

CSR SECTION OF THE 2017 MANAGEMENT REPORT

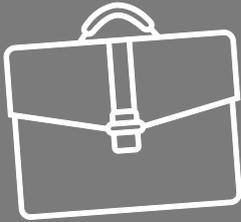


Auchan Holding



EMPLOYEES

page 5



ENVIRONMENT

page 23



PARTNERS

page 39



CUSTOMERS

page 51



SOLIDARITY

page 61



APPENDICES

page 69



INTRODUCTION

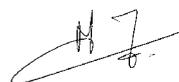
For five years now, since the entry into force of Article 225 of the French Grenelle 2 Law, Auchan Holding has disclosed qualitative and quantitative information on key areas of corporate and social responsibility at its three businesses, in the countries in which they operate. The entities in these countries, where the levels and maturity of CSR practices differ considerably, have embraced this regulatory requirement and turned it into a lever for sustainable performance. The measures put in place have steadily become more reliable year after year, thanks to the controls that have been implemented and the efforts of a large number of people, showing just how essential each and every one of them is.

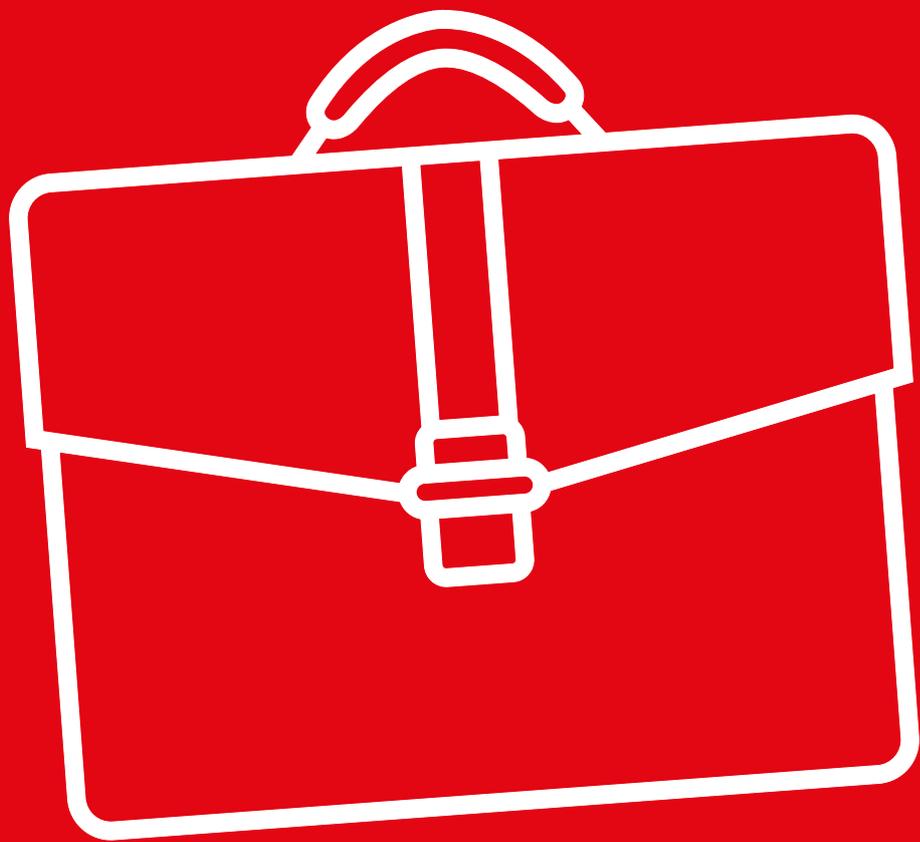
Beyond the numbers, this document is a reflection of the progress that has been made at Auchan Retail, Immochan and Oney. It also presents the problems that have been encountered, in a completely open manner for the stakeholders in these three businesses. Our window on the world, our efforts to take account of its vulnerabilities and the humility we display in our efforts to fully comprehend these issues must guide our corporate vision and help us to overcome them.

In a very competitive environment, where innovation provides a competitive advantage, we must remember that, in reinventing themselves, our businesses must ensure that they capitalise on the values and principles that have shaped their success. By upholding these very values and principles in our approach to constantly evolving issues, we will give the true meaning to our businesses: in their day-to-day operations and in their capacity to have a lasting and positive bearing on our economic results, our environment and our society. We are ever mindful of this difficult equation, and the 17 sustainable development goals set by the United Nations for the next decade remind us of the urgency of the global issues that we must address to ensure a prosperous and equitable future for generations to come.

We are fully aware of the impact of our contribution to this pact for the future. By campaigning for the consumption of good, healthy, local products, forging connections between citizens and reshaping the dialogue between co-workers, our three businesses are building on their interlocking purposes and their unique understanding of ethics. Through these businesses, we must serve as many people on this planet as possible.

Régis Degelcke,
Chairman of the
Auchan Holding's
Management Board





EMPLOYEES

As major employers, Auchan Retail, Immochan and Oney take the responsibility they have towards their 355,107 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.

CONTENTS

BEING A RESPONSIBLE EMPLOYER	6
WORKFORCE BREAKDOWN AND ANALYSIS	6
CONTRIBUTING TO THE PERSONAL DEVELOPMENT OF EACH EMPLOYEE	8
WELCOMING NEW TALENT	9
PROVIDING HEALTH AND SAFETY FOR EVERYONE AT WORK	11
IMPROVING WORK CONDITIONS	11
COMBATING INSECURITY AND PREVENTING HEALTH RISKS	14
MAKING DIVERSITY AN ASSET FOR THE COMPANY	15
FOSTERING AND SUPPORTING THE INTEGRATION OF PEOPLE WITH DISABILITIES	15
ENCOURAGING GENDER EQUAL OPPORTUNITY	17
SHARING AND CO-CREATING	18
LABOUR DIALOGUE AS A LEVER FOR SOCIAL PROGRESS	18
SHARING IN THE COMPANY'S SUCCESS	19
ENCOURAGING INNOVATION	20



BEING A RESPONSIBLE EMPLOYER

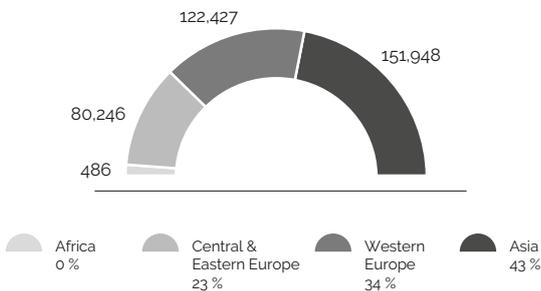
WORKFORCE BREAKDOWN AND ANALYSIS

> TREND IN THE WORKFORCE BY BUSINESS

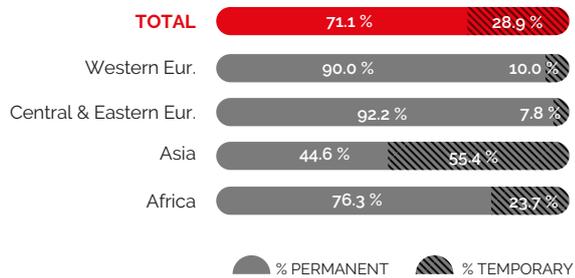


At 30 September 2017, the businesses within Auchan Holding's scope employed 355,107 people across the 15 countries in which they operate. This marks a 1% increase on 2016. Employee numbers have remained stable, except in Africa, where the workforce increased by 129.2% with the opening of 8 stores during the period. The sharp fall in the "Other" category is explained by the removal¹ of Alinéa and Little Extra from the reporting scope (87% fall).

> BREAKDOWN OF THE WORKFORCE BY GEOGRAPHICAL REGION AT 30/09/2017



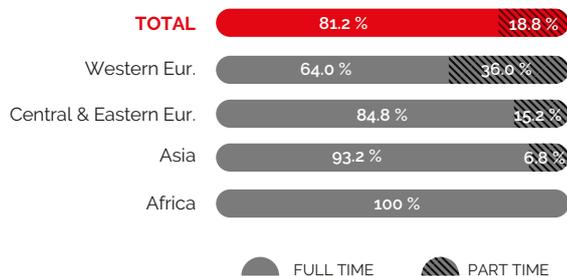
> BREAKDOWN OF PERMANENT/FIXED-TERM EMPLOYEES BY GEOGRAPHICAL REGION AT 30/09/2017



In 2017, the proportion of employees under permanent contracts increased by 2.9% to 71.1% of the workforce. Although the proportion of fixed-term contracts fell by 8% in China, employers still tend to prefer such forms of contract, which continue to make up more than half of the workforce.

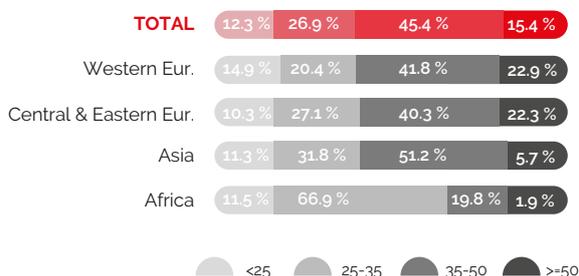
¹ Disposal

> BREAKDOWN OF FULL-TIME/PART-TIME WORKFORCE AT 30/09/2017



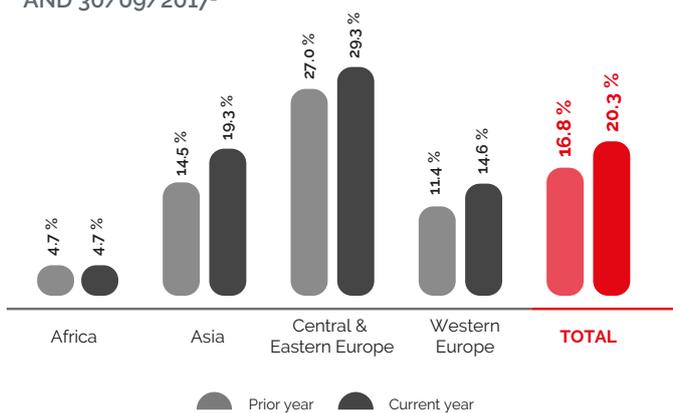
81% of the workforce is employed under full-time contracts, marking a slight fall of 0.2% on 2016.

> BREAKDOWN OF THE WORKFORCE BY AGE BRACKET AND GEOGRAPHICAL REGION AT 30/09/2017



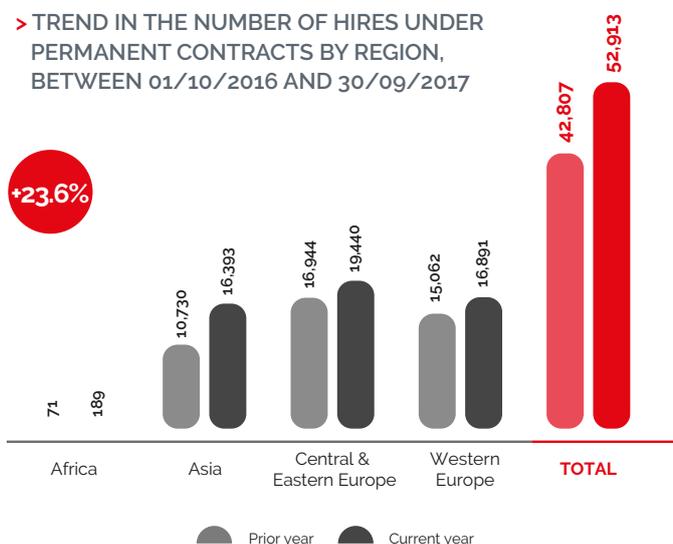
Overall, the percentage of the workforce aged 25 and under fell whereas the percentage aged 50 and over increased.

> TREND IN THE TURNOVER RATE IN THE PERMANENT WORKFORCE BY REGION BETWEEN 01/10/2016 AND 30/09/2017²



The overall turnover rate rose by comparison with 2016 (by 20%). Asia and Western Europe recoded rises of 33% and 28%, respectively. More employees under permanent contracts left the company in 2017.

> TREND IN THE NUMBER OF HIRES UNDER PERMANENT CONTRACTS BY REGION, BETWEEN 01/10/2016 AND 30/09/2017



The number of total hires under permanent contracts rose from 42,807 to 52,913 during the period under consideration.

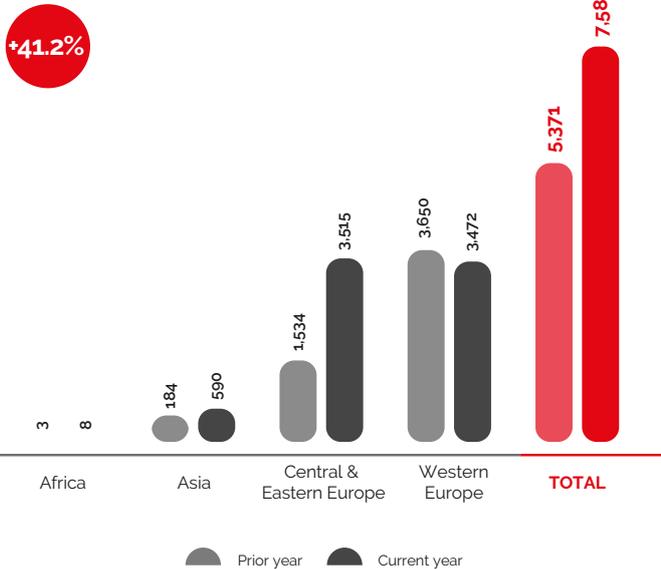
After falling between 2015 and 2016 due to employment protection plans in France and Italy, hiring picked up again in 2017, as evidenced by a 23.6% increase in total hires by comparison with 2016.

This jump is partially explained by Chinese practices, which consist in switching employees who have worked fixed-term contracts for a period of 3 years to permanent contracts.

² 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 REGION, BETWEEN 01/10/2016 AND 30/09/2017



The number of dismissals rose by 41% in 2017, with Asia recording a particularly sharp increase (of 220%), mainly stemming from the closure of the Qingdao store, which saw 164 employees leave the company during the period under consideration.

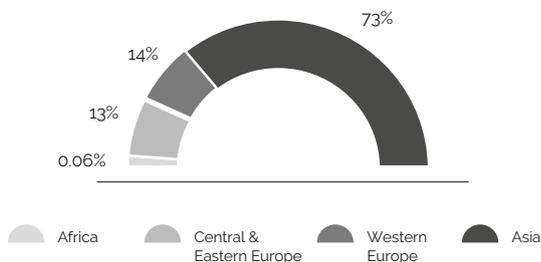
Overall, for Auchan Holding, dismissal was the reason for 15.1% of the departures of employees on permanent contracts.

Data calculated at 30/09/2017, except the number of hires and dismissals and the turnover rate, which are calculated on a rolling one-year basis from 1 October 2016 to 30 September 2017. Temporary workers, interns and employees whose contracts have been suspended are excluded from the calculation of this data.

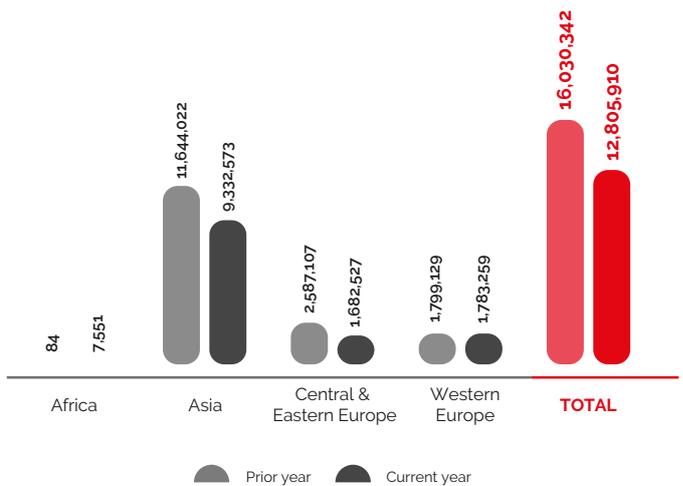
- The notions of full-time and part-time are applied in accordance with legal definitions in each country.
- The number of permanent contract hires corresponds to the total number of permanent contract hires and the number of fixed-term contracts converted to permanent contracts during the reporting 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.

CONTRIBUTING TO THE PERSONAL DEVELOPMENT OF EACH EMPLOYEE

> BREAKDOWN OF THE TOTAL NUMBER OF TRAINING HOURS BY GEOGRAPHICAL REGION BETWEEN 01/01/2016 AND 31/12/2016

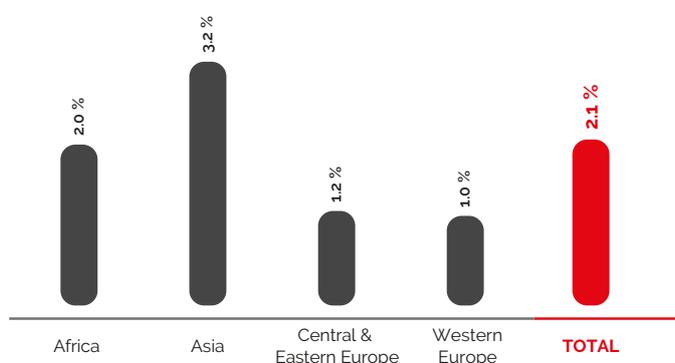


> TREND IN THE NUMBER OF TRAINING HOURS BY GEOGRAPHICAL REGION BETWEEN 01/01/2016 AND 31/12/2016





> RATIO OF TRAINING HOURS TO TOTAL HOURS WORKED BY REGION
BETWEEN 01/01/2016 AND 31/12/2016



More than 12 million hours were spent on training in 2016 at the businesses within Auchan Holding's scope, marking a 20% fall on 2015.

Due to less than favourable economic results, training hours spent in 2016 essentially focused on the acquisition of practical experience in the different core businesses.

This fall also stemmed from a greater focus on "e-learning" courses, which are not as time-consuming as conventional face-to-face courses.

Developing countries in Asia and Africa recorded the highest ratios of training hours to work hours.

Training courses that meet the needs of the different core businesses were developed and dispensed primarily in the areas of: health and safety in the workplace, personal development and product knowledge, the employee shareholder system and the induction of new joiners.

Some modules are also being developed to train employees on different aspects of Corporate and Social Responsibility (CSR), in both social and environmental areas (non-discriminatory hiring, food waste, eco-design, etc.).

The businesses within Auchan Holding's scope are constantly innovating to foster and develop the skills of employees. Auchan Retail Luxembourg has introduced an equine-assisted leadership training programme. This course combines classroom training with on-site experience at stud farms and covers areas such as management, communication and personal development.

In the same vein, Oney Italy launched its Strengths Finder Project in February 2017. Through psychometric testing and individual coaching sessions, the aim is to highlight and make each employee aware of their key strengths in order to drive their performance and improve their well-being in the workplace.

In China, Auchan Retail rolled out its "SMART Phygital" training programme at the end of 2017. This course is designed for young Chinese graduates who have completed their university training in Europe. It gives them the opportunity to hold various positions in the Retail business line (e.g. department manager, sector manager and deputy store manager) that serve as a stepping stone to them becoming store managers or team leaders by the end of their training. 36 people benefited from this accelerated training in the first year of the programme. Year two of the programme will begin in April 2018.

WELCOMING NEW TALENT

Auchan Retail, Immochan and Oney are developing relationships with schools and universities in the countries in which they operate. Employees visit partner establishments to present their banner's core businesses and key features. These events offer many students and young graduates the chance to acquire work experience in stores, to work under work-study contracts or to secure their first job after completing their studies. In 2017, 6,146 trainees and 4,751 work-study applicants were given the opportunity to acquire professional experience, which was highly beneficial to their training.

The Auchan Retail France ultra-convenience banners have teamed up with the Distrisup training centre to give

young vocational degree students the opportunity to join the company and acquire multi-format experience (hypermarkets, supermarkets and superstores).

Driven by a strong desire to develop the company's human capital, Auchan Retail Senegal forged a partnership with the Sup de Co Dakar business school in October 2017 with the creation of a bachelor's degree in commerce and retail. This work-study programme is fully funded by Auchan Retail. Each year, it will give around twenty students (10% of whom will be employees of Auchan Retail) the chance to acquire solid training to prepare for a career in retail and gain insight into the management of a business unit. Auchan Retail Senegal is committed to appointing the



young graduates of this programme to various positions: department managers, logistics managers, warehouse managers, etc.

In March 2017, Alcampo received first prize in the "Impulse of Youth Employment Awards" for its "Talento Joven y Diverso" initiative. This rewards the work of Spanish businesses to create jobs for young people in Spain.

"Talento Joven y diverso" involves a number of actions:

- For young people at risk of social exclusion: training programmes have been put in place in conjunction with associations and organisations such as the Red Cross in a bid to improve the "employability" of young people, both in terms of their professional skills and their personal abilities. Last year, 662 young people received a total of 46,700 hours of training. On completion of the programme, more than a quarter of them were hired by Alcampo.
- For young graduates: Three programmes were launched to guide them on the path to employment: "Construyendo talento", "Contratamos talento"³ and a graduate programme. These initiatives are designed to train young people through courses and in-store internships. In 2016, 167 young graduates participated in these three programmes and 18% of them currently hold leadership positions.

In addition to supervisory positions, there are many core businesses in which Auchan Retail has a significant need for qualified workers. In most regions in which Auchan Retail has a foothold, schools under the Auchan Retail banner or specialised training centres with which the banners have formed partnerships provide training in fishmongery,

catering, butchery and fruit and vegetable-related roles. This is notably the case at our hypermarkets in Hungary, where more than 500 apprentices were taken on in 2017 to further their training in food-related and sales roles.

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. Our hypermarkets in Hungary provide a good example of this, where new hires are guided by a sponsor in the first three months of their job. The goal is to enable these sponsors to pass on the expertise they have acquired in their role to the new hires and to monitor them personally in order to facilitate their induction.

In this business digitalisation era, our brand as an employer is developing exponentially on business networking sites. We formed a strategic partnership with LinkedIn as part of a campaign led by the Corporate Human Resources department to hire 22 people with specialised digital profiles to work in the Customer and Innovation department. This partnership is part of Auchan Retail's business plan to be a "next generation retailer". The campaign had a very high visual content with high-impact messages. It registered 12,700 clicks redirecting people towards job offers, ultimately leading to 660 applications for the 22 positions.

All in all, recruitment pools across stores and our partnership with the French national employment agency (Pôle Emploi) resulted in the recruitment of 14,677 people in 2017.

AUCHAN EXECUTIVE GRADUATE PROGRAMME: THE PATH TO INTERNATIONAL EXCELLENCE

Building on the success of its first year, the Executive Graduate Programme moved into year two in 2017. This four-year international programme culminates with the award of a certificate and is divided into a series of on-site immersion courses:

- Discovery course: Six months to lean about the businesses of Auchan Holding (Auchan Retail, Oney and Immochan) and, in particular, their departments and divisions;
- Hierarchical management: a one-year course in which the graduate occupies a management position within a business unit (retail manager at a supermarket or a hypermarket), with the help of a personal coach;
- Project management: a six-month course in a foreign country with the help of an intercultural coach;

- Expertised experience: a two-year course in which the graduate gains experience in his/her chosen area of expertise (HR, Finance, Innovation, etc.).

