



2019 ANNUAL FINANCIAL REPORT AND NON-FINANCIAL PERFORMANCE STATEMENT



Auchan Holding

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Auchan Holding

Auchan Holding combines two companies and an equity investment which operate in complementary business lines: **Auchan Retail**, a new generation retailer; **Ceetrus**, which develops and manages sustainable, intelligent living spaces and stores.

With the support of Auchan Holding, each business line is taking a responsible approach to strengthening its positions on its core markets, by making profound transformations to achieve their vision, thanks to their **331,099 employees**.

Auchan Holding also holds an equity investment of 49.3% in **Oney Bank**, which since 2019 has benefited from the joint expertise of BPCE and Auchan Holding to speed up its growth and increase its presence in Europe in payment, finance and digital identification solutions

Auchan | RETAIL

Present in 14 countries, Auchan Retail covers all food retail formats (hypermarkets, supermarket, convenience stores and drive-throughs) with 2,293 points of sale. Auchan Retail places inhabitants at the heart of everything it does, offering them a “phygital” shopping experience, which combines physical stores with the digital ecosystem, and exclusive, high-quality products at the best price.

New generation retailers, “players for what is good, healthy and local” market, the **329,694 Auchan Retail employees** help everyone to live better by eating better, by way of a responsible approach with all their stakeholders (customers, producers, suppliers, associations, start-ups, etc.)

KEY FIGURES*

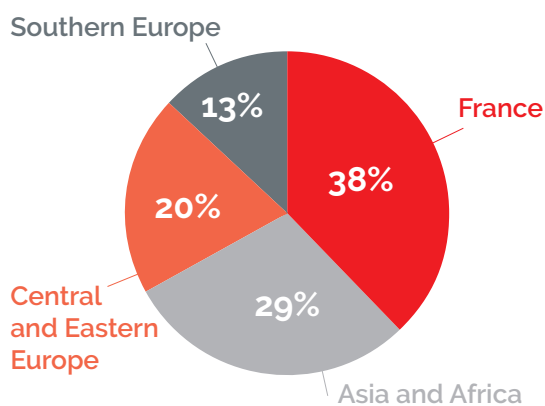
SALES
€46.4bn

BREAKDOWN OF SALES BY BUSINESS LINE

Auchan | RETAIL
98.7%

CEETRUS
1.3%

SALES BY GEOGRAPHICAL AREA



**Presence
in 15 countries
ON 3 CONTINENTS**

* Excluding Oney Bank. On 22 October 2019, Auchan Holding completed the disposal of 50.1% of the capital of Oney Bank to BPCE, which is now consolidating this entity.

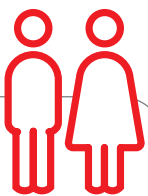


Involved in a transformation process since 2016 and driven by its 2030 Vision, Ceetrus continues to move from a commercial property company to a mixed use property developer. Ceetrus has set itself the aim of helping develop social ties that will drive the city of the future, creating sustainable, connected and lively living spaces and stores. This evolution is taking shape primarily on existing commercial sites. With the aim of enhancing their value and attractiveness to contribute to the success of its traders and partners, Ceetrus reinvents commercial sites by integrating housing, offices, leisure and urban infrastructure. Keeping a close eye on the city, the company also works with new programmes to provide each region with a comprehensive and tailored urban solution. The company has: **950 employees**.



On 22 October 2019, Auchan Holding completed the disposal of 50.1% of the capital of Oney Bank to BPCE, which is now consolidating this entity.

Oney Bank will now benefit from the joint expertise of BPCE and Auchan Holding to speed up its growth and increase its presence in Europe in payment, finance and digital identification solutions.



331,099

EMPLOYEES

of which **234,342**
shareholding
employees

AUCHAN RETAIL
329,694

Employees

CEETRUS
950

Employees

**OPERATING PROFIT
FROM CONTINUING
OPERATIONS**

2019

1,042 M€

EBITDA⁽¹⁾ :
2019

2,913 M€

**NET FINANCIAL
DEBT**

2019

3,870 M€

(1) EBITDA is defined as Operating profit from continuing operations excluding other recurring operating profit and expenses, depreciation, impairment and provisions.

Our ambition

provide a phygital shopping experience combining the best aspects of brick-and-mortar stores with the digital ecosystem to improve quality of life for local residents. Actively committed to good, healthy and local

RESOURCES

FINANCIAL

- Turnover: **45.8 billion €**
- EBITDA: **2.5 billion €**

REAL ESTATE

- Number of sales outlets under brand name: **2,293** in **14 countries**

HUMAN

- Number of employees: **329,694**
- Percentage of women managers: **49.6%**
- Percentage of employees with disabilities: **2.98 %**
- Number of meetings between management and staff representatives: **9,658**

SOCIETAL

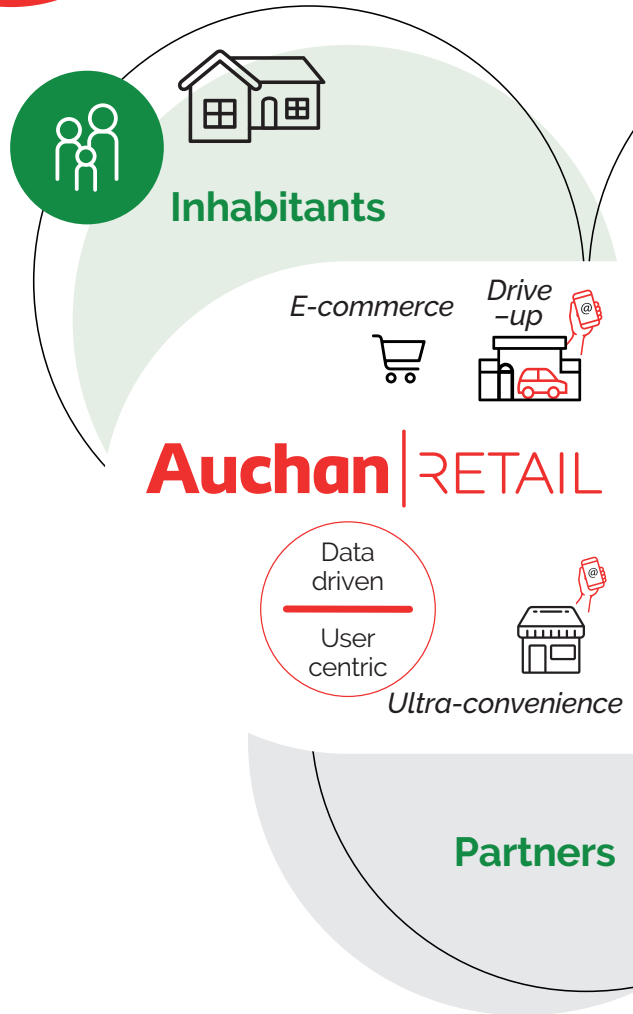
- Number of social audits on international suppliers: **1,127**
- Signatory of the Global Compact, member of the Consumer Good Forum and the Initiative for Compliance and Sustainability
- **2.5 million €** allocated to foundations

ENVIRONMENTAL

- Energy consumption: **1,313 KWh/sq m** of surface
- Waste production in hyper: **685,409 tons**

Select and design a unique, fair and responsible offer

STRATEGIC



3 CSR COMMITMENTS To meet the

- 1 Encourage healthy eating
- 2 Fight food waste and the use of plastic
- 3 Control our carbon footprint

products, our teams, suppliers and producers offer a range of responsible, fair solutions, products and services - bringing people together, creating experience and improving the quality of life through better eating.

PILLARS

Create relationships and experiences

Employees



requirements

OF OUR KEY STAKEHOLDERS

Non-profits	Trade unions	Suppliers of Auchan brand products
Partners in sector	Industrial partners	Local national and international authorities
		Local producers

VALUE CREATION

FINANCIAL

- Number of employee shareholders: **233,605**

HUMAN

- Percentage of internal promotion from non-managers to managers: **31.39%**
- Share of permanent employee in total workforce: **73.52%**
- Number of training hours per employee: **30.7**
- Share of full-time employees in total workforce: **82.63%**

SOCIETAL

- 229 projects** supported by foundations

CLIENT

- Net promoter score: **42** (operational in 8 countries)

ENVIRONMENTAL

- Evolution of carbon intensity of stores: **- 6.9 %**
- Evolution of store energy consumption per sq m of surface: **-3.3 %**
- Evolution of tonnage of recovered waste: **- 0.2 %**
- Evolution of waste recovery rate in hypermarkets: **+ 0,1 %**
- 35.2 million** plastic bottles collected for recycling in Auchan stores in France

SUSTAINABLE DEVELOPMENT GOALS

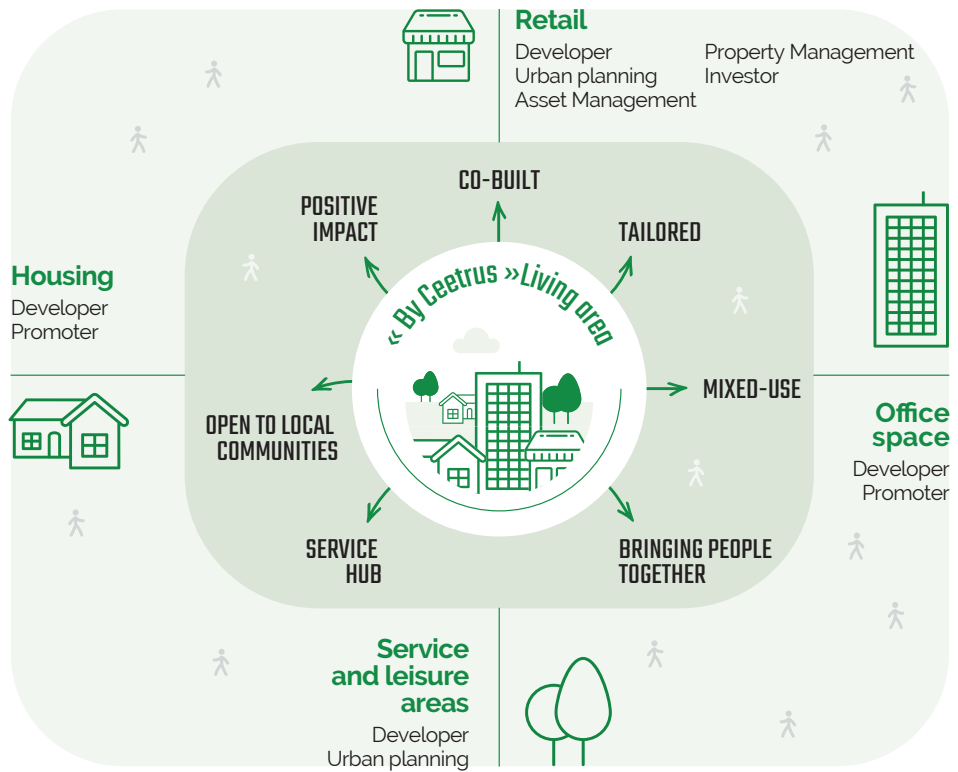
Encourage healthy eating	Fight food waste and the use of plastic	Control our carbon footprint	Our social commitments

Business model



Mixed-use real estate developer

As Auchan's historic commercial real estate partner, Ceetrus ensures the effective management of its assets and enhances the attractiveness of its sites by means of mixed use developments ranging from shops, housing and offices to leisure and urban infrastructure. Its new projects extend beyond purely commercial usages to all aspects of city life, Ceetrus provides global urban solutions, co-constructed with local players and tailored to meet the needs of the local community. It strengthens bonds within these communities, by consulting local players and ensuring the vibrancy of localities.



Having first identified the needs of the local community by consulting and dialoguing with all relevant stakeholders, Ceetrus co-creates and develops global and tailor-made urban solutions, combining commercial and residential areas, offices and urban infrastructure.

As a committed urban planning player in mixed-use real estate, Ceetrus strives to build living spaces with easy access to city centres and providing a full range of modern urban facilities.

Planning Development Restructuration



#Development
#Real Estate
#Urbanism

with citizens for citizens

Co-construct with local territories and stakeholders

#CO
#CARE
#COMMITTED
#INNOVATIVE



Operate
Manage
Enhance value in use

#Retail
#Property
#Exploitation

Manage
Investment
Divest
#Asset

Ceetrus invest in projects that create value and are line with its Vision 2030. In its role as an asset manager, Ceetrus enhances and secures the value of its property assets to ensure maintained quality and improved performance."

In addition to traditional site management (management of rental charges, technical asset management, marketing, management of leases), Ceetrus animates retail, leisure, cultural and social spaces and provides a new, enriching visitor experience through a range of tailored, innovative offers and services. Ceetrus helps to create bonds between local players, working with local communities to bring life to localities and supporting them in their projects and initiatives.

Economic figures

295 retail parks managed
2.3 million sq m of shopping centres managed
1 billion visitors annually
10,700 trading partners

Environmental figures

6% decrease in total consumption per sq m since 2014
37% of total value of real estate certified or in the process of being certified BREEAM in use
74% of projects certified or in the process of being certified BREEAM new building since 2012

RH figures

+900 employees
50% women managers

Societal figures

Over 1,000 permanent or temporary jobs created in our shopping centres
3,917 days of CSR events (Job Fair, Environmental Fair, collections, etc.)

● AUCHAN
HOLDING
OWNERSHIP
OF CAPITAL



● **Auchan** Holding

Unlisted company made up of family and employee shareholders, Auchan Holding combines two complementary companies, Auchan Retail and Ceetrus, and one has held a 49.3% equity investment in Oney Bank alongside BPCE since 2019.



EDGARD BONTE
General Manager



Auchan | RETAIL



oney



EDGARD BONTE
CEO



VIANNEY MULLIEZ
CEO



BENOIT LHEUREUX
General Manager

DECLARATION

BY THE PERSON FOR THE FINANCIAL REPORT

CROIX, 5 MARCH 2020



I certify that, to my knowledge, the financial statements have been prepared in compliance with applicable accounting standards, and give a true view of the assets, financial situation and results of operations of the company and of all of the companies included within the consolidation scope. The management report provides an accurate description of the business trends, results of operations and financial situation of the company and all of the companies included in the consolidation scope, as well as a description of the main risks and uncertainties that they face.



Barthélémy Guislain

Chairman of the Board of Directors of Auchan Holding SA

PRESENTATION OF THE BUSINESS AND MANAGEMENT REPORT

ON THE CONSOLIDATED FINANCIAL STATEMENTS

1

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A management report on Auchan Holding SA's annual financial statements is also prepared.

1.1 SIGNIFICANT EVENTS AND MAIN CHANGES IN SCOPE

CHANGES IN THE STORE NETWORK

The number of points of sale operated by Auchan Retail changed as follows in 2019:

- in Western Europe, the number of points of sale decreased by a net 372 units, mainly due to the disposal of activities in Italy (-357) and the closure of sites in France (-14) and in Spain (-11);
- in Central and Eastern Europe, the number of points of sale decreased by a net 20 units, mainly in Russia (-28);
- in Asia and Africa, the number of points of sale decreased by a net 126 units, of which -111 in China (mainly Auchan minute) and -21 in Vietnam.

Including the franchised store network (279 points of sale in 2019 compared to 1,550 in 2018, particularly following the disposal of the Retail business in Italy), the total number of points of sale was 2,293 at 31 December 2019.

CHANGE IN THE CONSOLIDATION SCOPE

The consolidation scope changed as follows during 2019:

Oney Bank - Acquisition of an equity interest by BPCE in Oney Bank SA and transfer of control

After announcing that it had entered into exclusive negotiations on 12 February 2019, Auchan Holding and BPCE entered into a long-term partnership on 4 April 2019 with BPCE's acquisition of a 50.1% stake in Oney Bank.

The effective completion of the transaction (closing) took place on 22 October 2019 after obtaining the authorisations from the competent authorities, namely the French and European authorities.

This transaction was recorded in the consolidated financial statements at 31 December 2019 as net income on the line "Net income from assets held for sale and discontinued operations" (see note 2.6.1 to the consolidated financial statements).

Oney Bank was reclassified under "Activity held for sale" from 31 December 2018 in compliance with the criteria set out in IFRS 5.

From the transfer of control of Oney Bank to BPCE on 22 October 2019, the scope comprising Oney Bank and its subsidiaries is accounted for using the equity method in the consolidated financial statements of Auchan Holding, which retains significant influence over Oney Bank.

Auchan Retail Italy – Sale of operations to Conrad Group

On 13 May 2019, Auchan Retail International entered into an agreement with Conad, an Italian cooperative retail group, for the sale of almost all of Auchan Retail's operations in Italy.

The disposal contract includes price adjustment clauses. The effects of these clauses have been estimated in the financial statements at the closing date.

In application of IFRS 5, the contributions of Auchan Spa (parent company of the retail activities in Italy) and its subsidiaries to the income statement and balance sheet were reclassified under "net income from assets held for sale" and discontinued operations", "assets held for sale" and "liabilities classified as held for sale" in Auchan Holding's consolidated financial statements from the 2019 half-year financial statements.

The sale of Auchan Spa's shares was completed on 31 July 2019. At that date, the activities of Auchan Retail in Italy and their subsidiaries left the consolidation scope.

The net income for Auchan Retail activities in Italy up to 31 July 2019 (see note 2.6.2 to the consolidated financial statements) was recorded under "Net income from assets held for sale and discontinued operations". The sales transaction was recorded as a net expense and recorded under the same item.

Auchan Retail Vietnam – Withdrawal from the country and sale of assets to Saigon Union of Trading Co-Operatives (SGC)

On 14 May 2019, Auchan Retail announced its intention to withdraw from Vietnam.

On 27 June 2019, several Share Purchase Agreements (SPAs) were signed by Marc One Member (a Vietnamese company wholly owned by Auchan Retail which acts as the holding company for Auchan Retail's operations in Vietnam) and Saigon Union of Trading Co-Operatives (SGC).

In application of IFRS 5, the contributions of Auchan Retail Vietnam to the income statement and balance sheet were reclassified under "net income from assets held for sale and discontinued operations", "Assets held for sale" and "Liabilities classified as held for sale" in Auchan Holding's consolidated financial statements from the 2019 half-year financial statements.

Several agreements were completed since September 2019 for the disposal of shares or assets.

These transactions were recorded in the consolidated financial statements at 31 December 2019 as a net expense on the line "Net income after tax from assets held for sale and discontinued operations" along with the net income for the period (see note 2.6.2 to the consolidated financial statements).

Auchan Retail Luxembourg and Ceetrus Luxembourg - Proposed disposal of real estate assets

The project provides for the sale in 2020 of all real estate assets held by Auchan Retail and Ceetrus in Luxembourg. Auchan Retail's retail activities and the management and real estate development activities of Ceetrus Luxembourg do not enter into the project scope.

As the criteria of IFRS 5 have been met (an active programme to locate a buyer is initiated and the sale is highly probable within 12 months), the relevant assets of Auchan Retail Luxembourg and Ceetrus Luxembourg were reclassified under "Assets held for sale" in Auchan Holding's consolidated balance sheet (see note 2.6.3 to the consolidated financial statements).

Ceetrus France - StatioNord proposal

On 22 February 2019, Ceetrus and SNCF Gares & Connexions entered into partnership agreements for the proposed transformation of the Gare du Nord by 2024.

A single purpose Semi-Public Company (société d'économie mixte à opération unique - SEMOP) has been created and 34% of the share capital is held by SNCF Gares & Connexions and 66% by Ceetrus. Ceetrus France - StatioNord proposal

Ceetrus Italy – Cascina Merlata acquisition

On 21 May 2019, the company Merlata Sviluppo was created by Ceetrus (30%) and by Immobiliare Europea ("IE", 70%). The purpose of this operation is the creation of a major commercial centre near Milan.

On 9 July 2019, Merlata Sviluppo completed its acquisition of the company Merlata Mall Spa, created in partnership with IE, which owns the construction project of the Merlata Mall shopping centre.

Ceetrus France – Disposals

On 11 March 2019, Ceetrus sold a portfolio of sites composed of nine assets to the company Carlyle, a partner of the Othrys company.

On 2 April 2019, Ceetrus sold a portfolio of sites composed of ten assets to the company BDG Invest.

OTHER SIGNIFICANT EVENTS

2019 was marked by the following other significant events:

Ceetrus Luxembourg – Acquisition of office buildings

On 17 January 2019, Ceetrus acquired office buildings and car parks in the "SZK" (Stadtteilzentrum Kirchberg) condominium, primarily comprising JBBK and Galerie Auchan Kirchberg assets.

Ceetrus France - EuropaCity

On 7 November 2019, during the third Ecology Defense Council, the Government announced that the EuropaCity project was being abandoned. The prospects of receiving compensation for the losses incurred by this decision through misuse of authority have been analysed by the Group's lawyers. The situation reflected in the consolidated financial statements at 31 December 2019 corresponds to the most probable estimated future situation.

Ceetrus – Financing issued

On 27 June 2019, Ceetrus secured bank financing of €80 million maturing in 2022.

On 27 June 2019, the Romanian company that owns the Coresi Business Park project signed a credit agreement for €31 million maturing in 2024.

In June 2019, Ceetrus Russia signed a credit agreement for 1,500 million rubles (approximately €21 million) maturing in 2024.

On 26 November 2019, Ceetrus raised €300 million by means of a green bond issue maturing in November 2026 with a 2.75% coupon.

Auchan Holding bond issues

In January 2019, Auchan Holding has proceeded to a new bond issue as part of its EMTN programme for a nominal amount of €1,000 million over 5 years at a fixed rate of 2.625%.

In April 2019, Auchan Holding has proceeded to a new bond issue as part of its EMTN programme for a nominal amount of €1,000 million over 6 years at a fixed rate of 2.375%.

Auchan Holding capital reductions

In the context of managing employee share ownership, the Extraordinary General Meeting of Auchan Holding of 28 March 2019 authorised a total ceiling for capital reductions through the purchase and cancellation of its own shares:

- a first capital reduction was performed on 26 April 2019: 355,077 shares were purchased at a unit price of €318.53 (including a par value of €20) and then cancelled, reducing Auchan Holding's share capital from €591,303,360 to €584,201,820;
- a second capital reduction was performed on 12 July 2019: 236,895 shares were purchased at a unit price of €318.53 (including a par value of €20) and then cancelled. This reduced Auchan Holding's share capital from €584,201,820 to €579,463,920;
- a third capital reduction was performed on 20 December 2019: 58,647 shares were purchased at a unit price of €318.53 (including a par value of €20) and then cancelled. This reduced Auchan Holding's share capital from €579,463,920 to €578,290,980.

1.2 ACTIVITIES AND RESULTS

In accordance with IFRS 5 and for comparability purposes, the figures extracted from the income statement that are presented in this section include the reclassifications of the

contributions from divested activities or discontinued operations (see note 1.2 to the consolidated financial statements) in 2019, 2018 and 2017.

1.2.1 AUCHAN RETAIL ACTIVITY

At 31 December 2019, Auchan Retail operated in 12 countries through 921 hypermarkets, 746 convenience stores and 347 ultra-convenience stores.

The consolidated store network at 31 December 2019 breaks down as follows:

Country	Hypermarkets	Convenience stores	Ultra-convenience stores	Notes
France	118	399	8	
Spain	61	68	53	
Portugal	30	5	29	
Luxembourg	2	5	0	
Poland	74	27	5	
Hungary	19	5	0	
Romania	31	7	26	
Ukraine	18	8	0	
Russia	62	204	11	
Senegal	1	17	13	
Mainland China	486	1	197	(1)
Taiwan	19	0	5	
TOTAL	921	746	347	

(1) of which 270 Auchan stores (including Auchan Minute) and 414 RT Mart stores.

Including the franchised store network (279 points of sale in 2019 compared to 1,550 in 2018, particularly due to the disposal of the Retail business in Italy), the total number of points of sale was 2,293 at 31 December 2019.

Auchan Retail generated revenue in 2019 of €45.8 billion (-1.4% compared to 2018), including the sale of goods to franchisees.

Auchan Retail's activities outside of France accounted for 62.2% of total revenue.

Auchan Retail's Recurring Operating Income from continuing operations increased by 106.6% to €790 million in 2019, thanks to improved gross margin and controlled operating expenses, including a €109 million positive impact from IFRS 16.

1.2.2 CEETRUS PROPERTY MANAGEMENT ACTIVITY

At 31 December 2019, the Group's property management business, comprising Auchan Holding and its subsidiaries managed 295 sites (mostly shopping malls and retail parks) in 12 countries, of which 242 were fully-owned or leased and 53 under management contracts.

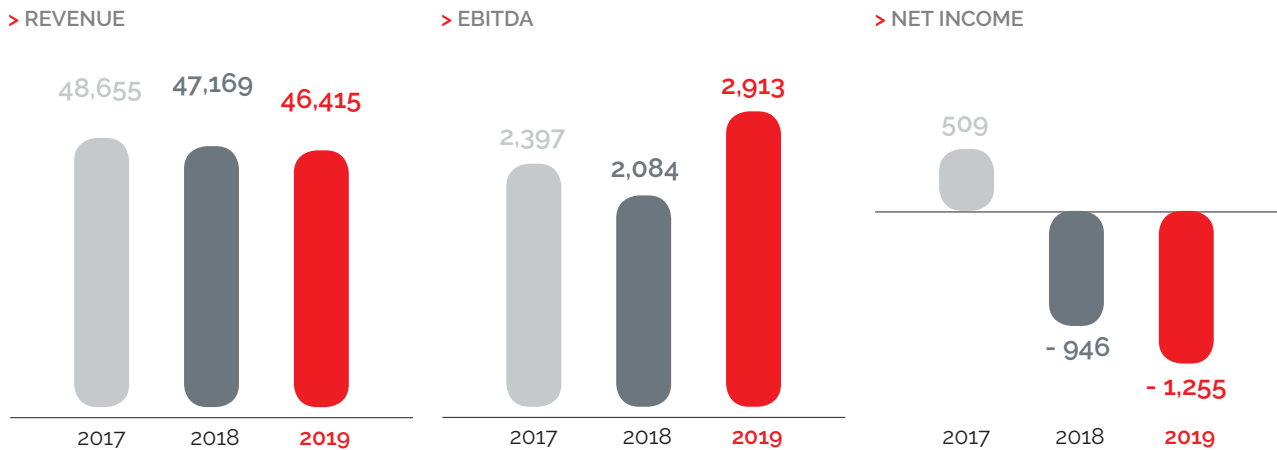
Ceetrus operating income of €612 million in 2019, down 14.7% compared to 2018. This reduction is related to the transfer in 2019 to Auchan Retail of the real estate activities in Mainland China and Taiwan, which represented 114m in revenue from ordinary activities in 2018. Thus, at constant scope, Ceetrus' revenue increased by 7.9% with 54.5% generated outside France.

Ceetrus' operating revenue increased by 12.0% to €216 million.

1.2.3 COMMENTS ON THE 2019 FINANCIAL YEAR

Comments on the income statement

The revenue of consolidated entities amounted to €46.4 billion, down 1.6% compared to 2018.

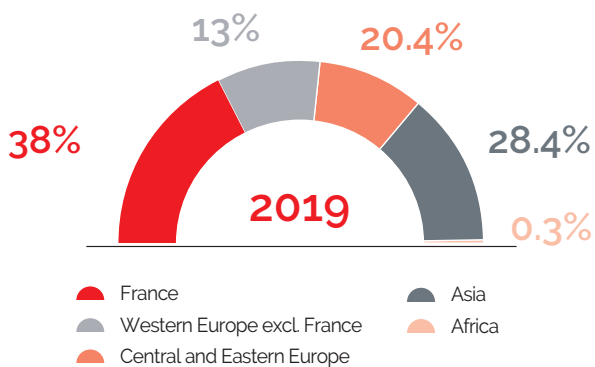


At constant exchange rates, revenue fell by 2.1%.

Auchan Retail accounted for 98.7% of revenue while property management activity accounted for 1.3%.

By geographical area, 38% of revenue is generated in France, 13% in Western Europe excluding France (Spain, Portugal and Luxembourg), 20% in Eastern Europe (Poland, Hungary, Romania, Ukraine, Russia) and 29% in Asia (mainland China and Taiwan) and Africa (Senegal).

> REVENUE BY GEOGRAPHICAL AREA IN 2019



> REVENUE BY ACTIVITY IN 2019



Gross margin increased by 2.4% to €11,397 million, while the margin rate increased to 24.6% in 2019 compared to 23.6% in 2018.

Current operating expenses (payroll expenses, external expenses, depreciation, provisions and impairment, other recurring operating income and expenses) decreased by 1.7%.

Recurring Operating Income from continuing operations increased by 73.4% to €1,042 million. EBITDA, i.e. current operating income excluding non-recurring income and expenses and depreciation, impairment and provisions⁽¹⁾,

increased by 39.8% to €2,913 million (including a €653 million positive impact from IFRS 16, see note 2.7 to the consolidated financial statements). Excluding IFRS 16, EBITDA grew by 8.4% to €2,260 million in 2019 compared to €2,084 million in 2018.

After taking into account non-recurring income and expenses, operating income increased by €1,045 million to €863 million, including a €24 million positive impact from IFRS 16 (see note 2.7 to the consolidated financial statements).

The non-recurring items recorded under non-recurring income and expenses.

(in €M)	2019	2018
Impairment of non-current assets and store closing costs In 2019: mainly in Russia (-€55 million), China (-€50 million), Ukraine (-€39 million), of which (-€29 million) on investment property. In 2018: mainly in France (-€457 million), Russia (-€155 million), China (-€46 million), Poland (-€44 million), of which (-€93 million) on investment property.	(195)	(778)
Auchan Retail France - Restructuring costs	(30)	6
Auchan Holding - Share Buyback commitments ⁽¹⁾	36	
Ceetrus France- Capital gain on disposal of (mainly Canyon and Undecima programme)	33	
Auchan Retail International - Provisions for loss-making contracts	(17)	
Auchan Retail China - Extraordinary income on prepaid cards		5
Other revenue and expenses	(6)	(5)
TOTAL NON RECURRING INCOME AND EXPENSES	(179)	(784)

⁽¹⁾ Impact of the drop in value of the Auchan Holding share on the debt related to share buyback commitments

Financial income (expense) is broken down into:

- the net cost of financial debt, up to €59 million (compared to €26 million in 2018);
- other financial income, up to €42 million (compared to €13 million in 2018);
- other financial expenses, up to €321 million (compared to €51 million in 2018), including a negative IFRS 16 impact of €218 million (see note 2.7 to the consolidated financial statements).

Income before tax on consolidated companies amounted to €524 million (compared to -€246 million in 2018). It was unfavourably impacted by IFRS 16 by €193 million (see note 2.7 to the consolidated financial statements).

The effective tax rate rose to 44% in 2019, compared with -33% in 2018. The effective tax rate in 2018 was not representative as it was affected by the "non-recurring income and expenses" described above which do not usually have an impact on the tax expense.

The share of net income or loss of associates was -€22 million (-€3 million in 2018).

Net income from continuing operations amounted to €274 million compared to -€331 million in 2018. It was unfavourably impacted by IFRS 16 in the amount of €158 million.

Net income from assets held for sale and discontinued operations is a loss of €1,529 million. This amount includes income from the disposal of activities (Oney Bank, Auchan Retail in Italy and Vietnam) up to the date of loss of control, as well as gains and losses from these disposals (see note 2.6.4 to the consolidated financial statements).

Given the income after tax of discontinued operations and assets held for sale, the net income attributable to owners of the parent company was a loss of -€1,255 million, including a negative IFRS 16 impact of €164 million.

Cash flows from operations increased by 26.9% to €2,161 million in 2019 (€1,703 million in 2018).

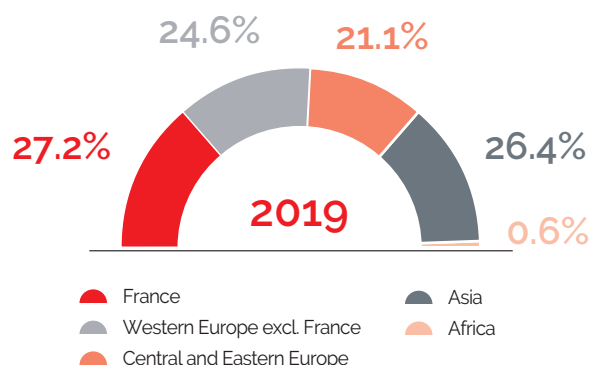
Comments on the financial position

Assets:

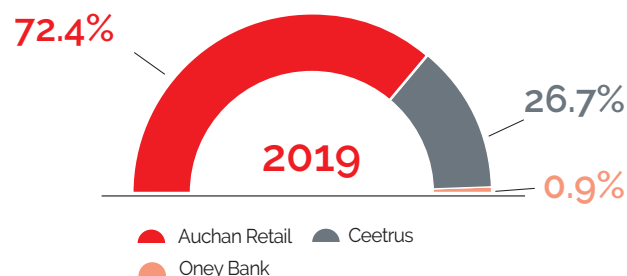
Current investments excluding business combinations (acquisitions of intangible assets, property, plant and equipment and investment property) amounted to €1,377 million. The volume of current investments is down compared to 2018 (€1,720 million).

⁽¹⁾ Excluding allocations to and reversals of provisions and impairments, with the exception of allocations and reversals on inventory impairment.

> CURRENT INVESTMENTS BY GEOGRAPHICAL AREA IN 2019



> CURRENT INVESTMENTS BY ACTIVITY IN 2019



1

The breakdown of investments was 27% in France (32% in 2018), 25% in Western Europe excluding France (25% in 2018), 21% in Central and Eastern Europe (22% in 2018), 26% in Asia (20% in 2018) and 1% in Africa (stable).

Liabilities:

Total equity amounted to €9,853 million at 31 December 2019, compared to €11,448 million at 31 December 2018 (down €1,596 million).

Equity attributable to owners of the parent amounted to €6,305 million, down €1,635 million. The main changes were as follows In Euros million:

Net income 2019	(1,463)
Capital reduction and treasury shares	(193)
Exchange differences (mainly with the Russian, Chinese and Ukrainian subsidiaries)	114
First application of IFRS 16 net of deferred tax	(112)
Change in debt related to put options granted and repurchase commitments (net of total deferred tax)	86
Changes in consolidation scope	(25)
Other	(42)

Non-controlling interests amounted to €3,548 million compared to €3,509 million at 31 December 2018.

Net financial debt, as defined in note 10.1 of the notes to the consolidated financial statements, amounted to €3,870 million

at 31 December 2019 compared with €3,729 million at 31 December 2018. It represented 39.3% of equity compared with 32.6% at 31 December 2018, 1.8 years of cash flows from operations, and 1.3 years of EBITDA.

1.3 CORPORATE SOCIAL RESPONSIBILITY

1.3.1 PRELIMINARY INFORMATION

Since the coming into force of Article 225 of the Grenelle 2 law, Auchan Holding is required to communicate qualitative and/or quantitative data, certified by an accredited external expert, on all consolidated companies.

To ensure the quality and reliability of the data reported by each Auchan Holding activity, a software package has been in place since 2015 which consolidates the CSR KPIs and ensures that alerts are triggered when there are unusually high changes in data. All of the information input and all qualitative and quantitative corrections made in the software are durably traceable.

In 2018, the implementation in French law of European Directive 2014/95/EU on the disclosure of non-financial and diversity information led to the structure of this report being reconsidered, refocusing it on the non-financial issues and risks that are most material or have the greatest impacts. In response to this change, while providing its internal and external stakeholders with adequate information, Auchan Retail's CSR Department has decided to consolidate and build on the various existing work and studies in order to identify "major" and "minor" CSR themes.

The certified conclusions concerning the 2019 financial year "show no significant anomaly that would raise a question concerning the sincerity of CSR information as a whole".

1.3.2 CONTINUING CSR COMMITMENTS

In 2019, Auchan Retail and Ceetrus continued their CSR actions to meet both stakeholder expectations and the regulatory obligations in the countries of operation of the companies.

For Auchan Retail, commitments were renewed and formalised, in particular with the signature of new initiatives. For example:

- in October, Auchan Retail joined the global coalition of 56 companies in the fashion and textile industry, committed to a common core of major environmental goals in three areas: stopping global warming, restoring biodiversity and protecting the oceans;
- Auchan Retail France, which has made animal welfare one of the main areas of focus of its Auchan responsible sourcing channels since 2014, joined the Better Chicken Commitment on 3 October 2019 to ensure that 100% of the chicken meat used in Auchan's own brand offering will meet the most stringent animal welfare criteria by 2026 at the latest. Led by around thirty NGOs in Europe, this initiative aims to significantly improve the conditions of breeding and slaughter of chickens with more space per animal, breeds with slower growth, the presence of perches and natural light and more respectful slaughter methods. In 2026, more than 20% of the volumes in question will come from farms that also guarantee access to fresh air for animals;

- following Auchan Retail France in 2018, it was Auchan Retail Spain's turn to join Too Good To Go in November 2019. Through this partnership, Auchan Retail Spain and Too Good To go aim to fight against food waste and promote responsible consumption. In France, 290 stores have set up partnerships with the app, representing over 350,000 baskets saved for 2019.

Auchan Retail also wanted to deepen its knowledge of its indirect carbon emissions. The work carried out has enabled emissions to be estimated at around 100 tonnes of CO₂ excluding RT-Mart China. Almost all of these emissions (97%) come from upstream and downstream activities.

Amongst these indirect emissions, 58% are emitted during product manufacturing and 28% during product use. During the manufacturing phase, the consumer products, industrial fresh products and traditional food sectors represent 85% of emissions. Meat-based products represent around 16.5 million tonnes of carbon equivalent on their own. During the product use phase, fuel sold directly by Auchan Retail represents a major impact (around 16 million tonnes).

For Ceetrus, 2019 saw the implementation of carbon assessments in each of the 10 countries where it operates. These are calculated based on scopes 1, 2 and 3.

These carbon assessments are the first stage in the implementation of a climate strategy that is compatible with limiting global warming to 1.5°C.

To improve its understanding of the impact of climate change on its assets, Ceetrus also launched an analysis of the physical risks related to climate change. The aim is to improve the ability of buildings to adapt to the changes underway and plan for risks during current and future projects.

All of the commitments and actions carried out during 2019 by Auchan Retail and Ceetrus can be found in the 2019 non-financial performance statement.

1.3.3 DEFINITION OF CSR COMMITMENTS

In 2019, Auchan Retail and Ceetrus defined their CSR commitments for the coming years.

Auchan Retail prepared a new corporate plan, "Auchan 2022". This corporate project aims to profoundly transform Auchan Retail's offering and traditional model in all of the countries in which it operates, enabling it to more fully reflect the new expectations of consumers and the public. It should allow Auchan, as the brand whose very identity is linked to "democratising" consumption, to continue its historical ambition: improving people's quality of life. This ambition is reflected in two strategic pillars:

- being the leading advocate of good, healthy, local products by selecting and designing a unique, fair and responsible offering;
- being the creator of connections and experiences to improve people's quality of life by ensuring that the physical locations of its local platforms are connected to the areas where they live.

The corporate social responsibility strategy is at the heart of the "Auchan 2022" project as it has become an essential factor for its success. Auchan Retail's CSR approach has three priority commitments:

- promoting good nutrition. CSR supports Auchan Retail's approach of offering a fair and responsible range and helping consumers to make the right nutritional choices (nutritional labelling of its own-brand products, developing responsible farming channels, reviewing our product recipes, etc.);
- fighting against waste and use of plastics. Following the signature of the "National Pact on Plastic Packaging" by Auchan Retail France, plastic packaging for food catering and self-service fruit and vegetables will be eliminated by 2022. Similarly, 100% Auchan brand products packaging will be reusable, recyclable or compostable;
- managing our carbon footprint. In 2022, as part of its commitment to COP 21 and the intermediate stages already achieved, the energy consumption of stores will be reduced by 25% (2014 baseline at constant scope). Similarly, 50% of the electricity used by stores will be low carbon.

Ceetrus, defined its own CSR strategy in 2019. Aware of its societal and environmental responsibility, Ceetrus aims to carry out projects with a positive impact for all, from local residents to the planet as a whole. Both in the way it works and in the projects it develops, Ceetrus wants to preserve human and environmental resources through respectful and innovative working methods.

In 2018, Ceetrus launched the shared development of its CSR strategy, reflecting its focus on improvement. With more than 700 people surveyed and more than 30 interviews with employees, shareholders and partners, this listening phase laid the foundations for the CSR strategy defined in 2019. Built upon a twofold objective, Ceetrus' CSR strategy aims to be "Carbon negative & Regions positive"

Through the "Carbon negative" objective, Ceetrus is committed to helping preserve the climate. Today, for its sites and projects:

- commitment to reducing its carbon footprint in order to limit global warming by implementing the "1.5°C Trajectory";

- production of a positive impact on the regions by promoting the ecological value of its land reserves and sites and by improving biodiversity;
- boosting the transition to sustainable consumption methods by offering responsible products and services in its shopping centres and by supporting stores in developing positive impact offerings.

For 2025, Ceetrus aims to make 100% of its sites and projects compatible with a "1.5°C Trajectory";

- 100% of its projects "Low Carbon";
- 100% of its projects with a net biodiversity gain;
- 100% of connected sites accessible using public transport;
- 100% of its sites with a "biodiversity" action plan;
- 100% of its major projects and sites certified "BREEAM⁽¹⁾ excellent" and "BREEAM in use excellent";
- 100% of leases including a responsibility clause;
- 100% of its sites and projects with a responsible and second-hand offering;

Through the "Regions positive" objective, Ceetrus is committed to generating a positive impact for the regions.

Today, for its sites and projects:

- engaging communities and local stakeholders by listening to people's and the regions' needs, by jointly building projects and by transforming shopping centres in order to make them into creators of links;
- awakening citizen action by making its centres partners of local initiatives and by creating events to improve services;
- energising the economy and regional development by supporting regional retailers and entrepreneurs and by supporting the social integration of citizens.

For 2025, Ceetrus aims to have a positive impact via 100% of its sites and projects:

- 100% of sites with areas made available to citizens;
- 100% of projects from a co-building approach with citizens;
- 100% of educational events;
- 100% of sites and projects supporting the employment and employability of the general public.

(1) Building Research Establishment Environmental Assessment Method", a method for assessing the environmental performance of buildings - the most widely used building certification standard globally.

1.4 EVENTS AFTER THE REPORTING PERIOD

On 14 January 2020, Auchan Retail announced its "Auchan 2022" corporate project with the aim of adapting its model, its offering and its organisation to the new expectations of consumers and citizens.

In this context, a voluntary departure plan for the "head office" and "products" functions at Auchan Retail International, and the support services for the regional sales organisation for the French businesses has been drawn up. It was presented to the staff representative bodies and would lead to a net reduction of 517 positions (677 positions would be cut, of which 652 were held on the day of the announcement and 135 positions would be created).

The consequences of this announcement have not been incorporated in the 2019 financial statements (in accordance with international accounting standards).

On 13 February 2020, the Combined Shareholders' Meeting of Auchan Holding SA decided to modify the company's governance by adopting the management structure of a public limited company (société anonyme) with a Board of Directors.

On the same date, the Board of Directors appointed Mr Barthélémy Guislain as Chairman of the Board of Directors and Mr Edgar Bonte as General Manager of the company.

The COVID-19 (coronavirus) epidemic, in which China is the main infection site, is likely to impact the activities of Sun Art Retail Group, Auchan Retail's subsidiary in China, and consequently, the financial statements of Auchan Holding in 2020. At the date of this report, the epidemic has not had a significant impact on the activities of Sun Art Retail Group. In collaboration with the local authorities, to fight against the spread of the epidemic, several shopping centre tenants have, nevertheless, been forced to temporarily suspend their activities. The situation in China is being closely monitored by the management teams of Sun Art Retail Group and Auchan Retail, and discussions are on-going with the authorities to enable the closed stores to be reopened and thus reduce the impact on rents received by Sun Art Retail Group. It is too early to measure all of the consequences of the COVID-19 epidemic on the 2020 financial year.

1.5 OUTLOOK

Auchan Holding businesses achieved their objectives in 2019. Auchan Holding has reaffirmed its desire to reduce its debt by improving its operations, continuing with asset disposals to which it is already committed and supporting shareholders in waiving dividend payments for 2020 and 2021. Trends in

economic outcomes are, however, dependent on the impact of COVID-19 on the Chinese economy and Sun Art Retail results, which it is too early to assess, as well as the virus's impact on other countries where Auchan Retail and Ceetrus operate.

RISK MANAGEMENT

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2.1 FINANCIAL RISK MANAGEMENT

During the usual course of their business, Auchan Holding and its subsidiaries are exposed to interest rate, foreign exchange, credit and liquidity risks. They use derivative financial instruments to mitigate these risks.

Auchan Holding and its subsidiaries have put in place an organisation that enables centralised management of market risks (liquidity, interest rate and foreign exchange risk).

See note 10.4 of the notes to the financial statements for a fuller description of financial risk management, which is summarised below.

2.1.1 CREDIT RISK

Auchan Holding and its subsidiaries work solely with a list of banks authorised by Auchan Holding's general management for financing and interest rate and foreign exchange derivatives.

With regard to financial investments, the policy of Auchan Holding and its subsidiaries is to invest cash surpluses with authorised counterparties in amounts and for maturities which are decided by the Finance Committee, based on a rating scale.

Trade receivables and other receivables do not involve any significant risk.

2.1.2 LIQUIDITY RISK

The policy of Auchan Holding and its subsidiaries is to maintain adequate medium and long-term funding at all times to cover their needs at the bottom of the seasonal cycle and provide themselves with a safety margin.

Auchan Holding and its subsidiaries adopts a refinancing policy aimed at diversifying sources of refinancing (bond issuance, bank loans, etc.) and their counterparties to ensure an adequate distribution of funding.

Auchan Holding and its subsidiaries have also confirmed refinancing lines with other banks to guarantee a minimum level of flexibility in the event of a liquidity crisis.

The medium and long-term bank financing facilities contain the usual commitment and default clauses for this type of contract, i.e. undertaking to maintain the loan at its initial level of seniority (*pari-passu*), limits on the collateral provided to other lenders (negative pledge), limits on substantial asset sales, and cross-default and material adverse change clauses.

Auchan Holding SA's Euro Medium Term Note (EMTN) programme, under which bonds are issued, contains an undertaking limiting collateral provided to other bond holders (negative pledge) and a cross-default clause.

Some medium and long-term bank financing facilities (confirmed credit lines not used as at 31 December 2019) and private bond placements in the United States contain a 'callability' clause in the event of non-compliance with certain ratios at the balance sheet date, including the following ratio: consolidated net financial debt/consolidated EBITDA < 3.5.

The Group complied with these ratios at 31 December 2019.

None of the financial borrowings includes any commitment or default clause linked to a downgrade of Auchan Holding's ratings.

2.1.3 INTEREST RATE RISK

Auchan Holding and its subsidiaries use interest rate derivatives with the sole aim of reducing their exposure to the impact of changes in interest rates on their debt. Transactions on the derivative markets are undertaken solely for hedging purposes.

Interest rate transactions designated as fair value hedges concern transactions to change bond debt into floating rate debt.

Macro-hedging transactions are aimed at protecting earnings against a possible rise in interest rates over the short term. They consist of swaps in which Auchan is a fixed rate borrower and a floating rate lender, or of caps or swaptions. These transactions are recorded as either for "trading", or as "cashflow hedges".

Interest rate transactions designated as cash flow hedges concern caps and swaps involving fixed-rate borrowing and floating-rate lending. The purpose of these hedges is to fix the interest rate on a portion of the floating-rate debt taken out to finance assets, and thus secure future "financial" income.

2.1.4 FOREIGN EXCHANGE RISK

Auchan Holding and its subsidiaries are exposed to foreign exchange risk with:

- purchases of goods (transactional foreign exchange);
- internal and external financing denominated in a currency other than the euro (balance sheet risk);
- the value of subsidiaries' net assets in foreign currencies (net investment hedges).

At 31 December 2019, the main currencies concerned were the US dollar, Polish zloty, Hungarian forint, Russian rouble, and Romanian leu.

Foreign exchange transactions that qualify as cash flow hedges consist of foreign exchange swaps and forward foreign exchange purchases or sales. These transactions are used to hedge projected dividends, goods purchasing and rental flows denominated in foreign currencies.

Transactions to hedge translation risk concern foreign currency loans granted to foreign subsidiaries (outside the euro zone).

At 31 December 2019, no derivative instrument was qualified as a hedge of a net investment.

2.1.5 FINANCIAL RISKS LINKED TO THE IMPACT OF CLIMATE CHANGE

Auchan Holding's companies are exposed to the effects of climate change in the majority of countries in which they operate. Their activities, assets and employees may be directly or indirectly impacted. As such, financial consequences are possible. The main risk identified in relation to climate change is the increase in the number of extreme climatic events: drought in areas already subject to water scarcity, storms,

flooding and heavy snowfall. Such events can hamper the stores' sales activities and supply operations.

They may also give rise to an increase in raw material prices over the short, medium (poor harvests) or long (fall in farm yields) term. Given this, Auchan Retail is developing avenues and diversifying its sourcing.

Failure to anticipate or take into account legislative measures arising from the incorporation of international commitments on the reduction of greenhouse gas emissions into local legislation could give rise to exceptional unplanned expenditure. Active monitoring of the various technical issues has therefore been organised to anticipate as much as possible future regulatory developments.

Auchan Holding's companies undertake voluntary commitments to help combat global warming. For example, during the One Planet Summit, Auchan Retail confirmed the goal expressed at COP 21 in 2015 to reduce the energy intensity of its stores by 20% in 2019, compared to 2014. The objective was achieved at the end of 2019 with a reduction of 21.5%. This

energy efficiency drive continues and will enable a significant reduction in the company's carbon footprint in the countries in which it operates where the energy mix is high carbon. It is further completed by measures to reduce leakage of refrigerants and the gradual replacement of fluids that have the most harmful climate effects.

Auchan Retail is also helping to limit food waste through the development of a bulk products offering, rigorous monitoring of its inventory markdown rate, and the donation of food to associations where possible. Auchan Retail also endeavours to give waste from its stores a second life through recycling, methanisation or energy recovery.

2.1.6 OTHER RISKS

Auchan Holding and its subsidiaries do not enter into hedging transactions other than foreign exchange and interest rate derivatives transactions.

2

2.2 INTERNAL CONTROL PROCEDURE

This section covers the internal control and risk management procedures, implemented for all of the consolidated companies for the preparation and treatment of accounting and financial information.

2.2.1 PROCEDURES RELATED TO THE PRODUCTION OF FINANCIAL STATEMENTS

2.2.1.1 Management and structure of Auchan Holding's Finance Division

The General Secretary relies on treasury, accounting, consolidation and reporting, legal and tax departments of Auchan Retail for the production of the financial statements.

The Finance Division of Auchan Holding (the "Company"), which is made up of the aforementioned departments, sets out a calendar of:

- month-end closures;
- monthly cash flow reports;
- quarterly, half-yearly and annual closures;
- condensed half-yearly pre-closure meetings;
- pre-closure meetings for the hard close regarding consolidated financial statements.

The annual targets and budgets for all of the core businesses are managed by the Reporting team.

The Performance and Reporting (for Retail) departments produce analytical information for operational management requirements. They play a key role within the Company.

A Chief Financial Officer and/or management controller (performance controller for Retail) is assigned to each Company activity and each country, to whom an accounts manager and accounting team report. The Chief Financial Officers are appointed jointly by the Country Operational Department and Core Business Finance Division; the country management controllers (performance controllers for Retail) are appointed jointly by the Country Operational Department and Core Business Management Control Department (Performance Department for Retail).

The Company employs qualified accounting personnel who ensure appropriate accounting practices in line with generally accepted accounting standards. These employees are trained in the accounting systems used.

2.2.1.2 Computerised accounting systems

Accounting operations and events are entered either directly in the standard accounting software applications or via upstream applications (in-house or standard applications). This input generates accounting entries which are automatically or manually entered in the standard accounting applications. These interfaces and entries are subject to automatic or manual controls.

The standard accounting applications are implemented and set up by functional and technical administrators, who define the functionalities, the accounting policies and the financial statements that may be created.

2.2.1.3 Accounting policies

Auchan Holding's consolidated financial statements are established in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board and approved by the European Union on 31 December 2019. These statements are prepared based on the information communicated by the core businesses' Finance Divisions. In this regard, a reporting and consolidation framework (manual of principles and accounting rules, chart of accounts) has been established and distributed to the core businesses. It is updated regularly and can now be consulted on the intranet, including by the Statutory Auditors.

An accounting framework also exists for each country. It is linked to the consolidation chart of accounts and featured in the accounting system, and contains mandatory accounting rules. The accounting framework for each country is defined, updated and documented by the country or international methodology department.

An international department which reports to Auchan Retail is responsible for the functional administration of the shared accounting application "Oracle Financials" (general ledger and sub-ledger accounting).

2.2.1.4 Procedures for approving the individual and consolidated financial statements

Auchan Holding and its subsidiaries prepare both quarterly individual and quarterly consolidated financial statements. The 30 June and 31 December closure dates are subject to a limited review and audit by the Statutory Auditors. They are presented to the Auchan Holding Audit Committee before being published. The statements dated 31 March and 30 September are sent to the members of the Board of Directors, the Audit Committee and the Statutory Auditors, but they do not undergo an audit or limited review.

Since 1 January 2016, specific Audit Committees have been established for Auchan Retail International and Ceetrus. The role of the Audit Committees is to review the accounts and accounting closure options specific to each of the two core businesses.

A report of the Statutory Auditors' observations and findings is prepared and distributed to the local Finance Division initially, and subsequently in a more centralised manner to the General Secretariat of Auchan Holding and the Audit Committees of Auchan Holding and the two core businesses.

The main procedures to be carried out are as follows:

A) Concerning the individual financial statements

The interim statements are prepared using the same valuation and presentation methods as the annual statements closing on 31 December. All statements are finalised before the end of the month that follows the quarter end.

B) Concerning the consolidated financial statements

The accounts are consolidated using the shared application Hypérion (HFM), which is implemented at all of Auchan Holding's subsidiaries. It uses the shared consolidation chart of accounts, a methodology that is updated every quarter and IFRS-compliant accounting rules and methods. The chart of accounts is defined and documented by Auchan Holding's Consolidation Department, which configures the consolidation tool accordingly.

The subsidiaries transmit their data using a mandatory pre-defined format via the shared consolidation tool Hypérion (HFM), which prepares the financial information for all phases

of consolidation, thus ensuring that it is coherent and homogeneous.

The half-yearly and annual consolidation and reporting process incorporates, via the same shared tool, the compilation of information for the notes to Auchan Holding's consolidated financial statements (for instance, the commitments of Auchan Holding and its subsidiaries).

C) Pre-closure meetings

The accounting closure process described above is completed by pre-closure meetings in June (for the 30 June closure), November (for the 31 December closure) and on 30 November for the hard close. The main Finance Division heads of the core relevant businesses attend these meetings along with the finance team of the country and core business concerned.

The pre-closure meetings, hard close and interim closures are used to prepare for the annual closure by anticipating the treatment of significant events and specific operations such as acquisitions/disposals, mergers, valuation of the Company's assets and investment property, and identification and measurement of risks.

D) Accounts closure meetings

The annual and consolidated financial statements are audited and are presented to the Audit Committee in February.

2.2.2 PROCEDURES WITH AN IMPACT ON THE ACCOUNTING AND FINANCIAL INFORMATION

2.2.2.1 Procedures related to the management and monitoring of inventories

An inventory of "fresh products" is carried out physically at all stores every month, and adjustments are made where necessary.

A full physical inventory is carried out on all other products twice a year or on a rolling basis, at all stores and warehouses. These inventories, along with the impairment entries, are monitored on a sample basis by the Statutory Auditors and Internal Audit Departments.

2.2.2.2 Procedures for monitoring inventories and valuing non-current assets

There is a procedure in place setting out the rules for approving investments for all projects of a significant value. Agreement is given based on the Internal Rate of Return (IRR) and the return on capital employed. An audit of the actual profitability of key projects is requested after three years. It is carried out by the Financial Control Department (or Performance Department in the Retail activity).

The Financial Control Department of each entity oversees budget monitoring of all major investment projects.

The recoverable value of property, plant and equipment and intangible assets is tested for impairment as soon as there is any indication of a loss of value. This test is carried out once a year for assets with an indefinite life span.

Investment property is valued on an annual basis by experts to establish its fair value. These valuations are exhaustive where Ceetrus is concerned but carried out on a sample basis for each country where Auchan Retail is concerned.

Brand management is centralised at the head office.

2.2.2.3 Procedures for monitoring and documenting benefits granted to employees

The Company lists and records all benefits granted to employees. Each core business participates in the setting up of retirement plans for employees in accordance with the laws and practices of each country. The larger plans are assessed each year by independent actuaries and other plans are assessed regularly.

2.2.2.4 Procedures for monitoring cash

A report on Auchan Holding's financial debt and financial revenue is created with a view to consolidating the actual data. This is done using the same software application as that used by Auchan Retail International's Consolidation and Reporting Department (management control). The report enables Auchan Holding's Treasury Department to monitor and respond quickly to changes in the financial debt and financial revenue in relation to the budget. The report is sent, mid-month, to Auchan Holding's General Secretary. At the start of 2013, the treasury charter setting out in precise detail the roles and responsibilities of the different entities was reviewed by the Finance Committee and distributed to all subsidiaries. At the

time of publication of this document, this charter is in the process of being reworked. The list of authorised products and counterparties is reviewed every year by Auchan Holding's Finance Committee and communicated to the subsidiaries. Moreover, every month the subsidiaries send Auchan Holding's Treasury Department a standardised treasury report, on a monthly basis, showing details of all credit facilities authorised, used and available, and investments. This data is consolidated and a quarterly liquidity report is prepared and sent to Auchan Holding's General Secretary. Lastly, a quarterly treasury report is prepared, taking into account all market risks (interest rate, foreign exchange and counterparty). It is sent on D+25 after the end of each quarter to Auchan Holding's General Secretary.

