine take part in "Let's do it", a large-scale event organised by the "Clean Up Ukraine" NGO held every year in April to clean up the countryside. In 2016, 220 of our employees took part in the event.

Auchan Retail's French supermarkets and hypermarkets continued to install beehives on and around some 70 stores. An eco-pasture area was developed around the Brétigny logistics site in association with Ecomouton.

The Czetochowa Poczesna store in Poland has been supporting an initiative since 2011 to clean up the nearby Poraj lake. In 2016, around twenty employees and their families took part in the clean-up operation and supplied the necessary tools and equipment.

Immochan strives to minimise the impact of its buildings on local biodiversity by incorporating them as much as possible into the environment. This involves selecting suitable land, designing sites that are less energy-intensive and avoiding urban sprawl, etc. The land is built on sparingly to limit soil sealing and to take the risk of flooding into account.

Environmental impact studies are carried out for all construction projects and an ecologist is consulted at all sites that are subject to BREEAM certification. These studies notably focus on the ecological value of the land and on soil pollution. Recommendations are issued to secure this potential and to ascertain how it can be enhanced further through future developments.

### IMMOCHAN POLAND RAISES AWARENESS OF BIODIVERSITY AMONG CHILDREN

In June 2016, staff at the Lomianki shopping mall installed an insect hotel in the green space surrounding the mall. It was built by the students of the town's primary school, with the help of experts in forestry and horticulture. The students are in charge of looking after the insect hotel. Despite the urban surroundings, this ideal location provides a safe habitat for birds and pollinating insects to live and reproduce.

<sup>33</sup> A Spanish ornithology association that works to promote the conservation of the biodiversity of Spanish wildlife



## SPECIAL SECTION

### The forest heart

Auchan Retail and Alinéa defined their forest policy in 2011 as part of an initiative to protect ancient woodland and forests with high carbon concentrations, with the help of international non-profit organisation The Forest Trust (TFT).

Given the large number of products that are derived from wood, they decided in 2015 to first focus on supply chains that harbour viable levers to take action over the medium term and that have the most significant repercussions on woodland, on the environment and on people. This led them to concentrate on charcoal, home furniture (analysed to varying degrees depending on how suppliers treat the issue in the countries in which Auchan Retail operates) and palm oil.

The Auchan Production teams implemented a rigorous method for the sourcing of palm oil, divided into a series of steps:

- Acquiring extensive knowledge of supply chains by mapping the products sold under own brands in order to better understand these channels, who supplies the products and who produces them, with the help of TFT;
- Training procurement teams to enable them to recognise the various sources of responsible production and processing that can be traced;
- Requesting corrective action in the event of non-conformity in one or more areas;
- Redrafting (in progress) specifications and applying them to every new tender, and systematically verifying that products conform to those specifications.

This lengthy process should not take away from the work carried out in other raw materials, which are monitored. It calls for the utmost prudence as it can be very difficult to collect the information needed to carry out an in-depth analysis of the supply chain, bearing in mind that this information can also change over time as products are subject to multi-annual reviews.

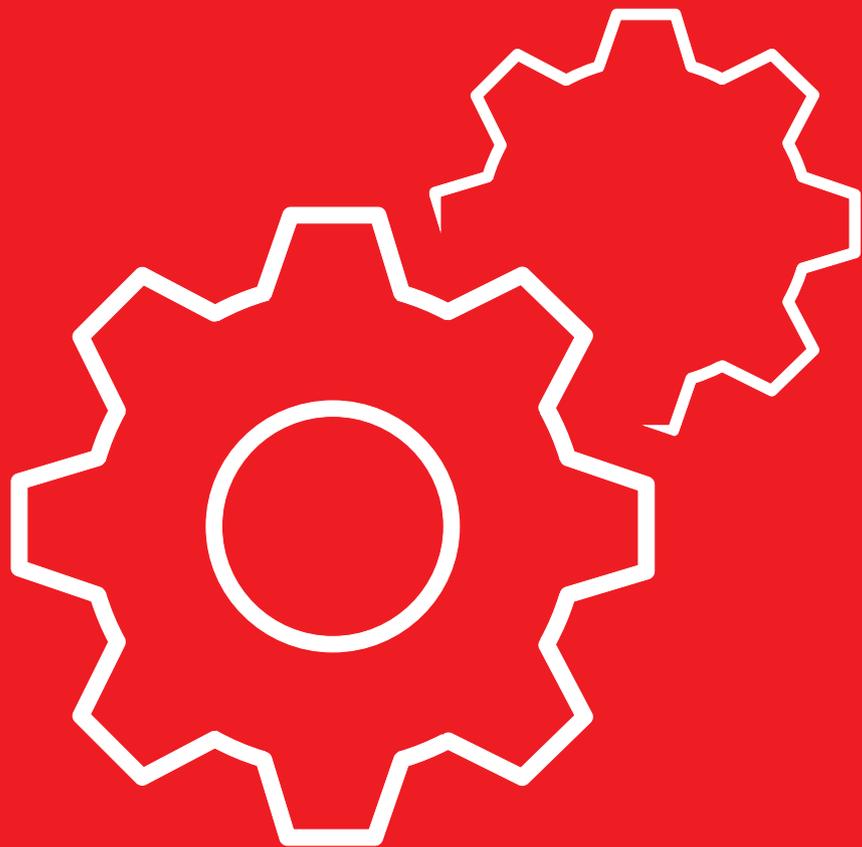
It is only through a continual effort to familiarise the Auchan teams with our procurement policies and to ensure that they are gradually taken on board that we can systematically fulfil our stated ambition in a lasting manner.

Alinéa teamed up with TFT as early as May 2008 to tackle the controversial outdoor furniture issue. The objective, which has since been achieved, was to provide assurances that exotic woods, such as teak and balau, were responsibly sourced since, at the time, there were very few certified woods of this type.

Alinéa's partnership with TFT has evolved over time to target the sourcing of all the wood products that are sold with a view to tracing their origin. Information is requested from suppliers as part of this process, echoing the system in place at Auchan Retail. Since 2014, the nature and origin of more than 1,200 items, accounting for upwards of 50% of revenues, has been ascertained. In 2016, 9 suppliers identified as potential risks were asked to provide additional guarantees on the origin, the nature and the traceability of the wood used. On-site assessments were ordered to resolve certain critical situations. The TFT teams paid 14 such visits in India. These actions will continue in 2017 to ensure that reported measures are indeed put into action on the production side.

A number of suppliers have already been identified in China and Vietnam and may be included in the on-site visit programme depending on the volume of orders that they receive from Alinéa.

In the interests of avoiding non-conformity as far as possible, senior TFT staff took part in a supplier convention hosted by Alinéa in Marseille on 3 November 2016. Its purpose was to remind all suppliers attending the convention of Alinéa's commitment to preventing the deforestation of ancient woodland and the specific responsible sourcing measures in place.



# PARTNERS

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By fostering balanced, lasting commercial relationships with their partners, Auchan Retail, Immochan and Oney make a point of involving them in achieving progress.

Their active participation in initiatives carried out by community and professional associations, with representatives of civil society, give them many opportunities to reflect on how existing relationships can be improved upon and to identify new partners.

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## GENERAL PRINCIPLES AND COMPLIANCE WITH ILO STANDARDS

The company's policy and the action it has undertaken comply with the principles of the 1948 Universal Declaration of Human Rights, the ILO's<sup>34</sup> 1988 Declaration on Fundamental Principles and Rights and the OECD's<sup>35</sup> guiding principles. These texts form a corpus of civil, political, economic, social and cultural rights. Auchan applies these to itself and is careful to ensure their application by its partners.

A code of business ethics has been in place at Auchan Retail since 1997 that reflects the company's commitment to these key principles.

It is included in sales contracts and signed by both parties. It requires suppliers to respect its principles, as well as the local laws in force in the countries in which they manufacture. It was revised in 2014 and will be updated again in 2017 to comply with the new requirements of the French "Sapin II" law.

## RESPONSIBLE GENERAL PROCUREMENT POLICIES AND PREVENTION

For 20 years, Auchan Retail has been working to continually improve its global supply chains. A special unit and a CSR Committee set up in late 2016 ensure that every member of Auchan Retail's procurement team (Corporate Product Department) is aware of the company's responsible sourcing policies.

A training course has been developed for buyers and product managers in order to increase the involvement of everyone in the supply and procurement domains. This course, which is an ideal opportunity to foster awareness, takes into consideration all quality, labour and environmental aspects of their activity.

The topics covered include: ethics and corruption, the obligations of economic agents and international standards. Coupled with testimonials from qualified experts and role-play, this ensures that risks are handled more efficiently and that labour and quality-related demands are taken into account when specifications are drawn up. It highlights specific aspects, such as:

- The delisting process, with mandatory labour and quality audits;
- Rules relating to traceability and zero tolerance of opaque outsourcing;
- The incorporation of customer safety and satisfaction in the product design process.

So far, 81 employees, i.e. 50% of buyers, product managers and quality engineers have received this training. The objective is to bring this percentage up to 75% in 2017 and to ensure that all staff in the sourcing offices receive the training. An environmental evaluation framework with audit tests will be tested in 2017 and replicated in 2018.

Lastly, the risks are mapped by sector of activity to prevent all potential risks and prioritise necessary action plans. Based on the probability of occurrence and the level of control, this mapping exercise evaluates risks in areas such as: human, material and financial resources, the running of information systems, fraud, personal safety, image and customer satisfaction, sustainable development, process organisation, etc.

The Auchan Retail businesses in each country are encouraged to develop their own initiatives. RT-Mart China secures the loyalty of its long-standing suppliers through measures such as advance payment. Auchan Retail France has signed up to the Ubizz supplier listing platform created by the Pas@pas association, which encourages integrated sector procurement.

<sup>34</sup> International Labour Organization

<sup>35</sup> Organisation for Economic Co-operation and Development

## TACKLING CORRUPTION

Entities such as Auchan France, Alcampo, Auchan Poland and Groupe Auchan have been signatories of the UN's Global Compact over the years. Auchan Retail International further underpinned its commitment in 2016 by becoming a member of the Global Compact on a corporate level, as part of a continuing effort to improve its response to corruption.

### IMPACTS OF THE "SAPIN II" LAW

A new French law on transparency, the fight against corruption and the modernisation of the economy, known as the "Sapin II" law, came into effect on 10 December 2016, following approval of the bill by the French Conseil Constitutionnel (constitutional council). Auchan Retail took this opportunity to reinforce the tools at its disposal to tackle corruption.

It carried out a review of all these tools in 2016 with a view to beginning and continuing the following required actions in 2017:

- Review of the ethics charter and codes of conduct in which Auchan Retail stipulates what is required of its stakeholders;
- Drafting of a code of conduct for employees, stating the types of behaviour they should refrain from and the appropriate attitude to have in their duties;
- Implementation of a whistle-blower system to report unethical behaviour, to escalate suspicions or to raise questions;
- Risk mapping for the regions and sectors in which Auchan Retail operates;
- Implementation of procedures to verify, assess and penalise certain behaviours, in accordance with the law and the values upheld by the company.

## DEVELOPING A BUSINESS ETHIC

In 2015, Vianney Mulliez, Chairman of the Auchan Holding Supervisory Board, ordered that business ethics committees be set up in each Auchan country, with members drawn from all the Auchan Holding businesses, composed of executive managers, CSR specialists, family shareholders and outside representatives with recognised expertise.

Following the revision of the code of business ethics in February 2014 and the finalisation of the ethics charter that same year, the formation of these committees helped put the issue of ethics at the very core of the company's strategy and make it possible to handle any country-specific challenges. Prior to this, the French committee had been responsible for all the countries in which Auchan was established and it remains the benchmark for the other committees.

The role of these ethics committees is to:

- Define the broad strokes of the company's ethics policy, in keeping with Auchan's values;
- Issue opinions and recommendations regarding ethics-related issues;
- Propose training on specific matters;
- Advise on the procedures to be followed.