Alongside this hands-on experience, the graduates attend two annual academic sessions run by the CentraleSupélec school of engineering and the ESSEC business school.

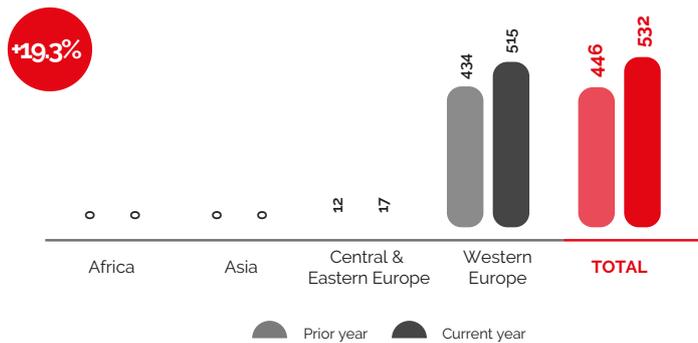
By the end of 2017, the Auchan Executive Graduate Programme had two intakes of graduates, 46 participants (of which 54% were women, 28 of the participants being young graduates and 18 young Auchan employees) selected from more than 7,000 applicants and 26 international assignments between September 2016 and March 2018 in 10 host countries.

³ Translation: "we support talent" and "we hire talent", respectively

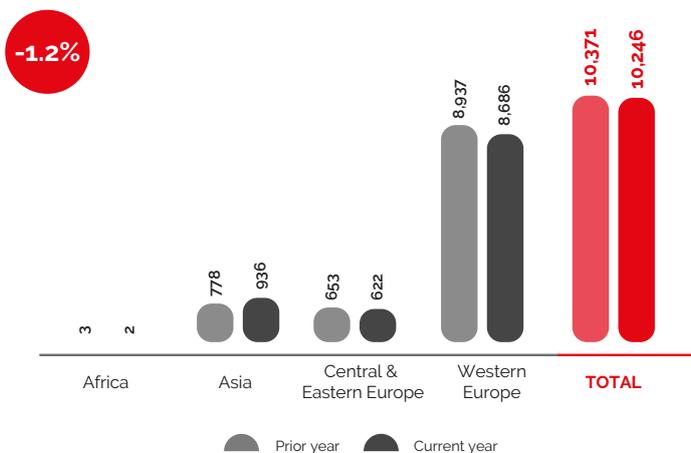
PROVIDING HEALTH AND SAFETY FOR EVERYONE AT WORK

IMPROVING WORK CONDITIONS

> TREND IN THE NUMBER OF OCCUPATIONAL ILLNESSES⁴ BY REGION, AT 31/12/2016



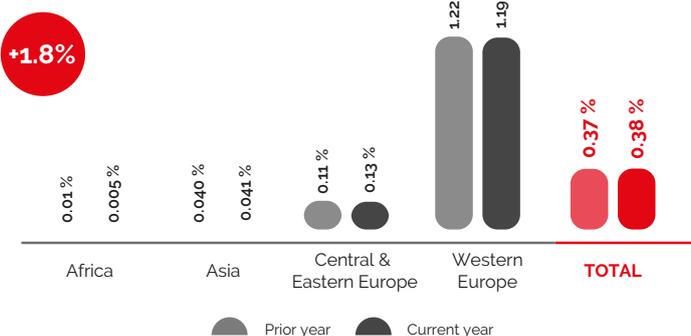
> TREND IN THE NUMBER OF WORKPLACE ACCIDENTS BY GEOGRAPHICAL REGION, BETWEEN 01/10/2016 AND 30/09/2017



As was the case in 2016, the number of accidents in the workplace varied considerably from one geographical region to another, with an overall fall of 1.2%.

The frequency and severity rates of accidents rose by 4.4% and 1.8%, respectively.

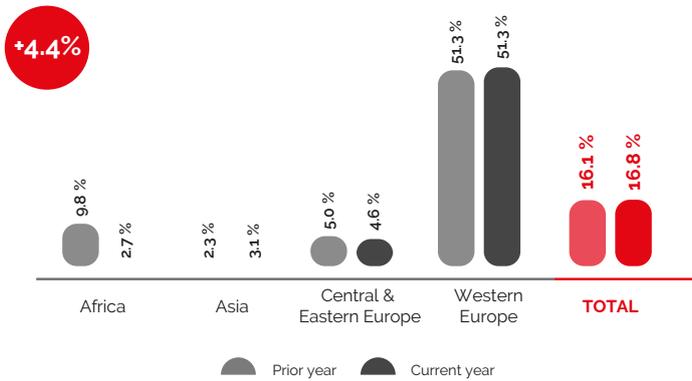
> TREND IN THE RATE OF SEVERITY OF WORKPLACE ACCIDENTS BY REGION, BETWEEN 01/10/2016 AND 30/09/2017



⁴ Number of illnesses recognised by an official national body

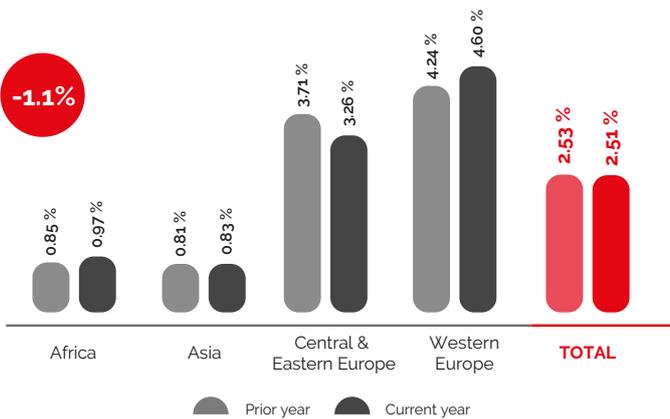


> TREND IN THE IN THE ACCIDENT FREQUENCY RATE BY GEOGRAPHICAL REGION, BETWEEN 01/10/2016 AND 30/09/2017



In Africa, the rate of accident frequency fell by 72% despite an increase in the workforce. The low number of employees in this region results in sharp variations from one year to the next.

> TREND IN THE RATE OF ABSENTEEISM DUE TO ILLNESS BY REGION, BETWEEN 01/10/2016 AND 30/09/2017



Explanatory notes on the "Rate of absenteeism", "Rate of accident frequency" and "Rate of severity of accidents" indicators:

The rate of absenteeism corresponds to all hours not worked by employees due (solely) to illness.

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.

As regards 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.

In 2017, the rate of absenteeism edged down from 2.53% to 2.51%, marking a 1.1% fall across the Auchan Holding scope.

INTERNATIONAL COMMITMENT AND SATISFACTION INDICATOR

In October 2016, Auchan, Oney and Immochan introduced, for the first time, an international indicator of commitment and satisfaction. Most of the businesses were already familiar with this type of exercise, which not only ascertains the commitment of employees, but also their perception with regard to key areas such as the content of their work, team relationships, management quality, etc. From December 2016 and up until the following month of June, the results of this indicator were circulated in all countries: first on a national level and then locally for each site. The managers took note of these results, analysed them and then shared them with their teams in order to put action plans in place to improve performance and simplify operations.



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

Some of the main causes include:

1. Lifting⁵ and manual handling⁶ accidents.

> **Main methods of prevention:** training in lifting techniques and the purchase of spring-loaded or load suspension equipment.

2. 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 methods of prevention:** increased use of suitable protective gloves and re-working of storage/inventory organisation.

3. Loss of balance or falls, primarily due to slippery surfaces (water, grease around stalls and broken bottles).

> **Main methods of prevention:** systematic quick-dry floor cleaning procedure and fitting non-slip surfaces in food preparation areas.

MSDs⁷ are by far the most prevalent occupational illnesses due to repetitive movements performed incorrectly at some work stations (mainly 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. With this in mind, the Auchan Retail Spain supermarkets have set up a special committee. The role of this committee, which is comprised of experts from human resources, the work safety division and union representatives assigned to accident prevention, is to investigate all workplace accidents and to propose measures to reduce their incidence.

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 entities 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 action to be taken and the best way of presenting their conclusions to all site managers. With respect to prevention, a third of the Chronodrive training budget is allocated to safety training.

More than €18 million was invested in safety and prevention at Auchan Retail's hypermarkets and supermarkets during the reporting period.

FOCUS: QUALITY OF WORKING LIFE

In order to pursue the efforts made in Spain to continually improve conditions in the workplace, the Alcampo hypermarkets introduced a two-year psychosocial risk assessment plan (2015-2017) store by store. Nine factors with a potential bearing on the well-being of employees in the workplace were analysed in order to find ways to make improvements: work/life balance, empowerment, workload, work content, autonomy, recognition, clear definition of roles, as well as work environment and relations.

The results of this assessment will be used to develop a number of measures:

- Introducing training courses to understand the mechanisms of stress and how to manage them;
- Adapting career pathways through a greater focus on internal promotion opportunities;
- Improving internal communication media and processes to heighten awareness of topics such as: adjusting work hours, adopting more ethical behaviour, ensuring equity in leadership functions, etc.

⁵ Any movement that involves lifting heavy objects, either manually or with lifting aids

⁶ Any action that involves transporting or supporting a load, necessitating a physical effort on the part of one or more persons

⁷ Musculoskeletal disorders



COMBATING INSECURITY AND PREVENTING HEALTH RISKS

The businesses within Auchan Holding's scope can only ensure their own health by taking proactive measures to support 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 place⁸.

With some governments repeatedly withdrawing coverage for certain healthcare costs, a number of entities have taken steps to offer high-quality benefits (healthcare/death & disability) at competitive rates, thereby protecting employee purchasing power.

The Auchan Retail Russia hypermarkets have introduced a series of initiatives to promote healthy living among their

staff: organising runs, programmes to heighten awareness of the importance of a balanced diet and changes in the menus on offer at the staff cafeteria, with a greater focus on fresh fruit and vegetables. Sports demonstrations are also held during break times to encourage employees to engage in regular physical activity.

Immochan China also organises sports events to coincide with "Wellness Day", in which employees are encouraged to take part in hikes, power walks and horse riding. In addition to the health benefits, the participants in these activities are given an opportunity to bond and to cooperate with a strong sense of team spirit.

FOCUS: ENCOURAGING STAFF TO HELP ONE ANOTHER AND TO WORK TOGETHER

The Pão de Açúcar-Auchan foundation was formed in 1993 by 115 senior staff of the Pão de Açúcar group with a view to promoting a spirit of solidarity and cooperation among employees. No such initiative has ever been taken before in the Portuguese retailing industry. The foundation provides support in three main areas:

- Outreach, through which the foundation helps employees who are experiencing family or health problems (divorce, illness, unemployment, etc.);
- Holiday camps;
- Tuition subsidies to help finance the education of the children of employees: university scholarships, back-to-school allowances, merit awards, etc.

The foundation also opened two company crèches in 2010 and 2012. 305 children of employees currently attend these crèches.

The foundation relies on the voluntary investment of many employees and the efforts of the 71 employees who work there (65 of whom work at the crèches, which are financially independent). Auchan Retail Portugal invests 0.5% of the payroll in it every year, i.e. €513,000 in 2017.

At certain Auchan Retail hypermarkets that have sufficient free 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 hypermarkets in Hungary allocate the equivalent of 17 euros a month in meal expenses to their employees in the form of monthly vouchers.

⁸ Except in Luxembourg, where options are still being explored



FOCUS: EATING BETTER, FOR ONESELF AND TO HELP OUR CUSTOMERS

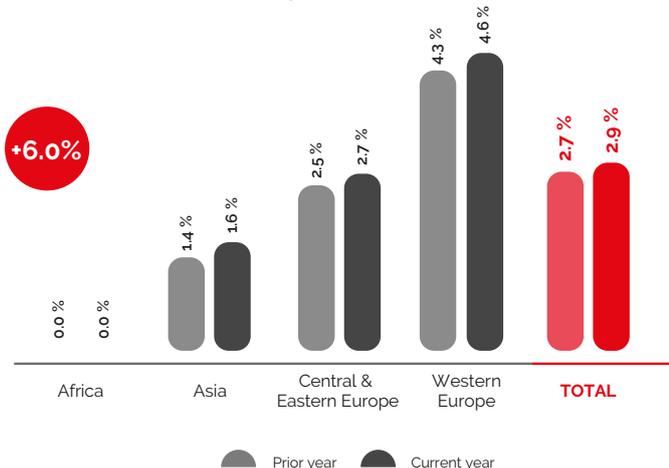
Alongside the "Sélection Bleue" ranges of products, which are specifically chosen for their high nutritional content and the quality of their ingredients, Auchan Retail is also promoting its "La Vie en Bleu" programme for staff. (see page 52). To that end, it set up a fun educational platform called QUIZZ in June, accessible by all employees. QUIZZ is crammed with recommendations, handy hints and practical information on 12 topics covered in quiz and video format: healthy eating, well-being, sleep, nutrition, exercise, etc. The aim is to help all employees gradually

familiarise themselves with the fundamentals of well-being every day in a proactive manner. The platform has three major components: "Eating Better", "Taking More Exercise" and "Looking After Yourself". Since it was launched, 19,000 employees have logged on at least once (i.e. 8.8% of the workforce across all countries combined), 70,000 videos have been viewed and more than a million quiz questions answered.

MAKING DIVERSITY AN ASSET FOR THE COMPANY

FOSTERING AND SUPPORTING THE INTEGRATION OF PEOPLE WITH DISABILITIES

> TREND IN THE PERCENTAGE OF EMPLOYEES WITH A DISABILITY⁹ AT 31/12/2016



A total of 10,228 employees had a recognised disability in 2016. That is 2.9% of the total workforce, marking a 6% increase on 2015. This percentage has increased as a result of the efforts on the part of the businesses within Auchan Holding's scope to go above and beyond the quotas set by national legislation, through proactive recruitment policies and committed partnerships with local associations.

This indicator is a measure of the number of employees with a disability at 31/12/2016 relative to the total workforce across all of the businesses within the Auchan Holding scope at 31/12/2016. The data concerns that particular period as new elements relating to the recognition of persons as disabled employees are consolidated on an annual basis, which meant that the data at 30/09/2017 could not be provided.

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 with a view to encouraging them to accept differences in others and with respect to posture-related issues in certain specific situations.

Some businesses, like Auchan Retail Spain and Immochan France, work with employee representatives to put institutional agreements in place to establish a structure for their integration policies. Under other local agreements, vacancies are offered to job seekers with a disability. This is notably the case with the Portuguese hypermarkets, which have formed a partnership with the employment centre (overseen by the national social security body) in order to

⁹ Disability recognised by an official agency



welcome people with a disability into the workforce under the best possible conditions.

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 stores, in order to heighten 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, all employees are offered training in sign language. Auchan Retail Spain has been working with the ONCE foundation since 2000, both to examine the profiles of disabled persons who have the qualities required to hold positions of responsibility, such as department manager or market manager and, more generally, to integrate people with disabilities into the workforce. This long-term partnership has led to 475 people with a disability being hired.

Auchan Retail Ukraine has been committed from day one to hiring people with a disability. The statutory quota of disabled employees stands at 4% in Ukraine but this quota already exceeds 6% at Auchan Retail Ukraine. For instance, an initiative in conjunction with a regional association that provides support for the disabled led to

the recruitment of four people, who are now working on part-time contracts in the baked goods and stationery departments. 2017 also saw the launch of the first "School of Experts" in Kiev specifically adapted to hearing-impaired employees. Helped by a sign-language interpreter, these employees received training over 11 days in areas such as the company's sales policy, efficient cash-desk processes and safety in the workplace.

Auchan Retail Ukraine was rewarded for its commitment to such issues at an annual conference on best human resources practices organised by a leading international recruitment agency, taking first prize in the "equal opportunities" category.

Auchan Retail's French hypermarkets employ 3,286 disabled people, i.e. 5.9% of their workforce. They have been working on two "work-study and disability" projects with AGEFIPH¹⁰ since 2015:

- A first 13-month training programme for people attending an ESAT/EA¹¹ with a psychological or mental disability. 13 participants were awarded a professional proficiency certificate as "level V sales employees"¹²;
- A second programme for all job seekers who benefit from the obligation to employ, which provides them with training and gives them access to roles in fishmongery, butchery, baked goods, etc.

GIVING EVERYONE A CHANCE TO FORGE A CAREER

A graduation ceremony was held on 25 August 2017 for those who learned their new trade through the Auchance programme. Auchan Retail France introduced this programme to integrate people with a recognised disability into the workforce at its hypermarkets, giving them an opportunity to train and learn a trade in food-related roles: pastry chefs, bakers, fishmongers, butchers and customer assistants at the delicatessen counter (cheeses, cooked and cured meats). Auchance was launched in 2015 with the help and support of the

AGEFIPH, the French national employment agency, the Cap Emploi network (employment agency for the disabled) for the Hauts-de-France region and the OPCA (fund-collecting agency entrusted with the task of developing vocational training in companies) for the Retail sector (FORCO). This programme has been a resounding success with all participants receiving their CAP vocational training certificate or their professional qualification certificate.

¹⁰ Association de Gestion du Fonds pour l'Insertion des Personnes Handicapées (organisation responsible for collecting and managing the fund for the development of professional integration for people with disabilities)

¹¹ Etablissement et Service d'Aide par le Travail (centre providing care through employment)/Entreprise Adaptée (similar to a sheltered workshop)

¹² Level V professional proficiency provides evidence of a level of training equivalent to that of a technical school certificate or vocational training certificate

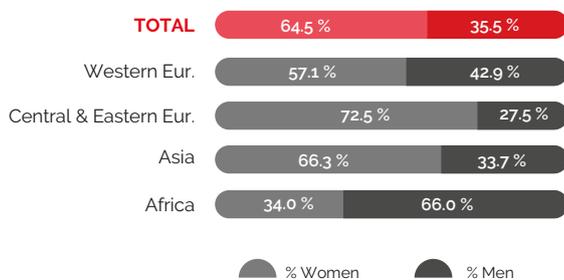
ENCOURAGING GENDER EQUAL OPPORTUNITY

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

The company views diversity as a key performance lever. It is the diverse nature of its employees and their

different perspectives that enable it to adapt and respond quickly. 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 codes of ethics, internal regulations, training courses and agreements.

> BREAKDOWN OF THE WORKFORCE BETWEEN WOMEN/MEN BY GEOGRAPHICAL REGION, AT 30/09/2017

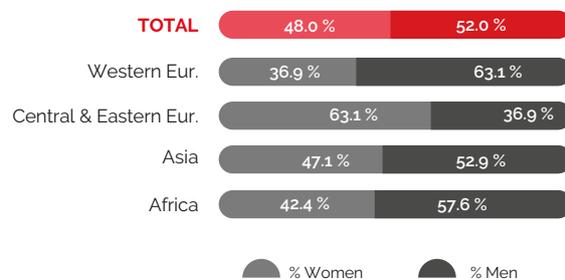


The breakdown among women and men remained stable in comparison to 2016. The proportion of female employees rose slightly (by 0.6%). Central and Eastern Europe stood out in particular, with women making up 72.5% of the total workforce.

In France, Hungary, Spain and Portugal, female/male 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, 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.

As mentioned in the previous paragraph, in January 2017, Auchan Retail France signed a third company agreement to promote professional equality for women and men. This agreement goes further than the collective bargaining agreement by introducing new provisions relating to work hours for pregnant women and their spouses. Under this agreement, the company has committed to taking action that provides a measurable outcome in relation to: access to training, career development, wages, the balance between personal life and work and non-discriminatory hiring practices.

> BREAKDOWN OF MANAGERS¹³ BETWEEN WOMEN/MEN BY GEOGRAPHICAL REGION, AT 30/09/2017



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

There is notably no wage discrimination between women and men in the vast 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.

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 open to women. Lastly, employees at the Alfragrède and Amadora hypermarkets can entrust their children to crèches and nurseries located within the hypermarkets, 362 days a year, from 7am to midnight.

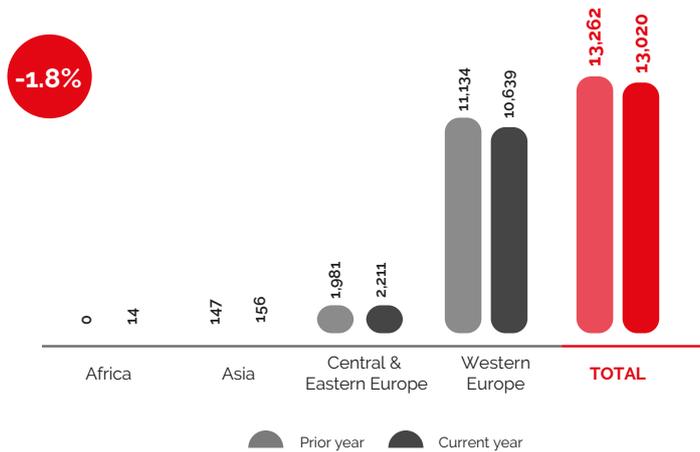
¹³ Manager status is assigned to all employees who have been entrusted with organisational, management or administrative responsibility for a given scope (department, market, sector, store, support service, etc.), working autonomously, with or without managerial authority over others



SHARING AND CO-CREATING

LABOUR DIALOGUE AS A LEVER FOR SOCIAL PROGRESS

> TREND IN THE NUMBER OF MEETINGS WITH EMPLOYEE REPRESENTATIVES BETWEEN 01/10/2016 AND 30/09/2017



In Central & Eastern Europe, employees are chosen locally by trade unions or employee-elected representatives 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 political actions have been taken in countries where there is no strict employment legislation 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 between once a month or once every quarter in every hypermarket, depending on the frequency decided for the country. 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 answer any questions that may be raised.

At the Auchan Retail France hypermarkets, discussions with labour partners led to 13 collective bargaining agreements and amendments being signed in 2017. These covered employee profit sharing, career paths and vocational training throughout people's working lives, equal employment opportunities for women and men, the group savings plan and the intergenerational work agreement.

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, the decision was made to establish two cross-departmental works councils for Auchan Holding's national and international operations:

- The Group works council was formed in 2005 and comprises entities that are representative of the French activities of the businesses within the scope of Auchan Holding. The 22 representatives meet twice a year within this particular forum.
- The European works council was formed in 1996 and represents the eight eurozone countries in which the company operates. Its 35 representatives 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. These people are kept informed of all strategic directions, 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 translated into their own language. The questions are then selected by the bureau members. Ahead of each meeting, the matters to be addressed are also translated and selected, if needed, before being submitted to experts in each particular field so that answers can be provided and backed up during the meeting. This preparation work facilitates discussions with management regarding any changes under way in relation to activities, as well as the macroeconomic situation and outlook and the prospects for jobs.