2.2.2.5 Legal and tax policies

The legal and tax policies and key related operations are presented on a regular basis either to the Finance Committee or the Board of Directors.

The validation of legal structures is overseen by the Legal and Tax Department in collaboration with the core business Finance Divisions, and is updated quarterly.

2

2.3 VIGILANCE PLAN

2.3.1 INTRODUCTION

Act No. 2017-399 on the duty of care of parent companies and contracting companies was published in March 2017. Under this law, the companies concerned must adopt measures to ensure that their supply chain does not entail breaches of human rights or fundamental freedoms, or impinge on protection of the environment and the health and safety of people in the short, medium and long terms.

Over the last 20 years or so, Auchan Holding's companies have been working to continuously improve their supply chains in all countries in which they operate. The duty of care Committee prepares a report to date of the actions undertaken by the different departments.

2.3.2 SCOPE USED FOR THE VIGILANCE PLAN

2.3.2.1 Company scope

Auchan Holding principally groups together the following activities: Auchan Retail's retail distribution business and the property management business (principally, Ceetrus).

Risk management in each of these businesses is subject to global and specific procedures that are closely correlated with the activity carried out. In addition to their CSR and audit activities, these core businesses are gradually implementing compliance programmes, specifically in the fight against corruption. The Auchan Holding Ethics Charter, which was reviewed in 2017, reasserts the core businesses' position on fundamental subjects such as human rights, or respect for the environment.

Auchan Holding has decided to keep its focus on the vigilance plan implemented within Auchan Retail because it is the dominant economic player within the Group.

2.3.2.2 Scope of suppliers concerned

Auchan Retail uses different channels to supply all of its activities: local purchasing, its purchasing centre and a dedicated subsidiary responsible for the design and supply of Auchan-brand products. These different categories of products supplied all undergo a risk evaluation.

2.3.2.3 Scope of the risk environment

On the basis of the law on the duty of care and taking into account recognised international frameworks such as the UNGPs⁽¹⁾, Auchan Retail worked on a definition of a risk environment appropriate to the diverse range of its activities in order to assess the major risks to which the Group is potentially exposed.

The risks taken into account under Auchan Retail's application of the law on the duty of care are as follows:

- human rights and fundamental liberties: child labour, forced labour, failure to comply with the freedom of association and to strike, discrimination and intolerance of diversity, failure to comply with the rights of indigenous peoples, failure to comply with the laws governing migrant workers, excessive working hours, wages below legal thresholds, harassment and abuse, wage inequality, failure to comply with animal rights;
- health and safety: safety of buildings, accidents in the workplace, toxic substances in the workplace, industrial accidents, health and safety of consumers;
- environment: water, land and air pollution, destruction of biodiversity, climate change, water shortage, inappropriate use of land, potential consequences of the use of chemical inputs.

2.3.3 RISK MAPPING

After being reviewed by the duty of care Committee, the mapping prepared at the end of 2018 was unchanged. The methodology and the main commitments drawn from this initial mapping are presented here for information purposes.

2.3.3.1 Risk mapping methodology

2.3.3.1.1 Risk mapping

The inherent risk mapping involves an in-depth analysis using information from both inside and outside the company. The risks are assessed based on meetings with the most qualified internal teams (Purchasing, Sourcing, Quality, Internal Audit, Risks, HR, Product Design), an in-depth examination of the existing documentation and a review of the material concerning each stage and component of Auchan Retail's supply chain.

2.3.3.1.2 Reporting format

To carry out the risk mapping, more than 5,000 "triplets" were analysed. Each triplet was ascertained according to three criteria:

- the activity or product or service category (for example, fruit and vegetables, hygiene and cosmetics, leisure, etc.);
- the nature of the risk (for example, unsuitable workplace environment and housing);
- product's country of origin, goods and services from that country.

Despite the methodological limits inherent in the nature of this exercise, the mapping provides a clear overview of the main risks in terms of breaching human rights and fundamental freedoms, and affecting the health and safety of people, and the environment.

2.3.3.1.3 Reporting by activity

Risk mapping is divided specifically into broad categories:

- own activities: these cover the direct risk related to operating the company's sites including the human resources management aspect;
- direct food or non-food purchases: that is to say, products intended for sale in-store;
- indirect purchases: that is to say, purchases required in order to operate the company's sites. These may include physical goods (furniture, IT equipment) or the provision of services (transport, site cleaning, energy purchases).

2.3.3.2 Key learnings

2.3.3.2.1 Geographic origin of the risk

One of the first lessons of the mapping is a disconnection, sometimes significant, between the countries where the main risks originate and the countries where Auchan Retail operates. By way of example, India appears as a source of major risks in the general merchandise and toys segment, although Auchan Retail is not physically present in the country. Spain, for its part, appears as the source of serious risks with regards to fruit and vegetables because of its significant exports to European Union countries.

2.3.3.2.2 Summary of the principal risks by category

Because of its sector of activity and the wide range of the goods and services it offers, the CSR risks in terms of Auchan Retail's business are numerous and the potential likelihood of their occurrence varies according to the country where the risk originates. The basic objective of the methodology used is therefore to rank the CSR risks.

(1) United Nations Guiding Principles on Business and Human Rights

The table below offers a summary of the principal risks identified, thus allowing the company to prioritise its CSR risk reduction initiatives, in addition to those already launched.

	Type of risk	Country where risk originates	Products/material causing the risk
Specific activities	Health and safety at work	China	N/A
	Fundamental freedoms	China	N/A
Non-food direct purchases	Health and safety at work	China	Leisure, EEGP, textiles, household
		India	Household
		Bangladesh	Textiles
	Fundamental freedoms	China	Leisure, EEGP, textiles, household
		India	Household
		Bangladesh	Textiles
Environment	Bangladesh	Textiles	
Direct food purchases	Health and safety at work	Spain	Fish
	Environment	Spain	Meat, dairy products and egg products
Indirect purchases	Health and safety at work	China	Construction
		France	Construction, transport, marketing

2.3.4 REGULAR EVALUATION OF THE SITUATION OF SUBSIDIARIES, SUBCONTRACTORS OR SUPPLIERS

In order to assess the extent to which its requirements (particularly in the area of employment) are applied, Auchan Retail performs audits at the production sites of its suppliers using the same set of criteria for each country.

Accordingly, 1,127 social audits of the Products and Flows Department's suppliers were carried out in 2019. Most of these suppliers are from Asian countries. These audits are supplemented more broadly by local audits conducted by business units that are authorised to source own brand products directly.

Aware of the risk that obscure outsourcing raises in terms of breaching human rights and fundamental freedoms and affecting the health and safety of people and the environment, specific checks in this respect are carried out to ensure strict prohibition. The Products and Flows Department's direct suppliers must accordingly declare their direct and indirect production sites through a specific information system, and comply with current control regulations prior to every order, together with random checks. Accordingly, 1,212 random traceability controls (RTCs) were carried out in 2019. The results of these audits are also used to provide information for risk mapping purposes. This risk mapping will be updated in the event of a notable change in the company's activity or the identification of an emerging risk that was previously not identified.

Auchan Retail also conducts environmental audits to ensure accurate monitoring, ensuring compliance with certain environmental standards by Auchan Retail suppliers, following their referencing.

18 environmental audits were carried out according to the ICS environmental audit framework. They make it possible to check in particular the conformity of the factories with regard to:

- environmental management system;
- energy consumption;
- water consumption;
- used water treatment and effluent;
- emissions release into the air;
- waste management;
- pollution prevention and hazardous and potentially hazardous substances;
- emergency response management.

In 2019, these audits were performed on factories of partner textile suppliers in China, Vietnam, Indonesia and Cambodia. They highlighted failures in terms of waste management and water treatment. Action plans were implemented in 2019 and will continue in 2020 to eliminate the discrepancies identified.

In addition, Auchan Retail's responsible purchasing approach incorporates quality requirements and social criteria from the beginning of the supplier referencing process. These requirements and criteria are subject to audits prior to any listing. Accordingly, 341 quality audits were carried out internally by the Products and Flows Department in 2019 for non-food suppliers of Auchan brand products managed by the sourcing offices.

In 2013, Auchan Retail put in place a responsible purchasing training programme for a large audience: purchasers, product managers, negotiators, quality control engineers in all countries, and members of the Products and Flows Department, especially sourcing offices. Updated in 2019, its purpose is to help participants identify the main rules applicable in their profession, to implement the procedure and steps of referencing and dereferencing suppliers (social, economic and quality criteria, audits including those aimed at identifying cases of undeclared subcontracting), and to adopt the appropriate postures on topics that fall under CSR. This year, it notably incorporated an awareness-raising course on the Sapin II law and the duty of care. This training is provided to all purchasing office employees. In the countries, this training is given to employees of the Product Departments.

Finally, Auchan Retail monitors emerging risks through its Ethics or CSR Committees that have been introduced in all of the countries in which it operates.

2.3.5 ACTIONS IMPLEMENTED TO MITIGATE RISKS AND PREVENT SERIOUS HARM

The social audits conducted at the suppliers, regardless of the framework used, ensure that there are no breaches of human rights or fundamental liberties – child labour or forced labour, discrimination, disciplinary practices, or serious shortcomings in the protection of health and safety. They are carried out before suppliers are listed and also help to spread best practices, raise awareness among suppliers, and subsequently reduce all breaches of individual rights in the short, medium and long terms.

In Bangladesh, Auchan Retail is a signatory to the Accord on Fire and Building Safety, the aim of which is to ensure that buildings are safe and healthy, and that basic safety measures for the prevention of risks in the textile industry are applied. The Accord covers more than 1,600 textile plants in Bangladesh whose safety levels have clearly improved thanks to the inspections and to the regular checks carried out at the initiative of the parties, in the expectation that the local authorities will assume the role. At end 2019, 94% of the initial instances of non-compliance revealed through audits have been resolved. The remainder is due to delays in validation by the competent bodies (necessary step to start the works), decisions to relocate factories in new buildings, as well as the time required for completion of all remediations. (especially in factories that have just joined the Accord).

Unannounced audits to combat obscure outsourcing have helped to raise awareness among suppliers of the issues and risks this practice raises across the entire supply chain. This can even lead to immediately cutting contractual relationships with an offending supplier.

In addition to these audits, the Auchan Holding companies have defined an ethics policy which comprises:

- an Ethics Charter: it is common to all countries and to the two businesses and, for Auchan Holding, it reaffirms all of the ethical principles guiding its relationships with stakeholders – employees, customers, partners, shareholders and civil society;
- a code of business ethics: this also draws on the Ethics Charter and is intended for all Auchan Retail's economic partners (suppliers of tradeable and non-tradeable goods, subcontractors of suppliers). It is attached to the general terms and conditions of sale. They agree to comply with its principles and to ensure that their own subcontractors and partners do the same;
- day-to-day ethical guidelines: 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.

In 2019, Auchan Retail supplemented this risk management through quarterly events with Products and Flows Department "partner" suppliers to ensure that the CSR policies are understood, train their teams and monitor on-going actions.

This policy is communicated to employees and coordinated by Ethics Committees by country. Auchan Retail also includes a clause in its contracts with suppliers requiring that they comply with human rights.

In order to reinforce its ethical approach, Auchan Retail has set up a Corporate Ethics Committee, which met for the first time in October. It is chaired by the Human Resources, Transformation and CSR Director and co-coordinated by the General Secretary. It comprises the Corporate Internal Audit Director, the General Manager, Spain, a store manager who also chairs the Supervisory Board of Valfrance, the Sourcing and Quality Director in the Products and Flows Department, the Auchan Retail Head of Legal and Tax, the Executive Officer of Foundations and Auchan Retail's Ethics Coordination Unit and a qualified external person. Its task is to check the consistency between the company's values of trust, openness and excellence and its communications, employees and actions. This committee aims to deal with issues that go beyond the regulatory, legislative and legal framework. It will deal with societal issues and will nurture an approach that involves investigating broader issues that also affect product marketing.

In 2019, Auchan Retail opened up the whistle-blowing system provided for by the law on the duty of care to all of its stakeholders, and not just to suppliers.

2.3.6 2020 PROGRESS PLAN

In order to continue the work conducted in 2019, in 2020, Auchan Retail will update its risk mapping by assessing the mitigatory impact of the initiatives implemented in 2018 and 2019.

A progress report on the CSR risk reduction process will be presented to the social partners on the European Works Council through the specific CSR Committee.

Regular reports on the alerts received and the scope of corrective actions will be made to the Compliance Committee then shared with the duty of vigilance Committee.

2.3.7 SYSTEM FOR MONITORING MEASURES IMPLEMENTED

The Steering committee responsible for duty of care issues comprises representatives from the CSR department, Internal Audit Department, Risk and Compliance Department, and indirect purchasing, and food and non-food product quality representatives. It meets twice a year. Meeting minutes are shared with the Auchan Retail CODIR.

A wider range of information will be shared with this committee in 2020. It will notably centralise all the actions carried out by all of the Company's departments during the two set meetings. This organisation will enable the various initiatives to be carried out in a coordinated and shared manner. In particular, it will be responsible for working with the company's other departments in order to ascertain the most appropriate entity and/or individual to be responsible for managing the actions identified to reduce each

2

RISK MANAGEMENT

CONSOLIDATED FINANCIAL STATEMENTS

Financial years ended 31 December 2019 and 31 December 2018

3

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3.1 CONSOLIDATED FINANCIAL STATEMENTS

FINANCIAL YEARS ENDED 31 DECEMBER 2019 AND 31 DECEMBER 2018

3.1.1 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets (in €m)	Notes	2019 ⁽¹⁾	2018
Goodwill	6.1	3,021	2,992
Other intangible assets	6.2	1,069	1,036
Property, plant and equipment	6.3	11,768	10,941
Investment property	6.4	5,099	5,264
Investments in associates	7	485	222
Credit activity		(0)	0
Other non-current financial assets	10.5	565	436
Non-current derivative financial instruments	10.4	124	126
Deferred tax assets	11.1	438	342
NON-CURRENT ASSETS		22,569	21,359
Inventories	3.5	4,875	4,797
Credit activity		(0)	136
Trade receivables	10.5	542	498
Current tax assets	11.1	148	158
Other current receivables	10.5	1,957	2,444
Current derivative financial instruments	10.4	80	123
Cash and cash equivalents	10.1	3,674	3,420
Assets classified as held for sale ⁽²⁾	2.6	642	3,001
CURRENT ASSETS		11,918	14,576
TOTAL ASSETS		34,487	35,935

(1) The Group applied IFRS 16 - Leases for the first time on 1 January 2019, using the simplified retrospective approach. According to this approach, comparative information is not restated and the net tax impact of the standard's initial application outlined in note 2.7 was reported under equity on 1 January 2019.

(2) As of 31 December 2019, includes assets and liabilities primarily relating to Luxembourg. As of 31 December 2018, includes assets and liabilities relating to Oney Bank.

Equity and liabilities (in €m)	Notes	2019 ⁽¹⁾	2018
Share capital	8.1.3	578	591
Share premiums		1,914	1,673
Reserves and net income attributable to owners of the parent		3,813	5,674
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		6,305	7,939
Non-controlling interests	8.1.7	3,548	3,509
TOTAL EQUITY		9,853	11,448
Provisions	9.1	248	265
Non-current borrowings and other financial liabilities	10.6	6,390	4,198
Debts financing the credit activity		(0)	462
Non-current derivative financial instruments	10.4	18	17
Other non-current liabilities	10.6	3,041	458
Deferred tax liabilities	11.1	509	531
NON-CURRENT LIABILITIES		10,206	5,931
Provisions	9.1	415	284
Current borrowings and other financial liabilities	10.6	1,313	3,162
Debts financing the credit activity		0	399
Current derivative financial instruments	10.4	29	22
Trade payables	10.6	7,572	8,457
Current tax liabilities	11.1	115	119
Other current liabilities	10.6	4,955	4,375
Liabilities classified as held for sale ⁽²⁾	2.6	28	1,738
CURRENT LIABILITIES		14,428	18,557
TOTAL EQUITY AND LIABILITIES		34,487	35,935

(1) The Group applied IFRS 16 - Leases for the first time on 1 January 2019, using the simplified retrospective approach. According to this approach, comparative information is not restated and the net tax impact of the standard's initial application outlined in note 2.7 was reported under equity on 1 January 2019.

(2) At 31 December 2019, includes assets and liabilities primarily relating to Luxembourg. At 31 December 2018, includes the assets and liabilities relating to Oney Bank.

3.1.2 CONSOLIDATED INCOME STATEMENT

(in €m)	Notes	2019 ⁽¹⁾	2018 ⁽³⁾
Revenue⁽⁴⁾	3.1	46,415	47,169
Cost of sales	3.1	(35,018)	(36,037)
Gross margin		11,397	11,132
Payroll expenses	5.1	(5,816)	(5,716)
External expenses		(2,638)	(3,307)
Depreciation, provision and impairment	3.3	(1,932)	(1,496)
Other recurring operating income /(exp)	3.3	31	(12)
RECURRING OPERATING INCOME		1,042	601
Non-recurring income and expenses	3.4	(179)	(784)
OPERATING INCOME		863	(183)
Income from cash and cash equivalents		71	65
Gross cost of financial debt		(130)	(91)
Net cost of financial debt	10.2	(59)	(26)
Other financial income	10.3	42	13
Other financial expenses	10.3	(321)	(51)
INCOME BEFORE TAX		524	(246)
Share of net income (loss) of associates	7	(22)	(3)
Income tax expense	11.2	(229)	(82)
NET INCOME FROM CONTINUING OPERATIONS		274	(331)
Net income from assets held for sale and discontinued operations ⁽²⁾	2.6	(1,529)	(614)
NET INCOME		(1,255)	(946)
<i>of which attributable to owners of the parent</i>		(1,463)	(1,145)
<i>of which attributable to non-controlling interests</i>		208	200
EARNINGS PER SHARE FROM CONTINUING OPERATIONS, ATTRIBUTABLE TO OWNERS OF THE PARENT			
• basic	8.2	2.27	(17.84)
• diluted	8.2	2.27	(17.84)
NET EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT			
• basic	8.2	(50.19)	(38.49)
• diluted	8.2	(50.19)	(38.49)
EBITDA⁽³⁾	3.2	2,913	2,084

(1) The Group applied IFRS 16 - Leases for the first time on 1 January 2019, using the simplified retrospective approach. According to this approach, comparative information is not restated and the net tax impact of the standard's initial application outlined in note 2.7 was reported under equity on 1 January 2019.

(2) Contribution of Oney Bank, Auchan Retail Italy and Auchan Retail Vietnam - see note 2.6 to the consolidated financial statements

(3) In relation to the data published at 31 December 2018, the contributions of Oney Bank, Auchan Retail Italy and Auchan Retail Vietnam were reclassified under net income from assets held for sale and discontinued operations.

3.1.3 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in €m)	2019 ⁽¹⁾			2018		
	Gross Amount	Income tax	Net	Gross Amount	Income tax	Net
Net income for the period			(1,255)			(946)
Revaluation of net liabilities in respect of defined benefits	(25)	7	(18)	33	(10)	23
TOTAL ITEMS THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS	(25)	7	(18)	33	(10)	23
Exchange differences on translating foreign operations	139		139	(178)		(178)
Change in fair value						
• of available-for-sale financial assets	(1)		(1)			0
• of instruments hedging net investments in foreign operations						
• of cash-flow and forex hedges	(28)	5	(23)	31	(10)	21
Share of other components of comprehensive income of associates						
TOTAL ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS	110	5	115	(147)	(10)	(157)
TOTAL OTHER COMPONENTS OF COMPREHENSIVE INCOME	85	12	97	(115)	(19)	(134)
Total comprehensive income			(1,159)			(1,080)
<i>Attributable to:</i>						
• owners of the parent			(1,391)			(1,250)
• non-controlling interests			233			170

(1) The Group applied IFRS 16 - Leases for the first time on 1 January 2019, using the simplified retrospective approach. According to this approach, comparative information is not restated and the net tax impact of the standard's initial application outlined in note 2.7 was reported under equity on 1 January 2019.

3.1.4 CONSOLIDATED STATEMENT OF CASH FLOWS

<i>(in €m)</i>	Notes	2019 ⁽¹⁾	2018
Consolidated net income for the period (including non-controlling interests)		(1,255)	(946)
Share of net income (loss) of associates		22	3
Dividends received (non-consolidated investments)		(5)	(4)
Net cost of financial debt and lease interest ⁽²⁾		318	37
Income tax expense (including deferred taxes)		256	70
Net depreciation, provision and impairment expenses (other than on current assets)		2,336	2,801
Income and expenses on share-based payment plans		1	1
Other non-cash items			
Capital gains/losses net of tax and negative goodwill		1,133	35
Cash flows from operations before net cost of financial debt, leasing interest and tax		2,806	1,997
Income tax paid		(326)	(257)
Interest paid and lease interest ⁽²⁾		(427)	(153)
Other financial items		109	116
Cash flows from operations after net cost of financial debt and tax⁽³⁾		2,161	1,703
Changes in working capital requirement	12	(452)	(74)
Changes in items relating to the credit activity	12	114	(28)
Net cash generated by operating activities		1,824	1,601
Acquisition of property, plant and equipment, intangible assets and investment property		(1,181)	(1,999)
Proceeds from sales of property, plant and equipment, intangible assets and investment property		218	82
Acquisition of shares in non-consolidated companies including associates accounted for by the equity method		(54)	(69)
Proceeds from sales of shares in non-consolidated companies including associates accounted for by the equity method ⁽⁴⁾		352	4
Disbursements linked to business combinations net of cash acquired ⁽⁵⁾		(7)	(434)
Cash flow from discontinued operation ⁽⁶⁾		(262)	
Dividends received (non-consolidated investments)		11	31
Changes in loans and advances granted ⁽⁷⁾	12	(213)	2
Net cash from (used in) investing activities		(1,136)	(2,383)
Purchases and sales of treasury shares ⁽⁸⁾		(196)	(251)
Dividends paid during the period	12	(120)	(313)
Acquisitions and disposals of interests without change in control	12	(67)	(27)
Payment of lease liabilities		(472)	
Changes in net financial debt	12	790	2,022

(in €m)	Notes	2019 ⁽¹⁾	2018
Net cash from (used in) financing activities		(65)	1,431
Effect of changes in foreign exchange rates ⁽⁹⁾		(40)	35
Net increase (decrease) in cash and cash equivalents		582	683
Cash and cash equivalents at beginning of period	12	2,987	2,304
Cash and cash equivalents at end of period	12	3,569	2,987
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		582	683

(1) The Group applied IFRS 16 - Leases for the first time on 1 January 2019, using the simplified retrospective approach. According to this approach, comparative information is not restated and the net tax impact of the standard's initial application outlined in note 2.7 was reported under equity on 1 January 2019.

(2) Including €232 million in IFRS 16 financial interest.

(3) Includes a €471 million positive IFRS 16 impact.

(4) In 2019, mainly relates to the disposal of shares in Oney Bank by Auchan Holding.

(5) In 2018, mainly relates to the acquisitions of two shopping centres and a retail park through the full acquisition of five companies (Ceetrus Portugal)(6) This regards the reclassification of changes in the active cash flow of operations held for sale (see Significant event 1.2).

(7) Including €98 million in cash reclassified as restricted cash balances - new regulation on prepaid cards in China.

(8) Mainly relates to the reduction in the capital of Auchan Holding through the cancellation of shares in the context of the employee share ownership plan.

(9) Primarily the impact of the rouble amounting to €(60) million.

3.1.5 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (BEFORE APPROPRIATION NET INCOME)

(in €m)	Share capital	Share premiums ⁽¹⁾	Treasury shares ⁽²⁾	Currency translation, financial instrument revaluation and actuarial gains and losses reserves ⁽³⁾	Consolidated reserves and profit for the period	Equity		Total
						Attributable to owners of the parent	Non-controlling interests	
At 1st January 2018	604	1,914	(152)	(666)	8,212	9,912	3,369	13,281
First application of IFRS 9				(35)		(35)	(2)	(37)
Adjusted equity as at 1 January 2018	604	1,914	(152)	(701)	8,212	9,877	3,367	13,244
Net income for the period					(1,146)	(1,146)	200	(946)
<i>Other components of comprehensive income</i>				(104)		(104)	(30)	(134)
Total comprehensive income				(104)	(1,146)	(1,250)	170	(1,080)
Capital reduction	(13)	(241)				(253)		(253)
Treasury shares			(1)			(1)		(1)
Dividend distributions					(196)	(196)	(117)	(313)
Changes in consolidation scope					(6)	(6)	(4)	(10)
Changes in put options granted to non-controlling interests					(233)	(233)	94	(139)
Other					1	1	(1)	0
AT 31 DECEMBER 2018	591	1,673	(153)	(805)	6,633	7,939	3,509	11,448
As at 1 January 2019	591	1,673	(153)	(805)	6,633	7,939	3,509	11,448
First application of IFRS 16 ⁽⁴⁾					(112)	(112)	(3)	(116)
Adjusted equity as at 1 January 2019	591	1,673	(153)	(805)	6,521	7,827	3,506	11,332
Net income for the period					(1,463)	(1,463)	208	(1,255)
<i>Other components of comprehensive income</i>				72		72	25	97
Total comprehensive income				72	(1,463)	(1,392)	233	(1,159)
Capital reduction	(13)				(197)	(210)		(210)
Treasury shares			17			17		17
Dividend distributions							(120)	(120)
Changes in consolidation scope					(25)	(25)	(75)	(100)
Changes in put options granted to non-controlling interests and repurchase commitments ⁽⁵⁾					86	86	0	87
Other		241			(238)	2	4	7
AT 31 DECEMBER 2019	578	1,914	(136)	(733)	4,683	6,305	3,548	9,853

(1) Share premiums include premiums paid for stock issued, mergers and other capital contributions.

(2) See note 8.1.4.

(3) See note 8.1.6.

(4) The Group applied IFRS 16 – Leases for the first time on 1 January 2019. Given the transition method chosen, the comparative data has not been restated and the impact (net of tax) resulting from the first application of the standard, as set out in note 2.7, has been recognised in equity at 1 January 2019.

(5) See note 8.1.2.

3.2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 1 GENERAL DESCRIPTION OF THE CONSOLIDATION SCOPE AND SIGNIFICANT EVENTS

1.1 GENERAL DESCRIPTION OF THE CONSOLIDATION SCOPE

Auchan Holding SA, the holding company of the consolidated entities, is a French company with its registered office at 40, Avenue de Flandre, Croix, France.

Auchan Holding, through the companies included in the consolidation scope, operates in 15 countries and employs 331,099 people.

At the end of 2019, Auchan Holding and its subsidiaries have two business lines:

- Auchan Retail, a food retailer which fully consolidates 921 hypermarkets, 746 convenience stores and 347 ultra-convenience stores as well as e-Commerce (Auchan.fr mainly in France) and drive outlets (Chronodrive and Auchan Drive);
- commercial property management by Ceetrus and its subsidiaries (295 sites mostly shopping centres with shopping malls and retail parks managed by Ceetrus).

Auchan Holding also has a 49.3% equity interest in Oney Bank after the disposal of 50.1% of the share capital and control to BPCE group in October 2019 (see highlights in note 1.2). Oney Bank specialises in payment, financing and digital identification solutions.

In 2019, all the entities in the consolidation scope generated sales excluding tax of 46.4 billion euros, 62% of which was generated outside France and 98.7% of which was generated by Auchan Retail.

1.2 SIGNIFICANT EVENTS IN 2019 AND MAIN CHANGES IN THE CONSOLIDATION SCOPE

Change in the consolidation scope

The consolidation scope changed as follows during 2019:

Oney Bank – Acquisition of an equity interest by BPCE in Oney Bank SA and transfer of control

After announcing that it had entered into exclusive negotiations on 12 February 2019, Auchan Holding and BPCE entered into a long-term partnership on 4 April 2019 with BPCE's acquisition of a 50.1% stake in Oney Bank.

The effective completion of the transaction (closing) took place on 22 October 2019 after obtaining authorisation from the competent authorities, namely the French and European authorities.

This transaction was recorded in the consolidated financial statements at 31 December 2019 as net income on the line "Net income after tax from assets held for sale and discontinued operations" (see note 2.6.1).

From the transfer of control of Oney Bank to BPCE on 22 October 2019, the scope comprising Oney Bank and its subsidiaries is accounted for using the equity method in the consolidated financial statements of Auchan Holding, which retains significant influence over Oney Bank.

Oney Bank was reclassified under "Assets held for sale" from 31 December 2018 in compliance with the criteria set out in IFRS 5.

Auchan Retail Italy – Sale of operations to Conrad Group

On 13 May 2019, Auchan Retail International entered into an agreement with Conad, an Italian cooperative distribution group, for the sale of almost all of Auchan Retail's operations in Italy.

The disposal contract includes price adjustment clauses. The effects of these clauses have been estimated in the financial statements at the closing date.

In application of IFRS 5, the contributions of Auchan Spa (parent company of the distribution activities in Italy) and its subsidiaries to the income statement and balance sheet were reclassified under "assets classified as held for sale" "liabilities classified as held for sale" and "net income from assets held for sale" and discontinued operations" in Auchan Holding's consolidated financial statements from the 2019 half-year financial statements.

The sale of Auchan Spa shares was completed on 31 July 2019. At that date, the activities of Auchan Retail in Italy and their subsidiaries left the consolidation scope.

The net income for Auchan Retail activities in Italy up to 31 July 2019 (see note 2.6.2) was recorded under the line "net income from assets held for sale and discontinued operations". The sales transaction was recorded as a net expense and recorded under the same item.

Auchan Retail Vietnam – Withdrawal from the country and sale of assets to Saigon Union of Trading Co-Operatives (SGC)

On 14 May 2019, Auchan Retail announced its intention to withdraw from Vietnam.

On 27 June 2019, several Share Purchase Agreements (SPAs) were signed by Marc One Member (a Vietnamese company wholly owned by Auchan Retail which acts as the holding company for Auchan Retail's operations in Vietnam) and Saigon Union of Trading Co-Operatives (SGC).

In application of IFRS 5, the contributions of Auchan Retail Vietnam to the income statement and balance sheet were reclassified under "assets held for sale", "liabilities classified as held for sale" and "net income from assets held for sale and discontinued operations" in Auchan Holding's consolidated financial statements from the 2019 half-year financial statements.

Several agreements were completed since September 2019 for the disposal of shares or assets.

These transactions were recorded in the consolidated financial statements at 31 December 2019 as a net expense on the line "Net income after tax from assets held for sale and discontinued operations" along with the net income for the period (see note 2.6.2).

Auchan Retail Luxembourg and Ceetrus Luxembourg – Proposed disposal of real estate assets

The project provides for the sale in 2020 of all real estate assets held by Auchan Retail and Ceetrus in Luxembourg. Auchan Retail's retail activities and the management and real estate development activities of Ceetrus Luxembourg do not enter into the project scope.

As the criteria of IFRS 5 have been met (an active programme to locate a buyer is initiated and the sale is highly likely), the relevant assets of Auchan Retail Luxembourg and Ceetrus Luxembourg were reclassified under "assets held for sale" in Auchan Holding's consolidated balance sheet (see note 2.6.3 to the consolidated financial statements).

Ceetrus France – StationNord Project

On 22 February 2019, Ceetrus and SNCF Gares & Connexions entered into partnership agreements for the proposed transformation of the Gare du Nord by 2024.

A single purpose semi-public company (société d'économie mixte à opération unique - SEMOP) has been created and 34% of the share capital is held by SNCF Gares & Connexions and 66% by Ceetrus.

Ceetrus Italy – Cascina Merlata

On 21 May 2019, the company Merlata Sviluppo was created by Ceetrus (30%) and by Immobiliare Europea ("IE", 70%). The purpose of this operation is the creation of a major commercial centre near Milan.

On 9 July 2019, Merlata Sviluppo completed its acquisition of the company Merlata Mall Spa created in partnership with IE, which owns the construction project of the Merlata Mall shopping centre.

Ceetrus France – Disposals

On 11 March 2019, Ceetrus sold a portfolio of sites composed of nine assets to the company Carlyle, a partner of the Othrys company.

On 2 April 2019, Ceetrus sold a portfolio of sites composed of ten assets to the company BDG Invest.

Other significant events

2019 was marked by the following other significant events:

Auchan Retail – Changes in the store network

The number of points of sale operated by Auchan Retail changed as follows in 2019:

- in Western Europe, the number of points of sale decreased by a net 372 units, mainly due to the disposal of businesses in Italy (-357) and the closure of sites in France (-14) and Spain (-11);
- in Central and Eastern Europe, the number of points of sale decreased by a net 20 units, mainly in Russia (-28);
- in Asia and Africa, the number of points of sale decreased by a net 126 units, of which -111 in China (mainly Auchan Minute) and -21 in Vietnam.

By including the franchised store network (279 points of sale in 2019 compared to 1,550 in 2018, particularly due to the disposal of the retail business in Italy), the total number of points of sale was 2,293 at 31 December 2019.

Ceetrus Luxembourg – Acquisition of office buildings

On 17 January 2019, Ceetrus acquired office buildings and car parks in the "SZK" (Stadtteilzentrum Kirchberg) condominium, primarily comprising JBBK and Galerie Auchan Kirchberg assets.

Ceetrus France - EuropaCity

On 7 November 2019, during the third Ecology Defense Council, the Government announced that the EuropaCity project was being abandoned. The prospects of receiving compensation for the losses incurred by this decision through misuse of authority have been analysed by the Group's lawyers. The situation reflected in the consolidated financial statements at 31 December 2019 corresponds to the most probable estimated future situation.

Ceetrus – Financing issued

On 27 June 2019, Ceetrus secured €80 million in bank financing maturing in 2022. On 27 June 2019, the Romanian company that owns the Coresi Business Park concluded a loan agreement for €31 million maturing in 2024. In June 2019, Ceetrus Russia signed a credit agreement for 1,500 million roubles (approximately €21 million) maturing in 2024. On 26 November 2019, Ceetrus raised €300 million via a green bond issue, maturing in November 2026, with a 2.75% coupon.

Auchan Holding bond issues

In January 2019, Auchan Holding proceeded to a new bond issue as part of its EMTN programme for a nominal amount of €1,000 million over 5 years at a fixed rate of 2.625%.

In April 2019, Auchan Holding proceeded to a new bond issue as part of its EMTN programme for a nominal amount of €1,000 million over 6 years at a fixed rate of 2.375%.

Capital reduction of Auchan Holding

Auchan Holding's Extraordinary General Meeting held on 28 March 2019 authorised a total ceiling for capital reductions through the purchase and cancellation of its own shares:

- a first capital reduction was performed on 26 April 2019: 355,077 shares were purchased at a unit price of €318.53 (including a par value of €20) and then cancelled. This reduced Auchan Holding's share capital from €591,303,360 to €584,201,820;
- a second capital reduction was performed on 12 July 2019: 236,895 shares were purchased at a unit price of €318.53 (including a par value of €20) and then cancelled. This reduced Auchan Holding's share capital from €584,201,820 to €579,463,920;
- a third capital reduction was performed on 20 December 2019: 58,647 shares were purchased at a unit price of €318.53 (including a par value of €20) and then cancelled. This reduced Auchan Holding's share capital from €579,463,920 to €578,290,980.



1.3 EVENTS AFTER THE REPORTING PERIOD

On 14 January 2020, Auchan Retail announced its "Auchan 2022" corporate project with the aim of adapting its model, its offering and its organisation to the new expectations of consumers and citizens.

In this context, a voluntary departure plan for the "head office" and "products" functions of Auchan Retail International, and the support services for the regional sales organisation for the French businesses has been drawn up. It was presented to the staff representative bodies, and would lead to a net reduction of 517 currently held positions (677 positions would be cut, of which 652 are currently held and 135 positions would be created).

The consequences of this announcement have not been incorporated in the 2019 financial statements (in accordance with international accounting standards).

On 13 February 2020, the Combined Shareholders' Meeting of Auchan Holding SA decided to modify the company's governance by adopting the management structure of a public

limited company (société anonyme) with a Board of Directors. On the same date, the Board of Directors appointed Mr Barthélémy Guislain as Chairman of the Board of Directors and Mr Edgard Bonte as General Manager of the company.

The COVID-19 (coronavirus) epidemic, in which China is the main infection site, is likely to impact the activities of Sun Art Retail Group, Auchan Retail's subsidiary in China, and consequently, the financial statements of Auchan Holding in 2020. At the date of this report, the epidemic has not had a significant impact on the activities of Sun Art Retail Group. In collaboration with the local authorities, to fight against the spread of the epidemic, a number of shopping centre tenants have, nevertheless, been forced to temporarily suspend their activities. The situation in China is being closely monitored by the management teams of Sun Art Retail Group and Auchan Retail, and discussions are on-going with the authorities to enable the closed stores to be reopened and thus reduce the impact on rents received by Sun Art Retail Group. It is too early to measure all of the consequences of the COVID-19 epidemic on the 2020 financial year.

NOTE 2 GENERAL ACCOUNTING PRINCIPLES AND CONSOLIDATION SCOPE

2.1 BASIS FOR PREPARATION OF THE FINANCIAL STATEMENTS

Auchan Holding's consolidated financial statements were approved by the Board of Directors on 5 March 2020. They will not be finalised until they have been approved by the Ordinary General Meeting of Shareholders scheduled for 20 May 2020.

2.1.1 Statement of compliance

Auchan Holding's consolidated financial statements have been prepared in compliance with international accounting standards, comprising IAS (International Accounting Standards) and IFRS (International Financial Reporting Standards) and interpretations thereof issued by the IASB (International Accounting Standards Board) and by the IFRS IC (International Financial Reporting Standards Interpretations Committee), as approved by the European Union on 31 December 2019.

2.1.2 Application of standards

The accounting methods applied by Auchan Holding and its subsidiaries for the consolidated financial statements at 31 December 2019 are identical to those used for the consolidated financial statements at 31 December 2018 with the exception of the changes in standards, amendments and interpretations with mandatory application as of 1 January 2019. These texts are as follows:

Entry into force of IFRIC 23 – Uncertainty over income tax treatments

The IFRIC 23 interpretation - Uncertainty over tax treatment - applicable as of 1 January 2019, specifies the accounting for uncertain income tax positions. The application of the interpretation had no impact on equity at 1 January 2019 or on the Group's revenue at 31 December 2019.

First application of IFRS 16 – Leases

IFRS 16 "Leases" entered into force on 1 January 2019.

Auchan Holding and its subsidiaries apply IFRS 16 which mainly concerns lessees, and removes the distinction set out in IAS 17 between operating leases and finance leases. It leads to a single accounting model for lessees, under which they must recognise on the balance sheet an asset representing the right of use of the leased asset over the duration of the lease, which must be offset by the recognition of a liability representing the lease payment obligation. It also allows exemption of leases with a duration of less than or equal to 12 months and those with a low-value underlying asset. Under this model, the depreciation charge on the asset is recognised in operating expenses and the lessor debt cost is recognised in financial expenses.

Auchan Holding and its subsidiaries applied IFRS 16 as of 1 January 2019, in accordance with the "simplified retrospective" approach, which recommends that a liability equal to the present value of lease payments remaining be recognised on the transition date, in exchange for a right of use adjusted by the amount of prepaid rents; all transition impacts are recorded as an adjustment to equity.

Consequently, the comparative information presented for 2018 has not been restated and is therefore presented, as before, according to the principles of IAS 17 and its interpretations.

Auchan Holding and its subsidiaries are mainly the lessees of property intended for its distribution and warehousing. Incidentally, IFRS 16 leases also cover equipment and car leases. The term of the lease is defined contract by contract. In some countries, land is subject to usufruct granted by the public authorities. Rights of use are amortised over the duration of the usufruct granted. In regard to other real estate properties, lease terms have been determined based on the format and performance of each point of sale, and taking into consideration the lease termination and renewal options that Auchan Holding and its subsidiaries are reasonably certain to exercise. For other types of assets leased, the term corresponds to the firm commitment period.

Auchan Holding and its subsidiaries recognise a "right-of-use" asset and a lease liability (recorded as other current and non-current liabilities) at the start date of the lease. The "right-of-use" asset is initially measured at cost (if applicable, minus any prepayments), then at cost minus any amortisation and any cumulative impairment; the amount can be adjusted based on certain remeasurements of the lease liability.

Where applicable, rights of use may have been impaired at the 1 January 2019 opening for certain non-performing sites that required the recognition of a provision for impairment, the impact of which was reported under equity.

When a "right-of-use" asset meets the definition of a property investment, it is included in this latter category.

On the transition date, Auchan Holding and its subsidiaries chose to apply the following simplification measures:

- lease rents corresponding to assets of low unit value are recognised directly as expenses and do not result in the recognition of an asset and a debt;
- leases corresponding to a short-term lease (less than 12 months) are recognised directly as expenses and do not result in the recognition of an asset and a debt;
- leases with a short residual term (less than 12 months) at the transition date are recognised directly as expenses and do not result in the recognition of an asset and a debt;
- Auchan Holding and its subsidiaries have not integrated the initial direct costs related to the assessment of the right-of-use at the date on which the standard was first applied;
- Auchan Holding and its subsidiaries relied on past experience to determine the term of the lease if it included extension or termination options;
- The leases previously qualified as finance leases under IAS 17, have been recorded both for the right-to-use and the rental commitment, for their carrying amount immediately before the date of first application;
- The rights of use may have been impaired at 1 January 2019 for certain non-performing sites through the reclassification of provisions for rent constituted before the transition.



The discount rates applied on the transition date are based on Auchan Holding's marginal borrowing rate plus a spread to take into account the subsidiary's level of indebtedness and the economic environments specific to each country and each activity. These discount rates were determined taking into account the remaining terms (average weighted maturities for repayment of rental commitments) of the leases from the date of first application, i.e. 1 January 2019. Discount rates are updated quarterly so that they can be used for any new lease or any lease having undergone the following changes:

- revised estimate of the term upon remeasurement of the exercise of extension or the non-exercise of a termination option (which then becomes reasonably certain);
- change in the estimate of the exercise of a purchase option, which then becomes reasonably certain;
- contractual lengthening or shortening of the term or contractual amendment of the rents;
- addition or deletion of one or more assets.

The rights of use are recognised in the balance sheet under "Property, plant or equipment" or under "Investment property" if the lease corresponds to an asset that meets the definition of an investment property.

Rent debt is recognised under "Other current debt" for the fraction of debt payable under one year and "Other non-current debt" for the fraction of debt payable over one year.

The consequences of the agenda decision by the ASB interpretation committee (IFRIC) of 26 November 2019 could not be included in the consolidated financial statements at 31 December 2019, given the late publication date and the material time period required to estimate the consequences of this text. This decision is likely to modify the application of IFRS 16 as it stipulates:

- on the one hand, that consistency must be ensured between the lease terms selected as part of IFRS 16 and the depreciation of fittings on the sites in question;
- on the other hand, that the enforceable term of the contracts must be examined from an economic viewpoint rather than a strictly legal one.

The procedures for applying IFRS 16 selected by Auchan Holding and its subsidiaries are likely to be modified by this agenda decision. Specifically, certain leases that have expired are still on-going as they have been renewed tacitly. At 1 January 2019, for the first application of IFRS 16, these contracts were considered as short-term leases when the notice period for the relevant leases was less than 12 months. The consideration of an "economic benefit" for the lessor and lessee if the tacit renewal continues could lead Auchan Holding and its subsidiaries to consider that these terms no longer enable the relevant contracts to be considered as short-term leases and that they therefore fall within the scope of application of IFRS 16.

Other standards, amendments and interpretations with mandatory application at 1 January 2019

- Amendments to IFRS 9 – Prepayment features with negative compensation: this text did not have a significant impact on the financial statements of Auchan Holding and its subsidiaries;
- Amendments to IAS 28 – Long-term interests in associates and joint ventures: this text did not have a significant impact on the financial statements of Auchan Holding and its subsidiaries;
- Amendments to IAS 19 – Plan amendments, curtailment or settlement: this text did not have a significant impact on the financial statements of Auchan Holding and its subsidiaries;
- Annual improvements to IFRS – Cycle 2015-2017: this text did not have a significant impact on the financial statements of Auchan Holding and its subsidiaries.

Lastly, the amendment to IFRS 3 on the definition of a business as well as the amendments to IFRS 9, IAS 39 and IFRS 7 related to IBOR reform were not applied in advance.

This fundamental reform of the benchmark indices is on-going at the global level. Uncertainties remain over the transition schedule and methods for replacing the existing benchmark rates (IBOR) by alternative rates. The IBOR rates continue to be used as benchmark rates in financial markets and are used to value financial instruments whose maturity dates are later than the expected end date of these rates.

Thus, the Group considers that the current market structure justifies the continuity of hedge accounting at 31 December 2019.

2.1.3 Use of estimates

The preparation of consolidated financial statements requires management to make judgements and estimates and use assumptions that could affect the carrying amounts of certain assets and liabilities and revenue and expenses as well as the information provided in the notes to the financial statements.

In preparing the consolidated financial statements, the following items were the subject of significant judgements and estimates made by management in applying Auchan Holding's accounting methods:

- the period over which non-current assets are depreciated (see note 6.3);
- the term of leases covered by the application of IFRS 16 (see note 2.7);
- the measurement of provisions and amounts due from suppliers (see notes 9 and 3.1);
- the measurement of retirement benefit obligations (see note 5.2);
- the values used for testing impairment of property, plant and equipment, intangible assets and goodwill, (see note 6.6);

- the measurement of total deferred tax assets (including those relating to tax losses carried forward) (see note 11.1);
- the fair value measurement of identifiable assets and liabilities in the context of business combinations (see note 2.1.5);
- the information on the fair value of investment property provided in the notes to the financial statements (see note 6.4).

These estimates assume the business is a going concern and are based on past experience and other factors considered reasonable in the circumstances and using the information available at the time. These estimates may be revised if the circumstances on which they were based change or as the result of new information. The actual values may be different from the estimated amounts.

2.1.4 Consolidation scope and methods

The financial statements of companies directly or indirectly controlled by Auchan Holding are consolidated using the full consolidation method. Control is considered to exist when Auchan Holding has the power to govern, directly or indirectly, the company’s strategy and operating and financial policies so as to obtain a benefit from its assets. The existence and effect of potential voting rights that are substantively exercisable or convertible are taken into account for determining control.

The companies over which Auchan Holding directly, indirectly or jointly exercises significant influence on management and financial policies, without exercising control, are accounted for using the equity method. Auchan Holding’s share of the profit or loss of associates is recognised in the income statement under the heading “Share of net profit of associates”. The share of other components of associates’ comprehensive income is recorded on a separate line in the consolidated statement of comprehensive income. If Auchan Holding’s share of the losses of an associate is equal to or exceeds its shareholding, in its consolidated financial statements, Auchan Holding ceases to recognise its share of the losses unless it has a legal or implicit obligation to do so, or must make payments on behalf of the associate.

Consolidation is based on the financial statements for the year to 31 December for all the entities included in the consolidation scope. The consolidated statement of financial position includes the financial statements of acquired companies from the date on which control is transferred to Auchan Holding. Companies that are sold are consolidated up to the date control ceases.

Transactions and balances between companies that are included within the consolidation scope are eliminated.

2.1.5 Business combinations

In accordance with the provisions of the revised IFRS 3 Business Combinations, Auchan Holding applies the acquisition method for business combinations completed after the 1 January 2010 in its consolidated financial statements.

Under this method, all identifiable assets acquired and liabilities and contingently assumed liabilities are measured and recognised at their fair value on the date control is acquired. The consideration transferred (purchase cost) is measured at the fair value of the assets, equity and liabilities at the acquisition date. The costs arising directly from the business combination are recorded as an expense for the period.

The excess of the consideration transferred over Auchan Holding’s share of the fair value of identifiable assets, liabilities and contingent liabilities of the acquired entity are recognised as an asset under goodwill on the statement of financial position. At the date of acquisition of control and for each business combination, Auchan Holding can opt to record either partial goodwill (corresponding to the share acquired by Auchan Holding and its subsidiaries) or full goodwill in its consolidated financial statements. In the latter case, the non-controlling interests are measured at fair value and Auchan Holding records goodwill on the totality of the identifiable assets and liabilities in its consolidated financial statements.

Goodwill is measured on the date control is acquired and is not adjusted after the end of the valuation period. Subsequent changes in percentage interests in a subsidiary without change in control are recorded directly in group equity.

In the case of step acquisitions, the share previously held by Auchan Holding and its subsidiaries is re-measured at fair value. The difference between the fair value and the net carrying amount of the interest is recognised in the income statement when a step results in the acquisition of control. If control is already established, the difference is recognised as the net difference. In the case of loss of control of an entity, any interest retained directly or indirectly by Auchan Holding is measured at fair value as a counter-entry in the income statement

Goodwill relating to an associate accounted for using the equity method is recorded under “Investments in associates”.

Any negative goodwill is recognised immediately in the income statement.

In its consolidated financial statements, Auchan Holding has a period of one year from the date of acquisition of control to finalise the initial assessment of identifiable assets, liabilities and contingent liabilities, the consideration transferred and non-controlling interests on condition that the elements used to adjust these amounts correspond to new information that has come to the acquiring company’s knowledge but arising from events and circumstances prior to the acquisition date.

Subsequent price adjustments are included in the acquisition cost at their fair value as at the date of acquisition of control, even if they are of a conditional nature, and charged against equity or debt (depending on the payment method). During the valuation period, subsequent adjustments to these additional payments are recognised in goodwill when they relate to events and circumstances prior to the acquisition date; otherwise they are recognised in the income statement unless they had an equity instrument as a counter-entry.

Any deferred tax assets of the acquired entity not recognised as at the date control was acquired or during the assessment period are subsequently recognised in the income statement without any goodwill adjustment.



2.1.6 Foreign currency transactions

Auchan Holding's functional currency and the currency in which the consolidated financial statements are expressed is the euro.

Translation of the financial statements of foreign subsidiaries

Auchan Holding has no subsidiary operating in a hyperinflationary economy. The financial statements of all entities whose operating currency is not the euro are therefore translated into euro using the following method:

- assets and liabilities, except for equity, which is maintained at the historical exchange rate, are translated at the exchange rate applicable on the accounts closing date;
- income and expense items are translated at the average exchange rate for the period;
- cash flows are translated at the average exchange rate for the period.

The translation differences resulting from application of this method are recognised under "Exchange differences on translating foreign operations" in other comprehensive income in the consolidated statement of comprehensive income and are recognised in the income statement on disposal of the investment in question.

Goodwill and fair value adjustments resulting from a business combination with an activity whose operating currency is not the euro are considered as part of the subsidiary's assets and liabilities. They are expressed in the operating currency of the acquired entity and translated into euros at the exchange rate applicable on the accounts closing date. Any resulting currency translation differences are recognised under "Exchange differences on translating foreign operations" in the consolidated statement of comprehensive income.

Recognition of foreign currency transactions

Transactions denominated in foreign currencies are translated into euro at the exchange rate on the transaction date.

Monetary assets and liabilities denominated in a foreign currency, whether hedged or not, are translated into euro at the exchange rate on the accounts closing date and the resulting exchange differences are recognised in profit or loss for the period.

Foreign currency denominated non-monetary assets and liabilities valued at historical cost are translated at the exchange rate prevailing on the initial transaction date.

Foreign currency denominated non-monetary assets and liabilities valued at fair value are translated at the exchange rate prevailing on the date the fair value was determined.

2.1.7 Presentation of financial information

The amounts shown in the consolidated financial statements are rounded up or down to the closest million and include data which have been rounded up or down individually. As a result, there may be differences between the arithmetical totals and the aggregates or sub-totals shown.

Statement of financial position

Assets and liabilities involved in the normal cycle of operations are classified as current items. Other assets and liabilities are

classified as current or non-current depending on whether their expected date of recovery or payment is within twelve months from the accounts closing date.

Auchan Holding's statement of cash flows is prepared in conformance with IAS 7, using the indirect method, based on the net income of all companies in the consolidation scope, and is broken down into three categories:

- cash flows from operations (including taxes);
- cash flows from investing activities (in particular the purchase and sale of equity investments, and non-current assets);
- cash flows from financing activities (in particular debt issuance and redemptions, share buybacks, dividend payments).

2.2 MAIN CHANGES DURING THE PERIOD

The main change during the period is the entry into force of IFRS 16 "Leases" (see note 2.1.2).

2.3 MAIN CHANGES IN THE CONSOLIDATION SCOPE

The main changes in the consolidation scope in 2019 were as follows:

- disposal of the activities of Auchan Retail in Italy and of its subsidiaries on 31 July 2019 (see highlights in note 1.2);
- disposal of the activities of Auchan Retail in Vietnam to Saigon Union of Trading Co-Operatives (SGC) (see highlights in note 1.2);
- on 22 October 2019, disposal of 50.1% of Oney Bank shares to BPCE and loss of control, resulting in the change of consolidation method for Oney Bank and its subsidiaries which are now consolidated under the equity method. (see highlights in note 1.2).

2.4 TRANSACTIONS WITH RELATED PARTIES

Auchan Holding has relations with its subsidiaries (fully consolidated) and with joint ventures and associates (consolidated using the equity method).

2.4.1 Related parties with control over Auchan Holding

There were no significant transactions with Auchan Holding SA's reference shareholders.

Remuneration of corporate officers

The total expense recognised in respect of the remuneration of corporate officers (members of the Board of Directors and Supervisory Board) amounted to €1.0 million in 2019, and is broken down as follows:

- short-term benefits (including directors' fees): €0.8 million;
- share-based payments: €0.1 million;
- post-employment benefits: €0.1 million.

Joint ventures/Associates

Information on jointly-controlled ventures and associates consolidated using the equity method is provided in note 7.

Financial transactions with these companies are carried out at arm's length conditions. No significant commitments have been entered into with these companies.

Oney Bank and its subsidiaries have been accounted for using the equity method since the disposal of 50.1% of the shares and the concurrent loss of control by Auchan Holding.

Under this transaction, the main financial transactions with Oney Bank during the financial year were as follows:

- dividends paid by Oney Bank to Auchan Holding in the amount of €15 million on 31 May 2019 and €161 million on 22 October 2019;
- repayment, on 22 October 2019, by Oney Bank of the financing granted by Auchan Holding in the amount of €450 million.

Joint arrangements

No agreements that meet the characteristics of joint arrangements within the meaning of IFRS 11 have been identified.

2.5 OFF-BALANCE SHEET COMMITMENTS RELATING TO THE CONSOLIDATION SCOPE

Off-balance sheet commitments correspond to commitments given or received by entities within the consolidation scope of Auchan Holding which were not recorded in the balance sheet.

At 31 December 2019, the Finance Division was not aware of any off-balance sheet commitments likely to have a material impact on the financial situation of Auchan Holding's consolidated companies.

Details of off-balance sheet commitments relating to intangible assets and property, plant and equipment are provided in note 6.7, and those relating to financing are provided in note 10.7.

Share options

Ceetrus Luxembourg has commitments relating to call options on shares linked to the minority holdings of some of its subsidiaries. These amounted to €26 million as at 31 December 2019. At 31 December 2018, these commitments amounted to €26 million.

2.6 DISCONTINUED OPERATIONS, OPERATIONS BEING OR ALREADY DISPOSED OF, AND ASSETS HELD FOR SALE

2.6.1 Oney Bank (loss of control on 22 October 2019)

In the consolidated financial statements at 31 December 2019, the Group comprising Oney Bank and its subsidiaries is accounted for using full consolidation up to the loss of control on 22 October 2019 when 50.1% of Oney Bank shares were transferred to BPCE (see highlights in note 1.2).

For the period from 1 January 2019 to 22 October 2019, in compliance with the criteria set by IFRS 5, Oney Bank and its subsidiaries have been classified as "Activity held for sale" (as in the financial statements published as at 31 December 2018 and as at 30 June 2019). Consequently, all items of Oney Bank's income statement are presented under the single line item "Net income from assets held for sale and discontinued operations" for financial years 2019 and 2018.

The line "Net income from assets held for sale and discontinued operations" in the consolidated income statement includes:

- the net income from the activities of Oney Bank and its subsidiaries up to 22 October 2019;
- the consolidated disposal gain corresponding to the gain generated during the disposal of the 50.1% equity interest to BPCE group;
- the gain from the revaluation corresponding to the reassessment at fair value of the 49.26% equity investment retained. The fair value of the securities retained was estimated based on the sale price of the shares sold to BPCE, less a control premium. The analysis of the balance sheet of Oney Bank and its subsidiaries at the date of the loss of control showed that the carrying amounts of assets and liabilities were not significantly different from their fair values. Consequently, the reassessment of the share retained was entirely allocated to goodwill in the balance sheet of Oney Bank under the equity method in the financial statements of Auchan Holding at the date of the loss of control.

From 22 October 2019, Oney Bank and its subsidiaries are accounted for using the equity method in the financial statements of Auchan Holding given the significant influence exercised by Auchan Holding over Oney Bank.



Details of the balance sheet of the Oney Bank activity at the date of the loss of control:

<i>(in €m)</i>	22 October 2019
Non-current assets	1,013
<i>of which customer loans</i>	860
Current assets	925
<i>of which customer loans</i>	1,009
TOTAL ASSETS	1,938
Equity	320
Non-current liabilities	991
<i>of which debts financing the credit activity</i>	1,000
Current liabilities	627
<i>of which debts financing the credit activity</i>	466
TOTAL LIABILITIES	1,938

2.6.2 Auchan Retail activities sold during 2019

On 14 May 2019, Auchan Retail International announced the sale of its Italian operations to Conad Group and its intention to withdraw from Vietnam.

On 31 July 2019, Auchan Retail International sold the Auchan Spa's shares and its subsidiaries to Conad Group (see highlights in note 1.2).

The Vietnam operations were also sold to Saigon Union of Trading Co-Operatives (SGC) during the financial year ended 31 December 2019 (see highlights in note 1.2).

In compliance with the criteria set by IFRS 5, the activities in Italy and Vietnam were classified as "assets held for sale and discontinued operations" from the consolidated financial statements at 30 June 2019.

