



# 2021 ANNUAL FINANCIAL REPORT NON-FINANCIAL PERFORMANCE STATEMENT



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| Auchan | Nhood | Oney |

**ELO, formerly Auchan Holding, brings together two companies with complementary business lines: Auchan Retail, new generation retailer; New Immo Holding, which includes Foncière Ceetrus and Nhood, a new mixed use real estate operator. With the support of ELO, each business line is taking a responsible approach to strengthening its positions on its core markets, by making profound trans-formations to achieve their vision, thanks to their 164,180 employees. ELO also holds an equity in-vestment of 49.9% in Oney Bank, which since 2019 has benefitted from the joint expertise of BPCE and ELO to speed up its growth and increase its presence in Europe in payment, finance and digital identification solutions.**

## Auchan | RETAIL

Present in 13 countries, **Auchan Retail** brings together all food retail formats (hypermarkets, supermarkets, convenience stores, drive-throughs, digital) with 2,060 points of sale. Auchan Retail puts its customers at the heart of all its strategies by offering them a phygital shopping experience, which combines physical stores with the digital ecosystem, and exclusive, quality products at the best price. New-generation retailers, actively committed to good, healthy and local products, Auchan Retail's 163,098 employees contribute, through a responsible approach with customers, farmers and suppliers, to enabling everyone to live better by eating better.

## new immo holding

**New Immo Holding** is the new holding company for all real estate business lines. Its creation in 2021 confirms the separation of real estate assets and services, within two distinct entities in order to broaden its growth and development prospects. The first is Foncière Ceetrus, which owns a portfolio of real estate assets of nearly 300 shopping centres and 23 development projects located in ten countries across Europe. The second is Nhood, a new mixed real estate operator acting through service provision mandates entrusted by real estate companies such as Foncière Ceetrus, Auchan Retail or other companies owning the AFM (Association Familiale Mulliez), to manage, animate, develop and transform existing sites into new living spaces with a triple positive impact. Nhood has 1,082 employees.

## oney

On October 22nd 2019, ELO sold 50.1% of the share capital of **Oney Bank** to BPCE, which has consolidated this entity since that date. Oney designs innovative payment solutions and financial services. Creator of split payments 14 years ago, Oney is now the leader in France and in three other European countries with a 100% digital and omnichannel offer that is unique on the market. Alongside its 1,700 retail partners and e-retailers in nearly 13,000 physical or virtual points of sale, Oney supports the projects of more than 7.8 million customers in Europe by offering them memorable in-store and online shopping experiences.

## KEY FIGURES

### BREAKDOWN OF REVENUE BY BUSINESS LINE:

REVENUE  
**31 Md€**

**Auchan** | RETAIL  
**98.3%**

**new**  
**immo**  
holding  
**1.7%**

### REVENUE BY GEOGRAPHICAL AREA

Central and  
Eastern Europe

19%

Western  
Europe

28%

< 1%

Other

53%

France

**Presence in  
14 countries  
ON 3 CONTINENTS**



**164,180**  
EMPLOYEES

including **108,793**  
employee shareholders

AUCHAN RETAIL  
**163,098**

Employees

Nhood  
**1,082**

Employees

RECURRING  
OPERATING INCOME  
2021

**736 M€**

EBITDA<sup>(1)</sup> :  
2021

**1,817 M€**

NET  
FINANCIAL DEBT  
2021

**2,181 M€**

<sup>(1)</sup> EBITDA is defined as recurring operating income excluding other recurring income and expenses, amortisation, depreciation, impairment and provisions.



# Auchan | RETAIL : AMBITIONS

Food, digital, environmental and economic transitions, the mass retail sector is currently being shaken up. To respond more fully to the new expectations of consumers and citizens, Auchan Retail is fundamentally transforming its business model and practices by taking into account two major newcomers: phygital and a greater focus on eating well and the planet. With its corporate project, on the one hand it is about redefining the store's purpose and operation within its living area to improve the quality of life of its inhabitants and, on the other hand, redefining its offer and its purpose as a responsible retailer.

## AUCHAN 2022, IS BUILT AROUND TWO PILLARS AND TWO INSEPARABLE LEVERS.

### PILLAR 1

BEING THE BENCHMARK PLAYER ACTIVELY COMMITTED TO GOOD, HEALTHY AND LOCAL PRODUCTS THROUGH THE SELECTION AND THE DESIGN OF A UNIQUE, FAIR AND RESPONSIBLE OFFER

**Auchan Retail** goes beyond the traditional role of the distributor and becomes a designer and a product selector in order to offer a unique offer to consumers:

- **Selector** of an offer based on a variety of tastes, nutrition, local production, culinary trends, traceability and maximum transparency. In order to become the reference for consumers looking for a local and varied diet, Auchan Retail accelerates the listing of local products. The company makes firm commitments in terms of respect for the environment and animal welfare, in particular through demanding, sustainable, balanced agricultural partnerships that share value with producers. Education and transparency on the nutritional quality of products are also being developed;
- **Designer** with its customers and partners of a reassuring and responsible range of Auchan food and non-food products. This is reflected in the redefinition of the composition of its own-brand products by relying in particular on the recommendations of experts, customer opinions and ratings as well as the rigorous selection of suppliers.

### OBJECTIVES FOR 2022

Double the number of local products on sale in stores  
1,200 responsible agricultural production chains around the world  
100% of Auchan brand products carry a nutritional label

### PILLAR 2

BRINGING PEOPLE TOGETHER AND PROVIDING ENRICHING EXPERIENCES TO IMPROVE THE QUALITY OF LIFE OF RESIDENTS

**Auchan Retail** is changing its physical locations and redefining their purpose, notably by expanding the role of the hypermarket. **Auchan Retail** wants to:

- make its hypermarkets open local platforms to partners (producers, specialist brands) by welcoming them to its sales areas. But also, storage, preparation and manufacturing platforms to supply the other Auchan points of contact, from the supermarket to the city centre click & collect, within the same living area;
- become the leading local player in each living area where it is present by creating shopping routes and innovative services for residents to anticipate their desires and needs.

### OBJECTIVES FOR 2022

Double the revenue generated outside hypermarkets and supermarkets (vs 2018).

### LEVER 1 PASSIONATE EMPLOYEES

To achieve its ambitions, **Auchan Retail** can rely on the commitment of 163,098 employees around the world. Auchan Retail supports them by ensuring the meaning and consistency of all its actions in each country. To this end, it develops the skills

of each individual, favours openness to the customer and the local, and promotes the passion for the product, within an aligned and demanding organisation that knows how to prioritise.

### LEVER 2 CSR EMBODIED BY ITS EMPLOYEES

The Corporate Social Responsibility strategy is at the heart of the "Auchan 2022" project as it has become an essential factor for its success. It sets out three priority commitments:

- Encouraging healthy eating and fight against food waste;
- Fighting against plastic pollution;
- Controlling its carbon footprint.

## OBJECTIVES FOR 2022

**100% of the packaging** for Auchan brand products is **reusable, recyclable or compostable**

**Elimination of plastic as rapidly as possible** from fruit and vegetable departments and food services departments.

**iv 25% reduction in energy consumption** in stores (vs 2014)

**50% of decarbonised energy supply**

**20% reduction in carbon emissions** from the transport of goods

An ambitious climate trajectory to 2030 was defined at the end of 2021.

To support the implementation of **Auchan 2022**, **Auchan Retail** places operational excellence at the heart of the company thanks to the deployment of the "Renaissance" approach in parallel with its corporate project. In order to restore economic results and regain room for manoeuvre, **Auchan Retail** has launched an initiative in all its countries called "Renaissance" which helps to focus the company's operations towards operational excellence, to make the company more agile and to free up the resources necessary for the deployment of its corporate project. The objective by 2023 is to achieve savings of €1.4 billion compared to 2018.



**New Immo Holding** is the new holding company for all real estate business lines. Its creation in 2021 confirms the separation of real estate assets and services, within two distinct entities in order to broaden its growth and development prospects

- The first is **Ceetrus**, a company attached to **New Immo Holding**. It owns a portfolio of real estate assets consisting of nearly 300 shopping centres and 23 development projects located in ten countries across Europe. Since January 2021, the real estate company **Ceetrus** has given a mandate to the mixed use real estate operator **Nhood** to animate, regenerate and transform its real estate stock with a priority given to the triple positive impact
- The second is **Nhood**, a new mixed use real estate operator acting through service provision mandates entrusted by real estate companies such as Foncière Ceetrus, **Auchan Retail** or other companies owning the AFM (Association Familiale Mulliez), to manage, animate, develop and transform existing sites into new living spaces with a triple positive impact. **Nhood** brings together all the real estate business lines (marketing, asset management, development and promotion) and now a fourth business line, that of transitional urban planning and prefiguration, which bring sites to life before their delivery.

One year after the creation of these structures, the commitments were fulfilled in terms of separation, investments and also the search for new mandates beyond the scope of Foncière Ceetrus.

# Business model **Auchan** | RETAIL

Auchan, a brand emblematic of the democratisation of consumption, is pursuing its historical ambition: to improve the quality of life of inhabitants.

## SECTOR TRENDS

### Food transition:

Healthy and sustainable food  
Food chain traceability  
New eating habits

### Digital transition:

Digitisation of consumption patterns  
Personalised shopping experience

### Environmental transition:

Climate change  
Environmental impact of activities  
Animal welfare

### Economic transition:

Prices accessible to the greatest number in an inflationary context

Covid-19 pandemic crisis, accelerator of trends

## STRENGTHS

**A multi-format presence tailored to customer needs**  
**Innovative digital services and applications**

- Presence in **13** countries
- **2,060** physical points of contact, supplemented by digital services

**Solid economic and financial structure**

- Stable family share ownership
- Operational excellence approach ("**Renaissance**") in all countries

**Committed employees**

- **163,098** employees
- **108,413** employee shareholders
- Percentage of female managers: **50.4%**
- Percentage of employees with disabilities: **4.4%**

**Strong local roots. Constructive relationships with our partners (suppliers, manufacturers, etc.) and in particular with the agricultural world**

- **972** responsible agricultural production chains worldwide at the end of 2021

**Private label food and non-food products, with exclusive products, deployed in all countries**

# AUCHAN

## 2 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



## 2 KEY LEVERS

Passionate employees



Corporate project that engages players

Sourcing/Procurement

Logistics

- Partners Responsible agricultural supply chains
- Local producers/Farmers
- Suppliers of Auchan own-brand products
- Industrial partners



This ambition is reflected in the Auchan 2022 corporate project, which brings together all of Auchan's stakeholders around its vision of being a retailer committed to society and the planet. The Covid-19 health crisis fully justified the axes defined in the project.

# 2022

Bringing people together and providing enriching experiences to improve the quality of life of residents



CSR embodied by the company and its employees



throughout  
the value chain

Digital stores and services, warehouses  
and head office activities

- Customers/Inhabitants
- Employees
- Social partners
- Business partners
- Local national and international authorities
- Investors
- Associations
- NGOs

## VALUE CREATION

### Solid financial income for 2021

- Revenue: **€30.5 bn**
- Digital: **7.2%** of revenue (+42% increase in two years)
- EBITDA: **€1.5 bn**
- Savings under the Renaissance programme: **€221 m ; 881 M€** since 2019
- Standard & Poor rating  
«**BBB-, stable outlook**»

### Protected share capital

- Percentage of permanent contracts in total workforce: **92%**
- Percentage of employees having completed training: **87%**
- Percentage of internal promotion from non-managers to managers: **37%**

### Responsible offer for customer satisfaction

- Percentage of private label products with a nutritional label on the packaging: **48%**

### Strengthened environmental commitments

- Energy consumption in stores vs 2014: **-24.5%**
- Renewable electricity consumption as a percentage of overall electricity consumption: **16.9%**
- A 2030 climate ambition announced

### Progress recognised by non-financial ratings agencies

- Moody's ESG Solutions: Rating **62/100** (+25 points vs. 2019)
- CDP score: **B** (C in 2019)

## SUSTAINABLE DEVELOPMENT GOALS

Encourage healthy eating



Fight against food waste and plastic pollution



Control our carbon footprint



Our social commitments





## OUR MISSION

Nhood acts as a real estate operator that animates, regenerates and transforms sites into new living spaces with a triple positive impact.

## MANAGED BY TEAMS WITH BROADER SKILLS FOR MORE SERVICE

Nhood, present in **ten countries** with **1,082 employees**.

BETTER SPACES

## IN A CONTEXT WHERE TWO CHALLENGES CONVERGE

**The urgent need to transform our business models, with and for retailers;** Nhood provides solutions for increasing the value of the portfolio and financing sources necessary for the transformation.

**The urgent need to transform the city, with and for the regions and citizens;**

Nhood develops thousands of hectares of quality of life and use, integrated into urban policies.

## PRIORITISING LIVING PLACES WITH A TRIPLE POSITIVE IMPACT

**Societal:** social diversity on site, creation of links, associative third places, neighbourhood pilot hubs, transitional urban planning, resilience, consultation and co-construction; **Economic:** economic dynamism of the regions, direct and indirect employment, development of short supply chains;

**Environmental:** carbon neutrality, systematic reintegration of biodiversity, 100% of sites connected to public transport, BREEAM IN USE certification for 100% of the portfolio in the future.

**new  
immo**  
holding

**362** shopping malls managed

**390** sites managed

**2,435** million m<sup>2</sup>

**788,8** million visitors

**11,491** retailer partners

**1,082** employees

FONCIÈRE  
**CEETRUS**

**212** owned and leased shopping malls

**227** owned and leased sites

**1,792** million m<sup>2</sup> owned and leased

**788,8** million visitors

**8,681** retailer partners

**nh00od**  
DES LIEUX  
EN MIEUX

**362** shopping malls managed

**390** sites managed

**2,435** million m<sup>2</sup>

**11,491** retailer partners

**1,082** employees

Unlisted company made up of family and employee shareholding,  
**ELO** combines two complementary companies, **Auchan Retail**  
 and **New Immo Holding**, and holds a 49.9% equity investment  
 in Oney Bank alongside BPCE since 2019



ELO

| Auchan | Nhood | Oney |

100%

100%

49,9%

**new  
immo**  
holding

**Auchan** | RETAIL

**oney**

FONCIÈRE  
**CEETRUS**

**nh0od**  
DES LIEUX  
EN NIEUX

LOCATIONS AS OF DECEMBER 31<sup>ST</sup>, 2021

	AUCHAN RETAIL				NEW IMMO HOLDING	
	Hypermarkets	Supermarkets	Convenience stores	Digital points of sale <sup>(1)</sup>	TOTAL	TOTAL
<b>FRANCE</b>	<b>136</b>	<b>276</b>	<b>41</b>	<b>234</b>	<b>687</b>	<b>93</b>
Spain	76	71	155	5	307	33
Portugal	31	23	32	31	117	13
Luxembourg	3	0	11	4	18	4
Italy						41
<b>WESTERN EUROPE (EXCLUDING FRANCE)</b>	<b>110</b>	<b>94</b>	<b>198</b>	<b>40</b>	<b>442</b>	<b>91</b>
Poland	72	27	26	0	125	24
Hungary	19	5	1	5	30	18
Romania	33	5	408	0	446	24
Russia	95	136	0	0	231	132
Ukraine	17	8	0	15	40	8
Tajikistan	0	1	0	0	1	
<b>CENTRAL AND EASTERN EUROPE</b>	<b>236</b>	<b>182</b>	<b>435</b>	<b>20</b>	<b>873</b>	<b>206</b>
Taiwan	20	1	1	0	22	
Senegal	1	20	14	1	36	
<b>REST OF THE WORLD</b>	<b>21</b>	<b>21</b>	<b>15</b>	<b>1</b>	<b>58</b>	
<b>TOTAL</b>	<b>503</b>	<b>573</b>	<b>689</b>	<b>295</b>	<b>2,060</b>	<b>390</b>

(1) Drive Auchan Piétons, etc.

## MAIN PRESS RELEASES ELO 2021

**August 27<sup>th</sup>, 2021**

**ELO** publishes its half-year results. Despite the impact of numerous health restrictions, **ELO** shows a further increase in profitability

**September 1<sup>st</sup>, 2021**

**ELO** announces that it has entered into exclusive negotiations with Indotek Group to accelerate the development of Auchan and Ceetrus in Hungary

**October 22<sup>nd</sup>, 2021**

**Auchan Retail** announces the sale to the Taiwanese group PX-Mart of the activities of Auchan Retail Taiwan operated under the RT Mart brand

**November 18<sup>th</sup>, 2021**

**Auchan Retail** announces the appointment of Yves Claude as Chairman and General Manager of **Auchan Retail**

**November 4<sup>th</sup>, 2021**

**ELO** announces that the terms of the renewal of a syndicated credit line of **€800 million** are conditional on the success of its actions to combat climate change

# PRESENTATION OF THE BUSINESS AND MANAGEMENT REPORT

## ON THE CONSOLIDATED FINANCIAL STATEMENTS

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

## 1.1 SIGNIFICANT EVENTS AND MAIN CHANGES IN SCOPE

### 1.1.1 CHANGES IN THE STORE NETWORK

The number of points of sale operated by Auchan Retail changed as follows in 2021:

- in Western Europe, the number of points of sale increased by 76 units (of which, net, +67 in France including 71 Auchan Piétons (pick-up points), +7 in Spain and +2 in Portugal);
- in Central and Eastern Europe, the number of points of sale decreased by 10 units (including, net, -24 in Russia, +1 in Romania and +13 in Ukraine);
- in Asia and Africa, the store network increased by 3 units in Senegal.

### 1.1.2 CHANGES IN THE CONSOLIDATION SCOPE

In December 2021, Ceetrus Italy sold 0.24% of Gallerie Commerciali Sardegna leading to a change in the method of consolidation of the entity (transition from global integration to equity accounting). The revaluation of the retained share generated revenue of €31 million, which was recorded in non-recurring income and expenses. The purpose of this restructuring is to bring together partners within the same structure in order to carry out several non-strategic projects for Nhood, with the objective of future disposals.

### 1.1.3 OTHER SIGNIFICANT EVENTS

2021 was marked by the following other significant events:

#### > Organisation

##### Change of corporate name of Auchan Holding

By decision of the General Meeting of Shareholders of March 11<sup>th</sup>, 2021, Auchan Holding changed its corporate name and is now called ELO, with all other legal characteristics of the company remaining unchanged.

This new name is part of the new governance aimed at giving more autonomy to the different scopes (countries, entities). In particular, it makes it possible to reserve the name "Auchan" for the direct link with the consumer of the Retail activity.

##### Adapting the retail business organisations

In January 2021, Auchan Retail accelerated the decentralisation movement of its organisation allowing the emergence of corporate projects by country. Each country of Auchan Retail is coordinated by a General Manager and organised around a two-person Chairman/Vice-Chairman team, along with a Board to support the General Manager.

##### Appointment of Yves Claude as Chairman and General Manager of Auchan Retail

Following the governance announcements made at the beginning of 2021, Yves Claude was appointed Chairman and General Manager of Auchan Retail on November 18<sup>th</sup>, 2021. The

movement of decentralisation towards countries allowing greater responsibility and autonomy of all Auchan employees initiated in January 2021 (support of the General Manager of each country by a two-person Chairman/Vice-Chairman team) is reaffirmed. With the appointment of Yves Claude, this movement strengthens its agility, coordination and ability to make rapid decisions. Yves Claude succeeds Edgard Bonte in this position which allowed Auchan Retail to return to a positive economic trajectory.

##### Appointment of Jean-Baptiste Emin as Deputy General Manager of ELO

On November 24<sup>th</sup>, 2021, the ELO group announced the appointment of Jean-Baptiste Emin as Deputy General Manager of ELO. Alongside Edgard Bonte, General Manager, Jean-Baptiste Emin contributes to the definition, dissemination and implementation of ELO's strategy, validated by its Board of Directors, with particular attention to financial and compliance matters. To this end, he relies on the specialised teams of the business lines that provide the expertise and services necessary for his missions.

##### Reorganisation of the property management business

In January 2021, the Ceetrus property management activity changed its name and structure to strengthen its position as a mixed use property developer. Ceetrus SA became New Immo Holding SA. The property activities are managed by Ceetrus and the mixed property service activities by Nhood. Through its mission to animate, regenerate and transform sites into new living zones, for better living together, Nhood is committed in a responsible manner and expresses its ambition to create useful and sustainable value for the market, for and with the inhabitants of the planet.

Nhood is opening up to new property services business lines and is giving itself the opportunity to act in the service of a wider range of new clients. This creation marks the first milestone to make the new company an innovative leader in real estate and urban regeneration with a positive impact, for its existing sites and for new internal and external customers.

New Immo Holding SA and the companies included in the consolidation scope managed assets in 10 countries as of December 31<sup>st</sup>, 2021.

New Immo Holding SA is 100% controlled by ELO.

#### > Capital and financing

##### ELO Capital reduction

On March 3<sup>rd</sup>, 2021, the Board of directors of ELO authorised a capital reduction carried out on the same day. 363 shares with a nominal value of €20 were cancelled.

The Board of directors of ELO, on July 10<sup>th</sup>, 2021, authorised a capital reduction by cancellation of 86,536 treasury shares with a par value of €20, not allocated in the year of their buyback.

The Board of directors of ELO, on October 4<sup>th</sup>, 2021, authorised a capital reduction by cancelling 3,206 treasury shares with a par value of €20, not allocated in the year of their buyback.



### Dividend distribution

On July 20<sup>th</sup>, 2021, the Board of directors of ELO decided to propose to the Ordinary General Meeting of Shareholders held on August 24<sup>th</sup>, 2021, the distribution of a dividend of €748 million, corresponding to €26.12 per share. This exceptional dividend is part of a twofold context. On the one hand that of the renunciation by ELO shareholders in 2019, 2020 and 2021 of the ordinary dividend, and on the other hand that of the disposals of Oney Bank and Auchan Retail's activities in China recorded in 2019 and 2020.

### Financing transactions

Over the period from April 20<sup>th</sup> to June 10<sup>th</sup>, 2021, ELO carried out bond buybacks for a total amount of €200 million: €1 million of the January 2024 line, €14 million of the April 2025 line, €151 million of the January 2026 line and €34 million of the July 2027 line. The costs related to these early buybacks amounted to €24 million and the future interest savings amounted to €29 million.

On July 12<sup>th</sup>, 2021, ELO partially repaid €242 million of its Schuldschein loan out of an initial outstanding of €292 million.

In September 2021, ELO set up a new €1 billion structural loan in favour of New Immo Holding. This enabled New Immo Holding to repay its club deal of €500 million and its term loan of €80 million.

In October 2021, ELO signed its first sustainability-linked loan for an amount of €800 million maturing on October 22<sup>nd</sup>, 2026 (with an option to extend twice by one year), replacing the syndicated credit line maturing on July 1<sup>st</sup>, 2022. This financing includes a credit margin adjustment mechanism (upward or downward) depending on the achievement of objectives relating to the criteria for reducing energy consumption in its stores, the acceleration of the proposal of electricity produced from renewable energy sources in the global electricity mix and the development of responsible agricultural production chains.

### > Activity

#### Impacts of the Covid-19 pandemic

##### Property management activity

The Covid-19 health crisis continued in 2021. The governments of the various European countries have continued to take restrictive measures to contain the spread of the coronavirus (Covid-19). Since January 1<sup>st</sup>, 2021, the average store closure duration is two months. All of our countries have been impacted by these various restrictive measures, such as the closure of non-essential businesses. In a spirit of solidarity and support for tenants, as in 2020, New Immo Holding continued to take various measures:

- rent reductions following the extension of government measures in Poland;
- invoice variable rents based only on the revenue of the previous year following government decisions for the year 2021 in Portugal;
- grant reductions in rents and/or charges in other countries;
- in France, credits on rents were granted on a case by case basis for brands meeting the criteria defined in the 2021 Finance Act.

The rent reductions granted by the Group for the 2021 financial year amounted to €39 million.

##### Retail activity

Auchan Retail's activity continued to be particularly impacted in 2021 by the government measures taken in almost all of its countries to combat the spread of Covid-19. While the stores remained open, the activity was disrupted by restrictions on access to shopping malls (closures, implementation of sanitary passes) or in its stores (closure of so-called "non-essential" departments or introduction of gauges). Western European countries were particularly impacted in the first quarter. However, the Group saw a strong recovery in its gasoline sales over the financial year, with an increase of 28% (up by €716 million) compared to 2020.

In this context, Auchan Retail continued and will continue as long as necessary all the actions undertaken in 2020 to ensure the safety of customers and employees on all its sites (stores, warehouses, head office, etc.).

The economic impacts on both revenue and operating expenses, which cannot be directly isolated, have not been quantified and isolated in the 2021 financial statements.

**Temporary closure of the Auchan Retail sites in Senegal**

In the context of the riots that took place between March 3<sup>rd</sup> and 7<sup>th</sup>, 2021, all stores in Senegal were closed between March 4<sup>th</sup> and 9<sup>th</sup>, 2021. 18 stores were partially or completely ransacked. The stores were gradually reopened from March 11<sup>th</sup>, 2021. The losses incurred were partially covered by the Group's insurance policies.

**End of the Gare du Nord activities**

On September 21st, 2021, SNCF Gares & Connexions announced the termination of the concession contract which led to the voluntary liquidation of its associate, Gare du Nord 2024 (which carried the Gare du Nord transformation project).

New Immo Holding has a receivable on Gare du Nord 2024 of €169 million, and which represents the maximum risk exposure supported by the Group. On the basis of procedures initiated at the end of 2021 and early 2022, the Group has set aside a provision that corresponds to its best estimate of the risk.

In addition, the company has given guarantees to SNCF Gares & Connexions concerning the works of the Gare du Nord 2024 project. These guarantees are included in off-balance sheet commitments.

### 1.1.4 ASSET DISPOSALS AND DISCONTINUED OPERATIONS

**> Disposals of logistics warehouses**

On July 16<sup>th</sup>, 2021, as part of the optimisation of its asset management, Auchan Retail France, through its subsidiary Auchan Retail Logistique, sold 11 logistics warehouses via a sale-leaseback transaction. The transaction as a whole generated net income of €166 million, which was recognised as "Non-recurring income and expenses" in the income statement.

**> Exclusive negotiations to accelerate the development of Auchan Retail and New Immo Holding in Hungary**

On September 1<sup>st</sup>, 2021, ELO announced that it was entering into exclusive negotiations with Indotek Group with a view to an alliance with ELO's Hungarian subsidiaries (Auchan Hungary and New Immo Holding Hungary). The ambition of this alliance in Hungary is to accelerate the development of Auchan and New Immo Holding in Hungary, which could benefit from synergies between the companies thanks to Indotek's knowledge and expertise in the Hungarian retail market. There has already been a close business relationship between the companies for years, with some Auchan stores located in shopping centres belonging to the Indotek Group. This relationship is independent of this alliance project.

This alliance could be accompanied by the minority entry of Indotek into the capital of the Hungarian subsidiaries of ELO (Auchan Hungary and New Immo Holding Hungary). The completion of the proposed transaction will be subject to the approval of the Hungarian competition authority.

**> Disposal of the activities in Taiwan**

On October 22<sup>nd</sup>, 2021, Auchan Retail signed an agreement to sell to the Taiwanese group PX-Mart its stake (64.83%) in RT-Mart, its distribution activity in Taiwan. This transaction, which will generate a profit, is accompanied by the simultaneous sale by the Ruentex group of its own stake in RT-Mart. At the end of the negotiations, RT-Mart will be 95.97% owned by the PX-Mart group. In accordance with IFRS 5, the income statement for 2020 and 2021, as well as the balance sheet for 2021, are reclassified on a separate line (see note 3.2).

Conducted as part of the plan to sell non-strategic assets announced last March, this sale confirms the Group's geographical refocusing, initiated after the withdrawal from Mainland China in October 2020. Completion of the proposed transaction will be subject to approval by the Taiwanese competition authority and the transaction is expected to close in 2022.

## 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 the activities sold or held for sale in 2021, 2020 and 2019 (see note 3.2 to the consolidated financial statements).

### 1.2.1 AUCHAN RETAIL ACTIVITY

As of December 31<sup>st</sup>, 2021, Auchan Retail was operated in 12 countries, through 482 hypermarkets, 491 supermarkets, 537 convenience stores and 274 digital points of sale.

The consolidated store network as of December 31<sup>st</sup>, 2021 breaks down as follows:

Country	Hypermarkets	Super	Convenience stores	Digital	Total
France	119	235	12	173	539
Spain	76	50	51	5	182
Portugal	31	4	30	31	96
Luxembourg	3	-	-	4	7
Poland	70	27	5	-	102
Hungary	19	5	1	5	30
Romania	33	5	408	-	446
Ukraine	17	8	15	-	40
Russia	95	136	-	-	231
Senegal	1	20	14	1	36
Chronodrive	-	-	-	55	55
<b>TOTAL EXCLUDING TAIWAN</b>	<b>464</b>	<b>490</b>	<b>536</b>	<b>274</b>	<b>1,764</b>
Taiwan	18	1	1	-	20
<b>TOTAL WITH TAIWAN</b>	<b>482</b>	<b>491</b>	<b>537</b>	<b>274</b>	<b>1,784</b>

Including the franchised store network (276, including two in Taiwan, compared to 266 in 2020), the total number of points of sales was 2,060 (including 22 in Taiwan) at December 31<sup>st</sup>, 2021.

The revenue of Auchan Retail in 2021 amounted to €30.5 billion (-1.0% compared to 2020), including sales of goods to franchisees. Auchan Retail's activities outside of France accounted for 47% of total revenue.

Auchan Retail's recurring operating income increased by 2.0% and amounted to €639 million in 2021, thanks to the control of operating expenses and the sale of various assets.

### 1.2.2 NEW IMMO HOLDING PROPERTY MANAGEMENT ACTIVITY

As of December 31<sup>st</sup>, 2021, the property management activity of the ELO group and its subsidiaries included the management by New Immo Holding of 390 commercial sites (shopping malls and retail parks), of which 227 are fully owned or leased and 163 are under management contracts, in ten countries.

New Immo Holding's revenue represented €543 million in 2021, up by 11.0% compared to 2020. 54% of New Immo's revenue was generated outside France.

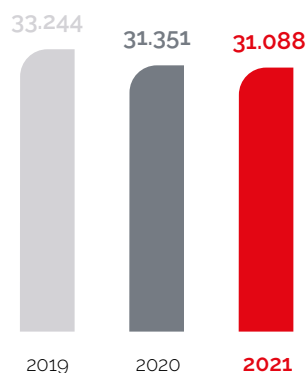
New Immo Holding's recurring operating income increased by €58 million and amounted to €106 million.

## 1.2.3 COMMENTS ON THE 2021 FINANCIAL YEAR

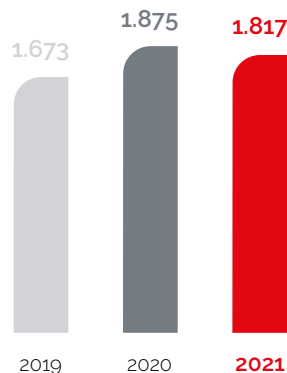
## &gt; Comments on the income statement

The operating income of the consolidated entities amounted to €31.1 billion, down by 0.8% compared to 2020.

## &gt; REVENUE



## &gt; EBITDA



## &gt; NET INCOME

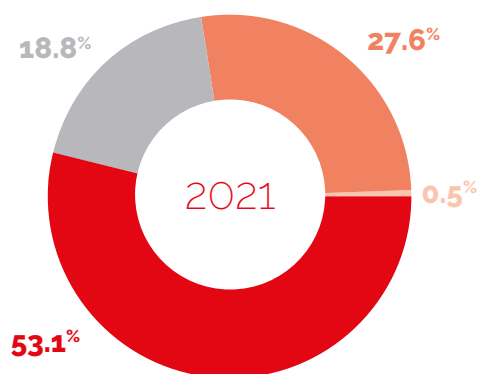


At constant exchange rates, the revenue increased by 0.1%.

Auchan Retail's business represented 98.3% of the revenue, while the property management activity represented 1.7%.

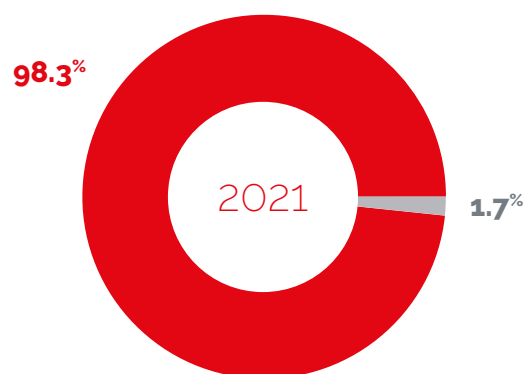
By geographical area, 53.1% of the revenue was generated in France, 18.8% in Western Europe excluding France (Spain, Portugal and Luxembourg), 27.6% in Eastern Europe (Poland, Hungary, Romania, Ukraine and Russia), and 0.5% in Africa (Senegal).

## &gt; REVENUE BY GEOGRAPHICAL AREA IN 2021



■ France  
■ Western Europe excluding France  
■ Central and Eastern Europe  
■ Africa

## &gt; REVENUE BY ACTIVITY IN 2021



■ Auchan Retail  
■ New Immo Holding

The gross margin decreased by 0.9% to €7,622 million, while the margin rate remained stable at 24.5% in 2021 and 2020.