A meeting of all the general secretaries of the committees was held on 3 October 2016. It gave them the opportunity to decide upon the key areas to be focused on in 2017, i.e.:

- Adapting the ethics charters of each country to the company's new structure and to the requirements of the "Sapin II" law;
- Updating the code of business ethics governing Auchan's relationships with its suppliers;
- Developing an internal and external whistle-blower system;
- Pursuing training in Executive Committee ethics-related issues for every country Chairman and their respective commercial directors.

A wide range of issues have been raised with the ethics committees in different countries: video poker in Immochan shopping malls, the sale of love toys in stores, textile sourcing and production in Ethiopia, etc.

## ENHANCING PRODUCTION SITE TRACEABILITY

Improving production site traceability is one of the key objectives of Auchan Retail's responsible sourcing policies. The company endeavours to obtain the fullest picture possible of its suppliers' production sites so that it can implement appropriate evaluation processes.

### > NUMBER OF ACTIVE LISTED SUPPLIERS AND SITES

Number of active suppliers managed by the sourcing offices	646
Number of active sites managed by the sourcing offices	1,598

### > NUMBER OF ACTIVE SITES COVERED BY THE SOURCING OFFICES IN NON-FOOD SEGMENTS

Textiles	521
Household equipment (electrical / electronic goods)	205
General merchandise	872

With the help of a special web portal, each supplier is required to report its production sites and whether it is using a subcontractor, for every order fulfilled. Random checks are carried out to verify the truthfulness of these reports.

A supplier is immediately delisted if they are found to have used a subcontractor and not reported it.

As a result of this procedure, in 2016, 8 textile suppliers, 3 general merchandise suppliers and 1 consumer electronics supplier were delisted.

The responsible sourcing policy requires suppliers to meet quality and labour-related demands from the time they are listed. Suppliers are therefore subject to audit before they can be listed.

Number of internal labour audits carried out in 2016	537 of which 85 at importer sites
Number of internal quality audits carried out in 2016	792 of which 128 at importer sites

Auchan Retail also monitors production at supplier sites.

The people working in the sourcing office draw on the findings of each audit to shape improvement strategies with the supplier and their production site(s). Corrective action plans are checked in a follow-up audit.

However, there is a zero tolerance threshold regarding certain issues:

- When employment contracts have not been issued;
- Discrimination;
- Child labour;
- Forced labour;
- Disciplinary practices (corporal punishment, harassment, etc.);
- Non-compliance with minimum wage levels or non-payment of wages for 2 consecutive months;
- Evidence of infrastructure failure(s);
- Use of sandblasting<sup>36</sup>;
- Security problems : fewer than 2 fire exits per floor / less than 1 smoke detector, 1 fire alarm and 2 fire extinguishers per floor / unsafe electrical fittings – This is relevant to: production buildings and any living/sleeping areas;
- Home-working<sup>37</sup>;
- Failure to submit to an audit on 2 consecutive occasions;
- Falsification of documents.

Factories cannot be listed if one or more of these elements is identified. Those that are already listed are delisted.

In 2016, 3 general merchandise manufacturing sites, 2 sites producing consumer electronics goods and 4 textile production sites were delisted for non-compliance with these key criteria.

<sup>36</sup> Technique used to give jeans a worn look

<sup>37</sup> Off the production site

## SUPPORTING INITIATIVES FOR PROGRESS

### GLOBAL SOCIAL COMPLIANCE PROGRAMME (GSCP)

Through its participation in the GSCP since 2009, and its involvement in the work carried out by this programme, Auchan Retail has been able to implement a comprehensive framework of best practices for suppliers in relation to labour and environmental issues.

### INITIATIVE CLAUSE SOCIALE (ICS)

As part of a drive to support global improvements in working and safety conditions by forging closer links between suppliers, Auchan Retail has also taken part since 1999 in the work of the Social Clause Initiative (ICS – Initiative Clause Sociale). It is, in fact, a founding member.

This discussion platform enables member retailers to work from a shared audit methodology and shared employment audit benchmarks, accessible to all members. Retailers share best practices and the results of checks to avoid redundant audits at the same site.

It has notably worked to improve transparency regarding the subcontractors used by suppliers of manufactured goods.

However, few actions were taken in 2016, since much of the members' energy was channelled into the proposed merger of the ICS and the BCSI<sup>38</sup>. Ultimately, an agreement could not be reached based on the original memorandum of understanding and mutual recognition was preferred.

Factories shared with Auchan, audited by a retailer other than Auchan in 2016	42
Initial audits carried out and commissioned by Auchan	151

### THE ACCORD

The tragedy of Rana Plaza revealed that working conditions in manufacturing were not the only issue to be considered. In May 2013, Groupe Auchan therefore decided to join the Accord on Fire & Building<sup>39</sup> Safety and thus contribute to the financing of building safety audits, shared by all the 200 signatory retailers.

From the outset, Auchan created a full-time position to follow-up corrective action plans. Through on-site visits, this person provides support to suppliers and ensures that they keep to the commitments made.

They provide updates on cases in which little headway has been made, through weekly meetings with the responsible sourcing teams.

79% of initial cases of non-compliance have been resolved. The remainder have yet to be remedied because the authorities have not approved the action plans (a prerequisite to the beginning of work on installations) and because of the time it takes to receive and install state-of-the-art equipment, most of which comes from the Gulf States.

<sup>38</sup> Business Social Compliance Initiative

<sup>39</sup> Bangladeshaccord.org



## SPECIAL SECTION

### Plan to combat opaque outsourcing : review to date

In July 2013, in order to strengthen the control process implemented by Auchan for close to 20 years, the International Product Sourcing and Purchasing Department (the DPC, formerly DOAPI) committed to a plan to combat opaque outsourcing, with 8 action areas.

- 1 - Strengthening the formal documentation of commitments;
- 2 - Improving audit effectiveness;
- 3 - Strengthening sanctions;
- 4 - Intensifying and generalising training;
- 5 - Opening up the system through the development of an Internet portal;
- 6 - Developing a partnership strategy with strategic suppliers;
- 7 - Audit follow-up;
- 8 - Regularly communicating on the progress with this policy.

In the past 3 years, this plan has notably made it possible to:

- Trace every order back to a production site (2013);
- Identify all the factories (tier 1) used by suppliers (end of 2014);
- Perform labour and quality audits at all the factories of tier 1 suppliers. All sites had been audited by the end of 2015;
- Gradually introduce random traceability checks<sup>40</sup>.

With regard to action areas 7 and 8, Auchan Retail International's internal audit department is commissioned every year to ensure proper monitoring in southern manufacturing countries from which Auchan Retail sources products (China, Bangladesh, Pakistan, Cambodia, Vietnam and Myanmar).

At the beginning of 2017, two auditors spent two weeks in China, Myanmar and India to verify that the risk of outsourcing was under control locally and that joint action was being taken across the textile and general merchandise sectors. In textiles, the auditors found that the risk of opaque outsourcing was under lasting control at sourcing offices, which had acquired genuine expertise in this domain with the help of the Product Sourcing and Purchasing Department's (DPC) Sourcing-Quality-Textile team.

This audit identified certain actions that needed to be prioritised in 2017, e.g.:

- Aligning the inspection process and the inspection grid used for the general merchandise and consumer electronics sectors with those applied to the textile sector;
- Simplifying random traceability checks;
- Deploying traceability checks via merchandisers;
- Developing the use of the Traceability portal to incorporate additional information to facilitate improved monitoring of each site.

## ORGANISING DIALOGUE WITH THE STAKEHOLDERS

Since every country is different with different types of stakeholders, it does not really make sense to impose a set corporate methodology. However, every single entity welcomes feedback from its customers, its employees, associations, etc.

In Portugal, Auchan Retail set out a clear framework for this dialogue through stakeholder mapping in 2013 in accordance with AA1000 Assurance Standard<sup>41</sup> criteria. It repeated the exercise in 2016, which enabled it to receive feedback from 942 representatives of its stakeholders (employees, customers, suppliers, unions, government bodies, technical communities, local communities, the media, etc.) to gain insight into their perception of the main CSR initiatives that the company had undertaken and gauge the level of importance, in their eyes, of the different themes (economic, environmental and social) laid out in the GRI G4 guidelines<sup>42</sup>.

In France, the Auchan Retail supermarkets use a variety of separate channels to communicate with their stakeholders. These range from a complaints site and newsletters for customers to the organisation of regional and national meetings with employee shareholders and an internal networking site for staff.

In Italy, the "ambasciatori" project places an emphasis on dialogue with local stakeholders. This initiative was launched in 2013 to strengthen dialogue between the hypermarkets and local communities. Strong Auchan values were identified for promotion on the ground, as a result of which 71 staff members, including the store managers and members of the regional, sales and procurement units were trained to form lasting partnerships with stakeholders.

Now that it has built up a solid network of shopping malls, Immochan needs to ensure that the malls are constantly improving in order to better meet customer needs and keep up with changing consumer behaviour. With this in mind, each year, Immochan surveys a panel of customers and local residents for feedback regarding renovation and construction plans. In Lyon, for instance, participatory workshops enabled the staff at the Saint Priest shopping mall to work with customers, local residents and the city's universities to come up with a schedule of cultural events and services at the mall.

<sup>40</sup> Introduced at the end of 2013 for textiles from China, India and Bangladesh, and at the end of 2015 for textiles from Pakistan and Cambodia, as well as for general merchandise and consumer electronics in 2016

<sup>41</sup> A standard relating to the degree to which companies engage and are open with their stakeholders

<sup>42</sup> Global Reporting Initiative

### AUCHAN RETAIL, AN ECONOMIC PARTNER IN ITS REGIONS

More than 23% of young people aged between 15 and 24 are unemployed in Ukraine. Many decide to move to countries where economic conditions are better and working conditions and wages more attractive. This compounds the brain drain<sup>43</sup> phenomenon.

Auchan Retail Ukraine sought to inject some momentum into the jobs market in March 2016 with the "Retailers of Tomorrow" programme. The aim of the programme is to give young graduates an insight into Auchan Retail's activities through visits to stores, shared experiences and work placement initiatives. More than 130 students had taken part in the programme by the end of 2016.

In August 2016, it also signed the 2020 pact for young workers, in association with the Ukraine education ministry and the Centre for CSR Development in Ukraine. By entering into this pact, businesses in Ukraine undertake to create 10,000 jobs and work experience placements by 2020.

## FOSTERING LOCAL SOURCING

The hypermarkets and supermarkets in all the Auchan Retail countries are building an offer of local products, grown and/or manufactured near the stores, via direct partnerships with small producers. These policies respond to strong demand from local residents who want to be able to purchase products from their own region, both to support local jobs and to protect the environment through purchases that leave a very small carbon footprint. This is a win-win relationship in that it ensures a satisfactory level of visibility, commitment and profitability for the producers, and allows both parties to reduce intermediary costs and margins.

In-store events are often held to give prominence to local products. This is notably the case in Portugal where "Producer Month" was held in April 2016.

A number of entities have introduced special procedures to encourage partnerships with local producers. The Auchan Retail hypermarkets in Russia hold "local supplier" conventions in the cities in which they operate with a view to expanding their range of locally-sourced products. In 2016, more than 300 businesses were able to meet over the 6 convention days. In May 2016, a questionnaire entitled "Suppliers Have a Say" was distributed to give local producers of all sizes a chance to present their activity to Auchan Retail Russia, facilitating the listing process.

Auchan Retail Portugal has further built on the programme launched in 2015 through its policy of working with local producers for its "Vida Auchan" lines. The producers are able to enter into contracts that take account of their difficulties, and communication channels with the stores have improved. In 2016, local producers were featured in 7 video advertisements depicting their work with Auchan Retail.

The hypermarkets in Ukraine have developed a special type of partnership arrangement that goes further than simply listing local producers' products. They have set up a training programme with the IFC<sup>44</sup> to help producers acquire their own quality management and food safety systems.

The programme, launched in 2014, contains two levels: basic and advanced. By completing the basic course, producers will be able to fulfil regulatory obligations in Ukraine and meet Auchan's specific expectations.

The more extensive advanced course focuses on putting a HACCP<sup>45</sup> system in place: a framework to evaluate the risks relating to food hygiene.