Pursuant to IFRS 5, all items in the income statement of Auchan Retail's operations in Italy and Vietnam are presented on a

2.6.4 Impacts on the financial statements

Breakdown of the net income for the 2019 and 2018 financial statements of discontinued operations: Oney Bank and Auchan Retail activities in Italy and Vietnam

<i>(in €m)</i>	2019	2018
Revenue	2,432	4,305
Gross margin	814	1,381
OPERATING INCOME FROM CONTINUING OPERATIONS	(127)	(140)
Non recurring income and expenses	(1,357)	(469)
OPERATING INCOME	(1,484)	(609)
Net cost of financial debt	(5)	(11)
Other financial revenue and expenses	(13)	(5)
INCOME BEFORE TAX	(1,502)	(626)
Income tax expense	(27)	11
NET INCOME FOR THE PERIOD	(1,529)	(614)
EBITDA	(133)	(9)

single line "Net income from assets held for sale and discontinued operations" in the annual financial statements for 2019 and 2018.

The impacts of Auchan Retail in Italy and Vietnam, therefore, include the contributions of the entities in question to Auchan Holding's consolidated net income up to their disposal date as well as the losses and depreciations related to the terms of disposal of these activities.

2.6.3 Auchan Retail Luxembourg and Ceetrus Luxembourg operations

In accordance with IFRS 5 and the initiated and highly probable disposal in 2020 of the real estate assets held by Auchan Retail and Ceetrus in Luxembourg (see highlights in note 1.2), the assets in question were reclassified under "Assets held for sale".

The impacts of the discontinued operations to the date of loss of control are broken down into the different lines of the income statement presented above:

- net income from the activities of Oney Bank and its subsidiaries up to 22 October 2019;
- net income of Auchan Retail in Italy up to 31 July 2019;
- net income of Auchan Retail in Vietnam up to the disposal dates of the entities in question during the second half year 2019.

The result on the disposal of the different activities (including the re-estimation gain on the share of Oney Bank shares retained) can be found under "Other income and expenses" in the income statement presented above.

The consolidated financial statements of Auchan Holding present a net income from assets held for sale and discontinued operations at 31 December 2019 of -€1,529 million and at 31 December 2018 of -€614 million.

Breakdown of the assets and liabilities of the discontinued operations of Auchan Retail and Ceetrus at 31 December 2019

<i>(in €m)</i>	2019
Non-current assets	618
<i>of which property, plant and equipment</i>	54
<i>of which investment property</i>	543
Current assets	24
of which inventories	13
TOTAL ASSETS	642
Non-current liabilities	8
<i>of which borrowings and lease liabilities</i>	7
Current liabilities	20
<i>of which trade payables</i>	11
TOTAL LIABILITIES	28

Pursuant to IFRS 5, the non-Group assets and liabilities related to Auchan Retail's activities in Italy, Vietnam and Luxembourg and Ceetrus Luxembourg which had not been sold at the closing date are classified under the headings "Assets held for sale" and "Debts associated with assets held for sale" in the 2019 annual financial statements.

Specifically, Ceetrus Luxembourg presented €562 million in assets reclassified as assets held for sale, of which €543 million in investment property.

The change in the cash position of the Oney Bank activity and Auchan Retail discontinued activities in Italy and Vietnam included in the Group's cash flow statement breaks down as follows:

	2019	2018
Net cash generated by operating activities	383	(108)
Net cash from (used in) investing activities	(50)	594
Net cash from (used in) financing activities	(384)	(514)
Net increase (decrease) in cash and cash equivalents	(52)	(27)

3

2.7 IFRS 16 – IMPACTS OF THE FIRST APPLICATION ON THE 2019 FINANCIAL STATEMENTS

The following table presents the impacts of the first application of IFRS 16 on the opening balance sheet:

Assets (in €m)	2018	First application of IFRS 16	Reclassification IAS 17	Information 1 January 2019
Goodwill	2,992			2,992
Other intangible assets	1,036			1,036
Property, plant and equipment	10,941	3,103		14,043
Investment property	5,265	120		5,385
Investments in associates	222			222
Customer loans – credit activity	0			0
Other non-current financial assets	436			436
Non-current derivative financial instruments	126			126
Deferred tax assets	342	18		360
NON-CURRENT ASSETS	21,359	3,241		24,600
Inventories	4,797			4,797
Customer loans – credit activity	136			136
Trade receivables	498			498
Current tax assets	158			158
Other current receivables	2,444	(125)		2,319
Current derivative financial instruments	123			123
Cash and cash equivalents	3,420			3,420
Assets classified as held for sale	3,000	6		3,006
CURRENT ASSETS	14,576	(119)		14,457
TOTAL ASSETS	35,935	3,122		39,057

Equity and liabilities (in €m)	2018	First application of IFRS 16	Reclassification IAS 17	Information 1 January 2019
Share capital	591			591
Share premiums	1,673			1,673
Reserves and net income attributable to owners of the parent	5,674	(112)		5,562
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	7,939	(112)		7,826
Non-controlling interests	3,509	(4)		3,505
TOTAL EQUITY	11,448	(116)		11,332
Provisions	265	(2)		263
Non-current borrowings and other financial liabilities	4,198		(131)	4,066
Debts financing the credit activity	462			462
Non-current derivative financial instruments	17			17
Other non-current liabilities	458	2,758	131	3,348
Deferred tax liabilities	531	(7)		524
NON-CURRENT LIABILITIES	5,931	2,750		8,681
Provisions	284	18		302
Current borrowings and other financial liabilities	3,162		(8)	3,154
Debts financing the credit activity	399			399
Current derivative financial instruments	22			22
Trade payables	8,457	(6)		8,451
Current tax liabilities	119			119
Other current liabilities	4,375	470	8	4,853
Liabilities classified as held-for-sale	1,738	6		1,744
CURRENT LIABILITIES	18,557	488		19,045
TOTAL EQUITY AND LIABILITIES	35,935	3,122		39,057

The impacts of the first application of IFRS 16 on the opening balance sheet are:

- the recognition of rights of use and debt related to future rent (debt recognised in "Other debts" current for rents under one year and non-current for rents payable in over one year);
- the reclassification of assets and liabilities associated with financial leases existing at 31 December 2018;
- the reclassification of prepaid rents as an increase in rights of use;
- the reclassification as a decrease of rights of use, as permitted by the standard's simplification measure for provisions for rent established at 31 December 2018. Where applicable, rights of use may have been impaired at the at 1 January 2019 opening for non-performing sites that required the recognition of an impairment, the impact of which was reported under equity (€116 million).

The following tables present the 2019 data if Auchan Holding and its subsidiaries had continued to apply IAS 17 in order to compare the 2019 and 2018 financial years excluding IFRS 16:

2.7.1 Impacts on the consolidated balance sheet

Assets (in €m)	31/12/2019 Published	Impact of IFRS 16	31/12/2019 Excluding IFRS 16	31/12/2018
Goodwill	3,021		3,021	2,992
Other intangible assets	1,069		1,069	1,036
Property, plant and equipment	11,768	2,293	9,475	10,941
Investment property	5,099	359	4,740	5,265
Investments in associates	485	(0)	485	222
Customer loans – credit activity	(0)		(0)	0
Other non-current financial assets	565	(10)	575	436
Non-current derivative financial instruments	124		124	126
Deferred tax assets	438	52	386	342
NON-CURRENT ASSETS	22,569	2,694	19,875	21,359
Inventories	4,875		4,875	4,797
Customer loans – credit activity	(0)		(0)	136
Trade receivables	542		542	498
Current tax assets	148		148	158
Other current receivables	1,957	(102)	2,059	2,444
Current derivative financial instruments	80		80	123
Cash and cash equivalents	3,674		3,674	3,420
Assets classified as held for sale	642	0	642	3,001
CURRENT ASSETS	11,918	(102)	12,020	14,576
TOTAL ASSETS	34,487	2,592	31,895	35,935

Equity and liabilities (in €m)	31/12/2019 Published	Impact of IFRS 16	31/12/2019 Excluding IFRS 16	31/12/2018
Share capital	578		578	591
Share premiums	1,914		1,914	1,673
Reserves and net income attributable to owners of the parent	3,813	(236)	4,049	5,674
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	6,305	(236)	6,540	7,939
Non-controlling interests	3,548	(44)	3,592	3,509
TOTAL EQUITY	9,853	(280)	10,133	11,448
Provisions	248	(1)	249	265
Non-current borrowings and other financial liabilities	6,390		6,390	4,198
Debts financing the credit activity	(0)		(0)	462
Non-current derivative financial instruments	18		18	17
Other non-current liabilities	3,041	2,444	596	458
Deferred tax liabilities	509	(8)	518	531
NON-CURRENT LIABILITIES	10,206	2,435	7,771	5,931
Provisions	415	22	393	284
Current borrowings and other financial liabilities	1,313		1,313	3,162
Debts financing the credit activity	0		0	399
Current derivative financial instruments	29		29	22
Trade payables	7,572	(6)	7,578	8,457
Current tax liabilities	115		115	119
Other current liabilities	4,955	420	4,535	4,375
Liabilities classified as held-for-sale	28	0	28	1,738
CURRENT LIABILITIES	14,428	437	13,992	18,557
TOTAL EQUITY AND LIABILITIES	34,487	2,592	31,895	35,935

The lease debt of Auchan Holding and its subsidiaries is mainly carried by the Retail activity with €2,826 million (96%).



2.7.2 Impacts on the consolidated income statement

<i>(in €m)</i>	31/12/2019 Published	Impact of IFRS 16	31/12/2019 Excluding IFRS 16	31/12/2018
Revenue	46,415		46,415	47,169
Cost of sales	(35,018)	18	(35,036)	(36,037)
Gross margin	11,397	18	11,379	11,132
Payroll expenses	(5,816)		(5,816)	(5,712)
External expenses	(2,638)	564	(3,201)	(3,310)
Depreciation, provision and impairment	(1,932)	(468)	(1,464)	(1,496)
Other recurring operating income and expenses	31		31	(12)
RECURRING OPERATING INCOME	1,042	113	929	601
Non-recurring income and expenses	(179)	(89)	(90)	(784)
OPERATING INCOME	863	24	838	(183)
Income from cash and cash equivalents	71		71	65
<i>Gross cost of financial debt</i>	(130)		(130)	(91)
<i>Net cost of financial debt</i>	(59)		(59)	(26)
Other financial income	42	21	21	13
Other financial expenses	(321)	(239)	(82)	(51)
INCOME BEFORE TAX	524	(193)	718	(246)
Share of net income (loss) of associates	(22)	(0)	(21)	(3)
Income tax expense	(229)	35	(264)	(82)
NET INCOME FROM CONTINUING OPERATIONS	274	(158)	432	(331)
Net income from assets held for sale and discontinued operations	(1,529)	(6)	(1,523)	(614)
NET INCOME	(1,255)	(164)	(1,091)	(946)
<i>of which attributable to owners of the parent</i>	(1,463)	(177)	(1,286)	(1,145)
<i>of which attributable to non-controlling interests</i>	208	13	195	200
EBITDA	2,913	653	2,260	2,084

2.7.3 Impacts on the consolidated statement of cash flow

<i>(in €m)</i>	31/12/2019 Published	Impact of IFRS 16	31/12/2019 Excluding IFRS 16	31/12/2018
Consolidated net income for the period (including non-controlling interests)	(1,255)	(164)	(1,091)	(946)
Share of net profit (loss) of associates	22	0	21	3
Dividends received (non-consolidated investments)	(5)		(5)	(4)
Net cost of financial debt and IFRS 16 financial interest	318	232	86	37
Income tax expense (including deferred taxes)	256	(35)	291	70
Net depreciation, provision and impairment expenses (other than on current assets)	2,336	671	1,665	2,801
Income and expenses on share-based payment plans	1		1	1
Other non-cash items				
Capital gains/losses net of tax and badwill	1,133		1,133	35
Cash flows from operations before net cost of financial debt, leasing interest and tax	2,806	704	2,102	1,997
Income tax paid	(326)		(326)	(257)
Interest paid	(427)	(232)	(195)	(153)
Other financial items	109		109	116
Cash flows from operations after net cost of financial debt and tax	2,161	471	1,690	1,703
Changes in working capital requirement	(452)	4	(456)	(74)
Changes in items relating to the credit activity	114		114	(28)
Net cash generated by operating activities	1,824	475	1,348	1,601
Acquisition of property, plant and equipment, intangible assets and investment property	(1,181)		(1,181)	(1,999)
Proceeds from disposals of property, plant and equipment, intangible assets and investment property	218		218	82
Acquisition of shares in non-consolidated companies including associates accounted for by the equity method	(54)		(54)	(69)
Proceeds from sales of shares in non-consolidated companies including associates accounted for by the equity method	352		352	4
Acquisitions of subsidiaries net of cash acquired	(7)		(7)	(434)
Cash flow from discontinued operation	(262)		(262)	
Dividends received (non-consolidated investments)	11		11	31
Changes in loans and advances granted	(213)		(213)	2
Net cash from (used in) investing activities	(1,136)		(1,136)	(2,383)



(in €m)	31/12/2019 Published	Impact of IFRS 16	31/12/2019 Excluding IFRS 16	31/12/2018
Amounts received from shareholders on capital increases				
Purchases and sales of treasury shares	(196)		(196)	(251)
Dividends paid during the period	(120)		(120)	(313)
Acquisitions and disposals of interests without change in control	(67)		(67)	(27)
Payment of lease liabilities	(472)	(461)	(12)	
Changes in net financial debt	790		790	2,022
Net cash from (used in) financing activities	(65)	(461)	395	1,431
Effect of changes in foreign exchange rates	(40)	(15)	(25)	35
Net increase (decrease) in cash and cash equivalents	582		582	683
Cash and cash equivalents at beginning of period	2,987		2,987	2,304
Cash and cash equivalents at end of period	3,569		3,569	2,987
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	582		582	683

2.7.4 Reconciliation of lease liabilities at the transition date with off-balance sheet commitments at 31 December 2018

(in €m)

OPERATING LEASES COMMITMENTS AS AT 31 DECEMBER 2019	5,010
Effects related to optional periods not taken in off-balance sheet commitments	100
Effects of delay in availability date	(67)
Effects related to contracts exempted from IFRS 16	(358)
Effects related to contracts excluding commitments given under lease agreements as of 31 December 2018	79
Other effects	(263)
Undiscounted lease liability	4,502
Effect of discounting	(1,164)
Lease liabilities after discounting	3,338
Existing finance leases	139
LEASE LIABILITIES AT 1 JANUARY 2019 AFTER FIRST-TIME APPLICATION OF IFRS 16	3,477

The average weighted marginal debt rate at 1 January 2019 was 8%.

NOTE 3 OPERATING DATA

3.1 REVENUE/GROSS MARGIN

Accounting Principles

Revenue comprises "Sales before tax" and "Other revenue".

Revenue includes sales of goods and services by the stores and service stations, E-commerce sites, revenue from franchise activities and rental revenues from shopping malls and retail parks.

Other revenue includes franchise fees, lease premiums collected by the shopping malls and retail parks, commissions for the sale of services and warranty extension premiums.

Revenue is assessed on the basis of the contractual price corresponding to the amount of remuneration to which the Group expects to be entitled, in exchange for providing goods or services. The cost of the transaction is allocated to each of the performance obligations in the contract, which constitutes the unit of account for recognising revenue. Revenue is recognised when the performance obligation is fulfilled, i.e. when the customer obtains control of the good or service. Revenue can therefore be recognised at a given moment or continuously (i.e. percentage of completion).

The breakdown of the Group's principal sources of revenue is as follows:

- sales of goods: in this case, the Group has only one performance obligation, which is the delivery of the good to the customer. Revenue from sales are recognised at the moment where the control of the good has been transferred to the customer, generally at the time of delivery. Given the Group's activities, the transfer of control takes place:
 - when customers go through checkout for in-store sales,
 - when goods are received by franchisees and affiliates,
 - when received by the customer for e-commerce sales;
- the provision of services, such as franchise fees, logistical services, property revenues (rental income, rental management fees): in this case, the Group has only one performance obligation, namely delivery of the service. Revenue from the services is recognised continuously over the period in which the services are provided;
- revenue from real estate development activities: in this case, the Group generally has several performance obligations, some of which may be carried out at a given moment and others continuously according to the percentage of completion method. Completion-based net income is calculated using the projected net income at completion, weighted by the rate of progression determined according to the costs incurred.

The Group offers customers loyalty programmes through which to enjoy reductions or other benefits when they make subsequent purchases. The benefits accumulated by customers from loyalty programmes constitute a performance obligation that is separate from the initial sale. For this reason, a contract liability is recognised in respect of this performance obligation. The revenue from these rights accorded is deferred until the date on which the customers use the benefits.

Cost of sales comprises the cost of purchases net of rebates and commercial cooperation fees, received by the Group changes in inventories net of any impairment loss, logistics costs, cash discounts obtained and exchange gains and losses on the purchase of goods.

Rebates and commercial cooperations, recognised as a deduction from the cost of sales, result from contractual agreements signed by the Group companies with their suppliers. These agreements, which are specific from one supplier to another, include rebates calculated according to the volume of purchases of goods made, as well as rebates for commercial cooperation actions invoiced to suppliers. These commercial cooperation actions are the subject of contractual agreements.

Rebates are obtained when the related performance conditions are met. These performance conditions generally require the Group to meet certain volume thresholds. Rebates under commercial cooperation agreements are recognised during the period of implementation. They are recorded in accordance with the terms and conditions set out in the contractual agreements concluded with the Group's suppliers until their completion.

The gross margin is the difference between revenue and the cost of sales.

(in €m)	2019	2018
Sales	46,144	46,883
Other revenue	271	287
Revenue	46,415	47,169
Purchases net of discounts, commercial cooperation services and ancillary and logistics costs	(35,288)	(36,003)
Change in inventories (net of impairment)	270	(34)
Cost of sales	(35,018)	(36,037)
Gross Margin	11,397	11,132

3.2 EBITDA

Accounting Principles

EBITDA corresponds to operating income from continuing operations excluding non-recurring income and expenses and before depreciation, impairment and provisions (including that recognised under cost of sales, payroll expenses and other external expenses).

Store pre-opening costs are recognised in operating expenses when they occur.

(in €m)	2019	2018
Operating income from continuing operations	1,042	601
● Other recurring operating income and expenses	(31)	12
● depreciation, impairment and provision ⁽¹⁾	1,902	1,471
EBITDA⁽²⁾	2,913	2,084

(1) Including amounts recognised in cost of sales, personnel expenses and other external expenses for €-29 million in 2019 and €-25 million in 2018.

(2) IFRS 16 had a positive impact on 2019 EBITDA of €653 million (see note 2.7)

3.3 OPERATING INCOME FROM CONTINUING OPERATIONS

3.3.1 Other recurring operating income and expenses

(in €m)	2019	2018
Net gains on disposals (including reversals of impairment on sold assets)	25	(23)
Other	6	11
TOTAL OTHER OPERATING INCOME AND EXPENSES	31	(12)

3.3.2 Auditors' fees

As required by regulation No. 2016-09 issued by the French accounting standards authority (Autorité des Normes Comptables), the following table shows the pre-tax amount of fees (excluding disbursements) paid by Auchan Holding and its French subsidiaries under auditing mandates:

(in €m)	PricewaterhouseCoopers Audit	KPMG Audit
Auditing service	3.3	5.5
Non-audit services (NAS)	1.4	0.5

Non-audit services include fees for work required by law, in particular the authorisation of awards of bonus shares, capital increases reserved for employees, capital decreases, as well as certificates, comfort letters and agreed procedures and due diligence.

3.3.3 Depreciation, provisions and impairment

(in €m)	2019	2018
Depreciation expenses, net of reversals ⁽¹⁾	1,835	1,387
Provision and impairment expenses, net of reversals of unused provisions	97	109
NET AMOUNT IN INCOME STATEMENT	1,932	1,496

(1) Of which €108m related to the depreciation of other intangible assets in 2019 (€100m in 2018) (see note 6.2). Of which €583 million in right-of-use depreciation expenses in 2019 following the entry into force of IFRS 16 on 1 January 2019 (see note 6.2).

3.4 NON RECURRING INCOME AND EXPENSES

Accounting Principles

Non-recurring transactions in significant amounts which could distort recurring operating performance are recorded under "non recurring income and expenses" in accordance with recommendation No. 2013-R.03 of the French accounting standards authority (ANC). This item includes in particular significant impairment recognised on goodwill, significant and

exceptional impairment losses recognised on property, plant and equipment, and items that are exceptional, unusual and material and which are unrelated to ordinary operations, such as expenses for major restructuring or exceptional indemnities on contract termination.

<i>(in €m)</i>	2019	2018
Impairment of non-current assets and store closing costs		
<ul style="list-style-type: none"> • In 2019: mainly in Russia (-€55 million), China (-€50 million), Ukraine (-€39 million), of which €29 million on investment property. 	(195)	(778)
<ul style="list-style-type: none"> • In 2018⁽¹⁾: mainly in France (-€457 million), Russia (-€155 million), China (-€46 million), Poland (-€44 million), of which -€93 million on investment property. 		
Auchan Retail France - Provision for reorganisation project	(30)	(6)
Auchan Holding - Share buyback commitments ⁽²⁾	36	
Ceetrus France - Capital gain on disposals (mainly Canyon and Undecima programmes)	33	
Auchan Retail International - Provisions for onerous contracts	(17)	
Auchan Retail China - Extraordinary income on prepaid cards		5
Other revenue and expenses	(6)	(5)
TOTAL NON-RECURRING INCOME AND EXPENSES	(179)	(784)

(1) Impairment of assets in the amount of €440 million in Italy reclassified as "Activities held for sale" in 2018.

(2) Impact of the drop in value of the Auchan Holding share on the debt related to share buyback commitments.

3.5 INVENTORIES

Accounting Principles

Inventories are measured at the lower of cost and net realisable value. Cost is net of annual rebates and commercial cooperation fees and includes handling and warehousing costs directly attributable to the acquisition of the products, and the transport costs incurred in bringing the products to the stores.

Inventories are valued either on the basis of the last purchase price, a method similar to the FIFO ("First in, First out") method for rapidly moving stocks, or at the weighted average unit cost, or at the selling price less the profit margin. Inventories are written down if their net realisable value is below cost.

<i>(in €m)</i>	2019	2018
Gross amount	4,981	4,933
Impairment	(106)	(136)
NET CARRYING AMOUNT	4,875	4,797

Change in impairment

<i>(in €m)</i>	2019	2018
At 1 January	(136)	(136)
Provisions for impairment, net of reversals	11	(3)
Changes in the consolidation scope and exchange differences	18	3
AT 31 DECEMBER	(106)	(136)

No inventory amounts have been pledged to secure debt.

NOTE 4 OPERATING SEGMENTS

Accounting Principles

Pursuant to IFRS 8 - Operating Segments, the operating segments are determined based on the information provided to management for assessing the activities and performances of the Group made up of Auchan Holding and its subsidiaries and those of the various segments it comprises. The segments presented are operating segments or groups of similar operating segments.

An operating segment is a component within the consolidation scope that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to transactions with other components of the same entity.

The measurement of each operating segment's performance, used by the key operational decision-makers, is based on operating income from continuing operations.

Segment assets comprise goodwill, other intangible assets and property, plant and equipment, investment property, investments in associates, inventories, trade receivables and other current receivables.

Segment liabilities comprise provisions, trade payables and other current liabilities.

Segment investments correspond to acquisitions of property, plant and equipment and intangible assets, including goodwill and leases but excluding the impact of deferred payments.

4.1 SEGMENT INFORMATION BY BUSINESS ACTIVITY

Segment data (in €m)	Auchan Retail ⁽¹⁾		Ceetrus Real Estate		Holding companies, others and eliminations		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
External revenue	45,803	46,452	612	717	0	0	46,415	47,169
Inter-segment revenue	4	6	6	9	(10)	(15)	0	0
REVENUE	45,807	46,458	618	726	(10)	(15)	46,415	47,169
Operating income from continuing operations	790	383	216	193	36	27	1,042	602
Non recurring income and expenses							(179)	(785)
Operating income							863	(183)
Net cost of financial debt							(59)	(26)
Other financial revenue							42	13
Other financial expenses							(321)	(51)
Income tax expense							(229)	(82)
Share of net profit (loss) of associates							(22)	(3)
Net income from continuing operations							274	(331)
Net income from assets held for sale and discontinued operations							(1,529)	(614)
NET INCOME							(1,255)	(946)
Segment assets	24,090	23,606	4,458	4,697	268	25	28,816	28,330
Segment liabilities	12,649	12,921	525	486	17	835	13,191	14,242

(1) The "Retail" business activity does not include the activities in Italy and Vietnam, which are classified as discontinued operations.

Other information (in €m)	Auchan Retail ⁽³⁾		Ceetrus Real Estate		Holding companies, others and eliminations		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
Investments (gross)	1,155	1,251	371	455	13	14	1,539	1,720
Depreciation and amortisation expenses	1,620	1,161	214	226	0	0	1,835	1,387
Impairment losses, net of reversals ⁽¹⁾	(75)	(1,041)	1	(95)	0	0	(73)	(1,136)
Other non-cash operating income and expenses ⁽¹⁾⁽²⁾	(151)	(148)	(5)	(17)	(0)	(0)	(156)	(166)

(1) -= expenses

(2) Significant expenses: provision and impairment expenses/reversals other than impairment on intangible assets, property, plant and equipment and investment property (mainly relating to impairment of current assets and customer loans and provisions for risk and contingent liabilities).

(3) The "Retail" business activity does not include the activities in Italy and in Vietnam, which are classified as discontinued operations.

4.2 SEGMENT INFORMATION BY GEOGRAPHIC AREA

(in €m)	France		Western Europe excluding France		Central and Eastern Europe		Rest of the World Asia and Africa		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Revenue	17,632	17,972	6,021	5,955	9,463	9,570	13,299	13,672	46,415	47,169
Non-current segment assets, excluding tax and financial assets	5,505	5,320	3,028	4,309	4,528	3,805	7,896	6,800	20,958	20,234

4.3 RECONCILIATION OF SEGMENT ASSETS AND LIABILITIES

Total segment assets are reconciled in the total assets of Auchan Holding and its subsidiaries as follows:

<i>(in €m)</i>	2019	2018
Goodwill	3,021	2,992
Other intangible assets	1,069	1,036
Property, plant and equipment	11,768	10,941
Investment property	5,099	5,265
Non-current segment assets excluding tax and financial assets	20,958	20,234
Investments in associates	485	222
Non current customer loans – credit activity	(0)	0
Inventories	4,875	4,797
Current customer loans – credit activity	(0)	136
Trade receivables	542	498
Other current receivables	1,957	2,444
Segment assets	28,816	28,330
Other non-current financial assets	565	436
Non-current derivative financial instruments	124	126
Deferred tax assets	438	342
Current tax assets	148	158
Current derivative financial instruments	80	123
Cash and cash equivalents	3,674	3,420
TOTAL ASSETS	34,487	35,935
<i>(in €m)</i>	2019	2018
Non-current provisions	248	265
Non current debts financing the credit activity	(0)	462
Current provisions	415	284
Current debts financing the credit activity	0	399
Trade payables	7,572	8,457
Other current liabilities	4,955	4,375
Segment liabilities	13,190	14,242
Equity	9,853	11,448
Non-current borrowings and other financial liabilities	6,390	4,198
Non-current derivative financial instruments	18	17
Other non-current liabilities	3,041	458
Deferred tax liabilities	509	531
Current borrowings and other financial liabilities	1,313	3,162
Current derivative financial instruments	29	22
Current tax liabilities	115	119
TOTAL EQUITY AND LIABILITIES	34,487	35,935

NOTE 5 PAYROLL EXPENSES AND EMPLOYEE BENEFITS

5.1 PAYROLL EXPENSES

(in €m)	2019	2018
Wages and salaries including social security costs and external labour	5,550	5,608
Employee incentives and profit-sharing	226	169
French Competitiveness and Employment Tax Credit (CICE)	(0)	(90)
Employee benefits and share-based payments ⁽¹⁾	25	26
NET AMOUNT IN INCOME STATEMENT	5,802	5,713

(1) Including expenses booked in 2019 in respect of defined benefit schemes, including a net reversal of provision for €18 million (€19 million in 2018) and other employee benefits for €7 million (€7 million in 2018).

The average "full-time equivalent" headcount of the consolidated companies was 308,137 in 2019, compared with 340,577 in 2018. This change was primarily due to the disposal of Retail activities in Italy and Vietnam, and of Oney Bank.

5.2 EMPLOYEE BENEFITS

Accounting Principles

As required under IAS 19 "Employee Benefits", all entities in the consolidation scope list and record all benefits granted to employees. Auchan Holding and its subsidiaries have set up retirement plans for employees in accordance with the laws and practices of each country.

Company employees receive long-term or post-employment benefits, based on the rules and practices in each country.

These supplementary benefits take the form of defined contribution or defined benefit plans.

Defined contribution plans

Under defined contribution plans, regular contributions are made to external bodies that are responsible for the plans' administrative and financial management. Contributions to these plans are expensed as incurred. Defined contributions amounted to €363 million in 2019 (€429 million in 2018).

Defined benefit plans

The obligations arising from defined benefit plans are determined using the projected unit credit method. The larger plans are assessed each year by independent actuaries and other plans are assessed regularly. The actuarial assumptions used to determine the obligations vary according to the specific characteristics of each company (staff turnover rate, wage increases) and the economic conditions in the countries where the plans are operated (discount rate and inflation).

These plans can be funded, in which case their assets are managed separately and independently from those of Auchan Holding and its subsidiaries, or non-funded.

For non-funded defined benefit plans, the liability recognised in the statement of financial position corresponds to the present value of the obligations. Past service costs, i.e. the change in the obligation resulting from changes to or the reduction of a plan, are expensed immediately at the date of these changes.

For funded defined benefit plans, the deficit or surplus of the fair value of the assets compared with the present value of the obligations is recognised as a liability or asset in the statement of financial position. However, a surplus can only be recognised in the balance sheet to the extent that it represents future economic benefits that are actually available to Auchan Holding and/or one of its subsidiaries. If these surplus assets are not available, or do not represent future economic benefits, the amount of assets recognised in the statement of financial position is limited.

Revaluations of the net liability in respect of defined benefits comprise actuarial gains and losses, the return on plan assets and any change in the impact of the defined benefit asset limit (excluding amounts included when calculating the net interest on the net liability, where relevant). Auchan Holding recognises them immediately in other comprehensive income, while all other expenses incurred in respect of defined benefit plans are recognised under employee benefits in the income statement.

The expense recognised in the income statement for defined benefit plans comprises the current service cost (recognised in payroll expenses), the net interest expense (recognised in other financial revenue and expenses) and the past service costs for the financial year. In the consolidated financial statements, Auchan Holding and its subsidiaries calculate the net interest expense on the net liability in respect of defined benefits for the period by applying the discount rate used at the beginning of the financial year to calculate the net liability.

In 2019, defined benefit plans primarily concern retirement indemnities in France (IFC).

In France, the plans are funded and the assets are managed by a French mutual insurance company, AG2R La Mondiale, which

has an A- rating. AG2R La Mondiale has set up a dual mechanism to protect its customers from counterparty risk, by isolating the retirement benefit activity in a dedicated insurance subsidiary, Ariel Assurance, on the one hand, and by granting to Ariel Assurance a pledge of securities held as part of La Mondiale's general assets in the amount of the funded commitments, on the other.

Provisions (non-current and current) for employee benefits amounted to €133 million on 31 December 2019 (compared with €174 million on 31 December 2018), of which €14 million for other long-term benefits and €119 million for post-employment benefits.

The main actuarial assumptions used to estimate the obligations are as follows:

Actuarial assumptions	2019		2018	
	France	Italy ⁽¹⁾	France	Italy
Discount rate at 1 January	1.80%	-	1.80%	1.80%
Discount rate at 31 December	1.10%	-	1.80%	1.80%
Expected rate of salary increases	2.00%	-	2.00%	3.00%
Table of mortality rates	TF 00-02 and TH 00-02	-	TF 00-02 and TH 00-02	IPS55

(1) The commitments relating to Auchan Retail Italy were transferred to Conad.

The discount rate is based on rates for leading AA-rated bonds on the market with a duration equivalent to that of the commitments.

The assumptions relating to salary increases correspond to the forecast inflation rate plus projected individual salary increases. The assumption for the end of 2019 is an increase in inflation of 2%.

The mortality and staff turnover assumptions take into account the economic conditions of each company consolidated by Auchan Holding.

Sensitivity to assumptions

A 50 basis point fall in the discount rate would increase the amount of the obligation by 5% (impact on other comprehensive income).

The change in the present value of the obligation in respect of defined benefit plans is as follows:

Change (in €m)	2019	2018
Present value of obligation at 1 January	350	372
Interest expense	5	7
Current service cost	14	16
Past service cost	9	7
Curtailments and settlements		3
Benefits paid	(1)	(7)
Actuarial gains and losses	(9)	(45)
Exchange differences	14	
Changes in consolidation scope	(89)	4
PRESENT VALUE OF OBLIGATION AT 31 DECEMBER	293	350
<i>Of which funded obligations</i>	<i>161</i>	<i>249</i>

Estimated contributions to be paid in respect of 2020 amount to €10 million.

The change in the fair value of defined benefit plan assets was as follows:

<i>(in €m)</i>	2019	2018
Fair value of assets at 1 January	186	196
Expected return on plan assets	2	4
Contributions paid	0	0
Benefits paid	(0)	(0)
Actuarial gains and losses	(15)	(11)
Other	0	(2)
FAIR VALUE OF ASSETS AT 31 DECEMBER	174	186

The breakdown of defined benefit plan assets in France by main category was as follows:

	2019	2018
Assets in euro	46%	49%
Fonds Club 3	52%	49%
Equities	2%	2%

Assets in euros are mainly invested in government or investment grade bonds (84%), international blue chip shares (8%) and office real estate (8%).

Fonds Club 3 is invested for 70% minimum in assets in euros and for 30% maximum in a diversified portfolio offering wider exposure to growth assets.

The equity portfolio is invested entirely in multi-strategy UCITS. The strategic equity allocation is 70% Europe and 30% the rest of the world.

The financial management of the retirement indemnities contract of Auchan Holding and its subsidiaries is based on euro-denominated assets (general and Fonds Club 3 assets made up of equities and bonds) with a guaranteed floor rate for the general assets and a capital guarantee for Fonds Club 3, and equity units of account recognised at fair value. The gross return in respect of 2019 has been set at 2.37% for assets in euro and 3.01% for Fonds Club 3. The gross floor rate expected for 2020 is 0.50% for assets in euros and 0% for Fonds Club 3.

Balance sheet data can be reconciled with the actuarial obligation in respect of defined benefit plans as follows:

<i>(in €m)</i>	2019	2018		
		Total	Of which France	Of which Italy
Present value of the obligation	293	350	243	96
Fair value of assets	(174)	(186)	(180)	
Deficit/(surplus)	119	164	63	96
NET LIABILITY RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION	119	164	63	96

The change in the net provision recognised in the statement of financial position is as follows:

(in €m)	2019	2018
Provision recognised in the statement of financial position at 1 January	164	176
Actuarial gains and losses recognised under other comprehensive income	5	(34)
<i>of which actuarial gains and losses on plan liabilities</i>	(9)	(45)
<i>of which actuarial gains and losses on plan assets</i>	15	11
Net expenses for the period	26	29
Contributions paid	(0)	(0)
Benefits paid	(0)	(6)
Other	14	(1)
Changes in consolidation scope	(8g)	
PROVISION RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER	119	164

The aggregate amount of actuarial gains and losses recognised in other comprehensive income at 31 December 2019 amounted to €(18) million net of tax compared with €(98) million at 31 December 2018.

The expenses recorded in respect of defined benefit plans breaks down as follows:

(in €m)	2019	2018
Current service cost	14	16
Interest expense	3	4
Past service cost	9	7
Curtailments and settlements		3
EXPENSES RECOGNISED	26	30
<i>of which recognised in payroll expenses</i>	23	23
<i>of which recognised in other financial revenue and expenses</i>	3	7

5.3 SHARE-BASED PAYMENTS

Accounting Principles

In exchange for services provided, Auchan Holding SA awarded some employees share option purchase plans, or long-term bonus plans.

Share purchase option and bonus share plans

In accordance with IFRS 2 "Share-Based Payments", Auchan Holding recognises a payroll expense in respect of these benefits. This expense is spread over the beneficiary's vesting period. A corresponding amount is recorded under liabilities (re-estimated at each account closing date with a corresponding amount recorded under profit and loss) if Auchan Holding SA or one of its subsidiaries has undertaken to repurchase the shares.

This expense is calculated as follows:

- calculation of the options' fair value at the account closing date using a valuation model;
- use of a probability coefficient based on the relevant specific presence conditions.

The fair value of the options corresponds to the fair value of the services rendered by the beneficiary. It is equivalent to the value of a call calculated using the binomial model, with the following inputs:

- option's residual life;
- option's exercise price;
- interest rate (risk-free interest rate);
- annual valuation of the share by a body of independent experts;
- observed historical volatility.

The value of the underlying shares includes the impact of dividends paid.

The Group's bonus share plans are subject to presence and, in some cases, performance conditions. The performance condition is dependent on the average annualised increase in the Auchan Holding share price or on the scopes of Auchan Retail or Ceetrus. The value of Auchan Holding's shares or of the scopes of Auchan Retail or Ceetrus is assessed annually by a body of independent experts.

In order to benefit definitively from allocation of all or part of the related bonus shares, the beneficiary must first achieve a minimum performance threshold. Once this threshold has been reached, the beneficiary must reach a series of levels set based on a percentage of the annualised average increase over the vesting period, on which the number of bonus shares finally allocated will depend.

The value of the services rendered by the beneficiaries of bonus share plans is assessed using the Merton extension of the Black and Scholes model.

Long-term bonus plans

Auchan Holding has two types of long-term bonus plans for certain employees:

- long-term bonuses conditional upon presence;
- long-term bonuses conditional upon presence and performance.

Long-term bonuses, which are paid in cash, result in the recognition of a payroll expense spread over the vesting period and an offsetting liability.

The fair value of the plans, which expire after 4 years, corresponds to the fair value of the services rendered by the beneficiaries. It is measured on the allocation date by an independent actuary, and is revised each year with a distinct mathematical method for each plan:

- long-term bonus conditional upon presence: use of the binomial model including a probability coefficient based on the relevant specific presence conditions;
- long-term bonus conditional upon presence and performance: use of a Black & Scholes model (Merton formula). The performance condition is based on the change in value after one year of a specified scope linked to the beneficiary, for which there is a "minimum" and a "maximum" incentive bonus. The reference scope is assessed annually by a body of independent experts.

5.3.1 Share option purchase plans allocated by Auchan Holding SA

Change in the number of options and in the weighted average exercise price for 2019 and 2018

	2019		2018	
	Weighted average exercise price in €	Number of options	Weighted average exercise price in €	Number of options
Options outstanding at 1 January	408.04	5,028	413.11	10,600
Adjustment of number of options ⁽¹⁾				0
Options granted during the year			0.00	0
Options exercised during the year				0
Options cancelled or lost			413.27	3,692
Options expired	408.04	5,028	426.34	1,880
Options outstanding at 31 December		0	408.04	5,028
• Price range				408.04
• Weighted average contractual duration				8 months
Options exercisable at 31 December	-	-	-	-

(1) Adjustment of the number of options after transactions impacting equity.

5.3.2 Bonus share plans of Auchan Holding S.A.

Change in the number of bonus shares

Change in the number of bonus shares	2019 ⁽¹⁾
	Number of shares
Bonus shares at the beginning of the year	16,233
Adjustment of number of bonus shares ⁽¹⁾	0
Bonus shares granted during the year	0
Bonus shares returned during the year	2,594
Bonus shares cancelled or lost	8,753
Bonus shares at the end of the year	4,886

(1) Adjustment of the number of options after transactions impacting equity.

Characteristics of the bonus share plans

- 2016/2020 plan subject to performance conditions inception date: 31 August 2016
- Value of the underlying share: €318,53;
- Definitive grant date: 1 September 2020;
- End of lock-up period: 1 September 2022.
- 2018/2021 plan subject to performance conditions inception date: 16 January 2018
- Value of the underlying share: €318,53;
- Definitive grant date: 1 July 2019;
- End of lock-up period: 1 July 2021.
- 2018/2021 plan subject to performance conditions inception date: 16 January 2018
- Value of the underlying share: €318,53;
- Definitive grant date: 1 July 2021;
- End of lock-up period: 1 July 2023.
- 2018/2019 plan inception date: 16 January 2018;
- Value of the underlying share: €318,53;
- Definitive grant date: 1 July 2019;
- End of lock-up period: 1 July 2022.

The bonus share plans put in place are subject to conditions of presence. Three of the five plans also have a performance condition.

This performance condition is dependent on the average annualised increase in the Auchan Holding share price. The beneficiary must firstly achieve a minimum performance threshold. After this, they must reach a series of percentage levels in order to be eligible for some or all of the bonus shares.

5.3.3 Long-term bonus plans

Since 2012, the share-based plans have mainly involved long-term bonus plans paid in cash and no longer in share. As from 2015, bonus plans with presence conditions have been

replaced by "value creation remuneration" (RCV) plans, the features of which are described below.

No plan was issued in 2019.

Bonus plans

Plan name	Condition	Plan	Inception date	Underlying	Grant date	Length
RCV*	Presence	2016/2020	01/10/2016	Value of each reference scope established by a body of independent experts	30/04/2020	43 months
RCV*	Presence	2017/2021	01/10/2017	Value of each reference scope established by a body of independent experts	30/04/2021	43 months
RCV*	Presence	2018/2022	01/10/2018	Value of each reference scope established by a body of independent experts	30/04/2022	43 months

* RCV: rémunération création de valeur (value creation remuneration).

The performance conditions depend on the annualised increase in the scope in respect of which each beneficiary's bonus is determined. A "minimum" and "maximum" bonus is defined.

Impact of share-based payments on liabilities (other liabilities) and on the income statement (payroll expenses)**For the share option purchase plans allocated by Auchan Holding SA:**

- The liability (including buyback commitments to beneficiaries of stock option or bonus share plans) came to €1 million at 31 December 2019 compared with €2.1 million at 31 December 2018.
- The total impact of plans recorded in the income statement amounted to +€0.7 million in 2019 (+€0.7 million in 2018).

For long-term bonus (RCV - value creation remuneration) plans:

- Debt at 31 December 2019 amounted to €1.8 million (excluding social security charges).
- The impacts of the above plans on the consolidated income statement represent an expense of -€1.9 million in 2019 (excluding social security charges) (expense of +€2.0 million in 2018).

NOTE 6 INTANGIBLE FIXED ASSETS AND PROPERTY, PLANT AND EQUIPMENT

6.1 GOODWILL

Accounting Principles

The accounting principles for goodwill are described in note 2.1.5.

Goodwill is not depreciated but is tested for impairment at each year-end and more often if events or circumstances indicate that it may be impaired. Such events or circumstances relate to significant, adverse and lasting changes with an

impact on economic conditions or on the assumptions and objectives adopted at the acquisition date.

Any significant impairment loss is recognised in the income statement under "Non recurring income and expenses".

The methods used to test for impairment are described in note 6.6.

Change in gross carrying amount

(in €m)	Gross amount	
	2019	2018
Gross carrying amount at 1 January	4,755	4,801
Change linked to business combinations ⁽¹⁾	-	54
Other acquisitions	(0)	8
Disposals ⁽²⁾	(1,358)	(5)
Exchange differences ⁽³⁾	68	(61)
Other movements and transfers	(2)	(16)
Non-current assets held for sale and discontinued operations ⁽⁴⁾		(25)
GROSS CARRYING AMOUNT AT 31 DECEMBER 2019⁽⁵⁾	3,463	4,755

(1) In 2018, changes over the period correspond mainly to completed acquisitions by Ceetrus Portugal.

(2) Disposals primarily include disposal of the goodwill of Auchan Retail in Italy (€1,323 million) and in Vietnam (€13 million).

(3) Exchange differences mainly in the Russian ruble for €49 million, the Taiwanese dollar for €7 million and the ukrainianhryvnia for €6 million.

(4) Oney Bank goodwill reclassified in the balance sheet under "Non-current assets held for sale and discontinued operations" in 2018.

(5) See details of net value by country/business line below.

Change in impairment

(in €m)	Impairment
Impairment loss at 1 January 2018	1,109
Impairment losses for the year ⁽¹⁾	673
Disposals	(4)
Exchange differences	1
Other movements and transfers	(16)
IMPAIRMENT LOSS AT 31 DECEMBER 2018⁽²⁾	1,763
Impairment loss as at 1 January 2019	1,763
Impairment loss for the year	0
Disposals ⁽³⁾	(1,330)
Exchange differences	4
Other movements and transfers	5
IMPAIRMENT LOSS AT 31 DECEMBER 2019⁽²⁾	442

(1) In 2018, impairment losses of €673 million were recorded under "non recurring income and expense" (see note 3.4).

The €673 million recognised in 2018 related to €284 million for Retail in France and €370 million for Retail in Italy.

In 2019, impairment tests failed to show any additional impairment on these same assets in France.

The impairments in Italy were reclassified as "activities held for sale" in 2019.

(2) See details of net value by country/business below.

(3) Disposals mainly include disposal of the goodwill of Auchan Retail in Italy (€1,323 million) and in Vietnam (€2 million).

Net carrying amount

(in €m)	
At 1 January 2018	3,692
At 31 December 2018	2,992
At 1 January 2019	2,992
AT 31 DECEMBER 2019	3,021

Information on the sensitivity analysis of goodwill impairment tests is provided in note 6.6.

The net carrying amount of goodwill by country/business line was as follows:

(in €m)	2019	2018
Retail Holding	3	3
Retail France	1,147	1,152
Retail Spain	159	178
Retail Portugal	178	178
Retail Poland	277	274
Retail Russia ⁽¹⁾	404	354
Retail China	561	557
Retail Taiwan	91	88
Other Retail	120	127
Ceetrus France	14	14
Ceetrus Italy	19	19
Ceetrus others	46	46
Auchan Holding	2	2
TOTAL	3,021	2,992

(1) Including exchange rate impact of +€49 million in Russia.

6.2 OTHER INTANGIBLE ASSETS

Accounting principles

Other intangible assets mainly comprise software applications acquired or developed internally, and acquired leasehold rights and brands. Intangible assets acquired separately by consolidated companies are recognised at their cost price and those acquired through business combinations are recognised at their fair value. Brands that are created and developed internally are not recognised in the balance sheet.

Intangible assets with an indefinite life (mainly leasehold rights in France and acquired brands) are therefore not depreciated and are tested for impairment when events suggest a risk of

impairment and in all cases at least once a year. When their recoverable amount based on criteria applied at the time of acquisition falls below their carrying amount, an impairment loss is recognised (see note 6.6).

Other intangible assets with a defined useful life are depreciated using the straight-line method over their expected useful lives.

Accordingly, acquired software and licences and internally developed software that meet all the criteria set out in IAS 38 are capitalised and depreciated over a useful life of 3 years. As an exception, ERP software is depreciated over 5 years as it has a highly structuring role for the business and a functional and technical architecture with a longer probable useful life.

Change in gross carrying amount

<i>(in €m)</i>	Licenses, brands and leaseholds	Internal IT development costs	Total
GROSS CARRYING AMOUNT AT 1 JANUARY 2018	1,289	232	1,522
Acquisitions and internal development	39	84	123
Acquisitions linked to business combinations			
Assets sold or scrapped	(13)		(13)
Exchange differences	(11)		(11)
Other movements and transfers	6		6
Non-current assets held for sale and discontinued operations	(57)		(57)
GROSS CARRYING AMOUNT AT 31 DECEMBER 2018	1,253	316	1,570
Acquisitions and internal development	23	91	113
Acquisitions linked to business combinations			
Assets sold or scrapped ⁽¹⁾	(90)	(16)	(105)
Exchange differences	8	0	8
Other movements and transfers	(3)	11	8
Non-current assets held for sale and discontinued operations			
GROSS CARRYING AMOUNT AT 31 DECEMBER 2019	1,192	402	1,594

(1) Mainly Auchan Retail Italy (€71 million) and Auchan Retail Vietnam assets (€2 million) sold in 2019.

Change in depreciation and impairment

(in €m)	Licenses, brands and leaseholds	Internal IT development costs	Total
DEPRECIATION AND IMPAIRMENT AT 1 JANUARY 2018	310	160	470
Depreciation for the year	52	48	100
Depreciation related to business combinations			
Impairment net of reversals ⁽¹⁾	6	8	14
Assets sold or scrapped	(13)		(13)
Exchange differences	(2)		(2)
Other movements and transfers			
Non-current assets held for sale and discontinued operations	(35)		(35)
DEPRECIATION AND IMPAIRMENT AT 31 DECEMBER 2018	318	216	534
Depreciation for the year	42	66	108
Depreciation related to business combinations			
Impairment net of reversals ⁽¹⁾	(8)	(8)	(16)
Assets sold or scrapped ⁽²⁾	(73)	(15)	(87)
Exchange differences	1	0	1
Other movements and transfers	(11)	(2)	(14)
Non-current assets held for sale and discontinued operations			
DEPRECIATION AND IMPAIRMENT AT 31 DECEMBER 2019	268	257	525

(1) Impairment losses are recorded under "non recurring income and expenses" in the amount of €14 million in 2018.

(2) Mainly Auchan Retail Italy (€58 million) and Auchan Retail Vietnam assets (€1 million) sold in 2019.

Net carrying amount

(in €m)	Licences	Internal IT development costs	Total
As at 1 January 2018	979	72	1,052
As at 31 December 2018	935	100	1,036
AT 31 DECEMBER 2019	924	145	1,069

No intangible assets have been assigned as a guarantee for debt.

6.3 PROPERTY, PLANT AND EQUIPMENT

Accounting principles

Property, plant and equipment acquired under a business combination are recorded at fair value (see note 2.1.5).

Property, plant and equipment acquired separately are recorded at cost less cumulative depreciation and any cumulative impairment loss. Land is stated at cost less any impairment loss. The various components of an item of property, plant or equipment are recognised separately when their estimated useful lives, and thus their depreciation periods, are significantly different. The cost of a fixed asset includes all expenditure directly attributable to the acquisition of this asset. Where relevant this will include borrowing costs (see note 11.3).

Subsequent costs are included in the carrying amount of an item of property, plant or equipment or recognised as a separate component, if appropriate, when it is probable that Auchan Holding or one of its consolidated companies will receive the future economic benefits linked to the asset and if the cost of the asset can be measured reliably. All other maintenance costs are recognised as expenses for the period in which they incurred.

With the exception of land, property, plant and equipment are depreciated over their useful lives using the straight-line method, on a components basis, from the date on which they are brought into service, generally with no residual value.

Depreciation is calculated based on the following useful lives:

- Buildings (structure)
- 30 years
- Roof waterproofing, drainage and floor covering
- 20 years
- Fixtures and fittings
- 6 2/3 years and 8 years
- Technical facilities, machinery and equipment
- 3 to 10 years
- Other property, plant and equipment
- 3 to 5 years

Auchan Holding only records residual value – which is generally non-existent – where specific local characteristics so require.

For example, based on its experience in China and given certain local characteristics, both in terms of property (the stores are often located in city-centre buildings) and retailing aspects, Auchan Holding and its subsidiaries decided to review the depreciation periods for property, plant and equipment in China as from 1 January 2009, on a forward basis, taking residual values into account in some cases. Several assessments have been carried out internally and by an independent firm in order to assess the new useful lives of these assets.

The land use rights have been recognised as an asset under property, plant and equipment (or investment property if they correspond to assets that meet that definition - see note 6.4) and are amortised over their useful lives.

Change in gross carrying amount

<i>(in €m)</i>	Land, buildings and facilities	Materials and other property, plant and equipment	Property, plant and equipment under construction ⁽¹⁾	Right of use of leased assets	Total
Gross carrying amount at 1 January 2018	16,741	5,881	851		23,473
Acquisitions linked to business combinations		0			0
Other acquisitions	420	472	255		1,147
Assets sold or scrapped	(183)	(208)	(4)		(395)
Exchange differences	(228)	(95)	(17)		(339)
Transfers to investment property ⁽²⁾	(45)	(12)	11		(46)
Other movements and transfers	197	152	(363)		(15)
Non-current assets held for sale and discontinued operations	(47)	(26)			(73)
GROSS CARRYING AMOUNT AT 31 DECEMBER 2018	16,856	6,164	734		23,754
GROSS CARRYING AMOUNT AT 1 JANUARY 2019 (RESTATED FOR IFRS 16)⁽³⁾	16,856	6,164	734	3,257	27,011
Acquisitions linked to business combinations					
Other acquisitions	277	205	126	172	780
Assets sold or scrapped	(367)	(277)	(7)	(29)	(680)
Exchange differences	190	94	17	70	371
Transfers to investment property ⁽²⁾	357	6	(329)	(1)	33
Other movements and transfers	(2,210)	(695)	54	(482)	(3,332)
<i>of which disposal of Italy</i>	<i>(2,042)</i>	<i>(664)</i>	<i>(4)</i>	<i>(293)</i>	<i>(3,002)</i>
Non-current assets held for sale and discontinued operations	(91)	(15)		(12)	(118)
GROSS CARRYING AMOUNT AT 31 DECEMBER 2019	15,012	5,482	595	2,975	24,063

(1) Property, plant and equipment under construction concerned the Retail activity for €552 million at 31 December 2019 and €680 million at 31 December 2018.

(2) Reclassification of assets meeting the definition of investment property.

(3) See note 6.5 which specifies the impact of the first-time adoption of IFRS 16.

Change in depreciation and impairment

(in €m)	Land, buildings and facilities	Materials and other property, plant and equipment	Property, plant and equipment under construction	Right of use of leased assets	Total
Depreciation and impairment at 1 January 2018	8,244	3,568	25		11,837
Depreciation for the year	579	642			1,221
Depreciation and impairment through business combinations		1			1
Impairment losses ⁽¹⁾	325	39	11		375
Reversals of impairment provisions	(10)				(10)
Assets sold or scrapped	(161)	(195)	(8)		(364)
Exchange differences	(101)	(53)			(154)
Transfers to investment property	(45)	(7)			(52)
Other movements and transfers	11	(16)			(5)
Non-current assets held for sale and discontinued operations ⁽²⁾	(15)	(22)			(37)
DEPRECIATION AND IMPAIRMENT AT 31 DECEMBER 2018	8,828	3,957	28		12,813
DEPRECIATION AND IMPAIRMENT AT 1 JANUARY 2019 (RESTATED)	8,828	3,957	28	154	12,967
Depreciation for the year	581	538		524	1,644
Depreciation and impairment through business combinations	50	13			63
Impairment losses ⁽¹⁾	133	19	12	84	248
Reversals of impairment provisions	(154)	(2)	(2)		(158)
Assets sold or scrapped	(272)	(243)		(29)	(544)
Exchange differences	90	54	4	7	156
Transfers to investment property	16	3		(1)	18
Other movements and transfers	(1,381)	(595)	(2)	(55)	(2,033)
<i>of which disposal of Italy</i>	<i>(1,261)</i>	<i>(569)</i>		<i>(37)</i>	<i>(1,867)</i>
Non-current assets held for sale and discontinued operations ⁽²⁾	(50)	(13)		(2)	(64)
DEPRECIATION AND IMPAIRMENT AT 31 DECEMBER 2019	7,842	3,731	41	683	12,297

(1) Including €315m in 2018 and €194m in 2019 related to expenses recorded under "non recurring income" and €54m in 2019 recorded under "Depreciation, provision and impairment" (see notes 3.4 and 6.6).

(2) In 2019, the assets of Auchan Retail Luxembourg, International Drugstore Italia and Ceetrus Luxembourg were reclassified in the balance sheet under "Non-current assets held for sale and discontinued operations". In 2018, the assets of Oney Bank were reclassified in the balance sheet under "Non-current assets held for sale and discontinued operations".

Net carrying amount

(in €m)	Land, buildings and facilities	Materials and other property, plant and equipment	Property, plant and equipment under construction ⁽¹⁾	Right of use of leased assets	Total
As at 1 January 2018	8,497	2,313	826		11,636
As at 31 December 2018	8,028	2,207	706		10,941
As at 1 January 2019	8,028	2,207	706	3,103	14,044
AT 31 DECEMBER 2019	7,170	1,751	554	2,292	11,768

(1) At 31 December 2019, net property, plant and equipment under construction mainly concerned the Retail activity for €527 million.

6.4 INVESTMENT PROPERTY

Accounting principles

Investment property is property held as a source of rental revenue or appreciation of capital or both. Investment property is recorded, from the outset, on a separate line on the asset side of the statement of financial position.

Shopping malls, retail parks and undeveloped land are recognised as investment property based on the cost model. It measures investment property at cost less accumulated depreciation and any impairment loss, in the same way as property, plant and equipment.

In accordance with IAS 40, a property valuation process has been put in place to estimate the fair value of investment property. The fair value measurements correspond to a level 3 hierarchy as defined in note 10.4.7. Two independent real estate experts intervene, dividing the work on the valuation of investment property in the whole group. For all assets, the fair value is determined by reference to external valuations based on the 10-year cash flow method ("DCF method") for shopping malls and retail parks and on the sales comparison approach or developer's balance sheet method according to ongoing development projects for undeveloped land.

This estimation exercise requires significant judgements to determine the appropriate assumptions, in particular the discount rates, the market rental values, the budget valuation of works to be carried out and the estimated date of completion (in particular for assets in the development phase) and any supporting measures by benefits to be granted to lessees. Specific information such as the type and/or location of the property is also taken into account. Given the estimated nature of this type of valuation, the gain or loss on disposal of certain real estate assets may differ from the valuation performed.