With this in mind, and in order to examine Auchan Retail's labour policies in greater detail, the representatives of the European works council decided to review the company's position with regard to labour issues. The aim of this analysis was to enable each country to assess the employee situation based on labour and economic criteria, in three main areas: employees' disposable income, employee-related benefits in each country (discretionary profit-sharing, mandatory profit-sharing, miscellaneous

bonuses, etc.) and key statistical data for the country (unemployment rate, inflation rate, etc.). The findings were presented to and discussed with the employee representatives at the 2017 annual meeting of the European works council. This update was not only a chance to share a wealth of information, it also gave the representatives of the different countries an opportunity to gauge, compare and share best labour practices in order to see if the most suitable practices could be applied in their own countries.

A CSR AGREEMENT WITH A GLOBAL REACH

Auchan Retail signed a global corporate social and environmental responsibility agreement with UNI Global Union on 17 March 2017. This four-year agreement applies to all directly-managed operations in the 14 Auchan Retail countries. It underpins Auchan Retail's commitment to respect human rights and to recognise the International Labour Organization's 1988 Declaration on Fundamental Principles and Rights, one of which is the freedom of association. By entering into this agreement, Auchan

Retail has strengthened and extended its commitment to combine operational performance and ethical behaviour in relation to:

- employment, diversity, equality opportunities, healthcare and safety in the workplace;
- relationships with suppliers;
- risk control and environmental protection.

SHARING IN THE COMPANY'S SUCCESS

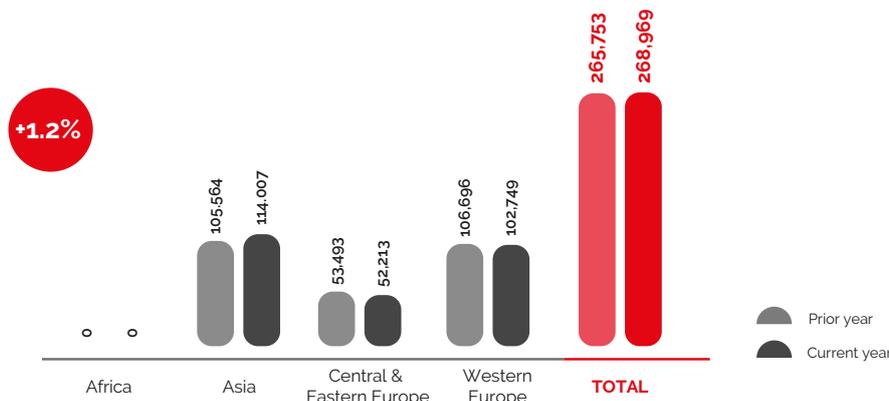
Policies centred on sharing, e.g. enabling employees to become shareholders, have been in place since 1977, cultivating a sense of team spirit, belonging and pride in one's work and making Auchan Holding a singular employer both in France and abroad.

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. More

than €174 million was distributed over the period through the policies in place at the entities falling within the scope of Auchan Holding.

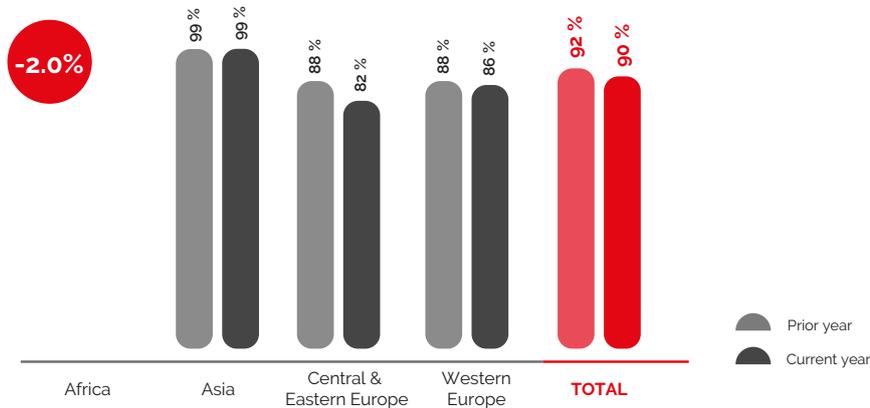
The employee shareholder system has been adapted to the new structure of the Auchan Holding businesses and is now in place in nine countries. As such, 268,969 employees, representing more than 88% of those eligible to hold shares in the company, are able to share in the value created by their company.

> TREND IN THE NUMBER OF EMPLOYEE SHAREHOLDERS BY GEOGRAPHICAL REGION, AT 30/09/2017

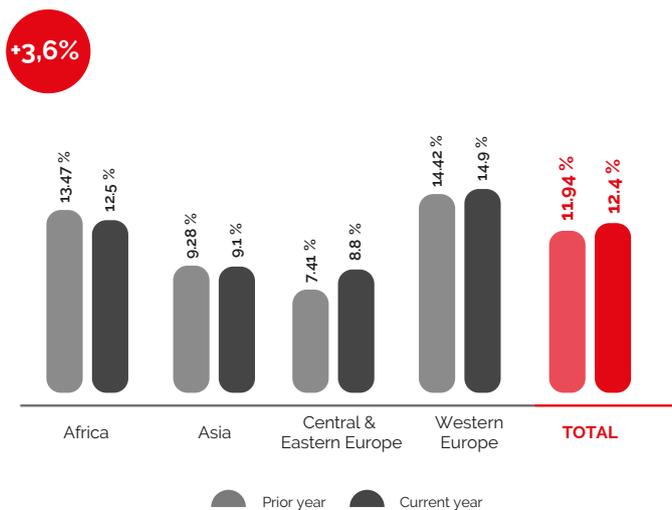




> TREND IN THE PERCENTAGE OF SHAREHOLDERS AMONG ELIGIBLE EMPLOYEES, BY REGION, AT 30/09/2017



> TREND IN PERSONNEL COSTS INCLUDING TEMPORARY EMPLOYEES BY REGION/REVENUE BEFORE TAX, AT 30/09/2017



Each entity is responsible for applying its remuneration policy within its own economic, legislative and regulatory context, but in the framework of a shared commitment and shared values.

Overall remuneration aims to be attractive, with a fixed portion in line with market practices, an individual variable portion dependent on the employee's performance, and a collective element.

The remuneration systems also include various benefits adapted to the local context, which address, in particular, 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 new ideas, try them out and develop them. In 2011, this led to the launch by Auchan Retail France of a global participatory innovation programme, "Creative Attitude".

Creative Attitude encourages employees to come up with

ideas that can inject new added value into sales, operational efficiency or CSR policies. To date, more than 4,000 ideas have been submitted in the 16 countries in which the company operates and 250 are currently undergoing trial runs, testing or deployment.

In 2017, the programme centred on two challenges:

- The first: which products or services need to be created for Auchan to become a leader in the areas of health, healthy eating and well-being?



- The second: in concrete terms, what must we do to ensure that our customers enjoy their shopping experience once again, both in stores and online?

16 proposals were selected by Auchan Retail France's Executive Committee. In March 2017, the sponsors of the projects were invited to a final three-day "SPRINT", during which they were given the opportunity to present their proposals and draw on the expertise of pre-selected in-house specialists (technical departments, back office, retail, logistics, customer relations, etc.). A special selection committee short-listed four ideas:

- "Cooking basket", tested since September 2017 at the Faches-Thumesnil hypermarket in the Hauts-de-France region: sales of meal packs, incorporating the ingredients needed for a healthy, balanced meal along with a recipe and tips on healthy living.
- "Raw feeding", launched in September 2017: recycling and recovering scraps¹⁴ from the butchery preparation counters for sale in fresh or frozen form in the pet care department.
- "Gazauchan 2020": insourcing of the methanation of organic waste produced in stores.
- "Fioul Connect": installing sensors in customers' oil tanks so that they can check how much oil they have left through

a mobile application. If necessary, they can be notified of any price reductions so that they can order refills at the lowest possible price.

2018 will also see the launch of the "Innovation Trophies". This award programme, managed locally in each country and internationally by a special corporate team, will reward initiatives in six categories that satisfy common pragmatic criteria:

- Customer service: personalised services (digital or in-store);
- Customer experience: a new idea that improves the customer experience;
- New retailing concepts: creation of new methods of selling specific products and services to customers;
- Human aspect: original initiatives relating to the well-being of employees or linked to the projects supported by the foundations;
- Work improvements: simplification and optimisation of methods and modes of operation;
- Environment/CSR: innovations with a CSR dimension in relation to the environment, energy or the protection of the planet.

BIRDY: INTERCONNECTED CO-WORKERS - A DIGITAL IDENTITY FOR ALL

In January 2017, Auchan Retail launched BIRDY, a new collaborative digital work environment to facilitate the day-to-day tasks of its employees and enhance the efficiency of the company.

BIRDY is a common platform integrating a suite of simple, intuitive tools that correspond to the characteristics of the duties performed by Auchan Retail employees thereby bringing them closer together through their work, their country or their culture. It is divided into five distinct categories, illustrated through practical examples as follows:

- Individual productivity: managing e-mails, timetables, taking notes or accessing documents remotely.
- Team and project cooperation: managing brainstorming sessions, co-drafting or co-editing notes or documents.
- Document management: finding, storing and filing documents, sharing large volumes of data.
- Community and bridge-building: managing idea creation processes, posing questions or organising collaborative monitoring.

- Communication: sharing and publishing information on the company, a business, a project, circulating reference documentation.

This corporate social network allows best practices to be shared across business lines with the business teams and/or project teams, and allows those on the ground to provide feedback that will be beneficial to their counterparts around the world. In Ukraine, 131 experts form the "Baked Goods/Pastry" community. The members of this community can share their ideas and their training methods in the baked goods section, commercial successes, new creations, as well as festive and seasonal products. The objective of this community is to improve the know-how of employees, to unite them around their core business and to duplicate the best local practices in all stores across Ukraine.

In November 2017, 287,000 interconnected co-workers were using the BIRDY platform across 14 countries, each with their own digital identity.

¹⁴ Raw meat, bones, offal, etc.



ENVIRONMENT

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

CONTENTS

DEVELOPING THE GOVERNANCE OF CSR POLICIES	24
OPTIMISING WASTE MANAGEMENT AND PROMOTING THE CIRCULAR ECONOMY	24
SORTING AND RECOVERING WASTE PRODUCED	24
HELPING CUSTOMERS SORT THEIR WASTE	26
REDUCING THE ENVIRONMENTAL IMPACT OF PLASTIC BAGS	26
COMBATING FOOD WASTE	27
PRESERVING NATURAL RESOURCES	28
OPTIMISING AND REDUCING OUR ENERGY CONSUMPTION	28
PROMOTING SENSIBLE WATER USE	31
ADAPTING TO THE CONSEQUENCES OF CLIMATE CHANGE BY LIMITING THE RELATED RISKS	32
REDUCING THE IMPACT OF MODES OF TRANSPORT	33
ANCHORING COMMERCIAL SITES IN THEIR ENVIRONMENT	34
MEASURING THE CARBON FOOTPRINT OF COMMERCIAL SITES	34
DEVELOPING ENVIRONMENTAL SITE MANAGEMENT	36
CONTRIBUTING TO BIODIVERSITY PROTECTION	37

DEVELOPING THE GOVERNANCE OF CSR POLICIES

Since the end of 2008, sustainable development policies have been written, implemented and monitored by the international CSR Committee. This committee is made up of CSR Managers from each of the countries in which Auchan Retail operates as well as experts in different fields (quality, technical departments, compliance, etc.). 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.

In 2017, all countries formed their own national CSR Committees in order to structure the policies of the company and emulate the directions taken by the international committee. Depending on their resources and their maturity level, the Auchan Retail businesses adopt different types of structure to promote CSR on a daily basis. In Spain, for instance, working groups have been formed to improve knowledge and handling of and progress with six topics: energy efficiency, water consumption, waste management, responsible management of fisheries and forests, organic produce and inclusion of people with disabilities.

Such policies will become long-term if, and only if, each and every person takes ownership of them. This is why a strong emphasis is placed on accountability at all levels, from managers to employees, and across all departments. Each executive committee in each Auchan Retail country has been asked to make three commitments in keeping with the realities of their business and their country. They are expected to deliver on these commitments by 2020.

All members of the company may attend training sessions specifically focused on sustainable development or on the underlying environmental levers. In Russia, for instance, 5,515 employees took part in e-learning sessions on the preservation of the environment while, in Poland, 445 took part in the "Energy is All About Us" programme. Employees are also kept regularly informed through internal media channels such as posters, films or information on the Intranet network.

OPTIMISING WASTE MANAGEMENT AND PROMOTING THE CIRCULAR ECONOMY

SORTING AND RECOVERING WASTE PRODUCED

Site operation (hypermarkets, supermarkets, shopping malls and logistics sites) generates various types of waste. The main types of waste produced by stores are:

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

Waste recovery is expanding each year, as the stores and logistics sites find 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 methanation, composting and recovery for energy production, which most Auchan Retail stores use only as a last resort.

Depending on the country, sorting and recovery rates and the reliability of reported 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;
- The profitability of sorting certain types of waste such as biowaste, for which it is proving difficult to establish a system;

- The fact that there are no methanation procedures in place in many countries;

There are additional constraints for supermarkets and convenience stores:

- The fact that waste is often managed by local town councils, meaning that information on its disposal or re-use may not always be available;
- A lack of space for sorting and for installing composters;
- Ill-suited logistics resources.

However, all Auchan Retail stores are committed to continually improving their management of waste. This involves encouraging employees to rise to the challenge. Their priority is to reduce the amount of waste produced by their operations and to improve sorting. Training sessions are organised for new employees and for people specifically in charge of waste management. Follow-up indicators are also used and communicated on a regular basis. In Spain, for example, 1,440 people received training in this area in 2017.

The stores are also aiming to increase the quantity of recovered waste. In France, the Schweighouse hypermarket and the Strasbourg Kientzheim supermarket (Alsace) have

set up a new recovery system for green waste. Unsold non-packaged fruit and vegetable waste is recovered through vermicomposting, producing a natural soil-enriching agent that can be used to grow organic produce. In 2018, the objective is to extend the collection of this green waste to all stores in Strasbourg and to sell the compost, fitting in perfectly with the notion of a circular economy.

In Luxembourg, Auchan Retail has developed a system to recycle crates. Previously, some crates that were too fragile to be re-used had to be crushed. Their removal represented a considerable cost for Auchan Retail. However, starting in August 2017, the Kirchberg hypermarket and the drive-through outlets sell on the crates to Logico, which restores them for re-use.

The head office and support functions are also taking measures in this respect. Auchan Retail China has notably undertaken to donate 90% of its replaced computer hardware to NGOs for repair and re-use.

Since 2011, BREEAM NEW BUILDING environmental certifications have been sought in the construction phase for all Immochan's major shopping mall development projects. To qualify for this certification, all waste produced in the construction phase must be recycled in accordance with a "green site" charter and suitable sorting facilities must be built.

In all countries, once the Immochan shopping malls have opened for businesses, they produce very little waste. In 2017, the waste produced at 98 of these malls was processed separately from that produced by the hypermarket. The objective is to extend the sorting of waste to all retailers in the malls and to promote sorting by end customers.

Immochan is working with local associations to raise customer awareness through recycling demonstrations. Training sessions are also organised for service providers (maintenance, security, etc.) and the various retailers at the mall.

> BREAKDOWN AND TREND IN THE PRODUCTION AND RECOVERY OF WASTE FROM OPERATIONS

		Tonnage of recovered waste			TOTAL 2017
		Western Europe	Central & Eastern Europe	Asia	
Retail	Hypermarkets	220,777	107,856	142,383	471,016
	Supermarkets	42,943	14,629	-	57,572
	Drive-throughs	2,295	-	-	2,295
Immochan		6,169	494	-	6,663

Between 2016 and 2017, the waste sorted by the stores and shopping malls increased by 77,174 tonnes or 16.7%. This increase mainly stemmed from Russia and China, helped by improved sorting processes at RT-Mart China and the enhanced reliability of the data reported by the Russian hypermarkets and Auchan Retail China.

	Waste recovery rate		
	2016	2017	% change between 2016 and 2017
Hypermarkets, Western Europe	82.4	85.8	+4.1%
Hypermarkets, Central & Eastern Europe	49.7	46.8	-5.9%
Hypermarkets, Asia	52.0	58.6	+12.8%
Immochan	37.3	30.5	-18.5%

The waste recovery rate at hypermarkets fell slightly overall by 0.8 of a point to 64.2%. This is due to the incorporation into the calculation of the rate of a large number of Russian stores and Auchan Retail China hypermarkets that had previously been excluded because of poor data quality. A series of corrective action plans have improved the reliability of the information relating to these two countries.

Stripping out the hypermarkets of Auchan Retail Russia and Auchan Retail China, the waste recovery rate would have risen by 5.7 points. Almost all other countries improved their rates of recovery, notably Spain (up by 4.3 points).

Immochan recorded a marked fall in its recovery rate (down by 6.9 points). However, the calculation is based on a very small number of sites, since the collection and processing of waste produced by the shopping malls is generally handled by the hypermarkets and separate tracking is not possible.

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 solutions for customers close to store entrances. Materials such as light bulbs, primary cell batteries, ink cartridges and secondary cell batteries are collected there. This is notably the case in Spain, where four new ECO PARCs have been built. In 2017, this 29-station network collected 53,100 litres of oil, 35,670 kilos of small appliances, 9,811 light bulbs and 24,410 kilos of primary cell and secondary cell batteries.

In some countries, Auchan Retail stores accept more specific types of waste, such as cooking oil in Spain, Portugal, France and Italy; large electrical appliances (refrigerators, washing machines) in Taiwan and cork stoppers and empty coffee capsules in Portugal. Nespresso boxes have been installed for that specific purpose in Portuguese hypermarkets.

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 Italy, Auchan Retail is working with Humana People to People to collect second-hand clothing from customers for recycling. In 2017, 327,583 kilos of clothing were collected via the 62 machines installed in hypermarkets and supermarkets.

In Romania, the "My mum recycles too!" campaign moved into its second year. This joint initiative in association with aluminium can producer Can Pack Recycling, Alucro (an NGO founded by Can Pack Romania) and the European Aluminium Association, involves installing aluminium waste recovery machines in stores and inviting customers to use them to dispose of their used cans. In return, customers can elect to receive a shopping voucher or donate the proceeds to Alucro.

In 2017, more than 12 tonnes of aluminium cans were collected at the 20 stations in as many hypermarkets.

ECOBX, A SUSTAINABLE PARTNERSHIP WITH CRISTALINE

In France, Auchan Retail forged an exclusive partnership with Cristaline in 2014. ECOBOXs were installed at its hypermarkets. These machines can be used by customers to dispose of PET bottles. Before the machine accepts a bottle, it scans it to ensure that it can be recycled. The plastics are broken down by the machine itself and are then processed to create new plastic bottles.

This initiative gathered momentum in 2017 with the installation of 23 new machines, bringing their total to 45,

leading to the collection of 12,262,000 bottles, equating to 306.68 tonnes of plastic.

There are two beneficial aspects to this: an environmental one, for starters, with the collection of more than 33 million PET bottles since the operation was launched, equivalent to 1,018 tonnes of crude oil and 2,867 tonnes CO₂e. The other beneficial aspect is in terms of labour, with the creation of eight jobs to manage the service.

REDUCING THE ENVIRONMENTAL IMPACT OF PLASTIC BAGS

Aware of the damage that plastic bags may cause to the environment, most Auchan Retail countries have stopped distributing them free of charge at tills. Only two have not completely stopped distributing them:

- Ukraine, where the Petrivka store exhausted its stock in 2017 and made the decision to provide them only to customers who request them;
- Vietnam, where work is under way to develop a recycled and recyclable bag made out of paper or fabric. This will make Auchan the first retailer in the country to take such an initiative.

In 2017, two countries ended the distribution of plastic bags free of charge at the till:

- In Russia, customers were surveyed on the benefits of reusable bags. The survey found that customers were in favour of using such bags in order to protect the environment. A test was carried out at the Voronej store, which stopped handing out plastic bags free of charge in July 2017. All hypermarkets are now committed to making this initiative work for the long term.
- The stores in Poland stopped handing out free plastic bags at the end of 2017, in preparation for the entry into force of a law prohibiting the practice from January 2018.

Now, all Auchan Retail businesses sell environmentally-friendly shopping bags in store. For instance, the plastic bags sold in China are made of a material derived from calcium carbonate and take six 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 manufactured from potato starch, which are biodegradable and compostable.

In France, Auchan Retail decided to go even further with the circular economy idea, with the creation as long ago as 2012 of a new regional system to process plastic waste. This saw it team up with T.T.PLAST, an SME based in Lens

(‘Nord’ 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. More than 5,370 tonnes of plastic has been recycled since the start of this initiative, including 911 in 2017. By comparison with the production of a run-of-the-mill plastic bag, this represents reductions of around 40% in carbon emissions and approximately 80% in the use of fossil fuels. The initiative has also played a part in the economic development of the Lens community, through the creation of 15 stable jobs. The stores also enable customers to return used plastic bags regardless of the brand or retailer, which then pass through the recycling system.

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. Work is being carried out in a number of areas in all countries:

Measuring waste

The first step in reducing waste is to be able to measure it and hence develop suitable areas in which improvements can be made. In Portugal, for instance, a special indicator has been put in place as part of the “Zero Waste” plan. This measures the losses, store by store, in respect of food waste, water and energy consumption and refrigerants, etc. The known shrinkage rate and the amount of food donations are factored into the calculation of this indicator. The related financial losses can be calculated as a result of these two measures and specific optimisation ideas can be suggested to each hypermarket.

In France, Auchan Retail is participating, through the trade and industry federation, in the “Indicators, measurement and evaluation” working group set up as part of the new national pledge to fight food waste. This new pledge pursues the objective set in 2013: to halve food waste by 2025. The first pledge established the losses associated with this issue. This working group has been formed to come up with ways to gauge how actions are evolving and to determine the impact the measures are having.

More generally, at supermarkets, food waste is measured based on the damage rate for fresh produce. It is an indication of the quality of stock management.

> TREND IN DAMAGE RATE FOR FRESH PRODUCE AT SUPERMARKETS¹⁵

	Damage rate for fresh produce, as a % of fresh produce revenue before tax		
	2016	2017	% change
Western Europe	3.2	3.3	+0.6%
Central & Eastern Europe	4.0	4.3	+8.1%
TOTAL	3.4	3.5	+4.0%

Cutting down on waste

A number of measures are then applied to reduce the quantities of binned products. Stores in a number of countries also apply promotional offers to items with short use-by dates. This is notably the case in Hungary, where particular attention is paid to fresh fruit and vegetables, which account for a large proportion of binned products. When such products are close to their use-by date, a sticker is placed on them reducing their original sale price

by 30% to 70%. This makes healthy foods more accessible to customers with less purchasing power. However, to avoid having to bin products, it is essential that a system be put in place to enable just the right quantities of products to be ordered. The people at Auchan Retail Romania have notably started work on the construction of a new “Campus” logistics warehouse in Bucharest. The 70,000 sq. m. warehouse will be completed in 2019 and will facilitate the transfer of goods from supplier to store.