Auchan funds half the cost of this training programme, which has so far helped 45 suppliers to improve their food quality and safety policies.

### SEASONAL IDEAS

The Auchan Retail supermarkets in the Nord region of France have helped to market a range of local products under the name of "Idées de Saison"<sup>46</sup>. The association that produces these products runs two local organic market gardens that employ people as part of back-to-work or special employment schemes. There is therefore a social, economic and ecological benefit to listing such products.

<sup>43</sup> Brain drain, which refers to the migratory flows of people with high qualifications who move abroad to find better living conditions

<sup>44</sup> International Financial Corporation

<sup>45</sup> Hazard Analysis Critical Control Point

<sup>46</sup> Seasonal ideas

## FORMING SUSTAINABLE PARTNERSHIPS WITH SMEs

SMEs and microbusinesses are valuable partners that enable us to offer a very broad selection of products. The Auchan Retail banners strive to forge sustainable business relationships with their SME partners.

In Spain, Auchan Retail has continued to develop its "Producción Controlada" (controlled quality) brand in conjunction with partner SMEs. Upwards of 400 quality products are now included in this range, all meeting very stringent traceability criteria. Some are even closed-loop products. The "Yo crío, yo produzco, yo fabrico"<sup>47</sup> label signifies that the person who produced the raw material is the same person who made the finished product.

In China, Auchan Retail underpins its partnerships through specific actions for the SMEs that supply it. Last year, it held its 4th supplier convention, attended by more than 600 SMEs. This year, Auchan is helping these suppliers with the listing of their products. RT-Mart China helps SMEs to optimise processes such as supply chain management, packaging and product design.

Auchan Retail France also organised 3 regional forums with SMEs to develop the listing of local products. These events gave suppliers a platform to showcase their new products to the persons in charge of stores in the region (store managers, sector managers and department managers).

Exports are also an important alternative market for the SMEs that supply Auchan Retail. Sales platforms for products produced by national SMEs have been set up in many countries.

In Italy, more than 1,200 products sourced from 145 SMEs have been listed by the export office. A special website was launched during the year to render the products more visible and to facilitate a connection between producers and Auchan Retail.

Auchan Retail launched the "Romania Accelerates" project in 2015, backed by the ministry of agriculture. It aims to promote the recognition of Romanian products in international markets by facilitating their export.

This initiative makes it possible for producers to keep their overheads to a minimum by pooling together and aggregating their orders. Auchan Retail helps to build the reputation of its own-branded Romanian products in international markets. In 2016, 30 product lines from 7 producers, i.e. 120,000 units, were exported, equating to €44,000 in revenue.

## IMPROVING TRANSPORTATION OPTIONS FOR RESIDENTS

Although the various Auchan entities have no direct impact on the methods of transportation used by their customers to travel to their stores, initiatives are nonetheless being developed to reduce the carbon footprint of these trips.

Until recently, most of the shopping malls owned by Immochan were located on the outskirts of towns and cities. Amid growing urbanisation, most are now positioned at the edges of metropolitan areas or close to city centres. Quite a large proportion of customers travel to the malls via public transport. The numbers vary depending on the site. Public transport options are available at all Hungarian, Polish and Ukrainian sites, with arrival points situated close to the doors of the malls.

In France, for instance, 29 shopping malls have introduced a "Politique Mobilité Urbaine" to improve the options available for travelling to malls by offering alternatives to personal carbon-producing vehicles, encouraging the use of public transport, bicycles, etc.

Some Auchan Retail hypermarkets and Immochan shopping malls also charter buses to transport their customers from the city centre to the store free of charge. New sites are designed to be accessible by public transport and bicycle in order to reduce the number of customers travelling by car.

Auchan Retail France also entered into a nationwide partnership with Nissan in December 2013 to install electrical charging stations in the car parks of its hypermarkets. Thus far, 98 stations have been installed. It takes 30 minutes to charge the battery of an electrical vehicle at these stations. Since the beginning of 2016, they have been used 75,000 times across all the hypermarkets that offer this service.

This makes Auchan Retail France, to the best of its knowledge, the most extensive hypermarket/supermarket-based network of fast-charge stations in the country, across all banners.

<sup>47</sup> I breed, I produce, I make

<sup>48</sup> Alternative mobility solutions

## REDUCING THE IMPACT OF GOODS TRANSPORTATION

Since goods transportation is primarily outsourced, Auchan Retail's scope for action and measurement is more complex and more limited than if the company maintained its own fleets. Logistics supply nonetheless represents a significant share of the carbon footprint in the mass retail sector, for which action levers do exist. Auchan Retail is notably endeavouring to optimise the transportation of goods and to shorten the distances covered and the related environmental impact.

**Shortening the distances to be covered** first calls for lorry loads to be optimised. In China, this led to a 20% increase between 2015 and 2016 in the load ratio of the fleet used by Auchan Retail's suppliers.

More and more dual or triple-temperature lorries are being used, so much so that they now make up the majority of the fleet. With these containers, lorries can transport products that need to be stored at different temperatures in 2 or 3 separate compartments. Double-deck lorries, which enable optimal loading of pallets on 2 levels, are used as much as possible.

Lorries' return trips are also streamlined. They can be used to return empty pallets to suppliers. In Italy, the positions of the depots, transporters and suppliers are triangulated to cut down on fuel, generating a monthly saving on fuel costs of roughly €10,000, passed on by the transporters.

For the time being, this system is only in place in the north of the country with the Chiari BS depot. In 2012, Auchan Retail entered into an arrangement with CHEP<sup>49</sup> in Romania on the distribution of store pallets. This arrangement also applies to 40 Auchan Retail suppliers in the country.

A multipick system is used in France, Spain, Poland, Romania, Ukraine, Italy and Russia. With this technique, a single lorry is used to collect and transport products from small suppliers within the same geographical region, optimising the routes between these suppliers and ensuring full-load trips. A system of rotating delivery rounds is being developed in Poland, whereby lorries deliver to several nearby stores.

The number of lorry trips to stores has also been reduced in Hungary. Fruit and vegetable suppliers used to deliver directly to the stores. In 2016, a logistics centre was set up beside the Auchan Retail depots to handle such products.

This made it possible to reduce the total distance covered over the year by 698,400 kilometres, thereby eliminating 83,808kg of carbon equivalent emissions per week.

**As part of the effort to reduce the environmental impact of goods transportation**, transporters in most of the countries in which Auchan Retail operates are encouraged to modernise their fleets and to adopt driving behaviours that are more eco-friendly, notably by increasing the use of Euro 5 or even Euro 6<sup>50</sup> certified vehicles. These more stringent requirements are often expressed when calls for bids are renewed.

The transport mix developed in Spain, Portugal, Russia, France and Hungary involves road pre-transport to a rail or river terminal. Under this system, the largest section of the route is via these latter transport methods, before the trailers are transferred by road to the delivery terminal.

In Russia, the transport of goods by rail was tested between Moscow and Novossibirsk in 2016: the trial was successful and rail transportation will therefore become a wider practice in 2017.

Most of the Auchan Retail businesses have their own indicators to track, for instance, the distance covered or load ratios in order to set in motion and better monitor these more eco-friendly policies. However, an international indicator has yet to be defined. The logistics functions of the different banners must first be coordinated and a solution found to the fact that some of them use outsourcers who are not in a position to provide all the necessary statistics. Efforts in this particular domain will be made in 2017.

The Spanish hypermarkets do, however, carry out a comprehensive review of their carbon footprint in accordance with the international Green House Gas Protocol (GHG), the findings of which are certified by the Spanish environmental NGO ECODES<sup>51</sup>.

<sup>49</sup> CHEP is a pallet transporter

<sup>50</sup> European emissions standards, known as Euro standards, are European Union regulations that set maximum thresholds on the emission of pollutants by road vehicles. This is an increasingly stringent set of standards that is applicable to new vehicles. Its objective is to reduce the pollution in the atmosphere that is attributable to road-based methods of transportation

<sup>51</sup> Ecology and development



# CUSTOMERS

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The businesses within Auchan Holding's scope seek to rise above the traditional consumer model by committing to their corporate responsibility without losing sight of their original business model. To do so, they offer a range of products and services that is accessible, respectful of the environment and society, and contributes to good nutrition.

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## SAFE AND CONTROLLED FOOD

Risk mapping, the primary mission of the quality department, is a scientific monitoring device and an essential tool in decision-making and crisis planning. It integrates customer feedback, crises at Auchan Retail or its competitors and scientific meetings organised regularly around current topics. This mapping has been divided into 3 geographic zones since 2012, so that it is more closely aligned to the specific realities in the field.

As part of this approach, the company has put together an international list of the issues covered and/or that need to be covered. There are currently 109 issues on this list, such as: fish resources and fishing conditions, progress with scientific research into hormone disruptors and environmental issues such as indoor air pollution, etc. The quality department works closely with renowned scientists to examine these issues.

Auchan Retail carries out a large number of tests. Product safety is always one of its top priorities. More than 100,000 food samples are tested every year as part of the company's surveillance plan.

In-store food safety inspection procedures have been drawn up or tested in every country to ensure compliance with food hygiene best practices. Auchan was one of the founders of the international IFS Food Store standard, which requires checks on compliance with food hygiene procedures, non-interruption of the cold chain and the verification of expiry dates. In 2016, all stores in the countries in which Auchan Retail operates had implemented such procedures.

Auchan Retail has appointed Health officers in all countries to train and raise awareness among all employees regarding their health and proper eating habits, and to offer guidance to customers as part of their shopping experience.

Organic product ranges have been enriched to provide customers with fruit and vegetables that have been cultivated without the use of synthetic substances. In the course of its work, Zenalco, the international central purchasing department for fruit and vegetables, has been able to unearth and prioritise producers using little or no plant protection agents. Special campaigns focusing on such products have been launched.

Pesticides are a key issue in every country. In China, quick pesticide tests are carried out when products are delivered. In Taiwan, customers in 15 stores can use devices to rapidly detect whether the fruit and vegetables on display contain traces of pesticides. It is also important to keep in mind that bans on substances such as bisphenols and phthalates sometimes give rise to substitutes that must be monitored.

Lastly, the issue of GMOs is addressed transparently with the food chain as a whole. A non-GMO policy applies to all own-brand everyday consumer products, from discount to premium ranges. In France, the approach is extended into specific meat sectors, e.g. veal, poultry and pork, as well as the fish sector, with the guarantee that products have been fed with non-GMO products.

### LISTEN, RESPOND AND ANTICIPATE

The Foodwatch NGO notified Auchan Retail France in April 2016 that mineral oil aromatic hydrocarbons (MOAH) had been detected in own-branded red lentils that were in direct contact with their packaging, made of recycled cardboard.

There is, as yet, no clear legal and scientific framework in this area (still no certainty regarding the repercussions on health, no legislation and hence no defined thresholds, and analysis protocols could warrant improvement, etc.). Nevertheless, Auchan Production decided to put a plan into action with the ultimate objective of doing away with MOAH in food products that are in direct contact with recycled cardboard packaging.

This involves a number of measures:

- Switching from boxes to virgin-fibre cardboard for red lentil packaging;
- Pinpointing what products might be exposed to a "cardboard packaging" risk;
- Analysing various foods and types of packaging, with a particular focus on areas in which glue has been used;
- Incorporating in testing plans the quantities of MOAH detected by external laboratories in "sensitive" foods;
- Actively participating in the FCD's<sup>52</sup> "mineral oil" working group with representatives from the paper-cardboard, ink and glue industries;
- Requesting that European regulators legislate in this particular area.

<sup>52</sup> Fédération du Commerce et de la Distribution (French trade and retail federation)

## MAKING CONSUMERS AWARE OF THE IMPORTANCE OF HEALTHY EATING AND HEALTHY LIVING

The development of sustainable consumption is being driven by mounting health concerns: consumers/customers are increasingly aware of the impact of food on their own health and that of their children. Auchan Retail is capitalising on its role as "middleman" between suppliers/producers and consumers and is fully committed to raising awareness of the importance of eating a healthy diet and choosing healthy foods. A large number of initiatives are taken in stores and in their catchment areas to promote this issue.