Recognition of eviction indemnities paid to shopping mall and retail park lessees

If the lessor cancels a running lease, it must pay an eviction indemnity to the lessee concerned. This indemnity is recognised in the cost of the asset if the payment leads to a change in the asset's performance (new lease on better financial conditions following recovery of the premises for extension works or the transfer of the former lessees to a new site). In all other cases, eviction indemnities are recognised as prepaid expenses spread over the term of the leases.

Change

<i>(in €m)</i>	Gross amount	Depreciation and impairment	Net carrying amount
As at 1 January 2018	7,164	2,537	4,627
Acquisitions linked to business combinations ⁽¹⁾	410		410
Other acquisitions	683		683
Assets sold or scrapped	(100)		(100)
Depreciation for the year		204	(204)
Depreciation and impairment through business combinations			
Impairment losses ⁽²⁾		106	(106)
Reversals of impairment provisions		(14)	14
Exchange differences	(88)	(37)	(51)
Transfer from "Property, plant and equipment"	46	52	(7)
AT 31 DECEMBER 2018	8,114	2,849	5,265
AT 1 JANUARY 2019 (RESTATED FOR IFRS 16)⁽³⁾	8,234	2,849	5,385
Acquisitions linked to business combinations ⁽¹⁾			
Other acquisitions	341		341
Assets sold or scrapped	(157)	(55)	(102)
Depreciation for the year		246	(246)
Depreciation and impairment through business combinations			
Impairment losses ⁽²⁾		50	(50)
Reversals of impairment provisions		(54)	54
Exchange differences	57	24	33
Transfer from "Property, plant and equipment"	34	19	16
Other movements and transfers	(132)	(104)	(27)
<i>Of which disposal of Italy</i>	<i>(132)</i>	<i>(104)</i>	<i>(27)</i>
Right of use of leased assets ⁽³⁾	301	61	239
Non-current assets held for sale and discontinued operations ⁽³⁾	(564)	(21)	(543)
AT 31 DECEMBER 2019	8,114	3,014	5,100

(1) In 2018, principally transactions relating to Ceetrus Portugal and to Ceetrus Luxembourg.

(2) Impairment losses in 2018 and 2019 are recorded under "non recurring income" in the amount of €81 million and €29 million, respectively (see note 3.4).

(3) See note 6.5 which details the impact of the first-time adoption of IFRS 16.

Investment property generated rental income in 2019 of €803 million (€739 million in 2018) and direct operating expenses of €410 million (of which €68 million generated no rental income). In 2018, these direct operating costs represented €406 million of which €49 million generated no rental income.

At 31 December 2019, the fair value (net of transaction costs and retreated of the impact of IFRS 5) of investment property was estimated at €9,881 million for a net carrying amount of €5,100 million (respectively €10,279 million and €5,265 million in 2018 excluding assets reclassified under IFRS 5).

6.5 IFRS 16 – LEASES

Accounting principles

The Group is mainly the lessee of property intended for its distribution and warehousing. Incidentally, IFRS 16 leases also cover equipment and car leases.

At the start of a contract, the Group determines whether a contract is or contains a lease. The contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration.

To determine whether a contract conveys the right to control an identified asset throughout the period of use of the asset, the Group assesses whether:

- the contract involves the use of an identified asset - this can be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use;
- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

The term of the lease is defined contract by contract. In regard to real estate properties, lease terms have been determined based on the format and performance of each point of sale, and taking into consideration the lease termination and renewal options that the Group is reasonably certain to exercise. For other types of assets leased, the term corresponds to the firm commitment period.

The Group recognises a right-of-use asset and a lease liability at the beginning of the lease:

The right-of-use asset is initially measured at cost, which includes the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any marginal direct costs incurred, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the lease commencement date until the estimated lease expiration date. In addition, the value of the right-of-use asset is adjusted to take into account certain revaluations of the lease liability and, where applicable, reduced in the event of impairment losses, in accordance with IAS 36.

The lease liability is initially measured at the present value of the lease payments that are not paid as of the lease commencement date, discounted using the lessee's incremental borrowing rate that would be obtained for a term equivalent to that of the estimated lease term.

The measurement of the lease liability includes the following types of lease payments:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or rate, initially measured using the index or rate as of the commencement date;
- rents during an optional renewal period if the Group is reasonably certain to exercise a renewal option.

The lease liability is remeasured in the event of a change in future rents following a change in an index or rate or if the Group reassesses the lease term in case of a significant event, as provided by IFRS 16.

If the lease liability is remeasured, an adjustment is made to the carrying amount of the right-of-use asset or is recognised in profit and loss if the amount of the right-of-use asset was reduced to zero.

Short-term leases and leases of low value assets

The Group has chosen not to recognise right-of-use assets and lease liabilities for short-term leases of 12 months or less and leases of low value assets. The Group recognises rents related to these leases as expenses.

The discount rates applied are based on Auchan Holding's marginal borrowing rate plus a spread to take into account the subsidiary's debt profile and the economic environments specific to each country and each activity. Discount rates are updated every quarter so that they can be used for any new lease having undergone the following changes:

- revised estimate of the term upon remeasurement of the exercise of extension or the non-exercise of a termination option (which then becomes reasonably certain);
- change in the estimate of the exercise of a purchase option, which then becomes reasonably certain;
- contractual lengthening or shortening of the term or contractual amendment of the rents;
- addition or deletion of one or more assets.



Change in gross carrying amount

<i>(in €m)</i>	Land, buildings and facilities	Materials and other property, plant and equipment	Property, plant and equipment under construction	Investment property	Total
Gross carrying amount at 1 January 2019	3,177	80		120	3,377
Acquisitions linked to business combinations					
Other acquisitions	143	29		304	477
Assets sold or scrapped	(23)	(6)			(29)
Exchange differences	70	0		(3)	67
Transfers to investment property	(1)			1	
Other movements and transfers	(451)	(31)		(2)	(484)
of which disposal of Italy	(281)	(12)			(293)
Non-current assets held for sale and discontinued operations	(12)	(0)			(12)
GROSS CARRYING AMOUNT AT 31 DECEMBER 2019	2,902	73		421	3,396

Change in depreciation and impairment

<i>(in €m)</i>	Land, buildings and facilities	Materials and other property, plant and equipment	Property, plant and equipment under construction	Investment property	Total
Depreciation and impairment at 1 January 2019	154				154
Depreciation for the year	492	33		56	581
Depreciation and impairment through business combinations					
Impairment losses	84			6	90
Reversals of impairment provisions					
Assets sold or scrapped	(23)	(6)			(29)
Exchange differences	7	0		(1)	7
Transfers to investment property	(1)				(1)
Other movements and transfers	(53)	(2)		0	(55)
of which disposal of Italy	(35)	(2)		(0)	(37)
Non-current assets held for sale and discontinued operations	(2)				(2)
DEPRECIATION AND IMPAIRMENT AT 31 DECEMBER 2019	658	24		61	744

Change in net carrying amount

<i>(in €m)</i>	Land, buildings and facilities	Materials and other property, plant and equipment	Investment property	Total
Net carrying amount at 1 January 2019	3,023	80	120	3,223
NET CARRYING AMOUNT AT 31 DECEMBER 2019	2,244	48	359	2,652

Analysis of expiration of lease liabilities

<i>(in €m)</i>	< 1 year	1 to 3 years	3 to 5 years	> 5 years	Total
Lease liabilities	470	773	649	1,064	2,957

Amounts recognised in the income statement – Other lease expenses

The table below shows the rents arising from leases and service agreements:

<i>(in €M)</i>	
Variable lease payments not included in the measurement of lease liabilities	127
Expenses relating to short-term leases	25
Expenses relating to leases of low value assets, at the exclusion of short-term leases of low value assets	38
Other	16
TOTAL	205

Operating leases as lessor

Auchan Holding's consolidated entities lease out part of their investment property (owned or leased by them) under operating leases.

Minimum future lease payments to be received under non-cancellable leases

<i>(in €m)</i>	2019	2018
Less than 1 year	459	461
1 to 5 years	1,175	1,189
More than 5 years	906	673
TOTAL	2,540	2,323

Conditional rent included in net income for the year came to €851 million (€43 million in 2018).

Assets received as guarantees

Auchan Holding's consolidated entities receive security deposits for investment property that they lease out. The historical value is a good estimate of fair value for guarantee deposits.

The total amount received in guarantee deposits at 31 December 2019 came to €94 million compared with €109 million at 31 December 2018.

The conditions of use are generally as follows:

A guarantee deposit corresponds to 3 months of rent. This amount is reviewed annually. The deposit is held by the lessor until the lessee departs, and is reimbursed in full subject to payment of the amounts due.



6.6 IMPAIRMENT OF NON-CURRENT ASSETS

Accounting principles

IAS 36 - Impairment of Assets defines the procedures that a company must apply to ensure that the net carrying amount of its property, plant and equipment including right-of-use assets and its intangible assets including goodwill does not exceed their recoverable amount, i.e. the amount that will be recovered through their use or sale.

The recoverable amount of an asset is defined as the higher of its fair value less costs to sell and its value in use. Fair value less costs to sell is the amount obtained from the sale of an asset in an orderly transaction between market participants at the measurement date, less the costs of disposal. Value in use is defined as the present value of the future cash flows expected to be derived from continuing use of an asset and from its ultimate disposal.

The recoverable amount of property, plant and equipment (including right-of-use assets) and intangible assets (including goodwill) is tested for impairment as soon as there is any indication of a loss of value. This test is also performed annually (in practice on 31 December given the seasonal nature of the business) for assets with an indefinite life.

Cash flows after income tax are estimated based on 3-year forecasts updated for the past year. Cash flows beyond this period are extrapolated for six years by applying a constant growth rate over a period corresponding to the asset's estimated useful life. To test the impairment of assets in a

given country (including goodwill), cash flows are estimated over a period of 9 years, taking into account a terminal value calculated by discounting year-9 data to infinity. The to-infinity growth rate is determined based on International Monetary Fund data.

Cash flows are discounted using the weighted average cost of capital after tax, plus a risk premium specific to each country.

Assets to be tested for impairment are grouped within cash generating units (CGUs). The CGU is a group of assets whose continuing use generates cash inflows that are largely independent of the cash flows from other groups of assets. Auchan Holding has defined stores for Retail and shopping malls for property management (excluding Taiwan and China where the Retail CGU includes the property management business) as CGUs. An impairment loss is recognised when the carrying amount of an asset, or of the CGU to which it belongs, exceeds the recoverable amount. Goodwill is tested by country and business, and the CGU assets then include property, plant and equipment, intangible assets and goodwill allocated to the country and to the business, and working capital.

Any impairment loss is generally allocated in priority to goodwill. Impairment losses on goodwill cannot be reversed. Impairment losses recognised for other assets are reversed if there has been a change in the estimates used to determine the asset's recoverable amount. The increased carrying amount of an asset attributable to a reversal of impairment loss may not exceed the carrying amount that would have been determined, net of amortisation or depreciation, had no impairment loss been recognised.

(in €m)	Goodwill	Other intangible assets	Property, plant and equipment	Investment property	2019	2018
Impairment:						
• expense ⁽¹⁾	0	1	248	55	304	1,168
• reversal		(17)	(158)	(54)	(229)	(24)
• net	0	(16)	90	1	76	1,144
Reversal of impairment on sold assets			(97)		(97)	(8)
TOTAL	0	(16)	(6)	1	(21)	1,136

(1) Of which €224m classified under "non recurring income and expenses" in 2019 compared with €707m in 2018 (see note 3.4) and €80m in impairment on fixed assets classified under "depreciation, provision and impairment" in 2017 compared with €21m in 2018.

Depending on the CGU and the group CGU, the recoverable amount of assets applied by Auchan Holding is either the value in use or the market value, according to the comparable data available on the market.

The 2019 impairment tests led to the recognition of impairments of €200 million on the assets of Auchan Retail and €24 million on the assets of Ceetrus (compared with €1,054 million and €93 million in 2018, respectively). Their results take into account a decline in growth prospects of stores (CGU) particularly in France, Russia, China, Poland and Ukraine.

Impairment (€200 million in total) was reported on the line "non recurring income and expenses" in order to make the income statement easier to read (see note 3.4).

In 2019, Auchan Holding determined different discount rates for its main activity: Retail.

As in 2018, the discount rates used in 2019 by Ceetrus were those used for the appraisals of the entire property portfolio and broken down by category of assets within the countries.

For Retail, the rates are as follows:

	2019	2018
	Retail	Retail
France	5.20%	5.20%
Luxembourg	4.90%	4.94%
Spain	5.93%	5.99%
Portugal	7.44%	7.44%
Italy	N/A	6.31%
Poland	5.66%	5.67%
Hungary	7.13%	6.82%
Romania	7.05%	6.77%
Ukraine	10.09%	10.18%
Russia	7.33%	6.97%
China	5.58%	5.51%
Taiwan	5.54%	5.47%
Tunisia	8.31%	8.40%
Vietnam	N/A	7.75%
Senegal	8.26%	7.78%

The sensitivity analyses conducted on the main assets tested, related to the discount rates (+50bp) and the long-term growth rate (-50bp) showed an additional impairment risk of €17 million and €0 million, respectively.

6.7 OFF-BALANCE SHEET COMMITMENTS RELATING TO INTANGIBLE ASSETS AND TANGIBLE ASSETS

Collateral

No tangible assets had been used to secure debt.

Commitments

	2019	2018
(in €m)	Total	Total
Land and property purchase options ⁽¹⁾	32	152
<i>of which on investment property</i>	7	142
Conditional purchases of future non-current assets ⁽²⁾	255	405

(1) Option commitments on land increased, particularly in France by €14 million, while option commitments on buildings decreased, particularly in France by €135 million (mainly Ceetrus activity).

(2) Conditional commitments to purchase future non-current assets decreased by €150 million: reduction mainly in China (Retail activity by €143 million).

NOTE 7 INVESTMENT IN ASSOCIATES

7.1 BREAKDOWN OF INVESTMENTS IN ASSOCIATES IN EUROS MILLION

Accounting principles and methods: see point 2.1.3 "Consolidation scope and methods"

Division/business line	Company	"Country"	% interest		Equity value *	
			2019	2018	2019	2018
Auchan Retail	mainly including:				24	22
	ARMA Inv	Poland	25%	25%	5	5
	SMG ⁽¹⁾	Tunisia	10%	10%	8	8
Ceetrus	mainly including:				215	200
	IMMAUCOM, SPPICAV	France	20%	20%	32	33
	C.C. ZENIA, SL	Spain	50%	50%	17	21
	ALEGRO ALGRAGIDE	Portugal	50%	50%	18	19
	ALEGRO SETUBAL	Portugal	50%	50%	13	15
	GALLERIA CINISELLO	Italy	50%	50%	71	36
	PATRIMONIO REAL ESTATE	Italy	50%	50%	21	8
	GALERIE COMMERCIALE DE KIRCHBERG SA	Luxembourg	20%	20%	0	19
Auchan Holding	mainly including:				245	N/A
	ONEY BANK ⁽²⁾	France	49%		240	N/A
TOTAL INVESTMENTS IN ASSOCIATES					485	222

* No goodwill factored into the equity value of these investments with the exception of Oney Bank. The goodwill included in the value of the Oney Bank equity-accounted shares was €31 million (for a 49.26% interest).

(1) Although Auchan Retail International holds only 10% of the capital and voting rights of SMG, on the basis of the shareholders' agreement signed in October 2012 it has significant influence owing to its representation on the Board of Directors and its participation in the definition of the company's policies, particularly its sales and marketing and strategic policies.

(2) The 49.26% interest in Oney Bank has been accounted for using the equity method since the transfer of 50.1% of the capital to BPCE group on 22 October 2019 (see section 1.2 - Significant Events).

7.2 MAIN FINANCIAL DATA OF ASSOCIATES (ON A 100% BASIS, IN €M)

	2019			2018	
	Oney Bank*	Auchan Retail	Ceetrus	Auchan Retail	Ceetrus
Non-current assets	1,482	165	1,183	140	1,043
Current assets	1,635	307	521	183	304
TOTAL ASSETS	3,116	471	1,704	323	1,347
Equity attributable to owners of the parent	450	59	670	44	534
Non-current liabilities	850	70	600	67	477
Current liabilities	1,817	343	434	212	336
TOTAL LIABILITIES	3,116	471	1,704	323	1,347
Revenue	508	452	152	437	137
Operating income	27	15	25	10	14
NET INCOME FOR THE PERIOD	(15)	3	5	(2)	(6)

* The main equity method investment within the Auchan Holding scope is the 49.3% interest in Oney Bank (see Significant Events 1.1). Oney Bank's equity method balance sheet on the date of loss of control includes €31 million in goodwill. The carrying amount of the other balance sheet assets and liabilities does not differ significantly from their fair value.:

The €15 million in net income for the period includes:

- on the one hand, the equity method income of Oney Bank in the consolidated financial statements of Auchan Holding for €13 million;
- on the other hand, the recognition of a provision for impairment for the assumed loss on the debt portfolio the first time the equity method was applied to Oney Bank in the amount of €(28) million. This provision was recorded in accordance with IFRS 9 Financial Instruments. It was calculated based on the risk of non-recovery on Oney Bank's debt portfolio.

Change

(in €m)	2019	2018
As at 1 January 2019	219	181
Results for the period (share of profit or loss and impairment)	(22)	(3)
Dividend and capital repayment ⁽¹⁾	(5)	(26)
Acquisition of equity interests ⁽³⁾	266	26
Acquisitions and increases in capital ⁽²⁾	49	41
Disposals (including decrease in percentage of capital held)	(31)	
Exchange differences	9	1
AT 31 DECEMBER 2019	485	219

(1) Dividend distribution by the Ceetrus division, of which €(4) million paid by Zenia (Ceetrus Spain).

(2) €24 million capital increase by GCI (Ceetrus Italy) in Gallerie Cinisello.

(3) Equity method applied to Oney Bank for 49.26% after the transfer of control to BPCE group - see section 1.2 - Significant Events.

NOTE 8 EQUITY AND EARNINGS PER SHARE

8.1 EQUITY

8.1.1 Capital management

Auchan Holding's policy is to maintain a solid capital base that inspires the confidence of its investors and creditors and allows it to contribute to the development of its activities.

8.1.2 Shareholders

At 31 December 2019, the majority of Auchan Holding's capital was owned by Aumarché.

Employees owned nearly 3% of the company's capital via the Valauchan and Valfrance mutual funds and via the companies included in the employee share ownership plans outside of

France (Valauchan Sopaneer International, Valauchanrus Sopaneer SCA, Valespaña SCA, Valpoland SCA, Valhungary International SCA, Valportugal SCA and Valrussie SCA). Only the companies included in the employee share ownership plans outside of France are fully consolidated.

The articles of association of Valauchan Sopaneer International, Valauchanrus Sopaneer SCA, Valespaña SCA, Valpoland SCA, Valhungary International SCA, Valportugal SCA and Valrussie SCA set out the terms and conditions governing share ownership. Shares in these companies are purchased and sold by affiliates throughout the year, based on a price that is calculated annually according to a financial valuation method defined by a recognised body of valuation experts and which is used consistently over time.

8.1.3 Number of shares comprising the share capital

	2019	2018
At 1 January	29,565,168	30,194,690
Issue of new shares for cash		
Capital reduction	(650,619)	(629,522)
AT 31 DECEMBER	28,914,549	29,565,168

At 31 December 2019, the share capital amounted to €578,290,980. It was split into 28,914,549 fully paid-up shares with a par value of €20 each. The share capital amounted to €591,303,360 at 31 December 2018, split into 29,565,168 shares with a nominal value of €20.

8.1.4 Treasury shares

All treasury shares held by Auchan Holding and the other companies within the consolidation scope are deducted from equity at cost. The gain or loss, net of tax, from any sale of treasury shares is recognised directly in equity, so that any gains or losses on disposal have no impact on net income for the period.

At 31 December 2019, Auchan Holding had purchased 650,619 treasury shares mainly from the Valauchan and Valfrance mutual funds, which it cancelled immediately. 2,594 treasury shares were allocated as part of the 2018-2019 AGM fund-raising plan. At 31 December 2019, the total number of treasury shares owned by Auchan Holding SA and its subsidiaries stood at 376,919 (compared with 434,272 at the end

of 2018). Auchan Holding SA owns 88,022 Auchan Holding SA shares for a transaction cost of €32 million (of which 4,886 shares are allocated to cover the share option plans for Auchan Holding's management at an acquisition cost of €2 million), while 288,897 shares are owned by Valauchan Sopaneer International, Valauchanrus Sopaneer SCA, Valportugal SCA, Valpoland SCA, Valhungary International SCA, Valespaña SCA and Valrussie SCA at an acquisition cost of €104 million, under the employee share ownership plans.

Moreover, Auchan Holding SA has made a commitment to buy back 3,569 treasury shares temporarily owned by the employees for €1 million.

At 31 December 2019, the treasury shares owned by Auchan Holding SA represented 0.3% of its capital.

8.1.5 Legal reserve

Auchan Holding SA's legal reserve amounted to €61 million at 31 December 2019, compared with €61 million at 31 December 2018.

8.1.6 Currency translation, financial instrument revaluation and actuarial gains and losses reserves (attrib. to owners of the parent)

(in €m)	Currency translation reserve	Available-for-sale financial assets revaluation reserve	Cash flow hedge reserve	Net foreign investment hedge reserve	Actuarial differences on defined benefit plans	Total
Impact of IFRS 9		(35)				
As at 1 January 2018	(615)	(33)	(10)	2	(45)	(701)
Change	(148)		21		23	(104)
AT 31 DECEMBER 2018	(763)	(33)	11	2	(22)	(805)
As at 1 January 2019	(763)	(33)	(2)	2	(22)	(805)
Change	114	(1)	(22)		(18)	72
AT 31 DECEMBER 2019	(649)	(34)	(11)	2	(40)	(733)

The currency translation reserve (attributable to owners of the parent) breaks down as follows by country:

(in €m)	2019	2018
Poland	4	(2)
Hungary	(51)	(47)
Mainland China	215	199
Taiwan	26	22
Russia	(548)	(632)
Ukraine	(131)	(149)
Hong Kong	(125)	(125)
Romania	(33)	(22)
Tunisia	(5)	(5)
Vietnam	(1)	(2)
TOTAL	(649)	(763)

8.1.7 Non-controlling interests

Non-controlling interests of €3,548 million mainly comprise interests in the capital of subsidiaries in Mainland China and Taiwan (Retail and Property Management activities) in the amount of €3,379 million (up by €100 million), in Valauchan Sopaneer International, Valauchanrus Sopaneer SCA, Val Portugal SCA, Valpoland SCA, Valhungary International SCA, Valespaña SCA and Valrusse SCA in the amount of €130 million.

8.1.8 Dividends

No dividends were paid in 2019 for 2018.

The appropriation of net income for 2019 has not been recognised in the financial statements for the year ended 31 December 2019.

8.2 EARNINGS PER SHARE

Accounting Principles

In its consolidated financial statements, Auchan Holding presents basic earnings per share and diluted earnings per share, calculated based on income from continuing operations. This information is also presented for net income.

Basic earnings per share are calculated by dividing net income attributable to owners of the parent for the year by the weighted average number of shares outstanding during the year, less treasury shares. The average number of shares outstanding during the year is the number of shares outstanding at the beginning of the year adjusted by the number of shares issued during the year.

Diluted earnings per share are calculated by dividing net income attributable to owners of the parent for the year by the weighted average number of outstanding shares, plus potentially dilutive shares to be created. For Auchan Holding, this concerns share purchase and subscription options and bonus share plans. The dilution linked to these options or bonus shares is determined using the share purchase method.

In the event of significant exceptional elements that could distort the picture given by earnings per share, Auchan Holding calculates earnings per share based on income from continuing operations excluding non-recurring items by adjusting net income from continuing activities attributable to owners of the parent for other operating income and expenses after tax and non-controlling interests.

8.2.1 Calculation of the weighted average number of shares

	2019	2018
Number of outstanding shares at 1 January	29,565,168	30,194,690
Number of treasury shares at 1 January	(434,272)	(437,404)
Weighted average number of treasury shares acquired	(396,924)	(203,789)
Weighted average number of treasury shares sold or cancelled	414,370	204,981
Weighted average number of outstanding shares (excluding treasury shares) used for the calculation of basic earnings per share	29,148,342	29,758,478
Potentially dilutive shares to be created (share purchase or subscription options, allocation of bonus shares)	5,884	14,684
WEIGHTED AVERAGE NUMBER OF OUTSTANDING SHARES (EXCLUDING TREASURY SHARES) USED FOR THE CALCULATION OF DILUTED EARNINGS PER SHARE	29,154,226	29,773,162

8.2.2 Calculation of earnings per share

Basic earnings per share	2019	2018
Weighted average number of outstanding shares:	29,148,342	29,758,478
Net income attributable to owners of the parent in Euros million	(1,463)	(1,145)
<i>Per share (in €)</i>	(50.19)	(38.49)
Net income from discontinued operations or activities held for sale attributable to owners of the parent in Euros million ⁽¹⁾	(1,529)	(614)
<i>Per share (in €)</i>	(52.46)	(20.65)
Net income from continuing operations attributable to owners of the parent in Euros million	66	(531)
<i>Per share (in €)</i>	2.27	(17.85)

(1) Potentially dilutive shares are not taken into account as their conversion would reduce the loss per share.

Diluted earnings per share	2019	2018
Weighted average number of diluted outstanding shares:	29,154,226	29,773,162
Net income attributable to owners of the parent in Euros million	(1,463)	(1,145)
<i>Per share (in €)⁽¹⁾</i>	(50.19)	(38.49)
Net income from discontinued operations or activities held for sale attributable to owners of the parent in Euros million ⁽¹⁾	(1,529)	(614)
<i>Per share (in €)⁽¹⁾</i>	(52.46)	(20.65)
Net income from continuing operations attributable to owners of the parent in Euros million	66	(531)
<i>Per share (in €)⁽¹⁾</i>	2.27	(17.84)

(1) Potentially dilutive shares are not taken into account as their conversion would reduce the loss per share.

NOTE 9 PROVISIONS AND CONTINGENT LIABILITIES

9.1 PROVISIONS

Accounting Principles

Provisions are recorded when, at the year-end date, Auchan Holding SA or one of its subsidiaries has an obligation to a third party as a result of a past event and this obligation is likely or certain to result in an outflow of funds representing economic benefits for the third party, the amount of which can be reliably estimated. The obligation may be legal, regulatory or contractual. Provisions are estimated according to their nature based on the most probable assumptions.

Provisions for restructuring are recognised when a consolidated entity has a detailed formal plan to restructure and it has been communicated to the interested parties.

Some consolidated companies offer warranty extension contracts, for which revenue and margin are recognised over the length of the service delivered. Foreseeable expenses relating to the warranty are accrued when the corresponding sales are recorded, based on prior-year expense data.

Provisions linked directly to the normal operating cycle of the business, and the portion of other provisions that matures in less than one year, are classified as current liabilities. Provisions that do not meet these criteria are classified as non-current liabilities.

Non-current provisions

(in €m)	Tax disputes					Total
	Excluding income tax	Income tax	Other disputes	Employee benefits	Miscellaneous	
At 31 December 2018	5	39	8	166	47	265
Provision expenses ⁽¹⁾	0	2	0	30	39	72
Reversals of used provisions	(9)	(2)	0	(3)	(10)	(24)
Reversals of unused provisions	0	0	0	0	0	0
Actuarial gains and losses recognised under other comprehensive income ⁽²⁾				20		20
Reclassification and other movements ⁽³⁾	6	0	(8)	(81)	(1)	(84)
AT 31 DECEMBER 2019	2	39	0	132	75	248

(1) Non-current provision expenses mainly relate to Auchan Retail France employee benefits of €25 million.

(2) These €20 million relate to actuarial losses on employee benefits (of which mainly €(24) million for Auchan Retail France).

(3) Concerns the reclassification of Auchan Retail Italy under "Non-current assets held for sale and discontinued operations" in the balance sheet.

Current provisions

(in €m)	Tax disputes	Other disputes	Provisions for guarantees	Employee benefits	Miscellaneous	Total
At 31 December 2018	9	102	12	7	154	284
Provision expenses	0	56	7	0	234	297
Reversals of used provisions	0	26	(8)	0	(55)	(88)
Reversals of unused provisions ⁽¹⁾	(1)	(33)	(2)	0	(48)	(85)
Actuarial gains and losses recognised under other comprehensive income						
Reclassification and other movements	0	(37)	0	(7)	51	7
AT 31 DECEMBER 2019	8	62	9	0	337	415

(1) Other disputes correspond in part to risks and disputes settled in 2019 in excess of the recognised provision. Reversals of unused provisions include disputes with suppliers and other third parties for €31 million and disputes with employees for €4 million.

The provision for guarantees is reconstituted in full at each closing date and the expense is mainly recognised in "External expenses".

9.2 CONTINGENT LIABILITIES

Consolidated companies are involved in a certain number of lawsuits or disputes in the normal course of their business, including disputes with the tax authorities. Provisions have been set up for the resulting expenses considered probable by Auchan Holding and/or its subsidiaries as well as their external advisers.

To the knowledge of Auchan Holding and its subsidiaries, there is no other exceptional event or litigation that could substantially affect the business, results, assets or financial situation of Auchan Holding and/or its subsidiaries, which is not adequately covered by provisions at the year-end.

NOTE 10 FINANCING AND FINANCIAL INSTRUMENTS EXCLUDING CREDIT ACTIVITY

10.1 NET FINANCIAL DEBT (EXCLUDING CREDIT ACTIVITY)

Accounting Principles

Net financial indebtedness consists of current and non-current borrowings and other financial liabilities, the fair value of derivatives that qualify as hedging instruments for an item of net financial debt, plus related accrued interest and minus net cash and cash equivalents and positive margin calls on derivatives that qualify as hedging instruments for an item of net financial debt. Negative margin calls (which correspond to the margins received from counterparties) are included in current borrowings and other financial liabilities.

Auchan Holding defines net financial debt as net financial indebtedness plus the fair value of derivatives that do not qualify as hedging instruments for an item of financial debt. It also includes the margin calls on derivatives that do not qualify as hedging instruments and short-term cash investments not covered by the definition of "cash and cash equivalents".

10.1.1 Net financial debt

(in €m)	2019	2018
Borrowings and other financial liabilities ⁽¹⁾	7,703	7,360
• non-current	6,390	4,198
• current	1,313	3,162
Cash and cash equivalents	(3,674)	(3,420)
Derivative assets and liabilities qualifying as hedging instruments for an item of net financial debt	(124)	(126)
Margin call assets on derivatives qualifying as hedging instruments ⁽¹⁾	0	0
Net financial debt	3,904	3,815
Derivative assets and liabilities not qualifying as hedging instruments for an item of net financial debt	(33)	(84)
Margin call assets on derivatives not qualifying as hedging instruments ⁽¹⁾		
Other short-term investment assets	(2)	(2)
NET FINANCIAL DEBT	3,870	3,729

(1) A number of margin call agreements have been implemented to reduce counterparty risk. Amounts relating to margin calls received (liabilities) or paid (assets) are included under net financial debt. At 31 December 2019, these represented a liability of €58m booked under "Borrowings and other financial liabilities".

10.1.2 Change in net financial debt (excluding credit activity)

<i>(in €m)</i>	2018	Increase (decrease) in cash and cash equivalents	Effects of exchange rate variations	Changes in consolidation scope	Reclassifications and other	2019
Borrowings and other financial liabilities	7,360	430	56	(143)	0	7,703
• non-current	4,198	2,854	8	(309)	(360)	6,390
• current	3,162	(2,424)	48	166	360	1,313
Cash and cash equivalents	(3,420)	(499)	(32)	276	0	(3,674)
Derivative assets and liabilities qualifying as hedging instruments for an item of net financial debt	(126)	12	0	(1)	(9)	(124)
Margin call assets on derivatives qualifying as hedging instruments		0	0	0	0	0
Net financial debt	3,815	(58)	25	133	(9)	3,904
Derivative assets and liabilities not qualifying as hedging instruments for an item of net financial debt	(84)	43	0	(1)	9	(33)
Margin call assets on derivatives not qualifying as hedging instruments		0	0	0	0	
Other short-term investment assets	(2)					(2)
NET FINANCIAL DEBT	3,729	(15)	25	132	0	3,870

10.2 NET COST OF FINANCIAL DEBT

The net cost of financial debt includes:

- the gross cost of financial debt, which includes interest expenses and gains and losses on interest rate and foreign exchange hedges covering the debt;
- income from "cash and cash equivalents", which includes income from short-term cash investments.

<i>(in €m)</i>	2019	2018
Income from cash and cash equivalents	71	65
Gross cost of financial debt:	(130)	(91)
• Interest expenses	(169)	(143)
• Hedging results	39	52
NET COST OF FINANCIAL DEBT	(59)	(26)

The net cost of financial debt amounted to €59 million (versus €26 million in 2018). The change is mainly related to the increase in interest expenses on bonds to €20 million (see note 10.6.1.2).

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10.3 OTHER FINANCIAL REVENUE AND EXPENSES

This heading comprises financial revenue and expenses that are not included in the net cost of financial debt. It consists mainly of dividends from non-consolidated companies, gains and losses arising from the measurement at fair value of financial assets other than cash and cash equivalents, gains and losses on the disposal of financial assets other than cash

and cash equivalents, the impact of discounting adjustments and exchange gains and losses on items not included in net financial debt and cost of sales, and the impacts on income of derivative instruments that do not qualify as hedging instruments for an element of net financial debt.

(in €m)	2019			2018		
	Revenue	Expense	TOTAL	Revenue	Expense	TOTAL
Disposals of other non-current financial assets	2		2	2		2
Gains and losses on financial transactions not eligible for hedge accounting ⁽¹⁾		(55)	(55)		(43)	(43)
Provisions and impairment, net of reversals:		(9)	(9)			
• reversal of provisions for impairment of other financial assets		2	2			
• provision for impairment of other financial assets		(11)	(11)		(1)	(1)
• other provisions, net of reversals					1	1
Cost of discounting retirement obligations net of the expected yield on plan assets		(3)	(3)		(1)	(1)
Income from equity interests	5		5	4		4
Other ⁽²⁾	35	(254)	(219)	6	(7)	1
OTHER FINANCIAL REVENUE AND EXPENSES	42	(321)	(279)	13	(51)	(38)

(1) Gains and losses on financial transactions not eligible for hedge accounting include in particular foreign exchange and other gains and losses on derivative instruments used to hedge foreign exchange and/or interest rate risks on intragroup loans, or to guarantee a given interest rate level for the global debt of Auchan Holding and the consolidated companies (macro-hedging swaps).

(2) In 2019, this mainly includes financial expenses and exchange differences related to IFRS 16 for the amount of €(218) million.

10.4 FINANCIAL RISK MANAGEMENT AND DERIVATIVE INSTRUMENTS

Accounting Principles

The Group has decided to adopt the new IFRS 9 hedge accounting model, under which its hedging relationships must be consistent with its objectives and risk management strategy, and requires a more qualitative assessment of its hedges.

Derivative instruments are measured and recognised at fair value on the balance sheet and their changes are always recorded in profit or loss, except for future cash flow hedging relationships and net investments.

Hedging accounting applies only if three criteria are met:

1. the hedging relationship consists only of eligible hedging instruments and eligible hedged items;
2. at the inception of the hedging relationship there is formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge;

3. the hedging relationship meets all the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio between the hedged item and the hedging instrument is suitable.

Most of the derivatives used by Auchan Holding are eligible for hedge accounting.

For derivatives eligible for hedge accounting, recognition as hedging instruments makes it possible to reduce earnings volatility linked to changes in the value of the derivatives concerned.

There are 3 hedge accounting models according to IFRS 9: fair value hedge, cash flow hedge, and hedge of a net investment in a foreign operation:

- for derivatives documented as hedges of assets or liabilities recognised in the statement of financial position (fair value hedges), hedge accounting makes it possible to recognise changes in the fair value of the derivatives through the income statement. These two values offset each other on the same line in the income statement and cancel each other out if the hedge is completely effective;

- for derivative instruments documented as hedges of highly probable future cash flows, changes in the value of the derivative are recognised in "Other comprehensive income" (Cash flow hedge reserve) for the effective portion of the hedge. These reserves are recycled in profit or loss when the hedged transaction impacts profit or loss or are incorporated into non-financial assets or liabilities when the latter are recognised in the balance sheet. The changes in the value of the ineffective portion are recognised in profit or loss;
- for derivatives documented as hedges of net investments in foreign operations, the change in the value of the hedging instrument is recognised under other comprehensive income, the purpose of these hedges being to neutralise the change in value in euro of part of the net assets of foreign subsidiaries.

for derivatives that are not documented as hedging instruments, any change in the fair value is recognised in other financial revenue and expenses in the case of interest rate derivatives, or in operating income in the case of currency options used as an economic hedge of future gross profit.

the Group has prospectively classified floating rate receiver, fixed rate payer swaps as cash flow hedges, covering aggregated exposures of fixed rate debt and fixed rate receiver, floating rate payer swaps. The effective portion of the change in value of these newly eligible hedging instruments is recognised in the cash flow hedge reserve as from 1 January 2018.

The Group has opted to retrospectively classify as a hedging cost the foreign currency basis spread of cross-currency swaps classified as fair value hedges. The impact of the IFRS 9 restatement on the Group's opening equity in 2018 was

-€2 million and represents the fair value of the Basis Spread of instruments qualified hedge reserve and amortised through profit or loss over the hedging period.

The change of the Basis Spread fair value cannot be considered a hedging component. It is recognised in the hedge reserve and is amortised through profit and loss over the hedging period.

Derivative instruments with an initial maturity of more than one year are recorded in the statement of financial position as non-current assets or liabilities. Other derivative instruments are recorded as current assets or liabilities.

The accounting date for derivative instruments is the transaction date.

During the usual course of their business, Auchan Holding and the consolidated companies are exposed to interest rate, foreign exchange, credit and liquidity risks. They use derivative financial instruments to mitigate these risks.

Auchan Holding and the consolidated companies have put in place an organisation that enables centralised management of market risks (liquidity, interest rate and foreign exchange risk).

At 31 December 2019, these derivatives were recorded in the balance sheet at market value in current or non-current assets and liabilities.

Market risk is controlled and monitored by the Finance Committee, which meets at least twice a year. Auchan Holding's general management is represented on the Committee, whose duties include in particular the assessment of counterparty quality, the level of the hedges put in place and their appropriateness with regard to the underlying assets, as well as the liquidity risk.

10.4.1 Income and expenses on financial instruments

Recognised in other comprehensive income (after deferred taxes)

<i>(in €m)</i>	2019	2018
IFRS 9 category		
Cash flow hedge – effective portion of the change in fair value	(8)	15
Cash flow hedge – reclassified in profit or loss	(15)	6
Foreign activities – exchange difference	139	(178)

<i>(in €m)</i>	2019	2018
Change in fair value reserve	-	-
Change in hedge reserve	(23)	21
Change in currency translation reserve	139	(178)



10.4.2 Credit risk

Credit risk represents the Group's risk of financial loss in the event that a customer or a counterparty to a financial instrument fails to meet their contractual obligations.

With regard to investments, the policy of Auchan Holding and the consolidated companies other than in exceptional circumstances is to invest cash surpluses with counterparties authorised and approved by the Finance Committee based on a rating grid.

Auchan Holding works solely with a list of banks authorised by Auchan Holding's general management for financing and interest rate and foreign exchange derivatives.

ISDA contracts have been signed with most of the bank counterparties to ensure that financial instrument operating rules are in place. In particular, these contracts set out the procedures for terminating transactions and for netting in the event of a change in the initial contractual balance, including default by the counterparty.

Impairment:

<i>(in €m)</i>	Debt instrument at fair value through other comprehensive income	Financial assets at amortised cost
Balance as at 1 January 2018	7	183
Net impairment		51
Changes in consolidation scope	(2)	
Exchange difference		(1)
BALANCE AT 31 DECEMBER 2018	5	233
Balance as at 1 January 2019	5	233
Net impairment	(0)	3
Changes in consolidation scope ⁽¹⁾	(2)	(89)
Exchange difference		1
BALANCE AT 31 DECEMBER 2019	3	148

⁽¹⁾ The changes in consolidation scope in 2019 mainly concern the Italy and Vietnam disposals

10.4.3 Liquidity risk

Auchan Holding's policy is to permanently maintain adequate medium and long-term funding to cover its needs at the bottom of the seasonal cycle and provide it with a safety margin.

Details on the risk of early call on financial debt

The medium and long-term bank financing facilities contain the usual commitments and default clauses for this type of contract, i.e. undertaking to maintain the loan at its initial level of seniority (pari-passu), limits on the collateral provided to other lenders (Negative Pledge), limits on substantial asset sales, and cross-default and material adverse change clauses.

The fair value assessment of derivatives carried by Auchan Holding and the consolidated companies includes a "counterparty risk" component (CVA) for derivative assets and an "own credit risk" component (DVA) for derivative liabilities. The credit risk is calculated using mathematical models generally used on the market which take historical data into account. At 31 December 2019, the adjustments booked in relation to counterparty risk and own credit risk were not material.

Trade receivables and other receivables correspond for the most part to receivables on franchises, participation in advertising costs and supplier commercial cooperation fees, and prepaid expenses. These transactions do not involve significant risk.

For the Retail and Ceetrus activities, the Group applies the simplified approach to accounting for expected losses on customers and related accounts.

Auchan Holding SA Euro Medium Term Note (EMTN) programme, under which bonds are issued, contains an undertaking limiting collateral provided to other bond holders (Negative Pledge) and a cross-default clause.

The private bond placement carried out in the US in 2012 includes a default early redemption clause in the event that certain ratios are not complied with including:

Consolidated net financial debt/consolidated EBITDA < 3.5

On 31 December 2019, all of the ratios were complied with.

None of the financial borrowings includes any commitment or default clause linked to a downgrade of Auchan Holding's ratings.

Exposure to liquidity risk

The residual contractual maturities of financial liabilities break down as follows (including payment of interest).

Amounts 31 December 2019 (in €m)	Carrying amount	Contractual cash flow			
		Total	< 1 year	1 -5 years	> 5 years
Bonds and private investments	5,810	6,093	456	4,255	1,382
Bank borrowings	1,416	1,416	307	975	133
Other financial liabilities	315	319	302	16	1
Trade payables	7,572	7,572	7,490	82	
Other current liabilities	4,955	4,955	4,903	45	7
Other non-current liabilities	3,041	3,041	103	1,715	1,222
Current tax liabilities	115	115	115		
Current bank credit facilities	105	105	105		
TOTAL NON-DERIVATIVE FINANCIAL LIABILITIES	23,329	23,616	13,781	7,089	2,745
Interest rate derivatives not eligible for hedge accounting	6	228	199	28	
Interest rate derivatives used as hedges	18	36	9	28	(1)
Forward foreign exchange contracts used as hedges:	13				
• Cash outflow		15	15		
• Cash inflow		(1)	(1)		
Other forward foreign exchange contracts:	4				
• Cash outflow		10	10		
• Cash inflow					
TOTAL DERIVATIVE FINANCIAL LIABILITIES	41	264	208	57	(1)

The carrying amount of derivative financial liabilities corresponds to the value excluding accrued interest not yet due, and the cash flows expected from these liabilities correspond to contractual flows (no early repayment anticipated).

Amounts 31 December 2018 (in €m)	Carrying amount	Contractual cash flow			
		Total	< 1 year	1-5 years	> 5 years
Bonds and private investments	3,303	3,473	432	2,873	168
Bank borrowings	1,411	1,411	273	861	277
Finance lease liabilities	140	140	10	39	91
Other financial liabilities	1,970	1,970	1,154	812	4
Trade payables	8,457	8,457	8,379	78	
Other current liabilities	4,375	4,375	4,333	38	4
Other non-current liabilities	458	458		429	29
Current tax liabilities	119	119	119		
Current bank credit facilities	433	433	433		
TOTAL NON-DERIVATIVE FINANCIAL LIABILITIES	20,666	20,836	15,133	5,130	573
Interest rate derivatives not eligible for hedge accounting	4	1	1	0	
Interest rate derivatives used as hedges	19	19	9	10	
Forward foreign exchange contracts used as hedges:	11				
• Cash outflow		12	12		
• Cash inflow					
Other forward foreign exchange contracts:	1				
• Cash outflow		2	2		
• Cash inflow					
TOTAL DERIVATIVE FINANCIAL LIABILITIES	36	34	24	10	

The carrying amount of derivative financial liabilities corresponds to the value excluding accrued interest not yet due, and the cash flows expected from these liabilities correspond to contractual flows (no early repayment anticipated).

10.4.4 Interest rate risk

Auchan Holding uses interest rate derivatives with the sole aim of reducing its exposure to the impact of changes in interest rates on its debt. Transactions on the derivative markets are undertaken solely for hedging purposes. However, some macro-hedging transactions used to hedge interest rate risk do not qualify for hedge accounting. These instruments are therefore recognised in «Financial assets held for trading».

10.4.4.1 Interest rate hedges

The Group's policy is to ensure that its exposure to interest rate risk is on variable rate borrowings by contracting either variable rate instruments, or fixed rate instruments that are subject to interest rate swaps which transform the fixed rates.

The Group then reprices its debt at variable rates with shorter maturities than the underlying borrowing. The repricing policy is according to the currency in question and the term. For example, in the current year, 80% of the net financial position EUR must be repriced, and only 70% for Y+1. For currencies PLN, HUF and RUB, the hedging target in N is of the order of 70%, then 50% in N+1. For RON, it is 50%, then 30%.

The Group determines that there is an economic relationship between the hedging instrument and the hedged instrument in accordance with reference interest rates, the periods for which they are established, determination dates, maturity and notional or nominal amounts. It uses a hypothetical derivative to determine whether it is expected that the designated derivative in each hedging relationship is effective in offsetting the changes in cash flows from the item being hedged.

10.4.4.2 Exposure to interest rate risk (after risk management)⁽¹⁾

(in €m)	2019	2018
Fixed rate financial assets	-	50
Fixed rate financial liabilities	4,279	5,020
Floating rate financial assets	4,116	3,581
Floating rate financial liabilities	3,425	2,340

(1) excluding operating debt and receivables

10.4.4.3 Sensitivity analysis

The analysis of the sensitivity of cash flows on floating rate instruments takes into account all the variable income flows on derivative and non-derivative instruments. The analysis is carried out based on the assumption that the amount of debt and derivatives at 31 December remains constant over one year. For the purpose of this analysis, all other variables, notably foreign exchange rates, are assumed to remain unchanged. Auchan Holding has stressed the curves for the euro and other currencies at -0.5%/+0.5%.

Fair value hedges

Interest rate transactions designated as fair value hedges concern transactions designed to change bond debt into floating rate debt. The currencies of these transactions are the euro, the Swiss franc and the US dollar. The net fair value (excluding accrued interest not yet due) of these instruments in the statement of financial position was €117 million as at 31 December 2019.

Macro-hedging transactions recorded as hedges of future cash flows

These transactions are aimed at protecting earnings against a possible rise in interest rates on the Group's variable rate debt. They consist of euro swaps in which Auchan is a fixed rate borrower and a floating rate lender. These transactions were prospectively designated as cash-flow hedges as of 1 January 2018, to hedge aggregate fixed-rate debt and fixed-rate payer/variable-rate receiver swap exposures, in accordance with IFRS 9. The fair value of these instruments was €(0.3) million as at 31 December 2019 compared with €(3.6) million as at 31 December 2018.

Other "macro-hedging" transactions recognised at fair value through profit or loss

These transactions are aimed at protecting earnings against a possible rise in interest rates. They consist of swaps in which Auchan is a fixed rate borrower and a floating rate lender, or of caps or swaptions. These transactions are carried out in HUF, PLN, RUB and RON. The fair value of these instruments was €(1.3) million as at 31 December 2019 compared with €2.8 million as at 31 December 2018.

Impact on the income statement and equity

A 0.5% increase in the interest rate curve would result in:

- A €93 million increase in the cost of financial debt until maturity based on the financial situation at 31 December 2019, of which €17 million relates to 2020. This would also have a positive impact on equity of €25 million. It represented an increase of €30 million as at 31 December 2018, of which €2 million related to 2019.

A 0.5% decrease in the interest rate curve would result in:

- A €72 million drop in the cost of financial debt until maturity based on the financial situation at 31 December 2019, of which €13 million relates to 2020. This would have a negative impact on equity of €3 million. It represented an increase of €31 million as at 31 December 2018, of which €1 million related to 2019.

Short-term financial assets and liabilities are not included in the scope of this analysis.

10.4.5 Foreign exchange risk

Auchan Holding is exposed to foreign exchange risk on:

- purchases of goods (transactional foreign exchange);
- internal and external financing denominated in a currency other than the euro (balance sheet risk);
- the value of subsidiaries' net assets in foreign currencies (net investment hedges).

At 31 December 2019, the main currencies concerned were the US dollar, Polish zloty, Hungarian forint, Russian rouble, and Romanian leu.

The Group's risk management policy is at all times to hedge all of its estimated exposure to foreign exchange rate risk in respect of forecast sales and purchases for at most the next 18 months. The Group uses over-the-counter forward contracts to hedge its foreign exchange risk together with option strategies, in particular to provide volume flexibility. At the accounts closing date, the majority of future contracts have maturities of more than one year. These contracts are generally designated as cash flow hedges. The Group's policy prohibits outright option sales, barrier option strategies and asymmetric option strategies.

The Group designates the spot price for a forward foreign exchange contract to hedge its exchange rate risk and applies a 1:1 hedging ratio.

The swap elements of forward foreign exchange contracts are not designated as hedging instruments and are recognised separately as "hedging costs" in the equity hedging expenses reserve. The Group's policy is aligning the basic terms and conditions of forward foreign exchange contracts with those of the hedged item.

The Group determines that there is an economic relationship between the hedging instrument and the hedged instrument according to the currency, the amount and the schedule of their respective cash flows.

The principal sources of ineffectiveness in these hedging relationships are:

- the impact of the counterparty's and of the Group's credit risks on the fair value of the swaps, which is not reflected in the change in the fair value of cash flows attributable to interest rate changes; and
- amendments to the schedule of hedged transactions.

10.4.5.1 Foreign exchange hedges

Derivative foreign exchange instruments are used to limit the impact of fluctuations in exchange rates on Auchan Holding's currency requirements and on the value of the net assets of some of its subsidiaries.

Transactions on the derivative markets are undertaken solely for hedging purposes.

Foreign exchange transactions concern only the currencies indicated in the table below.

Fair value hedges

Foreign exchange hedges recognised as fair value hedges relate to purchases invoiced in foreign currencies but not yet paid. The impact on the income statement of these derivative instruments is naturally offset by the impact of the revaluation of trade payables in foreign currencies.

Cash flow hedges

Foreign exchange transactions that qualify as cash flow hedges consist of foreign exchange swaps and forward foreign exchange purchases or sales. These transactions are used to hedge forecast purchasing outflows denominated in foreign currencies.

The risk hedged by these transactions is principally EUR/USD exchange risk.

At 31 December 2019 (in €m)	Carrying amount	Contractual cash flows			
		Total	< 1 year	1 -5 years	> 5 years
Foreign exchange swaps	4				
• Cash inflow	7	8	8		
• Cash outflow	(3)	(3)	(3)		
Forward foreign exchange swaps	1				
• Cash inflow	10	16	16		
• Cash outflow	(9)	(11)	(11)		

At 31 December 2018 (in €m)	Carrying amount	Contractual cash flows			
		Total	< 1 year	1-5 years	> 5 years
Foreign exchange swaps	(0)				
• Cash inflow		155	155		
• Cash outflow		(155)	(155)		
Forward foreign exchange swaps	33				
• Cash inflow		614	610	4	
• Cash outflow		(580)	(577)	(4)	

The table below shows Auchan Holding's exposure at 31 December 2019:

At 31 December 2019 (in €m)	USD
Trade payables	56
Estimated future purchases ⁽¹⁾	750
GROSS EXPOSURE	806
Foreign exchange swaps	(609)
Foreign exchange options ⁽²⁾	(168)
NET EXPOSURE	(29)

(1) Budgeted purchases for 2020

(2) Transactions that do not qualify for hedge accounting.

Balance sheet risk

Hedging transactions for balance sheet risk concern foreign currency loans granted to foreign subsidiaries. The currencies hedged are the Hungarian forint, Polish zloty, Romanian leu, US dollar and Russian rouble. Although these transactions are

carried out for hedging purposes, they are not documented for hedge accounting purposes as they are naturally symmetrically offset in the income statement by the change in value of the derivatives and intragroup financing.

At 31 December 2019 (in €m)	USD	RMB	PLN	HUF	RUB	RON
Intragroup financing	31	0	315	195	451	320
Gross exposure	31	-	315	195	451	320
Foreign exchange swaps	31	0	315	195	451	320
NET EXPOSURE						

Net investment hedge

No hedges were implemented in 2019 or 2018.

At 31 December 2018 (in €m)	USD	RMB	PLN	HUF	RUB	RON
Intragroup financing	104	0	483	192	412	306
Gross exposure	104	-	483	192	412	306
Foreign exchange swaps	(104)	0	(483)	(192)	(412)	(306)
NET EXPOSURE						

10.4.5.2 Sensitivity analysis (excluding currency translation reserves)

This sensitivity analysis assumes that variables other than exchange rates (notably interest rates) remain constant.

A rise of 10% in the euro exchange rate against other currencies, based on the financial situation at 31 December 2019, would result in a fall in income and equity in the amounts indicated below. The impact on equity corresponds to cash flow hedges on estimated forecast purchases.

Impact (in €m)	Equity	Gains or losses
USD	(45)	(1)

A fall of 10% in the euro exchange rate against other currencies, based on the financial situation at 31 December 2019, would result in a rise in income and equity in the amounts indicated below. The impact on equity corresponds to cash flow hedges on estimated forecast purchases.

Impact (in €m)	Equity	Gains or losses
USD	55	13

10.4.6 Other risks (excluding credit activity)

Auchan Holding and the other consolidated companies enter into hedging transactions other than foreign exchange and interest rate derivative transactions, namely hedges on raw material prices.

Effects of hedge accounting on financial position and performance

Operations treated as net investment hedges did not lead to a revaluation in 2019. They are therefore not included in the following assessments.

Hedging instruments

The amounts for items designated as hedging instruments and for hedge ineffectiveness are as follows:

At 31 December 2019 (in €m)	Type of hedging instrument	Notional amount of hedging instruments	Carrying amount of the hedging instrument		Item in the statement of financial position in which the hedging instrument is included	Change in fair value of the financial instrument used	CFH reserves
			Assets	Liabilities			
FAIR VALUE HEDGE							
Interest rate risk							
Bonds (in €)	Rate swaps	4,050	98			9	
Bonds in CHF	Cross Currency Swap	98	19		Derivatives	4	(2)
Bonds in USD	Rate swaps	178				5	
CASH FLOW HEDGE							
Interest rate risk							
Variable rates of bank borrowings	EUR Rate swaps	1,540		16	Derivatives		10
	Swaption	300			Derivatives		
	EUR caps	765			Derivatives		
Macro-hedge		800					3
Foreign exchange risk							
Currency hedges of future sales	Forward foreign exchange contracts	547	17	4	N/A	(1)	18

Hedged items

At the accounts closing date, the amounts for items designated as hedging instruments and for hedge ineffectiveness are as follows:

At 31 December 2019 (in €m)	Carrying amount of the item hedged		Total FVH adjustments included in the carrying amount of the item hedged		Item in the statement of financial position in which the hedging item is included	Change in fair value of the financial instrument used	CFH reserves
	Assets	Liabilities	Assets	Liabilities			
FAIR VALUE HEDGE							
Interest rate risk							
Fixed rate bonds denominated in €		4,770		115		(11)	
Fixed rate bonds denominated in CHF		119		20	Borrowings and other financial liabilities	(6)	
Fixed rate bonds denominated in USD		178	0			(5)	
CASH FLOW HEDGE							
Interest rate risk							
Variable rates of bank borrowings		1004	N/A	N/A	Borrowings and other financial liabilities	N/A	N/A
Foreign exchange risk							
Currency hedges of future sales		N/A	N/A	N/A	N/A	N/A	N/A

Effectiveness and hedging result

The table below reconciles, according to risk category, equity items and the analysis of other comprehensive income from hedge accounting

At 31 December 2019 (in €m)	Ineffectiveness recognised in P&L	Heading that includes ineffectiveness of hedging
FAIR VALUE HEDGE		
Interest rate risk	(4)	Net cost of financial debt

At 31 December 2019 (in €m)	Change in fair value of hedging instruments in OCI	Ineffectiveness recognised in P&L	Heading that includes ineffectiveness of hedging	Amount transferred from CFH reserve to PL	Heading of PL affected by the reclassification
CASH FLOW HEDGE					
Interest rate risk	(7)		Net cost of financial debt	0	N/A
Foreign exchange risk	(18)	(1)	Other recurring operating expenses	(5)	Cost of sales

10.4.7 Market values of financial instruments

Financial assets and liabilities are stated in the financial statements in accordance with IFRS 9, IAS 32, IFRS 7 and IFRS 13.

IFRS 13 introduced a 3-level hierarchy for fair value measurement disclosures.

Level 1: Fair value measured with reference to unadjusted quoted prices observed in active markets for identical assets or liabilities.

Level 2: Fair value measured with reference to inputs other than the quoted prices included in level 1 that are observable for the asset or liability in question, either directly (in the form of a price) or indirectly (calculated based on a price).

Level 3: Fair value measured with reference to inputs that are not based on observable market data ("unobservable inputs").