The recurring operating expenses (payroll expenses, external expenses, amortisation, depreciation, provisions and impairment, other recurring income and expenses) decreased by 2%.

Other recurring income and expenses consists of income of €77 million (compared to an expense of €6 million in 2020), and mainly consisted of capital gains or loss from various asset

disposals, including €33 million related to the Retail activity and €39 million related to the New Immo Holding activity.

The recurring operating income increased by 10.3% to €736 million. The EBITDA, i.e. recurring operating income excluding non-recurring income and expenses and excluding amortisation, depreciation, impairment and provisions<sup>(1)</sup>, decreased by 3.1% to €1,817 million.

After taking into account "Non-recurring income and expenses", the operating income increased by €969 million to reach €943 million.

The non-recurring items recorded under "Non-recurring income and expenses" include:

(in €m)	31/12/2021	31/12/2020
<b>Non-recurring income</b>	<b>197</b>	
<b>Net income from asset disposal</b>	<b>166</b>	
of which Retail France: disposal of warehouses	166	
Other	31	
of which New Immo Italy: deconsolidation of GCS	31	
<b>Non-recurring expenses</b>	<b>11</b>	<b>(694)</b>
<b>Net impairment of assets</b>	<b>8</b>	<b>(416)</b>
of which impairment of goodwill (Retail Russia)		(341)
of which impairment of other property, plant and equipment and intangible assets <sup>(1)</sup>	8	(75)
<b>Reorganisation costs – Auchan Retail</b>	<b>65</b>	<b>(222)</b>
<b>Other</b>	<b>(62)</b>	<b>(55)</b>
of which Retail France: TASCOT	(15)	
of which Retail: various disputes	(23)	
of which Covid-19: employee bonus <sup>(2)</sup>		(43)
of which miscellaneous	(24)	(12)
<b>TOTAL NON-RECURRING INCOME AND EXPENSES</b>	<b>207</b>	<b>(694)</b>

(1) Including €10 million on investment properties (compared to €25 million in 2020). A (-) indicates an allocation, a (+) indicates a reversal.

(2) The employee expenses related to Covid-19 in 2020 include the exceptional compensation (bonuses) granted to some employees for their work at the height of the pandemic (-€64 million), offset by the State aid granted in Poland (+€20 million).

Financial income is broken down into:

- the net cost of financial debt, down to €145 million (compared to €186 million in 2020);
- the other financial income and expenses, down by €30 million to €230 million (compared to €200 million in 2020).

The income before tax of the consolidated companies was €568 million (compared to a loss of €413 million in 2020).

The effective tax rate was 41.1% in 2021, compared to -9.9% in 2020.

The share of net income of associates was €19 million in 2021 and 2020.

The net income from continuing operations amounted to €353 million compared to a net loss of €435 million in 2020.

The net income from discontinued operations or operations held for sale was €5 million (compared to €1,342 million in 2020). This amount includes the net income from activities sold or held for sale (Auchan Retail in Taiwan in 2020 and 2021, Auchan Retail in China and IDS in Italy in 2020) until the date of loss of control, as well as the gains and losses resulting from these disposals (see note 3.2 of the notes to the consolidated financial statements).

Taking into account the net income of discontinued operations or activities held for sale, the net income attributable (Group share) was €344 million, compared to €678 million in 2020.

The cash flows from operations decreased by 39% and amounted to €1,272 million in 2021 (€2,087 million in 2020).

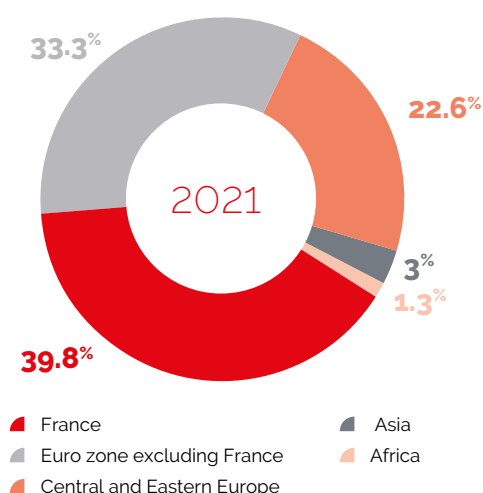
(1) Excluding allocations to and reversals of provisions and impairments, with the exception of allocations and reversals on inventory impairment.

## > Comments on the statement of balance sheet

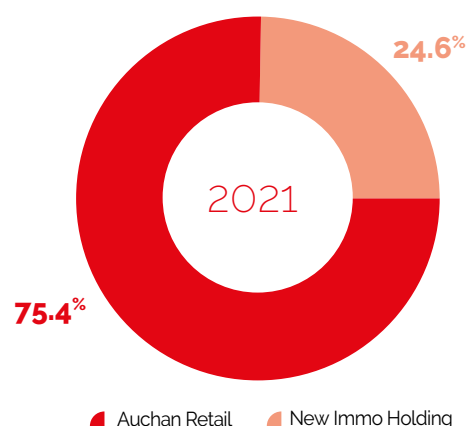
### Assets:

The current investments excluding business combinations (acquisitions of intangible assets, property, plant and equipment and investment properties) amounted to €1,184 million (rights-of-use included). The volume of current investments increased compared to 2020 (€1,169 million).

> CURRENT INVESTMENTS  
BY GEOGRAPHICAL AREA IN 2021



> CURRENT INVESTMENTS  
BY ACTIVITY IN 2021



The breakdown of investments was 39.8% in France (36.6% in 2020), 33.3% in Western Europe excluding France (23.4% in 2020), 22.6% in Central and Eastern Europe (27.2% in 2020), 3.0% in Asia (12.1% in 2020) and 1.3% in Africa (0.7% in 2020).

### Liabilities:

Shareholders' equity stood at €6,454 million as of December 31<sup>st</sup>, 2021, compared to €6,724 million as of December 31<sup>st</sup>, 2020.

Equity (Group share) amounted to €6,248 million, down by €290 million. The main changes were as follows (in millions of euros):

Net income for 2021	344
Capital reduction and treasury shares	7
Translation differences (mainly with the Russian and Ukrainian subsidiaries)	29
Change in debt related to put options granted and repurchase commitments (net of total deferred tax)	28
Changes in consolidation scope	(2)
Dividend distribution	(747)
Other	51

The non-controlling interests amounted to €206 million, compared to €186 million as of December 31<sup>st</sup>, 2020.

The net financial debt, as defined in note 10 to the consolidated financial statements, amounted to €2,181 million as of

December 31<sup>st</sup>, 2021 compared with €2,158 million as of December 31<sup>st</sup>, 2020. It represented 33.8% of equity, compared with 32.1% as of December 31<sup>st</sup>, 2020, and 1.7 years of cash flows from operations and 1.2 years of EBITDA.



## 1.3 CORPORATE SOCIAL RESPONSIBILITY

The company's non-financial performance is described in Chapter 2 of this document - Non-financial performance statement.

## 1.4 POST-CLOSING EVENTS

None.

## 1.5 OUTLOOK

The consequences of Covid-19 slowed down the expected positive impacts of the commercial recovery, particularly in France. Despite this, Auchan Retail benefited from positive momentum in nine out of ten countries and the operational re-engineering initiative launched in 2019 (Renaissance), which significantly improved its economic model. This had a strong positive

impact on operating margin growth, the effects of which will endure going forward. Thanks to a new management team focused on sales growth and winning back customers, in particular in France, Auchan Retail is optimistic about 2022. This optimism is driven by a plan to expand digital convenience store formats and to relaunch investments, enabled by a very healthy financial situation (positive cash position).

Covid-19 once again impacted New Immo Holding in 2021, in particular due to the challenging commercial and financial

situation facing a portion of its tenants linked to the temporary closure of shopping centres. The company expects a return to normal in 2022. Its progress will be grounded in its new organisation initiated in 2021 based in particular on the creation of Nhood, a new real estate services operator, to continue developing projects that support both cities and trade, thus widening its prospects for profitable growth.

Business development will take place within a strict financial framework and as part of a voluntary CSR approach. ELO's financial strength, which has significantly increased in 2020, remains a priority. As such, the non-strategic asset disposal program undertaken in 2021 will continue in 2022. The Company will thus be able to support the investments required by Auchan Retail's commercial recovery plans and the ongoing development of New Immo Holding.



# NON-FINANCIAL PERFORMANCE STATEMENT

2

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## 2.1 INTRODUCTION

The scope of the non-financial performance statement for 2021 is mainly focused on the actions and performance of Auchan Retail, which represents more than 98% of ELO's revenue. The reporting on New Immo Holding's performance and actions is therefore more specific in this chapter.

Two events impacted ELO's non-financial performance in 2021:

- the announcement of the sale to the Taiwanese group PX-Mart of the activities of Auchan Retail Taiwan on October 22<sup>nd</sup>, 2021; the scope of the information presented in this chapter therefore does not cover this activity, the results of which are recognised as activities held for sale (in accordance with IFRS 5) as of December 31<sup>st</sup>, 2021;
- the Covid-19 health crisis which continued to significantly impact ELO's activities.

### 2.1.1 A RESPONSIBLE APPROACH BASED ON THREE COLLECTIVE FIGHTS

Founded in the 1960-70s to make the broadest offering accessible to as many people as possible, large-scale retailing is now being challenged by a changing society: the emergence of digital, food, environmental and economic transitions, etc. These changes have led Auchan Retail to rethink its model and structure its responsible commitments.

It was in this context that Auchan Retail launched its "Auchan 2022" corporate project in 2019. Objective: to adapt to new challenges, to the expectations of consumers and society, and to return to sustainable growth. This project should enable Auchan Retail, a brand that symbolises the democratisation of consumption, to pursue its historical ambition: to improve the quality of life of people.

The Auchan 2022 project is reflected in two strategic pillars:

- **being the benchmark player actively committed to good, healthy and local products through the selection and design of a unique, fair and responsible offer;**
- **bringing people together and providing enriching experiences to improve the quality of life of residents.**

To nurture this corporate project and meet the expectations of its stakeholders, Auchan Retail has formalised its CSR approach around the most material issues. Committing to a sustainable development approach is no longer an option for the Group but a challenge to be met. These commitments, which mobilise all its employees internationally, are structured around three collective actions with medium-term objectives.

#### > Fight 1: encourage healthy eating and fight against food waste



This commitment meets the expectations of consumers who want healthy, local and quality food. Auchan Retail strives to encourage healthy eating and fight against food waste by offering a fair and responsible offer.

Ambition for 2022:

100% of private label products with a nutritional label (Nutri-Score or equivalent).

#### > Fight 2: fight against plastic pollution



Today, plastic is present throughout the product life cycle in the mass retailing sector: manufacturing, transport, packaging, customer logistics. Auchan Retail is mobilising to reduce plastic waste and promote the circular economy throughout its value chain through concrete and measurable initiatives.

Ambition for 2022:

- 100% reusable, recyclable or compostable packaging for private label products;
- elimination of plastic packaging as much as possible for the food services, fruit and vegetables business lines.

#### > Fight 3: reduce its carbon footprint



This focus is part of the commitments made by Auchan Retail at COP21 to reduce by 20% the greenhouse gas (GHG) emissions from its energy consumption. In 2019, Auchan Retail achieved this objective and has therefore set itself new ambitions.

Ambition 2022:

- 20% reduction in greenhouse gas emissions from goods transport;
- 50% low-carbon electricity supply;
- 25% reduction in energy consumption in stores (baseline 2014, like-for-like).

The actions rolled out in 2021 fuelled these commitments. The fight to reduce carbon has been strengthened by the definition of a climate ambition (see 2.5.1 Climate change and greenhouse gas reduction).

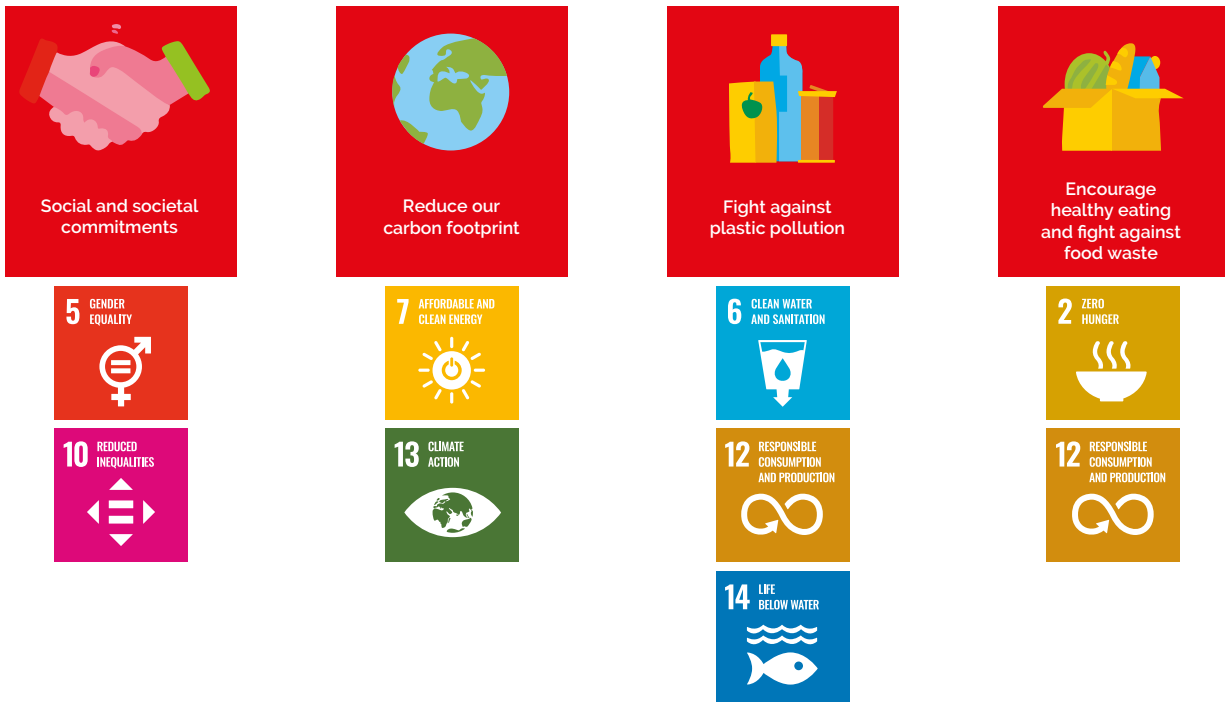
## A responsible approach driven by committed employees who are passionate about their profession

In a society where the notions of quest for meaning and responsibility are increasingly present, this approach encourages, promotes and nurtures the responsible commitment of Auchan Retail employees while cultivating a passion for their profession. Their commitment in the field can take the form of initiatives that are part of local CSR policies, but also of solidarity actions led by Auchan Retail's foundations.

This mobilisation encourages the commitment of employees, who are also supported in their career development at Auchan Retail through training programmes and career paths.

Lastly, since the Covid-19 crisis has highlighted the strong expectations and challenges in terms of workplace safety, Auchan Retail is and remains committed to ensuring a safe, healthy and fulfilling work environment for its teams and optimal safety conditions for consumers in all its formats.

2



As a signatory of the Global Compact, Auchan Retail has aligned its CSR priorities with the Sustainable Development Goals defined by the United Nations.

### 2.1.2 INTERNATIONAL AND NATIONAL CSR GOVERNANCE TO ACCELERATE DECISIONS AND ACTIONS WITHIN AUCHAN RETAIL

In order to translate CSR commitments into concrete and effective actions, Auchan Retail has implemented CSR governance throughout the organisation at international and national levels.

**At the international level:** Auchan Retail's policy is managed by the CSR Department, which reports to the General Secretariat, with the General Secretary being a member of the Auchan Retail Executive Committee.

The CSR Department coordinates the International CSR Committee. This body brings together the country CSR managers, the Worldwide Products Department and certain business lines (quality, technical, ethics, etc.). This committee meets every month to oversee international initiatives and promote synergies between countries.

The CSR objectives are embedded in Auchan Retail's strategic roadmaps at international and national levels.

**At the national level:** the dedicated CSR manager defines his or her roadmap by incorporating Auchan Retail's priorities as well as the national issues shared through growing dialogue with local stakeholders.

Each country has a CSR Committee. Depending on their resources and level of maturity, the subsidiaries set up a specific organisation and tools to promote CSR in the field and in contact with customers.

Each subsidiary communicates on its commitments. Some entities have chosen to publish CSR reports in 2021.

The CSR commitments of ELO's subsidiaries are also supported by its Board of Directors, who are attentive to their implementation and results.

### 2.1.3 ENHANCED DIALOGUE WITH STAKEHOLDERS

#### > Ongoing dialogue with stakeholders throughout the year

Examples of actions carried out with internal and external stakeholders in 2021

<b>Employees</b>	<ul style="list-style-type: none"> <li>Regular managerial discussions</li> <li>Implementation of a flash commitment survey in nine Group countries</li> </ul>
<b>Social partners</b>	<ul style="list-style-type: none"> <li>Maintaining regular social dialogue on working conditions during the pandemic</li> </ul>
<b>Brands of the Mulliez Family Association (AFM)</b>	<ul style="list-style-type: none"> <li>Participation in and contribution to the workshops of the "Acts and Facts" association, a structure bringing together volunteer retailers to exchange best practices and take concrete actions to accelerate the environmental transition</li> </ul>
<b>Investors</b>	<ul style="list-style-type: none"> <li>Sharing of non-financial assessments and roadshows carried out by the Finance Department</li> </ul>
<b>Associations</b>	<ul style="list-style-type: none"> <li>Support for numerous associations to meet pandemic-related needs</li> <li>Auchan Youth Foundation call for projects</li> <li>Specific actions of the Auchan Retail Foundation Weave Our Future</li> <li>Numerous initiatives on the ground to support associations helping medical staff and vulnerable people</li> </ul>
<b>Customers/Residents</b>	<ul style="list-style-type: none"> <li>Measuring the image of the Auchan 2022 project ambitions in all countries</li> <li>Testing concepts with residents via focus groups (new positioning of our product brands, new packaging graphic charters, own-brand communication such as Qilive and Actuel, etc.)</li> <li>Implementation of the Trends and Innovation process to align product category developments with consumer trends</li> <li>Co-construction with our consumers on our supply chain positioning and on certain flagship products (Inextenso T-shirts, etc.)</li> <li>Meetings with residents in their homes to understand their eating habits and the impact of teleworking</li> </ul>
<b>Industrial partners and players in the Retail sector</b>	<ul style="list-style-type: none"> <li>Active contributions within the national federations representing trade and distribution, in particular on the various health crisis situations, CSR or regulatory issues (UNI agreement, soybean issues, etc.)</li> <li>Participation in the Consumer Goods Forum coalitions</li> <li>Participation in the working groups of the Fashion Pact</li> </ul>
<b>Local producers/Farmers</b>	<ul style="list-style-type: none"> <li>Acceleration of the deployment of local supply chains in all countries</li> <li>Organisation of the "Auchan Tour" in France: employees and customers went to meet 45 local partners and responsible supply chains during 23 stages</li> </ul>
<b>Suppliers</b>	<ul style="list-style-type: none"> <li>Continuation of the Ecovadis CSR assessment approach with non-commercial suppliers</li> <li>Organisation of the Indirect Purchasing Convention to which all suppliers were invited. Best packaging award (June 2021)</li> </ul>
<b>Journalists</b>	<ul style="list-style-type: none"> <li>Regular information to the press through press releases on Auchan Retail's CSR challenges and progress in the countries</li> <li>Answers to interviews and requests for additional information</li> </ul>
<b>Local and national authorities</b>	<ul style="list-style-type: none"> <li>Regular information to the authorities on CSR commitments and achievements by Auchan Retail structures in the countries</li> <li>Participation in government and local programmes related to the selected CSR topics</li> </ul>

#### > Dialogue strengthened by conducting an international and country materiality analysis

##### A materiality analysis to build the post-2022 strategic plan

In 2021, Auchan Retail carried out a materiality analysis to inform the discussions on the future challenges of Auchan Retail and thus develop the post-2022 strategic plan. The materiality analysis is a tool used to identify the company's priority issues, based on stakeholder expectations and weak societal trends and signals. This work was carried out in a context of dialogue with stakeholders, in order to strengthen it.

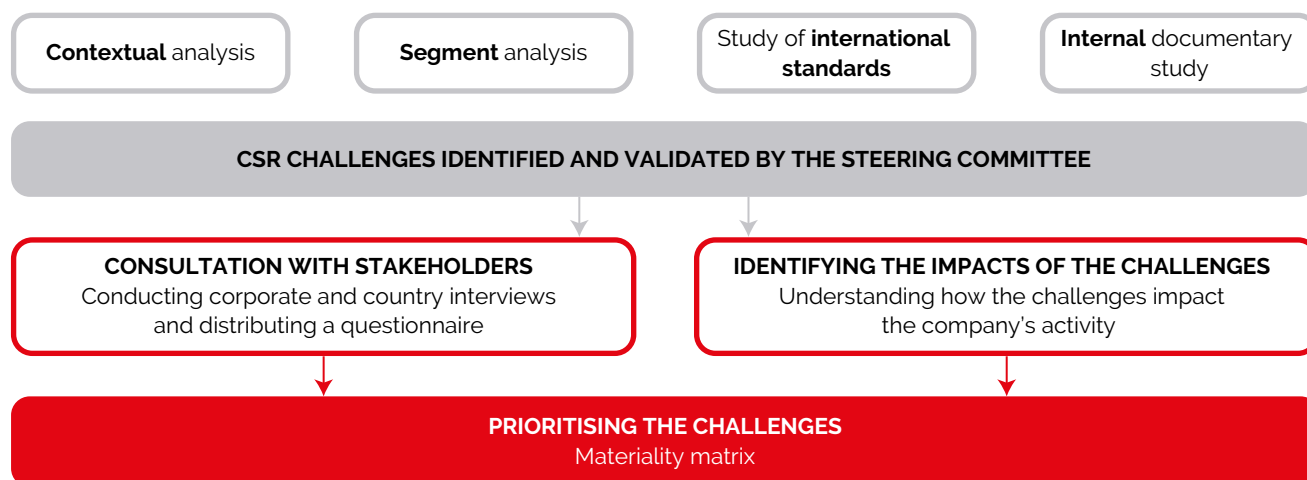
##### Global and local materiality

Auchan Retail wanted to carry out this analysis on two levels: global and local. The objective was to identify current and future trends and priority issues, in order to update the company's CSR approach, while identifying local specificities. This work in the countries where Auchan Retail operates (Spain, France, Hungary, Poland, Portugal, Romania, Russia, Senegal, Ukraine) will enable each of these countries to define their own implementation of the Group's approach, while taking into account the expectations of their stakeholders.



## A robust methodology aligned with standards

The global and local materiality analysis was carried out using the following steps:



2

The first step was to study the context in which Auchan Retail operates at the international and local level in order to define its CSR challenges:

- a contextual and segment study was conducted based on publications by peers, industry guides, current and future controversies and regulations;
- a study of international standards was carried out in order to refine the first study, and to ensure the alignment of the approach with these standards. The 17 Sustainable Development Goals and their 169 targets were reviewed, as well as the ISO 26000 standard and the standards of the Sustainability Accounting Standards Board (SASB);
- lastly, the various work carried out internally by the countries was also taken into account, to ensure overall consistency of the work at Group level.

Thirty-seven issues, organised into six categories, were then defined and validated with the CSR Steering Committee (composed of the country CSR directors), in order to align them with the realities on the ground and country specificities.

The second stage, the consultation with Auchan Retail's stakeholders, aimed to strengthen the company's dialogue with its stakeholders, by understanding their interests and the level of importance they place on CSR issues. This step required defining the stakeholders to be consulted so that they

were representative of Auchan Retail's activity, its locations and its ecosystem.

A large panel was therefore consulted through two complementary methods:

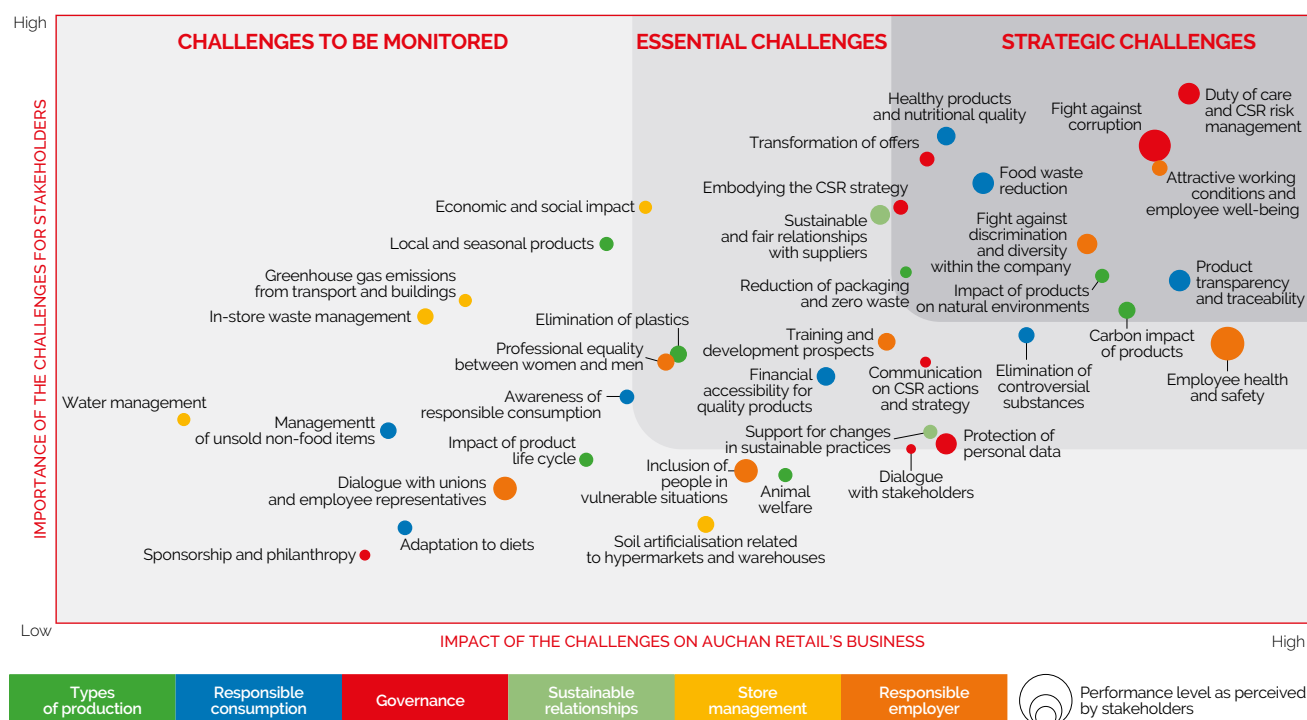
- a qualitative consultation, through 70 interviews, made it possible to gather the expectations of both the internal stakeholders (employees, social partners) and the external ones (customers and consumer associations, suppliers, civil society, shareholders, professional federations, institutional organisations);
- a quantitative consultation, through the distribution of a questionnaire to internal and external stakeholders, resulted in more than 2,000 responses.

Finally, the last step was to determine the impact of these CSR challenges on Auchan Retail's business. To this end, a workshop was organised with the CSR Steering Committee and three members of the Management Committee. These members were able to challenge and validate the pre-identified level of impact of the 37 CSR issues. This workshop made it possible to highlight the points of convergence concerning the vision of the challenges vis-à-vis the activity of the company at the global level, as well as the specificities related to the context and the challenges of each country of operation.

## Global materiality matrix

At the global level, the results of these analyses and consultations are presented in the materiality matrix below:

### > MATERIALITY ANALYSIS RESULTS



The materiality analysis carried out confirmed certain fundamentals and strengths identified by Auchan Retail: employee health and safety, the fight against corruption, the inclusion of people in vulnerable situations, and the financial accessibility of products. The consultation also highlighted the persistence of the expectations regarding the commitments of the "Auchan 2022" strategy, particularly in terms of plastic (now to be extended to waste more generally) and food waste.

Convergences and country specificities also emerged from the analysis. Indeed, there are challenges in all countries, such as

nutritional quality, consumer awareness, biodiversity and waste, as well as working conditions and health and safety. On other issues, such as gender equality, social dialogue, or adaptation to diets, stakeholder expectations vary.

The embodiment of the CSR strategy, its proper application at all levels of the company, as well as communication on current and future actions, are important levers for the implementation of Auchan Retail's CSR strategy at all levels of the company. Employees must therefore be at the heart of this strategy and its implementation.

## 2.1.4 A CSR STRATEGY SUPPORTED BY AN IMPROVEMENT IN NON-FINANCIAL AND CSR RATINGS

	2021	2020	Comments
	62/100	49/100	All the actions of 2021 resulted in an improvement in the non-financial ratings. ELO asked Moody's ESG Solutions <sup>(1)</sup> to conduct an independent assessment of its ESG performance. In December 2021, ELO obtained an A1 sustainability rating based on an overall score of 62/100. This represents an increase of 13 points in one year and 25 points since 2018. In 2021, this dynamic placed ELO in the Top 150 of all companies rated by Moody's ESG Solutions worldwide and in 3 <sup>rd</sup> place among European food and non-food distributors.
	B	B	Maintaining this score in a context of stricter assessment criteria strengthens the advanced level of management on climate issues within ELO.

(1) This sustainability assessment was initially carried out by VE, which is now part of Moody's ESG Solutions.

### A selection of awards obtained locally in countries in 2021

#### Hungary

- Fenntarthatóság Szimbóluma 2021\* Award for its overall CSR actions
- *Berceau d'Or* Award from the Association de la Famille Nombreuse
- Friendly trader of the year award

#### Romania

- First place in the Health category of the Romanian CSR Awards Gala 2021 and among the Top 5 finalists of the Business Review Awards for the Bucharest and Cluj medical units project
- Mention in the Environmental category of the Romanian CSR Awards Gala 2021 for the "Zéro Gâchis" project
- Four silver medals from Community Index 2021 for the "Zéro Gâchis" project, the "Castor Titi" fundraising campaign, the campaign to collect and recycle used food oil, and the project for medical units in Bucharest and Cluj

#### Poland

- 9<sup>th</sup> in the ranking of responsible companies by White CSR Leaf
- Trustworthy Employer Award given by PGZ for its sponsorship actions
- Employer with Heart Award for its disability actions
- Auchan Retail Poland received the Polityka Silver Sheet for its CSR activities

#### Auchan Retail Ukraine

- "Finalist - Partnership For Sustainability Award 2021 with the Food Bank project"

#### Spain

- Committed to Equality Award from the Department of Haro (La Rioja)
- Circular Economy Best Practice Award from the Club of Excellence in Sustainability and MITECO Award for the private label Alcampo soil
- Contribution to Society During the COVID Crisis Award from the Spanish Retail Association
- Energy Efficiency Award from the Association of Energy Engineers (AEE)
- Essential Trade Award and Sport Award from the Government of Aragon
- Red Cross Awards of the cities of Linares and Burgos

#### France

LSA Commerce & Consumption Award in the environmental responsibility development category for the recycled and recyclable trays from the fish and butcher shops

#### Russia

- Forbes ranking of top employers in Russia
  - Gold Award for governance
  - Silver Award for environmental behaviour
  - Bronze Award for employee and societal achievements

## 2.1.5 ELO'S ACTIVITIES IN RELATION TO THE GREEN TAXONOMY OF THE EUROPEAN UNION

### > Regulatory context

In order to promote transparency and a long-term vision in economic activities and to direct capital flows towards sustainable investments, the European Union has created a common system for classifying the activities of companies to identify the economic activities considered as sustainable. This system is defined in Regulation (EU) 2020/852 of June 18<sup>th</sup>, 2020, known as the **"Taxonomy Regulation"**.

To determine whether an activity can be considered sustainable, it must:

- contribute substantially to one or more of the following environmental objectives:
  - climate change mitigation,
  - adaptation to climate change,
  - sustainable use and protection of aquatic and marine resources,
  - transition to a circular economy,
  - pollution prevention and control,
  - protection and restoration of biodiversity and ecosystems;
- comply with the technical review criteria established by the commission;
- not cause significant harm to any of the environmental objectives;
- be exercised in accordance with the OECD Guiding Principles for Multinational Enterprises, the United Nations Guidelines on Business and Human Rights, including the Declaration of the International Labour Organization (ILO) on fundamental principles and rights at work, the eight fundamental conventions of the ILO, and the International Charter of Human Rights.

In this context, simplified provisions have been planned for the first year of application in 2021. Companies must disclose the share of their sales, capital expenditure and operating expenses associated with so-called "eligible" economic activities, as per the European taxonomy. In addition, only activities contributing to the first climate objectives have been defined (climate change mitigation and adaptation to climate change).

From the 2022 financial year, companies will have to publish the share of their sales, capital expenditure and their so-called "sustainable" operating expenses, that is to say, those meeting the technical criterion or criteria associated with each of the eligible activities: substantial contribution to the achievement of one of the six environmental objectives, absence of harm to the other five environmental objectives, and compliance with minimum social guarantees.

The ELO Group conducted a detailed analysis of all activities within its various consolidated entities. This analysis was carried out jointly by the CSR Department, the Finance Department and the operational departments.