¹⁵ Information calculated over a calendar year – from 1 January to 31 December 2016 for the purposes of the 2017 reporting exercise

Orders will be centralised to ensure that stores receive just the right amount.

Donating food

Depending on the national laws in force, Auchan Retail stores in the vast majority of countries donate unsold items.

The Kirchberg hypermarket in Luxembourg has been working since 2009 with local association Stëmm Vun Der Strooss, which promotes the social inclusion and employment of the less fortunate. Together, they organised a collection of unsold items, which they repackaged into food parcels for people in need living in the region. This cooperation was taken a step further in 2014 with the creation of the "Stëmm Caddy". Through this initiative, the store and the association repackaged and donated more than 134 tonnes of food in 2017.

In countries where no reliable organised donation channels exist, stores have opted to donate food items to organisations that care for animals, such as zoos and farms. Ukraine is a good example of this. In 2017, the country's 11 hypermarkets donated more than 741 tonnes of food.

Heightening awareness among consumers and staff

In 2017, Auchan Retail France took part in the creation and conception of a MOOC on the topic of food waste, in conjunction with the Agro-Paritech higher education and research institute, the Agro-Paritech foundation, the association "De Mon Assiette à Ma Planète" (from my plate to my planet) and the winner of a competition run by the French ministry of agriculture on the theme of food. The aim of the MOOC was to raise public awareness about the various factors involved in food waste and to propose ways to remedy the situation.

In Ukraine, Auchan Retail has developed a training course for in-store employees and support staff to raise awareness about food waste and the resulting economic loss. This course has been designed for people working in a wide range of areas (ordering, food preparation, purchasing, etc.) and explains in detail what shrinkage is and its main causes. It also presents concrete solutions for avoiding food waste and daily best practices that everyone can adopt. Every new employee now receives this training as part of his/her induction process.

Transforming or recovering food waste

When fruit and vegetables cannot be donated, transformed or consumed in any other way, some Auchan Retail Spain stores use them for composting or to produce biogas. The 11 hypermarkets within the autonomous community of Madrid that tested the "Zero Waste" initiative first made improvements to their waste sorting system, particularly for food, in order to isolate and re-use 100% of their wasted fruit and vegetables.

In China, the Haimen store installed a methaniser reactor to produce biogas. Every day, 700 kilos of wasted food from the store is fed into the bio-digester. This waste produces 560 kilos of fertiliser and 140 kilos of matter, used to create biogas, producing the equivalent of 310 kWh of energy. This innovative mechanism has a twofold advantage in that it reduces the cost of processing organic waste and leads to energy savings by producing green energy on site.

PRESERVING NATURAL RESOURCES

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

All the countries in which Auchan Retail operates have put a precise monitoring mechanism in place that optimises energy consumption at each site, with an alert system if needed. Employees receive extensive training to ensure they are aware of the importance of their role in optimising energy efficiency. In China, Italy and Spain, for instance, the

stores participate in the global "Earth Hour" event organised by the WWF. For one hour, all the lights and as many items of electronic equipment as possible are switched off.

In a bid to reduce their energy consumption from food refrigeration, the Auchan Retail stores are gradually switching to "above-zero" refrigeration cabinets. Most stores also use night blinds to ensure better insulation of refrigeration units during closing hours.

Work is also being done on lighting systems: movement sensors and energy-efficient or LED light bulbs are being fitted and some countries are coming up with innovative ideas. In Portugal, starting in 2010, "Solatubes" have been fitted at the Coima, Setúbal and Sintra hypermarkets. This system uses a dome installed on the roof that captures

sunlight, which passes through an aluminium tube that delivers it to a ceiling diffuser. In Russia, the "DALI" system reduces the degree of lighting in stores and take advantage of the natural daylight, thus cutting down on electricity consumption.

As for heating, an increasing number of stores are recovering the heat produced by refrigeration units and recirculating it into the system, as is the case in Portugal.

The Immochan shopping malls are also paying particular attention to their energy consumption. For new operations, a bioclimatic design approach favours natural lighting and passive energy consumption reduction systems. Building insulation is being enhanced, as is the recovery of heat

generated via the installation of dual-flow heat recovery ventilation systems. When sites are remodelled, ageing facilities are replaced by less energy-intensive models.

Using renewable sources of energy is another way for the company to reduce its environmental 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. The solar panels installed on the rooftops of Immochan shopping malls generated 1,967,321 kWh of electricity in 2017.

> BREAKDOWN AND TREND IN ELECTRICITY CONSUMPTION

		Electricity consumption, in kWh per sq. m.			TOTAL 2017
		Western Europe	Central & Eastern Europe	Asia	
Retail	Hypermarkets	417.2	484.8	366.0	409.8
	Supermarkets	600.4	709.1	-	621.7
	Drive-throughs	272.6	-	-	272.6
Immochan		193.1	168.0	317.6	217.1

		Trend in electricity consumption, in kWh/sq. m. between 2016 and 2017			TOTAL 2017
		Western Europe	Central & Eastern Europe	Asia	
Retail	Hypermarkets	-4.9%	-6.6%	-3.7%	-4.7%
	Supermarkets	-2.8%	-4.3%	-	-2.8%
	Drive-throughs	-1.7%	-	-	-1.7%
Immochan		-2.9%	-17.1%	1.2%	-4.2%

Electricity consumption per sq. m. of commercial surface area fell by 2.9% overall. The removal of Alinéa from the reporting scope had a negative impact on the overall ratio. A recalculation of the data for 2016 stripping out Alinéa points to a 4.0% fall in the ratio between 2016 and 2017.

Immochan's electricity consumption per sq. m. of commercial surface area fell by 4.2%. The fall was particularly pronounced in Russia and Poland. This was partly attributable to investment in the shopping malls as well as to modifications to the contracts between the malls and their tenants.

In Western Europe, consumption per sq. m. fell at hypermarkets and supermarkets in all countries. Broadly speaking, the hypermarkets recorded steeper falls than the supermarkets (4.7% compared to 2.8%). The fall in consumption was particularly pronounced in Luxembourg (down 23.2%) and in Portugal (down 5.5%).

In Asia, lower energy consumption mainly stemmed from the RT-Mart China hypermarkets, whose energy consumption ratios are close to those of Auchan Retail China.

In Central and Eastern Europe, the ratio fell overall (by 6.2%), even though country trends were more mixed. Some countries and formats registered falls, notably in Russia and Poland, where the hypermarkets recorded falls of 7.2% and 6.8% respectively, helped by improved monitoring of electricity consumption and the integration of the broadly less energy-intensive Real hypermarkets in Poland.

IMMOCHAN FRANCE IS OPTING FOR HYDRAULIC POWER

Since 1 January 2017, 48 of Immochan's French shopping malls and 5 of its office sites have been powered by hydraulic electricity produced in France. At the beginning of 2018, this partnership with Lyon-based renewable energies specialist Origo was deployed at 10 jointly-owned shopping malls. In 2017, this gave rise to energy savings equivalent to 1,100 tonnes of carbon.

> BREAKDOWN AND TREND IN GAS AND ELECTRICITY CONSUMPTION

		Energy consumption, in kWh per sq. m.			TOTAL 2017
		Western Europe	Central & Eastern Europe	Asia	
Retail	Hypermarkets	494.5	582.0	377.1	461.0
	Supermarkets	673.4	756.2	-	690.1
	Drive-throughs	314.4	-	-	314.4
Immochan		262.6	335.6	317.6	294.1

		Trend in energy consumption, in kWh/sq. m. between 2016 and 2017			TOTAL 2017
		Western Europe	Central & Eastern Europe	Asia	
Retail	Hypermarkets	-4.3%	-4.6%	-3.7%	-4.0%
	Supermarkets	-2.2%	-5.0%	-	-2.5%
	Drive-throughs	+5.6%	-	-	+5.6%
Immochan		-1.3%	+10.7%	+1.2%	+2.2%

Gas consumption, principally for heating, varied considerably from one site to the next, depending on local weather conditions. On average, gas accounted for 11.8% of energy consumption at the sites in 2017, compared with 11.1% in 2016.

On the whole, energy consumption per sq. m. of commercial surface area fell by 2.0% on a changing scope basis. The removal of Alinéa from the reporting scope had a negative impact on the overall ratio. A recalculation of the data for 2016 stripping out Alinéa points to a 3.2% fall. Energy consumption per sq. m. fell by 3.9% for the Retail scope but increased by 2.2% for the shopping malls. In Asia, there were identical trends in energy consumption and electricity consumption, both for the shopping malls and the hypermarkets. Gas accounts for a very small proportion of the energy mix.

In Western Europe, gas consumption by stores per sq. m. of commercial surface area edged up slightly (1.6%). This somewhat limited the impact of the fall in electricity consumption, with an overall fall in energy consumption of 3.6% between 2016 and 2017. Gas consumption per sq. m. also rose at the shopping malls (up by 3.1%), bringing the fall in energy consumption per sq. m. down to 1.3%. The hypermarkets and supermarkets in Central and Eastern Europe recorded a sharper increase in gas consumption per sq. m. (up by 5.1%). Despite this increase, which was practically across the board, energy consumption per sq. m. fell by 4.7%, due to the steep fall in electricity consumption in Poland and Russia. Gas consumption at the shopping malls recorded steep upward and downward variations, depending on the country. This was due to the gradual installation of meters and sub-meters to track the consumption of the retail tenants more closely.



SPECIAL SECTION

Auchan Retail reiterates its commitment to climate protection at the One Planet Summit

Despite the work of the technical departments and the efforts made in all countries to reduce energy consumption, the gains plateaued at a level that was insufficient to offset the steady increase in energy bills. Building on an experimental trial at a number of Spanish sites, Groupe Auchan's Executive Committee at the time decided to launch an energy efficiency plan in all countries.

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, at which it announced an energy reduction target of 20% over a four-year period, running from the end of 2014 to the end of 2018. Following the split of Groupe Auchan into three stand-alone businesses, Auchan Retail took up the gauntlet, since its revenue makes up 97% of the annual consolidated revenue of Auchan Holding.

A monthly reporting system was put in place in 2017 to work towards achieving this target. This serves as a basis for the management of all BU plans at the corporate level. Oversight is coordinated by a Steering Committee chaired by Auchan Retail International's Chief Financial Officer.

The implementation phase was behind schedule at the end of 2017. This was mainly due to:

- An excessively long time frame between the official launch of the programme and the consolidation of the roadmaps;
- Long delays in starting country upgrade work (because of inadequate capacities to perform such work or conflicting priorities).

In order to keep within the set time frame, the investment budget for 2017 was revised up (by 50%) based on the projected expenses for 2018. The key objective is for all sites to be fully LED-equipped by the summer of 2018.

Despite the slight delay, this goal has not changed. The company reiterated and clarified its objective on 11 December 2017 at the One Planet Summit.

Lastly, once it has achieved and secured its objectives, Auchan Retail will also be embarking on a renewable energy production programme at its stores or in the vicinity of its stores.

PROMOTING SENSIBLE WATER USE

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 most water-intensive activities.

The vast majority of the 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 or when sites are remodelled. In 2017, China, Spain, Italy, Portugal and Ukraine invested in

such facilities. For example, waterless toilets are being fitted at certain stores and shopping malls.

Sites are gradually installing "smart" meters to provide consumption data automatically and in real time. These alert technical crews to any possible anomalies and help in improving invoicing reliability, previously based on non-automated meter readings. These systems have been fitted in Spain, France, Luxembourg, Portugal, Ukraine and Taiwan.

As regards waste water, the car parks managed by Immochan and Auchan Retail are equipped with hydrocarbon separators to treat water run-off before it reaches the public networks.

> BREAKDOWN AND TREND IN WATER CONSUMPTION

	Water consumption, in L per sq. m.			TOTAL 2017
	Western Europe	Central & Eastern Europe	Asia	
Hypermarkets	834.6	1,174.2	3,375.1	2,173.3
Immochan	2,076.2	922.6	3,103.9	2,018.0

	Trend in water consumption, in L/sq. m. between 2016 and 2017			TOTAL 2017
	Western Europe	Central & Eastern Europe	Asia	
Hypermarkets	+2.7%	-5.6%	-3.9%	-2.7%
Immochan	-2.8%	-8.0%	+2.0%	+1.0%

It is particularly challenging to keep track of water consumption at supermarkets, as the large number of suppliers and the long periods between billing, often six months or a year, make it difficult to collect and verify data. Although efforts have been made to remedy this in many countries, reliability issues persist. Accordingly, after consulting with the third-party body that has certified this document, we have chosen only to disclose the water consumption data for the hypermarkets. However, the indicator will continue to be monitored internally.

For the hypermarkets scope, water consumption per sq. m. of commercial surface fell by 2.7%, with a 3.9% fall in Asia and a 5.6% fall in Central and Eastern Europe compared with a 2.7% rise in Western Europe.

ADAPTING TO THE CONSEQUENCES OF CLIMATE CHANGE BY LIMITING THE RELATED RISKS

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 damage 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 2017, the principal investments in environmental risk prevention were centred on renovating:

- Cooling systems or replacing refrigerant gases with lower carbon-emitting gases in China, France, Italy and Portugal;
- Air conditioning systems in Italy, Hungary, Russia, Portugal and Taiwan;
- Waste treatment facilities in France, Portugal and Romania;
- Waste water treatment systems in Spain, Poland and Taiwan;

- Rainwater treatment systems in Italy;
- Lighting systems in China, Spain, France, Hungary, Italy, Poland, Russia, Ukraine, Taiwan and Portugal;
- Service stations in Spain, France and Poland.

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. In 2017, energy audits were also performed at all supermarkets in Poland. Flood risk is the primary threat to the company from climate change. Immochan and Auchan Retail are working in particular on managing rainwater run-off. In 2017, work in this area was carried out at six hypermarkets in Italy.

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

REDUCING THE IMPACT OF MODES OF TRANSPORT

Logistics supplies account for a considerable proportion of the carbon footprint in the retailing industry. Auchan Retail entities have therefore put tracking indicators in place, such as the number of kilometres travelled or the load ratio of trucks, in order to monitor the impact of goods transport. However, as yet, no such indicator has been introduced at an international level. For this to be possible, the logistics functions of the different banners must first be properly coordinated and a solution found to the fact that some of them use outsourcers who do not have the means, or do not give themselves the means, of providing all the necessary statistics. That said, Spain, France, Italy, Portugal and Romania do measure the carbon emissions generated by the transport of goods. While quantified objectives are not always set, all countries are endeavouring nonetheless to optimise goods transport and shorten travelling distances and, hence, the impact on the environment.

Shortening the distances to be covered first requires lorry loads to be optimised.

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

Lorries' return trips are also streamlined. They can be used to return empty pallets to suppliers. Such an arrangement has been in place in Romania since 2012 through a partnership with CHEP¹⁶. In terms of the environmental impact, in 2017, this practice saved the equivalent of 200 trees and reduced the number of kilometres travelled by the carrier by 42,000.

Lastly, a multipick system is being developed in France, Romania, Ukraine and Italy. 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 in place to enable lorries to deliver to several nearby stores.

In order to reduce the environmental impact of goods transport, transporters in most of the countries in which Auchan Retail operates are encouraged to adopt driving behaviours that are more eco-friendly or to modernise their fleets, notably by increasing the use of Euro 5 or even Euro 6 certified vehicles¹⁷. These more stringent requirements are often stated when calls for tender are renewed. There

is a preference for vehicles that run on natural gas, which are more eco-friendly. In France, Auchan Retail has set a goal for NGVs (Natural Gas Vehicles) to be used for 45% of all goods transport by 2020. The Auchan Retail supermarkets in Spain have signed up to the "Distribución Urbana Sostenible" 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 four trucks that run on liquefied natural gas.

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

The Auchan Retail businesses are also working to promote sensible transport options for their customers.

For instance, there are plans to install electric charging terminals in a number of countries.

In December 2013, Auchan Retail entered into a nationwide partnership in France with Nissan. The first terminal was opened on 26 March 2014 in Mantes La Jolie. So far, 102 terminals have been installed in the car parks of Auchan Retail hypermarkets. They allow customers to charge the batteries of their electrical vehicle in 30 minutes. In 2017, they were used 138,000 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 terminals in the country, across all banners.¹⁸

A first charging terminal was also opened in Russia in the spring of 2017 in the car park of the Zvenigorod supermarket, 70 kilometres from Moscow. This was part of a joint initiative with the MOESK electricity company and there are plans to pursue it, with further terminals being planned for 2018.

Immochan is also working on other initiatives: bicycle parks have been installed at four malls in Poland; cycle tracks have been created in Spain; and, in Portugal, all shopping malls have bus access, etc.

¹⁶ CHEP is a pallet transporter

¹⁷ European emissions standards, known as Euro standards, are European Union regulations that set maximum thresholds for the emission of pollutants by road vehicles. This is an increasingly stringent set of standards that is applicable to new vehicles. The objective is to reduce the pollution in the atmosphere that is attributable to road-based methods of transport

¹⁸ Food retailing banners

ANCHORING COMMERCIAL SITES IN THEIR ENVIRONMENT

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.

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 CO₂ emissions linked to logistics supplies. The fact that logistics supplies are 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 plan (see page 31). GHG emissions from refrigerants can 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. Efforts are therefore being made to replace these refrigerants in order to reduce the carbon footprint of stores and anticipate regulatory obligations, as

well as future increases in the cost of refrigerants that have the most harmful effect on the climate. Other refrigerants with a lower GWP (Global Warming Potential) are being used.

In France, Auchan Retail has taken steps to reduce the rate of refrigerant leakage by installing smart leak detection sensors on centralised cooling systems. These sensors detect a leak by triggering an alert when the refrigerant falls below a certain level. They have been installed in around five-sixths of the French hypermarkets, with a return on investment of less than one year. Other countries, such as Luxembourg and Spain, have also tested this concept.

Incidentally, in France, CO₂ refrigeration systems are used whenever possible at new or remodelled stores. An experiment was conducted at the Mériadeck store that involved substituting the refrigerant R404A, which has a GWP of 3,944, with a refrigerant that emits less GHG, without changing the cooling system.

> BREAKDOWN AND TREND IN GHG EMISSIONS LINKED TO ENERGY CONSUMPTION

		Greenhouse gas emissions linked to energy consumption, in tonnes CO ₂ e			
		Western Europe	Central & Eastern Europe	Asia	TOTAL 2017
Retail	Hypermarkets	252,395	613,699	1,160,767	2,026,862
	Supermarkets	139,956	79,838	-	219,794
	Drive-throughs	6,836	-	-	6,836
Immochan		34,599	38,615	65,966	139,180

GHG emissions related to energy consumption vary significantly depending on the national energy mix, which may rely more or less heavily on carbon-intensive energy solutions, and on the degree to which gas is used to fuel site heating systems. Hence, in France, where the national energy mix relies little on carbon-intensive fuels, natural gas accounts for 48.8% of the GHG emissions related to the energy consumption of stores, but only 20.0% of their actual energy consumption. Conversely, at the Polish stores, gas consumption accounts for 17.6% of energy consumption and 6.3% of GHG emissions.

GHG emissions related to energy consumption total 2,392,672 tonnes CO₂e, of which 2,253,647 come from electricity consumption and 152,899 from gas consumption. Shopping malls make up 5.8% of the total GHG emissions, compared with 94.2% for the Retail activity.

GHG emissions rose by 3.8% between 2016 and 2017, corresponding to 86,517 tonnes CO₂e. This was attributable to the expansion of the hypermarket network in Poland (+52,847 tonnes) and China (+40,586). In contrast, the Immochan malls cut their emissions by 3.5% (-5,077 tonnes), partly due to less electricity consumption in Russia and the sale of sites in Romania.

Greenhouse gas emissions linked to energy consumption, per sq. m. of commercial surface area

	Western Europe	Central & Eastern Europe	Asia	TOTAL 2017
Retail	-4.2%	-2.7%	-1.8%	-1.1%
Immochan	+0.0%	-2.6%	+0.3%	-0.9%

All in all, emissions per sq. m. of commercial surface area edged down by 0.8% between 2016 and 2017. Incidentally, in Western Europe, GHG emissions per sq. m. linked to stores' energy consumption are, on average, 2.6 and 2.7 times lower than in Asia and Central and Eastern Europe, respectively.

> BREAKDOWN AND TREND IN GHG EMISSIONS FROM REFRIGERANTS

Greenhouse gas emissions linked to refrigerant leaks, per sq. m. in kg CO₂e

	Western Europe	Central & Eastern Europe	Asia	TOTAL 2017
Retail				
Hypermarkets	107.7	133.4	64.3	93.5
Supermarkets	188.6	471.7	-	245.2
Drive-throughs	5.3	-	-	

Refrigerant refills are mainly monitored by the stores. The refrigerants that are most harmful to the environment are essentially used for food cooling systems (above-zero and below-zero units), and the air conditioning systems at shopping malls are systematically managed by the stores' technical crews.

The total weight of refrigerant refills used by stores increased by 19.0% between 2016 and 2017, i.e. 59.6 tonnes. With the exception of Romania (3.3% fall), all Auchan countries recorded an increase in the weight of refrigerant refills. However, the increase was more subdued in Spain and France than in Asia.

In China, much of the increase in refill use stemmed from the opening of a large number of RT-Mart stores in recent years. This is because refrigerants tend to start leaking several years after a site is opened. As a result, the opening of 89 RT-Mart China stores between 2015 and 2017 initially brought down the level of CO₂ emissions per sq. m. of commercial surface area, but the level subsequently increased.

The weight of R744 refills, a fluid with a low GWP (Global Warming Potential), rose sharply (by 66%), offsetting to a certain extent the increase in stores' GHG emissions per sq. m. These emissions nonetheless rose by 8.6%.

CO₂ emissions per sq. m. were particularly high for supermarkets (on average 2.6 times higher), mainly due to the fact that the proportion of food items stocked at such formats is greater than at hypermarkets.

> BREAKDOWN AND TREND IN GHG EMISSIONS BY STORES PER SQ. M. OF COMMERCIAL SURFACE AREA

Greenhouse gas emissions by stores, in kg CO₂e per sq. m.

	Energy	Refrigerants	TOTAL 2017
2016	216.7	100.9	317.6
2017	214.3	109.5	323.8
% Change	-1.1%	+7.9%	+1.9%

The carbon intensity of the stores fell by 1.9% between 2016 and 2017. The increase in CO₂ emissions per square metre of commercial surface area stems from an increase in emissions linked to refrigerant leaks. CO₂ emissions related to energy consumption fell (by 1.1%).