In 2011, Simply Market in Spain launched a blog dedicated to good nutrition ([www.simplysano.es](http://www.simplysano.es)), in partnership with the University of Zaragoza.

The information contained in the blog is provided by students at the university and a dietician, who gives advice, answers questions and publishes articles on healthy eating. The blog registers more than 12,000 monthly hits on average.

12 Auchan Retail stores in France have been selected to take part in a national nutrition-labelling trial led by the Ministry for Health to make it easier to pinpoint foods with nutritional benefits. 4 label prototypes are being tested to determine which has a greater influence on consumer behaviour. With the new labels, consumers can see what nutritional benefit they can derive from particular items and make an informed decision when selecting foods to best suit their dietary needs.

A "healthy eating week" is held at the Portugal hypermarkets every month, with various awareness initiatives targeting consumers. The spotlight is placed on healthy foods during these weeks, through various promotional offers and in-store events.

Awareness of the many sustainable development issues among the younger generations makes a particular contribution to the behavioural changes that will be needed to move towards a more eco-responsible future.

The Rik & Rok clubs for children aged 4 to 10 in the French, Spanish and Portuguese hypermarkets are positioned around themes related to sustainable development, with a particular focus on good nutrition. In these 3 countries, the club has almost a million members who regularly receive an illustrated magazine containing educational games and simple recipes.

The Auchan Retail supermarkets in Italy launched a "Simply Well-Being" campaign to alert students to the importance of healthy eating. The campaign was put together with the help of consumer association Cittadinanzattiva and the support of a number of ministries, including the educational ministry, and was rolled out in two stages.

The first stage involved schools, where teens were taught about healthy eating and ways of combatting food waste. The students were then asked to become true initiators of change, by taking part in "well-being" days held in 3 stores near their schools, where they suggested good habits to customers and gave them ideas for healthy living and a balanced diet.

They asked customers to take part in a «Healthy Eating» quiz via a Simply Market app, and handed out baskets of seasonal fruits and vegetables. 120 students from 6 classes took part in this campaign and 1,600 baskets were handed out.

### ENCOURAGING HEALTHY EATING AT STORES

Auchan Retail Poland published 3 editions of the "Auchan, Naturally" magazine during the year, to encourage its customers to shop healthily. 100,000 copies of the October 2015, February 2016 and May 2016 editions were printed. The magazine contains recipes that incorporate seasonal products, advice from nutritionists, healthy festive meal ideas, etc.

To coincide with the distribution of the magazine, tastings of healthy Auchan-branded products were held in the stores. These products were also featured in the catalogues.

## MEETING THE SPECIFIC NEEDS OF OUR CUSTOMERS

More than 17 million people suffer from food allergies in Europe and many others need to follow special diets. In response to such diverse dietary needs, Auchan Retail carries gluten-free and lactose-free products as well as vegetarian products and items that contain no salt or sucrose. Some stores have incorporated aisles into their new model that specifically cater for such dietary requirements.

In November 2009 for instance, Auchan Retail was the first French retailer to create a range of 16 own-branded gluten-free products.

Eight vegetarian products were launched under the "Envie de Veggie" brand in October 2016. They contain no additives, no preservatives and no artificial flavourings.

## PROMOTING THE SALE OF RESPONSIBLE PRODUCTS

Auchan Retail is gradually building up an extensive range of items that are both more responsible and more affordable. It organises information and sales events to promote "responsible discount" items: more eco-friendly products, healthy, high-quality foods, natural cleaning products, products with low energy consumption, products promoting the circular economy, etc.

In the non-food department, the Auchan Retail stores in Spain notably reworked their lighting department and increased the proportion of LED light bulbs from 30% in 2014 to 80% in 2016. Leaflet campaigns gave sole prominence to LED light bulbs, as part of the Intelligent Energy programme. Alcampo scored 96% in a MarketWatch survey of the most active retailers in this area.

In the food department, a particular emphasis is placed on a number of product types. In Luxembourg, Auchan Retail participates every year in a national campaign led by the NGO Fairtrade Lëtzebuerg entitled "LËTZ' Step to Fair Trade". This year, the campaign focused on bananas, with in-store events attended by a partner association and a producer.

In response to growing consumer demand, Auchan Retail's stores are carrying an ever-expanding range of organic products. In France, for instance, the stores stock 541 own-branded organic products, 50 of which are priced at a euro or less every day.

In Ukraine, organic product ranges are still quite limited as they are perceived to be very expensive. In response to this, an "organic project" was launched in 2016 to make organic food production more accessible and hence more affordable. This involves developing a full range of products, setting up special in-store spaces, training employees and staging store events. It is currently being tested in 2 stores.

In China, traceability is a key challenge to ensure safe food that poses no threat to consumer health. For pork, used extensively in Chinese cuisine, a system has been in place since 2014 that enables customers to obtain key information about the origin of their meat (farm location, date and place of slaughter) by scanning a QR code on the product packaging and consulting a special website.

Auchan Retail's Russian hypermarkets and supermarkets have continued with their work of selecting essential fruits and vegetables below market price, to ensure that every consumer can afford a balanced diet. This was made possible by reworking sourcing from producers, guaranteeing fresher, high-quality produce, and by improving the staff's product knowledge.

To accommodate people with impaired vision and help them locate the products they want in stores, Auchan Retail is, to the best of its knowledge, the only major mass retailer in the world to provide Braille labelling of its own-brand products. In 2016, 1,750 such products were inventoried in the Auchan hypermarkets in France. Every 6 months, Auchan Retail invites the "Donne-moi tes yeux"<sup>53</sup> association to carry out in-store checks on the efficiency and quality of the information provided in Braille, and to report any anomalies so that they can be remedied.

<sup>53</sup> "Give me your eyes"

> NUMBER OF ORGANIC LINES

	Consumer + Hand-produced
France	6,074
Italy	1,857
Spain	1,382
Portugal	664
Luxembourg	4,855
Russia	60
Ukraine	57
Romania	296
Hungary	714
Poland	533
China	122
Taiwan	265

**"CŒUR DE NATURE" STORES**

Auchan's second French specialist organic food store opened in the centre of Paris. It carries an extensive range of organic products under Auchan's own brand and specialised national brands. The store has very much been designed with sustainable development in mind: its energy consumption is kept under control through the use of refrigerators with doors and a large number of food and non-food products are sold loose with no packaging, for instance.

## OFFERING PRODUCTS THAT DO NOT THREATEN BIODIVERSITY

Auchan Retail has been working for 10 years to sustainably preserve fishery resources. The foundations for a responsible fishing policy were laid in France in 2006. The French hypermarkets and supermarkets notably committed not to sell wild bass during its reproductive period (December to March) and to favour farming with a reduced environmental impact.

Auchan Retail discontinued the sale of Mediterranean bluefin tuna (*thunnus thynnus*) in 2007 in all countries surrounding the Mediterranean Sea. Alongside similar efforts by other retailers, bluefin tuna numbers since appear to have increased in this zone.

Specialists are in agreement regarding the positive effects of such measures, and sales of this particular species of fish have consequently been able to resume. However, Auchan Retail will be carefully monitoring how bluefish tuna numbers evolve in this sensitive zone.

Auchan Retail also decided in 2009 to contribute to the protection of endangered species of shark. It stopped all sales of these species, with the exception of catshark (*scyliorhinus*) and smooth-hound (*mustellus*). In all countries, Auchan Retail is opposed to sharks being captured solely for their fins.

Deepwater species were also removed from the shelves in 2013 to help preserve scarce resources.

Auchan Retail upholds best fishing practices and the efficient management of fishing resources to help sustain tuna populations. It notably requires that the tuna it purchases be fully traceable (fishing zone, species, method of capture and fishing fleet) and undertakes to support and promote the scientific evidence relied upon by RFMOs<sup>54</sup> to manage tuna stocks and their eco-system.

<sup>54</sup> Regional fisheries management organisations



It also supports the scientific initiatives of the ISSF<sup>56</sup> aimed at improving sustainable management of global tuna stocks, notably by undertaking to work only with suppliers who have registered their fleets in the PVR<sup>56</sup>.

As regards sourcing, Auchan Retail refuses all IUU<sup>57</sup> products. This entails sourcing from diversified fishing channels.

In 2016, it started stocking a first pole-and-line caught product. It intends to increase the sourcing of tuna caught without the use of FADs<sup>58</sup> by 10% between 2016 and 2017 and will seek to ensure that fishing methods can be traced.

Auchan Retail has also decided to suspend the production of discount products incorporating albacore tuna.

### **AUCHAN'S STANCE ON PALM OIL**

Auchan Retail has laid down its key objectives with respect to palm oil as part of its forest policy (see page 37). The palm oil problem now goes far beyond the destruction of primal forests to make room for oil palm groves. The protection of High Carbon Stock secondary forests and peatland is now also at stake. There is also a social dimension affecting the people in areas where palm oil is harvested, be they workers on the plantations (labour conditions) or local communities (expropriation).

Palm oil is an effective binding ingredient in many processed foods and cosmetics. Auchan Retail does not work directly with producers or refineries. Palm oil is an important issue for the company but its direct use in Auchan's own-brands is minimal considering that 58 million tonnes of the oil are produced annually.

Auchan Retail's stores decided in 2012 to substitute palm oil in own-brand products whenever possible. So far, half of the lines containing palm oil (around 400 products) have been reformulated. Whenever palm oil cannot be replaced, suppliers have been asked to use traceable oil that is produced:

- In accordance with laws and regulations;
- In such a way as to protect High Conservation Value Areas (HCVAs);
- After first obtaining the Free, Prior and Informed Consent (FPIC) of local populations;
- In a manner that safeguards all peatlands;
- In a manner that protects High Carbon Stock (HCS) forests.

During 2016, the teams at Auchan Production sought to determine Auchan Retail's "palm oil footprint". This entailed measuring the palm oil volumes used in the composition of own-brand products and mapping its origin and breakdown by importer and by producer.

They started by retrieving information from the consumer goods management tool to identify which products were affected. They then asked the suppliers to submit a breakdown of palm oil content in each product line, along with the weight and the number of consumer sale units, and questioned them on the overall traceability of the unrefined raw material. After sorting and analysing this data, it was found that 3,512 tonnes of palm oil had been used in the production of Auchan Production own-brand products and that more than 96% of the volumes were fully traceable. This lengthy analysis process should make it possible to identify the risks for each importer and to take suitable measures regarding those who do not comply with the stated policy.

Auchan Retail will carry out a comprehensive analysis of this study in 2017 in order to define a "palm oil" action plan and broad guidelines to be applied across its entire scope.

<sup>56</sup> The International Seafood Sustainability Foundation's "Status of the World Fisheries for Tuna" report

<sup>56</sup> ProActive Vessel Register

<sup>57</sup> Illegal, Unreported and Unregulated

<sup>58</sup> Fish Aggregation Devices

## REDUCING PACKAGING AND ECO-DESIGNING OWN-BRAND PRODUCTS

Auchan Retail's quality engineers have been working with product and packaging suppliers for a number of years to cut down on the use of virgin raw materials in the packaging of own-brand products.

In France, these efforts, which started in 2004, are paying off today with more than 11,000 tonnes of virgin materials spared. New pathways are now being explored. Eco-design is just one of these pathways as it seeks to optimise the life cycle from the design phase all the way through to the end of the useful life. This can be achieved by using recycled, recyclable or biosourced materials for primary and secondary packaging, thereby reducing fossil energy consumption.

Studies are being carried out to look at ways of reducing the weight of plastic bottles. One such study is underway in Hungary, where 10 million units of bottled mineral water were sold last year. Reductions in plastic use of anywhere between 10 and 15 tonnes are possible every year. A similar study is being carried out in Poland, centred on washing-up liquid bottles.

Another way to cut down on the production of packaging waste is to expand the range of products sold loose and unpackaged in stores.