### > Scope

- The sales, capital expenditure and operating expenses considered cover all ELO activities corresponding to the scope of the companies under its control;
- Companies in which ELO and its companies exercise joint control or significant influence are excluded from the calculation of the ratios defined by the delegated act relating to Article 8 of the Taxonomy Regulation published on July 6<sup>th</sup>, 2021 (Delegated Regulation (EU) 2021/2178);
- The financial data is taken from the consolidated financial statements as of December 31<sup>st</sup>, 2021 and the revenue and capital expenditure can therefore be reconciled with the financial statements.

### > Eligible sectors within the meaning of the "Taxonomy" regulation

The eligible sectors in which the companies of the ELO Group operate are listed below:

5. Water production and distribution, sanitation, waste management and decontamination
6. Transportation
7. Construction and real estate activities
8. Information and communication
9. Specialised, scientific and technical activities

### > Methods used for assessing the financial indicators

The denominators of the financial ratios were defined in accordance with Annex 1 of the delegated act relating to Article 8 of the Taxonomy Regulation.

For the numerators, there is no definition of the information expected for eligibility. ELO has reasoned by analogy with the definitions of the alignment ratios.

### > Revenue

ELO's revenue comes from Auchan Retail and New Immo Holding as described in note 3.1 to the consolidated financial statements.

The revenue mainly consists of income from the rental of investment properties held by New Immo Holding and, to a lesser extent, by Auchan Retail. The revenue from the distribution activities is not eligible within the meaning of the regulation.

The share of ELO's eligible revenue for the 2021 financial year was 1.9% out of a total revenue of €31,088 million.

The share of the revenue from ordinary activities eligible within the scope of Auchan Retail amounted to 0.4% and to 92% within the scope.

### > Capital expenditure

ELO's eligible capital expenditure covers capital expenditure relating to the eligible activities (mainly expenses related to the property management activity, renovation and purchase of buildings), as well as individual capital expenditure that is not associated with an activity intended to be commercialised (in particular equipment promoting energy efficiency).

As such, the share of ELO's eligible capital expenditure for the 2021 financial year was between 40% and 45% out of the total capital expenditure of €1,184 million and mainly covered the property management activity.

The share of the eligible capital expenditure for Auchan Retail was between 35% and 40% of Auchan Retail's capital expenditure.

The share of the eligible capital expenditure for New Immo Holding's was between 60% and 65% of New Immo Holding's capital expenditure.

The above ratios were determined on the basis of an analysis covering 69% of ELO's capital expenditure within the meaning of the "Taxonomy" regulation. An extrapolation was carried out for the subsidiaries not covered considering the homogeneity of the activities of the business lines.

### > Operating expenses

ELO's eligible operating expenses mainly relate to building maintenance and repair expenses.

The operating expenses as defined by the taxonomy regulation were not material compared to all operating expenses included in ELO's consolidated income statement. Consequently, this indicator is not presented, as it is not relevant with regard to ELO's activities.

## 2.2 IDENTIFICATION OF THE MAIN CSR CHALLENGES VIA RISK MAPPING

### 2.2.1 GLOBAL RISK ANALYSIS METHOD

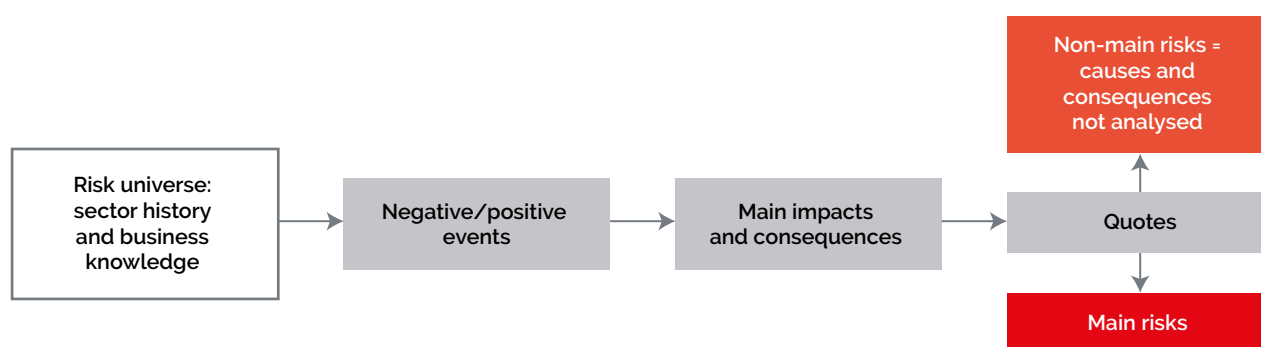
Auchan Retail has implemented a risk management programme based on best practices. It uses a risk analysis method based on the COSO ERM framework.

The aim is to ensure that the most significant risks are identified, assessed and addressed using the most effective methods. A risk is considered to be a potential event, which, if it

occurred, could have a negative impact on the achievement of Auchan Retail's objectives.

The main objectives of risk management are to reduce the probability and/or impact of the occurrence of the main risks by defining and implementing appropriate actions.

The general analysis method is based on the following approach:



In accordance with Auchan Retail's risk management principles, the assessment was made in terms of gross risk and residual risk. This assessment also took into account the suppliers and subcontractors of each of its entities. The work was carried out jointly by Auchan Retail's CSR and Risk and Internal Control teams with the active participation of internal stakeholders in their areas of expertise.

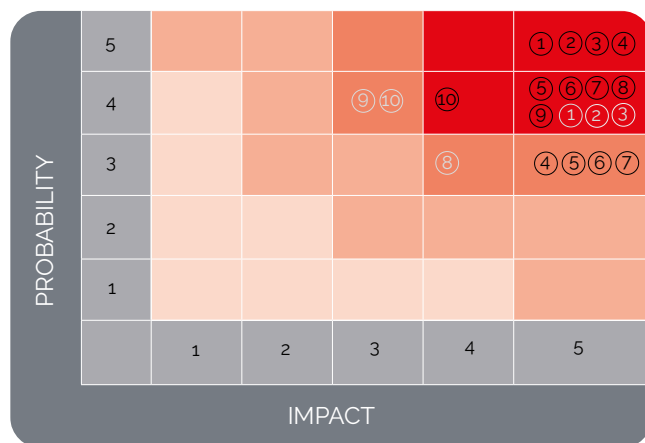
The objective of this review was to identify the exposure of each entity to the main risks identified as well as all the risk

mitigation measures implemented, sometimes locally, in order to share, consolidate or strengthen them.

This risk mapping is one of the structuring elements of Auchan Retail's non-financial performance statement. The risks identified are discussed in the various chapters presented (cross-referencing is provided in the following table). This document also addresses the risks identified in other mapping exercises and Auchan's proactive actions that contribute to the deployment of its CSR policy.

### 2.2.2 CSR RISK MAPPING

#### > CSR RISK MAPPING FOR 2021



① Gross risk    ① Net risk

#### Main exposures

- ① Control of the entire value chain
- ② Products - Impact on safety and hygiene in the processing chain of marketed food products
- ③ Environment - Unsustainable agricultural practices or production methods and selection of raw materials
- ④ Human rights and fundamental freedoms - forced labour/working conditions of migrants and posted workers/child labour
- ⑤ Environment - Climate risk
- ⑥ Environment - Lack of traceability of raw materials and ingredients used in the composition of the products distributed
- ⑦ Products - Health impact associated with storage, management in warehouses and delivery of products to customers
- ⑧ Environment - Non-respect of animal welfare
- ⑨ Employees - Occupational health and safety
- ⑩ Employees - Failure to respect work-life balance






Auchan Retail has chosen to present the gross and net risks identified for the company. The gross risk is the level of intrinsic risk without taking into account the application of reduction actions or the controls in place. The net risk includes the mitigation actions deployed by the company to reduce the impact and the gross probability identified. These mitigating actions are presented in the Auchan non-financial performance statement in the corresponding chapters in the section "Policy and commitments".



The level of risk presented in the table below is a summary that is the result of reworking the net risk. Initially rated on a scale of 1 to 25, the risks have been classified into three categories:

1. Level 1 risk = major risk, net rating greater than or equal to 16;
2. Level 2 risk = moderate risk, net rating between 11 and 15;
3. Level 3 risk = minor risk, net rating less than or equal to 10.

All the measures undertaken to control these risks are presented in the following chapters, under four challenges:

- offer a healthy, quality and responsible food offer;
- limit the environmental impact of our activities;
- commit with passionate employees;
- establish responsible and ethical business relationships.

Materiality analysis	CSR risk mapping			Chapter of the non-financial performance statement dealing with the subject
Themes	Challenges	Risks	Level of risk	
<b>Environmentally friendly production method</b>    	Impact of products on natural environments	Unsustainable agricultural practices or production methods and selection of raw materials	1	2.3.1 Consumer health and safety 2.3.2 Eating well and the nutritional quality of products 2.5.4 Biodiversity and protection of natural resources
	Local and seasonal products	Unsustainable agricultural practices or production methods and selection of raw materials	1	2.3.1 Eating well and the nutritional quality of products 2.6.2 Sustainable purchasing relationships with our partners
	Carbon impact of products	Climate risk	2	2.5.1 Climate change and GHG reduction
	Impact of product life cycle	Unsustainable agricultural practices or production methods and selection of raw materials	1	2.3.1 Consumer health and safety 2.3.2 Eating well and the nutritional quality of products 2.5.4 Biodiversity and protection of natural resources
	Reduction of packaging and zero waste	Environmental impact of non-recyclable packaging on the market	3	2.5.2 Fight against plastic pollution
	Elimination of plastics			
	Animal welfare	Non-compliance with animal welfare	2	2.3.3 Animal welfare

Materiality analysis		CSR risk mapping		Chapter of the non-financial performance statement dealing with the subject
Themes	Challenges	Risks	Level of risk	
<b>Responsible consumption and healthy products for all</b>  	Healthy products and nutritional quality	Depletion of resources	2	2.3.1 Consumer health and safety 2.5.4 Biodiversity and protection of natural resources
	Adaptation to diets	Impact on safety and hygiene in the processing chain of marketed food products	1	2.3.2 Eating well and the nutritional quality of products
	Elimination of controversial substances			
	Financial accessibility for quality products			
	Product transparency and traceability	Quality, safety and hygiene of marketed food products	1	2.3.1 Consumer health and safety
		Health impact associated with storage, management in warehouses and delivery of products to customers	2	
		Lack of traceability of raw materials and ingredients used in the composition of the products distributed	2	2.3.1 Consumer health and safety 2.5.4 Biodiversity and protection of natural resources
	Awareness of responsible consumption and the environmental impacts of products	Depletion of resources	2	2.3.1 Consumer health and safety 2.5.4 Biodiversity and protection of natural resources
<b>Farmer and supplier relations</b>	Management of unsold non-food items	Food and non-food waste	3	2.3.4 Fight against food waste
	Food waste reduction			
	Sustainable and fair relationships with suppliers	Control of the entire value chain	1	2.6.1 Responsible supply chain approach and partnership with local producers 2.6.2 Sustainable purchasing relationships with our partners
<b>Store management</b>  	Support for changes in sustainable practices	Unsustainable agricultural practices or production methods and selection of raw materials	1	2.3.1 Consumer health and safety 2.3.2 Eating well and the nutritional quality of products 2.5.4 Biodiversity and protection of natural resources
	In-store waste management	Poor waste management	3	2.5.3 Eco-design, second life of products and operational waste
		Energy over-consumption of sites, stores and warehouses	2	2.5.1 Climate change and GHG reduction
	Greenhouse gas emissions from transport and buildings	Climate risk	2	2.5.1 Climate change and GHG reduction
		Greenhouse gas emissions	2	
	Soil artificialisation related to hypermarkets and warehouses	Climate risk	2	2.5.1 Climate change and GHG reduction
	Water management			
	Economic and social impact	Poor waste management	3	2.5.3 Eco-design, second life of products and operational waste

Materiality analysis		CSR risk mapping		Chapter of the non-financial performance statement dealing with the subject
Themes	Challenges	Risks	Level of risk	
<b>Responsible and attractive employer</b>	Fight against discrimination and diversity within the company	Impediments to cultural diversity-discrimination	3	2.4.6 Diversity and equal opportunities 2.4.2 Employee development
		Discriminatory treatment related to political or trade union opinions	3	2.4.5 Social dialogue
	Professional equality between women and men	Inequitable career management and compensation	3	2.4.1 Job structuring 2.4.2 Employee development 2.4.6 Diversity and equal opportunities
	Attractive working conditions and employee well-being	Failure to respect work-life balance	2	2.4.3 Occupational health and safety 2.4.4 Societal commitment and solidarity
	Dialogue with unions and employee representatives	Discriminatory treatment related to political or trade union opinions	3	2.4.5 Social dialogue
	Employee health and safety	Occupational health and safety	2	2.4.3 Occupational health and safety 2.4.4 Societal commitment and solidarity
		Failure to respect work-life balance		
	Training and development prospects	Inequitable career management	3	2.4.1 Job structuring 2.4.2 Employee development 2.4.6 Diversity and equal opportunities
	Inclusion of people in vulnerable situations	Inequitable career management	3	2.4.6 Diversity and equal opportunities
<b>Responsible governance</b>	Embodying the CSR strategy	NC	NC	Introduction
	Duty of care and CSR risk management	Human rights	2	2.6.1 Responsible supply chain approach and partnership with local producers 2.6.2 Sustainable purchasing relationships with our partners 2.6.3 Ethics and compliance Duty of care plan
		Control of the entire value chain	1	Duty of care plan
	Fight against corruption	Control of the entire value chain	1	2.6.3 Ethics and compliance
	Protection of personal data			
	Communication on CSR actions and strategy implemented	NC	NC	2.1.2 International and national CSR governance to accelerate decisions and actions within Auchan Retail
	Sponsorship and philanthropy	NC	NC	2.4.4 Societal commitment and solidarity
	Dialogue with stakeholders	NC	NC	2.1.3 Ongoing dialogue with stakeholders
	Transformation of offers to integrate social, societal and environmental issues	Depletion of resources	2	2.3.1 Consumer health and safety 2.5.4 Biodiversity and protection of natural resources

## 2.3 PROPOSE A HEALTHY, QUALITY AND RESPONSIBLE FOOD OFFER



The first fight of the Auchan 2022 corporate plan, the healthy, quality and responsible food offer is Auchan Retail's response to the growing demands of the company's stakeholders.

Auchan Retail wants to give its customers access to quality products that are healthy and, wherever possible, exclusive. The company is developing a food offering that combines:

- security;
- respect for animal welfare;
- taste pleasure and nutritional balance;
- limitation of food waste.

### 2.3.1 CONSUMER HEALTH AND SAFETY

#### > Background

In the food industry, quality is a constant concern at the heart of consumer expectations. The successive crises of recent years have generated a demand for security and transparency. Auchan Retail has made this concern its primary responsibility and the heart of its mission: to offer its millions of daily customers a safe, varied and accessible offer that contributes to a balanced diet and the pleasure of eating.

#### > Commitment/Policy

Auchan Retail acts by:

- continuously improving its own brands;
- encouraging national brands to act in line with its CSR progress approach through the in-store offering;
- giving consumers access to better information on responsible products and consumption patterns;
- relying on internal or external experts or partner organisations.

In this regard, Auchan Retail has formalised its main commitments in a responsible quality charter, organised into ten areas:



With regard to consumer health and safety, three areas will be developed here:

#### 1. Guarantee the safety and compliance of Auchan products

This component of the Auchan quality commitment charter is reflected in:

- the selection of our suppliers by minimising Quality, Social and Environmental risks by geographical area via strict specifications,

- the auditing of each production site by following Auchan guidelines and/or by relying on international standards;
- quality audits carried out at all suppliers of own-brand products;
- social audits in line with the results of the risk mapping. Among other things, Auchan, as a founding member of the Social Compliance Initiative (SCI) and a member of the BSCI, again relies on international initiatives;

- the monitoring of the performance of our products and suppliers through regular tests carried out by accredited service providers and technical visits;

This demanding and unique development process for own-brand products for all countries is regularly monitored by the Internal Audit Department.

## 2. Ensure clear transparency on the origin of raw materials

Consumers are looking for clear information about the products they consume. Through this axis, Auchan Retail wants to:

- give customers access to information (traceability, labels, web, etc.);
- inform the customer about the country of production;
- inform the customer about the origin of the raw materials;
- guarantee the absence of contentious substances in the raw materials, in particular through a monitored blacklist (see dedicated section);

## 3. Enhance in-store quality and manage withdrawals and recalls flawlessly

The quality of the food offering is also driven by the food quality in stores and in the logistics chain. This includes various requirements applicable to all subsidiaries:

- have a health control plan or HACCP<sup>(1)</sup> for all stores and in logistics;
- train employees across the chain (from the warehouse to the store, including delivery) in both food safety and quality;

- assess all our sites through a single system based on an international FSQS inspection standard;<sup>(2)</sup>
- control the health and safety of products.

### • in the event of a serious crisis:

- be able to withdraw a product worldwide;
- have whistle-blowing systems in line with the needs of the national market;
- have the ability to contact customers in the event of a major risk.

### • develop certification or Food Safety Culture programmes to facilitate industrialisation and modernisation.

In order to lead and coordinate the quality departments of all its subsidiaries, Auchan Retail organises a quality committee every month. This committee is made up of all the country's quality directors as well as support functions concerned by these subjects, such as the Corporate CSR Department.

These meetings are an opportunity to share best practices and business requirements, emerging issues and to reflect together on the areas of the company's quality strategy. In this respect, the following topics were among those addressed in 2021:

- food quality risk mapping;
- traceability;
- KPIs to monitor;
- international commitments and the charter;
- quality audit guidelines and standards;
- controversial substances and products including soybeans and palm oil.

## 2.3.2 EATING WELL AND THE NUTRITIONAL QUALITY OF PRODUCTS

### > Background

Consumers are increasingly attentive to what they eat, to environmental protection and to respecting production conditions. To meet these expectations, Auchan Retail is mobilising its entire ecosystem: producers and manufacturers, nutritionists and top chefs, but also butchers, fishmongers, bakers in its stores, its department managers and checkout assistants, logistics and digital teams, etc., not forgetting partner associations. Together, they contribute to Auchan Retail's action for the good, the healthy and the local, an action that revisits all facets of its business and aims to build trust in what we eat.

### > Commitment/Policy

Auchan Retail aims to:

- select and design healthy and sustainable products;
- develop specific products for all types of food and lifestyles.

### Selecting and designing healthy and sustainable products, recognised for the pleasure of good nutrition

Auchan Retail is developing a product policy that reconciles safety, taste and health, while ensuring nutritional balance. Auchan brand products are therefore designed on the basis of ambitious specifications and fully reflect the commitments formalised in the published responsible policies:

- natural, simple ingredients without unwanted additives (blacklist), in particular:
  - no GMO ingredients,
  - no deforestation ingredients (focus on palm oil and soybeans),
  - no azo dyes,
  - no glutamate,
  - no nanotechnology;
- with a studied composition that requires:
  - the search for quality ingredients,
  - the review of recipes to reduce salt, sugar and fat and to increase fibre.

In addition to the approach to improving recipes for own-brand food products and to increase customer awareness, each country promotes its actions through official government recognition by adopting a nutritional label and undertakes to affix it to its Auchan-brand products. This progress is already effective in France, Spain, Portugal, Luxembourg, Poland and Romania with the choice of Nutri-Score.

(1) Hazard Analysis Critical Control Point - system that identifies, assesses and controls significant food safety hazards.

(2) Food Store Quality Standard (FSQS) supported by the FSQ Association (formerly IFS FOOD STORE). The FSQS is a common standard for large retailers. This standard makes it possible to measure the level of control of the points of sale with regard to the safety of the food sold.

In all its subsidiaries, Auchan Retail is committed to informing consumers about healthy eating. Initiatives in this area include:

- in-store cooking workshops with children;
- diabetes awareness campaigns;
- show cooking;
- recipe proposals, validated by a nutritionist;
- highlighting and tasting of healthy products.

The company is also forging many partnerships with local associations in this regard and supports the authorities' approaches to nutritional policies.

It should be noted that the mission of the Auchan Foundation is to support projects that contribute to good and accessible food, and to social bonding, in all its dimensions (pleasure, identity, socialisation, nutrition), for those in need (see chapter 2.4.4 on societal commitment and solidarity).

Auchan also offers non-food products with quality and sustainability commitments that extend their useful lives. The company also wants to design products with the aim that they can be repaired and recycled, and be of sufficient quality to allow second-hand resale.

### Developing specific products for all types of food and lifestyles to meet the diversity of customers

Auchan Retail is adapting to new consumer expectations and encourages consumption choices that include all types of food.

All subsidiaries develop and promote innovative agricultural initiatives that are beneficial for the environment, for producers and for the health of consumers:

- develop ranges from organic farming by promoting national or even local supply chains;
- products without pesticide residues;
- products bearing labels such as the High Environmental Values in France.

To preserve the planet and/or their health, customers are consuming less and less meat and other products of animal origin. Designing ranges of own-brand vegetarian and even vegan products is a response to these expectations. Auchan Retail is constantly expanding this segment to offer alternatives to the consumption of animal protein.

The food offering on the shelves of Auchan Retail stores is also enhanced each year by products designed or selected to meet all needs:

- gluten-free products;
- low-sugar products;
- low-salt products;
- products without specific allergens.

When store space permits, these products are brought together in a single department to facilitate purchases by customers coming specifically for these needs.

To ensure that all customers are able to choose their products, Auchan Retail affixes Braille labels to more than 2,000 own-brand food products. This labelling, in place since 2015, allows the visually impaired to choose and recognise the product they want to consume without risk of error.

## > Indicators

Scope	Indicators	2019	2020	2021
Auchan Retail	Percentage of private label and international private label products with a nutritional label on the packaging <sup>(1)</sup>	33%	45% <sup>(2)</sup>	48%

(1) Private label products are also called own-brand products.

International private label products are products developed by the international purchasing centre for all our countries.

(2) This indicator only includes products WITH a nutritional label ON the packaging.

Country	Number of items of organic products	Number of own-brand organic products	Percentage of own-brand products in organic products
Auchan Retail Spain	2,475	236	9.6%
Auchan Retail France	11,856	895	7.6%
Auchan Retail Hungary	760	74	9.7%
Auchan Retail Luxembourg	28,117	5,320	18.9%
Auchan Retail Poland	1,620	26	1.6%
Auchan Retail Portugal	1,705	169	9.9%
Auchan Retail Romania	135	18	13.3%
Auchan Retail Russia	173	29	16.8%
Auchan Retail Senegal	393	334	85.0%
Auchan Retail Ukraine	857	87	10.1%
<b>TOTAL</b>	<b>48,091</b>	<b>7,188</b>	<b>15.0%</b>

> Significant initiatives by subsidiaries

Theme Policy	Organisation	Initiative
Products with a balanced nutritional composition and selected ingredients	Auchan Retail Spain	109 own-brand products have been reformulated, eliminating more than 67,261 kg of saturated fat, 78,080 kg of sugar and 9,107 kg.
	Auchan Retail France	A new responsible product supply chain, Just Chips is the first crisp offered without pesticide residues, with a Nutri-Score of B and is less salty than other equivalent products.  100% of Auchan brand products have adopted the Nutri-Score system for online products and more than 4,000 items of in-store packagings.
	Auchan Retail Portugal	In partnership with the government EIPAS (Public Health) programme, Auchan has developed new bread recipes. Some of the salt in the traditional recipe has been replaced by a liquid salt from Formentera waters, which contains five times less sodium than normal salt: a range of eight breads with 25% less salt is available in all stores across the country. This approach has also been rolled out for sugar in instant coffee sticks at a level of 4 g per stick. The EIPAS programme also provides for measures relating to sugar in drinks, yogurts and flavoured milks, breakfast cereals and for salt in snacks, ready meals and soups.  450 recipes reworked to improve the nutritional profile (= less salt - less sugar - less fat) 460 recipes reworked or developed to be "Clean" (removal of artificial flavours and colouring, etc.)
	Auchan Retail	To mark the 60 <sup>th</sup> anniversary of Auchan Retail, a book entitled "From Auchan to the Plate", presenting 21 recipes based on Auchan brand products and responsible channels, was offered to all employees.
Awareness of healthy eating habits	Auchan Retail Spain	Work was carried out to provide additional training on the nutritional quality of products via different channels: <ul style="list-style-type: none"> <li>• in stores;</li> <li>• via commercial brochures;</li> <li>• on the company's social networks;</li> <li>• via other communication tools, such as newsletters for customers.</li> </ul> In addition, the Rik & Rok Club, for children aged four to ten, continued to offer monthly online workshops on healthy eating. For members of the Joven Team club, aged 11 to 16, gastronomic content was offered in all quarterly magazines.
	Auchan Retail Ukraine	A national challenge focused on the passion for healthy eating was organised: in a short video, each team expressed its passion for food and showed, in images, how this is reflected in its daily activity. This event is intended to be viral since it is organised in the form of a challenge: the first participating team has passed the baton to the team of its choice (store or department), thus creating a national dynamic.
	Auchan Retail Russia	Organisation of the "Healthy Lifestyle" operation in stores with the promotion of healthy products, including own-brand products.
Specific products developed for all types of food	Auchan Retail Hungary	The range of "free" products has been expanded: <ul style="list-style-type: none"> <li>• 289 gluten-free products;</li> <li>• 551 sugar-free products;</li> <li>• 209 lactose-free products.</li> </ul>
	Auchan Retail Spain	The company offers nearly 500 lactose-free products (including a dozen own-brand products) and around 1,700 gluten-free products, including 300 own-brand products, and has had a specific selection for years.
	Auchan Retail Ukraine	Enhancement of the "specific" ranges: <ul style="list-style-type: none"> <li>• 132 sugar-free products;</li> <li>• 78 gluten-free products;</li> <li>• 589 certified organic products.</li> </ul>
Product transparency developed to better inform consumers	Worldwide Products Department	The range of Cosmia hygiene and beauty products for adults and babies is deemed 100% risk-free by Yuka.  Development of a new packaging charter for "free" products to improve their visibility (deployment in stores in 2022).
	Auchan Retail Romania	For greater transparency and traceability, Auchan Retail Romania has developed the presence of QR codes in stores to give customers all the necessary information about the product.



## 2.3.3 ANIMAL WELFARE

## &gt; Background

Many consumers feel very strongly that they want to be able to consume products that are more respectful of animal welfare, from the beginning to the end of the animal's life. In a context of declining meat consumption in Western countries, with growing demands from animal protection associations and in a highly competitive market, the consideration of animal welfare is not only a risk but also an opportunity for market differentiation with a vegetarian and/or vegan product offering.

## &gt; Commitment/Policy

Auchan Retail has made this necessary transformation one of its priorities and is committed to improving animal welfare in the development of its responsible agricultural production chains (see section 2.6.1).

The company has launched an international consultation process that will lead to the publication of a corporate policy on animal welfare in. Various subsidiaries already have such a commitment:

- Auchan Retail Spain;

- Auchan Retail France;
- Auchan Retail Poland.

These refer, among other things, to the fundamental rights of all farm animals and the responsible use of antibiotics.

Auchan Retail has also made the sale of eggs from non-caged hens a priority. In this way, a dynamic is under way in all countries between producers, distributors, associations and customers. As the economic reality and behavioural maturity differ from one country to another, this dynamic aims to support changes in the most sensitive countries and encourage consideration of the subject in other countries. Thus, the company has undertaken to sell only cage-free eggs under its own-brand references by 2025 in the European Union countries.

In line with the new concerns and needs of consumers, all Auchan Retail countries offer a range of national brand or own-brand vegetarian and vegan products.

## &gt; Significant initiatives by subsidiaries

Theme	Organisation	Initiative
Animal welfare Vegan offer	Auchan Retail Portugal	The range of vegan products was heavily rolled out in 2021, increasing to 1,213 products.
	Auchan Retail France	Reaffirmation of the commitment to animal welfare through the update, in 2021, of the "Animal welfare" policy, supplemented by a performance report presenting the indicators related to the main commitments relating, in particular, to non-cage eggs and the Better Chicken Commitment. Auchan Retail is committed to continuing its efforts by taking into account the areas for improvement identified by Business Benchmark on Farm Animal Welfare (BBFAW), which ranked it in the third category thanks to its animal welfare policy in 2020. Development of the Veggie Private Label product line with more than 27 products.
	Auchan Retail Poland	Auchan brand eggs come only from hens raised outside cages. In addition, in March 2021, Auchan Retail Poland decided to extend these requirements to all Auchan-branded products containing fresh eggs.
	Auchan Retail Spain	Offering more than 300 vegan products and eight own-brand Veggie products Implementation of vegan corners in its hypermarkets: modules identified by specific signage to enable customers following a vegan diet to better find and purchase the products they want. The company anticipates that around 20 stores will be equipped with these Corners by the end of 2021.

## 2.3.4 FIGHT AGAINST FOOD WASTE

## &gt; Background

Goal 12.3 of the Sustainable Development Goals (SDG) aims to halve global food waste per capita at the retail and consumer level and to reduce food losses throughout the production and procurement chains.

FAO<sup>(1)</sup> estimates that each year approximately one-third of all food produced for human consumption in the world is lost or

wasted. This food waste represents a missed opportunity to improve the global diet but also to mitigate the environmental impacts and the use of resources in the food chains. The fight against food waste not only reduces the threat to scarce natural resources, it also minimises the 60% increase in food production required to meet the needs of the population by 2050.

(1) Food and Agriculture Organization (FAO): United Nations agency that leads international efforts to end hunger. Report "Food Wastage Footprint - Impacts on Natural Resources".

In 2019, 690 million people were affected by hunger, a number that is expected to increase sharply with Covid-19, and three billion people could not afford a healthy diet. Consumers therefore need help to reduce food waste in their homes. Distributors are responsible for supporting them to achieve this goal.

## > Commitment/Policy

The fight against food waste, beyond the simple desire for corporate social responsibility, is a complex process. It involves all players throughout the company's value chain and calls for improving the operational excellence of its activities. This is why it is one of the priorities of the Renaissance programme, launched three years ago to accelerate, throughout the world and in all Auchan Retail business lines, a transformation in retailing in order to improve the sector's performance. In addition to its positive impact on the carbon assessment and the accessibility of a balanced and high-quality diet for the most disadvantaged, the fight against food waste also has a significant impact on the company's results (direct impact on EBITDA) by reducing markdowns.

The fight against food waste within the Renaissance programme is based on three main pillars:

- 1) identification of a very precise target of real needs, in line with consumer expectations, in order to set a personalised target for each manager for the markdown rate per store and per department, and thus reduce the potential for significant markdown that would lead to waste;
- 2) provision of the means to reduce this markdown by helping, for example, to refine the quantities ordered, to review the product range to exclude the products generating markdown or by rethinking the business practices in fruit and vegetables. Likewise, the policy adopted to increase the supply of fresh products from local suppliers in each country, while meeting consumer expectations, also makes it possible to avoid waste and markdown. As the products come from more local sources, they are fresher and generate less markdown;
- 3) when the two previous points have not been able to avoid markdowns, promotion of products with "short dates" by the generalisation in stores of "anti-waste" corners in which customers find products that are perfectly suitable for consumption and at discounted prices.

As part of the Auchan 2022 corporate project, the company has placed the fight against food waste at the heart of its priorities by making it the first pillar of the Auchan Retail CSR policy.

Auchan Retail has identified five levers in its anti-food waste policy on which the company wishes to act:

- professionalise the fight against waste throughout the chain, with the use of data and artificial intelligence;
- organise the donation of products to associations;
- develop new concepts;
- raise customer awareness;
- engage stakeholders and buy into programmes.

Auchan Retail's anti-food waste policy establishes the common basis for the Group's countries in terms of fighting food waste,

defining our main departments and our collective actions. It can be supplemented by a country policy with more stringent requirements and initiatives responding to the local context.

### 1. Professionalise the fight against waste throughout the chain

To reduce the number of products withdrawn from sale, Auchan Retail works with all employees, whether in central purchasing or in-store, where everyone is a player in this commitment.

A first area of improvement concerns the management of the product range. The employees in charge of the offer are responsible for ensuring that it best meets customer needs. Particular attention is therefore paid to the portions offered: smaller in ultra-convenience stores, for example, or with smaller packages to avoid exceeding UBDs.

In store, employees are particularly vigilant: product rotation, monitoring of scrap rates, use of forecast schedules, etc. Since the fight against food waste is at the heart of the company's project, most countries have developed a training module dedicated to food waste, to raise awareness among all stakeholders, to provide them with best practices and to challenge them in their daily practices.

In order to raise awareness among as many employees as possible about food waste, training in the form of an illustrative video was conducted in 2021. It was subtitled in all the languages of the subsidiaries so that everyone has information on the company's food waste policy, areas for improvement, action levers and challenges related to this fight.

### 2. Organise the donation of products to associations

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.

The stores sort out healthy unsold items authorised for donation to local associations, in keeping with the cold chain. Items that are prohibited for donation or that are not recovered may be offered to animal welfare associations, zoos or shelters.

### 3. Develop new concepts

When all possible upstream solutions have been tried and products have short dates, stores offer these products with reduced price tags. This product markdown avoids having to discard products that can no longer be sold and makes them more affordable for customers.

The use of data and artificial intelligence helps employees reduce the level of scrap. The company Smartway assists employees in certain stores in Romania and Russia in tracking product dates by offering an intelligent and efficient labelling solution.