DEVELOPING ENVIRONMENTAL SITE MANAGEMENT

Auchan Retail's entities have plenty of scope to employ the management systems and certification methods they feel are most appropriate. In 2017, 19 hypermarket and 5 Immochan shopping malls were ISO 14 001 certified. This certification is based on the principle of continuous improvement in environmental performance by controlling the impact associated with company activity. 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, well-being and health and management.

This international-recognised 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 operations: effective on-site sorting (inert waste, metals, wood, packaging, non-hazardous industrial waste, hazardous waste, household waste and electrical and

electronic equipment (WEEE)) and an optimisation strategy for the recovery and reduction of waste at its source.

- Installation of BMSs¹⁹ and separate meters to strictly monitor energy and water consumption levels;
- Protection of biodiversity with the help of an ecology expert whose role is to maintain the site's ecological quality.

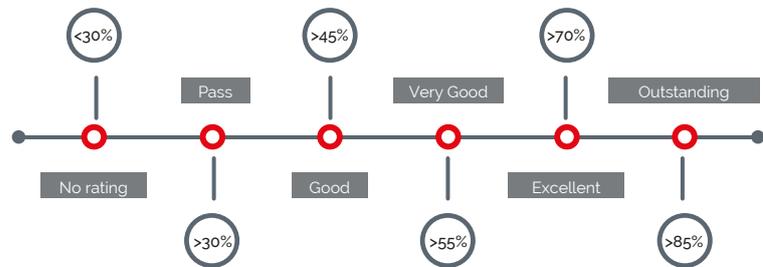
As of the date of publication, 568,103 sq. m. of projects under development had received, or were in the process of receiving, BREEAM NEW BUILDING certification.

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 run-off (treated on site), thereby reducing drainage to the public networks and hence the risk of flooding. This run-off 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 existing sites and new developments. 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 the BREEAM IN USE criteria (for shopping malls in use) and the BREEAM NEW BUILDING criteria (for those under construction), is assessed as follows:



BREEAM NEW BUILDING

The environmental certification process is under way at the following major development projects: La Cloche d'Or (Luxembourg), Rescaldina (Italy), Soroksar (Hungary), Pushkino (Russia) and 20 sites in France (representing a total mall net floor area of 261,033 sq. m.).

BREEAM IN USE

Immochan Ukraine secured BREEAM IN USE VERY GOOD certification in the design stage for the "Rive Gauche" mall in Kiev.

Immochan Russia secured BREEAM IN USE VERY GOOD certification in the design stage for the Togliatti mall.

Immochan Poland secured its first BREEAM IN USE VERY GOOD certification for the Lomianki mall.

¹⁹ A BMS (Building Management System) is an electronic and digital system used to manage the technical installations of a building, such as the heating, air conditioning, ventilation and electricity systems

CONTRIBUTING TO BIODIVERSITY PROTECTION

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

Car park 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. In Luxembourg, for instance, Auchan Retail has stopped using pesticides and all green spaces are weeded by hand. They are also watered using rainwater collected on the roof of the hypermarket. In Hungary, the Fot and Obuda stores replanted some of the green spaces around the car parks, incorporating stretches of grass and local plants.

Clean-up events are organised in a number of Auchan Retail countries. On 22 July 2017, the staff at the RT-Mart stores in Taiwan participated in a government waste collection event to clean up the port of Hsinchu. Some 10,000 kilos of waste were collected. In Ukraine, the "Let's Do It" event organised by the "Clean up Ukraine" NGO was held for a sixth consecutive year. In 2017, 200 members of staff collected more than 600 kilos of waste.

Customer awareness is also a key aspect of protecting biodiversity. A series of initiatives are taken in store. In Romania, Auchan Retail celebrated the 11th anniversary of its first hypermarket in 2017 with the launch of Mobilizatron: an environmental awareness campaign targeting customers. The first step of this campaign involved selling kits in stores

to make small trees completely out of recycled paper, at a very affordable price. For every kit purchased, Auchan committed to plant two trees in the surroundings of the stores. The second step saw customers, NGOs, employees and all other interested and voluntary parties get together to plant the trees.

By the end of the campaign, 50,000 small paper trees had been purchased and 100,000 real trees planted with the help of a large number of customers.

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 and avoiding urban sprawl for instance. 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. Other more specific measures are taken depending on the area in which a mall is built. In Hungary, for example, 450 trees were replanted in Soroksar on a parcel of 15 hectares in order to preserve the natural habitat of the local wildlife.

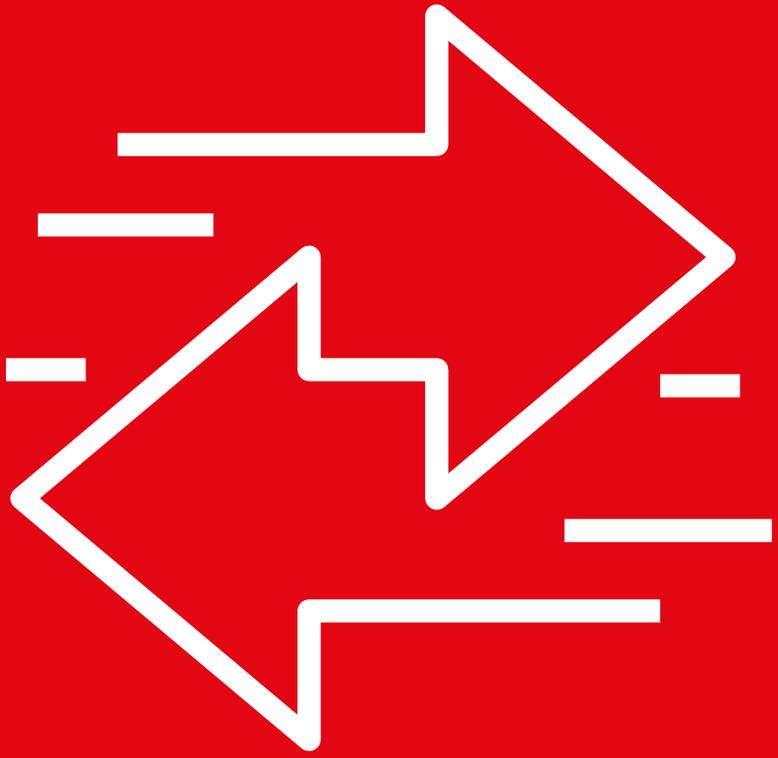
URBAN FARMING, INITIATIVES WHERE TWO VISIONS MEET

Urban farming: Auchan Retail and Immochan are working on ways to develop urban farming in towns, cities and peripheral areas. The goal is for the produce and related services to be sold in the surrounding urban area. Both Auchan Retail and Immochan see urban farming as a way to produce food, preserve the biodiversity of a site and develop the circular economy, notably by: using the bio waste produced by stores and selling on the produce through short supply chains, etc. It is also a way to derive a benefit from unused urban space by using it for healthy eating demonstrations, gardening classes, etc.

A number of urban farming projects have already been developed, such as the "Green Ring" at the Volgograd shopping mall in Russia. This involved covering up unused developed space and "greenifying" it. A garden was created for the employees, with an orchard and vegetable patch. The harvested fruit and vegetables are shared during team meals. A pathway lined with fruit

trees and a rose garden were installed at the entrance to the mall. Two greenhouses were built to protect the more delicate plants and to produce flowers for gardens in the years to come. These developments operate in a closed loop. For instance, the grass cut by the gardeners is re-used to make fertilizer.

In Portugal, a vegetable garden was planted beside the Famalicão store. This was a joint initiative between Immochan, which provided the space needed, and Imporgado, a company that specialises in the recovery of bio waste. 19 store employees volunteered to plant a vegetable patch in one area of the garden. They can use this patch as they wish and harvest the produce for their own consumption. A composting area was created a short distance away to recover the green waste from the vegetable garden and create fertiliser.



PARTNERS

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 professional associations and forums, with representatives of civil society, give them many opportunities to reflect on how existing relationships can be improved upon and to identify new partners.

CONTENTS

ORGANISING DIALOGUE WITH STAKEHOLDERS	40
UPHOLDING THE GENERAL PRINCIPLES AND STANDARDS OF THE ILO	40
MAKING ETHICS A SHARED CORPORATE CONCERN	40
TACKLING CORRUPTION	40
ENSURING THAT STAKEHOLDERS' VIEWS ARE HEARD AND TAKEN INTO CONSIDERATION	42
PROMOTING VALUE CREATION THROUGH A RESPONSIBLE APPROACH	43
INTRODUCTION: ORGANISING SUPPLY AND PROCUREMENT	43
TAKING A MORE INTERNATIONAL ANGLE WITH RESPONSIBLE SOURCING POLICIES	43
ENHANCING PRODUCTION SITE TRACEABILITY	45
SUPPORTING INITIATIVES FOR PROGRESS	46
CULTIVATING A LOCAL VISION OF CORPORATE RESPONSIBILITY	47
PRIORITISING LOCAL SOURCING	47
FORMING SUSTAINABLE PARTNERSHIPS WITH SMES AND SMALL PRODUCERS	48
MINIMISING NOISE POLLUTION FROM ACTIVITIES	49

ORGANISING DIALOGUE WITH STAKEHOLDERS

UPHOLDING THE GENERAL PRINCIPLES AND STANDARDS OF THE ILO

The company's policy and the action it undertakes comply with the principles of the 1948 Universal Declaration of Human Rights, the International Labour Organization's 1988 Declaration on Fundamental Principles and Rights and the OECD's guiding principles.²⁰ These texts form a corpus of civil, political, economic, social and cultural rights that Auchan applies to itself and seeks to have applied by its partners.

MAKING ETHICS A SHARED CORPORATE CONCERN

Ethics are a core concern at Auchan. The first ethics committee was formed in 1994 in France. Now, almost all Auchan Retail countries have their own ethics committees. Vietnam and Senegal are the only countries not to have set one up yet, due to its recent commercial development. Most of the members sitting on these committees are senior executives, CSR specialists, family shareholders and outside representatives with renowned expertise.

The role of these committees is to:

- Ensure compliance with the Code of ethics
- Closely monitor the updating of documentations and animation of ethics

- Issue opinions and recommendations regarding ethics-related issues;
 - Closely monitor the ethic training;
 - Deal with the ethical issues raised by employees.
- The committees have a set of procedures at their disposal to coordinate the implementation of the ethical principles of the company and ensure that they are upheld: the Auchan Holding ethics Charter, the Auchan Retail Code of ethics for day-to-day operations and Code of business ethics (see page 41). These procedures were updated in 2017 in accordance with the French Sapin II law and the duty of vigilance. Moreover, an ethics coordinator is animating the subjects in all the countries.

TACKLING CORRUPTION

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

SAPIN II LAW: AUCHAN RETAIL REINFORCES THE TOOLS AT ITS DISPOSAL TO TACKLE CORRUPTION

The French law on transparency, the fight against corruption and the modernisation of the economy, known as the "Sapin II" law, was passed in December 2016 after being approved by the French constitutional council (*Conseil Constitutionnel*). It applies to French companies as well as to their subsidiaries outside of France and came into effect in January 2018. This new

legislation prompted the Auchan Holding businesses to reinforce the tools at their disposal to tackle corruption.

Auchan Retail communicated an overview to members of management and relevant operational personnel of the eight measures to be put in place as a result of the enactment of this law, summarised below.

²⁰ Organisation for Economic Co-operation and Development

1. Drawing up a code of conduct

Code of ethics for day-to-day operations has been created. This draws on the ethics charter and is intended for all Auchan Retail employees. It describes the types of conduct that should be avoided within the company and addresses various topics such as conflicts of interests, rules with respect to gifts or invitations, etc.

Moreover, 2 others documents have been updated:

- The Auchan Holding ethics Charter. This charter, applicable to all countries and the three businesses (Auchan Retail, Immochan and Oney), reasserts each of the ethical principles that guide Auchan Holding's relationships with its stakeholders: employees, customers, partners, shareholders and civil society.
- Code of business ethics. This also draws on the ethics charter and is intended for all Auchan Retail's economic partners (suppliers of tradable and non-tradable goods, subcontractors of suppliers). It is appended to the general terms and conditions of sale that each economic partner is required to sign, whereby they agree to comply with its principles and to ensure that their own subcontractors and partners do the same.

2. Introducing an ethics alert facility

A secure internal and external alert platform has been created to enable all Immochan and Auchan Retail employees to identify conduct that is contrary to the Auchan Holding ethics Charter. This platform has been tested in France since January 2018 and will be implemented in all countries by June.

3. Mapping production risks

The Risk Management programme was launched in 2017 in order to assess the risk of fraud and corruption in specific Auchan Retail countries or departments from a macro perspective. This risk will be assessed from a micro angle in 2018.

Risk mapping will help determine the extent of the checks that will need to be performed based on the following criteria:

- the financial position of partners;
- the reputation of the company, its senior executives and its shareholders (past judicial sentences or scandals related to corruption, fraud, counterfeiting, etc.);
- risks in connection with international sanctions.

4. Introducing procedures to assess customers, suppliers and intermediaries

Internal controls are already performed within the core businesses (checks based on documentary evidence or

statements). In order to comply with the provisions of the Sapin II law, second-level controls will be introduced for countries or departments where the risk-mapping exercise has found there to present a strong risk of corruption. These additional controls will be carried out by analysts within the ES SSC²¹, who will perform due diligence and issue recommendations.

Lastly, third-level controls may be performed in specific cases, such as international expansion.

5. Performing controls of the accounting records and books

Procedures and risk areas have already undergone initial analysis. The outcome of this analysis was substantiated based on the descriptions of existing and target procedures. A list of "standard" controls will be identified and clarified for these procedures. Country questionnaires will then be sent out to assess the existing measures. A deployment schedule for the different countries will then need to be drawn up in the second half of 2018.

6. Training employees who are most exposed to the risk of corruption

Wilhelm Hubner, General Manager of Auchan Retail, officially launched the training programme required by the Sapin II law on 24 January 2018. The programme will be three-pronged:

- Ethics training for the company's TOP 200 executives;
- International launch of the "guide to ethical conduct" MOOC for all employees starting in April 2018;
- Refresher courses in responsible sourcing for purchasing and supply personnel.

7. Introducing disciplinary measures for breaches of the code of conduct

An inventory of the internal regulations of the entities in all Auchan Retail countries will be conducted in early 2018 to ascertain whether disciplinary action may be taken in the event of failure to comply with the code of conduct. Any regulations that do not provide for such measures will be updated to include them.

8. Controlling and assessing the implementation of measures

The control and assessment of the implementation of measures falls within the normal framework of the duties of Internal Audit (corporate and country). The audit programmes will be updated to incorporate all the measures and controls implemented pursuant to the Sapin II law.

²¹ Economic Security Shared Services Centre

ENSURING THAT STAKEHOLDERS' VIEWS ARE HEARD AND TAKEN INTO CONSIDERATION

Since every country is different with different types of stakeholders, it does not really make sense to impose a set corporate methodology for dialogue. Even so, all entities across the company welcome feedback from their customers, employees, associations, etc. A policy of dialogue with stakeholders is being introduced in China, Hungary, Italy, Poland and Romania.

Auchan Retail has already introduced such a policy in Portugal through a first stakeholder mapping exercise in 2013 in accordance with AA1000 Assurance Standard²² criteria. It repeated the exercise in 2016, which enabled it to receive feedback from 942 stakeholder representatives (employees, customers, suppliers, unions, government bodies, technical communities, local communities, the media, etc.) to gain insight into their perception of the main CSR initiatives and gauge the level of importance, in their eyes, of the different themes (economic, environmental and social) laid out in the GRI²³ guidelines. Another survey will be carried out in 2018.

Work has begun in this respect in Italy through an "audit" of employees' expectations with regard to the company. This led to the organisation of a "Family Day" in May 2017, which brought together employees and more than 1,000 of their children to learn about the different Auchan businesses, its stores and its offices. Events were staged throughout the

day to raise awareness of the importance of healthy eating and sustainable food management.

A materiality analysis on responsible consumption was conducted in all Auchan Retail countries. This identified and prioritised the expectations of stakeholders in diverse areas such as responsible fishing, organic farming, etc. In Poland, the analysis was conducted in stores and online. The following stakeholders took part in this exercise: 224 employees (the company's first customers), 45 customers, 6 suppliers and 5 associations. The findings showed that the stakeholders in the company had high expectations regarding good nutrition and health, animal welfare and efforts to combat food waste. Initiatives were developed to respond to these concerns, which notably led to a partnership between the Polish hypermarkets and the country's food bank programme.

Throughout 2016 and 2017, Immochan devised and shared its new corporate vision "We Link People" with the help of employees and external stakeholders. This took the form of interviews, surveys and consultations in a number of countries. Following this initial feedback phase, the vision was committed to paper in a second phase that brought together 32 representatives of external organisations and 118 employees at a seminar in Berlin.

ROUND TABLE ON FOOD MANAGEMENT IN FRANCE

Round table talks on the management of food issues were held in France from 20 July to 21 December 2017, at the request of the French President. The objective was to facilitate a dialogue between all participants in today's food industries: farmers, agri-food companies, retailers, consumers, NGOs, etc.,

with a view to:

- Stimulating the creation of value and ensuring that it is shared equitably;
- Enabling farmers to make a decent living by paying them a fair price for their produce;
- Supporting the transformation of production models in order to better meet consumer expectations;
- Promoting the consumption of healthy, safe and sustainable foods.

14 workshops on specific themes were held to give the participants an opportunity to forge a dialogue and to explore avenues to meet the challenges cited above. Auchan Retail followed these events closely and directly participated in three of them:

- Workshop 1: Better meeting the expectations of consumers in terms of nutritional quality, the environment, commitment to local communities, animal welfare and innovation.
- Workshop 4: Developing market share in European and international markets and promoting the excellence of the French food production model and heritage in France and abroad.
- Workshop 9: Facilitating healthy eating habits for all.

Auchan Retail also participated in the other workshops indirectly through the French trade and industry federation.

The experience gleaned from these workshops prompted Auchan Retail to participate in the Nutri-Score initiative. The Nutri-Score logo will be printed on the packaging of all own-brand products by 2019 to provide consumers with clear information on the nutritional quality of the foods that they are buying. All products will contain this information as part of an objective, transparent approach.

²² A standard relating to the degree to which companies take their stakeholders' views into consideration

²³ Global Reporting Initiative

IMMOCHAN FRANCE, RECIPIENT OF AN AWARD IN THE 23RD RESPONSIBLE ECONOMY AWARDS ORGANISED BY RÉSEAU ALLIANCES

Each year, Réseau Alliances, a network of entrepreneurs in the Hauts-de-France region committed to corporate and social responsibility issues, rewards businesses that make social responsibility a core component of their strategy.

On 29 June 2017, a jury made up of 29 people from various public and private sectors (heads of companies, CSR officers, people from third-level educational institutions, administrative bodies, etc.) rewarded Immochan for all the initiatives it has taken in this domain. This latest

award from a recognised partner is the culmination of a comprehensive policy pursued for a number of years in four areas:

- Responsible governance, with a CSR policy that is incorporated into every part of the business at all times;
- A business that takes action to ensure that its employees are fulfilled in their work;
- Optimised, efficient, sustainable resources for enhanced environmental performance;
- Integration in and development of local communities.

PROMOTING VALUE CREATION THROUGH A RESPONSIBLE APPROACH

INTRODUCTION: ORGANISING SUPPLY AND PROCUREMENT

Auchan Retail's procurement teams are divided into direct purchasing (items sold on store shelves) and indirect purchasing.

In terms of indirect purchasing, a special corporate department and country-based indirect purchasing departments share the purchasing of non-tradable goods. Together, they made more than €3 billion in purchases in 2016. The largest expense items included: site leasing, transport, site maintenance and electricity and gas.

Sourcing and product supply are handled by the corporate product department, which is in charge of most of the non-food items stocked. The country-based Product departments handle the supply of almost all food items.

Barring some rare exceptions and foods prepared on-site, Auchan Retail relies on subcontractors for its own-brand processed or raw foods.

TAKING A MORE INTERNATIONAL ANGLE WITH RESPONSIBLE SOURCING POLICIES

Auchan Retail has been working for 20 years to continually improve its global supply chains. A special unit and a CSR Committee set up in late 2016 ensure that every relevant employee in the different countries and each member of Auchan Retail's international procurement team (DPC - Corporate Product Department) is familiar with the company's responsible sourcing policies.

TRAINING IN RESPONSIBLE SOURCING

A training course has been developed for all participants in supply and procurement to raise their awareness of the importance of, and involve them in, responsible sourcing. The course was developed in 2013 and updated in 2017 and is intended for buyers, product managers, negotiators and quality engineers in all countries, and members of the DPC, particularly those in the sourcing offices.²⁴

The goal is to help participants identify key rules that apply to their role, implement the procedure and the steps for

supplier listing and de-listing (labour-related, economic and quality criteria, audits, etc.) and adopt suitable stances on CSR issues.

The participants receive advice from experts in the field and gain insight into all aspects through role play.

197 people had received this training by the end of 2017. This means that 72% of the targeted employee group has completed this course since it was first launched, both in purchasing and at the sourcing offices.

LABOUR AND QUALITY-RELATED AUDITING

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

Number of internal labour audits carried out in 2017	1,046 including 189 at importer sites
Number of internal quality audits carried out in 2017	466 including 63 at importer sites

Auchan Retail also monitors production at supplier sites. The people who work in the sourcing offices 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 two consecutive months;

- Evidence of infrastructure failure(s);
- Security problems (if two of the following three problems arise): fewer than two fire exits per floor/less than one smoke detector, one fire alarm and two fire extinguishers per floor/unsafe electrical fittings – This is relevant to: production buildings and any living/sleeping quarters;
- Use of sandblasting²⁵;
- Home-working;²⁶
- Failure to submit to an audit on two consecutive occasions;
- Forging documents.

Factories cannot be listed if one or more of these elements is identified. Those that are already listed are de-listed. In 2017, 12 sites were de-listed due to serious cases of non-compliance.

ENVIRONMENTAL AUDITING

An environmental evaluation framework was developed in 2017. It seeks to introduce clear controls to verify that Auchan Retail's suppliers comply with certain environmental standards once they have been listed. It verifies site conformity with respect to air and water pollution, electricity consumption, etc.

The first test audits were performed in December 2017. For 2018, the objective is to carry out around 30 audits at suppliers with the highest pollution rates in China, India and Bangladesh.

LOCAL INITIATIVES

While not strictly defined or applied throughout the company, initiatives reflecting the responsible sourcing policy are carried out in the various Auchan Retail countries. In France, Auchan Retail has, in conjunction with other retailers and participants in the agri-food industry²⁷, developed the Valorise platform to assess suppliers'

commitment to CSR issues. Valorise is a self-assessment platform in which suppliers answer a multi-retailer questionnaire on topics as varied as quality of working life, the environmental impact of their operations, diversity in their workforce, etc. Based on their answers, they are able to gauge their position with respect to CSR issues. They can also identify areas for improvement, consult best practices applied by other contributors and easily share their CSR policies with retailers.