IFRS 9 category (in €m)	2019				2018			
	Market			Carrying amount	Market			Carrying amount
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
Assets at fair value through profit or loss		3,823		3,823		3,476		3,476
• Other financial assets measured at fair value		149		149		56		56
• Cash and cash equivalents		3,674		3,674		3,420		3,420
Debt instruments measured at fair value through other comprehensive income								
• Available-for-sale financial assets, of which:		153		153		163		163
• Equity investments		153		153		163		163
Financial assets at amortised cost		2,752		2,752		3,290		3,290
• Other non-current financial assets (excluding equity investments)		253		253		213		213
• Customer loans		0		0		136		136
• Trade receivables		542		542		498		498
• Other current financial assets		1,957		1,957		2,444		2,444
Liabilities measured at fair value	5,536	17,703		23,275	3,850	17,730		21,451
• Bonds and private placements	5,536	238		5,810	3,131	294		3,303
• Bank loans and borrowings, and other financial liabilities including bank overdrafts		1,897		1,897		3,857		3,857
• Finance lease liabilities		0		0		147		140
• Debts financing the credit activity		0		0	719	142		861
• Other non-current liabilities		3,041		3,041		458		458
• Trade payables		7,572		7,572		8,457		8,457
• Other current liabilities		4,955		4,955		4,375		4,375
Derivative instruments, of which:		157		157		210		210
• Derivative financial instruments (assets)		203		203		249		249
• Derivative financial instruments (liabilities)		47		47		39		39

Bonds and cash open-ended funds (SICAV) are valued using quoted market prices. These securities are now considered as level-1 financial assets and liabilities.

Auchan Holding calculated the fair value of finance lease debts and bank loans by discounting contractual flows using market interest rates, which are observable data. Derivatives are valued using commonly accepted valuation techniques based on observable interest rate and currency market data.

Derivative positions not subject to offsetting

Auchan Holding enters into international swap and derivatives agreements (ISDA) as part of its trading activities. The ISDA contracts do not meet the same offsetting conditions as derivative positions in the statement of financial position. The table below shows the recognised amounts that are subject to these agreements, solely for derivatives qualifying as interest rate and currency hedges:

	2019			2018		
	Financial instruments in the financial statements	Related financial instruments that are not offset	Net amount	Financial instruments in the financial statements	Related financial instruments that are not offset	Net amount
Financial assets						
Derivative instruments	186	(130)	56	52	(1)	51
TOTAL	186	(130)	56	52	(1)	51
Financial liabilities						
Derivative instruments	4	(4)	-	1	(1)	-
TOTAL	4	(4)	-	1	(1)	-

10.5 FINANCIAL ASSETS

Accounting principles

Financial assets-Applicable method as of 1 January 2018

A financial asset is measured at amortised cost if the following 2 conditions are met and if it is not designated at fair value through profit or loss:

- it is held with the framework of a financial model whose objective is to hold assets in order to collect the contractual cash flows; and
- its contractual terms give rise to cash flows, on specific dates, that correspond solely to repayments of principal and interest payments on the principal outstanding.

A debt instrument is measured at fair value through other comprehensive income if both of the following conditions are met and if it is not designated at fair value through profit or loss:

- it is held with the framework of a financial model whose objective is to collect the contractual cash flows and the sale of financial assets; and
- its contractual terms give rise to cash flows, on specific dates, that correspond solely to repayments of principal and interest payments on the principal outstanding.

When initially recognising an equity security that is not held for trading, the Group may make the irrevocable election to present in other comprehensive income any subsequent changes in the fair value of the security. This choice applies for every investment.

All financial assets that are not classified at amortised cost or at fair value through other comprehensive income as previously described are measured at fair value through profit or loss. This applies most notably to derivatives (see note 32(A)). Upon initial

recognition, the Group may irrevocably designate a financial asset that would otherwise qualify for measurement at amortised cost or at fair value through other comprehensive income through the income statement, if this designation eliminates or significantly reduces an accounting mismatch that would otherwise occur.

Assessment of the financial model

The Group assesses the objective of the financial model for holding a financial asset in a portfolio since it best illustrates the way in which the portfolio is managed and in which the information is transmitted to the asset manager. The information taken into account is the following:

- the methods and objectives defined for the portfolio and their implementation. These include whether the management's strategy focuses on obtaining contractual interest income, maintaining a specific interest rate profile, matching the period for which they are held with the liabilities that finance them or the expected cash flows, or the obtaining of cash flow by selling these assets;
- the way in which the performance of the portfolio is evaluated and communicated to the Group's management;
- the risks that affect the financial model (and the financial assets held within this financial model) and the way in which these risks are managed;
- the way in which executives are compensated (for example, whether the compensation is based on the fair value of the assets under management or on the contractual cash flows received); and
- the frequency, value and timing of sales of financial assets in prior periods, the reasons for these sales and expectations of future sales.

Transfers of financial assets to third parties within the context of transactions that do not meet the conditions for de-recognition are not considered as sales for these purposes, in accordance with the Group's accounting policy for the recognition of these assets

Financial assets held for trading or whose management and performance measurement are made on a fair value basis are measured at fair value through profit or loss.

They are assessed if the contractual cash flows correspond only to repayments of principal and interest payments on the outstanding principal

For the purpose of this assessment, the term "principal" refers to the fair value of the financial asset upon initial recognition. "Interest" refers to the counterparty for the time value of the money, the credit risk associated with the principal outstanding for a given period of time, and the other risks and charges that are attached to a basic loan (e.g. risk liquidity and administrative charges), as well as a margin.

When determining whether a contractual cash flow corresponds solely to repayments of principal and interest payments on the outstanding principal, the Group takes into consideration the contractual terms of the financial instrument. In particular, it must assess whether the financial asset includes a contractual term that may change the schedule or the amount of the contractual cash flows so that it no longer satisfies this condition. When making this assessment, the Group takes into account the following factors:

- contingencies that could affect the amount or schedule of cash flows;
- the conditions that may adjust the contractual coupon rate, including variable rate features;
- early repayment and extension clauses;
- the conditions limiting the Group's recourse to obtain cash flows from certain assets (for example, in the case of a financial asset secured only by a security interest).

An early payment clause may be consistent with the "SPPI" criterion if the amount of the prepayment is essentially the principal amount outstanding and the interest thereon. It may also include a reasonable additional amount to pay for early termination of the contract. In addition, for a financial asset

acquired with a discount or a premium over its contractual par value, a clause allowing or requiring early repayment for an amount essentially representing the contractual par value and the accumulated (but unpaid) contractual interest, (which may include a reasonable supplement to compensate for the early termination of the contract) does not contradict the "SPPI" criterion, if the fair value of the prepayment clause is not significant upon initial recognition.

Subsequent valuation of profits and losses

Financial assets at fair value through profit or loss

These assets are measured subsequently at fair value. Net gains and losses, including interest or dividends received, are recognised in profit or loss.

Financial assets at amortised cost

These assets are measured subsequently at amortised cost using the effective interest rate method. Amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment losses are recognised in profit or loss. Gains and losses resulting from de-recognition are recognised in profit or loss.

Debt instruments at fair value through other comprehensive income

These assets are measured subsequently at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment losses are recognised in profit or loss. Other net gains and losses are recorded in other comprehensive income. Upon de-recognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Debt instruments at fair value through other comprehensive income

These assets are measured subsequently at fair value. Dividends are recognised as revenue in the income statement, unless they clearly represent the recovery of a portion of the cost of the investment. Other gains and losses are recognised in other comprehensive income and are never reclassified to profit or loss.



Classification of financial assets by category (net carrying amount)

(in €m)		2019		2018	
Asset balance sheet item	IFRS 9 category	Non-current	Current	Non-current	Current
Other non-current financial assets	Fair value assets through profit or loss ⁽¹⁾	149		56	
	Debt instrument at fair value through other comprehensive income ⁽²⁾	161		165	
	Financial assets at amortised cost ⁽⁴⁾	257		215	
Cash and cash equivalents	Fair value assets through profit or loss ⁽¹⁾		1,393		1,193
Trade receivables	Financial assets at amortised cost ⁽³⁾		542		498
Other current receivables	Financial assets at amortised cost ⁽⁴⁾⁽⁵⁾⁽⁶⁾		1,957		2,444
OTHER FINANCIAL ASSETS (NET CARRYING AMOUNT)		565	3,891	436	4,135
Impairment of other financial assets		(5)		(13)	
Impairment of other current assets			(55)		(79)
of which cumulative impairment (excluding trade receivables)		(5)	(55)	(13)	(79)

(1) Financial assets held for trading correspond to:

- for the non-current part, investments that are subject to restrictions on use by Auchan Holding for prudential or contractual reasons,
- for the current part, investments that are defined as cash and are included under "Cash and cash equivalents".

(2) Available-for-sale financial assets comprise mainly shares in companies that are neither controlled nor under significant influence.

(3) Trade receivables comprise mainly receivables relating to franchise arrangements, and rent outstanding for the Property Management business line.

(4) Financial receivables comprise mainly security deposits.

(5) For the non-current part, interest-bearing or discounted receivables.

(6) Other current receivables comprise mainly tax and social security receivables and accrued revenue from suppliers.

10.6 FINANCIAL LIABILITIES

10.6.1 Borrowings and other financial liabilities

Accounting Principles

Financial liabilities consist mainly of bonds, bank borrowings and bank overdrafts. Borrowings that bear interest are recognised from the outset at their fair value less direct transaction costs. After initial recognition:

- borrowings and other financial liabilities at floating rates are measured at amortised cost based on straight-line amortisation of issuance costs over the term of the borrowing, insofar as this has no material impact by comparison with the yield-to-maturity method;

- two methods are used for fixed rate borrowings:

- fixed rate borrowings qualified as hedged items as part of fair value hedging relationships are recognised at amortised cost adjusted for the change in fair value corresponding to the hedged risk. The fair value is determined on the basis of future cash flows discounted using the zero-coupon curves at the financial year-end, and integrating a spread equal to the spread when the financing was put in place.
- other fixed rate borrowings are recognised at amortised cost using the effective interest rate method, which incorporates an actuarial amortisation of issuance costs and premiums.

10.6.1.1 Breakdown of borrowings and other financial liabilities

(in €m)	2019		2018	
	Non-current	Current	Non-current	Current
Bonds and private placements	5,395	415	2,964	399
Bank borrowings	970	445	1,073	338
Obligations under finance leases ⁽¹⁾			131	8
Other financial liabilities	25	290	29	1,940
Margin call - Liability		58		44
Bank overdrafts		105		433
TOTAL	6,390	1,313	4,198	3,162

(1) Obligations under finance leases were reclassified as other liabilities as a result of the application of IFRS 16.

Accrued interest is recognised under "Current borrowings and other financial liabilities".

Main characteristics of borrowings and other financial liabilities

10.6.1.2 Bonds and private investments

These are bonds issued in Luxembourg under the Euro Medium-Term Note (EMTN) programme.

In January and April 2019, Auchan Holding issued two bonds in Luxembourg through the EMTN (European Medium Term Note) program.

(in €m) Issuing company	Nominal interest rate	Issue date	Maturity	2019		2018	
				Nominal value	Carrying amount	Nominal value	Carrying amount
Auchan Holding SA	2.625%	30/01/2019	30/01/2024	1000	1,013		
Auchan Holding SA	2.375%	25/04/2019	25/04/2025	1000	1,011		
Auchan Holding SA	0.625%	07/02/2017	07/02/2022	600	605	450 ⁽¹⁾	454
Ceetrus SA	2.750%	26/11/2019	26/11/2026	300	297		
Auchan Holding SA	6.000%	15/04/2009	15/04/2019			320 ⁽¹⁾	336
Auchan Holding SA	3.000%	28/06/2012	28/06/2019			44 ⁽³⁾	43
Auchan Holding SA	3.500%	28/06/2012	28/06/2022	178 (3)	178	175 ⁽³⁾	169
Auchan Holding SA	2.375%	12/12/2012	12/12/2022	750	790	650 ⁽¹⁾	675
Auchan Holding SA	2.250%	08/04/2013	06/04/2023	500	528	400 ⁽¹⁾	428
Auchan Holding SA	2.250%	24/06/2013	06/04/2023	200	212	200	215
Auchan Holding SA	1.750%	24/04/2014	23/04/2021	600	611	500 ⁽¹⁾	520
Auchan Holding SA	1.500%	03/06/2014	03/06/2024	108 (2)	119	107 ⁽²⁾	113
Auchan Holding SA	EUR3M15FLOOR +0.1500	01/02/2018	03/02/2020	350	350	350	351
Ceetrus SA	3.000%	11/12/2018	11/12/2025	60	60	60	60

(1) Amounts after reclassification of part of the bond debt under debts financing the credit activity for a carrying amount of €630 million. At 31 December 2019, this reclassification was no longer valid after the sale of Oney Bank during the year.

(2) Hedging value; loan issued initially for 120 million Swiss francs.

(3) Closing value; loans issued initially for 50 million and 200 million US dollars, respectively.

Bank borrowings

(in €m) Issuing company	Nominal interest rate	Issue date	Maturity	2019		2018	
				Nominal value	Carrying amount	Nominal value	Carrying amount
Glorirequinte Brafero, Multi 25, Forum Montijo	2.3500%	12/2018	12/2025	135	135	135	135
LCO1	Euribor +Margin	11/2018	11/2026	167	167	128	128
Ceetrus SA	Euribor +Margin	07/2018	07/2023	500	500	500	498
Ceetrus SA	Euribor +Margin	07/2018	07/2023	80	80		
Gallerie Commerciali Sardegna	Euribor +Margin	12/2016	12/2021	103	103	106	106

Other borrowings and credit lines exist with unit amounts of less than €50 million.

Other financial liabilities

This heading mainly comprises the commitments to repurchase shares from employees of Auchan Holding and its subsidiaries for €0.2 million (see Note 8.1.4) and the liabilities linked to employee profit-sharing for €16 million.

This heading also includes commercial paper, the main issues being as follows:

(in €m) Issuing company	Maturity	2019		2018	
		Nominal value	Carrying amount	Nominal value	Carrying amount
Auchan Holding SA	1 to 3 months	233	233	509	509
Auchan Holding SA	6 months and over	52	52	939	939
Auchan Holding SA	less than 1 month			330 ⁽¹⁾	330 ⁽¹⁾
Auchan Holding SA	3 to 6 months			309	309

(1) Amount after reclassification of part of the commercial paper under debts financing the credit activity. At 31 December 2019, this reclassification was no longer valid after the sale of Oney Bank during the year.

10.6.2 Other Current and Non-Current liabilities

Accounting Principles

These current financial liabilities are valued at their nominal value to the extent that they constitute a reasonable estimate of their market value given their short-term nature.

Auchan Holding and the consolidated companies have given commitments to the non-controlling shareholders of some fully consolidated subsidiaries to buy out their interests. These commitments' exercise price may be fixed, based on an expert opinion, or based on a pre-defined calculation formula, depending on any contractual provisions setting the option valuation methods. These options may be exercised at any time or on a pre-determined date.

In application of IFRS 10, transactions with non-controlling shareholders that do not change the nature of the direct or indirect control exercised by Auchan Holding should be

recognised directly in equity. Accordingly, the impact of the repurchase commitments issued after the first application date must also be recognised in equity.

On first recognition, Auchan Holding recognises a liability in its consolidated financial statements in respect of the repurchase commitments given to non-controlling shareholders at the present value of the exercise price. The difference between the debt recognised in respect of the repurchase commitments and the carrying amount of the non-controlling interests is recorded as a charge against equity. The liability is remeasured each year and any changes are recognised in equity (including discounting effect).

If the repurchase commitment was not granted in the context of a business combination (excluding creation of new activities), subsequent changes in the liability are recognised in financial revenue and expenses.

(in €m)	2019		2018	
	Non-current	Current	Non-current	Current
Trade payables⁽¹⁾	0	7,572	0	8,457
Trade payables, goods		6,524		7,417
Trade payables, general expenses		1,054		1,040
IFRS 16 trade payables, general expenses		(6)		
Other liabilities, including:	3,041	4,955	458	4,375
- Liabilities linked to put options granted to non-controlling interests ⁽²⁾	214		336	
- Fixed Assets Liabilities	53	453	6	626
- Tax and social liabilities		1,530		1,651
- Deferred income ⁽³⁾	0	122	54	251
- Other liabilities	163	832	62	590
- IFRS 16 lease liabilities ⁽⁴⁾	2,610	480		
- Prepaid cards ⁽⁵⁾		1,538		1,257
TOTAL	3,041	12,528	458	12,832

(1) Auchan Holding set up several reverse factoring programmes in the main countries where it operates. These programmes consist of enabling its suppliers to benefit from early payment options. In the case in point, these programmes are transactions for the sale of trade receivables to a financial institution, a partner bank. More specifically, relations between the parties are governed by the signing of two completely independent contracts:

- Auchan Holding signs a framework contract with the partner bank under which it agrees to pay, on the due date set, the pre-approved invoices sold by its suppliers to the partner bank. Individual suppliers are free to decide whether or not to sell any one of their invoices;
- Auchan Holding suppliers may, if they wish, sign a framework contract with the partner bank under which they have the option to sell their invoices, before the due date, under terms that take into consideration Auchan Holding's credit risk.
- Receivables amounting to €660 million were sold by Auchan Holding suppliers in 2019 under these reverse factoring programmes. Outstandings at closing stood at €105 million.

(2) Commitments to purchase shares made by Auchan Holding and the other consolidated companies to the non-controlling shareholders of certain subsidiaries that are fully consolidated or to the Valauchan, Valfrance and Oneyval mutual funds under rules that govern the operation of those funds (see note 8.1.2).

(3) Non-current "deferred income" principally corresponds to differences in rental income between rent due contractually and rents at an unfavourable market rate recognised in Poland and Romania as part of the acquisition of Real.

(4) See note 6.5 on leases (IFRS 16).

(5) Prepaid cards mainly comprise the "gift" cards issued in China. These prepayments are held under liabilities in the statement of financial position until they are used by customers in our stores. In China, these cards may be used in the Group stores without any time restriction. At 31 December 2019, the related liability stood at €1,538 million, compared to €1,257 million at 31 December 2018.

10.7 OFF-BALANCE SHEET COMMITMENTS

Commitments received

Breakdown of long and medium-term credit lines, granted and confirmed by the banks but unused.

At 31 December 2019

<i>(in €m)</i>	Auchan Holding and its subsidiaries
< 1 year	833
1 year - 5 years	2,667
> 5 years	-
TOTAL	3,500

Certain medium and long-term bank financing facilities (confirmed credit lines not used as at 31 December 2019) contain a "callability" clause in the event of non-compliance with the following ratio at the closing date: Consolidated net financial debt/consolidated EBITDA < 3.5. For its own financing,

Ceetrus must comply with other ratios. At 31 December 2019, these ratios were complied with. After taking into account undrawn confirmed credit lines and available cash, Auchan Holding considers that projected cash flows from operations are sufficient to cover debt repayments and dividends.

At 31 December 2018

<i>(in €m)</i>	Auchan Holding and its subsidiaries	Excluding credit activity	Credit activity
< 1 year	563	515	48
1 year - 5 years	4,052	3,273	779
> 5 years	-	-	-
TOTAL	4,615	3,788	827

Commitment given

<i>(in €m)</i>	2019	2018
	Total	Total
Guarantees given	22	90
Other commitments given	26	51

Secured liabilities

<i>(in €m)</i>	2019	2018
	Total	Total
Guaranteed debts	554	436
Debts guaranteed by security interests	323	382
Import documentary credits	83	116

NOTE 11 INCOME TAX

11.1 TAX ASSETS AND LIABILITIES

Accounting Principles

Deferred taxes are recorded on all temporary differences between the tax basis of assets and liabilities and their carrying amounts, with the exception of goodwill not deductible for tax purposes and temporary differences relating to investments in joint ventures or affiliates to the extent that they will not be reversed in the foreseeable future.

Deferred taxes are calculated on the tax rate that applies on the statement of financial position date, using the liability method. The effect of any change in the tax rate is recognised in the income statement, apart from changes relating to items initially recognised directly in equity.

Income tax, both current and deferred, is recognised directly in equity when it relates to an item initially recognised in equity.

Deferred tax assets and liabilities are offset when offsetting is legally allowed and the same tax authority is involved. They are not discounted and are recorded in the statement of financial position under non-current assets and liabilities.

Tax losses and other temporary differences only give rise to deferred tax assets when they are likely to be used against future taxable income within a reasonable period of time or when they can be offset against deferred tax liabilities.

The entry into force of IFRIC 23 did not have an impact on the financial statements in 2019.

French business taxes

In France, two taxes, the CVAE (Contribution sur la Valeur Ajoutée des Entreprises) and the CFE (Contribution Foncière des Entreprises) replaced the former French business tax (taxe professionnelle) with effect from 2010.

A review of the accounting treatment of this tax in France in the light of IFRS has resulted in adopting separated accounting methods for each of these two taxes:

- the CFE, which is based on property rental values, is recognised in operating expenses;

- the CVAE, which according to Auchan Holding's analysis, can be considered as an income tax as defined in IAS 12.2 ("taxes based on taxable incomes"). As provided for under IAS 12, classification of the CVAE as income tax results in the recognition of a deferred tax liability arising from temporary differences. This deferred tax expense is presented under "Income tax expenses". Moreover, the full amount of current and deferred taxes relating to the CVAE is presented under this heading.

A deferred tax liability is recognised based on the net value of the depreciable non-current assets of the entities liable to CVAE, as provisions for depreciation are not deductible from the added value that serves as the base for the CVAE. Acquisitions of assets outside business combinations benefit, from 2010, from the exemption provided for in IAS 12 for first-time recognition of an asset or liability. In addition, a deferred tax asset is recognised on impairment of current assets.

Breakdown of current tax assets and liabilities

<i>(in €m)</i>	2019	2018
Gross amount	153	162
Impairment	(4)	(4)
CURRENT TAX ASSETS – NET VALUE	148	158
Current tax liabilities	115	119



Breakdown of recognised deferred tax assets and liabilities

(in €m)	2019			2018		
	Assets	Liabilities	Net	Assets	Liabilities	Net
On temporary differences	358	562	(204)	264	584	(320)
Non-deductible provisions	66	(78)	144	68	(113)	181
Intangible assets, PP&E and depreciation	114	419	(305)	108	339	(231)
Investment property and depreciation	42	123	(81)	37	198	(160)
Finance leases	7	13	(6)	10	12	(2)
Inventories	28	8	20	24	5	19
Employee benefits	3	(32)	35	1	(21)	22
Regulated provisions	2	114	(112)	1	117	(116)
IFRS 16	52	(8)	60			
Other	44	3	41	15	48	(33)
On tax losses carried forward	80	(53)	133	78	(53)	130
DEFERRED TAX ASSETS AND LIABILITIES	438	509	(71)	342	531	(189)

Deferred tax not recognised

Deferred tax assets amounting to €360 million (€629 million at 31 December 2018) relating to tax losses carried forward, tax credits and other temporary differences were not recognised as their recovery is considered unlikely within the meaning of IAS 12.

For France, deferred tax for tax losses carried forward are recognised. They are recognised as a deduction to the deferred tax liability for the entity recognised at the level of Auchan Holding and the French subsidiaries.

Unrecognised deferred tax assets break down as follows:

(in €m)	2019
Between 2019 and 2023	167
Between 2024 and 2028	109
After 2028	
Carried forward indefinitely or without maturity date	84
TOTAL UNRECOGNISED DEFERRED TAX ASSETS	360

Change in deferred tax assets and liabilities (+: asset or income, (): liability or expense)

<i>(in €m)</i>	1 January 2019	Recognised in income	Recognised in other comprehensive income	Reclassifications	Changes in consolidation scope	Exchange differences	2019
On temporary differences	(319)	60	12	1	38	4	(204)
Non-deductible provisions	181	(8)		0	(33)	3	144
Intangible assets, PP&E and depreciation	(231)	(60)		1	(14)	(1)	(305)
Investment property and depreciation	(160)	80		(1)		(1)	(81)
Finance leases	(2)	(2)		(1)	0	(1)	(6)
Inventories	20	3			(4)	1	20
Employee benefits	22	8	7	1	(2)	0	35
Regulated provisions	(116)	0		0	3	1	(112)
IFRS 16		35			25	0	60
Other	(33)	4	5	1	63	1	41
On tax losses carried forward	130	11		(1)	(8)	0	133
DEFERRED TAX ASSETS AND LIABILITIES	(189)	71	12	(0)	30	4	(71)

11.2 INCOME TAX EXPENSE
Analysis of net tax expenses

<i>(in €m)</i>	2019	2018
Expenses/Income		
Current income tax payable	288	269
Tax adjustments relating to previous years	4	0
Current income tax payable	293	269
Current income tax payable on "Non-recurring income and expenses"⁽¹⁾	8	(1)
Change in temporary differences	(32)	(63)
Impact of changes in tax rates	2	(3)
On tax losses carried forward	(10)	(35)
Total deferred tax	(40)	(100)
Total deferred tax on "Non-recurring income and expenses"	(32)	(85)
INCOME TAX EXPENSE	229	82

(1) Tax relating to items classified in "Non-recurring income and expenses" (see note 3.4).

Effective tax rate

The difference between the tax calculated using the theoretical rate in France and the tax expenses effectively recognised for the year can be analysed as follows:

<i>(in €m)</i>	2019	Effective tax rate 2019	2018	Effective tax rate 2018
Income before tax	524		(246)	
<i>Theoretical tax rate (French standard rate)</i>		34.43%		34.43%
Theoretical tax expense	181		(85)	
Difference in tax rates for foreign companies	(27)	(5.1%)	(18)	7.2%
Tax rate difference on deferred tax balance at the start of the period	3	0.5%	(1)	0.3%
Tax relief, tax credits and reduced rate taxation	(0)	0.1%	(18)	7.5%
Unrecognised tax losses for the period	31	5.8%	61	(24.6%)
Use of previously unrecognised tax losses carried forward	(29)	(5.4%)	(33)	13.5%
Recognition of prior period tax losses	1	0.2%	9	(3.5%)
Tax adjustments related to previous periods	(4)	(0.7%)	11	(4.5%)
CVAE tax	35	6.7%	32	(12.9%)
Items recognised under "Non-recurring income and expenses"	2	0.4%	142	(57.5%)
Permanent differences/Deferred tax not recognised	36	6.9%	(18)	7.1%
Actual tax expense	229		82	
EFFECTIVE TAX RATE		43.7%		(33.2%)

NOTE 12 DETAILS OF CERTAIN ITEMS OF THE CONSOLIDATED STATEMENT OF NET CASH FLOWS

(in €m)	2019	2018
Changes in working capital requirement:	(452)	(74)
• inventories	(269)	35
• trade receivables	(78)	25
• trade payables	(357)	(195)
• other assets and liabilities	253	61
Changes in items relating to the credit activity:	114	(28)
• customer loans - Credit activity	216	(38)
• debts financing the credit activity	(102)	10
Changes in loans and advances granted:	(213)	2
• increase in loans and advances granted ⁽¹⁾	(246)	(25)
• decrease in loans and advances granted	34	27
Amounts received from shareholders on capital increases:		
• paid by shareholders of the parent company		
• paid on exercise of stock options		
• paid by non-controlling interests of consolidated companies		
Dividends paid during the period:	(120)	(313)
• dividends paid to shareholders of the parent company		(196)
• dividends paid to non-controlling interests of consolidated companies	(120)	(117)
Acquisitions and disposals of interests without change in control ⁽²⁾:	(67)	(27)
• acquisitions	(109)	(47)
• disposals	42	20
Net financial debt:	790	2,022
• loans issued	6,747	9,331
• repayments of loans (including finance leases)	(5,957)	(7,309)
Net cash and cash equivalents:	3,569	2,987
• marketable securities with a maturity of less than 3 months	1,393	1,193
• cash	2,282	2,226
• bank overdrafts (see note 10.6)	(105)	(433)

(1) Including €98 million in cash reclassified as restricted cash balances – new regulation on prepaid cards in China.

(2) Acquisitions and disposals of interests without any gain or loss of control mainly include the purchase of securities from employees by Auchan Holding and its subsidiaries for €102 million, offset by disposals for €33 million.

NOTE 13 LIST OF CONSOLIDATED COMPANIES

List of the main companies consolidated using the **full consolidation** method at 31 December 2019

			% interest		
			2019	2018	
France	Holding	Auchan Holding SA	100	100	
	Retail	Direction des Achats Indirects	-	100	
		Aripay	100	100	
		Auchan Retail International	100	100	
		Auchan Retail France	98	98	
		Auchan Hypermarché and its subsidiaries	98	98	
		Auchan E-commerce France	98	98	
		Auchan Carburant	98	98	
		Eurauchan	94	94	
		Auchan Retail Agro	98	98	
		Auchan International Technologie	100	100	
		Organisation Internationale des Achats	100	100	
		Auchan supermarché and its subsidiaries	98	98	
		Chronodrive	98	98	
		Ceetrus	Ceetrus	100	100
			Ceetrus France and its subsidiaries	98	98
	Belgium		Auchan Coordination Services	-	100
			Ceetrus Finance	100	100
	Mainland china	Retail and Real Estate	A-Rt Retail Holding	71	71
Sun Art Retail Group			36	36	
Spain	Retail	Auchan Retail Spain	98	98	
		Alcampo and its subsidiaries	98	98	
		Valespaña	11	5	
		Zenalco	100	100	
		Sabeco and its subsidiaries	98	98	
	Ceetrus	Ceetrus Urban Play Spain and its subsidiaries	98	98	
Italy	Retail	Auchan Italie and its subsidiaries	-	99	
		Val Italia	-	14	
		SMA and its subsidiaries	-	99	
		International DrugStore	100	100	
	Ceetrus	Ceetrus Italy and its subsidiaries	100	100	
Luxembourg	Retail	Auchan Luxembourg	100	100	
		Auchan International	100	100	
		Patinvest	100	100	
		Christal	100	100	
	Ceetrus	Ceetrus Luxembourg and its subsidiaries	100	100	
Hungary	Retail	Auchan Magyarország and its subsidiaries	100	100	
		Valhungary International	84	82	
	Ceetrus	Ceetrus Hungary and its subsidiaries	100	100	
Poland	Retail	Auchan Polska and its subsidiaries	100	100	
		Valpoland	31	23	
		Eléa Polska	-	100	

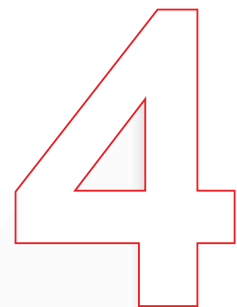
			% interest	
			2019	2018
	Ceetrus	Ceetrus Polska and its subsidiaries	100	100
Portugal	Retail	Auchan Portugal and its subsidiaries	99	99
		Valportugal	21	29
		Ceetrus Portugal and its subsidiaries	99	99
Romania	Retail	Auchan Romania	100	100
	Ceetrus	Ceetrus Romania and its subsidiaries	100	100
Russia	Retail	Auchan Russie OIAH and its subsidiaries	99	99
		Valauchan Russie	19	34
		Valrussie	49	41
		Atak and its subsidiaries	99	99
Senegal	Ceetrus	Ceetrus LLC	99	99
	Retail	Senas	100	100
Taiwan	Retail and Real Estate	RT Mart International	65	65
Ukraine	Retail	FCAU	100	100
	Ceetrus	Ceetrus Ukraine	100	100
Vietnam	Retail	International Simply Mart	100	92

A list of the companies consolidated using **the equity method** as at 31 December 2019 is given in detail in note 7.

3

CONSOLIDATED FINANCIAL STATEMENTS

**STATUTORY
AUDITORS' REPORT**
ON THE CONSOLIDATED
FINANCIAL STATEMENTS



(For the year ended 31 December 2019)

To the Shareholders

AUCHAN HOLDING

40 avenue de Flandre
59170 Croix

OPINION

In compliance with the engagement entrusted to us by the General Meeting, we have audited the accompanying consolidated financial statements of Auchan Holding for the year ended 31 December 2019.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group for the year ended and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit Committee.

BASIS FOR OPINION

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under these standards are further described in the "Responsibilities of the Statutory Auditors relating to the audit of the consolidated financial statements" section of our report.

Independence

We conducted our audit engagement in compliance with the independence rules applicable to us, for the period from 1 January 2019 to the date of our report and in particular we did not provide any non-audit services prohibited by article 5 of Regulation (EU) No 537/2014 or the French Code of Ethics (Code de déontologie) for Statutory Auditors.

Observation

Without qualifying our opinion expressed above, we draw your attention to the following matters set out in Note 2.1.2 to the consolidated financial statements regarding the entry into force of IFRIC 23 "Uncertainty over Income Tax Treatments" and the first-time application of IFRS 16 "Leases".

JUSTIFICATION OF ASSESSMENTS - KEY AUDIT MATTERS

In accordance with the requirements of articles L. 823-9 and R. 823-7 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we inform you of the key audit matters relating to the risks of material misstatement that, in our professional judgement, were of most significance in our audit of the consolidated financial statements, as well as how we addressed those risks.

These matters were addressed as part of our audit of the consolidated financial statements as a whole, and therefore contributed to the opinion we formed as expressed above. We do not provide a separate opinion on specific items of the consolidated financial statements.

Impairment test of non-current assets

(Note 6.6 to the consolidated financial statements)

Description of risk

At 31 December 2019, the carrying amounts of goodwill, other intangible assets, property, plant and equipment and investment property ("Non-current Assets") of the Group totalled €21 billion (61% of the total balance sheet) and included €2.7 billion in right-of-use assets. These Non-current Assets are detailed in Notes 6.1 to 6.5 of the financial statements.

The recoverable value of these Non-current Assets is tested for impairment as soon as there is any indication of a loss of value. This test is performed once a year on a mandatory basis for assets with indefinite useful lives. The recoverable value of an asset is defined in Note 6.6 to the consolidated financial statements.

For the purposes of these impairment tests, these Non-current Assets (excluding goodwill and non-amortisable intangible assets) are grouped into Cash Generating Units (CGUs). The Group has defined the store as the CGU for Retail and the shopping mall as the CGU for Real Estate (excluding Taiwan and China where Retail CGU includes the real estate activity).

Goodwill and non-amortisable intangible assets are tested by country and by activity. The CGU group created for the purposes of this test includes the property, plant and equipment, intangible assets and goodwill allocated to the country and the business as well as its working capital requirements.

We deemed the measurement of the recoverable amount of these Non-current Assets to be a key audit matter given their materiality in the consolidated financial statements and because the determination of their recoverable amount, generally based on discounted future cash flow forecasts, requires the use of assumptions and estimates that are largely based on the judgement of management.

The impairment expense recognised for the 2019 financial year amounts to €224 M, as indicated in Note 6.6, and mainly concerns Russia, China and Ukraine.

How our audit addressed this risk

Our audit work consisted in:

- Analysing the methods applied to perform the impairment tests, in particular the impact of IFRS 16, by assessing the identification of indications of impairment as well as the design of the calculation models used;
- Assessing the pertinence of the approach used by management to determine the CGU or CGU groups at the level of which goodwill and other assets are tested by the Group;
- Analysing the consistency of projected future cash flows and their change with the economic environments in which the Group operates;
- Assessing the reasonableness of the discount rates applied to estimated future cash flows, by examining in particular whether the various inputs used to calculate the weighted average cost of capital for each CGU or group of CGUs were consistent with the rates used for comparable companies, based on market participants for similar activities;
- Assessing the results of the sensitivity analysis on the discount rates and the perpetual growth rates prepared by management and their impacts on the period's impairment charge, and verifying the accuracy of the disclosures provided in this respect in Note 6.6.

Measurement of rebates and commercial cooperations

(Note 3.1 to the consolidated financial statements)

Description of risk

Rebates and commercial cooperations received by the Group from its suppliers are recognised as a deduction from the cost of sales and are derived from contractual agreements signed by Group entities with their suppliers.

These agreements, which are specific to each supplier, include discounts based on the volume of goods purchased as well as rebates for commercial cooperation actions invoiced to suppliers.

Discounts are obtained when the related performance conditions are met. These performance conditions generally require the Group to meet certain volume thresholds.

Rebates under commercial cooperation agreements are recognised during the period of implementation. They are recorded in accordance with the terms and conditions set out in the contractual agreements concluded with the Group's suppliers until their completion.

We deemed the measurement of rebates and commercial cooperations to be a key audit matter due to the large number of supplier contracts, the specific features of those contracts, the amounts concerned and the estimates on which this measurement is based

How our audit addressed this risk

Our audit work consisted in:

- Understanding the controls relating to the conclusion of contracts and the measurement of rebates and commercial cooperations;
- Assessing the consistency of accounting policies applied, as described in Note 3.1 to the consolidated financial statements, with International Financial Reporting Standards (IFRS) as adopted by the EU;
- Testing, based on samples, the data input in the information systems used to determine rebates and commercial cooperations. These tests include verification and the consistency of (i) the terms and conditions with the contractual agreements, (ii) the volumes and amounts of goods purchased with the Group's purchasing data and (iii) the calculation of rebates and commercial cooperations;
- Verifying, on a sample basis, the recoverability of amounts receivable from suppliers, in particular through the ageing analysis of these receivables;
- Comparing the rebates and commercial cooperations received by the Group during the reporting period with the receivables recognised at the end of the previous period in order to assess the reliability of management's estimates;
- Verifying, based on samples, that discounts and commercial cooperations are correctly taken into account in the valuation of the stock of goods.

Valuation of investment property

(Note 6.4 to the consolidated financial statements)

Description of risk

At 31 December 2019, the carrying amount of investment property, which is recognised in accordance with the cost model in the Group's balance sheet, in compliance with IAS 40 Investment Property, totalled €5.1 billion. The fair value (net of transaction costs) of investment property, as disclosed in Note 6.4, represented an amount of €9.8 billion.

In this respect, management has put in place a process for the appraisal of the property portfolio in order to estimate the fair value of these assets, by benchmarking against external assessments carried out by independent experts.

Measuring the fair value of a property asset is an exercise that involves making estimates, which in turn requires significant judgement from management and experts in terms of determining the appropriate assumptions, including discount rates, market rental values, cost estimates for work to be carried out and the estimated date of completion (especially for assets under development) and any lease incentives to be granted to tenants. Specific information such as the type and/or location of the property is also taken into account.

We deemed the valuation of investment property to be a key audit matter due to the materiality of these assets on the balance sheet, of which the fair value (net of transaction costs) is disclosed in the notes to the consolidated financial statements, the high degree of judgement involved in determining the main assumptions to be used, and the potentially high sensitivity of the fair value of investment properties to the assumptions used, by which the absence of impairment of investment property is assessed.

How our audit addressed this risk

Our audit work consisted in:

- Obtaining the property appraisal reports and critically assessing, including through interviews, the valuation methods used, the market parameters applied (yield rate, discount rate, market rental values) and the asset specific assumptions used (in particular, the cost estimates for work to be carried out and the estimated date of completion for assets under development);
- Verifying, in the valuation reports, the qualifications and certifications of the Group's external appraisers and ensuring their independence;
- Testing, on a sample basis, the information provided to independent experts such as rent schedules, estimates of works, and recently renegotiated leases;
- Examining the appraisal of the overall property portfolio and the appraisal values that have undergone the most material or unexpected fluctuations;
- Reconciling the elements used to determine the amount of impairment of investment property to be recognised (reconciliation of net carrying amounts with the audited accounts and of fair value with the independent appraisal);
- Assessing the appropriateness of the disclosures provided in Note 6.4 to the consolidated financial statements and in particular information on fair value.

First-time application of IFRS 16 – Leases

(Notes 2.1.2, 2.7 and 6.5 to the consolidated financial statements)

Description of risk

As indicated in Note 2.1.2 to the consolidated financial statements for the year ended 31 December 2019, the Group applied the new IFRS 16 standard on leases as of 1 January 2019 based on the "simplified retrospective" approach. Under this new standard, a single lessee accounting model is applied for all leases, with the recognition of a "right-of-use asset" and a lease liability.

The "simplified retrospective" approach recommends that a liability equal to the present value of lease payments remaining be recognised on the transition date, in exchange for a right-of-use asset adjusted by the amount of prepaid rents; all transition impacts are recorded as an adjustment to equity at 1 January 2019.

The first-time application of the standard resulted in the recognition, at 1 January 2019, of right-of-use assets for a net carrying amount of €3.229 billion and a lease liability of €3.359 billion, as described in Note 2.7 to the consolidated financial statements.

Given the high volume of data to be collected, analysed and restated for accounting purposes, the significant amount of the right-of-use asset and the lease liability in the financial statements, and the degree of judgement of management required to determine the lease term, we deemed the first-time application of the new IFRS 16 standard on leases to be a key audit matter.

How our audit addressed this risk

Our audit work consisted in:

- Assessing the compliance of the methods used by the Group with the accounting principles, in particular the method used to determine the lease term, the simplification measures applied and the methodology for determining the discount rates;
- Acquiring an understanding of the organisation, project management, information systems and instructions issued by the Group to collect the contract data at the subsidiaries, and assessing whether these measures are likely to identify all the leases and information needed to calculate the right-of-use assets and lease liabilities in accordance with IFRS 16;
- Testing the design, implementation and operational effectiveness of the automatic (in particular the calculation parameters of the Group's information system) and/or manual controls to ensure the accuracy and completeness of the necessary restatements on the transition date;
- Assessing the compliance of the methodology applied to determine the discount rates on the transition date with the accounting principles;
- Based on a sample of contracts, checking the data entered in the information systems, particularly the lease term and lease amount, against the actual contract data;
- Verifying the accuracy of the information published in Notes 2.1.2, 2.7 and 6.5 to the consolidated financial statements.

SPECIFIC VERIFICATIONS

As required by the laws and regulations on Group reporting and in accordance with professional standards applicable in France, we have also verified the information presented in the report on the Group's management.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

We have the following comment regarding the consolidated declaration of non-financial performance:

As noted in the independent third-party auditor's report, the indicators relating to the frequency rate and severity rate of workplace accidents are communicated for the Group excluding Auchan Retail China and RT-Mart, which represent 44% of the Group's workforce.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Appointment of the Statutory Auditors

We were appointed Statutory Auditors of Auchan Holding by the General Meeting held on 21 May 2013 for PricewaterhouseCoopers Audit and on 30 August 1961 for KPMG Audit.

At 31 December 2019, PricewaterhouseCoopers Audit was in the seventh consecutive year of engagement and KPMG Audit was in the fifty-ninth year of engagement of which seventeen since the securities of the company were admitted to trading on a regulated market.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for preparing consolidated financial statements presenting a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and for implementing the internal control procedures it deems necessary for the preparation of consolidated financial statements free of material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless it expects to liquidate the company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems, as well as, where applicable, any internal audit systems, relating to accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of Directors.

RESPONSIBILITIES OF THE STATUTORY AUDITORS RELATING TO THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Objective and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free of material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional

standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified in article L. 823-10-1 of the French Commercial Code, our audit does not include assurance on the viability or quality of management of the company.

As part of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditors exercise professional judgement throughout the audit.

They also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence considered to be sufficient and appropriate to provide a basis for their opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management and the related disclosures in the notes to the consolidated financial statements;
- assess the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of the audit report. However, future events or conditions may cause the company to cease to continue as a going concern. If the Statutory Auditors conclude that a material uncertainty exists, they are required to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or are inadequate, to issue a qualified opinion or a disclaimer of opinion;
- evaluate the overall presentation of the consolidated financial statements and assess whether these statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. The Statutory Auditors are responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed thereon.

Report to the Audit Committee

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit programme implemented, as well as the results of our audit. We also report any significant deficiencies in internal control that we have identified regarding the accounting and financial reporting procedures.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgement, were of most significance in the audit of the consolidated financial

statements and which therefore constitute key audit matters that we are required to describe in this audit report.

We also provide the Audit Committee with the declaration provided for in article 6 of Regulation (EU) No 537/2014, confirming our independence within the meaning of the rules applicable in France, as defined in particular in articles L.822-10 to L. 822-14 of the French Commercial Code and in the French Code of Ethics for Statutory Auditors. Where appropriate, we discuss any risks to our independence and the related safeguard measures with the Audit Committee.

Neuilly-sur-Seine and Paris-La Défense, on 6 March 2020

The Statutory Auditors

PricewaterhouseCoopers Audit

François Jaumain

Bertrand Baloche

KPMG Audit

Département de KPMG S.A.

Hervé Chopin

NON-FINANCIAL PERFORMANCE STATEMENT

5

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5.1 INTRODUCTION

For Auchan Retail, the highlight of 2019 was the development of a new corporate plan, "Auchan 2022". This corporate plan aims to profoundly transform Auchan Retail's offering and traditional model in all of the countries in which it operates, enabling it to more fully reflect the new expectations of consumers and the public. It should allow Auchan, as the brand whose very identity is linked to "democratising" consumption, to continue its historical ambition: improving people's quality of life.

This ambition takes the form of two strategic pillars:

- **being the benchmark player for what is good, healthy and local** through the selection and the design of a unique, fair and responsible offer;
- **creating relationships and an experience to improve inhabitants' quality of life.**

The Corporate Social Responsibility strategy is at the heart of the "Auchan 2022" project as it has become an essential factor for its success. Auchan Retail's CSR approach has three priority commitments:

- **promoting good nutrition.** Each country will have to adopt a nutritional label and include it at least on 100% of Auchan own-brand products.
- **fighting food waste and the use of plastic.** In application of its signature of the Plastic Pact, plastic packaging for the food trade and in self-service fruit and vegetables will be eliminated in 2022. Likewise, 100% of packaging for Auchan own-brand products will be either reusable, recyclable or compostable.
- **controlling our carbon footprint.** By 2022, as part of its commitment to COP 21 and the intermediate stages already reached, the energy consumption of stores will be reduced by 25% (2014 base at a constant scope). Likewise, 50% of the electricity used will come from low carbon energy.

For Ceetrus, 2019 was the year in which it defined its CSR strategy. Indeed, aware of its societal and environmental responsibility, Ceetrus aims to carry out projects with a positive impact for all, from local residents to the planet as a whole. Both in the way it works and in the projects that it develops, Ceetrus wants to preserve human and environmental resources through respectful and innovative working methods.

In 2018, Ceetrus launched the shared development of its CSR strategy, reflecting its focus on improvement. With more than 700 people surveyed and more than 30 interviews with employees, shareholders and partners, this listening phase laid the foundations for the CSR strategy defined in 2019. Built upon a twofold objective, Ceetrus' CSR 2025 strategy aims to be "Carbon negative & Regions positive".

- **With "Carbon negative", Ceetrus is committed to helping preserve the climate. In term of its sites and projects this takes the form today of:**

- a commitment to reducing its carbon footprint in order to limit global warming by implementing the "1.5°C trajectory";
- making a positive impact on the regions by promoting the ecological value of its land reserves and sites and by improving biodiversity;
- boosting the transition to sustainable consumption methods by offering responsible products and services in its shopping centres and by supporting stores in developing positive impact offerings.

- **Ceetrus aims to make 100% of its sites and projects compatible with a "1.5°C trajectory" with:**

- 100% of its projects "low carbon";
- 100% of its projects with a net biodiversity gain;
- 100% of connected sites accessible using public transport;
- 100% of its sites with a biodiversity action plan;
- 100% of its major projects and sites certified "BREEAM excellent" and "BREEAM in use excellent";
- 100% of leases including a responsibility clause;
- 100% of its sites and projects with a responsible and second hand offering.

- **With "Regions positive", Ceetrus is committed to generating a positive impact for the regions. In term of its sites and projects this takes the form today of:**

- engaging communities and local stakeholders by listening to people's and the regions' needs, by jointly building projects and by transforming shopping centres in order to make them into creators of "connections";
- awakening citizen action by making its centres partners of local initiatives and by creating events to improve services;
- energising the economy and regional development by supporting regional retailers and entrepreneurs and by supporting the social integration of citizens.

- **Ceetrus aims to have a positive impact via 100% of its sites and projects:**

- 100% of sites with areas made available to the general public;
- 100% of projects from a co-building approach with the general public;
- 100% of events with an educational aim;
- 100% of sites and projects supporting the employment and employability of the general public.

MAIN REPORTING DEVELOPMENTS

Although this chapter remains, as in 2018, structured around the four main stakeholders of both entities: employees, partners, environment and customers, the new initiatives of the Auchan 2022 programme have been taken into account to rework the business model presented on pages 4 and 5.

The indicators presented also take into account the change of scope, with the disposal of Auchan Retail's activities in Italy and Vietnam and BCPE taking control of Oney.

Further, to make this work more complete, this year we are publishing the Ceetrus risk mapping in addition to that of Auchan Retail presented in the 2018 non-financial performance statement.

Lastly, because CSR action takes place on the ground, a large amount of work is done to illustrate our policies via concrete actions carried out by the countries in each of the chapters.

CSR RISK MAPPING

To make the risk mapping of all Auchan Retail and Ceetrus activities easier to read, a summary table of Auchan Retail and Ceetrus CSR risk mapping has been drawn up.

This work uses the risk analysis methodologies carried out in 2018 for Auchan Retail and the CSR risk analysis carried out by Ceetrus in 2019. The methodology used to prepare these two mappings is specified on page 166 of the document.

With a rating from 1 to 3, where 1 indicates the highest risks and 3 the lowest, this reading grid introduces the elements that will be covered in greater detail in this document, i.e. risks assessed at 1 and 2.

AUCHAN RETAIL/CEETRUS CSR RISK MAPPING TABLE
AND RELEVANT PAGES - 2019 NON-FINANCIAL PERFORMANCE STATEMENT

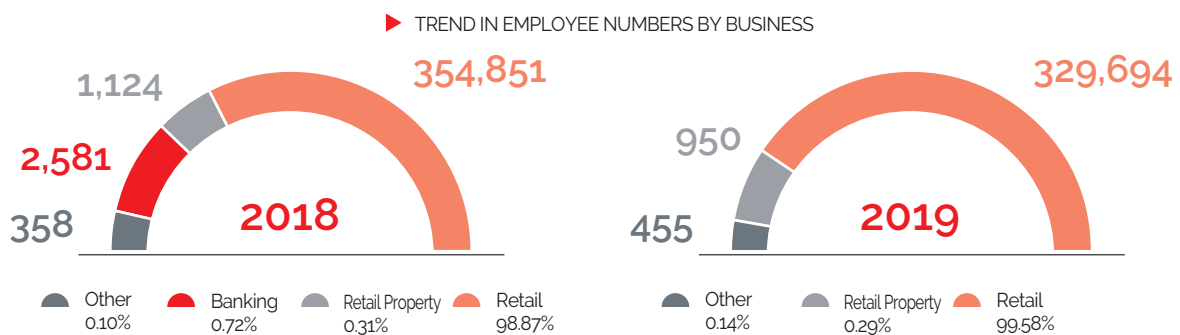
	Theme	Auchan Retail	Page	Ceetrus	Page
Employees	Health, safety and quality of working life	1	127	3	-
	Career management	3	125	2	126
	Employee engagement	3	135	-	-
	Diversity/Disability	2	131	-	-
	Human rights and ILO convention	2	133	-	-
Environment	Food waste	2	141	-	-
	Circular economy and use of recyclable materials	2	138	1	138
	Use of plastics	3	141	-	-
	Waste management	3	138	-	-
	Energy	3	143	1	143
	Environmental management system	3	136	-	136
	Pollution	3	136	2	136
	Climate change impact	1	146	1	146
Partners	Land use	-	-	1	137
	Business ethics (corruption)	2	148	-	-
	Human rights and ILO compliance	2	151	-	-
	Abuse of power during negotiations	3	148	-	-
	Eco-development of regions	3	153	3	153
	Local production	3	153	-	-
	Fair trade	3	154	-	-
	Inclusion of stakeholders in the development of our sites	-	-	1	150
Customers	Offering and responsible services (including pesticides and organic products)	2	158	2	158
	Product safety and quality	1	156	-	-
	Animal welfare	1	159	-	-
	Product traceability	3	159	-	-
	Accessibility of sites by sustainable transport (public transport, cycling, etc.)	-	-	1	145
	Social accessibility of sites	-	-	2	157
	Customer safety and well-being	-	-	3	157

5.2 EMPLOYEES

As major employers, Auchan Retail and Ceetrus take the responsibility they have towards their 331,099 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.

BEING A RESPONSIBLE EMPLOYER

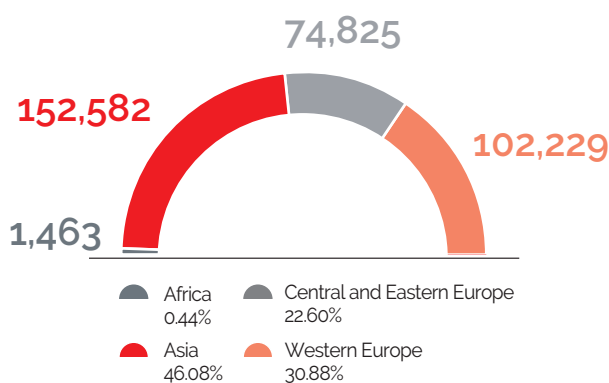
Presentation of the company and workforce



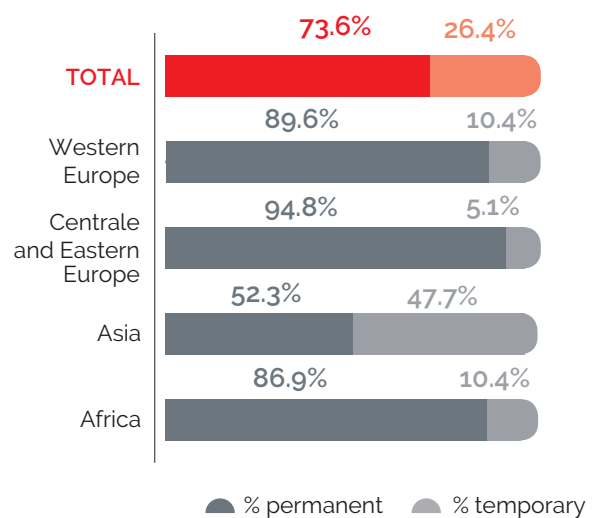
At 30 September 2019, businesses within the Auchan Holding scope had 331,099 employees in their 13 operating countries, representing a decrease of 7.75% in employee numbers compared with 2018. This reduction can be explained mainly by the disposal of Italy and Vietnam for Auchan Retail, BPCE's takeover of Oney and, to a lesser extent, the discontinuation of Ceetrus activities in Asia.

On a like-for-like basis, there was a 1.42% decrease in the workforce, from 335,873 employees in 2018 to 321,099 in 2019. This reduction regards mainly Europe and particularly France and Russia due to site closures.

> BREAKDOWN OF THE WORKFORCE BY GEOGRAPHICAL REGION AT 30/09/2019



> BREAKDOWN OF PERMANENT/FIXED-TERM EMPLOYEES BY GEOGRAPHIC REGION AT 30/09/2019

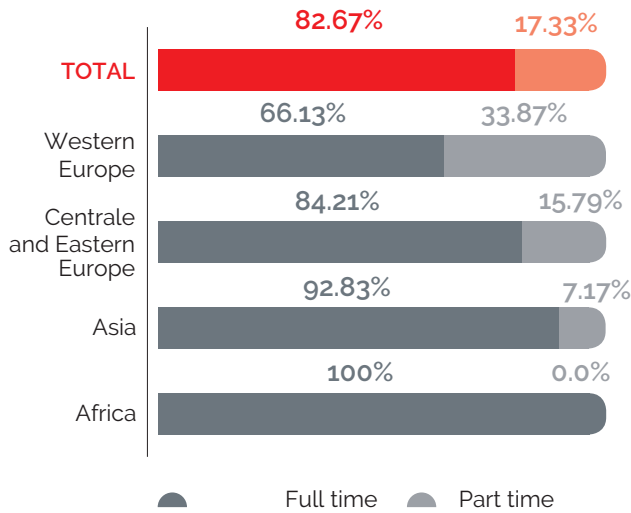


The majority of the workforce is in Europe. The workforce in Asia is stable, while Africa continues its expansion in Senegal with the opening of three stores over the period and therefore has seen a slight increase in its workforce.

The breakdown of workforce by type of contract is stable compared to 2018. The Asia zone stands out with a proportion of permanent employees that has constantly increased for the past five years and became the majority in 2019.

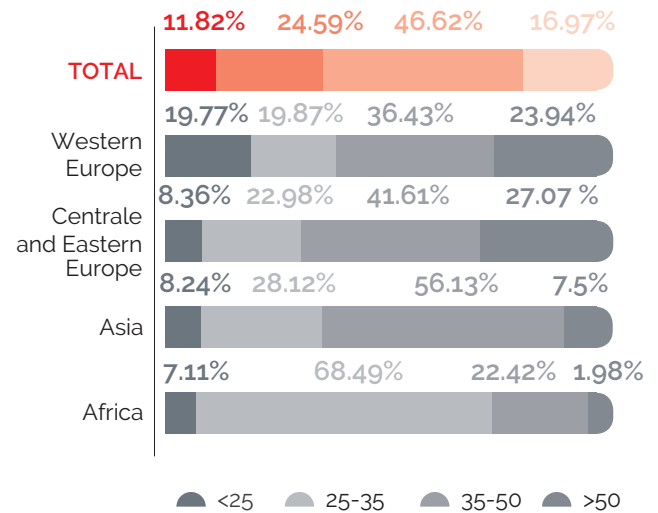


> BREAKDOWN OF FULL-TIME/PART-TIME WORKFORCE AT 30/09/2019



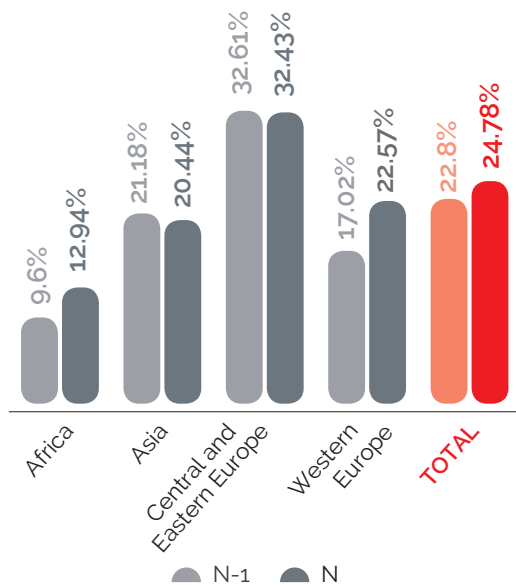
The proportion of employees working full-time represents 82.7% of the workforce at 30/09/2019. This is a slight increase compared to 2018 (+2%), notably due to the disposal of Italy where the proportion of part-time employees has always been above average.