878 Auchan hypermarkets currently have a self-service discount section that carries a wide range of loose products. Customers can find almost anything in these aisles: cereals, dried fruits, bread, pasta, rice, pulses, condiments, coffee, tea, vegetables, frozen fish, cosmetics, hardware and DIY items, in the exact quantities they require and at an affordable price, with no waste.

### > NUMBER OF SELF-SERVICE DISCOUNT SECTIONS (HYPERMARKETS)

	2016
China	398
<i>Auchan China hypermarkets</i>	74
<i>RT-Mart China hypermarkets</i>	324
Spain	55
France	121
Hungary	19
Italy	48
Luxembourg	0
Poland	49
Portugal	20
Romania	33
Russia	102
Taiwan	22
Ukraine	11
<b>TOTAL</b>	<b>878</b>



## HELPING CUSTOMERS SORT THEIR WASTE

Batteries, light bulbs, plastic bags, household appliances and recyclable packaging should not be disposed of with household waste. To prevent such mixing, which is detrimental to recycling quality, Auchan Retail and Immochan have installed recycling stands in store entrances to collect certain waste. Materials such as bulbs, batteries and ink cartridges are collected in these stands.

Some Auchan Retail countries accept other types of waste, such as cooking oil in Spain and Portugal, large electrical appliances (refrigerators, washing machines) in Taiwan, and coffee capsules and cork stoppers in Portugal.

Immochan places multi-compartment waste receptacles for customers to sort their waste in most of its European shopping malls. These malls also have spaces where waste can be sorted under optimal conditions.

In Romania for instance, Sigurec Prime recycling stations were set up at 5 malls in 2016 to collect customers' PET plastic bottles. These smart machines feature cutting-edge collection systems that can identify and record the waste collected and reward users with discount coupons. They also facilitate the traceability of waste all the way through to the recycling plants.

In China, Auchan Retail is working with the Netspring NGO to repair its computers and those of its customers. Once repaired, the computers are donated to schools in poor areas.

The Nantong store also has a system in place to recover organic waste, which is converted into energy and fertiliser.

The RT-Mart China hypermarkets are in talks with water-purifier manufacturer and distributor Lvyuan, with a view to installing plastic bottle collection machines at its stores. Customers who use the machines would be rewarded in the form of coupons. 3 pilot stores will be selected in 2017 to test the system.

A similar partnership was forged with Cristaline in France: PET bottle collection stations were installed at 20 hypermarkets in the north of the country. When customers take their bottles to the stations for collection, the machine scans the bottles to make sure that they can be recycled. After treatment, the recovered material is used to make new plastic bottles. More than 12.4 million bottles have been collected and recycled since this partnership began at the end of 2013, equating to 310.3 tonnes of plastic.

An other campaign under the name of "My mom recycles too!" is being rolled out at 20 stores in Romania. This initiative, which is both ecological and economical, involves the collection of aluminium cans at stations specifically installed for that purpose. This project took shape with the help of aluminium can producer Can Pack Recycling and Alucro, an NGO founded by Can Pack Romania and the European Aluminium Association. Customers are invited to deposit their used cans and receive a voucher in return that they can spend in their local store or donate to Alucro. More than 2.5 tonnes of aluminium cans have been collected at the 20 stations in 3 months.

Two Auchan Retail stores in the Russian cities of St Petersburg and Ivanovo have teamed up with Green peace to install waste collection containers in their carparks.

## LISTENING TO OUR CUSTOMERS

Customer research is routinely carried out at all levels prior to every commercial project. An international market research survey is carried out by HELIOS every year at our stores. This makes it possible to identify the strengths and weaknesses of operations in each country and at each site and to take any corrective action that might be necessary. Action plans can be implemented on a local, national or international scale. In 2016, 277,393 customers in 12 countries helped Auchan Retail improve its services.

Immochan is constantly looking to enhance the quality of its malls and cultivate a mindset that it hopes will encourage every employee to strive for excellence in their relationships with consumers, retailers and partners. This has given rise to the "Aushopping" label, aimed at providing the best responses to new customer behaviours, to go even further in Immochan's commitment to its partners and, in doing so, forge stronger ties with its close stakeholders.

"Aushopping" is Immochan's way of cultivating a comfortable environment bursting with colour, through a range of services, loyalty schemes and store events, placing the relationship with the customer at the very heart of the project. This personalised relationship involves:

- An attractive sales offering, with pop-up stores and stands;
- Daily events (geared towards children, cookery demonstrations, music and cultural events);
- Spaces where customers can "take a moment" (calm spaces, kids' spaces, digital spaces, music spaces);
- Handy, useful services such as parcel pick-up points, secure left-luggage lockers, mobile phone charging stations, free Wi-Fi connection and information terminals.

Customers can continue their in-store experience by visiting the Aushopping.com internet platform on their PCs, tablets or mobile phones. They can prepare or continue their purchases, and be the first to know about upcoming promotions and events.

Immochan inaugurated its new strip mall at the Louvroil Val de Sambre site in France this year. It was designed to incorporate the Aushopping label criteria: installing designer street furniture, blending the mall into its environment, with 10 of the 11 retail outlets being exclusive to the mall in its catchment area, etc.

In France, Auchan Retail's "You're the Chef" programme gives customers free rein to share their ideas by participating in the preparation of products sold in stores.

This co-constructive approach, starting with a customer's idea, which is then fashioned with the retailer before ultimately taking shape with the help of the producer, has led to the launch of 7 new lines. The latest: a microwaveable meal launched in 2016, for which 47 recipe ideas were submitted. The 3 finalists were taken to visit a manufacturer for a day, where their ideas were put to the test and an ultimate winner was chosen.



# SOLIDARITY

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Auchan Retail, Immochan and Oney operate in 13 different countries, which leads to great diversity in cultural references, economic or social contexts and sales policies in each of the regions in which they conduct their businesses. Nonetheless, the design and implementation of their solidarity policies is a uniform and shared process.

Solidarity is integrated into their business plans and rolled out at several action levels. It is expressed via solid partnerships and ties with a number of foundations, applying a local action approach.

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## IMPLEMENTING LOCAL SOLIDARITY INITIATIVES

Every site is a place for encounters, sharing and discussions with the community, creating social connections by consulting with and involving stakeholders.

In France, Spain, Portugal, Italy, Hungary, Luxembourg and Poland, the Auchan Retail stores, warehouses and logistics platforms are in direct contact with organisations that work locally to organise food donations to help people in difficulty. Collections are also organised at a national level. In Spain, for instance, breakfast and snack "kitchens" were run for the 4th year in a row. With the help of the Spanish Red Cross, Auchan Retail, Immochan and Oney Spain supplied 1,354,449 breakfast/snack packs to more 11,000 people.

To foster the circular economy and encourage the donation of non-food products to people in need, many operations are led to collect all manner of goods for donation or recycling. Items of clothing are collected in China, Hungary, Luxembourg, Taiwan, France and Ukraine. Toys are collected in Spain and Portugal and customers can donate old school supplies at collection points in hypermarkets and/or supermarkets in Italy, Hungary, Portugal, Russia, Ukraine and Poland.

More spontaneous operations are also organised. In Italy, Auchan Retail's hypermarkets and supermarkets donated essential items to the Italian Red Cross and Civil Defence to help people affected by the August 2016 earthquakes. A charity football match was later organised, with all proceedings donated to the town of Amatrice. The stores also ran a campaign to collect clothes for children and young people that had been affected by the earthquake.

Under the "make a wish" scheme in Ukraine, children in participating orphanages are asked to write down what they would like for Christmas. These wishes are then hung on Christmas trees in each store and customers may pick a gift to offer a child or make a donation. Thanks to this scheme, 426 children had their wish come true in 2016.

### A LASTING PARTNERSHIP WITH THE TELETHON

For the past 14 years, Auchan Retail Italy has taken part in the Telethon. Its employees are the principal ambassadors of the project. In addition to the annual campaign held in late December, a string of events are organised in and around the stores throughout the year. The proceeds of these events are donated to the Telethon and customers are encouraged to give what they can when passing through the checkouts.

€2,300,000 was raised in 2016 to fund research into orphan diseases.

## OVERVIEW OF THE ACTION OF THE FOUNDATIONS IN 2016

### AUCHAN YOUTH FOUNDATION

The Auchan Youth Foundation was created in 1996. Chaired by Vianney Mulliez, Chairman of the Supervisory Board of Auchan Holding, and placed under the umbrella of the Fondation de France, the foundation provides support to young people aged 5 to 25 living in the neighbourhoods and cities near Auchan stores, in 13 of the countries in which Auchan is present.

The Auchan Youth Foundation supports community projects in three areas: education, integration and healthcare. It gives employees an opportunity to become involved in local associations, as each project is sponsored by a store.

It also enables the businesses in each country to benefit from expertise and financial resources to enhance their social responsibility with regard to specific, locally expressed needs.

The foundation operates in a pragmatic manner. Employees in every country are given a chance to become involved at each key phase:

- The store teams choose and investigate the projects to be supported;
- Meetings are held every month or so to select projects. A jury comprised of 4 of the 12 country foundation directors and a senior Auchan Retail executive meets via videoconference to examine the projects presented by the store project managers and association. The members of the foundation's Board of Directors are also invited to attend these meetings. These discussions help each participant better understand the social difficulties encountered and the nature of the expressed needs, before the foundation decides whether to provide financial support;

Once a project is approved, the store managers and their employees become involved and support it over the long term.

**2016 - celebrating 20 years of the Auchan Youth Foundation:**

To mark its 20th anniversary, the Auchan Youth Foundation set aside an impressive €1.7 million budget and invited submissions for international projects under the "Together for Youth" initiative. 238 Auchan Retail stores in 9 countries each selected an original and novel community project. All received funding from the foundation and were featured at a special solidarity event held on 5 October.

**International awards ceremony:**

A special evening was held at the CESE<sup>59</sup> on 17 November in the presence of Patrick Kanner, French Minister of Urban Affairs, Youth and Sport, to look back over the actions of the foundation in the past 2 decades. The evening was also a chance to present prizes to the winning projects from the 9 participating countries.

Each received €2,500, coming on top of the overall funding amount allocated to all the projects. The foundation's Board of Directors was particularly impressed with 3 projects, which were each given an additional €2,500.

Two of the many initiatives supported this year:

- The Cluj Nord store in Romania backed the Transylvania association, which works to raise awareness about healthy eating at primary, secondary and third-level schools. With the help of local suppliers, the employees at the store organised an educational in-store experience during which the students learned about products that contribute to good health. An exhibition on healthy eating was also held.
- In Taiwan, the "Children Are Us Foundation" received the support of the Fongshan store. With the help of the Auchan Youth Foundation and the participation of employees at the store, this association was able to teach the disabled young adults it works with to prepare lunch boxes for children in need living in remote villages.

For the sixth consecutive year, the proceeds of Auchan Retail's New Year's greetings cards went to SOS Children's Villages. This international operation sponsored by the Auchan Youth Foundation supports the association's local programmes in each of the countries involved, for an overall budget of €100,000. SOS Children's Villages enables children who are siblings without parental support to grow up together in a new family. It aims to ensure that they thrive by offering a stable family life full of warmth.

**INTERNATIONAL DAY OF SOLIDARITY**

This international event was organised to build on the support provided by the foundation by showcasing the associations that it had backed and encouraging employees to invest in a common cause. All Auchan Retail sites (hypermarkets, supermarkets, warehouses and head office functions) were invited to team up with partners to stage events aimed at raising customer and employee awareness of whatever local cause they supported.

More than 18,000 employees at 651 sites took part in this event, which gave Auchan an opportunity to confirm its commitment to supporting almost 128,000 people and to continuing its relationship with local communities.