²⁴ The DPC has three sourcing offices, two in China and one in Bangladesh

²⁵ Technique used to give jeans a worn look

²⁶ Off the production site

²⁷ ANIA (national association of food industries), Coop de France, FCD (federation of trade and retail companies) and FEEF (French federation of enterprises and entrepreneurs), in association with GreenFlex

ENHANCING PRODUCTION SITE TRACEABILITY

Once suppliers have been audited and listed, 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 be sure of the conditions under which goods are produced.

> NOMBRE DE FOURNISSEURS RÉFÉRENCÉS ET DE SITES ACTIFS

Number of active suppliers managed by the sourcing offices	637
Number of active sites managed by the sourcing offices	1,242

> NOMBRE DE SITES ACTIFS DANS LES BUREAUX EN NON-ALIMENTAIRE

Textiles	421
Household equipment (electrical/electronic goods)	163
General merchandise	658

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 de-listed if they are found to have used a subcontractor and not reported it.



SPECIAL SECTION

Plan to combat opaque outsourcing: review to date

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

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

In the past four years, this plan has, in particular, allowed us to:

- Trace every order back to a production site (2013);

- Identify all the factories (tier 1) used by suppliers (end of 2014);
- Perform quality and labour-related audits at all tier 1 factories;
- Gradually introduce random traceability checks;
- Extend the plan to all non-food product categories (Textile
 - Hardline goods²⁸ – CE²⁹).

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

At the end of 2017, two auditors were sent for two weeks to China and Bangladesh to examine the processes and organisational structures in place to combat opaque outsourcing across all non-food product categories.

²⁸ General merchandise

²⁹ Consumer electronics

As part of this, three RTCs³⁰ were performed on textile manufacturers and one on footwear makers in Bangladesh, as well as six on hardline goods and consumer electronics manufacturers in China.

According to the findings of the latest audit, the control plan to combat opaque outsourcing is operational and opaque outsourcing is under control.

Furthermore, random traceability checks are performed across all non-food categories and a common control grid has been put in place.

Stronger penalties for opaque outsourcing are applied and, in 2017, four cases resulted in the termination of the commercial relationship with the suppliers. The policy of forging partnerships with strategic suppliers led to reductions in the number of suppliers of around 15% in Textiles, 3% in Hardline Goods and 9% in consumer electronics between 2016 and 2017. By 2020, the objective is to reduce the number of suppliers by 25% across all non-food product categories.

The audit pointed to two issues that will need to be rectified as a matter of urgency in 2018:

- Providing all relevant employees³¹ with responsible sourcing training by requiring them to attend the specific programme developed for that purpose;
- Developing the use of the Traceability portal to incorporate additional information in order to facilitate improved monitoring of each site.

The audit also found that, being four years old, the plan to combat opaque outsourcing needs to be updated, supplemented and applied more broadly (aggregated volumes, new sourcing origins, selection of the materials used in Textile manufacturing with controls on tier 2 suppliers, new customers and compliance with new regulations).

The relevant procedures will be rewritten during the course of 2018.

SUPPORTING INITIATIVES FOR PROGRESS

Auchan is keenly aware of the importance of a collective effort to bring about a sustainable change in production methods in relation to labour, social and environmental issues. This is why it participates in a number of international programmes.

THE CONSUMER GOODS FORUM

Auchan Retail participates in the Consumer Goods Forum. This forum brings together companies that are committed to a more sustainable approach to trading and has been formed in a bid to stimulate the creation of new responsible initiatives. In 2017, the Consumer Goods Forum focused on the issue of forced labour.

SOCIAL CLAUSE INITIATIVE (ICS)

In 1998, Auchan and two other retailers formed, under the direction of the FCD³²: the Social Clause Initiative (ICS – *Initiative Clause Sociale*). This programme has been designed to sustainably improve working and safety conditions within suppliers' companies, by forging close ties with suppliers and helping them to make progress in this area on their own initiative.

This discussion platform enables the 37 member retailers to

work from a shared audit methodology and shared labour audit benchmarks, accessible to all members, ensuring a minimum bedrock of common standards. Retailers share best practices and the results of checks to avoid redundant audits at the same site.

In 2017, two major projects started up: the implementation of an environmental auditing framework and the development of support for factories through a system of online monitoring of action plans and support solutions.

	In 2017	In 2016
Factories shared with Auchan, commissioned by an entity other than Auchan	74	42
Initial audits carried out and commissioned by Auchan	127	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 sign up to the Accord on Fire & Building Safety and thus contribute

³⁰ Random traceability checks

³¹ Buyers, product managers, negotiators and quality engineers from all countries, and members of the DPC, notably those working in the sourcing offices

³² French trade and retail federation (*Fédération du Commerce et de la Distribution*)

to the financing of building safety audits, shared by all 200 signatory retailers. On 29 June 2017, Auchan Retail signed the second version of the Fire & Building Safety Accord, which will come into effect in May 2018 for a period of three years.

This second Accord picks up where the first left off. It introduces a transitional period for the handing-over of follow-up to a national statutory body. This body will be helped by the ILO and continue with the work carried out thus far.

Accordingly:

- Work to perform safety audits and to bring factories up to standard is continuing,

- The spectrum of audited factories is expanding,
- The notions of healthcare and freedom of association are being reinforced.

For Auchan Retail, this involves close monitoring of 27 factories. Leadbrand³³ has been chosen to lead the audit work at these sites. Auchan Retail lends its support in overseeing the various action plans.

To date, 87% of the initial instances of non-conformity revealed through audits have been resolved. The as yet unresolved cases are due to delays in securing the approval of the relevant authorities (required before work can begin), decisions to relocate factories to new buildings and the time needed to raise financing for major upgrades.

CULTIVATING A LOCAL VISION OF CORPORATE RESPONSIBILITY

PRIORITISING LOCAL SOURCING

The hypermarkets and supermarkets in all Auchan Retail countries are developing the supply of local products, grown and/or manufactured near the stores, via direct partnerships with small producers. These products respond to strong demand from local residents who want to be able to buy 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 promote local products. For instance, stores in Italy showcased home-grown products over 2 weeks in 2017. This consisted in inviting local producers and manufacturers to stores to present their wares to customers through tastings and in-store promotions. More than 1,500 producers took part in these events in 2017. This is all part of Auchan Retail Italy's policy to promote locally-

sourced products. Building on this initiative, a multi-format "local sourcing" department was set up in 2017. Its role is to support stores in their efforts to list regional producers and to help suppliers find ways to improve their products.

Auchan Retail also does much to raise customer awareness of the importance of buying locally-sourced goods. In Taiwan, for instance, a series of promotional videos have been filmed and broadcast on social networks or television. One of them shows a local watermelon grower explaining the benefits of his produce and the best ways to eat the fruit.

Lastly, a number of entities have opened special channels to encourage this type of partnership. Auchan Retail Russia has arranged meetings with producers in areas in which it wants to open future stores in order to establish an initial dialogue and plan for future partnerships. Such an event was held in Zheleznogorsk in May 2017 and was an opportunity to meet more than 20 local producers and suppliers of baked goods, fish, dairy produce, meat, etc.

³³ A firm that is leading the audit work on the other companies' behalf

FORMING SUSTAINABLE PARTNERSHIPS WITH SMES AND SMALL PRODUCERS

Although the definition of an SME can differ from one Auchan Retail country to the next, the entities in each country take steps to foster lasting business relationships with these all-important stakeholders. SMEs and microbusinesses are valuable partners that offer a wide variety of products and boost local employment.

To show just how committed it is to promoting good, healthy, local products, Auchan Retail has set a target to open up 100 new sourcing channels a year. Numerous local channels already exist in France, Italy and Spain for instance. Other countries, such as Poland, opened up their first channels in 2017. The products sourced are all produced within the country of purchase and meet the strictest quality standards. On top of this, the producers of these goods uphold environmental and labour-related principles. There are currently five channels in Poland in pork, free-range chicken, cheese, salmon and four varieties of tomatoes.

Auchan Retail is also teaming up with small national producers. In Ukraine, a "Farm Produce" initiative was launched in 2017. This has led to the listing of 11 products "made in Ukraine" under simplified payment and commercial terms. They will be highlighted using specific signage and have their own special sections in future stores in the country.

In Spain, Auchan Retail has continued developing its "Producción Controlada" (controlled quality) brand in conjunction with partner SMEs. So far, more than 100 products have been listed, including 28 in 2017. Some are even closed-loop products. The "Yo crío, yo produzco, yo fabrico" ("I breed, I produce, I make") label signifies that the person that produced the raw material is the same person that made the finished product. In 2017, additive-free apple and pear purées were introduced in stores under this label.

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, the export office has listed more than 1,300 products sourced from 150 SMEs for sale in 27 countries. A website was also launched in 2016. It enhances product visibility and makes it easier for Auchan Retail to forge ties with producers.

AUCHAN RETAIL FRANCE IS COMMITTED TO WORKING WITH THE FARMING INDUSTRY

In January 2017, Auchan Retail France brought together around one table representatives of INRA³⁴, Coop de France, the FNSEA³⁵, the 'Confédération Paysanne' farmers' union and the ministry of agriculture to hear their views on the issues faced by the agricultural sector in the last twenty years and to ascertain the challenges for the next 10 years. Auchan Retail France used this feedback to define a policy for and with the farming industry. This policy hinges on four commitments, designed to perpetuate sustainable growth in this sector:

- Keeping pace with changing consumer expectations by supporting the proactive development of more

responsible farming, more in sync with new consumer demands;

- Removing any impediments to interaction between producers and consumers in order to give consumers peace of mind regarding: traceability, production methods, quality control, etc.;
- Prioritising products produced in France and promoting their diversity;
- Fostering a permanent dialogue with the farming industry.

³⁴ National institute for agronomic research (Institut national de la recherche agronomique)

³⁵ National federation of farmers' unions (Fédération nationale des syndicats d'exploitants agricoles)

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.

Minimising noise pollution means adapting supermarkets' delivery schedules. Adjustments 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.

Hypermarkets located closest to metropolitan areas have also introduced measures, such as adjusted delivery hours. At the Luxembourg store, for instance, the unloading area has been built underground to avoid inconvenience to local

residents. In France, night-time deliveries in western parts of the country are only made using trucks that emit less than 60 decibels. Nitrogen-based cryogenic refrigeration trucks are being tested in eastern parts of the country. The maximum noise level created by this cleaner form of transport is 40 decibels.

For every new Immochan development subject to a BREEAM certification process, 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.





CUSTOMERS

The businesses within Auchan Retail'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 wide range of affordable products and services that are respectful of the environment and society, and contribute to good nutrition and healthy living.

CONTENTS

COMMITTING TO CUSTOMER HEALTH	52
A DEDICATED PROJECT	52
PROMOTING HEALTHY LIVING AND EATING	52
SUPPLYING SAFE AND CONTROLLED FOOD	53
MEETING THE CHANGING NEEDS OF CUSTOMERS	54
PROMOTING THE SALE OF RESPONSIBLE PRODUCTS	54
SUPPLYING PRODUCTS FOR EVERYONE	55
LISTENING TO OUR CUSTOMERS	55
LIMITING THE ENVIRONMENTAL IMPACT OF PRODUCTS	56
ASSESSING AND LOWERING THE CARBON FOOTPRINT OF OWN-BRAND PRODUCTS	56
OFFERING PRODUCTS THAT DO NOT THREATEN BIODIVERSITY	57

COMMITTING TO CUSTOMER HEALTH

A DEDICATED PROJECT

As part of its corporate vision, Auchan Retail wants to campaign for good, healthy, local products. This is what led it to come up with the "La Vie en Bleu" initiative. Its ambition is to position the Auchan brand as an ally for customers' well-being and healthy living. The initiative is based on a broad definition of health, as defined by the World Health Organization: "Health is a state of complete physical, mental and social well-being and not merely the absence of disease and infirmity."

"La Vie en Bleu" is directed, first and foremost, towards Auchan Retail's employees, who are its primary beneficiaries and ambassadors. To raise awareness of such issues, the "Quizz" platform was launched in the summer of 2017 to enable employees to learn more about how to "Eat Better - Get More Exercise - Look After Yourself". Through micro-learning³⁶, everyone can learn more about these themes in a fun way. Within one month of being launched, "Quizz" was available in 11 Auchan Retail countries and 17,000 employees had responded to 670,000 questions on the platform.

Auchan Retail has also developed two major initiatives intended for customers:

- A Coaching application to help consumers eat healthier and take more exercise. Through the app, people can analyse their eating habits and identify potential allergies or intolerances they might display by eating certain foods.

The app has so far been downloaded more than 7,500 times in five countries and will soon be available in all Auchan Retail countries.

- "Sélection Bleue" items make it possible for customers to easily identify the products in each category that are considered to be healthiest and to provide the greatest health benefits. These items are easily identifiable in stores through a blue badge system. These blue badges can be placed on both national and own brands, based on an objective selection method that takes account of multiple criteria, such as: nutritional content, absence of certain substances such as GMOs, palm oil, etc. These substances are defined and validated on a national level by a group of doctors, nutritionists and health professionals.

The "Sélection Bleue" system currently only applies to food items but will be extended to non-food products in 2018, beginning with personal care and cosmetic products.

A series of independent local initiatives are also being run in certain countries.

In Hungary, for example, which has the fourth highest rate of diabetes sufferers in the European Union, Auchan Retail has opted to place healthy products at the checkout lines. Chewing gum and sweets have been removed and replaced by fresh or dried fruit and nuts.

PROMOTING HEALTHY LIVING AND EATING

The development of sustainable consumption is being driven by mounting health concerns: citizens/customers are becoming 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. Alongside the "La Vie en Bleu" programme, a series of initiatives are being taken in stores or in their catchment areas.

In France, 12 Auchan Retail stores took part in the test phase for the ministry of health's nutritional content labelling initiative. Auchan Retail France has committed to displaying this Nutri-Score on the packaging of all its own-brand products. The Nutri-Score system is based on a five-colour scale that goes from green through to red depending on a food's calorie content per 100 grammes, as well as its

sugar, fat and salt content. It is a reliable and simple way for consumers to clearly determine the nutritional quality of the products they are buying, helping them make informed, healthier food choices. The Nutri-Score is currently available for 4,500 Auchan-branded products sold via the Auchan Drive online shopping site³⁷. It is also available for four listed items sold in stores. By the end of 2019, it will be displayed for all own brands.

In Taiwan, celebrity chef Fenny Kuo gave cooking classes at the Pinzhen, Zhongli and Bade stores and at two stores in the Neihu district of Taipei, where customers learned how to prepare healthy, tasty meals using fresh ingredients. Over a hundred customers attended these classes.

September 2017 saw Auchan Retail's Polish supermarkets and hypermarkets organise "Healthy Heart Day". The aim was to raise awareness among customers and employees of the cardiovascular problems linked to poor eating habits

³⁶ Short training videos lasting just a few minutes

³⁷ The Nutri-Score is visible on an item's web page, but not yet on the packaging

and lack of exercise. A number of in-store events were held during the day: blood tests and sports demonstrations, promotion of healthy foods and distribution of a "healthy living" magazine. This magazine has a special section containing advice on healthy living and many recipes using healthy ingredients.

Awareness of the many sustainable development issues among younger generations is a major driver of 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. The club has almost a million members in these three countries who regularly receive an illustrated magazine or newsletter containing educational games and simple recipes.

In Italy, an in-store event was organised for children in conjunction with the WWF. Eva Alessi, head of sustainable development at the WWF, visited the Casalbertone shopping mall to speak about healthy eating. She was accompanied by Giacomo Bevilacqua, an Italian artist whose drawings on the theme of healthy eating were displayed on reusable WWF shopping bags that were sold to raise funds for the conservation of natural habitats and endangered species.

SUPPLYING SAFE AND CONTROLLED FOOD

Risk mapping, the primary mission of the quality department, is a scientific monitoring method essential to decision-making and crisis planning. It integrates customer feedback, crises at Auchan or its competitors and scientific meetings organised regularly around current topics. This risk-mapping exercise has been divided into 2 main zones since 2012: Europe and Asia, to adapt as acutely as possible to the realities on site.

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. These include: fish resources and fishing conditions, progress with scientific research into hormone disruptors and environmental issues such as indoor air pollution, etc. The quality department is working closely with renowned scientists to examine these issues.

Auchan Retail carries out a large number of tests, as 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. New additions - Vietnam and Senegal - are also working in this direction.

Auchan Retail has appointed Health Officers in all countries to train and raise awareness among employees regarding their health and the importance of 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 in certain food categories have been launched. Products that are free of traces of pesticides are making an appearance in stores. Following on from citrus fruits, other categories of pesticide-free fruit and vegetables will gradually be introduced, with ultimately all categories being covered.

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 an on-site lab service 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.



AUCHAN RETAIL FRANCE STOCKS PRODUCE THAT IS GUARANTEED PESTICIDE-FREE

As part of its "La Vie en Bleu" programme (see page 52), Auchan Retail France is committed to stocking a range of fruit and vegetables guaranteed to be free of traces of pesticides by 2020. So far, three types of oranges and clementines are stocked.

In order to be sure that a product is entirely free of any traces of pesticides, Auchan Retail France performs regular tests to verify the absence of 218 molecules derived from the use of chemical plant protection agents.

MEETING THE CHANGING NEEDS OF CUSTOMERS

PROMOTING THE SALE OF RESPONSIBLE PRODUCTS

Auchan Retail is gradually developing a more responsible and affordable range of products: eco-friendly, natural or fuelling the circular economy.

In the food segment, the Auchan Retail stores stock and promote a broad range of responsible foods that meet the demands and expectations of customers.

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 focus was on chocolate and cocoa-based spreads, which were showcased at the hypermarket through a week-long central island display.

Organic products are also promoted in all Auchan Retail countries. Many stores now have specific organic sections and stage special sales events with promotional offers that encourage customers to buy such products. Auchan Retail Ukraine rolled out "Project Organic" in 2017. The initiative was tested in two hypermarkets in 2016 before being introduced at all stores in 2017. The range of organic products has been widened from 578 to 640 items. They are now displayed in a special section in 7 of the country's 11 stores, alongside health foods. Romania is another example, with a special focus on organic products to coincide with Auchan Retail's 11th anniversary in the country.

Auchan Retail is also committed to animal welfare. Some Auchan Retail countries have decided to stop selling eggs produced by battery hens by 2025. This is the case in France, Spain, Italy and Poland. In France, Auchan Retail entered into a partnership in 2017 with the CIWF (Compassion in World Farming) NGO to promote animal welfare. The objective of this agreement, which complements the company's continual effort to improve its practices, is to advance, by

2022, the conditions under which animals are treated in the supply chains of Auchan's responsibly-sourced food channels. It is based on a pragmatic vision of animal welfare: they must not suffer from hunger or thirst, they must not suffer discomfort, pain, injury or disease, they must express a natural behaviour and they must not experience fear or distress. A conference was held at Auchan's headquarters to present this approach and raise awareness among those involved in supply and procurement channels and among all employees interested in the issue.

In the non-food segment, Auchan Retail France helps its customers make energy savings. Auchan subsidiary, Petrovex, has introduced three measures as part of its energy saving certificates programme:

- "Eco Energy allowances" are granted to customers who wish to carry out work on their home to render it more energy-efficient, such as renovations to their central heating systems, insulation improvements, etc. Customers may receive up to €2,000 towards this work. Before incurring any expenses, beneficiaries can find out how much they may be entitled to receive by using a web simulator. An additional "Eco Energy Bonus" is available for low-income households. Auchan Retail France has helped fund 100,000 renovations since the scheme was launched in 2010.
- People experiencing fuel poverty³⁸ can benefit from a scheme to renovate their attic for a symbolic euro, thereby reducing unnecessary energy loss.
- "Eco energy kits" were handed out as part of an initiative that ran from July to September 2017. They contained five LED light bulbs, two tap aerators, a shower head, a flow meter to gauge water savings and an Energy Savings guide. In all: 30,000 kits and as many beneficiaries.

³⁸ The French Grenelle 2 law defines a person experiencing fuel poverty as: a person who has particular difficulty gaining access to the energy that he/she needs to meet his/her basic needs within his/her home

By heightening awareness of responsible consumption, gradual changes can be made to consumer behaviour. In Spain, the "Mi mar su mar"³⁹ campaign was launched in association with the Marine Stewardship Council to educate consumers about the preservation of marine resources. For instance, as part of this initiative, children who subscribed to

the Rik&Rok magazine were invited to send in their drawings of a real or imagined marine animal that they would like to see in the ocean. 3,915 children participated in the competition. The winner received a stuffed animal modelled on their drawing.

SUPPLYING PRODUCTS FOR EVERYONE

Auchan Retail takes into consideration the diverse profiles and needs of its customers. More than 17 million people suffer from food allergies in Europe and many others need to follow special diets. Auchan Retail stocks products for such special dietary needs: gluten-free, salt-free, sucrose-free, vegetarian items, etc.

In November 2009, for instance, Auchan Retail was the first French retailer to create a range of 16 own-brand gluten-free products. These products are now available in many countries. In 2016, Auchan Retail France launched its "Veggi" brand. This range will be made available in other countries, such as Poland, in 2018.

Auchan Retail is also working to make products available to people with disabilities. To accommodate the visually-impaired, Auchan Retail is, to the best of its knowledge,

the only major mass retailer in the world to provide Braille labelling for its own-brand products. In 2017, there were 3,225 such products in Auchan Retail hypermarkets, 2,000 in France, 625 in Portugal and 600 in Spain. Every 6 months, Auchan Retail invites the "Donne-moi tes yeux" ("lend me your eyes") association to carry out in-store checks on the efficiency and quality of the information provided in Braille, and to report any anomalies to the company so that they can be rectified.

In Italy, customers with disabilities can use a free home delivery service in a number of cities such as Milan, Brescia, Catania, Mantua, Messina, Rome and Turin, when they shop at convenience stores, supermarkets and A2pas stores.

LISTENING TO OUR CUSTOMERS

Immochan is constantly looking to enhance the quality of its malls and cultivate a mindset that it hopes will encourage all employees to strive for excellence in their relationships with consumers, retailers and partners. This has led to the creation of 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 stakeholders.

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

- a reworked pleasant atmosphere, to give visitors a sense of well-being,
- an attractive mix of retail outlets, alongside pop-up stores,
- daily events,
- a diverse range of services to meet customers' needs, such as phone charging stations, parcel collection points, etc.