> BREAKDOWN OF THE WORKFORCE BY AGE BRACKET AND GEOGRAPHICAL REGION AT 30/09/2019



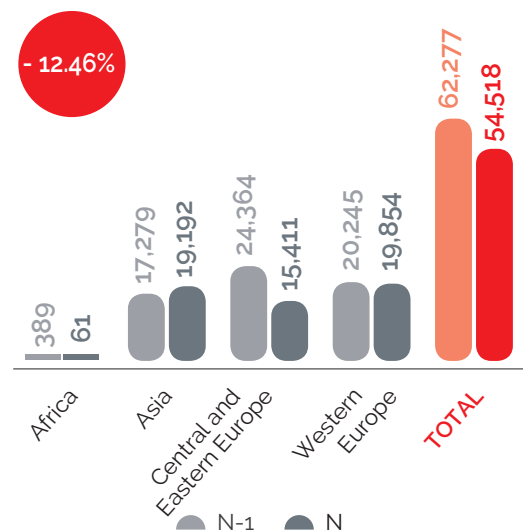
The breakdown of the workforce by age bracket is generally stable compared to 2018. For five years, we have however observed a reduction in the proportion of employees under the age of 35, while employees aged 35 and above have increased, which reflects an ageing population.

> CHANGE IN THE NUMBER OF HIRES ON PERMANENT CONTRACTS (INCLUDING CONVERSION FROM FIXED-TERM TO PERMANENT CONTRACTS) BY GEOGRAPHIC REGION, FROM 01/10/2018 TO 30/09/2019



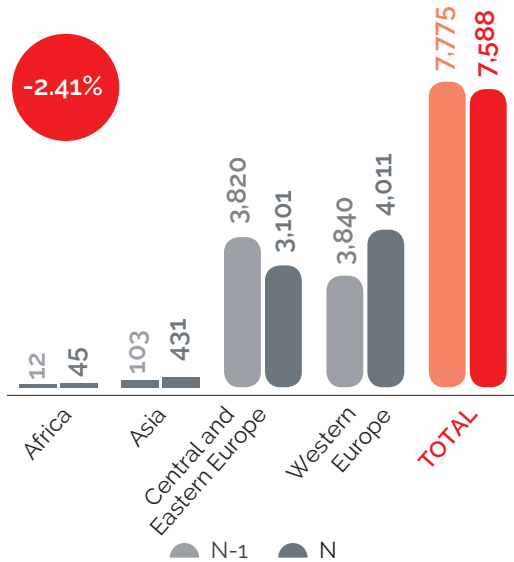
The turnover rate, which had already increased last year, increased again compared to 2018. While it decreased in Central and Eastern Europe and Asia, it increased in Africa and Western Europe. It should be noted that Italy, where turnover has always been historically low, had a downwards impact on this rate.

> TREND IN THE NUMBER OF HIRES ON PERMANENT CONTRACTS (INCLUDING CONVERSION FROM FIXED-TERM TO PERMANENT CONTRACTS) BY GEOGRAPHIC REGION, FROM 01/10/2018 TO 30/09/2019



The total number of hires under permanent contracts in the reference period decreased compared to the previous year. This reduction is in line with the downwards trend of the workforce in the Central and Eastern Europe region, where the opening of several stores in 2018 had an upwards effect on the number of hires during the previous reporting period.

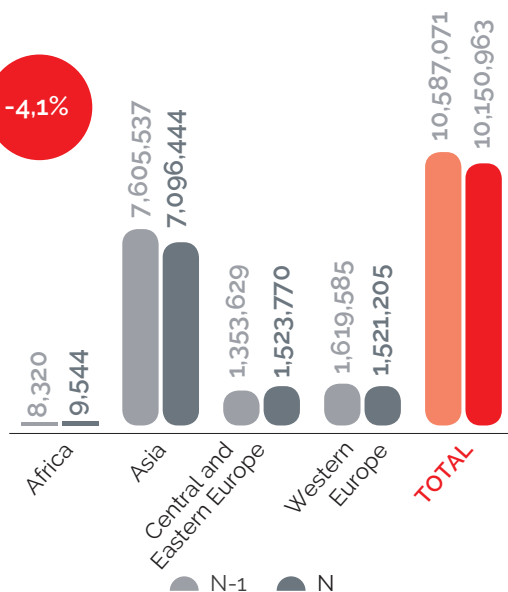
> NUMBER OF DISMISSALS OF PERMANENT EMPLOYEES UNDER PERMANENT CONTRACTS BY GEOGRAPHICAL REGION, FROM 01/10/2018 TO 30/09/2019



In total, for Auchan Holding, the number of dismissals of people under permanent contracts decreased. However, the Africa and Asia regions posted an increase in this number compared to 2018.

Contributing to the personal development of each employee

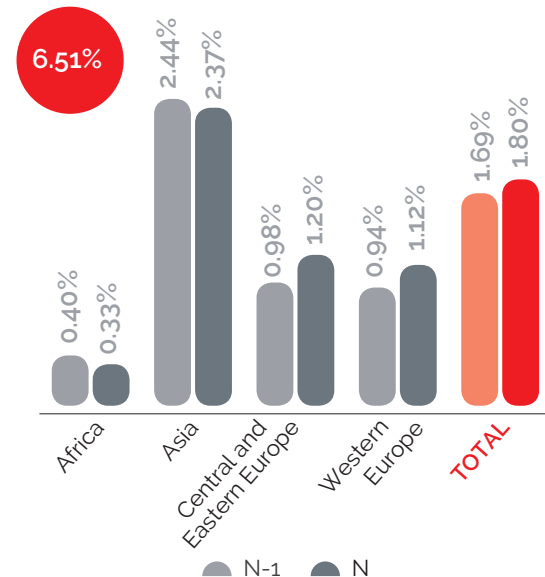
> BREAKDOWN OF TRAINING HOURS PROVIDED BY GEOGRAPHICAL REGION AT 30/09/2019



In total, for Auchan Holding, the total number of training hours provided in the period fell by 4%. Despite a lower number than the previous year, the Asia region still accounts for the largest share. Western Europe has been affected in particular by the disposal of Auchan Italy.

Nevertheless, there has been an increase in the number of training hours provided in Central and Eastern Europe. This is in particular due to the deployment of the 'Auchan Touch' programme (detailed below).

> RATIO OF TRAINING HOURS TO HOURS WORKED BY GEOGRAPHICAL REGION AT 30/09/2019



Compared to 2018, there has been an increase in the ratio of training hours to hours worked, particularly in Europe, linked to the different training policies implemented by the entities in this region.

Training remains a major factor for employee motivation, commitment and development. It is a central area of focus for the Group and supports the different priorities of the businesses that make up the Group.

In 2019, training policies meeting the requirements of the different business lines were developed and provided mainly on the following topics:

- training linked to the business lines or products and to customer service;
- management;
- welcome, induction and integration of new employees;
- personal development (communication, leadership, etc.).

A number of modules are also being developed to train employees in the various CSR issues, covering both social and environmental aspects.

In many countries of operation, Auchan Retail is developing its various vocational schools in order to continue to promote its know-how and adjust to local products. In Poland, a new programme was initiated in 2019: the "Bakery" certification. Several stores have been selected for this and divided into two types of training centre: production, for one, and baking of products for the second. Training was provided in 60 stores, and 24 were certified.

In Taiwan, the Fresh School has been created, which aims to strengthen employee training in the entire "fresh food" area.



Mindful of the symmetrical relationship between Auchan Retail and its customers and Auchan Retail and its employees, the Auchan Touch' project was created in 2018. Its ambition is to convey a passion for the retail business, channel the company's values and establish a specific relationship with the Auchan brand. The Auchan Touch approach is intended to be attentive, authentic and enthusiastic. Through this relationship-based approach, customers should feel welcomed and treated the same everywhere at all times. The Touch employee is "cheerful, energetic, available and has confidence in the customer". To achieve this, a common training programme has been developed. It comprises two attendance-based training courses: the "Touch' Lab" designed for all employees, and "Touch' Management" to support managers and directors in implementing the project. At the end of 2018, Auchan Touch' training was being deployed in five countries. In 2019, Auchan Touch' progressed well and is now present in seven countries. In total, nearly 60,000 employees have been trained and hundreds of examples of satisfied customers can be found on the Auchan Touch' communities.

In order for training to be accessible to as many employees as possible, it is becoming digital. This year, Auchan Retail Spain launched a new e-learning training platform for all formats (hypermarkets, supermarkets, convenience stores) and support services. In other countries, such as France or Portugal, the number of available training modules has increased in order to offer employees a wider choice of topics, optimise their induction and their professional development.

Nearly 573,000 e-learning training hours were provided over the period.

To improve employees' pathways, Ceetrus has set up a career management policy. To begin with, work is in progress to formalise the entire career path process: assessment, professional interview, management of the variable bonus and training in order to launch a human resources information management system. Its purpose is two-fold: provide traceability of all of the requirements and actions carried out for each employee, and anticipate and better structure the personal and professional development offering in order to improve the employability of employees. The tool was launched in early January 2020. All of the processes were jointly developed in 2019. Ceetrus also has a specific department in charge of "career path management". This contributed to developing an initial training catalogue, assessing requirements, choosing partners and implementing a coaching platform.

Welcoming new talent

Auchan Retail and Ceetrus are developing their relationships with schools and universities in their countries of operation. Employees visit partner establishments to present their company'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 2019, 5,544 trainees and 3,550 work-study applicants were thus able to acquire professional experience, which was highly beneficial to their training.

As a new observer of urban issues and keen to study foreseeable developments upstream, in 2018 Ceetrus teamed up with the Essec business school to create a new chair "Essec-Ceetrus for urban planning and commercial property".

Named after its two founding companies, its purpose is to train professionals specialising in problems and issues related to regional policies.

Auchan Retail France deployed the "*Chef sur le campus*" (chef on the campus) initiative throughout France. This initiative, tested in 2018 in one town in northern France, aims to achieve two goals: promote healthy eating on a low budget to young people, and present the company, its professions and its career opportunities. In 2019, the initiative was extended to 20 schools throughout France, and seven Hope (hébergement, orientation, parcours vers l'emploi) (accommodation, guidance, path to employment) trainees took part in a three-week immersion programme with Auchan. Of these seven trainees, five completed their vocational training contracts at Auchan.

In addition, in June 2019, Auchan Retail France won several prizes at the Agires Synergie awards which value and reward the quality of collaboration between companies and higher education establishments.

Finally, Auchan Retail France was recognised for the quality of the welcome it offers its trainees by entering, in October 2019, the top 10 in the "Happy trainees 2019" ranking. This ranking is based on responses to a questionnaire covering six topics: professional development, stimulating environment, management, motivation, pride and enjoyment of work. Nearly 64,000 students, trainees or employees on work-study contracts (+16% in one year) in over 3,600 companies (+11%) were questioned. All replied anonymously, spontaneously or by invitation from their employer.

In Poland, apprenticeship classes were introduced. This involves cooperation with vocational schools in order to improve the effectiveness of vocational training and to attract young people to businesses that are recruiting. This is a three-year cooperation and currently consists of 71 apprentice salespeople, bakers and pastry-makers in 11 Auchan stores.

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. Auchan Retail Hungary employees, for example, benefit from a sponsorship programme during their first three months in the company. The goal of these sponsors is to pass on the expertise they have acquired in their role to the new hires and to monitor them personally.

Auchan Retail's countries of operation also use job forums to provide information about job vacancies. In April 2019, Auchan Retail Ukraine organised, with support from the French Embassy, its third edition of the job forum. Several companies took part in this forum that is open to all French companies in Ukraine. It was an opportunity for applicants to meet potential future employers, present their CV and engage in conversation with recruiters.

In March 2019, Auchan Retail Hungary stood out at one of the largest job forums in the country, in particular with the way its employees welcomed potential candidates. On a stand that included a discussion space and a "Mon café" space, the 18,000 visitors to the show were able to discover the company's logistics, IT and purchasing professions, presented by the teams. This year, emphasis was on management-level job opportunities at Auchan Retail Hungary, something that is often ignored in the country. A total of 870 applicants left their CVs. The "Mon café" space, reusing the graphics of the corner with the same name in the Budaors store, also drew in many students and young employees and meant that the Auchan stand was selected as the most "spectacular of the show".

PROVIDING WELL-BEING AND SAFETY AT WORK FOR EVERYONE

Improving the quality of working life

Between 2018 and 2019, Auchan Retail and Ceetrus conducted their second international commitment and satisfaction survey. The purpose was to find out employees' level of commitment and also to collect their views on the major elements that contribute to this commitment, such as quality of management, content of work or work-life balance. Following the first survey carried out in 2016, this was an opportunity for each entity to discover what changes had occurred. In addition to the level of commitment, this survey allowed the level of workplace satisfaction to be tested along with the quality and effectiveness of action plans introduced at the level of each site.

For Auchan Retail Luxembourg, quality of life and well-being at work were illustrated this year through a variety of initiatives. First, the focus was on healthy eating (free servings of fruit and vegetables in the break room, dietary classes, etc.) and practising sport (free provision of fitness rooms, sports classes, participation in sports events, etc.). The introduction in 2019 of "zen" relaxation rooms, classes in relaxation techniques, new spacious and bright rooms also demonstrate the importance given to employee well-being.

Following the example of Luxembourg, many entities have made social areas more comfortable (dining rooms, office spaces, etc.), such as in Portugal and Romania. For Auchan Retail Ukraine, new offices were developed to provide comfortable working conditions for support services. Architects at Auchan Retail Ukraine also worked on the space and design, leading to user-friendly and modern work premises.

In February 2019, Auchan Retail Spain received "Top Employer Spain" certification and joined the 102 companies acknowledged in 2019 for quality of life at work and the employee experience. This followed a demanding process of assessing its HR practices that has made the company become a reference employer in Spain. And lastly, to identify companies offering the best working conditions to its employees, the survey conducted by the Top Employer Institute assesses over 600 internal personnel management practices, ranging from recruitment to corporate culture, including talent development, leadership, etc. With this title, Auchan Retail Spain joins Romania, which was rewarded for the first time in December 2018 for its employer brand.

At Auchan Retail France, a budget of over €57 million has been allocated to improving working conditions. In the hypermarket scope, actions undertaken in 2018 have been continued. Supermarkets are gradually being involved in these actions. They concern several lines of work, such as organisation of work - moving towards the better reconciliation of work and private life, developing employees' employability, or improving working environments (ergonomic study of work stations, expert advice, etc.).

Combating vulnerability

The companies within the Auchan Holding scope have long been aware of the need to ensure the welfare and good health of their employees. This is why healthcare and supplemental social security coverage have been introduced in nearly every country where such benefits are not already in place.

With several 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 employees' spending power and their health.

At certain Auchan Retail hypermarkets that have sufficient space, cafeterias serve affordable, balanced meals to staff.

Additional subsidies are granted by the management of some sites and by works councils. These are primarily offered to employees who are unable to return home at meal times (due to transportation constraints).

Lastly, some countries offer their employees regular supplies of food products rich in vitamins. Portugal offers a free bowl of soup to each Auchan Retail employee daily. In Romania and Hungary, a daily portion of fresh fruit is also on offer. This initiative has been taken up at a local level by some volunteer sites in other countries. In Ukraine, two monthly activities have been launched and have become essential for Auchan Retail employees: healthy breakfasts and sports sessions.

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. This is the first time such an initiative has been taken in the Portuguese industry. The foundation provides support in 3 main areas:

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

The Foundation also opened two company crèches in 2010 and 2012. They welcome over 300 children, with priority for employees' children.

In the period from January to November 2019, the Foundation's social action department supported 293 employees who, for different reasons, were experiencing difficulties. A total of €189,000 was provided to these initiatives, mainly to purchase basic food and to find housing solutions. In terms of educational support, the number of requests for help to refund expenses linked to the start of the school year increased from 876 to 933, corresponding to a sum of €61,000. The Foundation granted €92,000 for tuition fees and €72,000 to university scholarships. There were also 21 Merit Awards (prize for the best students). Lastly, 183 children and young people enjoyed a week's holiday at the summer camp sponsored by the Foundation.

> SPECIAL SECTION**Preventing health-related risks and ensuring workplace safety**

The prevention and protection of employees in the workplace in health and safety terms must be supervised. Each employer must therefore take the measures necessary to ensure the safety, and protect the physical and mental health, of their employees.

- Articles L. 4121-1 to L. 4121-5 of the French Labour Code state that these measures must include:
- actions to prevent workplace risks;
- actions to provide information and training;

putting in place a structure and suitable resources.

In all of the areas where they operate, Auchan Holding's companies fulfil these provisions and report on them to their social partners or related committees.

Workplace health and safety risks are of a physical, ergonomic and psychosocial nature. In addition to the physical and moral integrity of every employee, the mismanagement of these risks can have notable impacts on the number and rate of workplace accidents, the absenteeism rate or, in a way that is more difficult to quantify, on productivity.

In particular, Auchan Retail is introducing risk prevention systems designed to combat workplace accidents and occupational illnesses.

Some of the main causes include:

- lifting⁽¹⁾ and manual handling accidents,⁽²⁾
 - main methods of prevention: training in lifting techniques and the purchase of spring-loaded or load suspension equipment;
- impact-related accidents such as collisions or crushing accidents. Such accidents mostly involve cuts due to incorrect use of box cutters (when opening boxes) or knives in food preparation areas.
 - main methods of prevention: increased use of suitable protective gloves and re-working of storage/inventory organisation;
- loss of balance or falls, primarily due to slippery surfaces (water, grease around workstation and broken bottles).
 - main methods of prevention: systematic quick-dry floor cleaning procedure and fitting non-slip surfaces in food preparation areas.

MSDs⁽³⁾ also remain 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.

For example, Auchan Retail Luxembourg has set up "back training": provided by an ergonomics specialist who has previously studied the employees' workstations who teaches the correct movements and postures in order to avoid back pain. In addition, the entity has official approval allowing it to authorise all employees to use all handling machines. One person is permanently responsible for providing this training,

which is given to new recruits as well as to old recruits to renew authorisations. In addition, staff representatives have appointed a new safety delegate whose role is to organise, in collaboration with the safety department, preventative actions and above all to raise everyone's awareness of the importance of following rules. These awareness initiatives have led to a reduction in the number of accidents by cutting in the food occupations.

In addition to national actions, the most important remedial actions to minimise workplace accidents in Auchan Retail entities result from periodic meetings between employee representatives and the store's management team. Reported workplace accidents undergo an analysis in order to make decisions on specific measures. Every time a new site opens, all of these findings are taken into account in advance in order to minimise the risks identified.

Some companies are more exposed than others to safety risks and have therefore gone further in their approach to the issue. With this in mind, Chronodrive continues to reinforce support and training for its "safety officers." This system, created in 2018, involves setting up a group of store directors and regional leaders, "safety officers", who meet once a month to analyse statistics, decide on actions to carry out and provide guidance on the subject on each site.

Several Auchan Retail entities have renewed all of their personal protective equipment (PPE) this year. In Poland, after a test phase that lasted several months and involved 150 employees, new protective footwear was provided to employees at all sites in the country in early 2019, thus improving safety and comfort. Portugal opted for lighter and more resistant protective footwear; the types of footwear were selected taking into account the specific characteristics of each area (maintenance, safety, etc.). Portugal also introduced a new jacket for employees in the chilled products section.

Auchan Retail Senegal worked on several areas of its safety policy. The position of Head of Health and Safety was created in 2019. Health and safety training was provided on all sites, along with audits and internal controls with a strong focus on safety aspects. The workplace health and safety committee (CHSCT) was also set up in 2019, along with nurses in each living area.

(1) Any transportation or load-bearing operation where carrying or moving requires the physical effort of one or more workers.

(2) Any activity requiring the lifting of objects of a certain weight, either manually or with equipment.

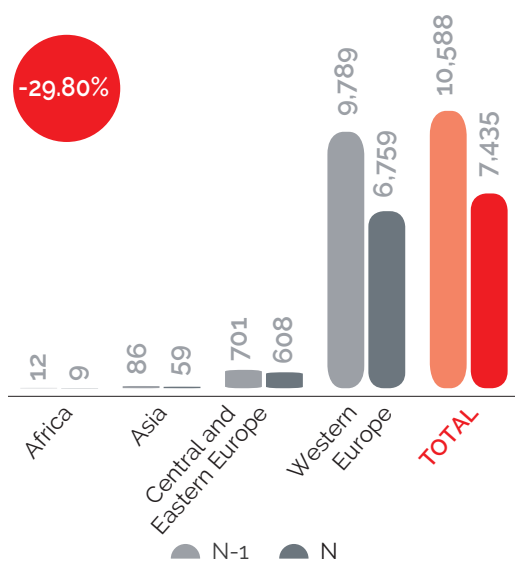
(3) Musculoskeletal disorders.

Launched in late 2013, HumaniA, a hot-line support service, continues to provide support for Auchan Retail France's employees in difficult circumstances. Open 12 hours a day, 6 days out of 7, the purpose of this phone service is to help employees looking to find appropriate solutions to the difficulties they face. It provides both psychological assistance (listening, offering advice, proposing solutions or guidance for problems arising from individual anxiety. The causes may be of a personal and/or professional nature, and social assistance (clarification, information, guidance and social support) to solve family, financial or housing problems. From 01/01/2019 to 30/04/2019, HumaniA processed 487 phone calls leading to 235 employees receiving assistance. 34 received an immediate response to their questions/difficulties. 170 employees received assistance in the form of more in-depth social support.

In 2019, as part of the "human project", Auchan Retail Portugal launched some important initiatives, including the implementation of complementary health check-ups. In addition to health insurance, Auchan Retail Portugal provides its employees with the following:

- additional check-ups every three years from the age of 40;
- promotion and maintenance of physical and mental health and well-being of employees;
- regular presence and follow-up of a doctor on every operating site.

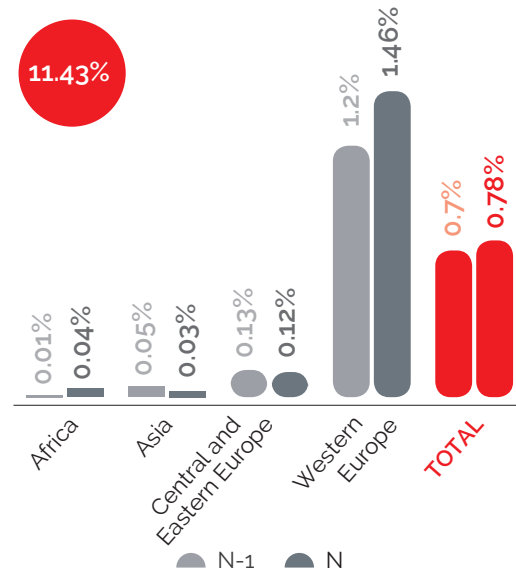
> TREND IN THE NUMBER OF WORKPLACE ACCIDENTS BY GEOGRAPHICAL REGION FROM 01/10/2018 TO 30/09/2019



In 2019, the change of management in China led to a redesign of internal processes and a late appointment of CSR reporting contacts. This exceptional situation prevented the contacts from receiving training in monitoring workplace health and safety data. As the data reported on this area is not sufficiently reliable, it has been excluded. To ensure the readability of workplace Health and Safety indicators, the 2018 data excluding China is presented in the tables.

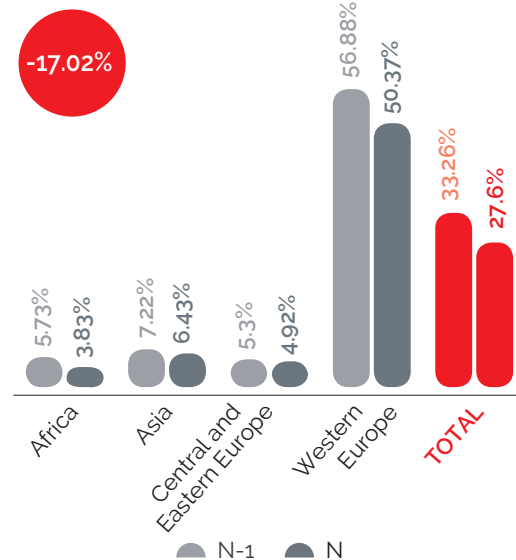
There has been a 29.8% decrease in the number of workplace accidents compared to last year. As in 2018, the highest number of workplace accidents was in Western Europe.

> TREND IN THE SEVERITY RATE OF WORKPLACE ACCIDENTS BY GEOGRAPHICAL REGION FROM 01/10/2018 TO 30/09/2019⁽¹⁾



The severity rate takes into account the number of lost days due to a workplace accident, including the day on which the accident occurred.

> TREND IN THE FREQUENCY RATE OF WORKPLACE ACCIDENTS BY GEOGRAPHICAL REGION FROM 01/10/2018 TO 30/09/2019⁽¹⁾

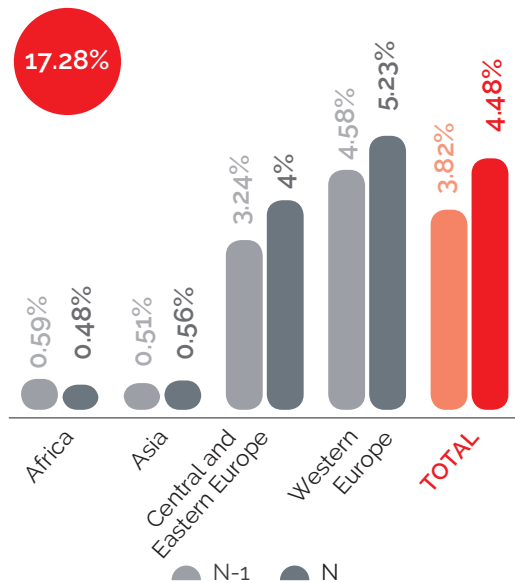


For the purposes of the frequency rate, accidents leading to medical leave of one or more calendar days are recorded as accidents (the day of the accident is not taken into account). With regard to the results for these two rates (severity and frequency), 2019 reflects a declining accident frequency rate but with longer periods of time off than in the previous year.



As subsidiaries' reporting practices on workplace accidents may differ, with some countries accounting for all accidents reported while others only take into account those recognised by an official body (e.g. the Caisse Primaire d'Assurance Maladie in France), standardisation work was carried out for the 2019 report in order to improve the comparability of data between countries.

> TREND IN THE RATE OF ILLNESS-RELATED ABSENTEEISM
BY GEOGRAPHIC REGION FROM 01/10/2018 TO 30/09/2019



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

This rate varies considerably from one geographical region to another and, overall, represents an increase of around 17.3% compared to the previous year. There have been considerable increases in Russia and in Spain.

> **FOCUS ON**
Ensuring the health and safety of employees travelling internationally

International business travel can present new risks that are complicated to overcome while abroad. Road traffic accidents, everyday life accidents, climate events, natural or industrial disasters, a different legal environment, political, social or economic instability, health issues, terrorism, etc., are all situations likely to put employees in uncomfortable or even dangerous situations.

Employee safety is extremely important to Auchan Retail, which as a responsible employer wanted to strengthen its travel policy in order to provide an appropriate protective framework for each employee. In 2017, the Corporate Safety Department created the position of a safety and security - country risks expert dedicated to employee safety in order to closely monitor employees' business travel and prevent risks related to their safety.

The system meets five requirements:

- preparing employees for their trip and providing assistance;
- keeping track of employees and knowing at all times in which country they are (based on information provided by the employee);

- informing employees and managers in real-time of the evolution of potential threats;
- providing advice on the hazards of the trip based on in-the-field experience;
- responding to crisis situations as soon as they occur.

In March 2018, Auchan Retail drew up a Safety & Security Directive for international travellers with the aim of preparing employees, helping them to minimise foreseeable risks and avoiding different incidents. It defines the roles and responsibilities of anyone involved in the trip and prepares rules and procedures to ensure the traveller's safety, monitor them and, if necessary, assist them during their trips, whatever means of transport is used. This directive was implemented in 2019 and is operational in every country in which Auchan Retail operates, with the exception of Russia and Spain which plan to roll it out in 2020.

Each country is awarded a risk level by the Safety & Security Department, which collects opinions from public authorities, specialised service providers, different bodies and those reported by country management teams. This classification is allocated to a country according to several criteria (health, natural, industrial, political, terrorist risk.), etc. It can be consulted on the website of the Safety & Security service provider, "Anticip travel risk management", and is organised on a scale of 1 to 5 (Level 1: insignificant risk, level 5: extreme risk). In the event of a trip planned in a level 4 or level 5 zone, it must request approval from the Auchan Retail Safety & Security Department.

Employees play an active role in their own safety and must follow the rules issued by the Safety & Security Department. Firstly, they must reserve their trips and hotels via a travel agency or online booking platform approved by Auchan Retail. If the booking cannot be made via the platform or if the travel agency is not connected to the safety tool, they must make a self-declaration in the "Anticip travel risk management" safety tool. Before the employee leaves for the foreign country, the tool generates a "health and safety" file for the destination country. The employee is asked to read it.

All French employees must also register on the Ariane website of the Ministry for Europe and Foreign Affairs. This requirement also concerns other employees who must register with their supervising Foreign Ministry whenever possible.

In addition to its internal providers, Auchan Retail uses two assistance providers responsible for providing employees with medical and safety/security information in real-time about every destination (before, during and after the trip) and 24/7 emergency operational assistance throughout the duration of the trip with a single hotline number. All employees benefit from medical assistance with repatriation if necessary.

In 2019, one employee on a business trip in Asia contacted the medical assistance provider provided by Auchan Retail (international SOS) following a health issue. The telephone consultation with the duty doctor provided a rapid diagnosis. The employee was taken care of by the local assistance office and was hospitalised and, following a surgical procedure, was able to be repatriated to France.

The situation in Hong Kong has been a specific example of intervention in 2019. Given the sometimes violent demonstrations and clashes, a departmental manager asked about the necessity of his teams travelling to Hong Kong. He contacted the Safety-Security-Risk expert from the Corporate Safety Department, who issued recommendations and advice allowing travel to continue in satisfactory conditions.

The directive puts the health, safety and well-being of employees at the centre of Auchan Retail's priorities.

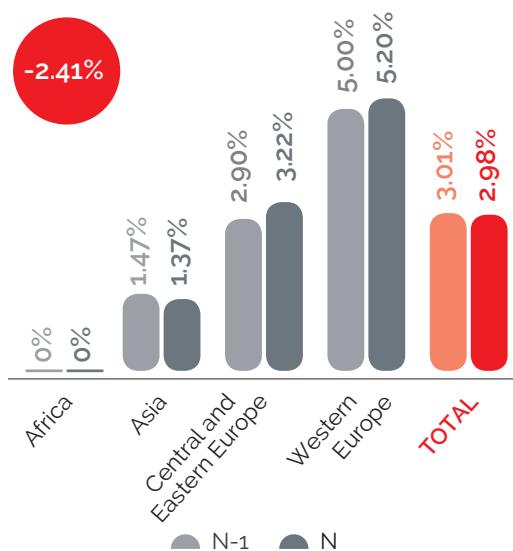
MAKING DIVERSITY AN ASSET FOR THE COMPANY

The daily needs of millions of customers on 3 continents are many and varied. Auchan Retail accordingly relies on its employees whose diversity, a mirror of the local population, is a necessary asset for correctly understanding these same needs. To meet the expectations of its stakeholders and to comply with its legal obligations, Auchan Retail and Ceetrus are committed to promoting diversity and to gender equality. Its aim is to be a recognised and benchmark company through its commitment to actions that promote equal opportunities for all, with respect for each person. Several hundreds of different roles, the majority of which are accessible without experience or educational requirements, are offered every day on the employment market. To dispel received ideas, training and awareness raising actions are also delivered to as many people as possible.

> SPECIAL SECTION

Promoting the workplace integration of people with disabilities

> RATE OF EMPLOYEES WITH DISABILITIES BY GEOGRAPHICAL REGION AS AT 30/09/2019



This indicator is a measure of the number of employees with a disability at 30 September 2019 relative to the total workforce across all of the businesses within the Auchan Holding scope at 30 September 2019. Over the entire Auchan Holding scope, 9,812 employees were recognised as having a disability at the end of the reference period, i.e. 2.98% of the total workforce. This rate is slightly down compared to the previous year.⁽¹⁾

To facilitate the integration of new disabled employees, commitments have been made to adapt work stations (access ramps, information notices in Braille, specially-adapted seats, etc.) or working 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, not forgetting posture-related issues in certain specific situations.

Some companies join forces with social partners and sign institutional agreements to develop their integration policies. Under other local agreements, vacancies are offered to job seekers with a disability. This is notably the case of Auchan Retail Portugal which, since 2005, has been integrating people with disabilities in a structured manner. The main objectives of the different approaches conducted are as follows:

- make a formal commitment to managing diversity, notably by integrating people with disabilities into Auchan Retail Portugal;
- promote best practices in the field of equal opportunities, integration of people with disabilities and development of professional skills and competences;
- contribute to changing attitudes and behaviour to prevent and eliminate discrimination founded on difference.

For this, Portugal encourages its stores to contact local institutions and the national employment and vocational training institute. Auchan Retail Portugal also offers vocational traineeships in close partnership with different private social solidarity institutions in the local communities where the stores operate, thus carrying out preparation, training and integration work for these employees.

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.

Auchan Retail Ukraine is continuing its strong commitment to immersing people with disabilities in the workplace and has been doing so since the subsidiary opened. The statutory quota of disabled employees stands at 4% in Ukraine, but this quota already exceeds 6% at Auchan Retail Ukraine. At the presentation of the "2018 Partnership for Sustainability Awards", organised by the United Nations Global Compact in Ukraine, Auchan Retail Ukraine received an award for its collaboration with the Down Syndrome Association. Following an initial subsidy from the Auchan Youth Foundation in 2012, this partnership has been particularly successful since 2017 with a project for the workplace immersion of young people with Down Syndrome. Two years after the start of this collaboration, seven employees with Down Syndrome now work in five stores in two cities in Ukraine. In addition to actually hiring individuals, no fewer than 500 employees have been directly involved in the project through awareness raising and training sessions.

(1) Following an error identified concerning the number of employees with disability published in 2018, the 2018 data has been recalculated.

Furthermore, since September 2018, hearing-impaired employees at Auchan Retail Ukraine can benefit from a sign language interpreting service over the Internet. Two solutions are now available: a smartphone application for short communication sessions (everyday conversations, both with customers and with other employees) and a programme installed on computers in stores for longer group interactions (training, meetings, etc.). The initiative was recognised in the "reducing inequalities" category at the national competition for the best CSR projects in Ukraine, which took place on 18 December 2018.

In France, hypermarkets and supermarkets are subject to company agreements, negotiated with their social partners. The reorganisation of the company into living areas and territories led to the revision of the structure of the diversity and disability mission at Auchan Retail France. The team in place, accompanied by one HR support and one operational HR per region, has defined the work areas in keeping with the commitments in favour of people with disabilities applied by the company for several years. These commitments concern primarily managing the legal employment rate of 6% of the workforce, awareness-raising and information initiatives for all employees, the development of partnerships with the protected and adapted sector, information campaigns targeting young people with disabilities in connection with associations or schools.

In summer 2019, Auchan Retail Spain joined a new social innovation project called IDEA. Launched in January 2019 by the Jean XXIII Roncalli Foundation, a benchmark in terms of the inclusion of people with disabilities, the IDEA project is an ambitious initiative that aims to define, in collaboration with partner companies and organisations, three new commercial activities to create jobs for people with intellectual disabilities. Throughout 2019, committed companies worked in teams divided into three areas and proposed new viable and sustainable activities that generate at least 52 jobs for people with intellectual disabilities. In September 2019, 591 people with disabilities worked directly for Auchan Retail Spain. 1,688 employees took the on-line training module "Dans vos chaussures", (in your shoes) aimed at promoting the inclusion of people with disabilities in the teams.

On 30 August 2019, Auchan Retail Poland signed an agreement with the Piaseczno educational centre to welcome and train six young people with an intellectual disability as pastry-makers. This course lasts three years. These six students will work as pastry-makers at Auchan Piaseczno and put into practice everything they learn in class. After their training, a job at Auchan Retail Poland will be proposed to the best apprentices.

> SPECIAL SECTION

Encouraging equal opportunity

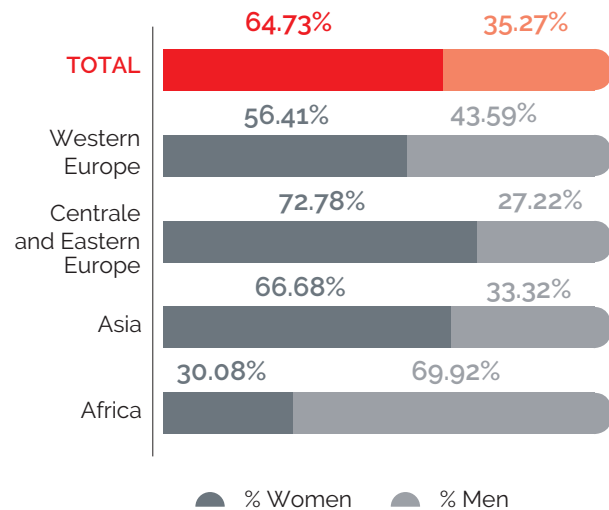
The company boasts a diverse range of businesses and seeks to open up a large number of its career paths to women and men from all backgrounds and with all types of qualifications. Hiring policies prohibit any form of discrimination, for example, in relation to gender, age, disability, religion or sexual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

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 with agility.

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.

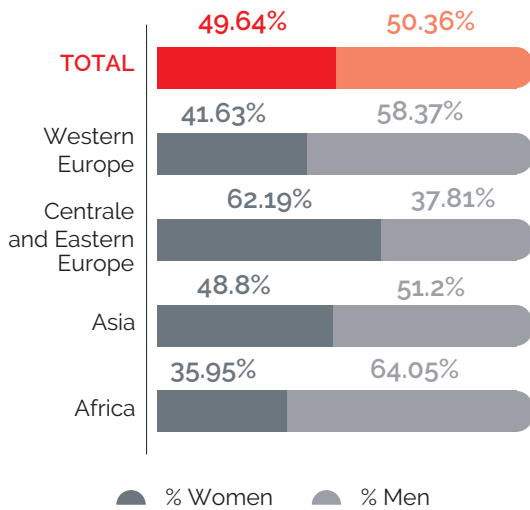
Some entities develop and devote large policy sections to the fight against all forms of discrimination. All these principles and rules are defined in codes of ethics, internal regulations, training courses and agreements.

> BREAKDOWN OF THE WORKFORCE BY GENDER BY GEOGRAPHICAL REGION, AS AT 30/09/2019



Overall, the breakdown between women and men has remained unchanged for several years. The Africa region stands out with a share of women in the workforce that, despite slightly increasing compared to 2018, remains lower than the global average, while the Central and Eastern Europe zone shows the opposite trend with 72.7% women in the total workforce for this zone.

> BREAKDOWN OF THE WORKFORCE BY GENDER AMONG MANAGERS⁽¹⁾ BY GEOGRAPHICAL REGION, AS AT 30/09/2019



Over the period, the proportion of women holding a managerial position increased. It mainly progressed in Western Europe and in Africa. Note that more than a quarter of women are members of the country management committees.

France, Hungary, Spain, Portugal and Luxembourg have formalised their commitment under equality agreements or plans with the social partners. The main measures taken concern: equality when hiring, work-life balance, promotion, training and communication, while avoiding any direct or indirect discrimination.

In France, Decree No. 2019-15 of 8 January 2019, which came into effect on 1st January 2019, is part of an initiative to remove, among other things, differences in pay between women and men in companies. In addition, in companies with at least 50 employees, the employer must now publish, on a yearly basis, a "gender equality index" on a scale of 1 to a 100 points, based on precise indicators and measuring the situation of each company with regard to equal pay between women and men. For its first edition, Auchan Retail France received a score of 88/100. In 2019, a mainly digital communication plan was implemented, improving the appeal of job offers in order to attract applications from both men and women, without distinction, for occupations with a strong masculine or feminine identity. The 2019 score is not yet available, but it will be published on the website and sent to the labour inspectorate and the CSE (Social and Economic Committee) as required by law.

At Auchan Retail Luxembourg, a new equality representative was appointed by employee representatives in April 2019. This person's role is to monitor equal treatment between men and women in terms of pay, access to employment, training and promotion, as well as working conditions. Relations with this representative are constructive and have not revealed any malfunctioning in the way the company handles this subject.

Auchan Retail Portugal is one of the founding companies of the Business for Equality Forum (iGen Forum), a network created in 2013 and promoted by the Commission for Equality in the workplace and Employment (CITE). Every year at an official ceremony, each company present undertakes to implement a plan aiming to develop improvement actions in the fields of gender equality, work-life balance and protection of parents.

In addition to gender non-discrimination, specific measures have been introduced in the majority of Auchan Holding entities in order to support seniors at the end of their career and ensure that their expertise is passed on. These include a mentoring system, second part of career interview or even the organisation of working time and specific additional medical check-ups (mammograms and detection of diabetes, in particular).

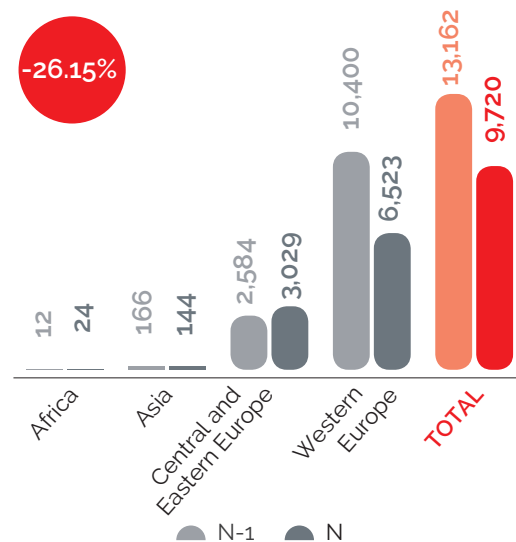
Auchan Retail is committed to people who are at risk of social exclusion. In Spain, a new agreement was signed with the Red Cross to help the inclusion of women who are victims of gender violence and women over the age of 45 at risk of exclusion. Locally, 426 young people at risk of exclusion took training courses with the aim of improving their employability.

SHARING AND ADVANCING FUNDAMENTAL RIGHTS

> SPECIAL SECTION

Promoting human rights and combating all forms of discrimination

> TREND IN THE NUMBER OF MEETINGS WITH PERSONNEL REPRESENTATIVE BODIES FROM 01/10/2018 TO 30/09/2019



(1) 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. 131 Financial Report 2018 |

The number of meetings with employee representatives decreased compared to 2018. The largest reduction was in France, while in Poland it virtually doubled, following a cooperation agreement implemented during the period and allowing for more active social dialogue in the entities of this country.

Adopted in 1998, the ILO Declaration on Fundamental Principles and Rights at Work commits member States, regardless of whether or not they have ratified the relevant Conventions, to respect and promote a number of principles and rights that are grouped into four categories. These 4 categories are:

- the freedom of association and the effective recognition of the right to collective bargaining;
- the elimination of forced or compulsory labour;
- the abolition of child labour;
- the elimination of discrimination in respect of employment and occupation.

Auchan Holding's companies have developed their policies and initiatives on respecting this Declaration, the OECD's guidelines and the Universal Declaration of Human Rights of 1948, both in relation to their own activities and to those of their suppliers and service providers (see Partners section).

With regards to their own activities, the principal risks of failing to comply with the ILO's Declaration are in the areas of freedom of association and of discrimination. With regards to risks related to child labour and forced or compulsory labour, simple HR procedures (checking identification documents during hiring, recruitment processes, etc.) help to harness this risk very effectively.

In September 2019, the "CEO guide for Human rights" was signed by Auchan Retail Ukraine. The company is one of the three signatories of this adapted document in Ukraine.

In order to encourage social dialogue and protect the right to collective bargaining, Auchan Retail is setting up structures that comply with national regulations.

In Central & Eastern Europe, employees are chosen locally by trade unions or employee-elected personnel 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. Topics of major interest to employees concerning the social and economic environment are discussed. These bodies are also those where collective bargaining agreements are negotiated.

In France, a new social dialogue agreement was signed in 2019 and allowed for the implementation of employee representation aligned with the organisation by living areas. Three national groups covering the company's three main activities were thus created: operation (points of contact), logistics and support services. In addition, there is a body that represents the entire representative structure: the Auchan Retail France Committee. This negotiation led to the creation of 114 CSE (Social and Economic Committees) and the organisation of professional elections at the same time in the regions. This challenge was met thanks to close and trusting collaboration between management and the trade union organisations.

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. This is also an opportunity to share information about the company.

To extend and reinforce social dialogue and existing information in each company via their own bodies and/or social partners, Auchan Holding is continuing its approach, by agreement with the trade unions, to improve and develop the manner in which the two national and international cross-functional forums of Auchan Holding function:

- the Group Committee, the scope of which changed in 2019 with the disposal of Oney France and the integration of new entities linked to the reorganisation of Auchan Retail, is made up of companies representative of the French activities attached to Auchan Holding. The 22 representatives (17 members and 5 trade union representatives) meet once a year within this forum. The subjects addressed include the current economic, commercial and employment situation in the presence of an expert. In 2019, the body was renewed for four years (members and secretary).
- the European Committee, which has been in place for 24 years, represents the seven countries in the European zone where Auchan Retail operates. Its 31 representatives meet in person once a year for three days.

In 2019, the meeting took place in Paris. The agenda included major current topics: presentation of Group results, the expert's oral report on the results, the corporate project, disposal of Auchan Retail's activities in Italy and Vietnam, the BPCE/Oney partnership, member training, ethics, feedback from the CSR and Occupations Commissions, etc. The body was also renewed for four years (members and secretary).

To ensure a good level of information and discussion with social partners, an Occupations/New Technologies Commission was set up in 2019. It joins the joint CSR Commission created in 2018 and aims to provide information and visibility to social partners on the evolution of occupations in the company.

In addition, a chartered accountant assisted the representatives during the preparatory meeting and spoke at the plenary meeting during the presentation of the results.

Lastly, with the goal of professional development, a two-day training course will be provided in 2020 to all members on the company's strategic and economic issues, understanding the main lines of an operating account and the roles and powers of the European Committee.

The effectiveness of dialogue on this level is borne out by the growing interest and enthusiasm expressed by the representatives appointed.

Encouraging innovation and employee engagement

The company's success is inconceivable without the talents, individual initiative and innovative capacity of every employee. Auchan Retail, Ceetrus have traditionally given every individual the chance to suggest new ideas, try them out and receive support in implementing them whether on a small or large scale. In 2011, this led to the launch by Auchan Retail France of a global participatory innovation programme called Creative Attitude. Since then, a new international ideation portal, accessible via the internal network, has been built.

In France and at the Corporate level, 2019 was a turning point, probably a temporary one, in the traditional Creative Attitude activity. The "ideation challenge" & "transforming ideas into real projects" dimension logically gave way to identifying and duplicating best practices, via the international ideation portal. The company has nonetheless renewed its interest in the Creative Attitude approach. An expression of commitment towards employees, the Creative Attitude programme should support the company's desired cultural transformation.

Auchan Retail Portugal stood out in 2019 by organising its 3rd "Creative Expedition". This event allowed 26 young talents to leave their daily lives behind in order to visit other companies and discover other methods. The participants ultimately shared their findings, based on a "brand ambassador theme", with Auchan Retail Portugal's management. In 2019, Auchan Retail Portugal confirmed its leadership through its ability to launch ideation challenges and involve its employees in co-building innovative projects.

In Ukraine, Auchan Retail encourages and spotlights the know-how of its artisans with the implementation of an internal competition named "Best Artist". In June 2019, Ukraine pitted its artisan butchers from all of its stores against each other. The six candidates selected for the finals were tested on their mastery of technical skills and their creativity, in preparing a mandatory recipe and making a dish of their choice using local products. A second edition took place in October, this time with artisan caterers. Another edition for artisan pastry-makers will be launched in the country soon.

In May 2019, and for the second year running, Auchan Retail Hungary honoured its employees at the Auchan Gala, an event that rewards store employees in three categories (store employee of the year, store manager of the year, store senior manager of the year) and those from support services in four categories (employee of the year, manager of the year, senior manager of the year, director of support services of the year). All employees were invited to vote for the candidates of their choice.

As a means for companies to recognise their employees, if it is attractive, compensation is also a major way of engaging people. Each entity is responsible for applying its remuneration policy within its own economic, legislative and regulatory context, and within 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 component. 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.

Policies centred on sharing, cultivating a sense of team spirit, belonging and pride in one's work, have been in place since 1977 and are used as a lever used to improve performance. They connect employees more closely to business activities rewards in through rewards in addition to compensation that are based on the results achieved at site, national and/or global level. Employee shareholding is one of these mechanisms, which is deployed in eight countries, and tailored to the local structure of Auchan Holding's companies. At 30 September 2019, there were 234,342 employee shareholders, or 83.9% of eligible employees.

5.3 ENVIRONMENT

The various activities that the Auchan Holding businesses engage in have an inevitable impact on the environment, 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.

DEVELOPING THE GOVERNANCE OF CSR POLICIES AND LOCAL ENVIRONMENTAL PROTECTION

Governance of CSR policies

Since the end of 2008, Auchan Retail's sustainable development policies have been written, implemented and monitored by the international CSR Committee. This committee has been chaired by Patrick Coignard, General Manager of Auchan Retail Spain, until 2019 and 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. The network is coordinated on a daily basis by the Corporate CSR team.

In 2017, all countries, apart from Romania, formed their own national CSR Committees in order to structure the policies of the company and roll out the main areas of work undertaken 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.

Improving site environmental management

Ceetrus has been committed since 2011 to systematically incorporating the BREEAM NEW BUILDING environmental certification in its major development projects, and to increasing the proportion of its existing estate certified BREEAM IN-USE.

The BREEAM NEW BUILDING certification aims to reduce the environmental impacts of building construction and, in particular, their impacts on water and biodiversity, the waste produced, materials used in construction and construction sites. The future environmental impact of the building is also considered in order to promote environmentally friendly modes of transport and reduce water and energy consumption, in particular through energy and water-efficient equipment.

For shopping centres already in operation, Ceetrus is extending the use of the BREEAM IN-USE certification to improve sites' ecological footprint, year-on-year, by implementing an action plan and improving the certification score.

These certifications are the real backbone of the environmental management of existing projects and sites. They incorporate the vast majority of Ceetrus' environmental risks.

Some supermarkets, and in Spain some shopping malls, are ISO 14001 certified. This certification is, however, difficult for retailers to obtain. Supermarkets in France, service stations and Auchan Drive maintained their ISO 50001 certification in 2019.

Reducing the risk of site operation-related pollution as far as possible

For the stores, the principal risks of environmental pollution are related to the leakage of refrigerants, causing widespread air pollution, and the operation of service stations which represent a risk of accidental soil and water pollution.

Service station operations are monitored particularly closely and regular investments are made to prevent any risk of pollution. The sale of fuel, which is largely covered by local regulations because of the potential environmental and safety hazards, is delegated in many countries to specialist distribution companies whenever the local expertise of Auchan Retail's employees is unable to provide a minimum equivalent guarantee of protection.

The refrigerants used by retailers may have two serious impacts in the event of leakage:

- a major contribution to global warming (GWP⁽¹⁾) of between 1 and around 3,940, depending on the fluids used);
- a negative impact on the ozone layer for HFCF refrigerants.

In order to adapt to current and future regulations in relation to HFC refrigerants, in 2018, Auchan Retail's Technical Department launched a huge cooling system de-carbonisation project in all the countries where it operates.

The project aims to deploy smart leakage detection sensors on cooling plants, enabling any leaks to be identified quickly and their impacts to be reduced. For European Union countries affected by the F-gas directive, the introduction of smart detection sensors comes in addition to switch-over operations to refrigerants with lower global warming potential (GWP). For the most recent cooling plants that have not yet been written down financially, the most harmful refrigerants will be replaced by R448A, which has a GWP that is one third that of R404A. When cooling plants are renewed, CO2 systems are prioritised. This fluid has the benefit of having zero impact on the ozone layer and a very low climate change impact (GWP of 1).

The main risk of pollution from Ceetrus activities is primarily associated with the treatment of used water from restaurants containing organic pollution. Ceetrus has had grease traps installed at restaurant network outlets to capture this pollution which is then treated at an approved centre by the restaurateur. Some sites even have treatment plants, in particular, in Italy at the Porte dello Jonio and Casamassima sites. In addition, water analyses may be carried out to check used water discharges comply with regulations.

(1) Global Warming Potential

Protecting biodiversity on and around commercial sites

In order to reduce the impact on the environment and biodiversity, Ceetrus integrates buildings within their environment as far as possible, through choosing suitable land and limiting urban sprawl. The land is built on sparingly to limit soil sealing and to take the risk of flooding into account.

Where sites and projects are involved in a BREEAM certification process, the involvement of an ecologist allows optimum solutions to be studied in order to reduce impacts on local biodiversity as far as possible and to promote biodiversity by establishing wetlands, planting indigenous species of trees and hedgerows and introducing flower meadows. In addition, in France, the standard green space management contract has just been updated as a result of a partnership with a biodiversity expert.

In terms of land use, Ceetrus' expansion plans no longer include the purchase of agricultural land. It prioritises the redevelopment of land and site infill by introducing mixed-use such as residential or office developments.

In Saint-André-lez-Lille, in the centre of the Lille metropolitan area, Ceetrus France is involved in the redevelopment of a 60-hectare brownfield site. In this region in Northern France, which lacks housing and bears the marks of its industrial past, Ceetrus is working in partnership with the city, the Métropole Européenne de Lille, the SEM Ville Renouvelée and LinkCity, on the Quai 22 project. Upon completion, a new 10-hectare neighbourhood will combine 700 dwellings (3 blocks), a surface area of 15,000m² for homes built specifically for target populations, 10,000m² of office space, 6,500m² of retail space, 6,000m² of space for services, activities and leisure facilities and a 3,000m² hotel. Development work will commence in late 2019. The first releases are expected in late 2022.

Particular attention is paid to car park layouts when a new site or renovation is being designed. In Luxembourg, Auchan Retail has established shared gardens in partnership with the Plateau de Kirchberg Fonds d'Urbanisation et d'Aménagement. Workshops offered on a weekly basis from April to October raise employees' awareness of environmental issues. These workshops, which focus on vegetable gardens and are delivered by an agricultural engineer, are held over two half days, one for theory, the other for practice. A wide range of subjects are discussed.

In the surroundings of its commercial sites, Auchan Retail and Ceetrus are working to promote urban farming. For these two companies, this agricultural practice has the advantage of producing food products and of protecting a site's biodiversity, whilst contributing to the circular economy by using organic waste from the stores. Lastly, it is also a way to derive a benefit from unused urban space by using it for healthy eating demonstrations, gardening classes, etc.

In the light of the success of multi-purpose spaces, the Perché de Caluire city garden has expanded by over 1,000m² via vertical and container planting and has added another 220m² concourse, as well as accommodating complementary activities such as a bar, a dance floor and a yoga area, etc. Created in June 2018 by Ceetrus and Auchan Retail, in collaboration with "Sous les fraises", the garden, which is "perched" on the Auchan Caluire shopping centre's above ground car park, draws people in with its planting (over 3 tonnes of organic fruit and vegetables and herbs harvested in 2019), its 6 beehives occupied by 2 million bees, its numerous events (fruit picking, yoga, dance, conferences, etc.) and its co-working space, etc.

In addition, environment clean-up events are organised in several countries where Auchan Retail operates in order to protect biodiversity outside of commercial sites. On 21 September last year, Auchan Retail France, Auchan Retail Ukraine, Auchan Retail Senegal and the Products and Flows Department took part in World Clean Up Day. Senegal was particularly keen to take part in cleaning up Lagune de Guéreo, a village not far from Popenguine, and made donations to participants and village residents. The clean-up operation, organised with partner organisations, removed 2,000 tonnes of waste from the beach, including 5 tonnes of plastics which were sold on to a local firm. The proceeds were returned to young people from the village who had taken part in the day.

In Taiwan, 271 employees helped to clean up 11 beaches, 2 riverbanks and a mountain area. On 27 September last year, 10 employees from the Gaia store in Portugal helped to clean beaches.

Since 2011, Auchan Retail Spain has been partnering the WWF in a forestry restoration project in the Tembleque area (close to Toledo). Fifty or so employees took part this year. In addition, since 2015, Spain has been working with the Madrid Institute for Research, Rural Development, Food and Agriculture (IMIDRA) to retrieve traditional seeds and promote biodiversity conservation.

PROMOTE A MORE CIRCULAR ECONOMY AND IMPROVE WASTE MANAGEMENT

> SPECIAL SECTION

Reducing the use of natural and fossil resources for a more circular economy

Large companies are experiencing increasing tensions over resource depletion, which can result in supply and demand volatility.

The Global Footprint Network estimates that the world's population uses 1.5 times the planet's renewable resources every year. One of the major collective and individual challenges of the 21st century is to avoid waste and reduce the amount of energy needed to produce the goods and the waste they generate. In contrast to the prevalent linear economy, the circular economy aims to ensure that non-toxic products live as long as possible, and that at the end of their lifespan, these

products, as well as the materials that compose them, are reintroduced into the early stages of the production cycle of new goods.

As a distributor, the main resources Auchan Retail can directly provide a second life to are the packaging materials used in transporting goods. These are mainly cardboard and flexible plastics. Stores participate in the recycling of these materials by sorting and recovering a maximum of the waste they produce. Stores' sorting capacity may, however, vary significantly depending on the size of their sites and the local waste recovery channels.