In most Auchan Retail subsidiaries, these products are sold in a dedicated area of the department or store. Auchan Retail France is the leader on these practices and, to prove its commitment to the fight against food waste, has installed "anti-waste" zones in its stores. These initiatives are also being developed in Spain, Portugal and Poland.

Other innovative solutions help to fight food waste, such as:

- in-store transformation of products: to avoid throwing away damaged or less fresh food that is still edible, the store workshops work to offer them in different forms: breadcrumbs, croutons, cookies for unsold bakery items; soups, smoothies, jams and banana breads for unsold fruit and vegetables;
- partnership with start-ups such as Too Good To Go to sell products with a short shelf life at a price discount via surprise baskets consisting of unsold items at preferential prices.

#### 4. Raise customer awareness

In order to inform its customers and provide them with the keys to consuming more responsibly, Auchan Retail is developing numerous communication supports and awareness-raising actions for its customers:

- area dedicated to short-date discounted products;
- recipes from "leftovers";
- dedicated booklets on food waste;
- raising awareness of the impact of food waste on the environment.

#### 5. Engage stakeholders and buy into programmes

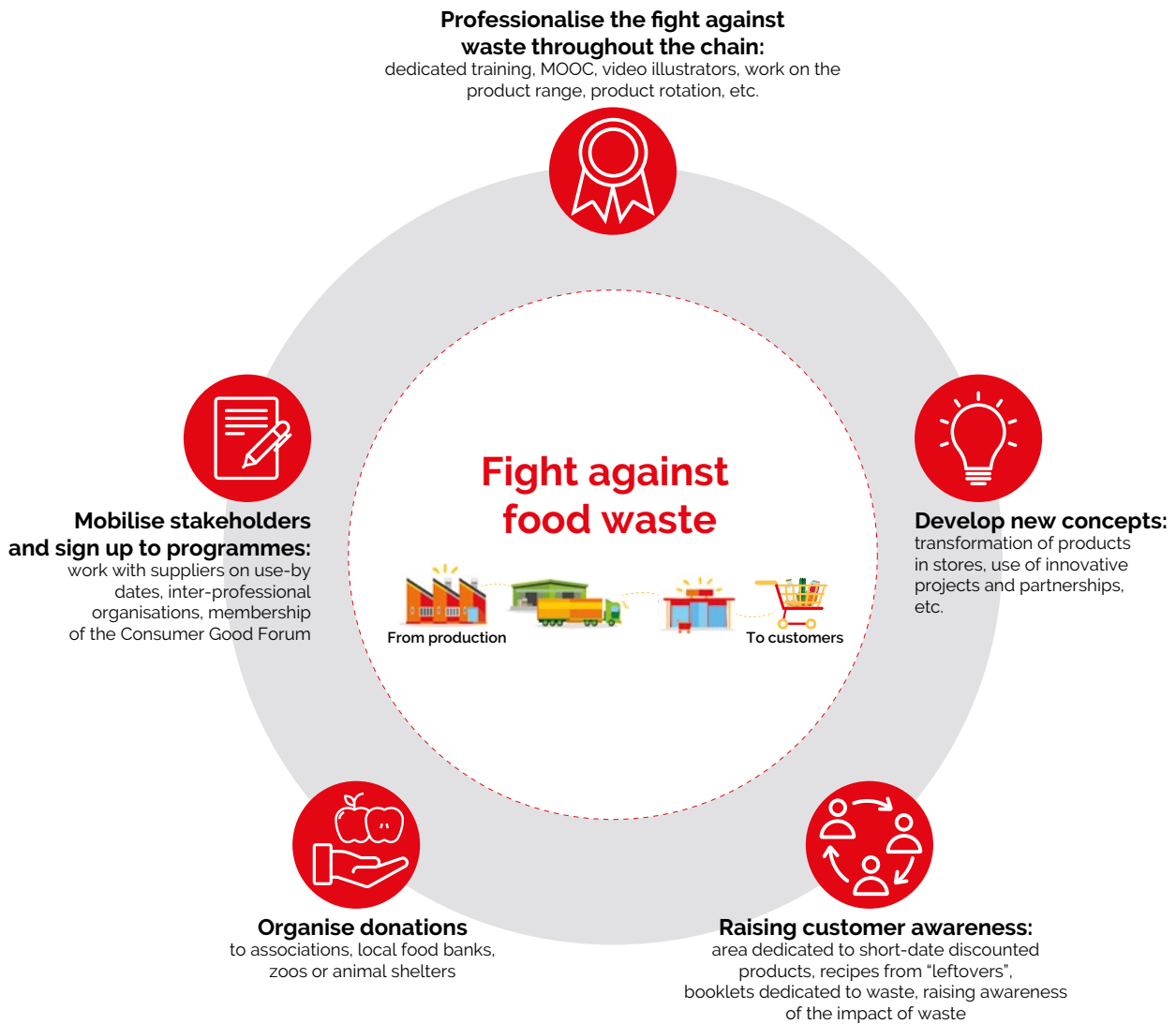
Because Auchan Retail's power of action does not stop at the sale of food products, and because the problem of food waste needs to be addressed in a comprehensive manner, the company encourages its stakeholders to take part in this fight. Auchan Retail is developing virtuous partnerships in all countries where it operates, in order to have an impact on food waste. In particular with:

- suppliers in order to extend the use-by-date on own-brand products, without increasing the health risk, and to eliminate the best-before-date on certain product categories;
- recognised players in food waste: inter-professional organisations, associations or start-ups in order to sign

commitments to change practices, such as the signing in early 2020 by Auchan Retail France of the Consumption Dates Pact, initiated by Too Good To Go, alongside around 30 food industry players. This agreement clarifies the distinction between UBD and BBD and includes ten commitments that mobilise the food chain to extend the lives of products whose best before dates have passed.

Finally, as an active member of the Consumer Goods Forum (CGF), Auchan Retail is committed to the fight against food waste through its dedicated coalition. The CGF has developed this coalition to meet the challenge of food waste in a more holistic and comprehensive manner. The coalition's members are working to agree on effective food waste measurement and reporting, supply chain commitment and post-harvest loss prevention efforts. By taking action in these three areas, the coalition is addressing and reducing the various drivers of loss to produce tangible results. Auchan Retail will commit to the World Resources Institute's 10x20x30 initiative. The initiative was launched to help companies achieve Goal 12.3 of the United Nations' Sustainable Development Goals. The aim is to massively increase the contribution of the private sector to the ambition of reducing food losses and waste by 50% by the year 2030 by catalysing efforts "upstream" of the supply chain. The initiative initially aimed to have at least ten of the largest retailers and food suppliers in the world follow the "target, measure, act" approach and engage 20 of their priority suppliers to do the same, in order to reduce by half their food losses and waste by 2030. The coalition seeks to engage more companies in the initiative and join other global efforts to create a multi-stakeholder approach to reducing food waste.

The company is also committed to the fight against non-food waste, which is the tenth pillar of its quality commitments charter. As such, the company's subsidiaries offer various solutions, such as donations, the return of objects to circulation, reuse, and transformation by giving a second life to its objects or clothing.



**FIGHTING FOOD WASTE WITH ARTIFICIAL INTELLIGENCE - THE SMARTWAY SOLUTION**

Smartway has developed a Food Waste Management System (FWMS). The FWMS is a technological platform based on Artificial Intelligence that enables short deadlines to be achieved and the entire chain of end-of-life products to be optimised by acting on all stages.

Co-built with the in-store teams, the FWMS enables Auchan Retail to professionalise and facilitate all the management of its scrap; from the location of short-date products on the shelves to the implementation of the most appropriate recycling channels.

In concrete terms, the solution improves the fight against food waste by:

- decreasing the time for date control and date management by four;
- guaranteeing departments zero out-of-date products;
- providing simple, fast and supervised scrap processing;
- monitoring and communicating results internally and externally;
- providing the store with the support of field experts in a process of continuous improvement;
- raising the awareness of store teams and consumers of a common project with a strong environmental and ethical impact, and their involvement in the same.

Auchan Retail Romania is the first country to have collaborated with Smartway. It is with the "Zero Risipa" programme that the teams address the fight, through an integrated and systematised approach. Beyond the fight against food waste, this solution:

- facilitates the daily work of in-store teams;
- supports the work of management controllers and product management teams by visualising the performance of the range;
- makes it possible to adapt the PCBs (Par ComBien - By How Many - this refers to the number of products contained in an order unit) to the needs of customers and stores;
- limits the environmental impact of food waste;
- limits losses.

The results of this approach in Romania are as follows:

- 3,666,688 products saved;
- 2,375,793 meals saved;
- 2,969.74 tonnes of CO<sub>2</sub> emissions avoided.

This partnership also began for Auchan Retail Russia in October 2021 and is being tested in various countries.

**> Indicators**

	Number of Too Good To Go baskets sold	
	in 2020 <sup>(1)</sup>	in 2021
Auchan Retail France	468,573	387,849
Auchan Retail Spain	16,338	157,085
Auchan Retail Portugal	35,581	66,296
Auchan Retail Poland	386 (start end of 2020)	28,216
<b>TOTAL AUCHAN RETAIL</b>	<b>532,274</b>	<b>639,446</b>

(1) The indicator is calculated over the calendar year and not over the reporting period.

**The packed meal solution with Too Good To Go**

In four of its countries, Auchan Retail has developed a partnership with the start-up Too Good To Go, which, thanks to a smartphone application, makes it possible to buy surprise baskets made up of products with an approaching expiry date, at very attractive prices.

As stated above, the production of food requires immense amounts of land, water and energy, so food waste has a significant impact on climate change. Research conducted by the Food and Agriculture Organization of the United Nations (FAO) in 2013, estimates that if food waste were a country, it would be the third largest emitter of greenhouse gases. Too Good To Go considers that 1 kilo of food waste is equivalent to 2.5 kilos of CO<sub>2</sub> equivalent. Thus, in 2021 these calculations confirm that this partnership has saved more than 1,598 tonnes of CO<sub>2</sub>.

> Significant initiatives by subsidiaries

Theme	Organisation	Initiative
Professionalise the fight against waste throughout the chain	Auchan Retail Portugal	"OLHÁQUEBRA" internal awareness campaign for employees: three months of action with the aim of involving teams in the fight against breakage and raising awareness of the economic, social and environmental impacts of food waste. More than 2,600 employees were involved.
	Auchan Retail Ukraine	Implementation of educational and awareness-raising actions among 2,585 employees: "We do not waste, we save".
	Auchan Retail Spain	Deployment of an animation project which, under the name of "Alcampo y tú, sin desperdicio", shares information and best practices with the entire company in order to guarantee joint and team work, and to reduce food waste. Creation of an e-learning module on food waste, which was followed by more than 7,000 employees, or 37% of the workforce. This course addresses the causes and consequences of food waste and seeks to involve everyone in the fight to reduce it.
Organise the donation of products to associations	Auchan Retail Hungary	Redistribution of 60 tonnes of potatoes with minor quality defects to the Hungarian association of large families. This enabled redistribution in 47 cities for the benefit of 3,000 families.
		Partnership with the Food Bank to distribute daily bakery products and fruit and vegetables. During the period in question the donation represented 679.3 tonnes of products.
	Auchan Retail Ukraine	Partnership with a farm in Kiev to which Auchan delivers damaged fruit and vegetables to feed animals. From March to October 2021: 229 tonnes were delivered. Work with zoos across the country to donate non-saleable products for a total of 684 tonnes.
Develop new concepts	Auchan Retail Portugal	Coffee grounds from stores are offered to local horticultural suppliers for use as fertiliser.
	Auchan Retail Spain	Implementation of a system to reduce the price of products whose date is approaching the end of their life. These are mainly perishables close to their expiry date, but which are in perfect condition, on which discounts ranging from 30% to 50% are applied. This measure has avoided the waste of approximately 900,000 products.
Rais customer awareness	Auchan Retail Portugal	Bi-weekly sharing of tips to reduce food waste. Organisation of a TV Christmas campaign on food waste, with the creation of a recipe e-book.  Launch of a new initiative for the end-of-year celebrations: the Birdbox, a solidarity initiative to offer meals to the most disadvantaged while promoting the reduction of food waste. The Birdbox is a package consisting of three airtight boxes suitable for storing leftover food. With this action, Auchan Retail Portugal wants to encourage its customers to keep and share their leftover food with their family, friends and even work colleagues, while raising their awareness of the need to fight food waste together throughout the year. Produced in Portugal, the Birdbox uses BPA-free plastic (Bisphenol A) and is on sale in all stores. A portion (€1.50) of the sale of each box is donated to the Portuguese Red Cross, which then offers meals to the most disadvantaged. The Birdbox also includes a digital guide with tips and recipes to help Portuguese customers fight waste at home on a daily basis.



## 2.4 COMMITMENT WITH PASSIONATE EMPLOYEES

### > Background

ELO, comprising 164,180 employees, includes Auchan Retail and New Immo Holding as well as a 49.9% stake in Oney.

To successfully implement its Auchan 2022 corporate project, Auchan Retail can rely on the commitment of 163,098 employees around the world and supports them by ensuring the meaning and consistency of all its actions in each of its countries. To this end, the company develops the skills of each individual, favours openness to the customer and local, and promotes passion for the product, within an aligned and demanding organisation that knows how to prioritise.

New Immo Holding combines the companies Ceetrus and Nhood. All of New Immo Holding's 1,082 employees are Nhood employees.

### > Commitment/Policy

As Auchan Retail's employees represent 99.3% of ELO's workforce, this chapter will focus on Auchan Retail's human resources policy.

This policy is based on seven commitments:

- organisational efficiency: bringing Auchan Retail to a high level of performance by identifying the optimisation levers and by building the target organisational models of the major business lines. All this, while ensuring the creation of value for the customer and the working conditions of employees;
- business lines and skills: anticipating the transformation of business lines with the strategic development of the company and its external environment to ensure the employability of employees and the adequacy of the workforce for the company;
- working methods: identifying and facilitating the implementation of new working methods;
- cultural transformation: accelerating the transformation of the company through a profound cultural and managerial transformation in line with its values;
- talents: sustainably supporting the development of employees at key stages of their career to create value for our customers, shareholders, employees and partners;
- meaning: ensuring that all employees know, understand and support the company's project, and strengthening their commitment by giving meaning to their actions;
- recognition: through compensation and sharing.

### **A national and international organisation for a coherent and effective management of human resources as close as possible to the teams**

At national level, each subsidiary has a Human Resources Department, represented on the Management Committee, which manages several divisions as closely as possible to the teams in the field: personnel management, HR development

and training, internal communication, organisation - transformation, compensation and CSR.

At international level, the Human Resources and Transformation Department is responsible for:

- ensuring that Auchan Retail has the necessary resources and skills to achieve its market positioning objectives (in terms of image and profitability);
- undertaking a cultural transformation to ensure motivated, professional employees who are culturally aligned with the brand mindset;
- anticipating changes in the business lines in order to adjust the composition of the Group's teams (level of fluidity, key skills, workforce in line with operational performance objectives) to meet needs in an early and reactive manner;
- attracting the best talent by relying on a robust, objective, demanding talent model that promotes diversity;
- professionalising the HR function at Corporate and Country level in order to achieve the objectives set for it.

These Human Resources players are coordinated every month by the International HR Committee. This committee works on the areas of HR policies, the definition of common methods, the sharing of internal and external best practices, and ensures their dissemination throughout the company.

### 2.4.1 JOB STRUCTURING

#### > Background

ELO's companies are active in the employment market and fulfil their social responsibilities towards their 164,180 employees.

In order to progress in a culture of responsibility, sharing and trust, all ELO entities are enriched by the diversity of their profiles.

Auchan Retail having sold its activities in China in 2020, and its activities in Taiwan in 2021, 95% of ELO's employees are now based in Europe.

The employment data are presented by activity and country and at group level.

#### > Workforce and breakdown

The employees of Auchan Retail and Nhood have remained active throughout the health crisis that began in March 2020 and which has severely impacted the entire retail and retail real estate sector. In order to minimise the impact on employees from the imposition of partial activity measures when shopping malls or certain hypermarket sections were closed, the companies leveraged all internal efforts to maximise flexibility and bring activities in-house.



## &gt; TREND IN WORKFORCE NUMBERS BY BUSINESS LINE

Activity	Total workforce at the end of the period	
	as of 09/30/2020	as of 09/30/2021
Auchan Retail	173,412	163,098
Nhood	970	1,082
<b>TOTAL</b>	<b>174,382</b>	<b>164,180</b>

In order to align the scopes of reporting, the Taiwanese data have been removed from 2020 and 2021 results.

As of September 30<sup>th</sup>, 2021, ELO's companies had 164,180 employees in the 11 countries where they are located, i.e. a decrease in the total workforce of 5.9%.

For Auchan Retail, this decrease mainly concerns three countries:

- France, with a decrease of 4% (Employment Protection Plan, end of student contracts on permanent contracts, internal mobility);

- Russia, with a decrease of 12% (closure of five hypermarkets and 25 supermarkets);

- Poland, with a decrease of 14% (implementation of a voluntary departure plan).

Nhood's workforce increased by 11.5% between 2020 and 2021 (+112 employees), due to the creation of new jobs as part of the transformation of the company from Ceetrus to Nhood.

## &gt; BREAKDOWN OF WORKFORCE BY COUNTRY

	Total workforce at the end of the period		
	as of 09/30/2020	as of 09/30/2021	Change (in%)
France	69,638	67,021	(4)
International head offices	1,343	1,578	+17
<b>TOTAL FRANCE</b>	<b>70,981</b>	<b>68,599</b>	<b>(3)</b>
Spain	19,702	19,191	(3)
Portugal	8,069	8,593	+6
Luxembourg	1,261	1,310	+4
Italy (Ceetrus)	122	128	+5
<b>TOTAL SOUTHERN EUROPE</b>	<b>29,154</b>	<b>29,222</b>	<b>0</b>
Russia	32,501	28,579	(12)
Poland	18,844	16,235	(14)
Romania	8,818	8,238	(7)
Hungary	6,883	6,438	(6)
Ukraine	5,455	5,097	(7)
<b>TOTAL CENTRAL AND EASTERN EUROPE</b>	<b>72,501</b>	<b>64,587</b>	<b>(11)</b>
Senegal	1,746	1,772	+1
<b>TOTAL AFRICA</b>	<b>1,746</b>	<b>1,772</b>	<b>+1</b>
<b>TOTAL</b>	<b>174,382</b>	<b>164,180</b>	<b>(6)</b>

In order to align the scopes of reporting, the Taiwanese data have been removed from 2020 and 2021 results.

In 2021, France and Russia were the largest countries in terms of workforce with 59.2% of the total workforce.

## BREAKDOWN OF WORKFORCE BY PERMANENT/FIXED-TERM EMPLOYEES

	Share of fixed-term employees vs Total workforce		Share of permanent employees vs Total workforce	
	2020 (%)	2021	2020 (%)	2021
ELO	7.6	8.3	92.4	91.7

In order to align the scopes of reporting, the Taiwanese data have been removed from 2020 and 2021 results.

The proportion of employees on fixed-term contracts is increasing. It made it possible to absorb fluctuations in activity during the crisis.

The number of permanent contracts was down by 0.7 point.

## BREAKDOWN OF WORKFORCE BY GENDER

	Total female workforce at the end of the period		Total male workforce at the end of the period	
	as of 09/30/2020	as of 09/30/2021	as of 09/30/2020	as of 09/30/2021
ELO	109,088	102,238	65,294	61,942

In order to align the scopes of reporting, the Taiwanese data have been removed from 2020 and 2021 results.

The proportion of women was 62.3% and remained broadly stable compared to 2020.

## BREAKDOWN OF WORKFORCE BY AGE GROUP

	Percentage of employees aged under 25 in the total workforce		Percentage of employees aged 25 to 35 in the total workforce		Percentage of employees aged 35 to 50 in the total workforce		Percentage of employees aged 50 or more in the total workforce	
	2020 (%)	2021 (%)	2020 (%)	2021 (%)	2020 (%)	2021 (%)	2020 (%)	2021 (%)
ELO	15.3	15.3	20.5	20	38.0	37.7	26.3	27.5

In order to align the scopes of reporting, the Taiwanese data have been removed from 2020 and 2021 results.

The breakdown of the workforce by age group remains stable overall.

Only employees aged 50 and over saw their share increase by 1.2 point.

## BREAKDOWN OF WORKFORCE BY FULL-TIME/PART-TIME EMPLOYEES

	Percentage of full-time employees in the total workforce		Percentage of part-time employees in the total workforce	
	2020 (%)	2021 (%)	2020 (%)	2021 (%)
ELO	73.6	73.3	26.4	26.7

In order to align the scopes of reporting, the Taiwanese data have been removed from 2020 and 2021 results.

The employees working full-time on September 30<sup>th</sup>, 2021 represented 73.3% of the workforce.

The share of part-time employees increased slightly compared to 2020.

## &gt; Workforce changes and reorganisation

CHANGES MADE BETWEEN 10/01/2020 AND 09/30/2021 VS BETWEEN 10/01/2019 AND 09/30/2020:

	Number of people hired on permanent contracts		Number of dismissals (all reasons) of permanent employees		Turnover of permanent employees	
	2020	2021	2020	2021	2020 (%)	2021 (%)
ELO	32,449	31,442	6,264	5,934	23.1	26.9

*In order to align the scopes of reporting, the Taiwanese data have been removed from 2020 and 2021 results.*

The permanent hires decreased over the period due to the lack of visibility and projections related to the health crisis.

The overall turnover rate increased from 23.1% in 2020 to 26.9% in 2021 and, as mentioned above, mainly concerned France, Poland and Russia.

## 2.4.2 EMPLOYEE DEVELOPMENT

### > Background

The development of employees and their support during key stages of their career is a priority for ELO's companies, knowing that their employees are an essential lever for the creation of value for the company and its stakeholders.

### > Commitment/Policy

For Auchan Retail, this ambition can be broken down as follows:

- attract the best talent by relying on a robust, objective, demanding talent management model that promotes diversity;
- engage in a cultural transformation with motivated, professional employees who are culturally aligned with the brand mindset;
- anticipate changes in the business lines in order to adjust the composition of the teams (key skills, workforce in line with operational performance objectives) in a reactive manner;
- ensure that Auchan Retail has the resources and skills necessary to achieve its market positioning objectives (in terms of both image and profitability).

### Welcoming, developing and retaining our talents

Auchan Retail recruits all profiles from all backgrounds at all levels of the company. Without qualifications or senior experts, young or old, recruitment is based on the principle of non-discrimination and equal opportunities. While the company has historically been committed to the development of its employees and internal promotion, Auchan Retail is also accelerating its transformation by welcoming expert profiles in the high-stakes business lines, particularly in the digital, IT and supply chain business lines.

As part of their development, all employees have at least one formal annual interview that summarises the year's assessment, training needs and objectives for the following year.

A new approach to Talent Management was put in place in 2021 for future leaders in all countries, which combines the assessment of performance and potential with regard to a defined expected profile at a given level.

Launched in March 2021, a new formula for the Auchan International Management (AIM) course was created. Its programme was completely revised and 17 new managers were able to benefit from it. This course is spread over six to nine months, and its purpose is to create a common "toolbox" for all new managers in the company while promoting the curiosity, autonomy and growth mindset required for understanding of a world of volatility, uncertainty, complexity and ambiguity (VUCA).

In partnership with the Nova School of Business and Executive Education, the new features of this programme are its entirely remote delivery and English-only format.

This training is composed of 104 hours organised around five pillars:

- data;
- change management;
- strategy and value creation;
- customer focus;
- leadership.

The participants also benefited from a 360° assessment, e-coaching and discussions with internal experts on topics as diverse as CSR, intrapreneurship and shareholding. These themes change each year depending on the major development themes for the company. Lastly, work on a strategic group project for the company and accompanied by an external coach finalises their training.

AIM offers participants who so wish, by following an additional 40 hours of courses, to obtain a post graduate diploma from the Nova School of Business and Executive Education. The results of this new AIM formula were very positive. The participants rated 7.9/10 the Return On Learning of this pathway, i.e. the application in their professional and personal life of the skills acquired during the pathway. The participants also gave an overall score of 8.7/10 underlining the educational quality and the implementation of this new format.

This excellent feedback has made it possible to create another complementary training course for Executives in office (150 executives from Auchan countries) around two major themes: strategy and transformation.

These courses will be rolled out in English and remotely from February 2022, and the topics will also be reviewed each year to enable Managers to develop keys for the understanding of the challenges and major changes in our business sector.

Auchan Retail and Nhood are developing their relationships with schools and universities in their countries of operation. Employees visit partner establishments to present their company's business lines 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.

### > KEY FIGURES

**In 2021, Auchan Retail France obtained the label Happy Trainees for the second consecutive year with a satisfaction rate of 3.92/5 and a recommendation rate of more than 80%.**

## &gt; Indicators

Indicators	2020	2021
Internal promotion rate	29.3%	35.3%
Internal promotion rate of women	31.6%	38.8%
Internal promotion rate of men	27.1%	31.4%

In order to align the scopes of reporting, the Taiwanese data have been removed from 2020 and 2021 results.

In 2021, the internal promotion rate was up by six points. The proportion of internally-promoted managers was 30.6%.

## &gt; Significant initiatives by subsidiaries

Theme	Organisation	Initiative
Welcoming, developing and retaining our talents	Auchan Retail Spain	The Talent Development School (EDT) continued to support the careers of managers and employees. In 2021, a new programme for the development of female talents was created: Empowering Women's Talent, in which 34 women managers are actively involved.
	Worldwide Products Department/Auchan Retail International	Implementation of remote coaching and 360° for talents and employees in difficulty.
	Auchan Retail Romania	In 2021, 140 Top Managers attended a training course developed by the country's CSR Manager and the external consultant Deloitte. The objective of this training was to understand Auchan Retail's CSR policy, in the context of sustainable business development.
	Auchan Retail Senegal	Implementation throughout 2021 of Auchan School, a programme with four flagship courses, alternating theory and practice: <ul style="list-style-type: none"> <li>• Hygiene, health and safety at work;</li> <li>• Communication;</li> <li>• Personal development;</li> <li>• Team collaboration.</li> </ul> These trainings are designed to facilitate the expression, exchange, learning and co-construction of employees. There were 850 beneficiaries, i.e. half of the company's total workforce.

## Contributing to the personal development of each employee

Training remains a major factor in 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.

As part of its Auchan 2022 project, Auchan Retail is committed to increasing its investment in the training of its employees, with 1.5% of its payroll dedicated to training by 2022. The training teams in all countries and corporate departments provide reports on their training efforts every year.

Auchan Retail and Nhood are digitising their training courses, in order to ensure they reach as many employees as possible. The health crisis has accentuated this need for digitisation. Over the period, 622,000 hours of distance learning were followed, an increase of 34% compared to 2020.

## &gt; KEY FIGURES

**Despite the health crisis, the total amount of investment in training for ELO companies increased by 25% compared to 2020.**

## &gt; Indicators

Indicator	2020	2021
Total training hours	2,367,729	2,383,626
Percentage of training hours out of total hours worked	0.9%	1.0%
% of training budget on payroll	0.9%	1.1%

In order to align the scopes of reporting, the Taiwanese data have been removed from 2020 and 2021 results.

The total number of training hours remained stable compared to 2020.

The training budget represents 1.1% of the payroll, an increase of 0.2 point.

### > Significant initiatives by subsidiaries

Theme	Organisation	Initiative
Prevention	Auchan Retail Portugal	To prevent risks related to the health situation, a Covid-19 training module in e-learning mode has been put in place: application of barrier gestures, advice on teleworking, health advice, etc. It helped train and reassure employees.
Integration	Auchan Retail Hungary	Renewal of the integration programme for store employees. All store employees, regardless of their position, spend the first two days of their integration in the store in the same way: Covid-19, job safety, the ethics charter and the supply chains are the subject of special attention during the first day of work.
Food culture	Auchan Retail Ukraine	Provision of e-modules on good nutrition and food culture.

## 2.4.3 OCCUPATIONAL HEALTH AND SAFETY

### > Background

In the context of the global Covid-19 health crisis, occupational health and safety are two major issues. ELO's companies suddenly had to face up to this new situation and adapt their working methods, with the health and safety of both employees and customers an absolute priority.

### > Commitment/Policy

One of Auchan Retail's commitments is to protect the health and safety of employees and ensure their well-being in the company. More broadly, the company places benevolence, attentiveness and well-being at work at the heart of its human policies, which are an integral part of the working environment of the employees.

### Protecting employee health and safety

Hazard prevention and protection of employees in the workplace in health and safety terms must be given a framework. Each employer is therefore required to take the necessary measures to ensure the safety, and protect the physical and mental health, of their employees.

In this context, Auchan Retail and Nhood implement actions related to:

- prevention of occupational risks;
- information and training.

Workplace health and safety risks are of a physical, ergonomic and psychosocial nature. Poor management of these risks can have significant effects on the number and rate of workplace accidents, absenteeism and even productivity.

### COVID-19

#### EMPLOYEE HEALTH AND SAFETY AS A PRIORITY DURING THE COVID-19 CRISIS

In order to protect the health of its employees, Auchan Retail has taken specific measures to deal with the Covid-19 crisis.

Throughout 2021, Auchan Retail scrupulously complied with local health protocols and anticipated government decisions as much as possible to ensure the protection of its employees and customers: compliance with barrier gestures, making available hundreds of millions of items of equipment (gloves, masks, visors, hydro-alcoholic gel, etc.), and adaptation of points of sale (opening hours, filtering, in-store visits, plexiglas protections, equipment disinfection, etc.).

Each country and its employees have had to show great adaptability and professionalism to face this global health crisis and pursue the company's mission: to feed people.

### Ensuring employee well-being

Numerous actions implemented in the countries show that the well-being of employees is a matter of concern for the company. At the heart of the corporate project, Auchan Retail has a strong lever: "Passionate and committed employees".

In the context of employee well-being, discussions on a Quality of Life at Work (QLW) project were underway in 2020, and this project was initiated in 2021.

The company wants to ensure that this QLW policy is well suited to the needs and expectations of employees in the company, especially locally.

In order to facilitate a better work-life balance for employees, the company is committed to a number of actions in two ways:

- quality of life at work;
- quality of life through work.

The QLW project team is made up of corporate members, two country HR departments, a working conditions specialist in each country where Auchan Retail operates, and an IT project manager.

A methodology has been put in place and now allows each country to implement its own actions according to its particularities, culture and regulatory framework. Each country is supported by Corporate on the QLW issue; in particular to promote the best practices achieved by certain countries and enable others to deploy them as well.

There are five main themes on which the countries must work, namely:

- working conditions and working methods;

## > Indicators

	2020	2021
Frequency rate of workplace accidents with lost time	23.8	21.4
Severity rate of workplace accidents with lost time	0.7	0.8
Absenteeism rate (illness)	5.7	5.9

*In order to align the scopes of reporting, the Taiwanese data have been removed from 2020 and 2021 results.*

*Russia is excluded from the scope for the indicators concerning days off work related to workplace accidents and the severity rate of workplace accidents with lost time.*

Work-related accidents are down by 2.4 points compared to 2020, but their gravity increases slightly by 0.1 points. The rate of absenteeism due to illness increases by 0.2 points. This slight increase is mainly due to sick leave related to Covid-19, particularly in France, where employees were allowed to take

- life balance;
- psychosocial risks and stress;
- simplification of work and handling of irritants;
- meaning, level of information and experience of changes.

The countries are autonomous in the choice of their actions to be implemented within these themes. Each year, a review with the country will be conducted on the actions carried out.

A QLW maturity grid has been created to help countries develop and improve. It classifies each action carried out by a rating ranging from 1 to 4. This grid will be rolled out in 2022.

time off work to look after their children during the lock-down period, in accordance with the legal measures set by the government.

## > Significant initiatives by subsidiaries

Theme	Organisation	Initiative
Health/Safety	Nhood Spain - Nhood Romania	Free provision of a variety of fruit every day of the week.
	Nhood Hungary	Introduction of private health insurance since January 2021 for all employees.
	Auchan Retail Portugal	Production of a series of 20 films on courage and transformation in times of pandemic.
	Auchan Retail Ukraine	Actions have been taken to reduce workplace accidents and occupational illnesses: <ul style="list-style-type: none"> <li>• organisation of information sessions on labour protection for employees;</li> <li>• explanation of the causes and consequences of accidents to all employees;</li> <li>• increased checks on the use of protective equipment.</li> </ul>
	Auchan Retail Senegal	To help employees in situations of health-related distress, the company helps them on an ad hoc basis with the payment of high bills for conditions that are insufficiently covered by health insurance (urgent surgeries, prostheses, childbirth costs, etc.). Health loan agreements at 0% interest in less serious situations were also made possible. The employee can then repay at his or her own pace and choose the monthly repayment level.
Quality of life	Nhood Italy	Change in working methods with the integration of "smart working". This concept requires employees to deliver results and meet deadlines, regardless of where, when or how they work. This new mode of operation makes it possible to alternate office attendance while promoting work-life balance.
	Auchan Retail Russia	Implementation of preventive medical examinations to diagnose and manage chronic diseases at an early stage without affecting the usual way of life. Maximum coverage of the voluntary health insurance programmes for employees and their children is possible, in order to receive high quality medical care.
	Auchan Retail Luxembourg	Provision of gyms free of charge for all employees, which they may use upon prior registration.