<sup>59</sup> French Economic, Social and Environmental Council

## AUCHAN GENERATION FOUNDATION (RUSSIA)

The Auchan Generations Foundation was formed in Russia in 2011 to reinforce Auchan's social responsibility in a country in which it intends to remain for the long term. The foundation supports projects aimed at helping young people and children in 3 areas. In 2016, the Auchan Generations Foundation supported 66 projects, for a total of €1,157,543. Some examples of projects in each of the 3 areas:

### Help for children in need:

The "World Around Us" project took 200 orphaned children between the ages of 9 and 17 on a 2-week holiday camp break. The theme was "professions" and each child was given an opportunity to learn more about professions that they might like to carry out in the future. They were able to meet gardeners, hairdressers, photographers and journalists to name but a few, and start preparing for their own career. Around 100 Auchan employees took part in this rewarding human adventure, including 20 from French banner KIABI, who participated in the fashion and textile professions day.

### Incentives to participate in sport and live a healthier life:

This year, the foundation financed work at a sports ground for visually-impaired young footballers. €28,476 was allocated to the "Football Orbit" project, providing 1,500 children and teens in and around Moscow with access to equipment suited to their particular needs.

### Training programmes in sales professions:

The "best innovative project" contest rewards initiatives that help improve and facilitate commerce. 92 projects were submitted. The first prize, and €2,400, was awarded to an app that allows neighbours to arrange shopping deliveries between themselves, avoiding unnecessary trips to the store. The top three winners not only received a financial reward, but also the assistance of an experienced member of Auchan's staff for a year, to help them structure their project and make it a reality.

## SIMPLY FOUNDATION "A TASTE FOR SHARING" (FRANCE)

Created in 2009, Simply Foundation "A Taste For Sharing" supports solidarity and social integration projects related to food and nutrition. These projects, which may seek to forge social links, improve health or nutrition or provide, or access to food or integration through employment, all focus on areas within the same neighbourhood as the supermarkets to enable employees to share their experience.

The foundation has supported almost 190 projects since it was created.

This year, Simply Foundation "A Taste For Sharing" supported 32 associations through €216,550 in total funding. Some examples:

- The Nutrisiel programme put together by the Siel Bleu community group was tested in the Mulhouse Ile Napoléon, Limeil-Brévannes, St Maur-des-Fossés and Paris Gouvion Simply Market stores. Siel Bleu works with the elderly, the sick and the disabled to ensure they have access to proper nutrition. The participants in the project were welcomed at the 4 stores to take part in an interactive and fun shopping experience in which they learned the importance of making the right nutritional choices.

- The foundation also reiterated and reinforced its commitment to urban farming and gardening. The E-Graine association planted the first vegetable garden outside the Simply Market store in Trappes (Yvelines).

In Villefranche sur Saône, the efforts of one particular employee led to the planting of a vegetable garden for hortitherapy purposes at a local nursing home. The Veni Verdi association turned the roof of a primary school into an organic vegetable patch, with the help of 4 employees of the Canal de L'Ourcq store in Paris.

The personal investment of employees is the beating heart of the work of the foundation. 25 volunteers have signed up to donate their skills to 8 associations. And many more share their expertise under less structured arrangements.

### REWARDED FOR ITS COMMITMENT

The Simply Foundation "A Taste For Sharing" received the special jury prize for its "gardening day" in the LSA's diversity and CSR awards.

On 12 January 2016, the Simply supermarkets teamed up with around 15 organic market gardens to help people get back to long-term work. Round table discussions were held on all aspects of this unprecedented cooperation and gave those involved an opportunity to share best practices: sale of surplus production, recycling of furniture, presentation of professions, introductory courses, sustainable job creation, etc. In one of the more surprising ideas, a booth from a supermarket service station was converted into a shed to store tools.

This project owes its success to the personal investment of all those involved, something that was particularly highlighted at the awards ceremony.

## IMMOCHAN FOUNDATION FOR SOCIAL ENTREPRENEURSHIP (FRANCE)

The Immochan France Foundation for Social Entrepreneurship works to support social entrepreneurs in more than 90 cities and towns across France.

Social entrepreneurs from a variety of backgrounds and profiles develop business projects that can take diverse legal forms:

- A business with a social, environmental or regional purpose (combating exclusion, unemployment, disability; promoting a region via a public interest project);
- An economic project aligned with the market that responds to a demand for jobs, social connections and wealth;
- Open, participatory and responsible management, with limited return on investment and remuneration of managers.

The Foundation supported 18 projects in 2016, with the help of 25 employees of Immochan France, for a total funding amount of €191,500.

For instance, this year, the Immochan Foundation provided assistance to "Question de Culture" in Dordogne.

This association was formed to help people who are struggling to return to work by offering a variety of activities such as placements in organic market gardens or local council work. With the €8,000 allocated by the foundation, "Question de Culture" was able to open an upcycling-recycling centre covering the Bergerac conurbation.

### CREENSO AWARD

IESEG business school and the Immochan Foundation for Social Entrepreneurship organised the fifth CREENSO (Creation of Social Enterprise) awards in 2016.

The winners of this award receive:

- The support of a masters student for one year, who provides advice and guidance in key areas of their training: marketing, communication, audit, control, human resources, etc., depending on what the entrepreneur needs to see their project through to completion;
- A portion of the €20,000 grant, which is shared among the top 3 projects.

15 of the 38 applicants were able to benefit from the expertise of masters students. The 1st prize was awarded to Alternativ'Hotel, which helps struggling families get back on their feet through accommodation with all necessary amenities and decent and stable living conditions, and thereby helps them return to a normal family life (meals, sports activities, etc.).

### > OVERVIEW OF THE ACTION OF THE FOUNDATIONS IN 2016

	Number of projects supported	Amount allocated in euros
Auchan Youth Foundation	238	1,700,000
Auchan Generation Foundation	66	1,157,543
Simply Foundation "A Taste For Sharing"	32	173,375
Immochan Foundation for Social Entrepreneurship	18	191,500
<b>TOTAL</b>	<b>354</b>	<b>3,222,418</b>

## THE WEAVE OUR FUTURE (WOF) FOUNDATION

The WOF Foundation was formed in June 2014 under the umbrella of the Fondation de France. It works with recognised NGOs to improve the working and living conditions of workers in the textile and general merchandise industries in the least developed countries. The foundation uses its 5-year budget of €7.5 million to fund social, medical and education initiatives.

It is chaired by Philippe Baroukh, Executive Chairman of Auchan Retail Italy. CESE<sup>60</sup> member, Marie-Hélène Boidin Dubrule, is Vice-Chair.

The other seats on its executive committee are held by qualified persons within Auchan, a representative of the Fondation de France and 3 recognised external experts:

- Alexandre Brailowsky (a doctor involved in humanitarian work);
- Frédéric Tiberghien (counsellor of state, honorary chairman of the ORSE – the French study centre for corporate social responsibility);
- Jean François Trogrlic (former Director of the ILO in France).

These external specialists not only bring their expertise in corporate responsibility, they also enable the foundation to ensure that the projects it selects are worthwhile and legitimate. The foundation has a 3-member team on the ground, one of them based in Dhaka.

Three meetings were held in 2016 to approve funding for 8 projects, of which 5 were in Bangladesh, 2 in Vietnam and 1 in Cambodia.

### Cambodia :

The WOF Foundation also supported a project led by the French NGO SIPAR to improve reading skills in Cambodia. It was partnered in this initiative by the French development agency (AFD). SIPAR opened libraries/resource centres within the factories themselves. So far, such facilities have been set up in 12 of the 18 sites visited.

### Bangladesh :

The RTM NGO completed a survey begun in 2015 into the health-related needs of workers in the city of Dhaka. The survey helped identify the main health issues affecting workers. In response, funding was provided for a number of projects:

- Training for 100 nurses to treat health problems at as many production sites;
- The "HERhealth" programme in association with BSR<sup>61</sup> to teach more than 1,200 female workers about feminine hygiene, methods of contraception and general health issues;
- A pilot healthcare coverage scheme with a view to improving access to care. The scheme is partly funded by factory owners and contributions from the workers, entitling them to free hospital care and access to the medical centres run by the GK SAVAR NGO.

### Vietnam :

The "Planète Enfants et Développement" association has documented existing health laws and their application in factories. Projects will be developed based on these findings.

<sup>60</sup> French Economic, Social and Environmental Council

<sup>61</sup> Business for Social Responsibility



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# METHODOLOGY

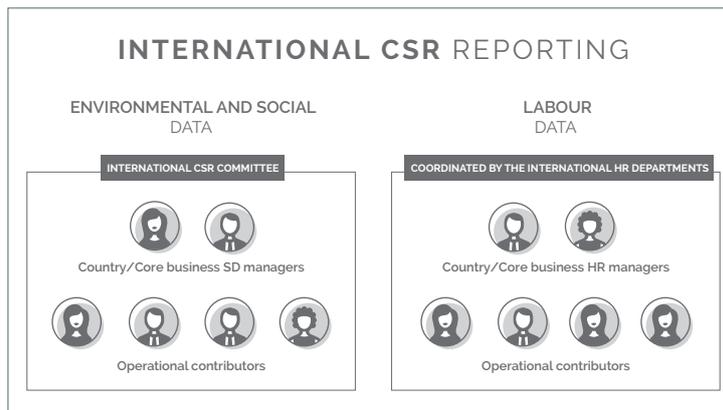
## CSR REPORTING STRUCTURE

In every country/core business, a sustainable development manager is in charge of distributing environmental and social reporting instructions to all sites and departments falling within its scope. Each CSR manager is responsible for tracking the indicators and coordinating data submissions from the employees who are tasked with this job at entity level. They have data consolidation tools at their disposal for this purpose.

The Human Resources managers share responsibility for labour data with their executive committees and all operational contributors.

To ensure that the communicated data is homogeneous and certifiable, the International CSR Committee developed a reporting protocol in 2013 that was made available to all individuals who might contribute to the process directly or indirectly. This protocol is updated every year and translated into English. The aim is to gradually address any issues encountered so as to better define and track clear and uniform procedures across all sites.

The data escalation and verification process via a CSR-specific software application was deployed in September 2015. All persons involved in contributing and validating the data were trained to use the software. The response was overwhelmingly positive among users, who saw it as an intuitive, simple tool that would make it easier to track data.



The two complementary structures in the above diagram work together closely to organise the reporting process and check the information that they are given before the corporate team produces this document.

## LABOUR DATA

### SCOPE

The quantitative and qualitative data in this document summarises the data communicated to Auchan Holding by all the businesses within its scope within the meaning of Article L.233-1 of the French Commercial Code and of the companies it controls within the meaning of Article L.233-3 of that code. Unless otherwise specified for each indicator, the data is calculated as at 30 September 2016.

The disability, occupational illness and training indicators are calculated on the basis of data for calendar year 2015.

Two new countries were included in the reporting scope in 2016: Vietnam and Senegal.

### COLLECTION METHODS

To ensure the homogeneity of indicators across the entire scope, a reporting methodology guide was drafted in French, then translated into English, and distributed after feedback to all employees involved in collecting the data presented in this document. It details the methodologies to be used in collecting and checking the indicators: definitions, methodology principles, roles and responsibilities of internal stakeholders, measurement units, calculation formulas, FAQs, etc.

Qualitative and quantitative information, and any relevant comments, regarding policies and actions implemented in the countries and core businesses is entered into the software application based on the information provided in exhaustive questionnaires.

The software tool ensures data reliability, facilitating the consolidation process and ensuring the traceability of each data item. It provides a rich database for today's HR uses and those of tomorrow.

### DATA VERIFICATION

Each validator is responsible for checking the data entered by the various contributors within their scope prior to the calculation of the indicators. To assist them in this task, automatic alerts are set up in the application to flag large discrepancies (of around 10%) between one year and the next. Whenever an alert is issued, the contributors and validators must enter comments to explain and substantiate the discrepancy.

A second level of control is then applied at Auchan Holding level. Inconsistencies and errors are reviewed with each business and corrected before consolidation.

## DATA COMPARABILITY AND REPRESENTATIVENESS

Auchan Holding has been improving the reliability of its labour data reporting since 2014 by:

- Implementing new actions to raise awareness of CSR issues;
- Designing dedicated reporting software;
- Implementing a precise methodology shared by the different entities.

The main change in methodology relates to the training hour data for RT-Mart China, which is now incorporated.