Tonnage of waste produced

		Western Europe	Central and Eastern Europe	Asia	2019 Total
Retail	Hyper	227,112.5	213,228.5	245,067.8	685,408.8

Tonnage of recovered waste

		Western Europe	Central and Eastern Europe	Asia	2019 Total
	Hyper	196,686.6	106,043.8	151,315.7	454,046.0
Retail	Super	30,278.5	11,904.9	-	42,183.4
	Drive-throughs	3,079.7	-	-	3,079.7
Ceetrus		6,117.3	568.0	-	6,685.3

Between 2018 and 2019, waste recovery remained stable overall at constant scope (-0.2%) but fell by around 6% when taking the disposal of Auchan Retail's Italian operations into consideration. Just like last year, Auchan Retail stores account for the vast majority of the waste produced. In fact, in most countries, the stores are also responsible for managing shopping centre waste, without any distinction being made between the two.

By geographical region, an increase in waste recovery was noted in Central and Eastern Europe, sustained by the rise in the number of stores recognised over the last few years as well as by improved waste recovery systems in Russia, improving the waste recovery rate.

Auchan Retail promotes the circular economy to its customers. Auchan Retail is able to collect some of the wastes of customers visiting its stores and to re-insert them within the circular economy cycle or ensure they are sent to specialist recovery channels.

Tested and implemented for over 10 years, the recycling operations collect clothing, schoolbags or even eyes glasses, usually for the benefit of non-profit organisations and/or in exchange for coupons clients can use in stores.

In June and November 2019, workshops called "The Repairables" were organised at 27 Auchan Retail France stores, with the support of the nearest Auchan Services repair centre activities. Their goal was to raise awareness of the importance of recycling and repair, and to provide advice on how to keep devices going for longer.

Since 2015, Auchan Retail France has also developed a partnership with Roxane, the company that markets the bottled water "Cristaline". Empty plastic bottle collection kiosks have been installed at Auchan Retail France hypermarket car parks. Consumers are encouraged to return their empty bottles in exchange for a symbolic reduction coupon, thus placing them at the heart of the recycling scheme. Once recollected, the bottles are shredded on-site, so that truck collection and greenhouse gas emissions are reduced. The plastic pieces are then transformed into recycled PET pellets (R-PET) for the production of new water bottles. 10 additional ecoboxes were installed in 2019, bringing the total number of operational machines to 78. These ecoboxes collected 35.2 million bottles in 2019. In 2020, Auchan Retail France will have recycled over 100 million plastic bottles since the scheme was set up, and has set itself the target of recycling 500 million bottles by 2025. To meet this target, a model specifically designed for supermarkets and small stores is being studied.

At Auchan Retail Poland, two recycling operations were organised in 2019. The first involved children's school bags at the start of the new school year when a 30% reduction was offered on new bags if customers returned a used bag. The second focused on saucepans, with a similar discount given when customers handed in old pans.

For two years now, Auchan Retail Romania has been offering to buy back customers' old large household appliances. In exchange, customers receive a discount on the purchase of a new appliance. The categories covered are washing machines, refrigerators, freezers and air conditioning units. The discount offered is 100 lei which corresponds to an average reduction of 10%.

Auchan Retail Spain rolled out the "Aucun enfant sans jouet" (a toy for every child) scheme which aims to collect toys for children living in families experiencing financial hardship. 53,000 toys were collected and 500 company employees helped sort the toys.

Sorting and Recollecting Operational Waste

Sites (hypermarkets, supermarkets, shopping malls and logistics centres) generate various types of waste. The main types of waste produced by stores are:

- secondary packaging (product packaging cardboard, packaging plastics and polystyrene);
- organic waste from out-of-date food or leftovers from food preparation;
- to a lesser extent, scrap metal and wood (pallets and 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.

Next is methanation, composting and the recovery of waste in the form of electricity and/or heat, which the vast majority of Auchan Retail stores only use as a secondary method.

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:

- more, or less, demanding regulations on waste treatment and sorting as well as the existence or lack of official recovery channels;
- the limited 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;

- a lack of space for sorting and for installing composters for smaller stores;

There are a number of issues when it comes to waste data monitoring for supermarkets and local stores, as well as for some hypermarkets:

- waste management is often provided by local municipalities which, with few exceptions, do not provide comprehensive information on the destination of the waste collected by them;
- to optimise the recovery of plastic and cardboard in small stores in some countries, waste is sent to logistics centres on the trucks that deliver goods to those stores, in order to be collected there. The cardboard and plastic are then recovered by specialised providers. This virtuous practice, however, makes it impossible to keep a store-by-store record of waste data.

The collapse in the price of cardboard, paper and plastic which began in 2018, continued in 2019. This has had a major influence on the way in which waste is now managed in stores. Over the years, effective waste management and sorting has enabled some countries to make a profit from re-selling raw materials, rather than making waste prevention and reduction a priority. This approach is now about to change, as shown by the zero waste initiative rolled out in Spain.

As part of its "Plastic Challenge", Auchan Retail France plans to recycle 100% of its operating plastics by 2025, in particular by strengthening the recycling of PEBD plastic films and gradually sorting coloured plastic from colourless plastic, in cooperation with suppliers.

For Ceetrus, when buildings are demolished, the waste is recycled (scrap metal) or re-used on-site or elsewhere as aggregate for crushed concrete. Waste from construction sites is sorted and recycled by the company managing the site. This point is covered by the BREEAM NEW BUILDING certification (see above). The standard imposes given methods and results.

Within the framework of carbon assessment and the construction of its 1.5°C climate strategy, Ceetrus will also think about the actions it can take on construction materials so as to use materials with a lower carbon footprint. The introduction of a life cycle analysis for new projects will also make it possible to select the best materials to limit the environmental footprint of construction projects.

In terms of shopping centre operation, Ceetrus is still committed to improving sorting rates by providing retailers with training or collection points in shop entrances.

Waste recovery rate

	2018	2019	% change
Hypermarkets, Western Europe	85.7	85.71	0.02%
Hypermarkets in Central and Eastern European	49.1	49.27	0.35%
Hypermarkets, Asia	60.5	61.52	1.68%
Ceetrus	35.7	35.85	0.42%

Between 2018 and 2019, the recycling rate remained substantially the same within both Auchan Retail and Auchan Holding (+0.1 percentage points). Within Ceetrus, the recycling rate was up sharply in Central and Eastern Europe (+11.3 percentage points) and was down in Western Europe (-4.9 percentage points). The number of sites that monitor waste independently of stores is still marginal, limiting the scope of this data. Although Auchan Retail stores' recycling rates remained substantially the same, rates fell sharply in Ukraine (down 9.8 percentage points). This change was due to the inclusion of the former Karavan stores, whose average sorting rate was much lower than historical stores.

Auchan Retail Spain has a consolidated waste management policy, both in terms of its own business operations and facilitating its customers' recycling. As regards the last point, the company has 89 eco-parks in its stores where, depending on their size, customers can deposit waste electrical and electronic appliances, light bulbs, waste oil, etc. The company has launched a pilot project at two of its hypermarkets in Madrid to encourage the re-use of packaging and reduce plastic consumption. The Leganés and Pio XII hypermarkets offer customers the option to use boxes supplied by Alcampo to transport their purchases. These boxes are the same ones in which the hypermarkets receive their merchandise. Located near the checkouts, these boxes are kept in a specific container and are manufactured from re-board, which is very strong and is FSC-certified. Auchan Retail Spain recorded a recycling rate of 83.6% of waste from its own operations as a result of the zero waste circular economy project rolled out at 25 sites and which required 8,000 employees to be trained in effective waste management and prevention.

To raise employees' awareness of waste prevention, Auchan Retail Ukraine organised zero waste picnics this summer where employees were invited to bring their own crockery, glasses and napkins. In addition, in central services, all employees use their own cups. Plastic cups are no longer used, apart from by outside visitors.

In 2019, Auchan Retail Luxembourg, which has for the last ten years imposed a strict waste sorting policy (cardboard, paper and glass as well as metal, electronic equipment, wood, etc.), was awarded the SuperDrecksKëscht label for its commitment to waste management. This label is awarded, in conjunction with the Environment Agency and the Chamber of Trade (Chambre des Métiers) to companies that manage their waste in an environmentally-friendly way. With over 2,100 tonnes of waste sorted, the country has dropped below the 10% non-recycled waste mark, whilst using this non-recycled waste to produce energy.

Auchan Retail France worked on managing its waste reduction performance with the introduction of a new "waste" dashboard. The dashboard can be used to monitor economic performance by site as well as tonnages sorted and avoided, as well as progress reports on ordinary industrial waste. In addition to the sorting rate which has been monitored for a number of years now, a new indicator was introduced. This is the resource recovery rate which shows the added value of the waste prevention channels introduced by the stores.

Accompanying Customers in Sorting Their Waste

Batteries, light bulbs, plastic bags, household appliances and other recyclable packaging should not be disposed of with household waste. To avoid the risk of pollution, Auchan Retail and Ceetrus have installed waste sorting solutions at the entrance of their stores to encourage waste sorting by customers. They can bring products requiring special treatment, including bulbs, batteries and ink cartridges.

In Spain, 89 eco-parks were installed in Auchan Retail stores where customers can return small household appliances as well as light bulbs or other lighting tubes. The company also launched a project with the Caritas association, called MODA-Re, through which it channels clothing and general merchandise markdowns. It also provides containers in which customers can deposit their used clothing. This scheme has been launched at four establishments. The items donated and/or deposited are processed by Caritas, which employs persons at risk of social exclusion. Those that can be re-used are prepared for sale in the NGO's stores. Items that cannot be sold are sent to recycling centres to be made into secondary raw materials for the manufacture of materials and fibres.

On this same subject, Auchan Retail Russia developed the "Deuxième vie des vêtements" (second life for clothes) project with its partner, "Bons vêtements", which installs containers for the collection of used textiles and organises their transfer to support centres for vulnerable people. The collection boxes, installed in five Auchan stores, have collected over 25,000kg of clothing since they were set up.

In some of the countries where it is present, Auchan Retail also collects more specific waste such as cooking oil, particularly in Eastern Europe, or even major household appliances (refrigerators, washing machines) in Romania and Taiwan. In Portugal, Auchan Retail collects corks and coffee capsules, in collaboration with Nespresso. The result of these local collections is regularly communicated to customers in order to encourage them to continue their eco-citizen actions.

Reducing the environmental impact of plastic bags and packaging

To reduce the risk of plastic bags from stores ending up in nature, Auchan Retail is aiming to stop handing them out for free at checkouts. In 2019, Auchan Retail Ukraine joined other Auchan Retail countries in only offering more environmentally-friendly bag payment solutions. On 3 July, Auchan Retail Ukraine took part in the "International plastic bag free day". 22 hypermarkets in 9 cities have withdrawn plastic bags from their stores whilst offering customers more environmentally responsible solutions. The plastic bags offered at checkouts have been replaced with textile bags, and plastic bags for fruit and vegetables, loose foodstuffs and bakery and patisserie items, have been replaced with paper bags. In some stores, customers wishing to purchase loose products were also able to bring their own containers and fill them directly. When they reach the checkout, customers who brought their own shopping bags were offered an apple to say thank you. In addition, in conjunction with local environmental associations, plastic bag-free shopping aisles and advice on living a zero waste lifestyle were offered to customers and employees. On this occasion, Auchan Retail Ukraine was recognised by Global Compact for its entire approach to the fight against plastic.

In Spain, Auchan Retail offers its customers a wide range of bags. There is a green bag, made from 100% recycled material which offers numerous possibilities for re-use, as well as a paper bag manufactured in Spain from 30% recycled fibre and 70% FSC-certified virgin fibre. Spain also sells textile bags, including a string bag, made from polyester, for purchases of loose fruit and vegetables. Auchan Retail France trialled a washable and re-usable polyester string bag in five of its stores, polyester having been selected in both countries because of its price and the fact that it has a lower environmental impact than cotton. At Auchan Retail Taiwan, plastic bags for fruit and vegetables were replaced by PLA⁽¹⁾ bags.

Auchan Retail Portugal also rethought its packaging. Re-usable bags for fruit and vegetables were rolled out in 11 stores and re-usable cotton bags were trialled for bakery items as well as re-usable boxes for delicatessen and meat counter products etc. A carrier bag has also been developed for e-commerce operations, in partnership with a waste operator. Created as part of a circular economy scheme, this bag is produced entirely from bags returned to stores. To supplement these commitments, in-store catering units now offer re-usable crockery.

Lastly, various "zero waste shopping" projects were trialled in 2019. Under one of these schemes, Auchan Retail Poland gave customers the option to use their own containers at some counters in all its stores. A trial is under way to enable customers to weigh their fruit and vegetables with their own bags and a re-usable cotton bag is to be rolled out very soon. Auchan Retail France and Auchan Retail Luxembourg are also offering their customers the option to bring in their own transparent plastic containers that they can fill at all the traditional counters.

(1) Polylactic acid: a polymer that is biodegradable by means of industrial composting

FIGHTING AGAINST ALL FORMS OF WASTE

> SPECIAL SECTION

Fighting Against Food Waste

One-third of the world's food is thrown away, i.e. 1.3 billion tonnes. According to the French Ministry of Agriculture and Food, food waste is "any food intended for human consumption which is lost, thrown away, or has deteriorated at a stage of the food chain". The causes of food waste in households vary and are in particular related to the loss of the symbolic value of food and its share in households' expenses in comparison to other expenses and activities, to the changes in society and family organisation, to changes in eating habits and to changes in lifestyle. However, in addition to this individual responsibility, food waste can be found at all stages of the food chain and concerns all players: production, processing, distribution, catering, transportation.

Food waste reduction is faced with a three-fold challenge:

- environmental: food waste is a cause for high greenhouse gas emissions because of the energy required to produce, process, preserve, pack and transport food. It also causes considerable waste of natural resources, including water;
- economic: food waste is inevitably also a waste of money, and the costs are significant;
- ethical and social: throwing food away is all the more unacceptable in the context of a global food crisis, but also in the current social context of each country.

Auchan Retail acknowledges its responsibility and several axes of work are being developed in all countries where it is present.

Measuring waste

The first step in reducing waste is to be able to measure it and hence identify appropriate 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. It enables losses due to food waste, water and energy consumption, refrigerants, etc. per store to be measured. The known amount of breakages and the amount of food donations are thus taken into account in this indicator. The related financial losses can be calculated as a result of these 2 measures and specific optimisation ideas can be suggested to each store. The indicator is promoted by sharing best store practices to raise awareness amongst employees and to disseminating related information via, in particular, information panel displays in stores' common areas, as well as the introduction of store rankings. This information has made it possible to challenge operators, in particular, in relation to markdowns and donations.

Auchan Retail France also monitored, via the French Trade and Retail Federation, the work undertaken on use-by dates, with a view to signing up to the use-by date agreement. This agreement brings together a coalition of players committed to reducing the associated food waste. This initiative, which has the support of ministerial authorities and is the result of years of discussion on this subject, covers four main topics. These topics form the basis of corporate members' commitments so as to ensure a systematic approach to reducing food waste caused by use-by dates:

1. educate and raise awareness both internally and externally;
2. clarify the difference between the use-by date and the best-before date for consumers;
3. optimise the recovery of products excluded from sales channels;
4. work together to harmonise best practices and optimise distribution flows.

Cutting down on waste

A number of measures are then applied to reduce the quantities of discarded products. Stores in a number of countries also apply promotional offers to items with short use-by dates. This is notably the case in Romania, where particular attention is paid to fresh produce, which accounts for a large proportion of discarded products. Thus, when these products are approaching their expiry date, they are sold in a special, clearly marked, area at a 30 to 70% discount on the initial price. To avoid throwing away products, ordering the right amounts is a key issue. Auchan Retail Romania teams are particularly well-informed and motivated about this issue. Orders are also centralised to ensure that stores receive just the right amounts.

Following on from Auchan Retail France in 2018, it is Auchan Retail Spain's turn to sign up to the Too Good To Go app to reduce, and combat, food waste. Since 19 November 2019, 2 hypermarkets and 2 supermarkets in Madrid have appeared on the app. Its users can access a variety of fresh, high-quality produce with short use-by dates, on a daily basis, for €3.99 a basket. Through this partnership, Auchan Retail Spain and Too Good To Go aim to fight against food waste and promote responsible consumption. In France, 290 stores have set up partnerships with the app, making it possible to "save" over 354,000 baskets in 2019. Ceetrus supports this initiative as some of the restaurants in 32 of its shopping centres are involved in this partnership.

At Auchan Retail Portugal, teams responsible for Auchan brand product development worked on changing the format of own-brand products to offer smaller quantities and so reduce waste.

Donating food

To the extent allowed by the laws of the country, the vast majority of Auchan Retail countries distribute their food donations through local non-profit organisations and food banks. This is the case in Spain, France, Hungary, Poland, Portugal, Romania, Luxembourg and Taiwan.

In Hungary, 279 tonnes of produce from bakery counters and 214 tonnes of fruit and vegetables were donated to food banks by 17 stores between 1 January and 30 September 2019.

Where there are no reliable and organised local structures or where produce is unfit for consumption, food is donated to animals by partnering with local zoos, farms, etc. This is particularly true for Portugal which, this year, supported 29 animal charities.

Heightening awareness among consumers and staff

In 2017, Auchan Retail France took part, with Agro-Paritech and the Agro-Paritech Foundation, as well as with the association "De mon assiette à ma planète" (from my plate to my planet), in creating and designing a MOOC on the topic of food waste. 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. 5,499 students from 88 different countries signed up for the second MOOC, 584 of whom passed the assessment. The third version is being launched in 2020 and has been included in the training catalogue so that it can be easily accessed by all employees.

A waste prevention guide for employees in stores has been compiled by the Auchan Retail France Quality Department and CSR team. It gives a definition of waste as well as possible in-store solutions: transformation, donations, price reductions and promotion of the Too Good To Go partnership, anti-waste fruit and vegetable baskets etc.

Auchan Retail Spain took part in the second anti-food waste week organised by the Spanish Association of Producers and Retailers (AECOC), which aims to raise Spanish society's awareness of the need to reduce food waste. The week started with a "show cooking" event which recommended recipes that use produce that is close to its use-by date. With the same idea, Auchan Retail Portugal is offering children films in which they are taught to cook meals from leftovers.

Transforming or recovering food waste

When perishable products cannot be donated, processed or otherwise consumed, some Auchan Retail Spain and Auchan Retail France stores use them for composting or to produce biogas via methanation. In Spain, the 24 stores and one logistics depot that rolled out the "zero waste" project improved their waste sorting system, especially for food, isolating and recovering 100% of their waste using a recovery and treatment process, with no waste going to landfill.

At Auchan Retail Ukraine, some stores are transforming their unsold bakery produce into croutons that are then sold on to customers.

Promoting solidarity

By partnering with local or national non-profit organisations, Auchan Retail organises food donations for people in need throughout the year in every country where it operates.

Auchan Retail Ukraine launched the "Armoire du bien" project to support disadvantaged families and elderly people. The procedure is as follows: each customer can donate one, or more, staple food(s) and deposit it/them in a fixed container. Every two weeks, the products are collected by the partner association to be redistributed to beneficiaries.

In Russia, Auchan Retail stores take part in three key annual events: a collection of school supplies for the most disadvantaged in partnership with the Red Cross, a collection of New Year's gifts for children from partner orphanages and, lastly, the international initiative, "Giving Tuesday".

For the second year running, Auchan Retail Hungary joined forces with the Association nationale des familles nombreuses to organise a huge collection of school supplies for large families. The collection took place between 1 August and 11 September and all stores countrywide took part, collecting over 45,000 items of school supplies. Over 3,000 children received not just pens and notebooks, but also school bags and clothing that had been collected. Auchan Retail Hungary also made a donation in support of the association, in the form of a cheque for €4,000.

In Spain, the "Breakfast and Snacks # ConCorazón" campaign was repeated for the seventh year running, on 5 and 6 April. In collaboration with the Spanish Red Cross, over 1,000 Auchan Retail Spain and Oney employees volunteered to collect food in nearly 300 Alcampo and Simply stores, alongside 4,000 people mobilised by the Spanish Red Cross. The Spanish Red Cross offered 1,609,585 breakfasts and snacks to children from families in need as a result of this campaign.

REDUCING THE MAIN SOURCES OF GREENHOUSE GAS EMISSIONS

Optimising and reducing energy consumption

Energy consumption represents a major environmental and financial challenge for Auchan Retail. It represents several hundreds of millions of euros each year and significant indirect emissions of greenhouse gases. The 3 primary energy consumption categories for stores are: food refrigeration, lighting and heating/air conditioning.

Since the early 2000s, numerous efforts have been made to improve the carbon footprint of Auchan Retail sites, in particular, by reducing energy consumption. In 2013, faced with a lack of results and in light of increased energy bills, Auchan Retail introduced a more ambitious programme, which was launched and trialled at several Spanish sites at the end of the year.

After a nine-month trial and conclusive results, an energy efficiency project was launched across all countries where Auchan Retail operates⁽¹⁾, focusing on three main areas:

- purchasing performance;
- 20% reduction in energy consumption;
- the roll out of renewable energies once energy consumption has been reduced.

At COP 21, held in Paris in December 2015, the Auchan Group reaffirmed its ambition by joining the climate agreement signed by 39 major French companies, announcing a target of a 20% reduction in its electricity consumption per m² over a four-year period, from the beginning of 2014 to the end of 2018. Following the transformation of the Auchan Group into Auchan Holding, the commitment refocused on the Auchan Retail scope, which accounts for 98.7% of Auchan Holding's consolidated revenue.

In late 2017, faced with a worldwide delay in the programme, corrective measures were taken to accelerate cuts in consumption. In the same year, Auchan Retail's ambition was reasserted and clarified at the One Planet Summit.

The results obtained in 2019 now show that this target was met, with consumption per m² recording a reduction of between 20.4 and 21.9% (see Methodology section for further information). Despite a slight delay, the projected reduction in consumption was therefore achieved, in spite of an inauspicious trading environment (greater focus on nutrition in stores, development of on-site restaurants, reduction in sale floorspace, etc.).

Please note that, in order to meet this target, €215 million was invested in reducing energy consumption.

The second phase of the energy efficiency programme, focusing on promoting renewable energies, was launched in 2019. It should enable Auchan Retail to source 50% low-carbon electricity outside the Asia region by 2022.

In shopping centres, France is continuing with its energy efficiency programme, supported by an energy manager. The introduction of an energy performance contract at eight shopping centres for LED relamping, closer management of facilities and targeted investment in previous years, has made it possible to reduce consumption by over 10% in two years. In 2020, replication of these initiatives in other countries is due to be studied.

(1) RT Mart China is not, however, part of the energy efficiency programme.



Under this initiative, Auchan Retail Spain has sourced low-carbon electricity via certificates of origin since mid-2018 for all its sites. Ceetrus is also committed to this initiative because all French shopping centres with meters managed by Ceetrus have these certificates of origin. Ceetrus Portugal and

Ceetrus Italy also use a certificate system but it does not presently cover 100% of energy consumption. In 2019, Ceetrus purchased the equivalent of a total of 76.6 GWh in certificates of origin.

Change in electricity consumption

In KWh per m ² ,%		Western Europe	Central and Eastern Europe	Asia	Total
Retail	Hypermarkets	(4.55)%	(4.76)%	0.05%	(2.72)%
	Supermarkets	(10.41)%	(4.14)%	-	(7.30)%
	Drive-throughs	(5.77)%	-	-	
Ceetrus		(4.99)%	20.59%	-(1)	(10.36)%

(1) See Methodology section

In total, Auchan Holding's electricity consumption per m² of surface area fell by 2.7%. For Ceetrus, please note that the reduction was primarily due to the lack of energy consumption feedback for China as a result of a change of governance. In Central and Eastern Europe, Ceetrus' electricity consumption was up sharply due to work being carried out on a number of Polish shopping centres, as well as the opening of new shopping centres in Russia with higher-than-average

consumption. Auchan Retail's energy consumption per m² of surface area was down everywhere, apart from in Asia where it was stable. In Western Europe, the reduction was particularly marked as a result of the excellent results recorded by supermarkets (-10.4%). Central and Eastern Europe recorded a reduction of over 5% for the second year running.

Energy consumption

In KWh per m ²		Western Europe	Central and Eastern Europe	Asia	Total
Retail	Hypermarkets	451.42	505.44	354.49	414.8
	Supermarkets	599.55	657.9	1,203.13	617.03
	Drive-throughs	281.31	-	-	281.31
Ceetrus		229.72	381.34	-(1)	286.65

(1) See Methodology section

Stores' energy intensity varies greatly from one country to another, and even within the same country, depending on the type of store, the range of products on offer, the date that the site was opened and the local climate. Supermarkets with smaller non-food ranges than hypermarkets, have a higher energy intensity. In Asia, energy consumption is historically

lower than in Europe, in particular, because of the fact that fewer frozen meals are consumed, requiring less freezing. Gas consumption in countries' energy mix also varies widely from one region to another. As gas is generally used to heat sites, it accounts for more than one third of energy consumption in Hungary, compared with an average of 3% in Asia.

Change in energy consumption

In KWh per m ² ,%		Western Europe	Central and Eastern Europe	Asia	Total
Retail	Hypermarkets	(5.97)%	(4.72)%	(0.48)%	(3.81)%
	Supermarkets	(8.12)%	(7.22)%	-	(7.17)%
	Drive-throughs	(5.25)%	-	-(1)	(5.25)%
Ceetrus		(10.12)%	44.12%	*	5.37%

(1) See Methodology section

In total, energy consumption per m² of surface area fell by 2.6% across Auchan Holding at constant scope. For Auchan Retail, the trend in energy consumption per m² of surface area is consistent with the change in electricity consumption, which was down 3.3%, with a sharp reduction in Western, Central and Eastern Europe, whilst energy consumption dropped slightly in Asia (-0.5%). For Ceetrus, the situation was more mixed. The greater use of gas in the energy mix in Central and Eastern European shopping centres highlights the poor performance recorded in respect of electricity consumption per m². In Western Europe, gas consumption fell more sharply than electricity consumption. In total, energy consumption was up 5.37% per m² of surface area.

Reducing Transportation Impacts

Supply logistics is an important part of the retail sector's carbon footprint. Auchan Retail companies have therefore set up monitoring indicators, such as the number of kilometres travelled or the load factor to monitor the impact of the transport of their goods. However, as yet, no such indicator has been introduced at an international level mainly because of the use of subcontractors who do not have, or do not have the means to trace, all the statistical information required.

While quantified objectives are not set on an international basis, all countries are endeavouring nonetheless to optimise goods transport and shorten travelling distances and, hence, the impact on the environment.

To reduce the number of kilometres travelled, priority is given to optimising truck loading. For example, today's bi or tri-temperature trucks represent the majority of the truck fleet. The trucks have two separate compartments to transport products requiring different temperatures. Double-decker trucks, which enable optimal loading of pallets on two levels, are used as much as possible.

Trucks' return trips are also streamlined. They can be used to return empty pallets to suppliers.

Finally, multipick is implemented in France, Romania, Ukraine and Russia. This service offers the collection and transport of products from small suppliers in the same area in a single lorry, in order to optimise the rotation of trucks and avoid suppliers from having to set up their own logistics fleet. A system of rotating delivery rounds is in place to enable trucks 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⁽¹⁾ certified vehicles. These more stringent requirements are often stated when calls for tender are renewed.

To reduce the impact of road transport in France and Spain, Auchan Retail relies on trucks running on natural gas and biogas. Auchan Retail Spain supermarkets are involved in the project "Sustainable Urban Distribution⁽²⁾", in Zaragoza and Madrid, which requires distributors to make their business less intrusive and less polluting for citizens. The supermarkets have invested in four trucks that run on liquefied natural gas. Auchan Retail France uses 125 trucks running on CNG (which produce 80% less GHG emissions than conventional trucks), covering 29% of the kilometres travelled in that country.

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

Auchan Retail and Ceetrus are working together to promote low-carbon mobility to their customers. 80% of Ceetrus sites have a public transport solution within 250 metres of the site. In Ukraine, all sites offer free public transport systems (bus) to/from the centre of nearby towns. Customers' environmentally-friendly mobility will also be encouraged over the next few years using the following methods:

- pedestrian and cycle routes with surrounding neighbourhoods;
- introduction of bicycle parking areas;
- work with transport authorities to improve site access: positioning of stops, number of lines serving the site, frequency of services;
- marketing measures such as reimbursement of transport tickets.

For Ceetrus, work is under way to define imperatives when it comes to site accessibility in order to implement practical measures on sites from 2020 onwards.

In addition, work was carried out with the local authority on the Grande Synthe site in France, to accommodate a bus interchange for 10 bus routes and a bike shelter. Ceetrus wants to extend these types of measures on these sites in response to customer demand.

In consultation with Ceetrus, Auchan Retail is also working to promote low-carbon mobility. In 2014, Auchan Retail France signed an agreement with the Nissan car manufacturer to install the first "rapid" charging (50kW/h) network in France, which now has 106 terminals. In 2019, vehicles were recharged 160,760 times on this rapid charging network. Over 400,000 litres of diesel were saved, avoiding the emission of 1,157 tonnes of CO₂ eq.

For its part, in 2019, Auchan Retail Hungary introduced charging stations for electric and hybrid Tesla vehicles in the Fót and Törökbálint store car parks. Three other store car parks will also be equipped by the end of the year.

(1) 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.

(2) Urban sustainable distribution.

> SPECIAL SECTION**Mobilising the company around the environment**

Despite repeated warnings from the scientific community about the dangers of climate change, greenhouse gas (GHG) emissions have not decreased and continue to increase, in particular because of the absence of a truly binding international framework. Given the limited action of public institutions, companies have a key role to play in limiting global warming below the 2°C mark. At the international level, the two main GHG emission accounts are energy (electricity, oil and gas) and agriculture (deforestation, livestock and chemical inputs).

Because of the nature of their activity, Auchan Holding's two companies emit little GHGs directly compared with indirect emissions. However, indirect GHG emissions, particularly related to products and services sold, although difficult to quantify, are much more significant. Auchan Holding therefore strives to reduce both direct and indirect emissions.

As a result of the work carried out in France to determine GHG emissions associated with retailer brands, Auchan Retail decided to find out more about these indirect emissions. Work was conducted with the Carbone 4 consulting firm to estimate GHG emissions.

Although this study had a number of limitations (see Methodology section), Auchan Retail's total emissions were estimated at around 100 million tonnes of CO₂ eq, not including RT-Mart China. Almost all of these emissions (97%) come from upstream and downstream activities.

Amongst these indirect emissions, 58% are emitted during product manufacturing and 28% during product use. During the manufacturing phase, the consumer products, industrial fresh products and traditional food sectors represent 85% of emissions. Meat-based products represent around 16.5 million tonnes of carbon equivalent on their own. During the product use phase, fuel sold directly by Auchan Retail represents a major impact (around 16 million tonnes).

The risks posed by climate change are systemic and must therefore be considered in all activities of the company, including and particularly the products that are sold. The main direct risks applicable to Auchan Retail are:

- the risk on company assets;
- access to credit;
- additional investment requirements;
- an increase in charges and taxes.

The due date of the risks varies greatly. If the additional investment obligations already affect the company, especially in its cold production systems, the physical risk on company assets is a more long-term risk.

To reduce its direct emissions, Auchan Retail and Ceetrus strive to reduce the energy intensity in their premises and the leakage of refrigerants, while adopting cooling solutions that are less harmful to the environment. Product sourcing is also reviewed, particularly to reduce the risk of deforestation, and thus reduce the greenhouse gas emitted when they are manufactured (see, Chapter 6.5, Customers).

Faced with ever increasing regulatory requirements and in line with its "Carbon -, Territory +" vision, Ceetrus introduced carbon assessments in each of the 10 countries where it operates. These were calculated based on scopes 1, 2 and 3.

In 2018, Ceetrus' total direct and indirect emissions amounted to 380,000 tonnes of CO₂ equivalent. These emissions were primarily scope 3, which account for 80% of Ceetrus' total emissions.

Three of Ceetrus' operations are the main sources of GHG:

- capital assets associated with new projects (112,000 tonnes of CO₂ equivalent);
- shopping centres' energy consumption (62,000 tonnes of CO₂ equivalent);
- customer travel to shopping centres (79,000 tonnes of CO₂ equivalent).

However, these amount break-downs vary considerably from country to country. This is mainly due to development projects generally being located in Central and Eastern Europe, the number of shopping centres, particularly in France, or high-carbon local energy mixes, particularly in Poland.

These carbon assessments are the first stage in the implementation of a climate strategy that is compatible with limiting global warming to 1.5°C. The study was also extended to an analysis of a number of sites in order to understand how these sites could sign up, in practical terms, to a low-carbon strategy.

To improve its understanding of the impact of climate change on its assets, Ceetrus also launched an analysis of the physical risks related to climate change. The aim is to improve buildings' ability to adapt to the changes under way and plan for risks during current and future projects.

Energy consumption GHG emissions per m ²					
<i>In kg CO₂ eq.</i>	Western Europe	Central and Eastern Europe	Asia	Total	
	Hypermarkets	76.03	238.39	263.27	213.77
Retail	Supermarkets	84.80	312.90	723.08	152.82
	Drive-throughs	21.92	-	-	21.92
Ceetrus		56.13	152.22	-(1)	92.21

(1) See Methodology section

Greenhouse gas emissions associated with energy consumption are, essentially, a reflection of the local electric mix, comprising more or less carbon, depending on the country and the energy intensity of the site. For this reason, GHG emissions from stores in Europe are much lower than in other geographical regions which have relatively similar levels of emissions per m² of surface area. This difference between regions has been all the more marked since the sale of operations in Italy.

GHG emissions per m ² resulting from refrigerant leaks					
<i>In kg CO₂ eq.</i>	Western Europe	Central and Eastern Europe	Asia	Total	
	Hypermarkets	40.03	120.38	65.35	73.10
Retail	Supermarkets	72.56	415.48	-	170.12
	Drive-throughs	5.82	-	-	5.82

Refrigerant refills were down 5.6%, or around 17.6 tonnes at constant scope (-14.9% and 52.2 tonnes at current scope). R404 is still the most widely used fluid, although refills have fallen, particularly in Europe. Refills of R448 and R744 were both up. These two fluids are used to replace R404 and allow for a significant reduction in GHG emissions due to having a lower GWP⁽¹⁾.

Changes in stores' carbon intensity					
<i>Evolution of GHG emissions per m², in%</i>	Western Europe	Central and Eastern Europe	Asia	Total	
	Hypermarkets	(27.8)%	(6.9)%	0.1%	(3.3)%
Retail	Supermarkets	(51.3)%	(10.5)%	-	(25.6)%
	Drive-throughs	(12.9)%	-	-	(12.9)%

Between 2018 and 2019, the stores' carbon intensity improved significantly due to a reduction in emissions of kg CO₂ eq. of 6.9%. At constant scope, carbon intensity was down 5.3%. The impact of the sale of the Italian stores, which were proportionally higher emitters of CO₂ than the rest of the store network (having a relatively high-carbon local energy mix and a high refrigerant leak rate), can be estimated at 1.6 percentage points. The carbon intensity of the stores was stable overall in

Asia (+0.1%) but improved greatly in Western Europe (-37.1%) and in Central and Eastern Europe (-8.4%). In European Union countries, the entry into force of new constraints relating to the F-gas regulation forced the company to prioritise new refrigerants in order to eliminate the fluids that are most harmful to the climate. This gradual refrigerant replacement campaign was also accompanied by the introduction of a leak detection system.

(1) GWP: Global Warming Potential

5.4 PARTNERS

By fostering balanced, lasting commercial relationships with their partners, Auchan Retail and Ceetrus make a point of involving them in achieving progress on the basis of mutual trust.

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.

DEVELOPING BUSINESS ETHICS

Making Ethics a Shared Business Topic

Auchan Retail's concern for ethical issues led to the creation of the first Ethics Committee in France in 1994. All countries, except Romania, now have their own Ethics Committees.

In order to reinforce its ethical approach, Auchan Retail has set up a Corporate Ethics committee, which met for the first time in October 2019. It is chaired by Marc Grosser, Human Resources, Transformation and CSR director and co-coordinated by Pierre Buchenschutz, General Secretary. It comprises the Corporate Internal Audit director, the General Manager Spain, a store manager who also chairs the Supervisory Board of Valfrance (employee shareholder fund), the Sourcing and Quality director in the Products and Flows Department, the Legal and Tax director, the Executive Officer of Foundations and Ethics Coordination and a qualified external person. Its task is to check the consistency between the company's values of trust, openness and excellence and its communications, employees and actions. This committee aims to deal with issues that go beyond the regulatory, legislative and legal framework. It will deal with societal issues and will nurture an approach that involves investigating broader issues that also affect product marketing.

The role of the national Ethics Committees is to:

- define the company's major ethical axes, in line with Auchan Retail's values;
- issue opinions and recommendations on ethical issues;
- offer training on specific topics;
- advise on ethical procedures to follow.

In order to establish and ensure the proper implementation of the company's ethical principles, several guidelines are available to the committees: the Auchan Holding ethics charter, the Daily Ethics Guide and the Auchan Retail Code of Business Conduct. These 3 tools were updated in 2017 under the Sapin 2 law.

The ethics charter is common to all stores in all countries and to all 2 companies. It sets out the ethical principles that guide Auchan Holding's relation with its employees, customers, partners, shareholders and its environment. It states its zero tolerance of all acts of corruption.

The Daily Ethics Guide is the implementation of the ethics charter in Auchan Retail. It is intended for all employees and illustrates, in the form of cartoons, all the behaviours to proscribe. The guide contains anti-corruption provisions into separate chapters.

The Code of Business Conduct is the implementation of the ethical charter for all Auchan Retail's partners. It is integrated in the general conditions of sale of the countries.

Moreover, an ethics coordinator is responsible for supporting the committees in each country in all the countries.

Ceetrus has rolled out the Auchan Holding ethics charter in the form of an employee code of ethics which has been sent to employees and signed digitally by them (except for those countries where constraints mean that electronic signatures are not possible and which therefore instigated a manual signature process). The code of ethics for employees provides a practical illustration of how the ethical principles should be applied. The situations are illustrated using concrete examples. A code of ethics for partners was initially distributed to lessees and will be extended to all of Ceetrus' partners.

Anti-Tax Evasion Policy

Auchan Holding wants to be a responsible company and citizen in tax matters; the company ensures compliance with its reporting obligations and pays taxes in all countries where it is present, in compliance with local and international laws:

- Auchan Holding has a transfer pricing documentation that accurately reflects its intra-group flows;
- in all cases, Auchan Holding refrains from setting up artificial or hidden arrangements and schemes that may lead to fraud or tax evasion;
- Auchan Holding has a real economic activity and/or a real decision-making centre in every country where it is present;
- finally, Auchan Holding has set up procedures in each of its host countries to verify and ensure that its suppliers are not involved in VAT fraud schemes.

Anti-corruption policy and compliance with "Sapin 2" Law

In June 2017, the law on "transparency, the fight against corruption and the modernisation of the economy" known as the "Sapin 2 Law" entered into force. Applicable to French companies and all of their subsidiaries in France or abroad, the law has led Auchan Holding companies to establish and develop an anti-corruption plan to consolidate the actions already in place and prevent corruption. The plan comprises the following major measures:

• the obligation for companies to establish a code of conduct

This requirement was implemented through the rewriting of Auchan Holding's ethics charter, common to the two companies but which has been implemented by them in different ways. Auchan Retail decided to transcribe the ethics charter in a Daily Ethics Guide for employees, and in a Code of Business Conduct, signed by each economic partner. Ceetrus deployed the ethics charter in a code of ethics for employees and a code of ethics for partners, initially distributed to lessees and that will be extended to all of Ceetrus' partners.

- **the implementation of an ethics alert system enabling employees to report acts of corruption**

In 2018, Auchan Retail and Ceetrus worked with third-party providers to set up an early warning system.

Auchan Retail has introduced an ethics early warning system, Whistle B, in order to reinforce the company's ethical approach. It aims to identify behaviour contrary to the Daily Ethics Guide in order to rapidly end it, sanction the person(s) responsible, if necessary, and avoid the repetition of the behaviour. This system also provides guidance to employees who have questions about how they should behave in specific situations. It is a supplementary system offered to employees which does not aim to replace other existing alert mechanisms, notably line managers, the Human Resources Department, Compliance director or compliance contact point and employee representative bodies. This system has been opened up to people outside of the company using the company's institutional website.

A "Whistleblowing" policy has been drafted to describe the procedures and conditions for collecting and processing alerts. In particular, it includes 11 alert categories with designated contacts depending on the subjects in question.

The system developed by Ceetrus has been entrusted to a service provider certified for compliance with the standards; it provides the platform's hosting, encryption and guarantees data storage and confidentiality. The servers fulfil the requirements in all of the countries where Ceetrus operates.

The "speakup.ceetrus.org" platform enables alerts to be launched or advice or answers to be obtained. Alerts are confidential and meet the requirements of all operating countries. Response times are 48 hours for alerts, advice or information requests. The platform is now open to third parties, and also holds all of the company's ethics documents for consultation. Only one Ceetrus contact point currently has access to the alerts: the Compliance director who is responsible for reporting processing times and responses provided to the Ceetrus Audit Committee. Since the first half of 2019, over 1,700 visits have been made to the platform by a potential audience of 900 employees.

- **drafting corruption risks map**

To meet this obligation, work on risk mapping and the drafting of action plans was initiated in each country where Auchan Retail is present. A summary of the corruption risk mapping was presented during the first meeting of the Compliance Committee in June 2019. The management of country corruption risk mapping is now the responsibility of country compliance officers who update it annually and monitor the related mitigation plans.

For Ceetrus, the corruption risk mapping was entrusted to Internal audit which has reinforced its approach to corruption risk. The Audit Department is also responsible for regularly updating the map and reporting to the Audit Committee.

- **the establishment of evaluation procedures for customers, suppliers and intermediaries**

To defend Auchan Retail against corruption and fraud, different players must carry out controls and checks at several levels, notably based on the risk mapping, in order to decide whether or not to enter into, continue or end a relationship with a third party. In various cases, in-depth checks or even inquiries must be initiated, possibly by contracting external experts. These improved checks, whether carried out either internally or externally, are named "due diligence". Due diligence is all of the checks that a purchaser must carry out before a transaction, listing, partnership or a significant purchase, to gain accurate information about the situation of an individual or legal entity before making a commitment.

Auchan Retail has chosen to use the international data aggregator, "Bureau Van Dijk". In addition, Auchan Retail has set up an organisation sorted by country or by community of countries: the economic security function, which includes analysts trained in the production of due diligence.

A new version of the business security handbook was reworked in 2019, and published and distributed to all players on 7 January 2020. Its purpose is to set out the overall approach of the Auchan Retail International Security department. Countries must comply with this handbook and Internal Audit will also use it as a guide to assess the degree of control that the company exercises in the choice of its suppliers and third parties. The handbook provides for three levels of control: NV1, NV2 and NV3.

Depending on the risks established by the mapping or during specific operations, reinforced controls or checks by third parties are carried out. These are entrusted to certified or approved external third parties.

- **training of managers and staff most at risk of corruption and insider influence**

Auchan Retail and Ceetrus have co-developed a MOOC for all employees to raise awareness of corruption issues through an educational variation of the "everyday guide to ethics"; this training is compulsory for all employees. The training was deployed in a consistent way for both companies in 2019.

Specific training for the most exposed managers and employees has been developed by an Auchan Retail working group and will be made available progressively in all countries. Auchan Retail has defined the people most exposed to the risks covered by this training as its target audience. These include members of the management committees, the Head of Legal and Tax, the Technical director, the Head of Accounts, the Management Controller, the CSR Manager, the Head of Quality, Head of Purchasing and the Head of Safety and Security. As a result, in 2019, over 243 people were trained on this module specifically for the most exposed people.

During the launch procedure for the reinforced ethics strategy, Ceetrus sent an online self-evaluation game to all employees (989) in every country in order to assess points for improvement relating to 4 key issues including corruption.

Training for the most at risk employees was provided for the legal, ASSET and marketing departments and members of the management committees. A presentation of the employee code of ethics was made to the Board.

• monitoring and internal evaluation of implemented measures

Monitoring and evaluation of the implementation of the Sapin 2 law measures are effective in all 2 companies.

At Auchan Retail, this monitoring is carried out by a multi-disciplinary steering committee and the Internal Audit team which carries out compliance audits. An update of this control will be proposed each semester in the Sapin 2 committee. It should also be noted that in 2019, the Corporate Compliance department drafted a gifts and invitations policy. After approval, it was circulated to the Executive Committee, Country management companies and Products and Flows Department, corporate/country Heads of Legal and Tax and the Corporate Ethics coordinator on 27 May 2019. The document is also available to everyone on the internal Risk & Compliance site.

For Ceetrus, controls and assessments are carried out by Internal Audit which reports directly to the General Manager. Several times per year, feedback on progress is made to the Audit Committee and, if applicable, the Compliance director is invited to make a report.

Consideration of the interests of stakeholders

Since every country is different and has different types of stakeholders, the priority is given to local analyses. All entities across the company welcome feedback from their customers, employees, associations, etc.

In Portugal, Auchan Retail drew up a mapping of its stakeholders according to the AA 1000 criteria. Several hundred representatives of its stakeholders (employees, customers, suppliers, unions, government agencies, technical communities, local communities, the media, etc.) were given the opportunity to make their views known on the company's main CSR initiatives allowing the company to assess the importance they attach to different themes (economic, environmental and social), integrated into the GRI⁽¹⁾. The latest consultation was carried out in May 2019 when 2,078 responses were received from customers, suppliers, NGOs, local partners and a government agency.

In Spain, Auchan Retail is focusing on a policy of dialogue that takes into account the classification of stakeholders according to their link with the company. It meets with different interest groups in order to promote shared value creation, for example, on the issue of sustainable fishing with the SFP organisation and fish suppliers, as well as with farmers in the Community of Madrid, public authorities, other companies in the sector, customers and employees.

In addition to global measures, Auchan Retail France offers a territorial approach to all of its sites by providing them with a toolbox enabling them:

- to analyse store practices according to Auchan's four strategic CSR pillars: quality of life at work, healthy food, responsible offer, environment and solidarity;
- to better understand the local environment and its key players;
- to choose the themes that need to be anticipated and the actions that need to be implemented;
- to act (sharing of good practices, action plan model, project support from the CSR Department) and to communicate.

The Roncq hypermarket was able to organise its first "stakeholder" meeting in 2019 thanks to these tools.

Ceetrus also regularly includes its stakeholders. They were involved, for example, in the drafting of its new CSR strategy. A qualitative questionnaire was carried out with around thirty interviews of stakeholders including managers, shareholders and external experts. A second qualitative survey was conducted with over 720 stakeholders, allowing the company to prioritise its issues. All contacts were invited during the co-drafting of the strategy in Amsterdam.

At a local site operational level, regular meetings are organised with retailers to jointly consider life in the centre. In Spain, for example, on the El Ventanal de la Sierra and Zenia Boulevard sites, tenant satisfaction surveys are carried out every year to understand their interests.

In Poland, the "Good Neighbour" programme enables views of stakeholders in the centres to be heard and discussed. This programme also responds to the needs of local communities by focusing on:

- culture and science, i.e. cultural events - theatre performances, artistic workshops, reading campaigns and educational meetings;
- regional events to promote the region's tradition and culture;
- health and safety, i.e. events that pay specific attention to customers' health and safety;
- the environment, i.e. initiatives to encourage customers to adopt eco-friendly approaches;
- sporting and fun events to encourage people to adopt an active approach to their free time, and entertainment events.

PROMOTING VALUE CREATION THROUGH ACCOUNTABILITY

Developing responsible purchasing policies through the internationalisation of supply

For 20 years, Auchan Retail has continually improved its purchasing policies. A CSR Department and a CSR Committee were set up in late 2016 to ensure that every relevant employee in the different countries and each member of Auchan Retail's international procurement team (Products and Flows Department) is familiar with the company's responsible sourcing policies.

Responsible Purchase Training

In 2013, Auchan Retail put in place a responsible purchasing training for a large audience: purchasers, product managers, negotiators, quality control engineers in all countries, and members of the Products and Flows Department, especially sourcing⁽²⁾ offices. Updated in 2019, its purpose is to help participants identify the main rules applicable in their profession, to implement the procedure and steps of referencing and dereferencing suppliers (social, economic and quality criteria, audits including those aimed at identifying cases of undeclared subcontracting), and to adopt the appropriate postures on topics that fall under CSR. This year, it notably incorporated an awareness-raising course on the Sapin 2 law and the duty of vigilance.

This training is provided to all purchasing office employees, in all countries, and employees that work within the Products and Flows Department.

(1) Global Reporting Initiative.

(2) The CPD has three sourcing offices, two in China and one in Bangladesh.

Labour and quality-related auditing

In addition, the responsible purchasing approach incorporates quality requirements and social criteria from supplier referencing. Suppliers are therefore audited before they can be listed.

- Number of social audits carried out in 2019: **1,127**
- Number of internal quality audits carried out in 2019: **341**

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 practice(s) (physical punishment, harassment, etc.);
- non-compliance with minimum wage levels or non-payment of wages for 2 consecutive months;
- evidence of infrastructure failure(s);
- security problems (if 2 of the following 3 problems arise: fewer than 2 fire exits per floor/less than 1 smoke detector, 1 fire alarm and 2 fire extinguishers per floor/unsafe electrical fittings – this is relevant to: production buildings and any living/sleeping quarters;
- use of sandblasting⁽¹⁾
- home-working⁽²⁾;
- 2 consecutive refusals to submit to an audit;
- document forgery;
- corruption cases.

Factories cannot be listed if one or more of these elements is identified. Those that are already listed are de-listed. In 2019, 6 sites were de-listed due to serious cases of non-compliance

Environmental auditing

In 2019, 18 environmental audits were carried out. These audits were conducted according to ICS (Initiative for Compliance and Sustainability) environmental audit guidelines. Their purpose is to execute a precise control, ensuring compliance with certain environmental standards by Auchan Retail suppliers, following their referencing.

These audits make it possible to check in particular the conformity of the factories with regard to:

- environmental management system;
- energy consumption;
- water consumption;
- used water treatment and effluent;
- emissions release into the air;
- waste management;
- pollution prevention and hazardous and potentially hazardous substances;
- emergency response management.

In 2019, these audits were performed on factories of partner textile suppliers in China, Vietnam, Indonesia and Cambodia. They highlighted failures in terms of waste management and water treatment. Action plans were implemented in 2019 and will continue in 2020 to eliminate the discrepancies identified. The time period granted to suppliers to implement these action plans depends on how critical the identified discrepancies are. The aim is to address non-compliance within a time period that is acceptable for Auchan Retail and attainable by the partner.

Increased traceability on manufacturing sites

Traceability improvement on manufacturing sites is a major objective of Auchan Retail's purchasing policy. The company ensures that it can trace its suppliers' production in order to guarantee manufacturing conditions.

NUMBER OF ACTIVE SUPPLIERS AND ACTIVE SITES

Number of active suppliers managed by the sourcing offices	499
Number of active sites managed by the sourcing offices	1,088

NUMBER OF ACTIVE SITES MANAGED BY THE NON-FOOD SOURCING OFFICES

Textiles	381
Household equipment (electrical/electronic goods)	161
General merchandise	661

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.

In 2019, 1,212 random production checks were carried out. The purpose of these checks is to verify that the products concerned are manufactured at the factory declared by each supplier.

(1) Technique used to give jeans a worn look.

(2) Off the production site.

In 2019, one case of a proven, unreported subcontractor led to the immediate de-listing of the supplier in question.

Plan to combat opaque outsourcing: review to date

In order to reinforce the control approach adopted for nearly 20 years, the DPC entered into a voluntary commitment in 2013 to combat the opaque outsourcing of the textile industry and focusing on 8 areas:

- strengthening the formal definition of commitments;
- improving audit effectiveness;
- strengthening sanctions;
- intensifying and generalising training;
- improve the system's flow by developing an internet portal;
- develop a policy of partnership with strategic suppliers;
- implement monitoring;
- regularly communicating on the progress with this policy.

In the past 5 years, this plan has, in particular, allowed us to:

- extend the plan to all non-food segments (Textile – Hardlines – EGP);
- link every order to a manufacturing site;
- identify all (tier 1) supplier factories;
- perform quality and labour-related audits at all tier 1 factories;
- gradually introduce random traceability checks;
- begin environmental audits (2018).
- reorganise the sourcing offices (China and Bangladesh) by constituting a compliance team comprising: 1 Head of Compliance officer in France and 3 Compliance Managers (France, Bangladesh and China).

This demonstrates that the plan to combat opaque subcontracting has enabled an effective risk management method to be implemented. The actions to support this plan will be reworked in 2020 by the Duty of Vigilance Committee (see Chapter 2.3).

Adhering to progress initiatives

Aware of the importance of collective work to sustainably change the social, societal and environmental practices of production methods, Auchan Retail participates in several international programs.

Global compact

With the support of its French, Spanish and Polish subsidiaries to the United Nations Global Compact since 2004, Auchan Retail has been committed internationally since 2011. The Global Compact brings together companies, organisations, UN agencies, the labour market and civil society around 10 universally recognised principles for building more stable and inclusive societies. As a framework of voluntary commitment, an international benchmark, a platform for action and exchange, Global Compact is the largest global initiative in the field of social responsibility with more than 13,000 participants in 170 countries. In 2018, Auchan Retail joined the GC Advanced club which corresponds to the highest level of reporting of the initiative and consists of a space for dialogue, reflection and collective learning to move forward together in the implementation of 21 criteria.

Initiative for Compliance and Sustainability

In 1998, under the aegis of the French trade and retail federation (Fédération du Commerce et de la Distribution), Auchan Retail and two other retail chains created the ICS (Social Clause Initiative). 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.

In 2018 the ICS changed its name to "Initiative for Compliance and Sustainability". The number of ICS members increased from 37 in 2017 to 45 in 2019.

This exchange platform enables member retailers to work on the basis of a methodology and a common repository of social audits, accessible to all its members. Retailers share best practices and the results of checks to avoid redundant audits at the same site.

	2019	2018	2017	2016
Auchan Retail's suppliers factories audited by other leader brands	23	285	74	42
Audits mandated and conducted by Auchan Retail	116	95	127	151

AMFORIri BSCI

The AMFORI BSCI system is based on a shared code of conduct and provides a step-by-step approach allowing companies to place sustainable development at the heart of their businesses:

- by committing to their commercial partners and by monitoring their social performance;
- by promoting autonomy and receiving support.

The AMFORI BSCI code of conduct is inspired by the principles established by the International Labour Organisation (ILO), the United Nations Universal Declaration of Human Rights, the United Nations Global Compact and the OECD guiding principles for multinational companies. In joining the BSCI, its members undertake to ensure that their suppliers are incorporated in the BSCI process. In turn, the suppliers of BSCI members undertake to comply with the BSCI code of conduct and are subject to relevant audits. In parallel, they benefit from training programmes to help them succeed in their efforts.

Auchan Retail renewed its commitment to ethics and social conditions by signing up to the AMFORI BSCI system in January 2019.

Fire and Building Safety Accord

Practice has shown that social conditions in manufacturing are not the only area of concern where extensive controls and improvement plans are required. In this sense, in May 2013, Groupe Auchan decided to join the Fire & Building Safety Accord to co-finance building safety audits, shared with the other 200 member companies. In 2018, Auchan Retail signed the second version of the Accord, which came into force in May 2018 for a period of 3 years.

This was accompanied by the ILO to continue the process it initiated. In this way:

- factory safety and compliance audits has continued;
- the notions of health and freedom of association have been strengthened.

This new phase of the Accord was developed as part of a continuous approach that constitutes a transition period prior to transferring monitoring to a national authority.

For Auchan Retail, its participation translates concretely into closely monitoring 23 factories where the company is the lead brand⁽¹⁾ and in supporting them in following up their action plans.

At the end of 2019, 94% of the initial instances of non-compliance revealed through audits have been resolved. The remainder is due to delays in validation by the competent bodies (necessary step to start the works), decisions to relocate factories in new buildings, as well as the time required for completion of all remediations. (especially in factories that have just joined the Accord).

Fashion Pact

On 24 October, Auchan Retail signed the Fashion Pact and joined the global coalition of 56 companies in the fashion and textile industry, committed to a common core of major environmental goals in three areas: stopping global warming, restoring biodiversity and protecting the oceans; The Fashion Pact was initiated during the G7 summit in Biarritz on 26 August 2019.

CULTIVATING A LOCAL VISION OF CORPORATE RESPONSIBILITY

Prioritising local sourcing and developing sustainable partnerships with SMEs and small producers

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. They 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 smaller carbon footprint.

This is a win-win contractual relationship in that it ensures Auchan Retail's partners a satisfactory level of visibility, commitment and profitability, and allows both parties to reduce intermediary costs and margins. In order to facilitate the commercial process, Auchan Retail Russia, Auchan Retail Poland, Auchan Retail Spain, Auchan Retail France, Auchan Retail China, Auchan Retail Ukraine, Auchan Retail Romania, Auchan Retail Luxembourg and Auchan Retail Hungary implemented procedures adapted to these suppliers in order to simplify discussions, gain time with product listing and reduce the associated costs.

Dedicated in-store events are often held to promote local products. Auchan Retail Poland has worked on this cooperation with local suppliers over the last few years by organising an annual "Regions" event. The growth of these suppliers has enabled dedicated in-store "local" areas to be created in (for cheese and workshops in particular). Ranges are also built around these products with a 15% share being set for local products in certain product categories. In Ukraine, the "farm products" project was launched in 2018 in 3 Kiev stores, leading to the signature of 25 contracts with local farmers and the promotion of 375 farm products displayed in a dedicated corner in 2019.

Auchan Retail Spain works specifically to integrate local products in the national portfolio and, in 2019, notably offered seaweed harvested by a local company, Algas La Patrona, in all hypermarkets. Five varieties harvested by hand are offered for sale. Algas La Patrona ensures the judicious harvesting of the different species in order to preserve the viability from an environmental viewpoint. This new range of healthy, local products meets Auchan Retail's need to distinguish itself through a diversified food offering, in line with emerging consumption trends. From 9 to 22 May 2019, hypermarkets in Madrid and its region showcased local specialities with "Alimentos de Madrid", a sales event renewed for a 14th edition, in partnership with ASEACAM, the Madrid Agro-food Industry Association. At this event, almost 200 items from 38 regional companies were added to Alcampo stores items. The launch ceremony for the "Alimentos de Madrid" event was marked by a cooking demonstration in the La Vaguada hypermarket, in which two chefs worked on enhancing local products.