In 2017, 65 malls in France, Italy, Portugal, Russia, Hungary, Poland and Romania carried the "Au Shopping" label. The

Gdańsk mall in Poland acquired the label this year after being remodelled. The remodelling work has created a high-quality mall with a new food court, extra parking spaces and reading rooms, as well as improved services such as free WiFi access and interactive tablets. It is the first Polish mall to receive this label. Ultimately, all malls will follow suit.

At Auchan Retail, customer research is routinely carried out at all levels. Up to 2016, a satisfaction survey ("HELIOS") had been carried out in stores based on paper-based questionnaires. A more modern approach was introduced in 2017 to form a clearer picture of the expectations of customers and consumers with regard to a number of issues such as Auchan's response to environmental concerns, store quality and brand positioning. This survey was carried out in all Auchan Retail countries. It was conducted online in all countries except Luxembourg and Senegal, where the survey took a more micro angle through face-to-face interviews. 18,500 consumers responded to the survey, which was carried out over one month. The results will be analysed on a country-by-country basis at the beginning of 2018 and areas for improvement will be proposed and put in place.

³⁹ "My sea, your sea"



A co-constructive approach to developing products is another good way of working towards meeting customer expectations. With this in mind, Auchan Retail France organised three "You're the Chef" competitions in 2017, in which customers chose a recipe for prepared meals to be sold in store. Consumers are first invited to post a recipe on Facebook based on a specific culinary theme. The creators of the best recipes are then taken to visit the production facilities of the company that prepares meals for Auchan

Retail, where their dish is put to the test. A tasting session is then organised, where a jury made up of employees of Auchan and of the company that will produce the meals for sale in stores, decide on the best dish. In 2018, the Auchan Production teams will market the following: a baby meal of cod loin with puréed fennel, an oriental bulgur wheat dish and a capsule of coffee from four different sources.

LIMITING THE ENVIRONMENTAL IMPACT OF PRODUCTS

ASSESSING AND LOWERING THE CARBON FOOTPRINT OF OWN-BRAND PRODUCTS

Article 173 of the Grenelle 2 Act, published in the French official gazette in 2016, requires companies to publish the carbon footprints of their products and to provide details of their low-carbon strategy. To meet this obligation, Auchan Production France performed a macro analysis of the carbon emissions caused by the manufacture and sale of its products.

According to its findings, Auchan emitted 2,496,012 tonnes CO₂e in 2016⁴⁰, including:

- 960,000 tonnes CO₂e through its commercial operations: Store operation (hypermarkets and supermarkets) and customer travel to/from stores are, by far, the largest sources of carbon emissions from commercial activity, with 431,283 and 353,108 tonnes CO₂e respectively. In the case of store operations, refrigerants, essential to the functioning of refrigeration units, are the biggest contributors. Electricity consumption is another factor, to a lesser extent. Carbon emissions due to customer travel relate to the consumption of fuel by small passenger vehicles.

- 1,536,012 tonnes CO₂e attributable to products: For all products combined, the production of raw materials accounts for 49% of GHG emissions attributable to products, while processing makes up 24%. This is followed by transport at 9%.

The analysis also determined which markets, and which products, were the most carbon-intensive. Dairy produce, beverages and frozen foods are the three highest polluters, particularly milk, juice and eggs.

This study uses a methodology that is shared with all Auchan Retail countries and will be rolled out in the years to come. It also highlighted a number of levers for improvement, to be worked on by the persons responsible for the most high-impact product lines.

As part of an effort to reduce the carbon footprints of own-brand products, environmentally friendly packaging solutions have been launched in some countries.

In the non-food segment, Auchan Retail Spain looked at ways of reducing the weight of the plastic packaging used for discount bottles of dishwasher liquid. The Auchan Production teams were able to cut the use of this plastic by 2.8 tonnes.

In France, boxes of own-brand coffee capsules were also reworked in order to cut down on the quantity of cardboard used for primary packaging. In 2017, this saved 10.9 tonnes of cardboard, equating to 449 pallets and 13.6 fewer lorry trips than in 2016.

The development of loose products is another effective way to reduce the carbon footprints of goods, since they do not create packaging waste. 947 Auchan hypermarkets currently have a section that carries a wide range of loose products: cereals, dried fruits, bread, pasta, rice, pulses, condiments, coffee, tea, vegetables, frozen fish, cosmetics, hardware and DIY items.

Customers can buy almost anything in these aisles in the exact quantities they require and at an affordable price, with no waste.

⁴⁰ Auchan Production performed this analysis in 2017 based on consolidated data for calendar year 2016

> NUMBER OF HYPERMARKETS WITH A LOOSE PRODUCTS SECTION

CHINA	444
Hypermarkets China Auchan	76
Hypermarkets China RtMart	368
SPAIN	58
FRANCE	121
HUNGARY	19
ITALY	48

LUXEMBOURG	0
POLAND	75
PORTUGAL	20
ROMANIA	33
RUSSIA	96
TAIWAN	22
UKRAINE	11
TOTAL	947

OFFERING PRODUCTS THAT DO NOT THREATEN BIODIVERSITY

Auchan Retail has been working for 10 years to sustainably preserve fish resources, by avoiding overfishing and protecting the environment:

- The foundations for a responsible fishing policy were laid in France in 2006.
- 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 working to have a ban placed on the capture of sharks solely for their fins.
- Deepwater species were also removed from Auchan Retail's shelves at the end of 2013 to help preserve scarce resources.

TUNA, INCREASED VIGILANCE FOR A RESOURCE UNDER STRAIN

When it comes to its own brands, Auchan Retail upholds best fishing practices and the efficient management of fish resources to help sustain tuna populations:

- It requires full traceability of tuna-based products (fishing zone, species, method of capture and fishing fleet) and refuses IUU⁴¹ products. This entails sourcing from diversified fishing channels. Auchan Retail started stocking a first pole-and-line caught product in 2016. The sourcing of tuna caught without the use of FADs⁴² increased by 10 points between 2016 and 2017.
- The production of discount products incorporating "albacore" tuna⁴³ has been suspended.

- Data compiled by RFMOs⁴⁴ on the availability of stocks (biomass and fishing mortality) will be closely monitored before making sourcing decisions. To substantiate its decisions, Auchan Retail will refer to the ISSF's report on the status of stocks⁴⁵.
- It will support and promote the scientific evidence relied upon by RFMOs to manage tuna stocks and their eco-system.
- It will also support the scientific initiatives of the ISSF⁴⁶ aimed at improving sustainable management of global tuna stocks, and will notably undertake to work only with suppliers who have registered their fleets in the PVR⁴⁷.

⁴¹ Illegal, Unreported and Unregulated.

⁴² Fish Concentration Device

⁴³ Yellowfin

⁴⁴ Regional fisheries management organisations

⁴⁵ The International Seafood Sustainability Foundation's "Status of the World Fisheries for Tuna" report

⁴⁶ International Seafood Sustainability Foundation

⁴⁷ ProActive Vessel Register



The countries in the Mediterranean area have gone further in their efforts to address this issue, by drawing up responsible fishing policies and taking innovative measures.

Auchan Retail Spain has created a working group that brings together a number of representatives of the retailing industry and NGOs to create a comprehensive assessment and traceability method to ensure the protection of marine resources. The objective is three-pronged:

- To exert pressure on suppliers so that they take the sustainability of the resource into account in their sourcing methods and make the necessary improvements;
- To raise awareness of the importance of responsible fishing among customers and society in general;
- To lobby public authorities to, for instance, allocate a

proportion of the subsidies granted to the fisheries sector to the preservation of resources.

Auchan Retail France has teamed up with Innovafeed, a start-up that produces meal for fish farms that is derived from insects, helping to cut down on the overfishing of forage fish⁴⁸ as feed for such farms. This partnership has led to the creation of a supply channel for trout fed on insect meal. This fish will go on sale in 2018.

Auchan Retail is also working with The Forest Trust (TFT) in relation to palm oil and charcoal. This led to the determination of a "palm oil footprint" in 2016. This indicator measures the volume of palm oil used in the composition of own-brand products and maps its provenance and distribution by importer and by producer.



SPECIAL SECTION

Forest policy

Around 15 million hectares of forest disappear every year across the planet. Forests are vital for humans as they make up 30% of the planet's surface, house 80% of the world's biodiversity and provide a home and a living for 350,000 people. Poor forest management and the growing demand for forest resources are threatening rainforests and peatlands as well as zones with a high conservation value (HCV).

In keeping with its ethics and its social responsibility as a business, Auchan Retail wants to shape a forest policy that ensures the sustainability of the resources that it sources and safeguards them for the future.

Given the complexity involved in fulfilling its "zero deforestation" ambition and the constant emergence of new issues, Auchan Retail is working with interested parties and experts to better understand their needs and aspirations and to come up with suitable ways to move forward together.

TFT (an international non-profit organisation that works to improve supply chains and tackle deforestation), in particular, has been working with Auchan Retail since 2011 to help it implement its forest policy and make constant improvements. This policy has been focusing on products derived from wood where the ability to take action and seek specialised expertise are greatest: charcoal, palm oil, paper (stationery, toilet paper, disposable products, documentation), and home furniture and garden furniture.

As part of its forest policy, Auchan Retail expects its suppliers to ensure and verify that the above materials sourced from wood or vegetable fibres are:

- Legally harvested, purchased, transported and exported from their country of origin;
- Traceable via the supply chain back to the original harvesting source;

- Harvested in ways that do not pose a threat to high conservation value (HCV) zones, including peatland and Intact Forest Landscape (IFL) ecosystems;
- Harvested outside of High Carbon Stock (HCS) forests and zones where these forests have been converted into land for other crops and plantations;
- Not taken from species of wood that are included on the IUCN⁴⁹ Red List of Threatened Species;
- Not taken from species included in Appendices 1, 2 and 3 of the CITES⁵⁰;
- Sourced in strict compliance with the rights of the indigenous peoples and rural communities to own and control the land under statutory or customary tenure, including their right to give or refuse to give their Free, Prior and Informed Consent (FPIC) to the proposed development of their land;
- Sourced in compliance with the rights and safety of workers, without forced or child labour and without discrimination. The workers must have freedom of association.

In 2018, Auchan Retail will issue notice or reminders of each of these measures to all of its suppliers of wood products. It will thus be able to demand proof of the legality and traceability of the products by reference to their respective risk assessments, which will be reassessed each year based on the criteria set out in the previous paragraph. If Auchan Retail finds that one of its suppliers is in breach of its forest policy, it will assess the incriminating elements and then take steps to remedy the situation. If the supplier fails to make the required improvements within the set time frame, or does not go far enough with such improvements, Auchan Retail reserves the right to reconsider its commercial relationship with that supplier.

⁴⁸ Forage fish are small fish that serve as food for carnivorous fish

⁴⁹ International Union for the Conservation of Nature

⁵⁰ Convention on International Trade in Endangered Species of Wild Fauna and Flora





SOLIDARITY

Auchan Retail, Immochan and Oney operate in a variety of countries, which leads to great diversity in terms of cultural references, economic or social contexts and in the 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 through a series of day-to-day, local actions relying on solid partnerships and ties with a number of foundations.

CONTENTS

IMPLEMENTING LOCAL SOLIDARITY INITIATIVES	62
OVERVIEW OF THE ACTION OF THE FOUNDATIONS IN 2017	63
AUCHAN YOUTH FOUNDATION	63
"A TASTE FOR SHARING" FOUNDATION (SUPERMARKETS, FRANCE)	64
IMMOCHAN FOUNDATION FOR SOCIAL ENTREPRENEURSHIP (FRANCE)	64
AUCHAN GENERATIONS FOUNDATION (RUSSIA)	65
THE WEAVE OUR FUTURE (WOF) FOUNDATION	66

IMPLEMENTING LOCAL SOLIDARITY INITIATIVES

Every site is a place for encounters, sharing and discussions with the community, and for creating social connections by consulting with and involving stakeholders. A large number of solidarity initiatives are, for this reason, led in stores, sometimes appealing to the generosity of customers.

Food parcels are collected in all Auchan Retail countries and distributed to people in need. In Spain, for instance, breakfast and snack "kitchens" have been running for five years now. With the help of the Spanish Red Cross, Auchan Retail, Immochan and Oney Spain supplied 1,350,000 snack packs to around 13,500 children. During the "Moon Festival" in Taiwan, 600 boxes of biscuits traditionally consumed during this celebration were collected and distributed to people in need.

Beyond the solidarity aspect, collections of non-food products play a part in fuelling the circular economy, as they are a way to recover items and often to recycle them for re-use. School supplies collections are also run, such as in Russia, when Auchan Retail organised a "School for Everyone" campaign. As part of this campaign: 100 participating hypermarkets and 43 supermarkets collected 147,864 items (school bags, pens, pencils, etc.) with a total value of €31,799⁵¹. These supplies were distributed to 7,926 children.

In France, Auchan Retail is partnering the association Le Relais, with which it has been organising clothes collection campaigns through special bins placed in stores. All French hypermarkets will be running a used jeans collection campaign in 2018. Le Relais gives these items a second life, either by donating them to associations and charity thrift shops or by transforming them into cloths or insulation materials.

Toys are also collected, for example in Ukraine, where "wish trees" are set up in hypermarkets every Christmas. The children at orphanages that participate in the scheme are asked to write down what they would like for Christmas. Their wishes are then hung on the Christmas trees in each store and customers are invited to pick a gift to offer a child or make a donation to cover the cost of a gift. Thanks to this scheme, 462 children had their wishes come true in 2017.

Auchan Retail Italy has been working alongside the Telethon for the past 15 years. 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.

Donations from the 2017 campaign: €2,075,179 to fund an association that finances research into orphan diseases.

Alongside these initiatives, more spontaneous operations are also organised. One of these is the BOOST campaign in China. The suppliers of certain products listed in the catalogue donate the equivalent of €0.15 for each item purchased to a charity supported by Auchan Retail. Auchan Retail China has teamed up with CFPFA (China Foundation for Poverty Alleviation) to help 10 local primary schools build modern equipped kitchens. Thanks to the €70,600 euros⁵² collected by the company, more than 2,460 school children will be able to enjoy a balanced meal when they go to school.

VOLUNTEERING THROUGH "OPEN YOUR MIND" DAYS

In July 2017, Wilhelm Hubner, General Manager of Auchan Retail, expressed a wish that, starting in 2018, all employees be given the opportunity to volunteer for an association as often as one day per quarter. This will be done during work hours.

The aim will be to:

- Increase Auchan Retail's support for social initiatives that seek to promote healthy eating and living;
- Get employees behind a project with a human aspect that meets a need and conveys Auchan Retail's values;
- Tap into the skills and know-how of committed employees who want to put their expertise to use for a civic cause.

Each employee will be given the opportunity to propose a plan to help with one of the major causes identified, or to contribute to local efforts in favour of an existing cause, which may or may not already be supported by one of the Auchan Retail foundations.

This "Open Your Mind" initiative will be launched in all Auchan Retail countries on 7 April 2018 to coincide with World Health Day.

⁵¹ The equivalent of 2,186,322 roubles based on the exchange rate on 5 January 2018

⁵² The equivalent of 555,293 renminbi based on the exchange rate on 26 January 2018

OVERVIEW OF THE ACTION OF THE FOUNDATIONS IN 2017

> OVERVIEW OF THE ACTION OF THE FOUNDATIONS IN 2017

	Number of projects supported	Amount allocated in euros
Auchan Youth Foundation	69	708,018
"A Taste For Sharing" Foundation	27	180,083
Immochan Foundation	17	252,500
Auchan Generations Foundation	74	1,094,490
TOTAL	186	2,225,073

AUCHAN YOUTH FOUNDATION

The Auchan Youth Foundation was formed in 1996 under the umbrella of the Fondation de France charity. It provides support for community projects that help young people aged 5 to 25 living in the neighbourhoods and towns close to stores, in three areas: education, integration and healthcare.

In 2017, Régis Degelcke, newly-appointed Chairman of Auchan Retail's Board of Directors and of Auchan Holding's Supervisory Board, took over from Vianney Mulliez as Chairman of the Auchan Youth Foundation.

2017: A YEAR OF TRANSITION

The foundation, which celebrated its 20th anniversary in 2016, underwent a number of changes in 2017. In addition to the change of chairman, the purpose of the foundation was remapped in order to be fully in line with Auchan Retail's new business plan and its ambition to promote the consumption of "good, healthy, local" products. With this in mind, the foundation now supports solidarity initiatives in connection with healthy eating and healthcare, for young people in need.

HOW IT WORKS

The foundation is now up and running in 14 Auchan Retail countries, where it will work using a system of delegation. This system was chosen as it will give more leeway to the businesses in each country to select which initiatives to support, provide a more suitable response to the needs of local associations and operate in a more pragmatic fashion. In this way:

- The store teams will choose and investigate the projects to be supported;
- Depending on the number of applications received, a national selection committee may meet to decide on which projects to support. Through a system of dialogue, the persons making the decisions are better able to understand the social difficulties encountered and the nature of the needs expressed, before deciding whether the foundation can provide financial support;

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

TYPE OF PROJECTS SUPPORTED

During this transitional year, the projects supported by the foundation saw some overlap between its old and new areas of intervention.

- In the area of education and integration, the Fongshan store in Taiwan provided support for the Children Are Us Foundation, which works for the social inclusion of young adults with a mental disability. This year, funding for a scout camp enabled the participants to develop skills that they can draw on in both their personal and professional lives, such as teamwork, helping each other, etc.
- In Poland, the Nowy Sącz store supported the "Rainbow" association. This involved creating a vegetable garden and play area for children with a wide range of disabilities. The project combines fun activities and healthy eating awareness, with a focus on eating habits and health. The employees at the store had a huge part to play in this initiative, as they are the ones who created the vegetable garden. The members of the "Rainbow" association will use the funding provided by Auchan to organise fresh fruit juice demonstrations, print healthy recipe books, etc.
- In keeping with the foundation's new direction, the Luy Ban Bich store in Vietnam supported the "Planet and Development" association. This is the first initiative to be backed by Auchan Retail Vietnam and drew on the help of 33 employees. It seeks to improve the health and eating habits of children in Ho Chi Minh's Tan Phu district, notably through in-store healthy eating demonstrations.

In 2017, the Auchan Youth Foundation supported 69 projects with an overall budget of €708,018. Since being established, it has contributed to the development of 1,005 projects.

"A TASTE FOR SHARING" FOUNDATION (SUPERMARKETS, FRANCE)

The "A Taste For Sharing" foundation supports solidarity and social integration projects related to food and nutrition. It has funded 215 initiatives since being launched in 2009. In 2017, 27 associations received a total of €180,083.

This year, the foundation received applications for a number of initiatives to help people with a disability or an illness. In Gournay en Bray, it funded a refrigeration unit at the APAPS centre (association of parents and friends of people with a disability), enabling the residents to prepare their own meals. In Arras, Down Up works on social inclusion projects for the disabled, which includes the preparation of cookery videos for the mentally-impaired. In Sarreguemines, REHAB⁵³ has developed cookery workshops for people suffering from schizophrenia.

The foundation also supports initiatives that help forge social connections. In Montreuil-Sous-Bois, the "Le Fait Tout" ("cooking pot") association has opened a community coffee shop to promote high-quality nutrition. In Metz, the Fauve

association has opened a café-restaurant that provides training and employment for people who do not fall into the usual employment categories and sells locally-produced foods. The foundation helped finance the kitchen equipment for both of these initiatives.

It also continues to support structures that feed the poor: charity food stores and associations that prepare meals or distribute food packages. In Billom, Roanne and Toulouse, several social integration gardens and communal gardens benefited from the support of the foundation and from supermarket employees.

All the initiatives supported by the "A Taste For Sharing" foundation are developed in close proximity to a supermarket so that the employees can share their know-how. The personal investment of employees is the beating heart of the work of the foundation. In 2017, 16 employees volunteered to donate their skills to 6 associations for a total of 114 hours.

MIXITON – MINCED-BLENDED RECIPE COMPETITION

ARSLA⁵⁴ has been helping sufferers of ALS for over 30 years. In 2017, the association launched a nationwide competition to compile recipes with textures suited to people with swallowing disorders and help them to rediscover a taste for good food. With the help of caregivers and medical staff, more than 200 recipes were compiled and incorporated into a free mobile app available to all.

The "A Taste For Sharing" foundation financed the running of the competition and the provision of an employee's skills to design the graphics and promotional material for the initiative.

IMMOCHAN FOUNDATION FOR SOCIAL ENTREPRENEURSHIP (FRANCE)

The Immochan France Foundation was formed in 2009 under the umbrella of the Fondation de France to provide long-term support for social entrepreneurship. It reflects the values and the businesses of the entrepreneurs who operate in the Immochan shopping malls.

Social enterprises have three key aspects. For starters, they have a social, environmental or local purpose (combating exclusion, unemployment or disability; promoting a region via a public interest project). Their economic agenda involves creating jobs, social connections and wealth. They employ an open, participatory and responsible management approach, with limited returns on investment and remuneration of managers.

The foundation is working in more than 90 urban areas in France, with a view to:

- Helping to create and develop social enterprise: it can provide seed investment or give entrepreneurs an

opportunity to showcase themselves in shopping malls under short-term arrangements, so that they can make themselves known to the public;

- Establishing a special link with networks of entrepreneurs;
- Helping social entrepreneurs explore their options before deciding where to locate their business.

The foundation has supported more than 115 projects since 2009. One in three employees have donated their time and skills to one of these projects, something that is central to the foundation's policy. 17 projects were funded in 2017, equating to an overall budget of €252,500. This year, for instance, the foundation decided to finance the "100th MONKEY" initiative. This project, led by 11 volunteers, involves rehabilitating an old farm on the outskirts of Toulouse to turn it into a state-of-the-art workplace. A co-working space will be designed for people living in the suburbs who no longer want to spend several hours a day on public transport. A micro-vegetable farm, guest rooms and an agricultural

⁵³ *Regaining a taste for Enterprise, a Home, Autonomy and a state of well-Being*

⁵⁴ *Association for research into Amyotrophic Lateral Sclerosis and other motor neuron disorders*

testing area will be developed to cultivate a diverse range of professional activities and preserve local biodiversity. The €12,000 allocated by the Immochan Foundation helped

make the crowdfunding scheme a success and will be used to develop a pond and an artesian well⁵⁵ and to fit out the office space.

CREENSO AWARDS

The IESEG business school and the Immochan Foundation organised the sixth CREENSO (Creation of Social Enterprise) awards in May 2017.

This year, 59 applications were received, 15 of which were selected to receive the support of a masters student for one year, putting his/her expertise to use in key areas of their training (marketing, communication, audit, management control, human resources, etc.), depending on the requirements of the project. An overall budget of €20,000 was shared between the top three projects.

This year, the first price went to a start-up called CETTE FAMILLE: a web platform that can put elderly people who do not wish to live in a retirement home in contact with host families who are willing to welcome them into their home.