**COVID-19**

In Italy during the crisis, during the second wave of Covid-19 contamination, Nhood responded to the collective requirement for screening tests at a time when demand greatly exceeded supply, by converting its car parks to provide our active contribution to public health.

The immediate conversion of parking spaces has made it possible to create screening drive-throughs, welcoming medical staff and customers, as well as a customer journey to manage the flow of cars.

Citizens could book the test online at the nearest centre, pay in contactless mode and receive the result in a few minutes directly on their smartphone thanks to the smart and digital service.

Fifteen centres are involved throughout Italy with three different technical partners depending on the area.

## 2.4.4 SOCIETAL COMMITMENT AND SOLIDARITY

### > Background

The world of work is changing and the changes in society are affecting the demands of employees and new generations who no longer just want a job: they are looking to join a committed company, with values that offer the opportunity to develop their talents and to give meaning to their work.

### > Commitment/Policy

As a promoter actively committed to good, healthy and local products, Auchan Retail is heavily involved in the areas where it operates. The company is a major player in local activity and is committed to its territories:

- contribution to economic development;
- actions in favour of solidarity;
- commitment to maintaining social ties and combating insecurity and exclusion.

Auchan Retail is keen to meet the diverse needs of associations present in the regions where it operates through the commitment of its employees and the actions of its Foundations.

#### **The societal commitment of the company and employees**

Auchan Retail encourages employee civic commitment in all its forms.

This approach encourages, promotes and nurtures the responsible commitment of Auchan Retail employees while helping to make them passionate about their profession.

As such, and as part of the Auchan 2022 corporate project, each employee has the opportunity to commit one day per year of their working time to one of the following four themes:

- promoting healthy eating;
- food solidarity and aid to the most disadvantaged;
- diversity and inclusion;
- maintenance and protection of the environment.

This commitment may take the form of initiatives that are part of local CSR policies but also of solidarity actions led by the Auchan Retail Foundations.

In its fight for healthy and accessible food, and as a factor of social bonding, Auchan has launched a new initiative in all its countries: the Citizen Days. Organised for the first time and in accordance with the commitment made in Auchan Retail's CSR policy, this operation gave all employees the opportunity to devote time to an association committed to healthy eating. Some examples of events:

- organisation of physical or digital food drives;
- enhancement of our offer with, for example, revised recipes;
- actions to raise awareness among employees and/or customers.



## &gt; Significant initiatives by subsidiaries

Theme	Organisation	Initiative
The societal commitment of the company and employees	Worldwide Products Department	As part of the Citizen Days: partnership with the solidarity grocery store ANDES where each employee had the opportunity to donate their time to a food drive in a store of their choice.  Organisation of a clean-up day (physical and digital): <ul style="list-style-type: none"> <li>• clean-up of a congested area near the site;</li> <li>• raising employee awareness of the impact of digital technology and encouraging the reduction of these impacts through the implementation of an internal competition.</li> </ul>
	Auchan Retail Senegal	More than 20 projects were organised with the commitment of more than 2,100 employees.
	Auchan Retail Spain	In the course of a dozen open days, 2,790 employees volunteered 4,000 hours of their time. These days were dedicated to: <ul style="list-style-type: none"> <li>• social causes:  <ul style="list-style-type: none"> <li>- breakfasts and snacks #conCorazón;</li> <li>- Auchan Youth Foundation;</li> <li>- food bank collection;</li> </ul> </li> <li>• environmental causes: beach cleaning, Libera project led by SeoBird Life and Ecoembes.</li> </ul> The open days were extended by the creation of "In the skin of a farmer", a unique opportunity to discover local producers, their work and the products they grow. Tomato growers were visited in Madrid and Alicante in 2021, and onion growers in Zaragoza. Around 80 employees were able to enjoy this learning experience, which will continue in 2022.
	Auchan Retail France	In France, societal commitment is measured through the recognition of multiple solidarity initiatives to which employees commit themselves. For the reporting period, this represented 7,893 days recorded for Auchan Retail France. Some examples of achievements: <ul style="list-style-type: none"> <li>• dematerialised collection for students with ANDES/FAGE;</li> <li>• food banks;</li> <li>• electronic food banks;</li> <li>• collection of school supplies with Secours Populaire Français;</li> <li>• cyber clean-up.</li> </ul>
	Auchan Retail Ukraine	During the Citizen Days, 859 employees were involved in the international initiative. The employee commitment for the reporting period was as follows: <ul style="list-style-type: none"> <li>• 3,603 employees involved;</li> <li>• 12,520 beneficiaries;</li> <li>• 499 activities.</li> </ul>
	Auchan Retail Romania	Employee engagement represented an equivalent of 1,253 days on various topics such as: <ul style="list-style-type: none"> <li>• assistance in setting up a specific room for hearing-impaired students;</li> <li>• intervention and support for children with leukaemia;</li> <li>• nature clean-up operations and tree planting.</li> </ul>

## &gt; Foundations

**Auchan|Foundation**

Founded in 1996 and 2014, the Auchan Youth Foundation and the Auchan Weave our Future Foundation are joining forces and expertise. They gave birth to the Auchan Foundation, which aims to promote good and accessible food, and social bonds. To respond to a global societal challenge, it will support innovative initiatives with a strong social impact that address food in its various dimensions: pleasure, identity, socialisation and nutrition. Driven by employees, it operates close to stores in the countries where the brand is established as well as in Bangladesh and India, sourcing countries for the benefit of the general interest.

On the occasion of its launch, the Auchan Foundation organised its very first international call for projects in all the 11 countries in which it operates.

This international call for projects was conducted from October 16<sup>th</sup>, 2021 to January 31<sup>st</sup>, 2022. It aims to mobilise employees committed to benefiting associations, to develop the link between associations, employees and residents as well as all stakeholders working with the people who need it most, and to do so for a virtuous social impact, through a unifying event for Auchan employees. Sponsor, support, ambassador or volunteer, everyone is free to choose the role they want to play according to their profile and desires.

The projects supported promote access to the knowledge and know-how of good nutrition, strengthen the social bond between residents to break the feeling of isolation, and fight against malnutrition (food imbalances). For example, in India, a programme for the prevention and monitoring of anaemia could be set up in textile factories, in Poland a website dedicated to healthy eating with the implementation of cooking workshops is being planned, in Senegal support for school canteens in the country could be arranged.

The Auchan Foundation is chaired by Pierre Büchsenschütz, General Secretary of Auchan Retail, and has an annual budget of €2 million.

### The Auchan Generation Foundation (Russia)

The Auchan Generation 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.

The Foundation extended its traditional charitable actions to large and disadvantaged families during this period of pandemic on two occasions: at the beginning of the school year and at Christmas and New Year.

### The Ceetrus Foundation for Social Entrepreneurship (France)

Active since 2010, under the aegis of the Fondation de France, the foundation aims to make a lasting contribution to the development of social entrepreneurship.

It supports social entrepreneurs or their support networks, "eligible for corporate sponsorship", in all development issues they may encounter, whether in the start-up phase, during a change of scale or while implementing a diversification project, or during a spin-off in other territories.

It operates in mainland France, in the regions where Ceetrus operates, serving the common interest of residents close to its sites. It thus contributes to the emergence of new services and activities that meet the essential needs of citizens and regions.

It is one of the levers for expressing Nhood's values #proximity #empowerment #positiveimpact. It is administered, managed and led by Nhood employees who wish to commit to positive impact actions.

In 2021, it supported ten projects for a total amount of €130,000. It has subsidised several projects in the field of social and professional integration, such as the support given to La Cravate Solidaire de Lille. This association fights against discrimination in hiring, particularly that related to appearance, by providing job seekers with workshops to prepare for job interviews and combining image advice, donation of clothing, HR advice and CV photos. To increase its impact and support more and more beneficiaries directly in isolated regions, it has developed an innovative and ambitious "Cravate Solidaire mobile" project, which will enable it to support 800 candidates in three new areas over three years.

## > Indicators

Indicator	2020	2021
Number of employees involved in CSR actions within the framework of the CSR days	11,649	21,068

*This indicator does not include Auchan Retail Russia, which does not follow this indicator, Auchan Retail Senegal, SNC OIA or Corporate Support Services, due to the lack of an available update.*

In 2021, 21,068 Auchan Retail employees were given a day off to dedicate to a CSR initiative of their choice, in connection with the Auchan 2022 corporate project.

## 2.4.5 SOCIAL DIALOGUE

### > Background

Social dialogue has always been part of Auchan Retail's human resources policies, since its inception with the implementation of the first company agreement signed in France in 1971 (monthly payment agreement) for the benefit of successive corporate projects.

To make this dialogue even more efficient and effective, all social data is analysed and used at Group and country level to make it a performance lever for the management of HR objectives.

Today, the digitisation of activities, including in the social field, ensures an even more fluid dialogue within the organisation, strengthens collaboration between employees, reduces potential conflicts and tensions and allows everyone to work more efficiently.

### > Policy

In 2021, Auchan Retail renewed the agreement signed with Union Network International (UNI) in March 2017, for a new period of four years (from 2021 to 2024). Until now and by mutual agreement between the parties, discussions and relations have focused on the social dialogue part of the agreement. From now on, it has been agreed that the partnership between Auchan Retail and UNI will also be developed on CSR issues.

To enable representatives to fully assume their roles and prerogatives and continue to become more professional, Auchan Retail relies on two representative bodies for social dialogue: the Group Works Council and the European Works Council.

In 2021, the Chairmanships of these two bodies were changed. The Chairman of the Group Works Council was entrusted to Denis Lionnet, HR director of the Worldwide Products Department, who chaired its first meeting in June 2021. The European Works Council held its meeting in November 2021 with its new Chairman, Americo Ribeiro, General Manager of Auchan Retail Spain.

All the resources devoted to the Group and European Works Councils in recent years (duration of meetings, choice of topics, specialised committees, training of members, presence of a chartered accountant, etc.) have led to a significant improvement in their mode of operation and the quality of social dialogue.

In 2021, the meetings of the Group Works Council and the European Works Council were maintained despite the pandemic. These meetings took place both face-to-face and by videoconference with significant technical and organisational constraints.

They met the following objectives:

- inform representatives on major issues;
- interact with representatives and answer their questions.

Numerous interventions have enriched these committees on major topical issues such as the vision and functioning of the new governance, presentations on the Renaissance project, the sharing policy, the single foundation and CSR.

### Compensation and sharing policies

Each Auchan Retail country is autonomous to act on the attractiveness of its employer brand, to adjust its salary positioning and to develop a significant social benefits policy in its local market. The compensation policy is therefore the

#### > Indicators

Indicator	2020	2021
Number of meetings with employee representatives	8,527	6,006
Percentage of employee shareholders of the company	72.8%	73.3%

*In order to align the scopes of reporting, the Taiwanese data have been removed from 2020 and 2021 results.*

Since the notion of employee representative does not exist by law in these countries, Life Committees have been set up in

responsibility of each country, except for executives whose compensation is managed by Corporate.

Nevertheless, an inventory of the compensation policies carried out by Corporate in each country in 2021 made it possible to better understand local needs and to identify, with the HR and Compensation & Benefits (C&B) directors, cross-functional projects for the future.

A C&B community has been created to better share best practices between the countries and improve the communication with the head office. This improves country support and overall consistency.

In line with its convictions, Auchan has also implemented a participatory policy by involving employees in the fruits of their labour: sharing part of the results (sharing assets).

The countries are strongly encouraged to implement this historic sharing policy. This takes place at three levels in the company:

- at local level (stores, warehouses, head offices, etc.) through progress or performance bonuses in place in seven countries;
- at country level through profit-sharing or performance bonuses in place in six countries;
- employee shareholding in place in seven countries.

For the company, asset sharing is not only an additional compensation tool, but is part of a global policy anchored in its values and historical convictions.

#### > KEY FIGURES

**In 2021, ELO had 108,413 employee shareholders.**

the stores to facilitate dialogue between management and employees.

The number of employee shareholders increased by 0.5 point between 2020 and 2021.

## > Significant initiatives by subsidiaries

Theme	Scope	Initiative
Company agreements	Auchan Retail Spain	Beginning of the negotiation process for the third Alcampo Equality Plan (women and men).
	Chronodrive	A new NAO and profit-sharing agreement was signed linking the company's strategy with the entity's social policy.
	Auchan Retail France	Three new agreements were created: <ul style="list-style-type: none"> <li>• new progress bonus agreement;</li> <li>• new healthcare expense guarantees;</li> <li>• GPEC agreement.</li> </ul>
	Auchan Retail Poland	A wage agreement was signed in 2021 providing for an increase in wages and bonus rates, as well as an allowance for linen and shoes. An agreement was put in place granting New Year discounts to employees in the form of Auchan vouchers.
Social benefits	Nhood Spain	The company pays €40 each month to a special payment card for transport, restaurant or childcare expenses, at the employee's choice.
Social dialogue	Auchan Retail Romania	Signature of the Collective Labour Agreement for the period May 2020-May 2021. Four national meetings (one per quarter) with all employee representatives, to discuss topics such as the company's financial situation, compensation and benefits policy, work equipment, training plans, employee assessment and development, etc.

## 2.4.6 DIVERSITY AND EQUAL OPPORTUNITIES

### > Background

The world of work is changing and so are the expectations of employees. A fulfilling professional environment, enabling everyone to develop their talents is what employees expect today.

To promote a variety of profiles, the company must respond to key challenges, such as:

- fight against discrimination;
- promote diversity;
- develop the employability of seniors;
- treat men and women fairly;
- facilitate the integration of people with disabilities.

### > Policy

The daily needs of all Auchan Retail customers are many and varied. This is why the company relies on employees whose diversity reflects local populations, to best meet the expectations of each customer.

Auchan Retail is strongly committed to promoting this diversity and making it a real performance driver.

#### Fight against all forms of discrimination

The International Labour Organization Declaration on Fundamental Principles and Rights at Work obliges all member states to respect and promote a number of principles and rights, classified under the following categories:

- 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 Retail's companies base their policies and actions on compliance with this declaration.

To warn of potential violations of the provisions of Auchan Retail's ethics charter, and within the framework of Act No. 2016-1691 of December 9<sup>th</sup>, 2016, known as "Sapin 2", as well as that of Act No. 2017-399 on the "Duty of Care", the company has updated its reporting system and has a new platform – "Speak Up". It is accessible, anonymously if necessary, to all our stakeholders, regardless of the country. Set up in May 2021, replacing the old tool called "Whistle B", this new multi-platform tool makes it possible to collect and process reports concerning inappropriate attitudes or behaviour, including potential cases of discrimination.

Almost 300 reports have been received since the launch of this new system in Auchan Retail's various countries. The transition to a new platform is accompanied by specific communication about the system and the guarantees offered. In addition, Speak Up facilitates real-time communication between the whistleblower and the company. Finally, the overhaul of the process allows for better end-to-end monitoring of reports and a closer adjustment of action plans to make them more effective.

In 2021, 39 cases were reported on the tool and classified as "discriminatory cases" at Auchan Retail level. All these reports have been processed or are still being processed by the Human Resources teams concerned.

### Promoting the workplace integration of people with disabilities

ELO's companies meet the legal obligations of their country of operation with regard to the employment of disabled people.

Some Auchan Retail subsidiaries have embarked on a more proactive policy in this area and go beyond these legal obligations.

To facilitate the integration of new employees with disabilities, commitments have been made in terms of:

- partnerships with companies in the sheltered and adapted sector;
- workstation layout specific educational markings on the front of the checkout lines for the deaf or hearing-impaired checkout staff;
- support from specialised organisations for better workplace ergonomics;
- awareness-raising among all employees about the acceptance of others with their differences.

### Promoting equal opportunities between women and men

In France, Decree No. 2019-15 of January 8<sup>th</sup>, 2019, which came into effect on January 1<sup>st</sup>, 2019, is part of an initiative to remove, among other things, differences in compensation between women and men in companies.

From now on, ELO publishes its "Gender Equality Index" every year, based on precise indicators that measure the situation of each company with regard to equal pay between women and men. The minimum requirement for each French company is 75 points.

For Auchan Retail France, the 2021 rate for the gender equality index (for the year 2020) was 89/100.

The head offices of international companies based in France obtained the following scores:

- Worldwide Products Department: 76/100;
- Auchan Retail International: 75/100.

To promote equal opportunities, the company strives to open up as many of its career paths as possible to men and women from all backgrounds. Hiring policies prohibit any form of discrimination, for example, in relation to gender, age, disability, religion or sexual orientation.

The diversity of the teams reflects the diversity of ELO's business lines, customers and the countries in which it operates.

All these principles and rules are defined in codes of ethics, internal regulations, and training courses.

#### > KEY FIGURES

**Auchan Retail France gender equality index for the year 2020: 89/100**

#### > Indicators

as of 09/30/2021	Auchan Retail		Nhood	
	2020	2021	2020	2021
Percentage of employees with a disability	4%	4.5%	1.6%	1.7%

*In order to align the scopes of reporting, the Taiwanese data have been removed from 2020 and 2021 results.*

This indicator is obtained by comparing the number of employees with disabilities as of September 30<sup>th</sup>, 2021 to the total workforce of the company concerned.

We can observe an increase of 0.5 point for Auchan Retail and 0.1 point for Nhood.

as of 09/30/2021	Percentage of women vs total workforce (in%)		Percentage of men vs total workforce (in%)	
	2020	2021	2020	2021
ELO	62.6	62.3	37.4	37.7

*In order to align the scopes of reporting, the Taiwanese data have been removed from 2020 and 2021 results.*

as of 09/30/2021	Percentage of female managers (in%)		Percentage of male managers (in%)	
	2020	2021	2020	2021
ELO	50.3	50.5	49.8	49.5

## &gt; Significant initiatives by subsidiaries

Theme	Organisation	Initiative
Awareness and information on disability	Worldwide Products Department/Auchan Retail International	Disability Week organised in November 2021: internal communications, testimonials and meetings.
Proactive approach to the employment of people with disabilities	Auchan Retail Ukraine	24/7 communication for hearing-impaired employees using the smartphone app (sign language translator).
	Auchan Retail Russia	Hiring of employees with hearing and speech disabilities, for store clerks and checkout staff. The legislation of the Russian Federation provides for a quota of employees with disabilities of between 2% and 4% depending on the region; Auchan Retail Russia averages around 3.5%.
Harassment awareness	Chronodrive	Training of all supervisors on sexual harassment and sexist behaviour.
Seniors	Auchan Retail France	A GPEC agreement was signed in 2021 including specific provisions for end-of-career support and the establishment of a Career Observatory.
Work-life balance	Nhood Hungary	Children and family members are allowed to come to the office if necessary.
	Nhood Portugal	No meeting on Fridays all day and no meetings on other days of the week between 8 am. and 10 am or between 5 pm and 7 pm.
	Auchan Retail Portugal	Two kindergartens are available to employees (next to Auchan Amadora and Alfragide) with the main objective of promoting work-life balance. Opening hours: 7 am to 00:30 am, 362 days a year, adapted to family income. Auchan Retail Portugal employees have priority registration, but the kindergartens are also open to the community.
Gender equality	Nhood Poland	Nhood has been recognised in Poland by the United Nations Global Compact Ethics in Business and Equal Opportunities in Business

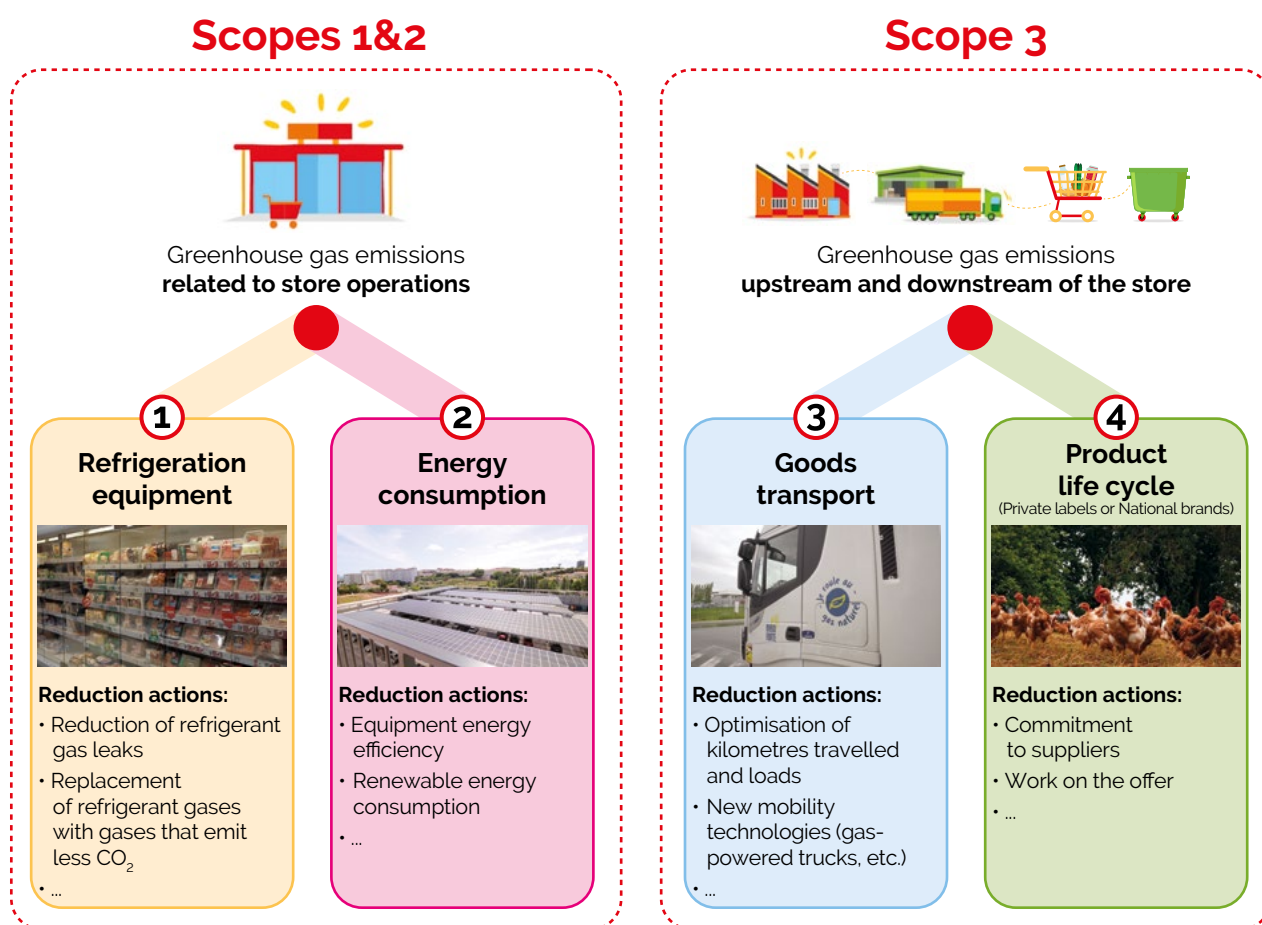
## 2.5 LIMIT THE ENVIRONMENTAL IMPACT OF OUR ACTIVITIES

### 2.5.1 CLIMATE CHANGE AND GREENHOUSE GAS REDUCTION



The third fight of the Auchan 2022 corporate project, reducing the carbon footprint is Auchan Retail's response to the growing demands of the company's stakeholders.

#### > Reduction of greenhouse gas emissions at Auchan Retail



#### > Policies & action plans

Initiated in 2015, Auchan Retail's climate action accelerated sharply in 2021 with the definition of a global ambition for all countries where Auchan Retail is present.

Defined in consultation with the teams and supported by its managers, this ambition takes the form of commitments to reduce its greenhouse gas emissions in absolute terms, with reduction targets based on science.

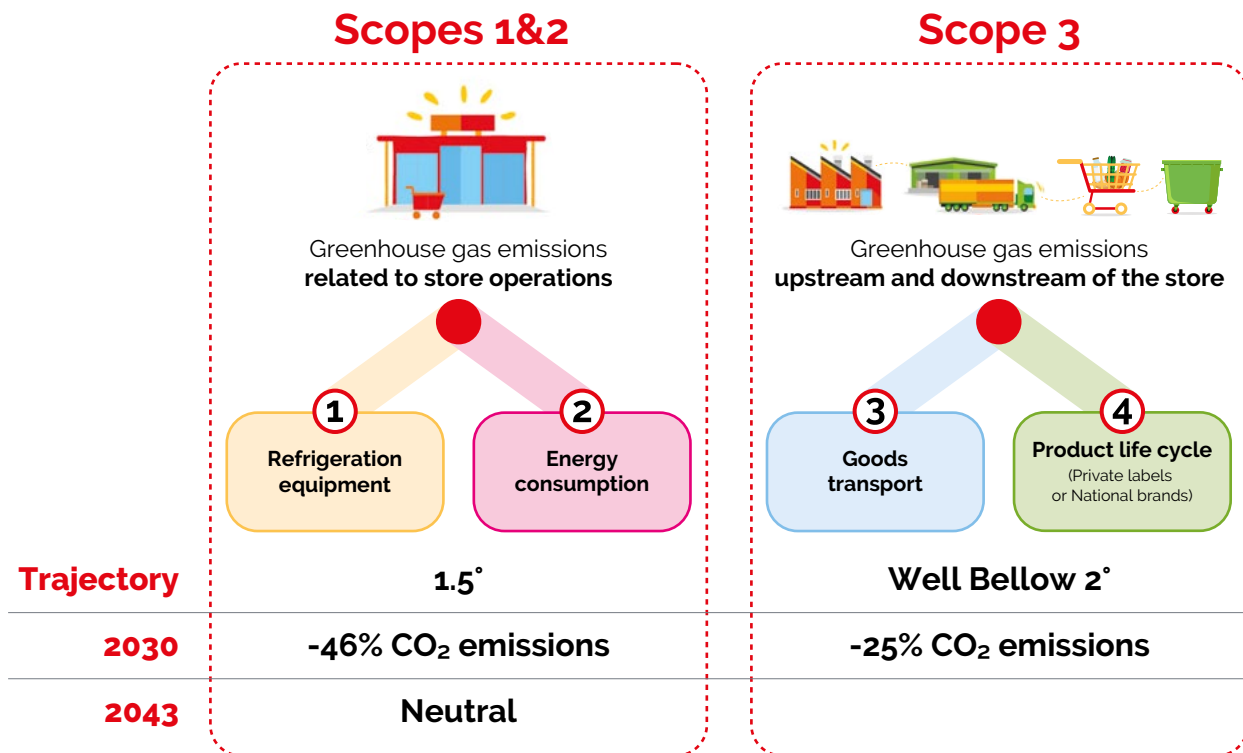
These objectives will be submitted to the Science-Based Targets Initiative in 2022 for validation by an independent body.





These objectives will be submitted to the Science-Based Targets Initiative in 2022 for validation by an independent body.

Auchan Retail thus reflects its commitment to the climate through a decarbonisation trajectory across all its business scopes, with specific science-based objectives and is part of temperature scenarios compatible with the objectives of the Paris Agreements:



### Scopes 1 & 2 action plan

**Auchan Retail's objective is to reduce its GHG emissions by 46% in its Scopes 1 & 2 (energy consumption and refrigeration equipment).**

**First stream** to mitigate the emissions from our stores, Auchan Retail's energy efficiency action plan, initiated in 2015, is continuing towards the objective of **a 25% reduction in energy consumption in stores (baseline 2014, like-for-like) by 2022, and -40% by 2030.**

Each country is mobilised on a list of priority actions and technologies deployed in the stores: replacement of refrigeration equipment with less energy-consuming systems, installation of closed doors on positive refrigeration units, use of divisional meters, change of heating and ventilation equipment, low-energy LED lighting, etc.

#### COVID-19

The pandemic is challenging our energy efficiency actions. Indeed, the ventilation of our stores in many countries must now allow for 100% air renewal (this figure was for example, 5% in Luxembourg before the pandemic). This constantly fresh air limits the circulation of the virus in our stores. The 100% renewal of the air will have a significant impact on our energy consumption.

In order to manage this programme, Auchan Retail has an environmental management and energy performance monitoring system based on the ISO 50001 standard. In 2021, 36% of Auchan Retail's surface areas in EU countries were ISO 50001 certified. The certification process is being rolled out with the aim of certifying all sites in the European Union within the next two years.

**Second stream** to mitigate the emissions from our stores, the action plan for renewable energies follows several tracks in order to achieve 100% renewable electricity by 2030.

This objective is broken down into three areas of action:

- the deployment of solar panels on Auchan Retail sites for self-production and self-consumption of solar electricity;
- the roll-out of corporate power purchase agreements (PPA);
- the purchase of green energy through guarantee of origin contracts.

These first two areas of the action plan are the subject of a partnership between Auchan Retail and Voltalia. Voltalia and its subsidiary Helexia will support Auchan Retail on all its sites. The partnership provides for a collaboration aimed in particular, for Helexia: on energy management, energy efficiency work, the supply of renewable electricity via the construction of photovoltaic plants on site for self-consumption, and for Voltalia: the conclusion of direct purchase agreements for green energy (PPA).



**Third stream** to mitigate the emissions from our stores, the food refrigeration action plan aims to **reduce our GHG emissions from refrigerant leaks by 90% by 2030**.

Auchan Retail is investing in all its countries to renew its refrigerant equipment with systems that consume less energy, to install smart level detectors to limit refrigerant leaks, and is committed to replacing its refrigeration equipment with

installations using fluids that are less harmful to the climate (e.g. R448A, CO<sub>2</sub>).

**This commitment to reduce our carbon footprint, embodied in the three streams, is reflected in significant investments in our stores. All the investments required for energy efficiency, renewable energy and refrigerant action projects correspond to a budget of €400 million by 2030.**

## > Significant initiatives by subsidiaries

Theme	Organisation	Initiative
Climate risk	Nhood	Aware of the physical risks that climate change has on its assets, Nhood has carried out a risk mapping for each of the Ceetrus assets and projects in 2022 via the 427 platform with the aim of having the necessary investments in the years to come to make assets more resilient as part of extensive asset renovations. The specifications have also evolved to include actions during construction: light colour of facades when exposed to the sun, greater greening of spaces to limit heat island phenomena, heights of installed technical items aligned with forecast water levels in the event of flooding.
Energy consumption reduction	Nhood	To date, the investments in the management and improvement of the equipment of Ceetrus centres have enabled nearly 60% of the sites to be reached, more than 50% of the sites are 100% LED and 25% are being deployed with a share of LED between 25% and 75%.  For the 2021-2023 period, Nhood has signed an agreement with the supplier ENGIE for the supply of electrical energy to the Ceetrus centres. The agreement provides that 100% of the consumption will be covered by guarantees of origin certifying that the energy source is renewable. Through the use of these certificates, Nhood finances the development of electrical energy produced from renewable sources.

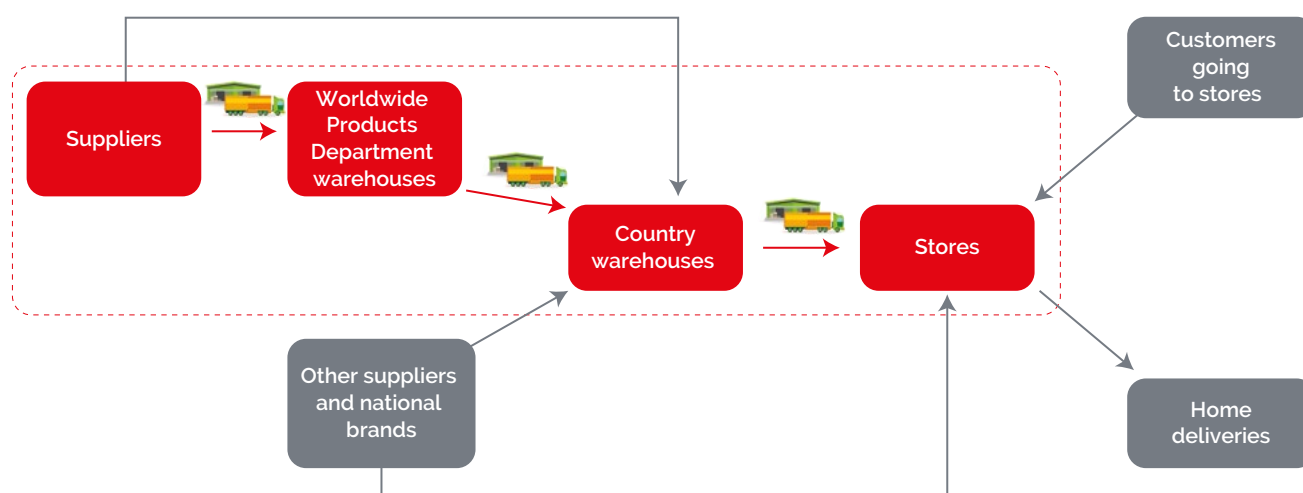
### Scope 3 action plan

Auchan Retail's objective is to reduce its Scope 3 GHG emissions by 25% (products and goods transport).

#### Goods transport and development of sustainable mobility

The flows of goods transport (air, road, rail, maritime) are complex and cover several perimeter<sup>(1)</sup>:

#### > MAPPING OF AUCHAN RETAIL'S CARBON EMISSION FLOWS – TRANSPORTATION UPSTREAM - DOWNSTREAM



(1) Only the flows represented by red arrows are included in Auchan Retail's GHG emissions. For the flows concerning the Worldwide Products Department, only non-food goods flows are taken into account.