## ENVIRONMENTAL DATA

### SCOPE

The quantitative and qualitative data in this document summarises the data communicated to Auchan Holding by all the entities within its scope within the meaning of Article L.233-1 of the French Commercial Code and of the companies it controls within the meaning of Article L.233-3 of that code, with the exception of Oney and the e-commerce activity, when there are no physical sales outlets<sup>62</sup>.

Environmental data for Oney is not published in this document due to the specificity of this business compared with Auchan Holding's other core businesses. It may, however, be found in the CSR section of Oney's management report.

E-commerce is currently negligible in terms of environmental impact.

The former Real stores in Poland are now consolidated under the Auchan banner and are therefore included in the reporting scope. After being excluded from the reporting scope last year because of extensive changes in governance, Chronodrive is now included again. In accordance with the periodicity rules stipulated in the protocol, the stores in Vietnam and Senegal will be included in 2017.

Unless otherwise specified for each indicator, the data is calculated from 1 October 2015 to 30 September 2016.

### COLLECTION METHODS

For qualitative data, the policies and actions implemented in the countries are escalated via the software application using a questionnaire put together by the International CSR Committee, based on legal obligations and indicators traditionally tracked by the company.

To ensure the homogeneity of indicators across all entities, a reporting methodology guide is available in French and English. It is amended each year to correct any marginal shortcomings and distributed to all employees involved in collecting the data presented in this management report.

It details the methodologies to be used in collecting indicator data: definitions, scope, measurement units, calculation formulas, etc. KPIs are reported via the application, which incorporates alert systems as described in the next section.

### DATA VERIFICATION

Each assigned manager is responsible for escalating the data for their entity for the purposes of calculating the indicators. They use a software tool that includes two levels of alert:

- When there are sizeable variations in consumption from one year to the next (different delta depending on the indicator, the core business or the geographical region);
- When consumption ratios are particularly low or high.

The CSR managers in each of the Auchan Retail and Immochan countries are responsible for validating this data. They must verify that sites for which an alert has been issued in respect of one or more indicators have entered a comment in the software tool to explain the discrepancy or significant change that has been flagged.

The International CSR Committee then carries out a second level of control. Inconsistencies and errors are reviewed with the CSR managers of the entities concerned and, wherever possible, corrected or removed before consolidation.

### CLARIFICATIONS CONCERNING THE INDICATORS

Only the commercial sites are included in the calculation of the indicators. Logistics sites, head office functions, affiliated stores, etc., are not included.

Only the shopping malls owned by Immochan are included in indicator calculations. Malls where Immochan is the lessee or has an operating contract, and retail parks are not incorporated into the data calculations or the coverage ratio calculations.

Store surface area in square metres does not include storage, food preparation or shopping mall surface areas.

Two coverage ratios are calculated for each indicator:

- a coverage ratio based on the number of sites covered
- a coverage ratio based on the number of square metres covered.

To best reflect the reality of the different core businesses, it is this second ratio that is used in this document.

<sup>62</sup> The drive-through outlets are included

## DATA COMPARABILITY AND REPRESENTATIVENESS

For a number of years, Auchan Holding has been improving the reliability of its CSR reporting by:

- Designing dedicated reporting software;
- Gradually improving its coverage ratio;
- Implementing a methodology shared by the different countries/core businesses.

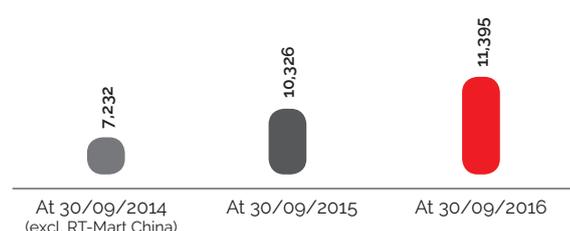
These significant changes in methodology limit data comparability from one year to another.

The principal changes in methodology between 2015 and 2016 were as follows:

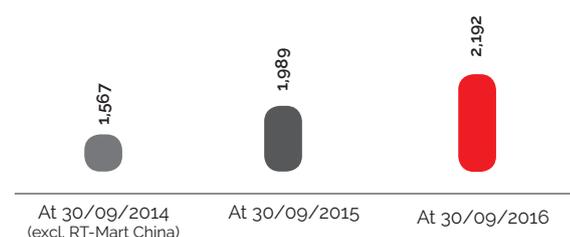
- Internal IT tools were developed to supplement the existing application. They simplify the CSR managers' checks on the data that has been provided;
- There has been a slight change in the manner in which commercial surface area should be calculated, with a view to improving the incorporation of data relating to the gardening departments. This change will have no bearing on the comparability of the data as a whole, but may have considerable repercussions on a small number of sites (primarily hypermarkets).

## SCOPE OF THE REPORT

### > CHANGES IN THE SCOPE OF THE REPORT OVER 3 YEARS, IN THOUSANDS OF SQ. M. OF SURFACE AREA



### > CHANGES IN THE SCOPE OF THE REPORT OVER 3 YEARS, IN NUMBER OF SITES



The number of commercial sites incorporated into the reporting scope increased by around 10% in comparison to 2015. The increase was particularly pronounced in China and in Central & Eastern Europe (Russia and Poland). In China, it stemmed mainly from the greater number of RT-Mart hypermarkets. In Poland, it was due to the inclusion in the reporting scope of the former Real stores, which now operate under the Auchan banner. In Western Europe, Chronodrive was included in the 2016 reporting scope, having being excluded in 2015 due to an extensive internal overhaul that undermined the reliability of the escalated data.

Surface area at commercial sites increased in similar proportions, by 10.4%. Central & Eastern Europe (19.6%) and Asia (13.1%) accounted for the lion's share of this increase. Surface area at Western European commercial sites rose by just 3.6%.

The hypermarkets account for the greatest proportion of overall surface area at commercial sites (79.4%), followed by Immochan (10.6%) and the supermarkets (9.9%).

### > COVERAGE RATIO FOR KEY ENVIRONMENTAL INDICATORS (AS A % OF THE SURFACE AREA)

The environmental indicators are monitored site by site. The exclusion of data deemed unreliable implies the calculation of a coverage ratio for each indicator. This is illustrated in the table below. The calculations of these indicators and any changes thereto are categorised by activity and by geographical region and explained further in the environmental chapter.

	2015 coverage ratio	2016 coverage ratio
Electricity consumption	97.8%	99 %
Energy consumption	84.2%	98.8 %
Water consumption	73.8%	86.9 %
Waste recovery at malls and hypermarkets	92.9%	80 %
Refrigerants	81.9%	77.9 %

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## CORRESPONDENCE TABLE

LABOUR SECTION		
THEMES	SECTION OF THE REPORT (PAGE NUMBER)	TABLE OF CORRESPONDING INDICATORS
<b>EMPLOYMENT</b>		
Total workforce and breakdown of employees	Workforce breakdown and analysis (p.6)	- Trends in the workforce by business - Breakdown of the workforce by geographical region
by age	Workforce breakdown and analysis (p.6)	- Breakdown of the workforce by age bracket and geographical region
by gender	Diversity and equal opportunity, a corporate affair (p.16)	- Breakdown of the workforce between Men / Women by geographical region - Breakdown of managers between Men/Women by geographical region
by geographic region	Workforce breakdown and analysis (p.6)	- Breakdown of the workforce by geographical region - Breakdown of permanent/fixed-term employees by geographical region
Hires	Workforce breakdown and analysis (p.6) Welcoming new talent (p.10)	- Trend in the number of hires under permanent contracts by geographical region
Dismissals	Workforce breakdown and analysis (p.6)	- Trend in the number of dismissals from permanent positions by geographical region
Remuneration	Sharing in the company's success (p.18)	- Trend in the number of shareholders by geographical region - Change in the percentage of shareholders among eligible employees, by geographical region
Trends in remuneration	Sharing in the company's success (p.18)	- Change in personnel costs including temporary employees by geographical region/revenue before tax
<b>ORGANISATION OF WORK</b>		
Organisation of working time	Workforce breakdown and analysis (p.6)	- Breakdown of permanent/fixed-term workforce by geographic region - Breakdown of full-time/part-time workforce
Absenteeism	Health, safety and working conditions (p.12)	- Trend in the rate of absenteeism due to illness by geographical region - Number of occupational illnesses by geographical region
<b>LABOUR RELATIONS</b>		
Organisation of labour dialogue	Labour dialogue as a lever for social progress (p.8)	- Number of meetings with employee representatives by geographic region
Overview of collective agreements	Labour dialogue as a lever for social progress (p.8)	- No specific indicator
<b>HEALTH AND SAFETY AT WORK</b>		
Health and safety conditions at work	Health, safety and working conditions (p.12) Combating insecurity and preventing health risks (p.15)	- Number of workplace accidents by geographical region - Number of occupational illnesses by geographical region
Frequency of workplace accidents	Health, safety and working conditions (p.12)	- Change in the accident frequency rate by geographical region - Number of workplace accidents by geographical region
Severity of workplace accidents	Health, safety and working conditions (p.12)	- Trend in the rate of severity of workplace accidents by geographical region - Number of workplace accidents by geographical region
Occupational illnesses	Health, safety and working conditions (p.12)	- Number of occupational illnesses by geographic region
<b>TRAINING</b>		
Training policy implemented	Contributing to the personal development of each employee (p.10)	- No specific indicator applied
Total number of training hours	Contributing to the personal development of each employee (p.10)	- Breakdown of the total number of training hours by geographical region - Trend in the number of training hours by geographical region - Ratio of training hours to total hours worked by geographical region

EQUAL OPPORTUNITIES		
Policies and measures taken in favour of gender equality	Diversity and equal opportunity, a corporate affair (p.16)	- Breakdown of the workforce between Men/Women by geographical region - Breakdown of managers <sup>63</sup> between Men/Women by geographical region
Policies and measures taken in favour of integrating people with disabilities	Fostering and supporting the integration of people with disabilities (p.17)	- Percentage of employees with a disability by geographic region
Anti-discrimination policies and measures	Diversity and equal opportunity, a corporate affair (p.16) Fostering and supporting the integration of people with disabilities (p.17)	- No specific indicator applied
PROMOTION AND COMPLIANCE WITH THE FUNDAMENTAL PROVISIONS OF THE ILO CONVENTIONS		
Respect for freedom of association and the right to collective bargaining	Labour dialogue as a lever for social progress (p.8) General principles and compliance with ILO standards (p. 40) Responsible general procurement policies and prevention (p.42)	- No specific indicator applied
Elimination of discrimination in relation to employment and profession	Labour dialogue as a lever for social progress (p.8) General principles and compliance with ILO standards (p. 40) Responsible general procurement policies and prevention (p.42) Supporting initiatives for progress (p.43)	- No specific indicator applied
Elimination of forced or compulsory labour	General principles and compliance with ILO standards (p. 40) Responsible general procurement policies and prevention (p.42) Supporting initiatives for progress (p.43)	- No specific indicator applied
Effective abolition of child labour	General principles and compliance with ILO standards (p. 40) Responsible general procurement policies and prevention (p.42) Supporting initiatives for progress (p.43)	- No specific indicator applied
ENVIRONMENTAL SECTION		
THEMES	SECTION OF THE REPORT (PAGE NUMBER)	TABLE OF CORRESPONDING INDICATORS
GENERAL ENVIRONMENTAL POLICY		
Organisation of the company	Governance of environmental and social policies (p.22)	- No specific indicator applied
Evaluation/certification approach	Developing environmental site management (p.33)	- Number of ISO 14001 certified sites
Employee training initiatives	Governance of environmental and social policies (p.22)	- No specific indicator applied
Resources allocated to environmental risk and pollution prevention	Limiting air, water and soil pollution and adapting to the consequences of climate change (p.35)	- No specific indicator applied
Amounts of provisions and guarantees for environmental risks	Limiting air, water and soil pollution and adapting to the consequences of climate change (p.35)	- No specific indicator applied
POLLUTION		
Measures to prevent, reduce and compensate for pollution that severely affects the environment	Limiting air, water and soil pollution and adapting to the consequences of climate change (p.35)	- No specific indicator applied
Measures to prevent, reduce and compensate for pollution that severely affects the environment	Reducing the impact of goods transportation (p.47) Minimising noise pollution from activities (p.35) Assessing and optimising the carbon footprint of own-brand products (p.34)	- No specific indicator applied
CIRCULAR ECONOMY: MANAGEMENT OF WASTE AND SUSTAINABLE USE OF RESOURCES		
Measures to prevent, recycle and re-use waste, other forms of waste recovery and waste elimination	Sorting and recovering waste produced (p.23) Helping customers sort their waste (p.57) Combating food waste (p.22) Reducing the environmental impact of plastic bags (p.26)	- Production and recovery of waste from operations by core business and by geographical region - Trend in the damage rate for fresh produce at supermarkets
Measures to combat food waste	Combating food waste (p.22)	- Trend in the damage rate for fresh produce at supermarkets
Water consumption and water supply based on local limitations	Applying sustainable water management (p.26)	- Breakdown and trend in water consumption by core business and by geographical region
Consommation de matières premières et mesures prises pour améliorer l'efficacité de leur utilisation	Reducing packaging and eco-designing own-brand products (p.55) Helping customers sort their waste (p.56)	- Number of self-service discount sections