AUCHAN GENERATIONS FOUNDATION (RUSSIA)

The Auchan Generations Foundation was formed in Russia in 2011 to reinforce Auchan's social responsibility in areas in which it intends to remain for the long term. In 2017, the foundation supported 74 projects with an overall budget of €1,094,490. It supports projects aimed at helping young people and children in three areas:

To help children in need, for instance, it financed a sensory stimulation room in 2017 at the Tshelyabinsk (Ural) educational centre for the disabled. This room is designed to enhance the physical, intellectual and emotional development of disabled children, by stimulating their senses through light, colour, sound, smell and touch.

The foundation has also funded sports facilities and equipment to incite people to participate in sport and live a healthier life. It provided €27,400 in funding to develop a

playing field for a boarding school in Omsk, Siberia, where 213 children will be able to use the facility. It granted €20,400 to the Tsementni sports association to purchase hockey and ski equipment for 460 children.

In order to develop programmes related to retail professions, the foundation sponsored a "Pastry Chef" competition held at eight Russian hypermarkets. This involves inviting young bakers' apprentices to come to the stores and prepare a set recipe chosen by Auchan followed by a recipe of their choice. A jury, made up of store employees, chooses the best recipes and selects a winner from the apprentices and the training institutions that they represent. These schools receive the equivalent of €2,140 to purchase kitchen equipment. In 2017, 96 apprentices and 32 schools took part in the competition.

THE FOUNDATION'S FLAGSHIP PROJECT

The Auchan Generations Foundation organised the "World Around Me" camp for the fifth consecutive year. This involves taking orphaned children from the Moscow area to the countryside to explore nature and enjoy a wide variety of fun activities on various themes such as cookery, drawing, medicine and ecology.

From 28 May to 10 June 2017, 165 orphans aged between 9 and 17 were taken on a 2-week break. 80 Auchan employees took part in this rewarding human adventure as instructors.

⁵⁵ An artesian well is a type of free-flowing well that does not require a pump, where the water rises naturally from the water table

THE WEAVE OUR FUTURE (WOF) FOUNDATION

The WOF Foundation was formed in April 2014 under the umbrella of the Fondation de France to provide support, through local NGOs, for initiatives that seek to improve the working and living conditions of workers and their families, in the textile and general merchandise industries in the least developed countries. It has three main missions:

- Helping to drive progress in labour-related issues at partners in manufacturing industries, such as the textile and general merchandise sectors;
- Working with factory owners to make concrete improvements in the working and living conditions of workers;
- Supporting development initiatives through stakeholders such as NGOs, government agencies, the International Labour Organization, etc.

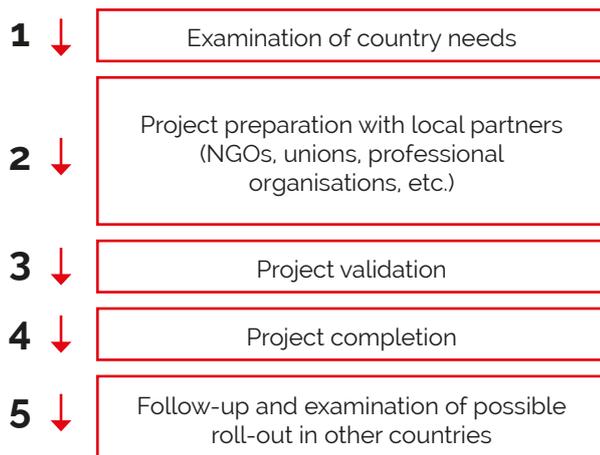
ORGANISATION OF THE FOUNDATION

With a five-year budget of \$7.5 million, WOF provides financial support for initiatives in the areas of healthcare, social protection, training and education;

Its executive committee is composed of qualified people chosen within Auchan, a representative of the Fondation de France and three recognised external experts:

- Marie H el ene Boidin Dubrulle (Member of the CESE⁵⁶);
- Fr ed eric Tiberghien (counsellor of state, honorary chairman of the ORSE⁵⁷);
- Jean Fran ois Trogrlic (former Director of the ILO in France).

HOW THE FOUNDATION OPERATES



ACTIONS AND PROJECTS

Since it was created, the foundation has provided assistance in four countries: Bangladesh, Cambodia, Vietnam and Myanmar, soon to be followed by Ethiopia. That makes a grand total of 17 projects financed more than 200,000 workers in 170 factories. Through this backing, and always in keeping with government objectives in the countries in which it intervenes, the Weave Our Future Foundation works to protect the health of working populations (social protection, training, labour dialogue, etc.) by improving the provision of on-site or off-site care, in conjunction with local partners who are committed to such causes, to ensure that the projects can be perpetuated.

In Bangladesh for instance, a pilot healthcare coverage scheme was launched for 10,000 workers in the north of Dhaka, thanks to the financial support and involvement of WOF with the NGO, GK Savar⁵⁸. The success of this scheme is all down to cooperation with three other local partners: SNV⁵⁹, which is helping GK Savar manage the project, RTM (Research Training & Management International), which is looking after follow-up and assessment of the pilot project and, even more importantly, the cooperation of the largest partner factory: Echotex, whose managers have been rewarded for their many social responsibility initiatives. With the support of the WOF Foundation, the participation of factory owners and inexpensive healthcare coverage, workers will have free access to healthcare for the most common illnesses, including ophthalmic and dental care.

Another example of the foundation's work relates to the International Labour Organization's flagship programme to promote social protection floors across the world: WOF signed the first public-private partnership with the International Labour Office of Cambodia to support the advertising campaign for the National Social Security Fund. This social security fund is already in place but the population is not sufficiently aware of its existence, such that it is currently underexploited. The promotional/awareness campaign should help extend subscription to the fund to all 1,100,000 workers in the country and make it easier for them to access care. In parallel, the WOF Foundation is working with local associations to broaden the impact of the campaign.

⁵⁶ French economic, social and environmental council (Conseil Economique, Social et Environnemental)

⁵⁷ French study centre for corporate social responsibility (Observatoire de la Responsabilit  Soci tale des Entreprises)

⁵⁸ Gonoshasthaya Kendra is a medical association that has been working since 1972 to facilitate access to healthcare and improve the health of the most vulnerable members of the population

⁵⁹ SNV Netherlands Development Organisation is a Dutch NGO founded in 1965 to alleviate poverty in developing countries





APPENDICES

CONTENTS

METHODOLOGY	70
CORRESPONDENCE TABLE	73
REPORT OF THE INDEPENDENT THIRD-PARTY BODY	76

METHODOLOGY

ORGANISATION OF CSR REPORTING

In every country, a CSR manager is in charge of circulating environmental and social reporting instructions to all sites and divisions falling within his/her 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. He/She has data consolidation tools at his/her 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.

A CSR-specific software application was deployed in September 2015 to handle the data escalation and verification process. 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.



These two complementary organisations work together closely to organise the reporting process and check the information that they are given before the corporate team produces this document.

LABOUR INFORMATION

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 (Code de commerce) and all companies it controls within the meaning of Article L.233-3 of that code.

As regards the Auchan Retail France scope, the quality of the data reported for Auchan.fr and Auchan Direct is not satisfactory due to the ongoing merger of the different HR information systems. To ensure that the reported data is reliable, the decision was made to exclude the data reported by these two entities in respect of all labour-related indicators. They employ 209 and 255 people respectively, corresponding to 0.6% of the Auchan Retail France workforce and 0.13% of the overall workforce for Auchan Holding. This implies a coverage rate of 99.9% for the HR information disclosed in this document.

Unless otherwise specified for each indicator, the data is calculated as at 30 September 2017. The disability,

occupational illness and training indicators are calculated on the basis of data for calendar year 2016. The calculation of these 3 indicators is entirely or partially based on information provided by structures that are independent from Auchan (i.e. training bodies or official bodies recognising a disability or the work-related nature of an illness). Given the time required for cases to be processed and for data to be provided by these entities, Auchan Holding, in the interests of reliability, publishes these three indicators with a delay of one calendar year. A number of solutions are being explored (digital scanning of documents, changes to the definitions applied for these indicators, introduction of estimation rules, etc.) to shorten data collection times and ultimately report on the three indicators for the reporting period under consideration.

DATA 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. This guide explains

the methodologies to be applied for the collection and verification of indicators: definitions, methodological 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.

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 holding company level. Inconsistencies and errors are reviewed with each business and corrected before consolidation.

ENVIRONMENTAL INFORMATION

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 all 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.⁶⁰

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 following limitations apply:

- Only the commercial sites are included in the calculation of the indicators. Logistics sites, support 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.

The environmental indicators are monitored site by site. The exclusion of data deemed unreliable implies the calculation of a coverage ratio for each indicator.

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 (see below).

Changes in the scope of the reporting exercise, in thousands of sq. m. of surface area

At 30/09/2015	At 30/09/2016	At 30/09/2017
10,326.34	11,394.93	11,698.21

Changes in the scope of the reporting exercise, in number of sites

At 30/09/2015	At 30/09/2016	At 30/09/2017
1,989	2,192	2,263

The calculations of the indicators and any changes thereto are categorised by activity and by geographical region and explained in the environmental chapter.

Unless otherwise specified for each indicator, the data is calculated from 1 October 2016 to 30 September 2017.

⁶⁰ The drive-through outlets are included

DATA COLLECTION METHODS

For qualitative data, the policies and actions implemented in the countries are reported via the software tool developed for that purpose 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. This guide 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 explains the methodologies to be applied in the collection of indicator data: definitions, scope, measurement units, calculation formulas, etc. KPIs are reported via the software tool, which incorporates alert systems as described in the next section.

DATA VERIFICATION

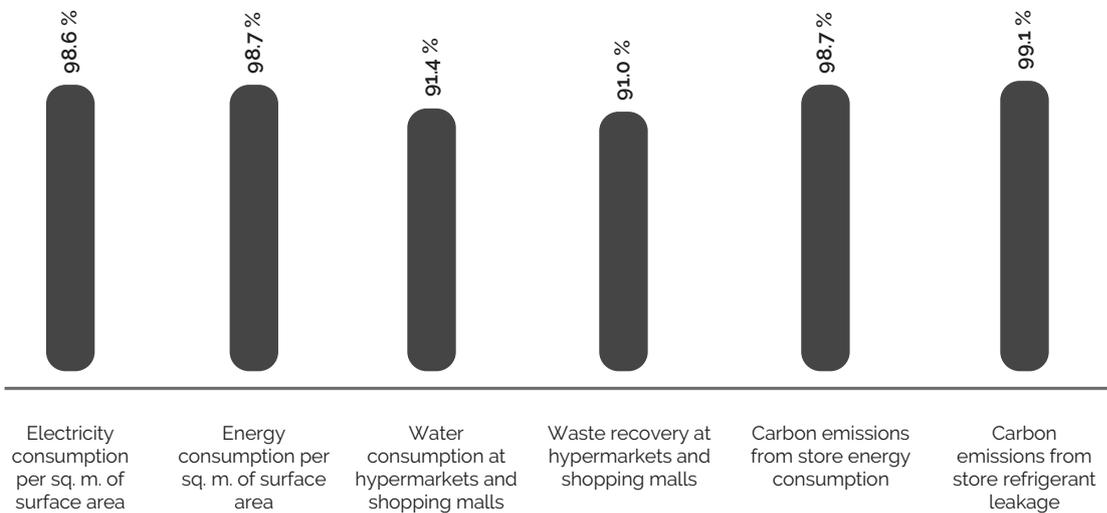
Each assigned manager is responsible for reporting the data for their entity for the purposes of calculating the indicators. He/She uses a software tool for this that includes two levels of alert:

- 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 before consolidation. When, in spite of these controls, data does not appear to be sufficiently reliable or the substantiations do not appear to be sufficiently convincing, the International CSR Committee excludes the data from the calculation of the ratios disclosed in this document. A coverage rate, based on square metres of surface area, is published to give the reader a clearer picture of what the disclosed data represents.

> Coverage rate for the main indicators; %



CORRESPONDENCE TABLE

ARTICLE 225 GRENELLE 2

VOLET SOCIAL		
THEMES	SECTION OF THE REPORT (PAGE NUMBER)	TABLE OF CORRESPONDING INDICATORS
EMPLOYMENT		
Total workforce and breakdown of employees	Workforce breakdown and analysis - p.6	- Trends in the workforce by business
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.17	- Breakdown of the workforce between Women/Men by geographical region - Breakdown of managers between Women/Men 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.9	- 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.19	- 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.19	- Change in personnel costs including temporary employees by geographical region/revenue before tax
ORGANISATION OF WORK		
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	Providing health and safety for everyone at work - p.11	- Trend in the rate of absenteeism due to illness by geographical region - Number of occupational illnesses by geographical region
LABOUR RELATIONS		
Organisation of labour dialogue	Labour dialogue as a lever for social progress - p.18	- Number of meetings with employee representatives by geographic region
Overview of collective agreements	Labour dialogue as a lever for social progress - p.18	- No specific indicator
HEALTH AND SAFETY AT WORK		
Health and safety conditions at work	Providing health and safety for everyone at work - p.11	- Number of workplace accidents by geographical region - Number of occupational illnesses by geographical region
Frequency of workplace accidents	Providing health and safety for everyone at work - p.11	- Number of workplace accidents by geographical region - Change in the accident frequency rate by geographical region
Severity of workplace accidents	Providing health and safety for everyone at work - p.11	- Number of workplace accidents by geographical region - Trend in the rate of severity of workplace accidents by geographical region
Occupational illnesses	Providing health and safety for everyone at work - p.11	- Number of occupational illnesses by geographic region
TRAINING		
Training policy implemented	Contributing to the personal development of each employee - p.8	- 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
Total number of training hours	Contributing to the personal development of each employee - p.8	- 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	Encouraging gender equal opportunity - p.17	- Breakdown of the workforce between Women/Men by geographical region - Breakdown of managers between Women/Men by geographical region
Policies and measures taken in favour of integrating people with disabilities	Fostering and supporting the integration of people with disabilities - p.15	- Percentage of employees with a disability by geographic region
Anti-discrimination policies and measures	Making diversity an asset for the company - p.15	- 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.18	- No specific indicator applied
Elimination of discrimination in relation to employment and profession	Making diversity an asset for the company - p.15	- No specific indicator applied
Elimination of forced or compulsory labour	Upholding the general principles and standards of the ILO - p.40 Making ethics a shared corporate concern - p.40 Tackling corruption - p.40 Enhancing production site traceability - p.45 Supporting initiatives for progress - p.46	- No specific indicator applied
Effective abolition of child labour	Upholding the general principles and standards of the ILO - p.40 Making ethics a shared corporate concern - p.40 Tackling corruption - p.40 Enhancing production site traceability - p.45 Supporting initiatives for progress - p.46	- No specific indicator applied
ENVIRONMENTAL SECTION		
THEMES	SECTION OF THE REPORT (PAGE NUMBER)	TABLE OF CORRESPONDING INDICATORS
GENERAL ENVIRONMENTAL POLICY		
Organisation of the company	Developing the governance of CSR policies - p.24	- No specific indicator applied
Evaluation/certification approach	Developing environmental site management - p.36	- Number of ISO 14001 certified sites - BREEAM surface
Employee training initiatives	Developing the governance of CSR policies - p.24	- No specific indicator applied
Resources allocated to environmental risk and pollution prevention	Adapting to the consequences of climate change by limiting the related risks - p.32	- No specific indicator applied
Amounts of provisions and guarantees for environmental risks	Adapting to the consequences of climate change by limiting the related risks - p.32	- No specific indicator applied
POLLUTION		
Measures to prevent, reduce and compensate for pollution that severely affects the environment	Adapting to the consequences of climate change by limiting the related risks - p.32	- No specific indicator applied
Specific measures for noise and other types of pollution	Reducing the impact of modes of transport - p.33 Minimising noise pollution from activities - p.49 Contributing to biodiversity protection - p.37 Limiting the environmental impact of products - p.56	- 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	Optimising waste management and promoting the circular economy - p.24	- 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.27	- Trend in the damage rate for fresh produce at supermarkets
Water consumption and water supply based on local limitations	Promoting sensible water use - p.31	- Breakdown and trend in water consumption by core business and by geographical region
Consumption of raw materials and measures taken to improve their efficient use	Limiting the environmental impact of products -p.56	- Number of self-service discount sections
Energy consumption and measures taken to improve its efficient use	Optimising and reducing our energy consumption -p.28 SPECIAL SECTION:Auchan Retail reiterates its commitment to climate protection at the One Planet Summit - p.31	- 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	Optimising and reducing our energy consumption - p.28 SPECIAL SECTION: Auchan Retail reiterates its commitment to climate protection at the One Planet Summit - p.31 Developing the governance of CSR policies - p.24	- 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 - Number of ISO 14001 certified sites
Land use	Adapting to the consequences of climate change by limiting the related risks - p.32 Contributing to biodiversity protection - p.37	- No specific indicator applied

CLIMATE CHANGE		
Greenhouse gas emissions	Measuring the carbon footprint of commercial sites - p.34 Reducing the impact of modes of transport - p.33 Assessing and lowering the carbon footprint of own-brand products - p.56	- Greenhouse gas emissions linked to energy consumption, in tonnes CO2e - Greenhouse gas emissions linked to energy consumption, per sq. m. of commercial surface area - Greenhouse gas emissions linked to refrigerant leaks, per sq. m. in kg CO2e - Greenhouse gas emissions by stores, in kg CO2e per sq. m - No specific indicator applied - No specific indicator applied
Main areas in which the company's operations generate greenhouse gas emissions	Measuring the carbon footprint of commercial sites - p.34 Reducing the impact of modes of transport - p.33 Assessing and lowering the carbon footprint of own-brand products - p.56	- Greenhouse gas emissions linked to energy consumption, in tonnes CO2e - Greenhouse gas emissions linked to energy consumption, per sq. m. of commercial surface area - Greenhouse gas emissions linked to refrigerant leaks, per sq. m. in kg CO2e - Greenhouse gas emissions by stores, in kg CO2e per sq. m - No specific indicator applied - No specific indicator applied
Adaptation to the consequences of climate change	Adapting to the consequences of climate change by limiting the related risks - p.32	- No specific indicator applied
PROTECTION OF BIODIVERSITY		
Measures taken to protect and develop biodiversity	Contributing to biodiversity protection - p.37 Offering products that do not threaten biodiversity - p.57 SPECIAL SECTION: Forest policy - p.58	- No specific indicator applied
SOCIAL SECTION		
THEMES	SECTION OF THE REPORT (PAGE NUMBER)	TABLE OF CORRESPONDING INDICATORS
REGIONAL, ECONOMIC AND SOCIAL IMPACT OF THE BUSINESS		
Impact in terms of employment and regional development	Ensuring that stakeholders' views are heard and taken into consideration - p.42 Prioritising local sourcing - p.47 Forming sustainable partnerships with SMEs and small producers - p.48	- No specific indicator applied
Impact on neighbouring and local populations	Ensuring that stakeholders' views are heard and taken into consideration - p.42 Minimising noise pollution from activities - p.49 Reducing the impact of modes of transport - p.33	- No specific indicator applied
RELATIONS WITH STAKEHOLDERS		
Conditions for dialogue with stakeholders	Ensuring that stakeholders' views are heard and taken into consideration - p.42 Listening to our customers - p.55	- No specific indicator applied
Partnership and sponsorship initiatives	Chapter on solidarity - p.61	- Overview of the action of the foundations
OUTSOURCING AND SUPPLIERS		
Integration of social and environmental issues in the purchasing policy	Organising dialogue with stakeholders - p.40 Promoting value creation through a responsible approach - p.43	- No specific indicator applied
Importance of outsourcing and integration of CSR in relationships with suppliers and subcontractors	Organising dialogue with stakeholders - p.40 Promoting value creation through a responsible approach - p.43 SPECIAL SECTION: Plan to combat opaque outsourcing - p.45	- Number of ICS audits completed and commissioned by Auchan in 2017. - Number of factories shared with Auchan that were audited by other ICS members in 2017
FAIR PRACTICES		
Initiatives taken to prevent corruption	Making ethics a shared corporate concern - p.40 Tackling corruption - p.40 FOCUS: SAPIN II LAW: Auchan Retail reinforces the tools at its disposal to tackle corruption - p.40	- No specific indicator applied
Measures taken in favour of consumer health and safety	Committing to customer health - p.52	- Number of own-brand products labelled in Braille
HUMAN RIGHTS		
Actions undertaken in favour of human rights	Upholding the general principles and standards of the ILO - p.40	- No specific indicator applied

REPORT OF THE INDEPENDENT THIRD-PARTY BODY

Auchan Holding S.A.
34, avenue de Flandre 59 170 Croix

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

Financial year ended 31 December 2017

To the Shareholders,

In our capacity as an independent third-party body for Auchan Holding accredited by the COFRAC under number 3-1049⁶¹, we present to you our report on the consolidated labour, environmental and social information concerning the financial year ended on 31 December 2017, 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 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).

However, it is not our place to express an opinion on whether other applicable legal requirements are met, particularly those provided for in Article L. 225-102-4 of the French commercial code (Code de Commerce) (vigilance plan) and by the "Sapin II Law" (No. 2016-1691) of 9 December 2016 (tackling corruption).

Our work called on the expertise of seven people and was carried out between October 2017 and Mars 2018, over the course of around 6 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.⁶²

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.

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.

⁶¹ Accreditation scope available at www.cofrac.fr

⁶² ISAE 3000 – Assurance engagements other than audits or reviews of historical information

2. Reasoned opinion on the fair presentation of CSR Information

Nature and scope of the work

We conducted interviews with a twenty individuals responsible for preparing the CSR Information within the 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.

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 important⁶³:

- 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 selected⁶⁴ 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 25% and 51% of the quantitative environmental data considered characteristic, in scale, of the labour and environmental data⁶⁵.

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, on march 13 2018

KPMG S.A.

Anne Garans
Partner
Sustainability Services

Hervé Chopin
Partner

⁶³ *Labour information:* Total workforce and breakdown by age, gender, type of contract and geographical region; Proportion of women holding a management position; Breakdown of workforce under full-time/part-time contracts; Number of new hires under permanent contracts; Number of dismissals under permanent contracts; Rate of absenteeism due to illness; Frequency and severity of workplace accidents; Number of training hours. *Environmental information:* Energy consumption (electricity, gas) by surface area; Emissions linked to energy consumption; Emissions linked to refrigerant leaks; Recovered waste production; Rate of waste recovery at hypermarkets and shopping malls. *Qualitative information:* Health and safety conditions in the workplace; Training policies in place; Measures taken to facilitate the employment and inclusion of people with disabilities; Waste prevention, recycling and reuse measures and other forms of waste recovery and disposal; Initiatives to combat food waste; The degree of outsourcing and the incorporation into relations with suppliers and subcontractors of their positions on employee-related and environmental responsibility.

⁶⁴ Auchan Retail France, Auchan HYPER Poland, Auchan HYPER RTMart China.

⁶⁵ Here is the list of environmental indicators referred to in footnote No. 3 of this report



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