Auchan Retail is seeking to better measure the carbon footprint of goods transport by measuring the GHG emissions better and better for each of the flows of goods generated by its activities.

In 2021, Auchan Retail extended its measurement perimeter to include the flow of goods from suppliers of its own international non-food brands (managed by the Worldwide Products Department), for which the CO<sub>2</sub> emissions in 2021 were 22,778 tCO<sub>2</sub>eq.

In 2021, Auchan Retail also refined its measurement method of the carbon footprint of the flow of goods between its warehouses and its stores in each country. This major methodological change, as well as the addition of the

Worldwide Products Department scope, increased the CO<sub>2</sub> emissions between 2020 and 2021, from 223,407 to 452,205 tCO<sub>2</sub>eq.

Auchan Retail's action plan to mitigate the emissions from its logistics activities includes:

- optimisation of truck filling and routes, supported by digital solutions, to reduce the tonne-kilometres travelled;
- changes in supply master plans (product sourcing, definition of logistics networks);
- development of new alternative fuels to diesel (biofuel, hydrogen, etc.)

## > Significant initiatives by subsidiaries

Theme	Organisation	Initiative
Transportation	Auchan Retail France	Auchan Retail France has joined the Fret21 approach, making it possible to structure and report on its transport approach. Auchan Retail France is thus committed to reducing its GHG emissions related to the transport of goods by 6% between 2019 and 2022. The reduction actions are : <ul style="list-style-type: none"> <li>• the reduction in the distances travelled through the implementation of a new logistics master plan, the deployment of a tool for optimising daily routes, supplemented by the geolocation of deliveries;</li> <li>• the increase in truck loads through the implementation of a tool improving the reliability of the volumes to be chartered and the deployment of preparation containers, thus facilitating the stacking of prepared materials;</li> <li>• the purchase of services through the selection, through calls for tenders, of carriers 80% of which, at least, hold the "CO<sub>2</sub> Objectives" label.</li> </ul>
	Auchan Retail Poland	Auchan Retail Poland obtained its first star in the Lean & Green programme, which enables it to manage the decarbonisation of its logistics activity (achieving a 20% reduction in CO <sub>2</sub> emissions from logistics between 2017 and 2020). This first star highlights the reduction actions undertaken (increased truck loads, optimisation of routes with the relocation of the Łędziny warehouse to reduce the number of kilometres travelled, tests of electric vehicles for last mile delivery in Krakow, etc.). Auchan Retail Poland aims to obtain the second star in the programme (an additional -10%).

## Products

### Action plan and objectives

Auchan Retail seeks to better measure the carbon footprint linked to the sale of products in its stores. In 2020, we initiated the measurement of the carbon footprint of all products sold at Auchan Retail (food and non-food products, private label or national brands, and including fuel sold in stations). This calculation was refined in particular for the carbon footprint of

food in 2021. Corrected for 2020, our CO<sub>2</sub> emissions amounted to 32,821,745 tonnes of CO<sub>2</sub> eq.. However, the carbon footprint of products follows a complex calculation process and is subject to numerous extrapolations. At this stage, any interpretation of the decrease in our emissions would be difficult to substantiate.

**Noteworthy initiatives**

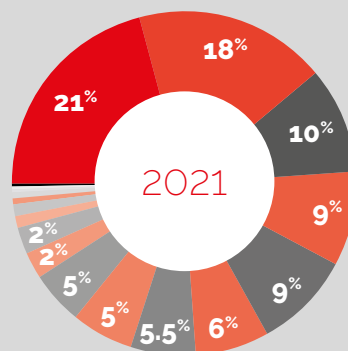
The Worldwide Products department (DPW) of Auchan Retail, which manufactures Auchan Retail's international own-brand products, after measuring the carbon footprint of its non-food products in 2020, measured the carbon footprint of its food products in 2021.

The carbon footprint of DPW's food products.

The Auchan branded food products managed by DPW emitted 1,225,003 t CO<sub>2</sub> eq.

The product categories that emit the most greenhouse gases are those made up of products related to livestock breeding : charcuterie, cheese, pet food and creamery.

The entire life cycle of the products is taken into account in this analysis, which will make it possible to define an action plan to reduce the carbon footprint of our food products.



■	Cheese Self Service - 21%
■	Charcuterie Self Service - 18%
■	Animal feeding - 10%
■	Creamerie - 9%
■	Everyday sweet grocery - 9%
■	Gourmet sweet grocery - 6%
■	Frozen - 5.5%
■	Daily Salted Grocery - 5%
■	Homemade Salted Grocery - 5%
■	Homemade Maintenance - 5%
■	Non-alcoholic Drinks - 5%
■	Catering Self Service - 5%
■	Bakery Patisserie Self Service - 5%
■	Baby Food and Childcare - 5%
■	Fish Food Self Service - 5%
■	Snacking Self Service - 5%
■	Alcohol and Beers (no wine) - 5%
■	Fruits & Vegetables Trade Self service - 5%

The action plan to mitigate our emissions related to the life cycle of products sold at Auchan (Auchan-brand products and products from other brands) includes several actions:

- commitment with national brands to decarbonise the products sold in our stores;
- food products: work with our suppliers and producers on our private label food products & eco-design programme;
- non-food products: eco-design of our private label products through the Eco-Yoda project subsidised by ADEME;
- distribution of renewable energies at our suppliers.

**> Performance indicators**

The following change indicators are presented on a like-for-like basis; Taiwan has therefore been removed from the 2020 and 2021 figures. With regard to NIH, this entity changed its scope in 2021, which is why no historical data is presented. For further methodological details on the scopes, calculation methods, sources, etc., please see section 2.8.



CDP gave ELO a B score for its replies to the climate change questionnaire. All the details of our response can be consulted publicly on CDP's website (<https://www.cdp.net/fr>).

**Energy consumption per square metre of surface**

Energy consumption (Kwh/m <sup>2</sup> )	2020	2021	Change
Auchan Retail	475.1 <sup>(1)</sup>	493.91	4%
NIH		225.03	

(1)

For Auchan Retail, this indicator now includes the consumption of heat networks in stores, which explains the increase in this ratio between 2020 and 2021 despite our energy efficiency actions.

(1) The 2020 figure was recalculated in 2021 to exclude Taiwan.

## Share of renewable energy in electricity consumption

Renewable electricity consumption (as % of overall electricity consumption)	2020	2021	Change
Auchan Retail	18.1% <sup>(1)</sup>	16.94%	(6)%
NIH		42.5%	

## Intensity of the GHG emissions

Scopes 1 & 2 (Stores' carbon intensity in kg CO <sub>2</sub> eq./m <sup>2</sup> )	2020	2021	Change
Auchan Retail	236.62 <sup>(2)</sup>	190.37	(19.5)%
NIH		69.44	

In order to comply with the GHG Protocol carbon accounting method, Auchan Retail has changed its calculation method compared to the non-financial performance statement for 2020, in order to better distinguish Scopes 1 & 2. Please refer to section 2.8 Methodology for a full explanation.

## Volume of GHG emissions, Scopes 1, 2 &amp; 3

GHG emissions (t CO <sub>2</sub> eq.)	2020	2021	Change
Auchan Retail Scope 1	544,660.13 <sup>(2)</sup>	397,031.33	(27)%
NIH Scope 1		14,070.25	
Auchan Retail Scope 2 - Location Based	698,700.65 <sup>(2)</sup>	653,238.53	(7)%
NIH Scope 2 - Location Based		58,362.2	
Auchan Retail Scope 2 - Market Based		523,971.5	
NIH Scope 2 - Market Based		41,879.69	
Auchan Retail Scope 3 - Goods transport	223,407.43 <sup>(1)</sup>	452,205.81	102%

Auchan Retail has changed the method for calculating its carbon footprint related to the transport of goods. Please refer to the method section for a full explanation. This change in method fully explains the doubling of the value between 2020 and 2021.

## 2.5.2 FIGHT AGAINST PLASTIC POLLUTION



The second battle of the Auchan 2022 corporate project, the fight against plastic pollution is Auchan Retail's response to the growing demands of the company's stakeholders.

## &gt; Background

Plastic provides health, safety and affordability for the distribution of many consumer goods. But the linear "extract - produce - consume - discard" model is still too widespread and most plastic is never recycled. Scientists, governments and consumers expect manufacturers and retailers to provide better solutions for the environment while maintaining purchasing power.

## &gt; Policy/Commitment

Auchan Retail is committed to the fight against plastic pollution as a major retailer with a direct influence on household consumption.

The reduction of the use of virgin plastic, the improvement of recyclability and the integration of recycled material are all commitments made official by the signing of the European Plastics Pact in March 2020.

(1) The 2020 figure was recalculated in 2021 to exclude Taiwan.

(2) The 2020 figure was recalculated in 2021 to exclude Taiwan and integrate the methodological changes (breakdown of emissions between the scopes 1 & 2).

More specifically, as part of the Auchan 2022 corporate project, two ambitions relating to packaging were set to reflect the efforts made at the international level in the fight against plastic pollution:

- have 100% of private label packaging reusable, recyclable or compostable at home;

- eliminate plastics as far as possible from the fresh food services departments and self-service fruit and vegetable departments.

In view of the strong ambition of these objectives, deadlines ranging from 2022 to 2030 have been set and are detailed in the Fight against plastics pollution policy<sup>(1)</sup> published in March 2021. It is based on the five priority projects identified throughout the company's value creation chain.

## The *Auchan Retail* Plastic Panorama

There are plastics-related issues all along the value chain



**Auchan** | RETAIL

The year 2021 provided an initial diagnostic that will serve as a basis for the countries when writing their more detailed roadmap for 2022.

The Auchan quality commitments charter includes in its ninth pillar the reduction of plastic packaging and the requirement of recyclability.

### Greater commitment at local level

As each country is free to set more ambitious targets at local level, Auchan Retail Poland signed the Polski Pakt Plastikowy in 2020, joining France as one of the countries that have signed a national pact. Also in 2020, Auchan Retail Spain published its Plastic Policy.

### COVID-19

Once again this year, the health crisis has upset the initiatives to reduce the use of plastics: suspension of the acceptance of customer containers, suspension of bulk sales, and provision of protective equipment (gloves, masks, plexiglas, etc.). Plastics has yet again shown its usefulness as a barrier material that guarantees health and safety.

Nevertheless, when the removal of packaging was compromised, the teams set out to implement alternatives offering equivalent health safety, such as the deployment in 2021 of vegetable trays in France to replace polystyrene trays on butcher stands.

(1) [https://www.auchan-retail.com/wp-content/uploads/2021/03/EN\\_AUCHAN-RETAIL\\_Fight\\_Against\\_Plastic\\_Pollution\\_Policy-1.pdf](https://www.auchan-retail.com/wp-content/uploads/2021/03/EN_AUCHAN-RETAIL_Fight_Against_Plastic_Pollution_Policy-1.pdf)

## > Indicators

Auchan Retail puts the fight against plastic pollution at the heart of its CSR project. Initial indicators were calculated for 2020, in particular for the tonnages of plastics used in packaging in the market area.

One of the challenges faced by the teams is measuring the total tonnage of plastics used in our own-brand packaging. Indeed, the declaration of the precise composition of packaging is still a new request for the majority of our suppliers who until now were only required to certify the harmlessness and the preservation capacities of the proposed packaging.

As the richness of our ranges is based on a considerable number of partner suppliers, it was impossible to gather detailed information in an exhaustive manner in 2021. However, it seemed essential to measure the impact of our various initiatives to have a global vision of our use of plastics. A sampling and extrapolation approach was therefore conducted in collaboration with a consulting firm, bringing together information from more than 7,500 products for more than 650 suppliers. This exercise allows us to publish for the first time an estimate of the total weight of our own-brand product packaging and thus measure the efforts still required.

Indicator	Data
<b>1.</b> Weight of the plastics used in own-brand single-use products (glasses, cutlery, plates, cotton swabs, blenders, straws, tea bags, balloons)	303 t (86.5 t in EU and 216.5 non-EU) In the EU the tonnages are related to the bio-based and compostable plastic cutlery that was included in the calculation. The international range alone would represent 1,948 t of plastics if it had not switched to cardboard/wood solutions.
<b>2.a</b> Weight of the plastics used in the packaging of our own-brand products	93,015 t (extrapolated, including 80,662 t in the EU)
<b>2.b</b> Percentage of reusable, recyclable or compostable own-brand product packaging	42.5% (extrapolation, 51.1% in the EU)*
<b>2.c</b> Products sold in bulk excluding fresh food counters and fresh fruit and vegetable departments	6,710 references for nearly 13,500 t of product sold (bulk offer available in all our countries outside Russia and Romania for legal reasons)
<b>3.</b> Plastic waste collected in our stores	17,287 t (of which 11,361.5 t outside Russia vs 14,307 t in 2020 for the same scope, i.e. -20.5%)**
<b>4.a</b> Weight of the plastics used for in-store packaging in the market area (stands and fruit/vegetable bags) (in tonnes)	14,218 t (including 13,137 t excluding Poland and Senegal vs 12,000 t for the same scope)***
<b>4.b</b> Percentage of recycled plastic incorporated in market area packaging (in%)	7.1% (with a rate of 33.7% for PET)
<b>5.a</b> Weight of the plastics used in check-out bags (in tonnes)	8,261 t (excluding Poland vs 5,510 t in 2020)***
<b>5.b</b> Percentage of recycled plastic incorporated in check-out bags (in%)	57.2% (excluding Poland)

\* Some of our packaging is already theoretically recyclable but has not been taken into account because the recycling channels are not sufficiently deployed in the corresponding countries, for example, in Russia, only PET bottles were considered recyclable in this calculation. If all countries deployed all the already existing channels in Europe, then the rate would approach 60%.

\*\* This figure excludes Senegal, which is not able to isolate the plastic part of this waste.

\*\*\* The increases in volume between 2020 and 2021 are linked to the addition of new packaging in the calculation (shopping bags) as well as better supplier coverage.

## &gt; Significant initiatives by subsidiaries

Theme	Organisation	Initiative
Products in single-use plastic	Auchan Retail - Worldwide Products Department	Discontinuation of the last international reference of cotton swabs with plastic rods
	Auchan Retail Spain	Replacement of single-use plastic cutlery with wooden cutlery in bistro areas Removal of straws from the mini beverage bricks (-4.6 t of plastic)
	Auchan Retail France	Replacement of plastic cutlery by wooden cutlery in salads and pasta boxes (-14 tonnes of plastic)
Household product packaging	Auchan Retail France	Development of new trays incorporating RPET on prepared meals (available in 2022) Change to clip to clip on citrus fruits (-38 t of plastic) Salad catering range -27% plastic Poultry ham, new range (two products concerned) with a 65% reduction in plastic by replacing one side of the packaging with paper (-2.5 t) Replacement of plastic tea bags with a paper envelope (-25 t)
	Auchan Retail Poland	Installation of a bottle collection machine for recycling in cooperation with the municipality of Opole (September 2021) For fruit and vegetables: 100% of packaged apples are packaged with pulp-based packaging and biodegradable trays, as are 90% of tomatoes. In total, a reduction of more than 80 t of plastic per year.
	Auchan Retail Spain	Shrinkage and reduction of primary and secondary films from private label products (-34.2 t of plastic) New packaging for onions, elimination of plastic (-6 t)
	Auchan Retail Romania	Removal of plastic from the range of aromatic herbs and fresh herbs
Plastic waste from transport and storage	Auchan Retail France	Work to switch E-PS boxes to reusable boxes Removal of the film from the container for 1L vegetable drinks (-9.3 t)
Packaging used for in-store distribution	Auchan Retail France	Switch from E-PS trays to recyclable and compostable plant fibre trays (already 32 million trays, i.e. -700 t of plastic) Switch from all-plastic pizza boxes to a cardboard solution with a PET window (currently being rolled out, more than 70 tonnes less plastic expected)
	Auchan Retail Spain	Switch from plastic pie trays to a cardboard solution (-38 tonnes of plastic)
	Auchan Retail Hungary	Offer for sale, in addition to reusable bags, compostable bags for fruits and vegetables. Reusable bags in organic cotton for the bakery.
	Auchan Retail Portugal	Reusable netting for fruit and vegetables and bakery
	Auchan Retail Romania	Switch of several stand containers to cardboard packaging. Switch of butcher and fish bags to a compostable solution
Checkout packaging	Auchan Retail Senegal	End of sale of plastic bags at check-out in 2020.
	Auchan Retail Poland	Installation of check-out bags incorporating 80% recycled material Use of paper bags for e-commerce Launch of a three-party collaboration on check-out bags made from recycled material from store waste (available in 2022)
	Auchan Retail Spain	Launch of a bag made from 80% recycled plastic, partly sourced from store waste
	Auchan Retail France	Launch of a recycled textile shopping bag in collaboration with Les Tissages de Charlieu and creation of a French circular economy textile supply chain
	Auchan Retail Hungary	Launch of a compostable bag to replace the single-use plastic bag, supplemented by a paper bag and a reusable bag
	Auchan Retail Ukraine	Launch of a 100% recycled plastic check-out bag
	Auchan Retail Ukraine	Launch of a 100% recycled plastic check-out bag
Other initiatives	Auchan Retail Hungary	Internal and external communication operation around the Plastic Free July campaign
	Auchan Retail Ukraine	Communication operation during the International Plastic Bag Free Day



## 2.5.3 ECO-DESIGN, SECOND LIFE OF PRODUCTS AND OPERATIONAL WASTE

### > Background

The circular economy offers a more sustainable production model that takes into account all phases of the life cycle from design (eco-design) to the end of life (second life of products or waste management) and their impact on the environment (climate change, pollution).

Auchan Retail addresses eco-design through its own-brand products, the second life of products through its offer and in-store operations and waste management through the recovery of operational waste.

### > Policy/Commitment

Auchan Retail applies the principles of eco-design to its own-brand products.

The Worldwide Products Department now includes the teams developing Auchan France's own-brand products as well as its own-brand products offered internationally (representing more than 83% of the own-brand products worldwide).

In 2021, the Worldwide Products Department launched a cross-functional project to implement the eco-design/eco-selection approach. First started on the non-food offer, this project, financially supported by ADEME

and supported by an eco-design expert, aims to create an eco-selection and eco-selection standard, containing guide sheets on each of the 35 product types covered by our own brand. These sheets, which will be distributed to the teams concerned (product, quality, sourcing, etc.), summarise the priority eco-design strategies and best practices relating to the type of product. In addition, five eco-design pilot projects were also launched, taking the approach further with training of project teams in eco-design methodology and tools.

These advances will allow the validation of the deployment of a similar approach to food and the launch of other more advanced eco-design projects.

Each non-food sector has also set its own commitments according to the priority issues inherent to the nature of the products concerned.

Auchan Retail joined the Fashion Pact in November 2019, committing alongside fashion industry players to reduce its environmental footprint. In this vein, in 2020 Alcampo published these commitments made by the company in its sustainable textile policy.

### > Indicators

Operational waste		2019	2020	2021	Change n-1
	Hyper	432,400	406,751	396,046	(3)%
	Super			67,267*	
Total volume of waste (in t)	Drive-throughs			3,875	
	Hyper	300,460	279,934	277,586	(1)%
	Super	40,237*	43,160*	55,852*	+28%
Volume of recovered waste (in t)	Drive-throughs			3,709	
	Hyper	69%	69%	70%	+1pt
	Super			83%	
Recovery rate	Drive-throughs			96%	
Estimate of CO <sub>2</sub> emissions from waste treatment (tonnes of CO <sub>2</sub> eq.)				299,835.3	
<b>Eco-design</b>					
Percentage of FSC- or PEFC-certified wood/paper/cardboard products	Worldwide		58%	61%	+3pts
Percentage of Oeko-Tex-certified Home Textile products	Products			100%	
Percentage of Oeko-Tex-certified In Extenso Clothing products	Department		~40%	~55%	+15pts

\* These data do not include information from SUPERS in Ukraine and Romania.

The waste indicators exclude Senegal, for 2021 the Petrom stations were not included in the calculation for Romania (new activity in 2021), and the data for 2019 and 2020 have been restated to be on a comparable basis.

The decrease between 2020 and 2021 is mainly due to the fact that in 2020 part of the French supermarkets were included into the hypermarkets figures.

As for 2021, the total amount of waste for all hypermarkets and the French supermarkets is 430 051 t which is equivalent to the waste reported in 2019.



## &gt; Significant initiatives by subsidiaries

Theme	Organisation	Initiative
Eco-design	Auchan Retail - Worldwide Products Department	Development of products incorporating recycled plastic (soft toys, pens, glue, plaids, clothing, shoes, etc.) Example: launch of a sports shoe for women, whose sole and lining are in 100% recycled polyester and the sole in EVA rubber containing 40% recycled materials. Extension of the Oekotex label on InExtenso clothing (65% of the offer will be in stores in 2022)
	Auchan Retail Poland	FSC certification of own-brand juice packs
	Auchan Retail Spain	Sea caddies operation: recycling of fishing equipment waste into shopping carts and shopping baskets (25% of final materials), in place in around 20 stores Launch of a range of own-brand trash bags containing 50% recycled plastic (around 700 tonnes per year) Launch of tote bags in the textile department in Spanish organic cotton, made by women in reinsertion of the Eh laboras! textile production workshops in collaboration with Caritas
	Auchan Retail Portugal	Second-life corners in partnership with My Cloma (four stores) and Cash Converter (one store)
	Auchan Retail France	Operations to recover school bags (13 <sup>th</sup> year with Le Relais), coffee capsules (in partnership with ARCA), used cooking utensils (with Tefal), used pens (with BIC).
Second life of products	Auchan Retail Poland	School bag recovery operation from August 5 <sup>th</sup> to 18 <sup>th</sup> , 2021, 1,014 kilos or more than 2,000 bags collected, in collaboration with the Eco Textil Foundation, enabling the financing of seven wheelchairs, four pairs of crutches and four rollators for the benefit of charities selected by the stores.
	Auchan Retail Spain	Partnership with ReWare in the sale of refurbished mobile phones. Offer extended to tablets this year Installation of second-hand clothing corners in partnership with Moda-Re (Barcelona and Madrid)
	Auchan Retail Luxembourg	Transformation of fruit and vegetables removed from departments into jam with "la Fée Maraîchère"
	Auchan Retail Romania	Opening of ten Nouvelle-Vie textile corners Sale of refurbished phones in partnership with Recommerce (formerly FENIX) Collection of textiles in partnership with the Red Cross and Textrade (43 tonnes collected)
	Auchan Retail Spain	Integration by the French Ministry for the Ecological Transition of the universal private label substrate project in its first Guide to best practices in the circular economy
Operational waste	Auchan Retail France Auchan Retail Spain Auchan Retail Portugal Auchan Retail Poland Auchan Retail Hungary Auchan Retail Ukraine	Transformation of food into products for animal feed (zoo, circus, shelters, etc.).
	Auchan Retail Luxembourg	All stores carry the SdK label, a recognised quality mark awarded by the Environment Administration, the Chamber of Commerce and the Chamber of Trades to companies and institutions that manage their waste in an environmentally friendly manner
	Auchan Retail Spain	Opening of 43 new eco-parks allowing customers to drop off their waste (electrical and electronic equipment, batteries, oils, light bulbs, neon lights, etc.) bringing the total number of eco-parks to 127
Other	Auchan Retail France	101 kiosks for the recovery of empty bottles already in place, more than 12 million bottles collected in 2021
	Auchan Retail Romania	Waste oil collection, 160,000 l collected for recycling into biofuel

## 2.5.4 BIODIVERSITY AND PROTECTION OF NATURAL RESOURCES

### > Background

Human beings exploit more than 70% of the planet's land. 80% of deforestation is due to agriculture, and particularly to the extension of areas cultivated with soybeans for livestock feed and oil palm trees<sup>(1)</sup>. NGOs and civil society regularly challenge distributors on these issues.

### > Commitment/Policy

#### Palm oil

Several own-brand products contain palm oil as an ingredient. This ingredient presents risks related to deforestation, soil erosion, water pollution and working conditions in palm plantations. Auchan Retail is committed to eliminating palm oil from all its own-brand products, which is a substance included in the company's blacklist. When substitution is not possible, Auchan Retail has decided that it must be RSPO-certified<sup>(2)</sup>. This certifies that the palm oil that has been produced, processed and used in the products meets the very specific requirements of the RSPO in terms of sustainable development CSR, and that the volumes are traceable throughout the supply chain.

#### Preservation of water and marine resources

Since 2019, Auchan Retail has been a signatory of the Fashion Pact, a global coalition of 56 fashion companies committed to combating global warming and protecting biodiversity and the oceans.

Auchan Retail has been working since 2006 to preserve fish resources, by avoiding overfishing and protecting the environment. Various measures have been taken in this regard, such as:

- the end of the marketing of Mediterranean bluefin tuna (*Thunnus thynnus*) in all Mediterranean countries;
- stopping the marketing of endangered shark species with the exception of catshark (*Scyliorhinus*) and smooth-hound (*Mustellus*);
- stopping the marketing of Adour salmon;
- stopping the marketing of eel;
- full traceability of tuna-based products (fishing zone, species, method of capture and fishing fleet) and refusal of all IUU<sup>(3)</sup> products.

These Group commitments are supplemented in the subsidiaries by fishing policies adapted to the countries' resources, consumption and needs. This is the case in Spain, France and Portugal.

Water is also an essential resource for Auchan Retail's business, both in the production of the products sold and in the operation of its sales sites. Auchan Retail is installing more and more hydro-efficient equipment as well as rainwater collectors. Automated consumption monitoring is also being implemented.

#### Deforestation: wood, cocoa, coffee, etc.

A partner of the Earthworm Foundation since 2011, Auchan Retail is committed to combating deforestation linked to the exploitation of raw materials, with a priority on wood products, including:

- charcoal;
- paper: writing, hygiene, disposables and publications;
- indoor 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 IUCN's<sup>(4)</sup> Red List of Threatened Species;
- not taken from species included in Appendices 1, 2 and 3 of CITES<sup>(5)</sup>;
- 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.

Auchan Retail France has committed to a sustainable sourcing of cocoa by highlighting products from:

- the UTZ label<sup>(6)</sup> or Rainforest Alliance (two labels that have merged into an NGO in 2018) to promote biodiversity;
- organic agriculture which enables the implementation of better agricultural practices including for phytosanitary products;
- responsible agricultural production chains in all countries with numerous commitments, particularly in agroforestry;
- fair trade with the Max Havelaar brand whose task is to fight against the poverty of producers in countries from the southern hemisphere.

(1) <http://www.fao.org/sustainability/resources>.

(2) *The Roundtable on Sustainable Palm Oil*.

(3) *Illegal, unreported and unregulated*.

(4) *The International Union for Conservation of Nature*.

(5) *Convention on International Trade in Endangered Species of Wild Fauna and Flora*.

(6) *UTZ is a sustainability certification programme for coffee, cocoa and tea, collaborating with existing brands*.

Auchan Retail France has committed to sustainable sourcing of cocoa by highlighting international private label products from:

- the UTZ label or Rainforest Alliance to promote biodiversity. Auchan offers UTZ-certified products with the Auchan brand;
- 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.

## > Indicators

Water consumption at constant scope (in m <sup>3</sup> )	2019 (m <sup>3</sup> )	2020 (m <sup>3</sup> )	2021	Change n-1
Auchan Retail Hyper	3,739,441*	3,370,172*	3,282,338	(3)%
NIH	.....		468,472**	

\* Total for the scope of the stores used in the calculation for 2021. Please note that seven hypermarkets had no data available in 2019. The difference in the data for the year 2020 with the previous report is due to invoice corrections received subsequently from several stores.

\*\* NIH has defined a new calculation method in 2021 that does not allow the publication of historical data.

The water consumption at current scope for 2021 was stable with a downward trend. The health crisis led to changes in store openings making it difficult to attribute the decline to good water management alone.

## > Significant initiatives by subsidiaries

Theme	Organisation	Initiative
Deforestation	Auchan Retail France	By updating its policy to combat deforestation, Auchan Retail France aims to ensure full traceability of all its supplies and aims, by 2025, that 100% of the products using forest resources come from sustainably managed forests. In this respect, commitments have been made regarding: <ul style="list-style-type: none"> <li>• cocoa farming;</li> <li>• coffee farming;</li> <li>• palm oil;</li> <li>• soybeans used in animal feed;</li> <li>• Brazilian beef;</li> <li>• interior furnishing, wood garden furniture and exterior furnishing;</li> <li>• charcoal;</li> <li>• stationery;</li> <li>• toilet and household paper;</li> <li>• packaging of Auchan-brand products.</li> </ul>
	Worldwide Products Department	Several international own-brand food ranges have been developed such as chocolate and coffee: 95 references for chocolate and 150 for coffee. They offer organic and vegan, are UTZ-certified, with a sustainability programme for coffee, tea and chocolate.
Fishing	Auchan Retail France	Renewal of the partnership with Mister Goodfish: a European programme that aims to raise awareness among the public and professionals about the sustainable consumption of seafood. By building on the Global Ocean Network, Mr Goodfish is helping to raise awareness of the vital role the ocean plays in everyday life, to inform the general public about the state of the oceans, to explain the complexity of maritime problems, to raise awareness of sustainable policies and to involve citizens in their consumption habits in favour of the marine environment.
	Auchan Retail Spain	Auchan Retail Spain resumed the sale in February 2021 of Rockfish species ( <i>Sebastes</i> spp.) from the EU fleet that operates in the Flemish Cap fishing zone, managed by the Northwest Atlantic Fisheries Organization (NAFO). To this end, it has committed to continue fishing there as part of a global approach to sustainability, which involves all economic actors and is based on an ecosystem approach. The company had stopped selling these species in 2010, due to their depletion. The decision to reinstate Rockfish in its assortment was taken following a comprehensive assessment of the fishery, carried out in collaboration with its supplier Cabomar SA and the Sustainable Fisheries Partnership (SFP), which started in January 2020.


**Sustainable change in neighbourhood life - NHOOD**

For the Auchan Counord site in Bordeaux rmit for a transformation project. On behalf of Auchan, Nhood will develop a single-use block into a mixed-use programme for retailers and city residents. This pivotal project for Auchan and Nhood, the real estate services operator, will accommodate green spaces, offices and resilient housing. Awarded the "Bordeaux frugal building" label, this new living space will energise the neighbourhood, improve the quality of life of residents, build the foundations of a more responsible business and become a reference for Nhood, a platform serving its ecosystem.

In Spain, at Vialia Vigo, the transformation of an intermodal rail infrastructure into a mixed-use project that has welcomed more than three million visitors in three months has hosted, since September 2021, 135 shops, 23,000 m² of public spaces on the roof, a lively place to keep pace with local associations and sports... A place with a triple positive impact:

1. planet: BREEAM Very Good certified in its design phase;
2. people: free sports facilities for all ages, a place accessible to all, lively to the rhythm of cultural, associative and sporting events, a social and solidarity grocery store, second-hand and responsible retail brands;
3. profit: 900 non-relocatable jobs created during the works and 2,000 upon inauguration.

## 2.6 ESTABLISH RESPONSIBLE AND ETHICAL BUSINESS RELATIONSHIPS

### 2.6.1 RESPONSIBLE SUPPLY CHAIN APPROACH AND PARTNERSHIP WITH LOCAL PRODUCERS

#### > Background

Globalisation has made the flow of goods and business relationships more complex, making it difficult to assess supplier risks. It is for this reason that Auchan Retail promotes the creation of responsible agricultural production chains. In addition, to reduce the impact of consumption on the climate and the environment, several studies show the need to change the carbon footprint of the food base. In strengthening its links with local producers by proposing a responsible offer with its agricultural supply chains, Auchan Retail is acting in this direction.

#### > Commitment/Policy

Launched in 2014, the Auchan responsible agricultural production chain approach is part of the company's commitment, which places quality products and respect for the environment and local producers at the heart of its corporate project.

#### **Develop Auchan's responsible agricultural production chain approach**

Through its responsible agricultural supply chains, Auchan Retail is committed to a sustainable and balanced partnership with producers, breeders and processors of the food and its value chain. Its ambition is to offer high quality, healthy products with exemplary traceability, that are differentiating, respectful of the environment and animal welfare and support the men and women who produce them, in order to preserve know-how and resources for the greatest satisfaction of consumers.

To ensure a common set of requirements, four pillars have been defined:

1. customer satisfaction, to meet consumer expectations, by guaranteeing controlled origin and traceability, particularly with blockchain-based products;

2. respect for the environment and animal welfare, with production methods designed to protect our resources;
3. societal commitment by adopting an approach that respects the individuals that make up the supply chains (employment, equity, sustainability, regions, etc.); and
4. an economic commitment through a profitable and sustainable approach for sourcing channel players with accessible prices for consumers.

To go even further in this exclusive quality offer, the teams in charge of the development of the responsible agricultural supply chains have implemented a risk analysis process. It is a methodological tool for training, sharing and defining requirements pertaining to product supply chains and product culture. At the end of 2021, all scopes are covered, from primary production to processed products. This new approach also enables the sharing of upstream know-how between all the subsidiaries and the promotion of the product culture.