<sup>63</sup> Manager status is assigned to all employees who have been entrusted with organisational, management or administrative responsibility for a given scope (department, market, sector, store, support service, etc.), working autonomously, with or without managerial authority over others

Energy consumption and measures taken to improve its efficient use	Optimising and reducing our energy consumption (p.28)	- Breakdown and trend in electricity consumption by core business and by geographical region - Breakdown and trend in energy consumption by core business and by geographical region
Use of renewable energies	Optimising and reducing our energy consumption (p.28)	- No specific indicator applied
Measures taken to improve energy efficiency	Developing environmental site management (p.33) Optimising and reducing our energy consumption (p.28)	- Breakdown and trend in electricity consumption by core business and by geographical region - Breakdown and trend in energy consumption by core business and by geographical region
Land use	Limiting air, water and soil pollution from operations and adapting to the consequences of climate change (p. 35) Contributing to biodiversity protection (p.36)	- No specific indicator applied
<b>CLIMATE CHANGE</b>		
Greenhouse gas emissions	Measuring the carbon footprint of the retail sites (p.31) Reducing the impact of goods transportation (p.47) Reducing the environmental impact of plastic bags (p.26) Assessing and optimising the carbon footprint of own-brand products (p.34)	- Breakdown and trend in CO2 emissions from refrigerants by core business and by geographical region
Main areas in which the company's operations generate greenhouse gas emissions	Assessing and optimising the carbon footprint of own-brand products (p.34)	- No specific indicator applied
Adaptation to the consequences of climate change	Limiting air, water and soil pollution from operations and adapting to the consequences of climate change (p.35)	- No specific indicator applied
<b>PROTECTION OF BIODIVERSITY</b>		
Measures taken to protect and develop biodiversity	Contributing to biodiversity protection (p.36) Offering products that do not threaten biodiversity (p.53)	- No specific indicator applied
<b>SOCIAL SECTION</b>		
<b>THEMES</b>	<b>SECTION OF THE REPORT (PAGE NUMBER)</b>	<b>TABLE OF CORRESPONDING INDICATORS</b>
<b>REGIONAL, ECONOMIC AND SOCIAL IMPACT OF THE BUSINESS</b>		
Impact in terms of employment and regional development	Organising dialogue with the stakeholders (p.44) Forming sustainable partnerships with SMEs (p. 46) Fostering local sourcing (p.45)	- No specific indicator applied
Impact on neighbouring and local populations	Organising dialogue with the stakeholders (p.44) Improving transportation options for customers (p. 46)	- No specific indicator applied
<b>RELATIONS WITH STAKEHOLDERS</b>		
Conditions for dialogue with stakeholders	Organising dialogue with the stakeholders (p.44) Listening to our customers (p.57)	- No specific indicator applied
Partnership and sponsorship initiatives	Chapter on solidarity (p. 59)	- Overview of the action of the foundations
<b>OUTSOURCING AND SUPPLIERS</b>		
Integration of social and environmental issues in the purchasing policy	Supporting initiatives for progress (p.43)	- No specific indicator applied
Importance of outsourcing and integration of CSR in relationships with suppliers and subcontractors	Supporting initiatives for progress (p.43)	- Number of ICS audits completed and commissioned by Auchan in 2016 - Number of factories shared with Auchan that were audited by other ICS members in 2016
<b>FAIR PRACTICES</b>		
Initiatives taken to prevent corruption	Tackling corruption (p.41) Developing a business ethic (p.41)	- No specific indicator applied
Measures taken in favour of consumer health and safety	Safe and controlled food (p.50) Meeting the specific needs of our customers (p.52) Making consumers aware of the importance of healthy eating and healthy living (p.51) Promoting the sale of responsible products (p.52)	- Number of own-brand products labelled in Braille - Number of organic lines carried by Auchan stores»
<b>HUMAN RIGHTS</b>		
Actions undertaken in favour of human rights	General principles and compliance with ILO standards (p. 40)	- No specific indicator applied

# REPORT OF THE INDEPENDENT THIRD-PARTY

Auchan Holding  
Financial year ended 31 December 2016

## REPORT OF THE INDEPENDENT THIRD-PARTY BODY ON THE CONSOLIDATED LABOUR, ENVIRONMENTAL AND SOCIAL INFORMATION PRESENTED IN THE MANAGEMENT REPORT

To the Shareholders,

In our capacity as an independent third-party body for Auchan Holding accredited by the COFRAC<sup>64</sup> under number 3-1050, we present to you our report on the consolidated labour, environmental and social information concerning the financial year ended on 31 December 2016, published in the management report, hereafter "CSR Information", in accordance with the provisions of Article L. 225-102-1 of the French Commercial Code.

### RESPONSIBILITY OF THE COMPANY

The Board of Directors is responsible for establishing a management report including the CSR Information stipulated under Article R. 225-105-1 of the French Commercial Code, in accordance with the guidelines used by the company comprising the environmental and social reporting protocol and the labour reporting protocol in their versions of July 2016 and August 2016, respectively (hereafter the "Guidelines"), of which a summary can be found in the introduction to the "Methodology" section of the present management report.

### INDEPENDENCE AND QUALITY CONTROL

Our independence is defined by regulatory texts, the code of ethics of the profession and the provisions of Article L. 822-11 of the French Commercial Code. Moreover, we have implemented a system of quality control that includes documented policies and procedures that aim to ensure compliance with applicable ethical rules, professional standards and laws and regulations.

### RESPONSIBILITY OF THE INDEPENDENT THIRD-PARTY BODY

Our responsibility, on the basis of our work, is to:

- certify that the required CSR Information is included in the management report or, if omitted, that this omission is explained in accordance with the third paragraph of Article R. 225-105 of the French Commercial Code (Certification of presence of CSR Information);
- express a measured assurance that the CSR Information, as a whole, is presented fairly in all significant aspects, in accordance with the Guidelines (Reasoned opinion of fair presentation of CSR Information).

Our work called on the expertise of five people and was carried out between July 2016 and February 2017, over the course of around 16 weeks. We completed the work described below in accordance with applicable professional standards in France, the decree of 13 May 2013 determining the terms and conditions under which the independent third-party body shall conduct its mission and, with respect to the reasoned opinion of fair presentation, with the ISAE 3000 international standard<sup>65</sup>.

#### 1. Certification of inclusion of CSR Information

##### Nature and scope of the work

Based on interviews with the managers of the departments involved, we examined the presentation of policies in the area of sustainable development, the labour-related and environmental consequences arising from the activity of the company and its social commitments and, where applicable, the resulting actions or programmes.

We compared the CSR Information presented in the management report with the list stipulated in Article R. 225-105-1 of the French Commercial Code.

In the absence of certain consolidated information, we verified that explanations were provided in accordance with the provisions of Article R. 225-105 paragraph 3 of the French Commercial Code.

We verified that the CSR Information covered the consolidated scope, i.e. the company and its subsidiaries within the meaning of Article L. 233-1 of the French Commercial Code and the companies that it controls within the meaning of Article L. 233-3 of the same code, with the limitations stipulated in the methodology note presented in the "Methodology" section of the management report. The labour and environmental indicators reflect Auchan Holding's performances between 1 October 2015 and 30 September 2016.

##### Conclusion

On the basis of our work, and taking into account the limitations noted above, we certify that the required CSR Information has been included in the management report.

#### 2. Reasoned opinion on the fair presentation of CSR Information

##### Nature and scope of the work

We conducted interviews with a dozen individuals responsible for preparing the CSR Information within the CSR, HR, Purchasing, Technical and Environment departments in charge of the data collection processes and, where applicable, responsible for the internal control and risk management procedures, so as to:

- assess the appropriateness of the Guidelines with regard to their relevance, completeness, reliability, neutrality and clarity, taking into consideration, where applicable, the best practices in the sector;
- verify the implementation of a collection, compilation, processing and control process that aims to provide complete and consistent CSR Information, and examine the internal control and risk management procedures relative to the preparation of the CSR Information.

<sup>64</sup> Accreditation scope available at [www.cofrac.fr](http://www.cofrac.fr)

<sup>65</sup> ISAE 3000 – Assurance engagements other than audits or reviews of historical information

We determined the nature and extent of our tests and controls based on the nature and importance of the CSR Information with regard to the characteristics of the company, the labour-related and environmental issues related to its activities, its policies in the area of sustainable development, and best practices in the sector.

For the CSR Information that we viewed as most important<sup>66</sup>:

- at the level of the consolidating entity, we consulted the documentary sources and conducted interviews to corroborate qualitative information (organisation, policies, actions, etc.), we applied analytical procedures to the quantitative data and verified calculations and consolidation of data on the basis of samples, and we verified data consistency and agreement with the other information in the management report;
- at the level of a representative sample of entities that we selected<sup>67</sup> based on their business, their contribution to the consolidated indicators, their location and a risk analysis, we conducted interviews to verify proper application of the procedures and carried out detailed tests on the basis of samples, consisting in verifying the calculations made and comparing the data to its supporting documents. The sample selected represents on average 26% of the workforce and between 20% and 35% of the quantitative environmental data considered characteristic, in scale, of the labour and environmental data.

For the other consolidated CSR Information, we assessed its consistency with regard to our knowledge of the company.

Lastly, where applicable, we assessed the relevance of the explanations concerning the total or partial absence of certain information.

We believe that the sampling methods and sample sizes that we chose based on our professional judgement allow us to formulate a conclusion of measured assurance; stronger assurance would have required more extensive verification work. Due to the use of sampling techniques as well as other limitations inherent to the operation 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 this work, we did not identify any significant anomaly liable to call into question the fair presentation of the CSR Information, taken as a whole, in accordance with the Guidelines.

Paris-La Défense, France, 8 March 2017

The Independent Third-Party Body  
ERNST & YOUNG et Associés

Eric Mugnier  
Sustainable Development Partner

Bruno Perrin  
Partner

<sup>66</sup> *Environmental and social information: the overall environmental policy (organisation, employee training and information actions); pollution and waste management (measures to prevent, reduce or compensate for air, water and soil pollution; waste prevention, recycling and elimination measures); sustainable use of resources and climate change (energy consumption, measures taken to improve energy efficiency and the use of renewable energies, measures taken to improve efficient use of raw materials); regional, economic and social impact; relationships with stakeholders (conditions for dialogue, partnership and sponsorship actions); the importance of outsourcing and the inclusion of social and environmental issues in the purchasing policy and in relationships with suppliers and subcontractors; fair practices (actions undertaken to prevent corruption, measures taken in favour of consumer health and safety)*

*Employment information: employment (total workforce and breakdowns, hires and dismissals), organisation of work hours (in particular part-time work), absenteeism, labour relations, health and safety conditions, workplace accidents (in particular their frequency and severity), as well as occupational illnesses, training policies and the total number of training hours.*

<sup>67</sup> *French hypermarkets, Russian hypermarkets, Alinea and Oney France*







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Mars 2017 - Imprimé sur papier recyclé FSC