In addition to listing local suppliers directly in stores, Auchan Retail France recently added buyers in the central purchasing department who are specifically responsible for listing regional products. In 2019, this "local suppliers" approach led to a collaboration with over 2,200 local suppliers representing €150 million in hypermarket and supermarket purchases directly delivered by suppliers. On 6 September 2019, for the fourth consecutive year, Auchan Retail France recognised SME members of the French Enterprises and Entrepreneurs Federation (Fédération des Entreprises et Entrepreneurs de France). The products recognised were showcased in the stores to allow customers to make more responsible and meaningful purchases.

In China, Auchan Retail promotes the listing of new suppliers by supporting them in reducing supply costs and by offering opportunities through commercial operations. Support is particularly provided for food safety by communicating the latest applicable laws and regulations and by contributing to simplified listing procedures.

In Russia, 8 regional supplier days were organised in 2019 to develop partnerships with local producers. In total, 232 small suppliers took part. At Rostov-on-Don, the Orbital hypermarket extended its customers' shopping route beyond its walls by inviting regional producers to sell products in its car park. This also enables the hypermarket to source potential suppliers for local products at the same time.

(1) A firm that is leading the audit work on the other companies' behalf.

In 2019, Auchan Retail Hungary organised 3 forums with local producers, in collaboration with the National Chamber of Agriculture and the Hungarian Products Council with the aim of defining an easier, direct relationship with suppliers. Lastly, in 2019, Romania organised a "farm producers' festival" for the first time in 5 of its stores.

Promoting fairer trade

To show just how committed it is to promoting good, healthy, local products, Auchan Retail has undertaken to open new responsible sourcing channels each year. For 2019, Auchan Retail set itself the target of reaching 500 sourcing channels worldwide and thus contribute to providing a unique, optimised food offering at the best quality/price ratio. To ensure a common set of requirements, four pillars have been defined:

1. **customer satisfaction**, with guaranteed origin and traceability;
2. **respect for the environment**, with production methods that aim to protect our resources;
3. **a societal commitment** by adopting an approach that respects the individuals that make up the sourcing channels (**employment, equity, sustainability, regions...**)
4. **and an economic** commitment through a profitable and sustainable approach for sourcing channel players with an accessible price for consumers.

In line with these four pillars, Auchan Retail Poland offered Jurassic Salmon products and Puławy pork for sale: two regional specialities for which the store is the only national retailer. The offer of specialist products was enhanced in June 2019 with new items: cherry tomatoes, lettuces, eggs and chicken.

In October 2019, Auchan Retail France developed 12 new speciality products and now has 115 such products. Fruit and vegetables, meat and poultry, charcuterie, fish, cheese, dairy, delicatessen, bread and grocery: all these categories include these new speciality products. In certain cases, such as for Pays d'Oc lamb, the recognition of a product already in store as a speciality product recognises the suppliers' exemplary approach and compliance with strict specifications.

5.5 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.

COMMITTING TO CUSTOMER HEALTH

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.

As part of its 2025 corporate vision, Auchan Retail intends to "campaign for good, healthy, local products". Its ambition is to position the Auchan brand as an ally for customers' well-being and healthy living. This ambition was reaffirmed in 2019 in the "Auchan 2022" corporate strategy.

As it develops an in-store food and catering service, Auchan Retail plans to offer a range of healthy or balanced meals to customers who are concerned about the impact of nutrition on their health. It also aims to raise awareness among those who are less concerned by featuring healthier alternatives.

Through its "Auchan 2022" corporate strategy, Auchan Retail's intention is to be a retailer committed to the planet and it supports the objective of promoting good food, notably through the systematic use of nutritional labelling for Auchan brand products in all countries in which it operates. Auchan Retail France already committed in 2017 to adding the Nutri-Score⁽¹⁾ to the packaging of all of its own-brand products. For our drive-through offering, 100% of the more than 6,000 Auchan own-brand items are presented with the Nutri-Score and information. More than 2,000 own-brand products sold in-store carry this information on their packaging (i.e. more than 30% of the private label offering). Auchan Retail Portugal also adopted the Nutri-Score in 2019 for its own-brand products: 600 Auchan brand products carry the Nutri-Score label in store and 1,400 products online. This system is designed to help Portuguese consumers make conscious decisions about their nutrition.

In addition to improving information for customers, Nutri-Score also encourages food manufacturers to constantly improve their recipes to make them better balanced. In addition to the recipe improvement process for own-brand food products run by the Auchan Food Production teams, the Nutri-Score is a selection criterion when considering bids for tender, given equivalent taste, cost and properties.

Auchan Retail is also committed to working to eliminate or substitute controversial substances in all its operating countries depending on the level of market and its suppliers' maturity. An international list was defined as a common and minimum core for all Auchan Retail countries; it is updated as required by the international quality line. Countries can add local requirements according to their context and level of maturity on these issues.

In this respect, it should be noted that Auchan Retail France continues its work to reformulate the recipes of its own-brand products. Auchan Retail France monitors and regularly updates a blacklist of 65 controversial substances classified in 4 categories:

1. prohibited;
2. to be removed rapidly;
3. to be removed by 2023;
4. to be monitored.

This guides the teams when reformulating recipes for own-brand products and stands. In 2 years, over 400 recipes have been reviewed or removed to eliminate 64 substances such as hydrogenated fats, glutamate, azo dyes, titanium dioxides, etc.

Moreover, knowing how much the quality of ultra-fresh children's products counts for families, Auchan Retail France has reviewed the recipes of most of its children's yoghurt and desserts. For some of them, sugar was reduced, for example -19% for small fromage frais pots with fruit or -15% for drinking yoghurt. Additives were also reduced in the caramel of caramel-topped custards. Flavourings are now of 100% natural origin for all products in the range along with a majority of the colourings used in desserts. Lastly, since summer 2019, Auchan Retail France offers 3 new products in the "and nothing added" range, an additive-free selection with simple recipes, that aim to be "like home cooking". Two ice creams, vanilla and coffee, and a raspberry sorbet come under the quality improvement approach that Auchan Retail France adopted 10 years ago for its private label products.

At Auchan Retail Spain, a project to eliminate palm oil or replace it, if this is not possible, by palm oil from RSPO certified sustainable development, was carried out for 150 own-brand product items. For customers with food intolerances, the gluten-free product assortment has been enlarged. It now comprises 1,659 items including 228 own-brand products. 424 lactose-free products are on sale, including 13 own-brand products. Quality is also a fundamental aspect of Auchan brand products, with 13,700 quality controls carried out in Spain in 2019 on fresh and own-brand products.

Considerable work was also carried out in 2019 by Auchan Retail Poland on its bakery offering. 25 bread items and 23 pastry items were reviewed, notably to eliminate or reduce palm oil and margarine. The charcuterie and self-service departments took part in this higher meat content products project: "100 grams of product = 100g of meat" without colourings, preservatives, phosphates, artificial colourings and monosodium glutamate.

(1) The Nutri-Score system is based on a 5-colour scale that goes from green through to red depending on a food's calorie content per 100 grams, 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.

In-store catering is a strong trend that has developed in numerous stores. Auchan Retail is exploring this concept with several test stores in Romania, Spain, Russia, Luxembourg and France. France already has around twenty stores equipped with kitchens. The principle is simple, the meals are prepared in-store, with selected, quality ingredients, from recipes designed by catering professionals. The meals are provided to customers for on-site or takeaway consumption. In the longer term, the aim is for these kitchens to widely use responsibly sourced products in the recipes prepared by in-store chefs in order to offer meals that combine nutritional and taste quality with environmental and social objectives.

> SPECIAL SECTION

Increasing the naturalness of fresh products

Naturalness for most consumers implies an absence of "chemicals". Consumers are attentive to the composition of food and favour those without artificial ingredients (preservatives, additives, artificial colourings, etc.). They also look to avoid products from biotechnologies, GMOs and the use of pesticides and herbicides in agriculture.

Acting on naturalness requires significant support for farmers, producers, and suppliers who lies at the root of the hoped-for changes of method.

Organic agriculture products are being developed 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's Zenalco international fruit and vegetables buying centre, based in Spain, distributes around 300,000 tonnes of products from 27 countries to Auchan Retail's European countries each year. Zenalco continues to expand its pesticide-residue free product items. Pesticide-residue free products mean products cultivated such that, at the time of sale, no residues are present in the product. The products are not sold at higher prices than the rest of the so-called standard range. At the end of 2019, over 49,500 tonnes and 66 items that are sold in Auchan Retail stores, or one in five kilos of fruit and vegetables are sold pesticide-residue free, representing almost 70,000 litres of pesticides eliminated from the food chain. The target set for 2020 is 65,000 tonnes for 80 items.

In the longer term, Auchan Retail's target is to replace conventional product items from the specialist fruit and vegetable chains with "zero residue" products.

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.

> SPECIAL SECTION

Offering healthy and safe products

In the food sector, quality is a worry that has always been at the heart of consumer concerns. The term "quality" in a food product context refers to several aspects: nutritional, health and organoleptic quality. The food sector acts on these three key components of quality. At the end of the 1990s, a succession of health crises undermined consumer trust in food product safety. To regain this trust, the European Commission carried out a significant overhaul of community legislation. Despite these regulatory changes, consumers are more and more demanding, wherever they live, about the health quality of products.

At the same time, the increase in obesity and number of people overweight has reinforced consumer demands with every aspect of nutrition. Today, in the food sector, quality is a key component of company strategy and a decisive element in consumer choice.

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 Retail 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.

In-store food safety inspection procedures have been implemented in all countries to ensure compliance with food hygiene best practices. The international FSQS standard in which Auchan Retail was a founding player involves checks on compliance with food hygiene procedures, the cold chain, and the verification of best-before dates. All countries where Auchan Retail is located have adopted procedures based on these guidelines, with the exception of Hungary which uses another tool. All stores are ranked according to their quality performance on a national level. This ranking enables stores to make comparisons, driving them to continuously improve their quality in order to improve their ranking.

During "quality day", Auchan Retail Ukraine opened its hypermarkets up to customers for the second consecutive year. 200 customers were invited to explore behind the scenes in the catering trade. An encounter with employees enabled them to share their way of working in compliance with the quality procedures implemented by the company. For this, all benefit from specific HACCP training which enables them to acquire the skills for optimal hygiene that complies with regulatory standards.

On 11 December 2019, Auchan Retail France and 56 mass market players signed a manifesto calling for greater transparency on product origins. All agree on the need for greater transparency and for the origin of ingredients to be shown in order to provide French consumers with the transparency they demand. Auchan Retail France thus reconfirmed its position on this issue. As early as 2016, with the aim of meeting legitimate consumer concerns about transparency and high expectations by French farmers, Auchan Retail France undertook to provide transparency on the origin of 100% of Auchan own-brand transformed products. The packaging of over 2,000 items was redesigned to provide a precise indication on the origin of the animal-based ingredients

MEETING NEW CUSTOMER EXPECTATIONS

In order to provide a suitable, responsible response to its customers, Auchan Retail with the support of the *Institut des Mamans* (Mothers' Institute), carried out an international study, during the first quarter of 2019, with the aim of defining Auchan Retail's CSR positioning for its customers. The *Institut des Mamans* went to meet French, Russian, Spanish and Polish people to discuss the main themes that carry meaning for families. Families (fathers, mothers and children) were interviewed and observed at home about CSR issues and families' expectations regarding CSR. The first conclusions are:

- "having healthy food" is a priority for families;
- the issue of waste is classified in the top 3 concerns by more than 4 in 10 parents;
- the families consider that it is important to combine benefits for the natural world and human health;
- energy savings are in the top 3 expectations of families, for the personal financial gain.

This study enabled Auchan Retail to confirm that the actions implemented meet its customers' expectations and also to define new objectives.

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, lactose-free, salt-free, sucrose-free, vegetarian items, etc.

Auchan Retail is also working to make products accessible 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 widespread Braille labelling for its own-brand products. Over 2,000 references are offered in France and over 600 in Portugal, Spain and Romania. 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.

The noise that is associated with shopping may be tiring for people with autistic spectrum disorders, and may even cause real suffering. High-pitched sounds and bright lights make store trips extremely difficult or even impossible. Since April 2019, Auchan Retail Poland and the Ceetrus shopping malls offer silent hours during which the lights and music are reduced in order to make them accessible to shoppers that would previously not have been able to go. This project was initiated in cooperation with the "Give me time" association that works with autistic children and that obtained the Auchan Foundation Grant Competition subsidy in 2016.

Auchan Retail Spain makes its payment points accessible to people with reduced mobility in six of its Alcampo hypermarkets. Thanks to ergonomic checkouts that include an electrical mechanism enabling the counter height to be adjusted on the push of a button, access to the conveyor and the chute is now facilitated. These checkouts add to the other accessibility solutions already provided for customers with reduced mobility or disabilities, such as trolleys adapted to wheelchairs, a video interpretation system for sign language and signs with pictograms for children with autism.

Recognising that pedestrian city centres and parking difficulties make urban mobility complicated, in June 2019, Auchan Retail Luxembourg created "Leave & Go", a home-delivery service, to relieve customers from transporting their purchases, which is a major irritant for city centre shopping. Once customers have paid, they entrust their food purchases, including frozen goods, to the store's teams, who then deliver them within the day, at the time and address of the customers' choice. Lastly, the electric scooters used to deliver the shopping are silent and greenhouse gas free, responding to the environmental concerns that customers pay attention to.

Protecting the personal data of customers and employees

Ensuring personal data protection for Auchan Retail's customers and employees is a major legal, reputational and commercial issue. To ensure protection, Auchan Retail has set up a decentralised organisation. Each country has a Data Protection Officer (DPO) who locally coordinates data protection and for European Union countries, the application of the European General Data Protection Regulation (GDPR). A Corporate DPO ensures the coordination of the actions carried out in the different countries, and is responsible for presenting a half-yearly report to Auchan Retail's Management Committee. Other bodies have also been created to ensure governance of data protection at the international level, including a Strategic Committee, a Steering Committee and an Operations Committee.

An international community which brings together all the country DPOs meets once a month to deal with current news, discuss good practices and share feedback. Some countries lead on particular subjects, benefiting from significant experience to ensure better diffusion of knowledge and experience.

As part of the work of these different bodies, a roadmap was prepared within each country to ensure the deployment of tangible actions. Amongst the actions being implemented:

- the updating of contracts with partners and sub-contractors to list the customer data concerned by data exchanges, transfer procedures and recipients;
- the preparation and dissemination of an e-learning module for people required to manage the personal data of customers, employees or partners. To date, 25,575 people have been trained;
- the use of 2 tools to reinforce digital security as part of calls for tender/project management and to ensure data protection;
- use of the "Payment Card Industry Data Security Standard" (PCI DSS) which aims to protect all customer bank details. The aim is "zero customer bank cards in information systems".

Promoting responsible consumption

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

For the second consecutive year, Auchan Retail France partnered with Danone for a sustainable agriculture initiative. This activity took place from 16-20 October in all points of contact in France. For every purchase of an Auchan "committed to responsible sourcing for you" product or certain Danone Group brands, 10 euro cents were donated to actions to promote sustainable agriculture. In parallel, customers and employees were invited to vote for a project that will be supported on the auchan.fr website from the 19 projects presented by Auchan Retail France and Danone. These projects are based on three major areas:

1. Actions to promote organic agriculture;
2. Protection of soil and biodiversity;
3. Animal welfare

In 2019, Auchan Retail Spain broadened its offering of Auchan Production grapes with two new grape products from the Murcia region, in south-east Spain. They are sold in a container made of mixed and biodegradable wood paste. This container is heat-sealed, which is an eco-design measure to optimise recycling by ensuring that the plastic can be easily separated from the rest of the packaging, thus facilitating its recycling.

In the non-food sector, the InExtenso (fashion), Cosmia (hygiene and beauty), Qilive (technological products) and Actuel (decoration and household products) brands have committed to providing accessible products. InExtenso, Auchan's textile brand, makes textiles accessible to the greatest number of people thanks to its new "eco-friendly" jeans collection. Comprising six models (men, women, children and babies), available since September 2019 in stores in seven countries at attractive prices, this collection carries the brand's responsible commitments on:

- zero waste and reduction of plastic;
- water conservation;
- recycling.

With this collection, the whole production process was redesigned to include 20% recycled cotton for the whole range (30% of recycled polyester for girl's jeans), save 40% water and consume less energy. Part of the range is also offered as "raw jeans" to avoid washing and water consumption, whilst the other is pre-washed with ozone and lasers. The accessories (buttons, rivets and zips) have metal colouring without substances that are harmful for the environment and require lower water consumption. The zip braids are in recycled polyester and the brand labels are created from denim offcuts. The pockets are in organically farmed cotton, whereas the brand labels and prices are in FSC labelled paper with instructions on how to maintain and keep the jeans longer. Lastly, the store hangers are made from cardboard to reduce the use of plastic. In all, 100% of the jeans and their in-store marketing environment have been eco-designed or take the impact on the planet into consideration. This momentum is in line with the approach initiated by the signatories to the Fashion Pact.

In the area of hygiene and beauty, Auchan has extended its Cosmia brand with two Organic ranges, one for adults and one for babies. Thus, the brand proves its commitment to designing a unique, reassuring offering that contributes to improved well-being and preserving biodiversity and resources. Available in all points of contact in eight European countries, these 15 new Cosmia bio products obtain scores of between 79 and 100 on the Yuka application. For babies, the Cosmia bio Baby range contains no controversial substances. It covers all little ones' needs: 2 in 1 cleansing gel, hydrating cream, liniment, wipes and cleansing water. The Cosmia bio range is also committed to the environment with specific attention paid to packaging design and reducing plastics. Most products contain a minimum of 25% of recycled plastic and up to 100% for the baby cleansing water. The cardboard boxes come from responsibly and sustainably managed forests and comprise 80% of recycled paper.

Actuel, Auchan's decoration and household products brand, made a series of commitments in 2019 and now has an eco-friendly tableware range. This initiative foreshadows French regulations that will prohibit the sale of plastic disposable tableware in 2020. This tableware range is notable for the following characteristics:

- the plates and bowls are made from sugar cane residues;
- the cardboard cups are covered in a compostable biosourced film;
- the wood for the cutlery comes from sustainably managed forests.

Lastly, these products, in addition to being environmentally friendly, are also designed to meet customer expectations: rigid, solid, water and fat resistant and usable in microwave ovens.

When its CSR strategy was co-written with its stakeholders in 2019, Ceetrus undertook to implement a responsible offering in its shopping centres. Work is on-going to identify the best offering and best operators. A first test is on-going in the Roncq shopping centre in France with the "Bouquinerie du Sart". This social enterprise offers a free collection service for second-hand books, CDs, DVDs, video games and vinyl records in order to give them a second life. The "Bouquinerie" provides employment for homeless people currently accommodated in accommodation centres in the Lille area. The aim is to help people to bounce back thanks to their new work and gradually support them in moving towards an independent housing solution. It employs six people on the Roncq site and has begun to think about diversifying its in-store second-hand offering to other products.

> SPECIAL SECTION**Understanding animal welfare issues**

The idea of animal welfare seems to be one of the many influences that civil society has on the world of farming. Although this is an expression of how consumer expectations are taken into consideration by law-makers and players in the agricultural foods industry, this consumer demand is part of a scientific and moral trend that goes beyond the framework of farming alone. This ethical issue questions the place of animals in our societies, and our collective ability to guarantee living conditions for animals that respect their behavioural and physiological needs.

In a context of the structural decline in meat consumption in western countries, under the pressure of animal protection associations and in a strongly competitive market, taking account of animal welfare should not be perceived exclusively as a risk, but also as an opportunity to set ourselves apart in the markets.

After several years of successful work carried out with environmental associations, Auchan Retail made selling eggs from cage-free hens a component of its CSR policy. Thus, in the countries where there is a shared approach between producers, retailers, associations and customers, the company committed, from 2016, to only sell "cage-free" eggs for its own-brand references. Complete replacement will take place before 2025 in its European Union countries. In countries where the agricultural or industrial context is somewhat removed from this issue, Auchan Retail has made the pragmatic choice of engaging in "enlightened" discussions with farmers and NGOs in each country. The aim is to support the approach and gradually replace industrial farmed eggs with eggs from cage-free hens, within a proactive and realistic policy (which differs according to the countries). It should be noted that the context in Ukraine does not allow a realistic time period to be defined for a 100% switch, there being a lack of local producers able to meet the demand. Auchan Retail continues to raise customer and producer awareness, alongside NGOs, in order to achieve more partnerships signed for "cage-free" eggs. This market change will take longer in Ukraine than in other countries, but this does not discourage Auchan Retail from moving towards a greater focus on animal well-being.

In 2014, Auchan Retail France erected animal well-being as one of the major fights for its Auchan responsible sourcing channels. Today, the distribution brand reinforces its commitments towards a sustainable and progressive animal policy for its Auchan responsibly sourced products and its own-brand products. This policy is based on five animal freedoms:

1. no suffering from hunger or thirst;
2. no suffering from discomfort;
3. no suffering from pain, injury or disease;
4. be able to express natural behaviours for the species;

5. no suffering from fear or distress.

It will be rolled out by species, from farming to transport and slaughter. Auchan Retail France intends to play an active role, with its partners (NGOs, farmers, industrialists), to move to a positive change in practices. The latest example is the signature by France on 3 October 2019 of the Better Chicken Commitment to ensure that 100% of the chicken meat used in Auchan's own-brand offering will meet the most stringent animal welfare criteria by 2026 at the latest. Led by around thirty NGOs in Europe, this initiative aims to significantly improve the conditions of breeding and slaughter of chickens with more space per animal, breeds with slower growth, the presence of perches and natural light and more respectful slaughter methods. In 2026, more than 20% of the volumes in question will come from farms that also guarantee access to fresh air for animals; In addition, since September 2019, Auchan Retail France has supported the initiative by Poule House with the marketing of a new range of eggs from a farming method without the slaughter of the laying hens.

> 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.

2006: the foundations for a responsible fishery policy were laid in France.

2007: Auchan Retail discontinued the sale of Mediterranean bluefin tuna (*thunnus thynnus*) in all countries around 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.

2009: Auchan Retail also decided 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.

2013: Deep-water species were also removed from Auchan Retail's shelves to help preserve increasingly scarce resources.

Similarly, 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 IUU⁽¹⁾ products. This entails sourcing from diversified fishing channels. The fishing of young tuna is also prohibited (minimum weight in the specifications set for each species).

(1) Illegal, unreported and unregulated.

Moreover:

- the production of discount products incorporating albacore⁽¹⁾ tuna has been suspended;
- data compiled by RFMOs⁽²⁾ 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⁽³⁾ report on the status of stocks. The traceability of fishing zones will be indicated on the boxes of all own-brand products by 2021;
- 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 ISSF's scientific initiatives 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 PVR⁽⁴⁾.

Auchan Retail signed the RFMOs ISSF letter of March 2017. Lastly, Auchan Production is an active member of the Opal Group (Oceans Preservation Alliance) in collaboration with the NGO EarthWorm Foundation (formerly TFT)⁽⁵⁾, sector players and other French retailers committed to offering responsible tinned tuna. Via this working group, a transparency questionnaire aiming to map supplies back to the boats was sent to all suppliers and canneries. A boat movement monitoring tool to qualify and quantify fishing methods has been selected and made available to Opal member companies. Auchan Retail France also worked in 2019 to draft a fish and aquaculture policy that will be published in February 2020.

Countries in the Mediterranean area have gone further in their efforts to address this issue, as Auchan Retail Portugal and Auchan Retail Spain have drawn up responsible fishing policies and taken innovative measures.

Every year, around 15 million hectares of forest disappear, even though forests are vital for humans. They make up 30% of the planet's surface but house 80% of the world's biodiversity.

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

Given the constant emergence of new issues, Auchan Retail works with stakeholders and experts to better understand their needs and aspirations, and to come up with suitable ways to move forward together.

As a partner of EarthWorm Foundation since 2011 (an international not-for-profit organisation that works in supply chains and fights against deforestation), Auchan Retail has committed to fight against deforestation caused by the exploitation of raw materials with wood derivatives, where there is the greatest capacity to act and specialist expertise, as a priority. These products include charcoal, palm oil, paper (writing, hygiene, disposable products, publications) and interior and garden furniture.

In this context, 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 IUCN⁽⁶⁾ Red List of Threatened Species;
- not taken from species included in Appendices 1, 2 and 3 of the CITES⁽⁷⁾;
- 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.

Since 2010, Auchan Retail France via its Forest Committee, has been working on the following issues:

- certification and traceability of wood and its derivatives, supported by EarthWorm;
- the certification and traceability of food products that may have an impact on the balance of forests.

The Auchan Retail France Forest policy focuses on two product types, non-food and food products, each with a section on:

- the sectors' issues for the environment;
- certification of products and traceability – the management of the different stages of the production processes;
- innovative approaches.

Since May 2019, Auchan Retail France has also been a member of the Charcoal Transparency Initiative (CTI) project, EarthWorm's platform for transparency on charcoal, to ensure that 100% of Auchan own-brand charcoal is traced. EarthWorm has also had a role as a whistle blower regarding the risk of illegal wood, which brought distributors and suppliers together around an enlightened approach in 2019 and which will continue in 2020. In 2019, Auchan Retail France worked on the first responsibly sourced charcoal in France which will be in stores during the first half of 2020. This product is eco-designed, the packaging has plant-based ink and has been designed to have the least impact possible.

(1) Yellowfin.

(2) Regional Fisheries Management Organisations.

(3) International Seafood Sustainability Foundation

(4) ProActive Vessel Register.

(5) The Forest Trust.

(6) The International Union for Conservation of Nature.

(7) Convention on International Trade in Endangered Species of Wild Fauna and Flora.

The certification approaches covering interior and exterior furniture have been expanded to cover products for external use (garden sheds, for example). Auchan Retail France certifies all Auchan own-brand school stationery products, toilet paper and paper towels.

Over the last few years, palm oil has become a controversial issue in the food world in Europe. Millions of hectares of primary tropical forest have been destroyed to make space for the many palm oil plantations. In addition to forests, hectares of peat bogs (containing specific ecosystems) have been drained for plantations, with the effect of releasing an immense quantity of greenhouse gas into the atmosphere.

Numerous animal and plant species are threatened by this pressure on forests. As palm oil is an ingredient and not a raw material sold as is, Auchan Retail does not work directly with the producers and refiners. As the issue is nevertheless important, the company has committed to:

- substituting this ingredient, whenever possible in the recipes of its own-brand products and catering range;
- using RSPO certified palm oil if substitution proves impossible.

Cocoa production doubled between 1987 and 2007 to meet the pressure of customer demand. Cacao trees now cover over 8 million hectares, or twice the surface area of the Netherlands. 65% of the production of cocoa beans comes from two countries, Côte d'Ivoire and Ghana; in Côte d'Ivoire, 80% of the forests have disappeared and been replaced by this crop in the space of 50 years.

Auchan Retail France has committed to a sustainable sourcing of cocoa by highlighting products from:

- the UTZ label or Rainforest Alliance (two labels that have merged into an NGO since 2018) to promote biodiversity. All of Auchan's chocolate spreads and cocoa powders are certified UTZ;
- Organic agriculture which enables the implementation of better agricultural practices including for phytosanitary products;
- Auchan Retail France's responsible sourcing channels – 13 to date – which carry numerous commitments, notably in agroforestry.

Auchan Retail France's responsible chocolate sourcing comes with strong, tangible commitments to agroforestry. In particular, it supports training for nursery suppliers, and designing crop plots containing plants from 34 tree species. An agroforestry manual was co-produced with teams of experts from its partner, Cèmoi, in 2018. It is the result of a collaboration with several organisations including Ecotierra, the Coffee and Cocoa Council in Côte d'Ivoire, the World Agroforestry Centre (ICRAF) and the National Agronomic Research Centre (Centre National de Recherche Agronomique - CNRA). This manual was diffused to producers via 80 relay agents.

Auchan Retail France has committed to sustainable sourcing of cocoa by highlighting products from:

- the UTZ label or Rainforest Alliance to promote biodiversity. Auchan offers 76 UTZ certified Auchan brand products.
- organic agriculture which enables the implementation of better agricultural practices including for phytosanitary products.
- fair trade with the Max Havelaar brand whose task is to fight against the poverty of producers in countries from the southern hemisphere.

Auchan Retail France also supports improvement campaigns in coffee, and in 2019 worked to create a responsible sourcing channel for coffee which will be operational in 2020.

5.6 ACTIVITY OF THE FOUNDATIONS

Auchan Retail Holding companies' operations on three different continents lead to great diversity in terms of cultural references, economic or social contexts and in the sales policies in each of the regions where it does business. Nonetheless, the design of their solidarity policies is a uniform and shared process. This is expressed on a daily basis, close to production or sales outlets based on solid partnerships and support from several foundations.

AUCHAN YOUTH FOUNDATION

Created in 1996, under the aegis of the France Foundation, the Auchan Youth Foundation is now an integral part of the Auchan Retail Vision, "Auchan changes lives", and its ambition is to promote the consumption of "good, healthy and local" products.

Chaired by Pierre Buchsenschutz, General Secretary of Auchan Retail, the Board of Directors of the Foundation has eight members who oversee its governance, including two external individuals with qualifications in areas in which the Foundation operates. They include Antoine Flévet, Chairman and Chief Executive Officer of Bel Group and Muriel Van der Wess, a Company director, four representatives of Auchan Retail, a representative of the France Foundation and the Executive Officer from the Auchan Retail Foundation.

The Foundation prioritises solidarity initiatives related to healthy eating, and healthcare for young people between 5-25 years of age who come from districts and towns where the company's stores are located.

As part of these actions, the Auchan Youth Foundation enables company employees to help disadvantaged young people in their regions by initiating or partnering local solidarity projects.

How it works

The Foundation is up and running in 10 Auchan Retail countries, where it works using a system of delegation. This system provides countries with greater freedom to select which initiatives to support, provides a more suitable response to the needs of local associations and operates in a more pragmatic fashion. In this way:

- the store teams choose and investigate the projects to be supported and act locally with regional players;
- 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.

Examples of projects supported in 2019

Amongst the projects supported during the year, the Foundation was involved hand in hand with employees from one and the same region and different store formats.

In Hungary, employees from the Székesfehérvár and Szeged hypermarkets joined forces with the Hungarian Foundation for Young Farmers for the AGYA project. This targets children from 5 to 11 years and aims to lay the foundations for healthy life. The idea is for them to produce vegetables in their gardens for their daily nutrition. Parents are also targeted by this project as it encourages families to pay more attention to their nutrition and the food habits that they transmit to their children. The project also includes a horticultural promotion, agricultural production and good nutrition initiative based on fresh fruit and vegetables, in the hypermarkets' shopping centres. 1,000 packets of seeds were distributed to these families.

On the same issue, the employees of the Auchan Le Pontet store in France decided to pool their skills and rally round for the young beneficiaries of the Avenir de Saint Louisien association. The project involves developing a vegetable garden in the working-class neighbourhood of Saint Louis du Pontet during after-school periods with local children from 6 to 12 years. The young people are made aware of their responsibilities regarding environmental protection and about nutrition and food balance. The Foundation supported this project with €5,000.

In Logroño, Spain, the ASUR project worked with children who are failing in school, who have economic difficulties or are from migrant backgrounds, by providing food for the urban summer camp organised by the association. Monthly cookery workshops led by a dietician-nutritionist within the school help to raise children's awareness. Store employees along with their children were also invited to take part in the sports day organised by ASUR. €7,563 was allocated this year to the programme's launch, which benefited 56 children in difficulty from the CEIP Cabellero de La Rosa school.

In 2019, the Auchan Youth Foundation focused its actions on health and healthy eating and, within this same framework supported over half of the 100 projects which received an average donation of €9,000.

AUCHAN GENERATIONS FOUNDATION (RUSSIA)

The Auchan Generations Foundation was created in Russia in 2011 with the aim of reinforcing its social responsibility in a country where the company is sustainably established, and providing close assistance to local needs. In 2019, the foundation supported 90 projects with an overall budget of €1,345,500.

Support for a healthy way of life and sports activities was provided through building and equipping sports fields and playing fields, including grounds adapted for children with disabilities. For example, the Foundation allocated a budget of €41,675 to the orphanage in the village of Ukavovka, which is the home for almost 300 children with nervous system damage and cerebral palsy, for the construction of a playground with a special roof and specific stimulator equipment.

To support children in difficulty, the Foundation also financed repairs to the laundry and the purchase of washing machines for €38,465. In the city of Saratov, it also took part in renovating the room where the children learn basic household tasks in a residential school designed to welcome children with disabilities.

As part of the programme to promote the development of teaching in Shirokiy Buyerak village orphanage which is the home of 85 children, 9 areas were renovated and equipped. These areas are used for lessons in cookery and rules of etiquette and to welcome guests. The products for the workshops are purchased in the Auchan hypermarket and volunteer employees are pleased to share their recipes with the children. The project budget is €28,571.

A national project was dedicated to promoting healthy eating: "Eat well". Russian hypermarkets invited children from schools and orphanages and organised a treasure hunt. Its aim was to find own-brand products in the hypermarket that fulfil the "good and healthy" concept. 88 hypermarkets shared this educational experience, and over 700 children took part in this programme which develops their cognitive abilities.

A TASTE FOR SHARING FOUNDATION (SUPERMARKETS, FRANCE)

2019 saw the last year of the A Taste for Sharing Foundation, after two five-year programmes during which the objective of supporting food-related solidarity projects in a supermarket environment thrived.

8 projects were supported in 2019, by allocating €67,973 in donations to associations based on four themes: health and nutrition, social ties, access to nutrition and integration through employment.

Amongst the projects supported, integration through employment received €45,000 in subsidies for three projects. Firstly, a project with a Montpellier supermarket that supported a wine-making cellar for the first social and vocational integration vineyard in France, "Vigne de Cognac". Its aim is to make training for agricultural trades accessible to people who have low prospects of finding employment. The Hauts de France supermarkets granted €20,000 to the "Cuisine Mode d'Emploi(s)" association, supported by the famous chef, Thierry Marx. It offers qualification-based training in restaurant and catering sector skills to people who have difficulties in finding work. Lastly, a subsidy was allocated by the Aubervilliers supermarket to the "Re-Belle" association that raises awareness on food waste by making home-made jams from unsold products from the Seine-Saint-Denis and north-eastern Paris supermarkets. This project enables food waste to be combated and jobs to be created for people with integration difficulties.

To promote social ties, the Foundation supported the *Montrouge Café-Restaurant Culturel et Solidaire* (cultural and solidarity café-restaurant) by taking part in completing the kitchen. This café takes part in cultural and social events for the city of Montrouge. The Foundation also contributed to financing equipment for the collective kitchen at the Bergerie de Berdine which offers accommodation, work and support to help vulnerable people rebuild their lives.

On issues related to health and nutrition, the Foundation supported the "Bouge Ta Peine" (shift your pain) association by financing taste discovery workshops and by editing a recipe book for people detained in Ensisheim prison. In Lyon, the "Acadia" association which trains assistance dogs for type 1 diabetic children, was supported through financing for the assistance dog training cycle.

The Foundation also contributed to financing a natural-gas powered vehicle for the "Main Tendue" association which provides moral, material and educational support for people in vulnerable situations and/or socially excluded.

In total, the A Taste For Sharing Foundation supported 243 projects over 10 years, thanks to the 168 employees involved.

CEETRUS POUR L'ENTREPRENEURIAT SOCIAL FOUNDATION (CEETRUS FOR SOCIAL ENTREPRENEURSHIP FOUNDATION) (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 profession of entrepreneur clients who operate in Ceetrus shopping malls. After the change in Immochan's brand, the Foundation was renamed "Fondation Ceetrus pour l'entrepreneur social".

The Foundation's role is to contribute in a sustainable way to the development of social entrepreneurship in mainland France in the regions where Ceetrus operates.

It is active in more than 90 cities in France. By the end of 2019, 12 projects had been supported for a total of €157,000. Each project is supported and led by an employee who is geographically close in order to facilitate meeting people, the provision of skills (legal, accounting, marketing advice) and project monitoring over the long term.

The Foundation and the social entrepreneurs who receive support put the individual at the heart of their business project. The Foundation provides access to societal issues in the regions, and social innovations, thus providing employees with civic commitment opportunities.

This year, the Foundation notably decided to finance "Des étoiles et des femmes", a programme to bring together the worlds of gastronomy and employment integration. Every year, 12 women with integration difficulties but who are particularly motivated follow a qualifying training programme (Cooking CAP diploma at the Alexandre Dumas hotel school in Strasbourg) and their part-time practical training will take place in 12 well-known restaurants in Strasbourg. This is a copy of the pilot programme successfully completed in 2015 in Marseille by the "La table Cana" association, based on an original idea from Michelin-starred chef, Alain Ducasse. In addition to financial support, two types of sponsorship were provided: firstly, skills sponsorship, where the sponsor took part in the candidate selection panel. The sponsor is a member of the steering committee throughout the duration of the programme. The second type of sponsorship involves donations in kind: with free advertising on the screens of the Strasbourg Hautpierre shopping centre to raise target audience awareness about the programme in advance of the recruitment campaign; and the free loan of an area in the shopping centre to install an information stand during the recruitment campaign.

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The IESEG business school and the Ceetrus Foundation organised the eighth edition of the CREENSO awards (Creation of Social Enterprise) in May 2019. This award aims to recognise creators of social enterprises through a double donation: 15 winning entrepreneurs receive skills sponsorship during one university year provided by a student in the second year of their master's degree. Following this, there is an overall financial donation of €20,000 provided by the Foundation to

the three projects selected by the jury in May. The first prize was awarded to Caracol, a solidarity flat-sharing scheme for refugees and young workers. Caracol promotes the temporary use of vacant premises for multicultural and socially inclusive flat-sharing. Each flat-share is developed by taking into account everyone's interests, from owners to future residents, neighbours and local associations.

FINANCIAL OVERVIEW OF THE FOUNDATIONS IN 2019

	Number of projects supported	Amount allocated
Auchan Youth Foundation	131	€1,127,467
Auchan Generations Foundation	90	€1,345,500
A Taste For Sharing Foundation	8	€67,973
Ceetrus Foundation for Social Entrepreneurship	12	€157,000
TOTAL	241	€2,697,940

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 (NGOs, government agencies, and international organisations like the International Labour Organisation...).

Organisation of the Foundation

With a five-year budget of \$7.5 million, it provides financial support for initiatives in the areas of healthcare, social protection, access to water, hygiene, training and education.

Its Executive Committee is chaired by Marc Grosser (Corporate HR director of Auchan Retail) and is composed of qualified internal colleagues, a representative of the Fondation de France, and three recognised outside experts:

- Marie H el ene Boidin Dubrulle (member of the CESE)⁽¹⁾;
- Fr ed eric Tiberghien (Former Counsellor of State, Honorary Chairman of the ORSE)⁽²⁾;
- 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 three countries: Bangladesh, Cambodia and Vietnam. That makes a grand total of 22 projects financed, benefiting over 1,500,000 workers. Through this backing, always in keeping with government objectives in the countries in which it operates, the Weave Our Future Foundation works to protect the health of working populations (social protection, training, social dialogue, etc.) by improving the provision of on-site or off-site care. It operates within the communities where their families live, and in conjunction with local partners who are committed to these causes in order to ensure the sustainability of support for each project.

In Bangladesh, for instance, two pilot healthcare coverage schemes have been launched to help 25,000 workers in Dhaka, thanks to the financial support and involvement of WOF with the NGOs, GK Savar⁽³⁾ and BADAS⁽⁴⁾. The success of this scheme is all down to cooperation with three other local partners: SNV⁸ which supports GK Savar in project management, RTM (Research Training & Management International), tracking and evaluating the pilot schemes and, importantly, support from the 4 factory owners (Echotex, Mashiata Sweater, Lexel Knitwear and Abloom Design). 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.

(1) French Economic, Social and Environmental Council (Conseil Economique, Social et Environnemental).

(2) French Watchdog for Corporate Social Responsibility (Observatoire de la Responsabilit  Soci tale des Entreprises).

(3) 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.

(4) Diabetic Association of Bangladesh.

Another example is that as part of the International Labour Organisation's flagship programme to promote the foundations of social protection worldwide, the WOF Foundation signed the first public-private partnership with the International Labour Office in Cambodia. The partnership supports the advertising campaign for the National Social Security Fund, which helped double the number of people subscribing to healthcare coverage. In 2019, WOF reinforced its support by extending this healthcare coverage to a larger number of people, as well as implementing a customer relations centre in the form of a 24/7 hotline to improve the response to social coverage issues. It is accessible to over 1.4 million insured people, most of whom work in textile companies. In 2019, 7,000 companies and 1,300 healthcare centres were affiliated.

The WOF Foundation also financed the first training programme for medical staff working in textile factories in Bangladesh at over 100 manufacturing sites. This programme provides initial training and monitoring for people over time and regular updates are provided.

In Cambodia, the Foundation finances the Sipar NGO alongside Unesco, the Cambodia Education Ministry and the French Development Agency to install libraries and learning centres at 34 manufacturing sites. Themes such as good nutrition and health are offered to workers along with reading lessons.

The GRET "Phu Nu" project aims to improve mediation between workers, employers and housing owners in the provinces of Vinh Phuc and Hai Duong in Vietnam in order to improve workers' quality of life and the quality of the workplace. 25 groups have been created since the start, with 45 women leaders trained in mediation and 244 meetings held.

5.7 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. They are provided with data consolidation tools 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 people involved in contributing and validating the data were trained. These 2 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.

RISK MAPPING METHODOLOGY

In the 2018 non-financial performance statement, CSR issues and themes were only collected for the Auchan Retail scope, representing over 98% of Auchan Holding's revenue. As part of the review of its CSR policy, Ceetrus had decided to carry out a risk mapping project, but this was not completed before the non-financial performance statement was published.

This risk mapping work was completed in 2019. The main CSR risks faced by Ceetrus and Auchan Retail have accordingly been identified, albeit using different methodologies.

It therefore seemed important to provide further information about the methodologies in order to provide interested readers with a better understanding of each entity's approach and to ensure that the mapping of Auchan Holding's risks is clear.

Methodology followed by Auchan Retail

In 2018, Auchan Retail's CSR department decided to consolidate and capitalise on the various existing work and studies to prepare a risk map. The precise methodology for this was described in detail in the 2018 non-financial performance statement, which can be found on auchan-retail.com. In 2019, because of the company's context, the Retail risk mapping did not change. It will be redesigned and updated in 2020.

The documents used to design the Retail risk mapping are:

- **an assessment of Auchan Retail's risks**

Auchan Retail's Risk Unit conducted an international risk mapping exercise in 2017. Although it is not focused on non-financial risks, a number of themes identified during this mapping exercise are directly or indirectly related to CSR issues.

- **a study on the duty of vigilance**

As part of its response to the so-called "duty of vigilance" law, Auchan Retail prepared a corporate risk matrix with the help of a firm of expert consultants. The principal residual risks identified during the study have been considered in this summary.

- **a stakeholder risk matrix**

This in-house study was carried out between May and July 2018. Each country where Auchan Retail operates was responsible for defining a list of the most significant issues for their stakeholders and ranking them according to three criteria: significance, recurring claims from stakeholders, and the degree to which the issue is harnessed by the company.

- **a responsible consumption matrix**

The study was carried out between November 2016 and January 2017. A list of 23 issues had been prepared in advance by the Corporate CSR team. These issues were limited to a products scope. The goal of the study was to:

- identify the prominent responsible consumption issues at the national and international levels,
- rank these issues in order to identify agreed strategies and initiatives to implement as a matter of priority;

- **analysis of a questionnaire from a non-financial rating agency**

The questionnaires from non-financial rating agencies are designed to be customised for each company's business sector. The consideration of the issues identified by these questionnaires therefore avoids any potential omissions.

- **feedback from a consulting firm**

The advice of a consulting firm was sought in order to identify any potential omissions in the tables presented below, helping Auchan Retail to identify areas where in-depth work was required.

Methodology followed by Ceetrus

To prepare its risk mapping, Ceetrus carried out a study with 720 internal and external stakeholders. The risks were then ranked according to:

- the number of people identifying a particular risk;
- the severity of the risk estimated by each respondent amongst the risks they selected.

The 13 most significant risks for stakeholders were then classified into four risk categories by the Ceetrus Risk Department (minor risk, moderate risk, major risk and significant risk), according to their impact on the company's business conduct, revenue and earnings, taking account of legal and reputation risks.

CALCULATING THE ENVIRONMENTAL AND SOCIETAL INDICATORS

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 the e-commerce activity where there are no physical sales outlets. The e-commerce activity 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 Ceetrus are included in indicator calculations. Malls where Ceetrus 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 m² of surface area)

At 30/09/19	At 30/09/2018 with Italy	At 30/09/2018 without Italy	At 30/09/17
11,659.1	12,036.5	11,117.3	11,671.4

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

At 30/09/19	At 30/09/2018 with Italy	At 30/09/2018 without Italy	At 30/09/17
2,027	2,354	1,915	2,263

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 2 levels of alert:

- when there are sizeable variations in consumption from one year to the next (different delta values 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 Ceetrus' 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.

5

COVERAGE RATE FOR THE MAIN INDICATORS AS A%

Electricity consumption per m ² of surface area	Energy consumption per m ² of surface area	Waste recovery rate at hypermarkets and shopping malls	Greenhouse gas emissions from refrigerant leakage	Greenhouse gas emissions from refrigerant leakage in stores and energy consumption
97.15%	98.48%	92.49%	100%	97.15%

In 2019, the change of management in China led to a redesign of internal processes and a late appointment of CSR reporting contacts. In this context, data for Auchan Holding's real estate activities could not be reported. The coverage rate published in the methodology section takes this lack of data into account.

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 and all companies it controls within the meaning of Article L. 233-5 of that code.

The scope has changed compared to the previous scope: departure of Auchan Retail Italia, Auchan Retail Vietnam, Ceetrus Vietnam, Ceetrus Taiwan, Ceetrus China and the banking activity with Oney.

Data collection methods

To ensure the homogeneity of indicators across the scope, a reporting methodology guide was drafted in French then translated into English. This guide was then distributed, after having been reviewed by all employees involved in collecting the data presented in this document. It explains the methodologies to be applied in the collection and control of indicator data: definitions, methodological principles, roles and responsibilities of internal stakeholders, calculation formulas, etc.

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

Data verification

To calculate the indicators, each validator is responsible for checking the data entered by the different contributors in his/her scope. For this, he/she has automatic alerts programmed into the software when significant discrepancies (more or less 10%) are noted from one year to another. 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 conducted at the Holding level. Inconsistencies and errors are reviewed with each business and corrected before consolidation.

Following an error in the information provided about the number of employees with disabilities for the RT-Mart China scope in 2018, a correction to the previous year's data was carried out to obtain a consistent rate.

In 2019, the change of management in China led to a redesign of internal processes and a late appointment of CSR reporting contacts. This exceptional situation prevented the training of contacts in monitoring workplace health and safety data. As the data reported on this theme is not sufficiently reliable, it has been excluded. To ensure the readability of workplace Health and Safety indicators, the 2018 data excluding China is presented in the tables.

METHODOLOGY FOLLOWED AS PART OF THE COP21 COMMITMENT (ADDITION TO THE ITEMS ON PAGE 35)

Whilst the scope of the energy efficiency programme changed in 2019 with the disposal of the Italian activities, the methodology followed remains comparable since the programme launch. The electricity consumption/m² of sales area monitored as part of the non-financial performance statement enables a reliable picture of the programme's progress once a year, using the audited data. Monthly monitoring of electricity consumption has also been set up to more rapidly identify the countries and sites that deviate from the targets. The energy efficiency programme covers all Auchan Retail's consolidated stores, excluding Auchan Retail Senegal and RT Mart China. The performance ratio monitored as part of this plan is the kWh/m² of sales area.

Ratio electricity consumption of stores in KWH/m²

	CSR reporting 2013 financial year	CSR reporting 2018 financial year	CSR reporting 2019 financial year	Change 2019 vs 2013 as%
At current scope	531.9	439.25	415.69	(21.8)
Excluding Italy	529.39	433.64	415.69	(21.5)
Excluding Auchan China	533.95	453.13	424.86	(20.4)
Excluding Auchan China and Italy	535.19	448.61	424.86	(20.6)

Between 2013 and 2014, the implementation of an electricity consumption sub-metering system enabled the exclusion of shopping centre consumption from that of Auchan China stores, leading to a significant decrease in the consumption reported by this entity. Different ratios have been calculated to take this methodological limit into account and present the impact of the disposal of the Italian stores. In each of these scenarios, the decrease exceeds 20%.

METHODOLOGY FOLLOWED AS PART OF THE STUDY CARRIED OUT WITH THE CARBONE 4 CONSULTING FIRM (ADDITION TO THE ITEMS ON PAGE 38)

Calculating the greenhouse gas emissions represents a challenge for retail groups due to the very large number of product items sold. To establish a carbon footprint for all of its activities and a reliable emissions map, Auchan Retail relies on the expertise of the Carbone 4 company. A specific methodology has been prepared in order to obtain as relevant and comprehensive an overview as possible, taking into account the company's information systems. The data used for the study dates from 2018. It includes the activities of Auchan Retail Italy which was sold in 2019, but not RT-Mart China.

METHODOLOGY FOLLOWED TO CALCULATE THE INFORMATION

Scope 1 and 2: fugitive emissions and electricity consumption for stores

The emissions were calculated thanks to the data used to prepare the 2018 non-financial performance statement (gas consumption, leaks of refrigerant fluid, electricity consumption). For reasons of simplicity, all logistics activities were considered to come under scope 3 as they are mainly sub-contracted.

Main upstream scope 3 items

For data related to product manufacturing, Carbone4 used a study carried out by Auchan Retail France in 2016 and extrapolated the results. This study enabled a carbon footprint for several product categories and sub-categories to be established. For reasons of simplicity, sales data was used to estimate the company's purchasing data.

The emissions related to the consumption of logistics warehouses managed directly were estimated using the average ratios compared to the surface area of the warehouses in each country. Mileage data between the warehouses and stores was used to estimate fuel consumption and greenhouse gas emissions.

Main downstream scope 3 items

Emissions related to fuel usage were mainly calculated using the sales volumes of fuel products (petrol, diesel) by the service stations operated by Auchan. For the other products, data was extrapolated thanks to the study carried out in France.

Emissions related to customer travel were estimated using an average 7km trip for hypermarket customers and 2.4km for supermarket customers.

Note that the emissions related to upstream transport (between manufacturers and warehouses) could not be assessed. No items enable this information to be calculated precisely due to the very significant number of suppliers throughout the Group's countries of operation.

5.8 REPORT FROM ONE OF THE STATUTORY AUDITORS, ON THE CONSOLIDATED NON-FINANCIAL PERFORMANCE STATEMENT

Auchan S.A.

Head office: 40, avenue de Flandres, 59170 Croix

Report by one of the statutory auditors, appointed as third-party independent auditor, on the consolidated declaration of non-financial performance

Financial year ended December 31, 2019

To the Shareholders,

In our capacity as third-party independent auditor of your company (hereafter "entity"), accredited by the COFRAC under the number 3-1049⁽¹⁾, we present to you our report on the consolidated declaration of non-financial performance for the year ended 31 December 2019 (hereinafter the "Declaration"), presented in the Group's management report in accordance with Articles L. 225-102-1, R. 225-105 and R. 225-105-1 of the French Commercial Code.

RESPONSIBILITY OF THE ENTITY

It is the responsibility of the Board of Directors to draft a Declaration in accordance with the applicable laws and regulations which includes a presentation of the business model, a description of the main non-financial risks, a presentation of the policies applied with regard to these risks as well as the results of these policies, including key performance indicators.

The Declaration has been prepared in accordance with the entity's procedures, (hereinafter the "Terms of Reference"), significant data about which is presented in the Declaration and available upon request at the entity's registered office.

INDEPENDENCE AND QUALITY CONTROL

Our independence is provided for by Article L. 822-11-3 of the French Commercial Code and the profession's Code of Ethics. In addition, we have put in place a quality control system that includes documented policies and procedures to ensure compliance with ethical rules, professional literature and the applicable laws and regulations.

DUTIES OF THE THIRD-PARTY INDEPENDENT AUDITOR

It is our duty to formulate, on the basis of our work, a reasoned opinion expressing a conclusion of moderate assurance on:

- the compliance of the Declaration with Article R. 225-105 of the French Commercial Code;
- the fairness of the information provided pursuant to paragraph 3 I and II of Article R. 225-105 of the French

Commercial Code, namely the results of the policies, including key performance indicators, and the actions, relating to main risks, hereinafter the "Information".

However, it is not our duty to express an opinion on the entity's compliance with other applicable legal and regulatory provisions, specifically regarding the vigilance plan and anti-corruption and anti-tax evasion plans, nor on whether or not products and services comply with applicable regulations.

NATURE AND SCOPE OF THE WORK

Our work described below was conducted in accordance with the provisions of Articles A. 225-1 et seq. of the French commercial code, the professional doctrine of the Compagnie nationale des commissaires aux comptes in relation to this work, and international standard ISAE 3000⁽²⁾:

- We have reviewed the activities of all entities included within the scope of consolidation and the report on the main risks;
- We have assessed the suitability of the Terms of Reference with regard to its relevance, exhaustiveness, reliability, neutrality and comprehensiveness, taking into account, where applicable, the industry's best practices;
- We have verified that the Declaration covers each category of information provided for in paragraph III of Article L. 225-102-1 in human capital and environmental matters, as well as regarding respect for human rights and the fight against corruption and tax evasion;
- We have checked that the Declaration presents the information referred to in paragraph II of Article R. 225-105 when relevant in light of the main risks and that it includes, where necessary, explanations in the event that information required by the 2nd section of paragraph III of Article L. 225-102-1 is missing;
- We have checked that the Declaration presents the business model and a description of the main risks linked to the activity of all entities included within the scope of consolidation, including, where relevant and proportionate, the risks created by its business relations, its products or services, as well as the policies, actions and results, including the key performance indicators for the main risks;

(1)

(2)

We have consulted documentary sources and conducted interviews to:

- assess the process used to select and validate the main risks as well as the consistency of the results, including the key performance indicators applied in light of the main risks and policies presented, and
- corroborated the qualitative (actions and results) information that we considered the most important as presented in the Appendix. For some risks⁽¹⁾, our work was conducted at the level of the consolidating entity, for others, it was conducted at the level of the consolidating entity and in a selection of entities⁽²⁾;
- We have verified that the Declaration covers the consolidated scope, namely all the entities included in the scope of consolidation in accordance with Article L. 233-16 with the limits set out in the Declaration;
- We have reviewed the internal control and risk management procedures implemented by the entity and assessed the collection process, aiming for complete and accurate information;

For the key performance indicators and other quantitative results that we considered the most important and which are presented in the Appendix, we have implemented:

- procedures to verify the correct consolidation of the collected data and the consistency of their evolution;
- detailed testing on a survey basis, to verify the correct application of definitions and procedures and to reconcile data with supporting documents. This work was carried out on a selection of contributing entities 4 and covers between 20% and 33% of the consolidated data selected for these tests;

- We have assessed the overall consistency of the Declaration in relation to our acquaintance with all entities included within the scope of consolidation.

We believe that the work we have conducted based on our professional judgement enables us to formulate a conclusion of measured assurance; stronger assurance would have required more extensive verification work.

MEANS AND RESOURCES

Our work involved contributions from six people and took place between September 2019 and March 2020 over a total period of around six weeks.

To assist us with performing this mission, we have called on our specialists in sustainable development and social responsibility. We have conducted ten interviews with the persons responsible for the preparation of the Declaration.

CONCLUSION

The indicators on the frequency rate and severity rate of workplace accidents are disclosed on the Group scope, with the exception of Auchan Retail China and RT-Mart, which represent 44% of the Group's employees.

In the course of our work, we did not detect any significant anomaly (with the exception of the information described above) which leads us to doubt that the consolidated declaration of non-financial performance complies with the applicable regulatory provisions, or that the information, taken in its entirety, has been presented accurately in accordance with the Terms of Reference.

Paris-La Défense, on March 5, 2020

KPMG S.A.


Anne Garans

Partner Sustainability Services



Hervé Chopin

Partner



(1) Food waste, Animal welfare, Product traceability, Land use, Responsible products and services, Business ethics, Human rights and conventions of the International Labour Organization, Involvement of stakeholders in the development of sites, Product safety and quality, Social and geographic accessibility of sites.

(2) Auchan Retail Portugal, Auchan Retail France.

APPENDIX

QUALITATIVE INFORMATION (ACTIONS AND RESULTS) CONSIDERED THE MOST IMPORTANT

Employee training programmes

Actions to promote workplace health and well-being

Actions to enhance the employability of people with reduced mobility

Actions to promote the circular economy and reduce waste

Measures to tackle food waste

Measures to reduce greenhouse gas emissions and associated results

Measures to lessen the environmental impact

Adaptation to climate change

Responsible purchasing programmes

KEY PERFORMANCE INDICATORS AND OTHER QUANTITATIVE RESULTS CONSIDERED THE MOST IMPORTANT

Human capital indicators

Total employees at the end of the period and breakdown by gender and geographic area

Proportion of female managers

Number of hires on permanent contracts and number of dismissals

Rate of illness-related absenteeism

Frequency rate of workplace accidents with lost time

Severity rate of workplace accidents

Training hours per hour worked

Number of employees with a disability

Environmental indicators

Total energy consumption per surface

Greenhouse gas emissions per surface as a result of energy consumption

Greenhouse gas emissions per surface as a result of refrigerant leaks

Total waste recovered

Waste recovery rate



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Mars 2020