Training sessions are also conducted in all subsidiaries for buyers and quality teams to raise their awareness of the requirements of Auchan's responsible agricultural production chains in order to develop these partnerships with producers in each country. Support is also provided by the corporate team which offers thematic webinars related to the supply chains. In 2021, the topics that were covered were:

- animal nutrition and welfare in the milk supply chain;
- decreased use of antibiotics and antibiotic resistance;
- social audit in primary production.

These webinars involve external experts on the subjects as well as internal collaborators from countries who come to testify and share their experiences.

### Prioritising local sourcing and developing sustainable partnerships with SMEs and small producers

The stores in all Auchan Retail countries are developing the supply of local products, grown and/or manufactured near its stores, via direct partnerships with small producers. They are responding 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.

In order to facilitate the commercial process, all subsidiaries have implemented procedures adapted to these suppliers to

simplify exchanges, save time on product listing and reduce the associated costs.

Local products are systematically highlighted in stores, in particular thanks to dedicated in-store events.

#### > KEY FIGURES

**Auchan Retail is committed to developing 1,200 responsible agricultural production chains around the world by 2022.**

#### > Indicators

Scope	Indicator	2019	2020	2021
Auchan Retail	Number of supply chains under contract	488	710	972

#### > Significant initiatives by subsidiaries

Theme	Organisation	Initiative
Responsible agricultural production chains	Auchan Retail	In order to raise awareness among the stakeholders in the responsible agricultural production chains in all subsidiaries, webinars are organised on a variety of topics including: <ul style="list-style-type: none"> <li>• animal nutrition and welfare in the milk supply chain;</li> <li>• decreased use of antibiotics and antibiotic resistance;</li> <li>• social audit in primary production.</li> </ul>
	Auchan Retail France	10,500 kilometres travelled, to meet the local producers of the products during an unprecedented tour of France: the <b>Auchan Tour</b> made it possible for customers to discover the commitments of the supply chains. 23 products determined the route of the Auchan Tour, the last stage was the opportunity to bring together, in Paris, all the store managers, producers and partners involved in the operation. An event that enabled discussions on the challenges of the agricultural world (climatic hazards, fair compensation, maintenance of local know-how, preservation of the environment, etc).  Launch of the "Supply Chain Club", whose objective is to offer partners a privileged framework for exchanges around current agricultural and CSR issues and to perpetuate the dynamic initiated by the Auchan Tour.

Theme	Organisation	Initiative
Local producers	Auchan Retail Portugal	Simplification of the contracting process with local producers via four steps: <ol style="list-style-type: none"> <li>1. development of a supplier portal to start the process digitally;</li> <li>2. creation of a specific general supply agreement for local producers, in a lighter version;</li> <li>3. establishment of a team dedicated to supporting the development of local partnerships;</li> <li>4. training of teams in charge of the development of local partnerships.</li> </ol>
	Auchan Retail Spain	Promotional campaigns have been carried out in collaboration with public administrations and producer associations to highlight and publicise the products of regions such as Madrid, Andalusia, Extremadura and Aragon. Specifically, with regard to Aragon, a permanent Corner has been installed for these products in the stores of this Autonomous Community. In addition, as part of the support to Aragonese producers, a first meeting was held between the producers and the managers of the company's Products Department, aimed at strengthening the alliances and expanding the portfolio of local products, an approach also implemented with the producers of the Madrid region.  Development of the Huella blog, intended to make known the history of the producers working with Auchan Retail Spain. The producers are also the main players in the new supply chain signage system implemented in the stores.
	Auchan Retail Romania	Establishment of a brand club, composed of local producers, which organises with Auchan promotional operations to support the sales of their products in stores and online. The latest operation carried out in the 33 stores of the country has made it possible to highlight in a specific way no less than 30 local brands.
	Auchan Retail Senegal	"Made in Senegal" is the name of the commercial operation organised by Auchan Retail Senegal from September 8 <sup>th</sup> to 19 <sup>th</sup> , 2021, on items produced exclusively domestically. In Senegal, 60% of the product assortment is locally sourced. On the programme, the promotion of customer awareness of the richness of local food and non-food products through events conducted in the heart of the stores. Meetings with producers, tastings, and convivial events allowing customers to better know local agriculture, its practices, its marketing circuits and its positive contributions to the environment, health and the dynamics of the territories. A desire to promote local products, good food and support for Senegalese producers who are fully in line with Auchan Retail Senegal's strategy.

#### > KEY FIGURES

Over the reporting period Auchan Retail Portugal's number of referenced local suppliers increased by 14% for a turnover up by 20% and a number of items up by 22%.



## 2.6.2 SUSTAINABLE PURCHASING RELATIONSHIPS WITH OUR PARTNERS IN TERMS OF HUMAN RIGHTS AND ENVIRONMENTAL ISSUES

### > Background

For more than twenty years, Auchan Retail has been continuously improving its purchasing practices. Responsible purchasing policies are thus rolled out to all employees concerned in the countries and to Auchan Retail's Worldwide Products Department under the leadership of a dedicated department. In 2021, a merger was carried out between the entities Auchan Retail Services in France and the Worldwide Products Department in order to constitute a single structure. As a result, the development of Auchan-brand food and non-food products is carried out for Auchan Retail France by the Worldwide Products Department teams with a unique methodology and a shared quality process.

In 2021, Auchan Retail published the fourth exercise of its Duty of care plan<sup>(1)</sup>. A public document, accessible to all, the duty of care plan covers all of the company's responsibilities throughout the value chain, for all its purchasing contracts related to products or services. It presents a risk map, action plans to prevent them and the functioning of the whistle-blowing system.

### 1) For commercial purchases

#### Support for improvement 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 programmes.

#### Initiative for Compliance and Sustainability (ICS)

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. The best practices and the results of the checks carried out are shared between member brands in order to avoid redundancy of the exercise on the same site. This common approach is carried out in accordance with the framework defined by the conventions of the International Labour Organization (ILO), the principles of the Universal Declaration of Human Rights and the social legislation of the producing countries.

#### AMFORI BSCI

The AMFORI BSCI<sup>(2)</sup> 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 Organization (ILO), the United Nations Universal Declaration of Human Rights, the United Nations Global Compact and the OECD guidelines for Multinational Companies.

### > Commitment/Policy

#### Training in responsible purchasing

Auchan Retail designed a responsible purchasing training course in 2013. Intended for a wide audience, it has since been rolled out to buyers, product managers, negotiators, and quality engineers in all countries, and to the Worldwide Products Department (including the sourcing offices). Its objectives are to:

- help participants identify the main rules applicable to their business line;
- implement the procedure and steps for listing and de-listing suppliers;
- adopt the appropriate stances on CSR issues.

Training in responsible purchasing is not limited to Auchan Retail employees: the teams in the sourcing offices carry out awareness raising among suppliers (see the duty of care plan for more details).

In addition to the training of suppliers of own-brand products, training sessions were organised in 2021 for importers and manufacturers of products under national (non-food) brands.

#### Labour and quality-related auditing

As of the initial supplier listing, the responsible purchasing approach incorporates quality requirements and social criteria. The suppliers are subject to social and quality audits prior to any listing.

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). Some points lead to the de-listing of the site concerned:

- 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 two consecutive months;
- evidence of infrastructure failure(s);
- security issues;
- use of sandblasting<sup>(3)</sup>;

(1) It should be noted that the content of Auchan Retail's duty of care plan must be read in conjunction with the content of the non-financial performance statement.

(2) Business Social Compliance Initiative.

(3) Sandblasting is a mechanical process that creates localised abrasion or a colour change on a denim garment. The process consists of projecting an abrasive material in the form of granules and powder at very high speed and pressure. Sandblasting can expose workers to extreme health risks and may result in the death of workers. Natural sandblasting is particularly problematic as workers inhale crystalline silica dust particles during production, which severely damages the respiratory tract.



- dormitories located in the same building as the production unit or a warehouse;
- Uzbek cotton;
- home-working;
- 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 2021, four sites were de-listed due to serious cases of non-compliance.

### Environmental auditing

These audits, which are part of a progress approach for the plants concerned, are conducted according to the environmental audit framework of the Initiative for Compliance and Sustainability (ICS). They aim to ensure compliance with certain environmental standards by Auchan Retail suppliers, following their listing. These audits make it possible to check in particular the compliance of the factories with regard to:

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

These audits covered integrated factories of textile suppliers, as these were deemed to be more polluting and this decision stemmed logically from the signing of the Fashion Pact.

In addition to the environmental audits carried out on tier one sites in 2018, the approach was extended to tier two sites since 2020. In 2021, 36 environmental audits were carried out.

### Traceability of 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 the manufacturing conditions. 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. Unannounced checks are carried out to verify compliance. A supplier is immediately de-listed if they are found to have used a subcontractor and not reported it. In 2021, this approach was strengthened by implementing geolocated traceability controls.

In 2021, 1,141 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. In 2021, one case of a proven, unreported subcontracting led to the immediate de-listing of the supplier in question.

#### > KEY FIGURES

**In 2021, the sites of the Worldwide Products Department were covered by the following audits:**

- **980 social audits;**
- **173 quality audits.**

**For a supplier base composed of:**

- **432 international suppliers (corresponding to 1,001 production sites) managed by our sourcing offices, of which<sup>(1)</sup>:**
  - **146 for textiles;**
  - **75 for household equipment;**
  - **211 for the bazaar activity.**

### > Indicators

Scope	Indicators	2019	2020	2021 Objective
Worldwide Products Department <sup>(1)</sup>	Order rate linked to the production site	93.1%	95.1%	97.5% 96%
	Coverage rate of sites with valid social audit <sup>(2)</sup>	98%	95%	97% 98% <sup>(3)</sup>

(1) To be able to continue monitoring the evolution of this indicator, the Worldwide Products Department scope did not evolve in 2021, it is outside the ARF.

(2) Valid social audit being understood as an audit having reached the minimum score expected by the company over a period of two years.

(3) The results obtained on this indicator failed to reach their objectives due to the global health crisis which made it impossible to carry out a number of scheduled audits.

(1) The sum of the sites and suppliers managed by the sourcing offices does not correspond to the total amount announced due to the possible double of a site or a supplier.

## 2) For non-commercial (indirect) purchases

Auchan Retail's Indirect Purchasing Department has developed a comprehensive and consistent responsible purchasing strategy, from (upstream) qualification to (downstream) supplier performance control. Based on the risk mapping, the corporate project and the responsibilities of the Indirect Purchasing Department, four priority objectives have been defined:

1. fight climate change by reducing the carbon footprint;
2. fight against packaging waste and plastics;
3. fight against deforestation (soybeans, wood pulp, palm oil);
4. fight for health and safety at work.

To have expertise in CSR evaluation of suppliers, Auchan Retail's Indirect Purchasing Department chose the Ecovadis solution. It is one of the world's leading providers of CSR ratings, analytics and collaborative performance improvement tools for international supply chains. It offers a technology platform and has a team of experts to share detailed assessment sheets on environmental, social and ethical risks, in 190 sectors of activity and 150 countries. To do this, the Indirect Purchasing Department has, together with its partner ECOVADIS, set up a CSR assessment of its suppliers on the basis of 21 criteria, focused on four areas:

1. Environment;
2. Social issues and human rights;
3. Ethics;
4. Responsible purchasing.

First implemented at Corporate level, the Ecovadis tool publishes evaluation sheets of suppliers that have completed a questionnaire beforehand, including proof of commitment

and certifications. It is also included in the processes, by writing clauses integrated into calls for tenders and contracts exceeding a certain amount. After a period of testing and verification of the relevance of this solution, it was deployed in all Auchan Retail countries in January 2021. The partnership is launched by regions including countries with similar contexts. The partner offers training to buyers, an assessment of the current maturity of the regions, as well as regular support on a subject that is sometimes new for certain subsidiaries.

In order to help Corporate buyers start and continue the process with partners, a tool kit is shared including:

- the elements of communication to suppliers: e-mail templates for invitations to suppliers, the procedure to be followed for suppliers who have refused the invitation, the letter from the Director of Indirect Purchasing to partners;
- the internal communications and the integration of Ecovadis into the responsible purchasing processes;
- the evaluation methodology and the good practices for a successful programme;
- the presentations to buyers and other services.

In addition, Auchan Retail has selected several performance indicators, automatically updated according to the evaluation sheets in the platform. They include the percentage of companies that have implemented actions on energy consumption, waste treatment, an alert system, ISO certifications, actions in favour of workers with disabilities, and much more.

The performance indicators piloted for the year 2021 are **the number of suppliers assessed** as well as **the coverage rate of the total purchases per country**. These are therefore purely quantitative indicators to trigger the start of the programme.

Country	2021	
	Number of suppliers assessed	Total purchases assessed (%)
Corporate	94	34%
France	199	50%
Spain	129	44%
Portugal	68	80%
Poland	66	17%
Hungary	20	17%
Luxembourg	27	2%
Romania	27	26%
Ukraine	4	3%
Russia	20	11%
Senegal	6	6%
<b>TOTAL</b>	<b>423</b>	<b>36%</b>

The indicators monitored in this table are not tracked over the reporting period but on the basis of a calendar year.

### > KEY FIGURES FOR 2021 (AS OF 12/31):

- 423 suppliers assessed;
- 203 assessments underway;
- 197 assessments refused.

After taking stock of the objectives at the end of 2021 with the countries, Auchan Retail defined new objectives for 2022, in order to focus not only on quantitative performance but also on the qualitative side.

Here are the performance monitoring indicators for the year 2022:

- **Quantitative:** number of suppliers assessed and coverage rate of the total purchases (same objectives as in 2021 but more advanced following the results of the countries);

- **Qualitative:** increase in the average score of the country. Regarding the qualitative performance, it is not enough to increase the average score but to identify the suppliers representing a risk for Auchan Retail (with a score below the average rating of the Ecovadis business sector). The idea is to co-construct with the supplier a corrective action plan in order to improve its rating where it is needed, which will therefore improve the overall rating of the country;
- **Process:** integration of CSR and the Ecovadis tool in calls for tenders and contracts in Auchan Retail countries.

## 2.6.3 ETHICS AND COMPLIANCE

### > Background

With the Auchan 2022 project, the company has an ambitious strategy to ensure its recovery and to find the path of sustainable growth, scaled and implemented in each country.

This transformation dynamic is based on a common foundation of convictions and values such as integrity and transparency. They are the foundation of daily action and allow us to act responsibly in order to build a relationship of trust with employees and suppliers to serve customers, day after day.

At the same time, the regulatory environment is becoming more complex: many countries are issuing strict laws, implementing controls and applying dissuasive sanctions in certain areas, often leading companies to have to pay considerable sums. The resulting media coverage has a significant impact on their reputation. The ethics and compliance system implemented by Auchan Retail aims to protect the company against these risks.

### > Policy/Commitment

#### **Ethics at the heart of Auchan Retail's actions**

Auchan Retail considers ethics as the framework for the development of a lasting relationship of trust with all its stakeholders (customers, employees, suppliers, shareholders, etc.).

The company has an ethics framework, broken down into three documents:

- the ethics charter sets out the ethics principles that guide ELO's relations with its employees, customers, partners, shareholders and its environment. It sets out its zero tolerance for all acts of corruption and the anti-corruption provisions in separate chapters;
- the daily ethics guide covers implementation of the ethics charter in Auchan Retail. It is intended for all employees and illustrates, in the form of cartoons, all prohibited behaviours;
- the code of business conduct is the implementation of the ethics charter for all Auchan Retail partners. It is integrated in the general conditions of sale of the countries.

To bring this framework to life and ensure consistency between the company's values of trust, openness and excellence, its words and deeds, Auchan has set up Ethics Committees at the Corporate level and in each country.

Their role?

- issue opinions and recommendations on ethical issues;
- offer training on specific topics;
- advise on ethical procedures to follow.

It is in this context that in 2021 recommendations were made regarding the possible commercial relations between Auchan Retail and third parties established in Myanmar. These have been integrated into the processes by the Worldwide Products Department's purchasing and sourcing teams.

#### **Fight against corruption**

Auchan Retail is resolutely committed to carrying out its activities at the service of its customers, in an exemplary manner, in accordance with the laws, regulations in force and the principles set out in its ethics charter. When Auchan Retail sets up operations in a country, a very diverse ecosystem is created and thrives. However, according to the index established by Transparency International, corruption remains a reality in many countries and sectors of activity where the company is present. Aware of this risk, Auchan Retail applies a zero tolerance policy. The company rejects corruption, regardless of the circumstances, as it constitutes a major obstacle to the economic development of the countries concerned and poses considerable risks to the company.

To prevent the risk of corruption, Auchan Retail implements a compliance programme deployed in all its entities. It aims to promote a culture of compliance and transparency, both among employees and other stakeholders. This programme is developed at Group level by the Chief Compliance Officer, in conjunction with other departments such as Internal Control and Risk Management. The directors of the operating entities are responsible for the implementation of this programme with the support of the local Legal directors, who also act as compliance relays in their respective scopes.

The anti-corruption compliance programme revolves around three inseparable pillars: (i) the commitment of the governing body or "Tone at the Top", (ii) a precise knowledge of risks formalised through mapping, and (iii) the management of these risks through effective procedures aimed at their prevention but also tools facilitating the detection of behaviours contrary to the company's code of ethics.

The commitment of the governing body is materialised by the affirmation of the principle of zero tolerance in matters of corruption as clearly formulated in the code of ethics. This commitment is also manifested by regular speeches and large-scale communication actions such as the Compliance Week organised each year. This event aims to develop the knowledge of employees and reaffirm the Tone at the Top on compliance topics and more particularly anti-corruption. In 2020, Auchan Retail tested a new format of its Compliance Week in Romania, in the form of awareness videos involving key managers of the entity and a quiz open to all employees in the country. Thanks to significant managerial involvement, the event was a success characterised by a mobilisation of the teams in store, a strong consultation of the supports made available, and over 80% participation of employees in the quiz on compliance issues. This new format of the Compliance Week is intended to be extended to other scopes in 2022 and confirms the collective mobilisation of the teams to promote a culture of integrity.

The mapping of corruption risks is the cornerstone of the system because it is on its basis that the other prevention and detection measures implemented by the company are defined. Having undergone a profound redesign in 2020 and built on the basis of 600 interviews, Auchan Retail's mapping has made it possible to identify, assess and prioritise the company's specific risks. Developed according to an approach based on processes and risk scenarios, each entity has a mapping that is specific to it, validated by the local governing body and from which derives action plans defined as close as possible to the field. The consolidation carried out at Group level under the supervision of the Chief Compliance Officer has enabled the emergence of new cross-functional mitigation actions. In 2021, as part of the mapping review, Auchan Retail focused its attention on assessing the robustness of the risk control tools. These key controls make it possible to determine the residual risks to which the company is exposed. This review carried out in all entities, made it possible to validate the relevance of the mapping as well as the risk mitigation plans previously defined.

The company has also adopted a body of documentation specifying the behaviours to be used and those prohibited with regard to risk mapping, particularly with regard to gifts and invitations or conflicts of interest. This documentation, declined and translated into the language of each entity, is intended to be enriched and developed as needed. In 2021, thanks to the redesign of its reporting system, Auchan Retail adopted a new procedure for using the system. This procedure is accessible to all stakeholders and incorporates the requirements of the European Directive (EU) 2019/1937 on the protection of persons who report breaches of Union law.

Awareness-raising actions are carried out for employees, like the Compliance Week mentioned above. A poster campaign relaying the implementation of the new "Speak Up" reporting system was organised, affecting all employees in offices, warehouses and stores. For several years now, the company has also been deploying an e-learning module dedicated to the Ethics & Compliance programme addressed to all employees. This module is complemented by training in "responsible purchasing" for an audience deemed "exposed".

Auchan Retail implements an anti-corruption due diligence process of its third parties prior to the conclusion of business

relationships. These mandatory checks, supplemented by monitoring throughout the business relationship, are proportionate to the situation of each family of third parties and are an integral part of the referencing process, in the same way as checks on financial health, quality, production capacity, respect for human rights or environmental requirements. In addition, the company has also adopted so-called "anti-corruption" contractual clauses specifying the Group's expectations, describing the obligations of third parties and strengthening Auchan Retail's audit right.

The company has general accounting procedures that provide reasonable assurance as to the quality of the accounting information. It also implements controls to ensure that the books, registers and accounts are not used to hide acts of corruption. In 2021, Auchan Retail deployed a new internal control framework with a minimum of 94 key controls in all its entities. These controls carried out in particular by the accounting functions are the subject of a second-level review by the Internal Control Department. At the same time, the company is acquiring new procedural standards, allowing at the same time to increase the number of controls carried out. In 2021, Auchan Retail undertook an external evaluation mission to ensure the proper execution and quality of the accounting controls, in particular through sample audits. Depending on the results of this assessment mission, which will be concluded in the first half of 2022, a training programme on accounting controls, including anti-corruption, will be implemented on the first- and second-level control functions.

The control of the anti-corruption system is ensured at the first level by the operational functions as well as by their direct hierarchy and the local Compliance Officers. At the second level, controls are carried out by the Internal Control and Risk Department as well as by the compliance function, through the examination of key controls common to all Auchan Retail entities. At the third level, Internal Audit also participates in the control of the anti-corruption system through audits called "Sapin 2 mission", covering all the Group's entities according to a predefined schedule. In addition, in 2021 an external evaluation was conducted on all aspects of the programme, identifying new areas of progress and confirming the relevance of the actions already implemented. Finally, the Audit Committee is regularly kept informed of the progress of the anti-corruption programme.

The company provides its internal and external stakeholders with an alert system in all countries, allowing the collection and processing of reports related to behaviours or situations potentially contrary to the law or its ethics charter. This system is based on a dedicated and secure website, free of charge, accessible 24/7, which makes it possible to file a report confidentially and if necessary anonymously. The alerts are handled by identified and trained individuals, recognised for their in-depth knowledge of the company's activities. The alerts are also reviewed and monitored at Group level, regardless of the category or country concerned. This approach ensures fair treatment of the reports, a better knowledge of the risks of each entity as well as adequate support for the teams managing few alerts. Significant reports are anonymised and shared with the Internal Control Department in order to contribute to the strengthening of the company's processes and controls.

In accordance with the principle of zero tolerance contained in Auchan Retail's code of ethics, any breach must give rise to disciplinary sanctions, up to and including dismissal. This firmness is recalled in the communication media for employees and in compliance procedures. It reflects the commitment of the governing bodies to anti-corruption and contributes with the other pillars described above to the robustness of the compliance programme.

### Nhood corruption risk mapping

Following the 2020 self-diagnosis of corruption risks among 100% of employees, Nhood continued its mapping approach through targeted interviews in each of the countries where it is present in order to consolidate and deepen the results of this first approach. These interviews were conducted with senior executives and people whose functions would be likely to expose them to a higher risk of corruption within the meaning of the so-called Sapin 2 Act: General Managers, Financial directors, members of the HR and legal functions, functions in charge of promotion and development and other strategic functions.

The mapping of corruption risks has thus been finalised and constitutes the starting point of the reinforced and ambitious anti-corruption system.

The results were shared with all the directors General of the countries. A formal presentation highlights the following key points:

- with a total participation of more than 86% of the employees surveyed, the mapping allowed the identification of more than 50 possible scenarios of active/passive corruption and influence peddling;
- in response, an action plan has been written for each country identifying areas for improvement and providing recommendations to address them;
- a timetable is associated with it as well as an exhaustive list of the expected actions and their distribution by roles or functions in charge.

Finally, the Compliance and Corporate Ethics Department has been enriched with a new employee during 2021 and local referents are being appointed in each country.

### Tax transparency

ELO wants to be a responsible and civic-minded company 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:

- ELO relies on competent staff in tax matters both in France and abroad;

- ELO cooperates transparently with the tax authorities in each of its location jurisdictions;
- ELO refrains from setting up artificial or hidden arrangements and schemes that may lead to tax fraud or tax evasion;
- ELO respects the principles laid down by the Organisation for Economic Co-operation and Development (OECD) in the field of transfer pricing. As such, it ensures compliance with the arm's length principle for its intragroup flows and maintains contemporary transfer pricing documentation.

See the financial section of this document for more details on ELO's taxation.

### Data protection

Due to its various missions, Auchan Retail entities process large amounts of personal data concerning customers, employees, candidates, suppliers, distributors and other business partners. Consequently, all entities and their employees involved in the processing of personal data must comply with the strict standards for the protection of personal data as defined by the laws and regulations in this area;

In order to protect personal data and comply with laws and regulations, including the General Data Protection Regulation (GDPR), Auchan Retail implements:

- a Personal Data Protection Governance Committee that brings together the various departments concerned within the company;
- a network between the various data protection officers of Auchan Retail's subsidiaries abroad, mainly to develop good practices in this area; this was reflected in particular by some 20 meetings and workshops in 2021;
- a method of data protection by anticipation and by default, by integrating this subject in calls for tenders;
- a GDPR recommendation plan to be followed automatically when a project contains personal data;
- a procedure for responding to data subjects' requests to exercise their rights;
- employee awareness and training; for example, a new e-learning module was deployed in 2021 and events are periodically carried out to ensure continuous awareness of the subject;
- privacy impact assessments when processing represents a risk to the rights and freedoms of data subjects;
- records of processing activities;
- a Personal Data Protection Policy for employees, the purpose of which is to inform them of the various processing operations carried out by the company.



## 2.7 DUTY OF CARE

### 2.7.1 INTRODUCTION

Auchan Retail is an international retailer committed to a changing world and attentive to consumers who are mindful of their purchases and health. Auchan Retail is a retailer who chooses its products and its producers, who knows its customers.

To this end, the company carries out its own operations such as the design of its food and non-food products with its "own-brands" such as "Auchan", "Filières responsables", "In extenso", "Cosmia", "Qilive", "Garden Star", and "Actuel".

For the production of these products as well as services such as transport or IT services, Auchan Retail uses suppliers or service providers from different sectors.

Auchan Retail is part of a process of continuous social and environmental improvement of its supply chains and the working conditions of all its employees around the world.

The actions taken by Auchan Retail to prevent social, environmental and governance risks related to its operations, the activities of its subsidiaries and its partners are highlighted in the company's duty of care plan. Other social, societal and environmental risks have been identified by Auchan Retail, for which policies have been put in place. Their content and results are described in Chapter 2.2.2 "CSR risk mapping" of this non-financial performance statement.

### 2.7.2 GOVERNANCE AND ORGANISATION

The duty of care plan is subject to shared governance between the various departments involved, from the definition of risks to the implementation of action plans and the measurement of the effectiveness and performance of shares.

In order to manage this, Auchan Retail set up a Duty of Care Committee in 2019. This committee is composed of:

- the CSR Department;
- the Compliance Department;
- the Ethics Department;
- the Risk Department;
- the Internal Audit Department;
- the Legal Department;
- the Non-Commercial Purchasing Department;
- the Non-Food Sourcing and Quality Department;
- the Food Quality Department;
- the Supply Chain Department.

The Nhood Compliance Department and the CSR Department are also invited to the committee to discuss cross-cutting issues common to both companies.

The role of this committee is to:

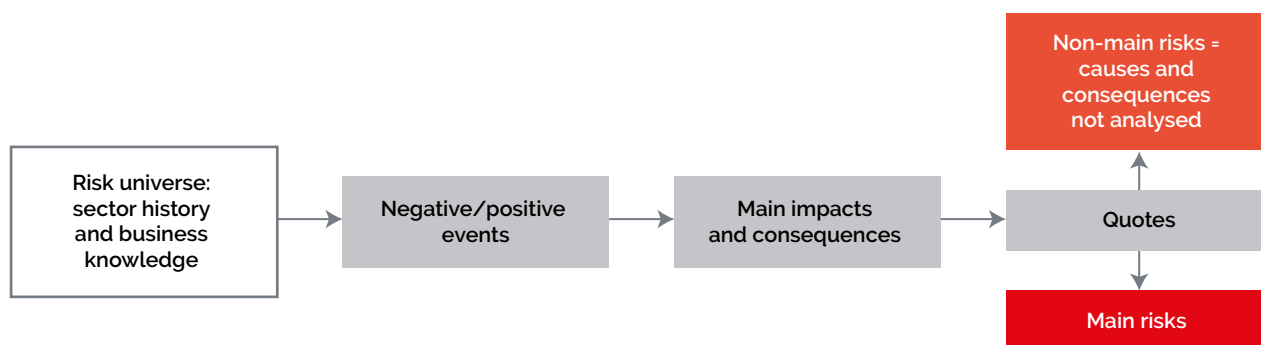
- ensure the proper implementation of the Act of March 27<sup>th</sup>, 2017, on the duty of care of parent companies and ordering companies;
- define the methodology and ensure the implementation of the risk mapping related to the activities of the company and its suppliers;
- analyse the results of the risk mapping;
- ensure the existence and implementation of action plans to mitigate risks and prevent serious breaches;
- manage the duty of care measures and measure their effectiveness;
- ensure that a whistle-blowing mechanism is put in place to report any violations and learn from any malfunctions;
- carry out regulatory watch;
- share best practices from the two companies and the various departments;
- deal with topical issues related to the duty of care.

This committee met four times in 2021.

### 2.7.3 RISK ANALYSIS AND MAPPING

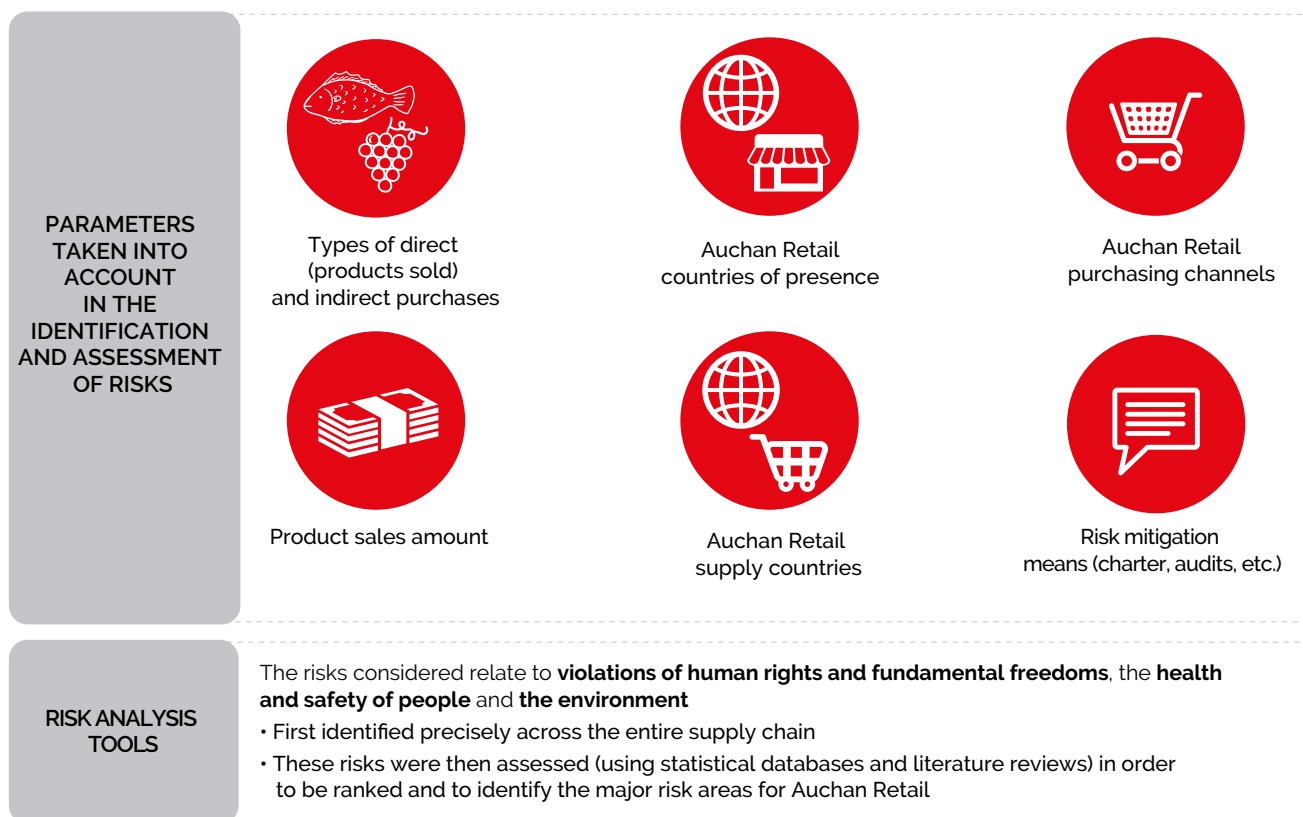
#### 2.7.3.1 Global risk analysis method

Auchan Retail has implemented a risk management programme based on best practices. It uses a risk analysis method based on the COSO ERM framework. The aim is to ensure that the most significant risks for Auchan Retail are identified, assessed and addressed using the most effective methods. A risk is a potential event, which, if it materialises, could have a negative impact on the achievement of Auchan Retail's objectives. The main objectives of risk management are to reduce the probability and/or impact of the occurrence of the main risks by defining and implementing appropriate actions. The general analysis method is based on the following approach:

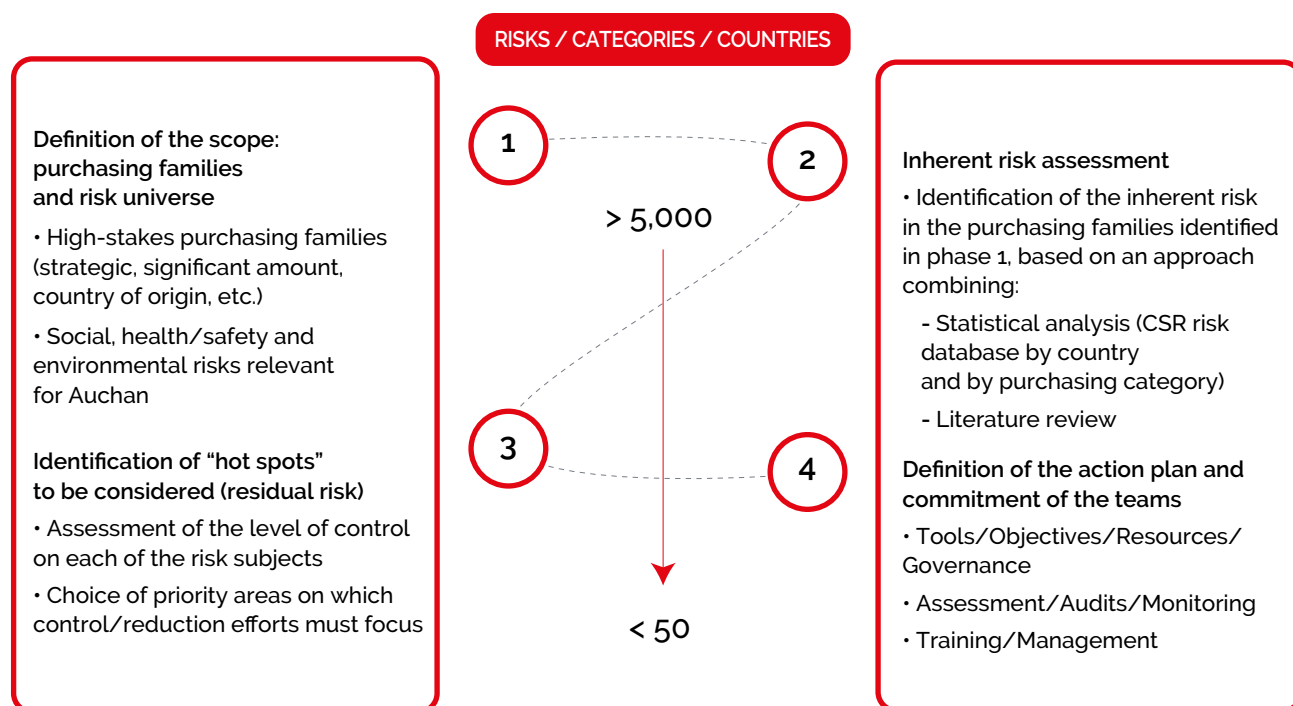


As part of its risk analysis process, Auchan Retail has identified risks relating to human rights, fundamental freedoms, health, safety and the environment, and mitigating actions have been implemented to reduce the impact and likelihood of these risks. In addition, in 2018, an in-depth analysis was carried out to take into account the specificities of the company. This analysis was based on a top-down approach by integrating exchanges with suppliers.




The risk identification method used is described in the following infographics:

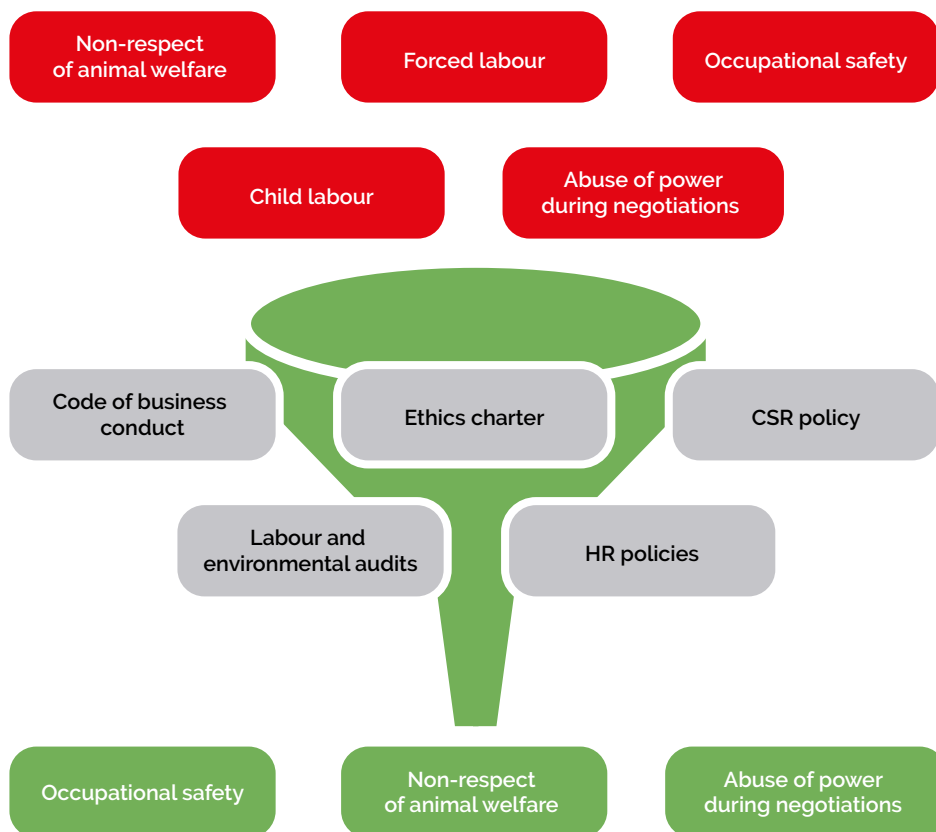





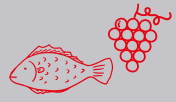





An initial analysis has made it possible to identify more than 5,000 "country - product type - risk" triplets, which have been assessed and ranked in accordance with the principles of Auchan Retail's risk management principles.

COUNTRY OF ORIGIN	RISKS	NATURE OF PRODUCTS
 <ul style="list-style-type: none"> <li>• China</li> <li>• Russia</li> <li>• France</li> <li>• Bangladesh</li> <li>• India</li> <li>• Spain</li> </ul>	 <ul style="list-style-type: none"> <li>• Forced labour</li> <li>• Child labour</li> <li>• Toxic substances at work</li> <li>• Building integrity</li> <li>• Excessive working hours</li> <li>• Unsustainable forest management</li> <li>• Discrimination &amp; non-diversity</li> </ul>	 <ul style="list-style-type: none"> <li>• Consumer electronics and appliances</li> <li>• Toys – childcare</li> <li>• Leisure time</li> <li>• Household</li> <li>• Textiles</li> <li>• Fruit and vegetables</li> <li>• Dairy &amp; egg products</li> <li>• Meat &amp; meat products</li> </ul>



Thus, the risk control measures in place were assessed in order to identify the following residual risks:

NET RISKS	AUCHAN OPERATIONS	Own operations 	There are no longer any high-priority risks
	TIER 1 SUPPLIERS	Auchan direct - food 	The most significant priorities are located in Spain and relate to animal welfare, consumer safety, abuse of power during negotiations
		Auchan direct - non-food 	The most significant priorities are mainly China, India and Bangladesh and relate to working conditions
		Indirect purchases 	The most significant priorities are located in China and Russia and relate in particular to forced labour in Russia on the nature of purchases (site equipment)
	RANK > 1	Purchases beyond Tier 1 	The most significant priorities relate to deforestation, workplace safety and climate change caused by soybeans, pulp and palm oil

In 2020, this analysis was supplemented by a bottom-up approach including an assessment of all Auchan Retail entities on the risks identified.

In accordance with Auchan Retail's risk management principles, this assessment was made in terms of gross risk and residual risk. This assessment also took into account the suppliers and subcontractors of each of its entities. The work was carried out jointly by Auchan Retail's CSR and Risk and Internal Control teams with the active participation of internal stakeholders according to their areas of expertise.

The objective of this review was to identify the exposure of each entity to the main risks identified as well as all the risk mitigation measures implemented, sometimes locally, in order to share, consolidate or strengthen them.

The results presented in this duty of care plan are those resulting from these two complementary approaches.

This mapping completes the work undertaken for many years on the company's social practices with its employees.

### 2.7.3.2 Risk mapping related to the duty of care

The level of risk presented in the table below is a summary that is the result of reworking the net risk. Initially rated on a scale of 1 to 25, the risks have been classified into three categories:

- level 1 risk - major risk - net rating greater than or equal to 16;
- Level 2 risk - moderate risk - net rating between 11 and 15;
- level 3 risk - minor risk - net rating less than or equal to 10.

This method makes it easier to understand the risks presented.

Risk category	Risks	Net risk level
Health and safety and vigilance of civil society	Failure to respect work-life balance	2
	Inequitable career management	3
	Non-compliance with work organisation provisions	3
	Occupational illnesses	3
	Accidentology	2
	Physical disorders related to working conditions	2
	Arduous work	2
Human rights and fundamental freedoms	Compensation differences	3
	Impediments to cultural diversity-discrimination	3
	Discriminatory treatment related to political or trade union opinions	3
	Forced labour and child labour	2
Environment	Climate risk	2
	Unsustainable agricultural practices or production methods and selection of raw materials	1
	Environmental impact of non-recyclable packaging (plastic in particular) on the market	3
	Poor waste management	3
	Food and non-food waste	3
	Energy over-consumption of sites, stores and warehouses	2
	Lack of traceability of raw materials and ingredients used in the composition of the products distributed	2
	Greenhouse gas emissions	2
	Non-compliance with animal welfare	2
	Depletion of resources	2

### 2.7.3.3 Dual materiality approach, complementary to the risk analysis

In 2021, as part of an approach conducted with its stakeholders, Auchan Retail questioned them in order to carry out a dual materiality analysis. The purpose of this exercise is to:

- measure the impact of social and environmental issues on the company (the X axis of the "classic" materiality matrix);
- measure the impact of the company on society and the environment through these issues.

The methodology used is based on the first recommendations of the European Financial Reporting Advisory Group (EFRAG), published in its final report in 2021.

1. Classification of the issues according to their impact, positive or negative.
2. Assessment of the impact level according to three main criteria:
  - level of severity or level of positive contribution by the company;
  - for positive issues, by the magnitude of the impact and its scope;

- for negative issues, by magnitude, scope, and ability to remedy the impact;
- probability of occurrence;
- urgency to address the issue.

The work on this dual materiality analysis is expected to be finalised in the first half of 2022 with the formalisation of a mapping that will highlight:

- issues on which Auchan Retail makes a strong positive contribution;
- issues that "amplify" positive impacts;
- issues on which Auchan Retail makes a strong negative contribution; issues that "amplify" negative impacts.

This dual materiality exercise will complement the risk mapping work already done. The taking into account of the impact of the activities on society and the environment should complement the prevention and mitigation measures.

## 2.7.4 REFERENCE FRAMEWORK

Auchan Retail mainly sells food and non-food products. The company offers many products and therefore works with a large number of suppliers with varied profiles, as presented below:

1. suppliers of national-brand products represent a significant portion of Auchan Retail's revenue. These companies are themselves very often subject to the law on the duty of care;
2. suppliers of own-brand products (also called private label), who work with Auchan Retail on the basis of specifications defined by the Auchan Food Production teams in all subsidiaries and the Worldwide Products Department and on the development of Auchan's responsible supply chains. These suppliers may be located in the countries where the company operates or in other countries. They are subject to priority mitigation actions in the duty of care plan and are subject to the strict rules of the responsible purchasing policies, which will be the subject of a detailed presentation;
3. the vast majority of local suppliers are SMEs-VSEs, cooperatives and agricultural producers who supply our stores locally, particularly with fresh produce and fruit and vegetables;
4. non-market purchasing suppliers, which meet the purchases required for the proper functioning of the company's activities (transport purchases, services, etc.).

Auchan Retail is committed to improving working conditions and respecting human rights among all suppliers presented subsequently. To this end, the company has put in place purchasing rules, tools and procedures to control and support its suppliers in their compliance.

### 2.7.4.1 Membership of international charters and texts

Auchan Retail's action is based on the principles of the Universal Declaration of Human Rights of 1948, the Guidelines of the Organisation for Economic Co-operation and Development, the 1998 Declaration on Fundamental Principles and Rights of the International Labour Organization, as well as the eight fundamental ILO Conventions. The commitments that Auchan Retail respects in its companies are part of the ten principles of the United Nations Global Compact, to which Auchan Retail adheres.

Auchan Retail requires that its partners show the same respect that it does for the elements constituting its ethical principles.

### 2.7.4.2 Ethical principles

Auchan Retail has grown since its creation in 1961 on the basis of strong convictions and values and a solid commitment to ethics. Ethics is the framework for developing a lasting and trusting relationship with all stakeholders (customers, employees, suppliers, shareholders, etc.). Ethics influence individual behaviour and the behaviour of the company itself, as a legal entity, in its strategy and business conduct.

To place ethics at the heart of its actions, Auchan Retail has created a set of documents and training for employees and stakeholders:

- the ethics charter;
- the daily ethics guide;
- the code of business conduct.

#### 2.7.4.2.1 Ethics charter

For all ELO, the ethics charter reaffirms all of the ethical principles that guide its relations with stakeholders. It is organised into six chapters:

- relationships with employees;
- relationships with customers;
- relationships with external partners;
- relationships with shareholders;
- relationships with the community;
- implementation of the charter.

It provides the keys and rules of conduct, based on respect, loyalty, sincerity and duty of care, needed to conduct our business with fairness. This charter is that of all employees. Each manager is the bearer of the charter and ensures that the contents are made known to his or her teams so that all employees can commit to this approach and follow its main principles in their daily conduct. Compliance with this charter is everyone's business and a priority for progress and excellence.

#### 2.7.4.2.2 Daily ethics guide

This document illustrates, through examples, the concepts of the ethics charter, enabling Auchan Retail to conduct its business with integrity and conviction. Through this document, each employee therefore has concrete and real-life situations that illustrate the company's requirement for compliance with ethics principles.

#### 2.7.4.2.3 Code of business conduct

Through this code of business conduct, Auchan Retail wishes to reiterate its commitment to the main universally recognised principles and to promote compliance with these principles among its suppliers, customers and partners by developing fair and transparent commercial practices.

In this document, Auchan Retail reaffirms its commitment to "fight against corruption, to exercise its duty of care". This document is applicable to all partners: whether they are suppliers, including their subcontractors throughout the production chain regardless of their rank, manufacturers, franchisees, agents and intermediaries, or business contacts of Auchan Retail companies.

The signing of this code is the prerequisite for any commercial relationship. Partners must comply with each point of this code, which states that:

- partners are not authorised under any circumstances to subcontract any part of the supply chain without prior written declaration to its ordering party;
- child labour is unacceptable;
- forced labour is not tolerated in any form, whether it is compulsory, pledged or performed by poorly paid prisoners;
- partners must ensure that any work provided is voluntary work, not performed under duress or threat, mental, physical or verbal. Any restriction on freedom of movement or retention of personal documents is strictly prohibited;
- partners must comply with applicable laws and regulations regarding compensation, benefits and any other form of employee benefit;
- Auchan Retail refrains from any discrimination and expects its partners to ensure that there is no discrimination whatsoever in its companies, whether in the context of recruitment, hiring, compensation, training, working conditions, assignment, discipline, promotion, advancement, termination of employment or retirement;
- Auchan Retail is committed to protecting the environment and preserving natural resources. Auchan Retail expects its partners to act responsibly in this area. Partners must promote alternatives to harmful manufacturing practices by encouraging the use of products obtained or manufactured by methods that respect the environment: reduction in energy and water use, recycling, prohibition of pollution, respect for biodiversity, etc.

### 2.7.4.3 Responsible purchasing policies

The responsible purchasing policies govern the quality, social and environmental compliance of purchases of all own-brand food and non-food products as well as all purchases of services. These policies include requirements in the aforementioned areas that are reflected in the Auchan Retail specifications. They are subject to regular checks to verify their proper functioning.

#### 2.7.4.3.1 Quality commitment charter

To meet Auchan's long-standing requirement to select, develop and sell good, healthy and local products, this document constitutes the minimum international basis for Auchan Retail's commitments. It details the responsible commitments made for own-brand products as well as for products manufactured in stores. Particular attention will also be paid to national brand products according to the priorities given to the various projects. This document is intended for anyone who contributes directly or indirectly to product selection, development and monitoring, and to quality in general.

#### 2.7.4.3.2 Responsible purchasing policy for Auchan-brand non-food products

For more than twenty years, Auchan Retail has been continuously improving its purchasing practices. Responsible

purchasing policies are thus rolled out to all employees concerned in the countries and to Auchan Retail's Worldwide Products Department under the leadership of a dedicated department.

Auchan Retail designed a responsible purchasing training course in 2013. Intended for a wide audience, it has since been rolled out to buyers, product managers, negotiators, and quality engineers in all countries, and to the Worldwide Products Department (including the sourcing offices).

As of the initial supplier listing, the responsible purchasing approach incorporates quality requirements and social criteria. The suppliers are subject to social and quality audits prior to any listing. 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). Certain points lead to the de-listing of the site concerned.

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 the manufacturing conditions. 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. Unannounced checks are carried out to verify compliance. A supplier is immediately de-listed if they are found to have used a subcontractor and not reported it. The purpose of these checks is to verify that the products concerned are manufactured at the factory declared by each supplier.

See Chapter 2.6.2 "Sustainable purchasing relationships with our partners in favour of human rights and the environment" of this non-financial performance statement for more details on the sustainable purchasing policy, the action plans and the related KPIs.

#### 2.7.4.3.3 CSR policy of the Indirect Purchasing Department (IPD)

Auchan Retail's Indirect Purchasing Department has developed a comprehensive and consistent responsible purchasing strategy, from (upstream) qualification to (downstream) supplier performance control. Based on the risk mapping, the corporate project and the responsibilities of the Indirect Purchasing Department, four priority objectives have been defined:

1. fight climate change by reducing the carbon footprint;
2. fight against packaging waste and plastics;
3. fight against deforestation (soybeans, wood pulp, palm oil);
4. fight for health and safety at work.

To benefit from expertise in the field of CSR assessment of suppliers, Auchan Retail's Indirect Purchasing Department chose the Ecovadis solution.

See Chapter 2.6.2 "Sustainable purchasing relationships with our partners in favour of human rights and the environment" of this non-financial performance statement for more details on this policy, the action plans and the related KPIs.

## 2.7.5 DUTY OF CARE RISK ASSESSMENT AND MITIGATION OF MEASURES

This section describes two types of risk mitigation measures: those that have an impact on serious environmental damage and those relating to serious violations of human rights, health and safety. The presentation of the assessment, prevention and mitigation measures implemented is organised in two stages: at Auchan Retail and at partner sites.

### 2.7.5.1 Serious harm to the environment

#### 2.7.5.1.1 Harm caused to Auchan Retail's own activities

The measures to prevent and mitigate serious environmental damage within the direct scope of Auchan Retail concern all of its activities. These measures aim to:

- guarantee quality food products with environmentally-friendly raw materials;
- roll out policies to promote animal welfare;
- fight against food waste;
- commit to fight against climate change and for greenhouse gas reduction;
- fight against plastic pollution;
- work on the second life of products;
- optimise operational waste;
- protect biodiversity and natural resources.

The main prevention and mitigation actions implemented to limit Auchan Retail's environmental impact are detailed and quantified in Chapter 2.2.2 "Risk mapping" of this non-financial performance statement.

Initiated in 2015, Auchan Retail's climate action accelerated sharply in 2021 with the definition of a global ambition for all countries where Auchan Retail is present. It takes the form of commitments to reduce its greenhouse gas emissions in absolute terms, with reduction targets based on science. These objectives will be submitted to the Science-Based Targets Initiative in 2022 for validation by an independent body. Auchan Retail thus reflects its commitment to the climate through a decarbonisation trajectory across all its business scopes, with specific objectives, and is part of temperature scenarios compatible with the objectives of the Paris Agreement.

See Chapter "2.5.1 Climate change and greenhouse gas reduction" of this non-financial performance statement for more details on this policy.

- ELO's performance in its fight against climate change is assessed by the CDP, an independent third party. ELO obtained a B score in 2021 following its response to the questionnaire.
- ELO asked Moody's ESG Solutions to conduct an independent assessment of its ESG performance. In December 2021, ELO obtained an A1 qualification based on an overall score of 62/100.

#### 2.7.5.1.2 Harm caused by Auchan Retail's suppliers

##### a) Suppliers of own-brand food products

Auchan Retail has defined strict criteria for suppliers of own-brand products, including a blacklist. This includes

various undesirable substances and is updated each year with the quality officers of all countries. Among these substances, some have a health dimension and others respond to an environmental concern, such as palm oil, eggs from caged hens, GMOs, etc.

##### b) Development of responsible supply chains

Through its responsible agricultural supply chains, Auchan Retail is committed to a sustainable and balanced partnership with producers, breeders and processors in the food and live produce chain. Its ambition is to offer high quality healthy products with exemplary traceability, that are differentiating, respectful of the environment and animal welfare and support the men and women who produce them, in order to preserve know-how and resources for the greatest satisfaction of consumers.

See Chapter 2.6.1 "Responsible supply chain approach and partnership with local producers" of this non-financial performance statement for more details on the development of responsible supply chains, the action plans and the related KPIs.

##### c) Environmental audits

Auchan Retail conducts environmental audits in the factories of textile suppliers, as they are considered to be more polluting. These audits are also carried out in line with the signing of the Fashion Pact by the company.

These audits, which are part of a progress approach for the plants concerned, are conducted according to the environmental audit framework of the Initiative for Compliance and Sustainability (ICS). They are used to check the compliance of factories in terms of:

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

In addition to the environmental audits carried out on tier one sites in 2018, the approach was extended to tier two sites in 2020. In 2021, 36 environmental audits were carried out.

### 2.7.5.2 Serious violations of human rights, health and safety

#### 2.7.5.2.1 For Auchan Retail employees

##### a) Dialogue with social partners

To enable employee representatives to fully fulfil their roles and prerogatives and continue to become more professional, Auchan Retail relies on two representative bodies for social dialogue: the Group Works Council and the European Works Council.



It should be noted that the European Works Council has two committees dedicated to issues related to duty of care:

1. a CSR Committee tasked with sharing the company's social and environmental progress with the social partners; In 2021, the members of this committee were given a presentation and an overview of:
  - the company's CSR strategy: commitments, inventory, sharing of successes and next steps;
  - duty of care: awareness-raising on the subject and its obligations, work in progress and future actions.
2. a Future of Work Committee whose purpose is to consider changes in the skills required by the company in partnership with the representatives in order to give them visibility on future developments.

In 2021, Auchan Retail renewed the agreement "on social and environmental responsibility" signed with Union Network International (UNI) in March 2017, for a new period of four years (from 2021 to 2024). Until now and by mutual agreement between the parties, discussions and relations have focused on the social dialogue part of the agreement. From now on, it is agreed to develop the partnership between Auchan Retail and UNI also on CSR issues.

Auchan Retail recognises the role played by unions in defending and developing the interests of employees. The agreement includes a section on fundamental rights referring to the UN Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises and the UN Global Compact. The company affirms its desire to:

- refuse any use of forced or compulsory labour;
- refuse any use of child labour or exploitation of children;
- fight against discrimination in employment;
- respect the freedom of association and the principle of collective bargaining.

#### b) Working conditions

Hazard prevention and protection of employees in the workplace in health and safety terms must be given a framework. Thus, Auchan Retail implements actions related to:

- prevention of occupational risks;
- information and training.

See Chapter 2.4.3 "Occupational health and safety" of this non-financial performance statement for more details on this subject.

#### Quality of life at work

Two priority areas have been defined by Auchan Retail to improve the quality of life of the company's employees:

- take action against irritants: in addition to the aspects of safety and working conditions, the objective is to reduce everything that can make the work of employees difficult on a daily basis;
- develop teleworking in all countries: the objective is to establish long-term and simple teleworking in the company as a way of organising working time (in response to the global health crisis).

#### Quality of life through work

Two specific actions are targeted:

- inform and raise awareness of quality of life at work via an e-learning tool for all managers in Auchan Retail countries;
- train managers in "benevolent and demanding" management via an e-learning tool to make them more efficient and effective from a managerial standpoint.

#### c) Diversity at work

The daily needs of all Auchan Retail customers are many and varied. This is why the company relies on employees whose diversity reflects local populations, to best meet the expectations of each customer. Auchan Retail is strongly committed to promoting this diversity and making it a real performance driver.

The International Labour Organization Declaration on Fundamental Principles and Rights at Work obliges all member states to respect and promote a number of principles and rights, classified under the following categories:

- 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 Retail bases its policies and actions on compliance with this declaration and meets the legal obligations in the countries where it operates in terms of employing people with disabilities. Some Auchan Retail subsidiaries have committed to a more proactive policy in this area.

#### d) Respect for personal information

Due to their various missions, Auchan Retail entities process large amounts of personal data concerning their employees and candidates. Consequently, all entities and their employees involved in the processing of personal data must comply with the strict standards for the protection of personal data as defined by the laws and regulations in this area.

#### e) Safety of employees abroad as part of their duties

Auchan Retail has a safety and security directive for international travellers. This directive aims to prepare employees, help them minimise foreseeable risks, and avoid various 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.

Each country is awarded a risk level by the Safety & Security Department, which collects opinions from public authorities, specialised service providers, various other bodies and country management teams. This classification is allocated to a country according to several criteria (health, natural, industrial, political, terrorism risk, etc.). It can be consulted on the website of the Safety & Security service provider, "Anticip travel risk management", and is assessed 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, approval must be requested 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, safety and 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.

### 2.7.5.2.2 At Auchan Retail suppliers

#### a) Social audits

As previously presented in the "responsible policies" section, Auchan Retail's partners in charge of producing own-brand products are subject to social audits.

A minimum compliance threshold at a defined frequency is required for listing. In addition, Auchan Retail is a founding member of Social Clause Initiative (SCI) and a member of BSCI. These requirements are included in the specifications for the development of Auchan-brand food products and are regularly checked by the internal audit team.

For the development of non-food own-brand products produced by the Worldwide Products Department and Auchan Retail France, the responsible purchasing approach incorporates social criteria as soon as suppliers are listed. The suppliers are subject to social and quality audits prior to any listing.

#### b) Development of responsible supply chains

Pillars 3 and 4 of the development of Auchan Retail products include a strong social dimension with a proactive approach that respects the producers in the supply chains (employment, equity, sustainability, regions, etc.) as well as an economic commitment through a profitable and sustainable approach for sourcing channel players with affordable price for consumers.

#### c) Third-party verification

Auchan Retail implements a due diligence process ("Know Your Partner") for these third parties, including an anti-corruption component, prior to entering into any business relationship. These mandatory checks, supplemented by monitoring throughout the business relationship, are proportionate to the situation of each family of third parties and are an integral part of the referencing process, in the same way as the checks on financial health, quality,

production capacities, respect for human rights or environmental requirements.

## 2.7.6 SYSTEM FOR MONITORING THE MEASURES IMPLEMENTED AND ASSESSING THEIR EFFECTIVENESS

1. In 2021, Auchan Retail strengthened the deployment of the duty of care compliance approach through the deployment of internal audits focused on this theme. Some subsidiaries (six in 2021) of the company were audited to verify their level of contribution to the security of the company's entire value chain.

These audits will continue in 2022 to gain an overview of the duty of care. The assessments conducted lead to the drafting of action plans which will also be monitored and verified by the Corporate and Country Audit Department in 2022.

2. In addition, Auchan Retail carried out an external assessment in the first half of 2022 with the assistance of a specialised law firm. This assessment enabled the company to make a complete inventory of the governance situation and the implementation of the duty of care obligations. The report outlines the strengths on which the company must capitalise as well as areas for improvement for which actions will be implemented.

## 2.7.7 PROGRESS INITIATIVES CARRIED OUT IN 2021

In 2021, Auchan Retail rolled out new initiatives to strengthen its approach to securing its value chain. The main measures implemented were the following:

#### Governance:

- Implementation of the dual materiality analysis with stakeholders;
- Implementation of two methods of verifying the company's compliance with the duty of care through the internal audit and an external assessment mission carried out by a third party.

#### Environment:

- Decision to remove Brazilian beef from supplies: the Duty of Care Committee has asked all subsidiaries to end the supply of beef and beef raw materials from Brazil as soon as possible and by the end of 2022 at the latest. This decision follows the publication of a survey conducted by an NGO, "Repórter Brasil", in partnership with Mighty Earth, in which three Brazilian meat manufacturers are accused of participating in deforestation in certain regions of Brazil;
- Auchan Retail France has agreed with other retailers and three NGOs, Canopee, Mighty Earth and Earthworm, to support the "Manifesto to fight against imported deforestation linked to soybeans in France". The objective for Auchan Retail France by 2025 is to have a guaranteed "zero deforestation" and "zero conversion" supply of soybeans, i.e. no expansion of the cultivation of soybeans into remarkable natural ecosystems;

- Deployment of environmental audits to tier two suppliers, according to the ICS standard, in addition to those already initiated on tier one sites since 2018. The audits were carried out at tier two suppliers, of our strategic textile suppliers, with priority given to those with a wet process in India, Bangladesh, Pakistan and China.

**Social:**

- Renewal of the agreement "on social and environmental responsibility" with UNI, for four years.

## 2.7.8 WHISTLE-BLOWING MECHANISM

The company provides its internal and external stakeholders with an alert system in all countries, allowing the collection and processing of reports related to behaviours or situations potentially contrary to the law or its ethics charter.

This system is based on a dedicated and secure website, free of charge, accessible 24/7, which makes it possible to file a report confidentially and if necessary anonymously. The alerts are handled by identified and trained individuals, recognised for their in-depth knowledge of the company's activities. The alerts are also reviewed and monitored at Group level, regardless of the category or country concerned. This approach ensures fair treatment of the reports, a better knowledge of the risks of each entity as well as adequate support for the teams managing few alerts. Significant reports are anonymised and shared with the Internal Control Department in order to contribute to the strengthening of the company's processes and controls.

In 2021, nearly 250 reports were made on the platform, leading in 90% of cases to the conduct of specific investigations. At the end of these verifications, 34% of the reports were confirmed and led to the implementation of the necessary measures to resolve the problems reported.

## 2.8 METHODOLOGY

### 2.8.1 ORGANISATION OF CSR REPORTING

In every country, a CSR manager is in charge of circulating the environmental and social reporting instructions to all sites and divisions falling within his or 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 necessary for this purpose. The Human Resources managers share responsibility for labour data with their Executive Committees and all operational contributors. In order to make the information communicated homogeneous and certifiable,

the International CSR Committee makes an updated version of the reporting protocol available to all those likely to contribute to the reporting.

A CSR-specific software application is used to handle the data escalation and verification process. All people involved in contributing and validating the data were trained. The information reported is checked by the corporate team before this document is issued.

### 2.8.2 RISK MAPPING METHODOLOGY

In 2020, Auchan Retail reworked its risk mapping, the results and methodology of which are defined in section 2.2.1 Global risk analysis method of the 2020 non-financial performance statement.

During the 2020 financial year, marked by the impact of the Covid-19 pandemic, Ceetrus (recently Nhood) undertook several projects to review its risks. One of these approaches to corruption-related risks is detailed in section 2.6.3 Ethics and compliance.

In 2021, Auchan Retail focused on analysing the materiality of the CSR risks, in partnership with all its stakeholders. The results of this work are presented in the introduction. The cross-reference table between the risks resulting from the work carried out in 2020 and the materiality analysis present in section 2.1.3 Enhanced dialogue with stakeholders provides a better understanding of the connection between these two approaches and refers to the sections of the non-financial performance statement in which the subjects are addressed.

### 2.8.3 DATA COLLECTION

#### > Collection method

To ensure the homogeneity of indicators across the scope, a reporting methodology guide was drafted in French then translated into English. This protocol details the methodologies to be followed for the collection and control of indicators: definitions, methodological principles, roles and responsibilities of internal stakeholders, source data, calculation formulas, etc.

Qualitative and quantitative information, and any relevant comments regarding policies and actions implemented in the countries and business lines, 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 or her scope. To do end, automatic alerts are programmed into the software package:

- when significant differences (of plus or minus 10%) are observed from one year to the next;
- 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 area);
- when consumption ratios are particularly low or high.

The CSR managers in each of the Auchan Retail and Nhood 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.

#### > Clarifications and limits

Some indicators may be estimated (energy consumption indicators calculated on the amount invoiced with an allocation key between the shopping mall and the store). Where applicable, countries are requested to specify and to justify the relevance of the assumptions used for the estimation method.

Some indicators may have methodological limitations due to the lack of harmonisation of national and/or international definitions and legislation (e.g. workplace accidents).

Some indicators do not have a history due to their introduction during the financial year.

## 2.8.4 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 said code, with the exception of the e-commerce activity which has 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 the calculation of the indicators. Shopping malls where Nhood 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 areas in square metres does not include storage, food preparation or shopping mall surface areas;
- only the consumption indicators (energy, water) are monitored on a site-by-site basis.

### > Comparability and coverage of the main indicators

For the main indicators, and within the Auchan Retail scope, a coverage rate is calculated for the number of sites or countries having responded.

#### COVERAGE RATE FOR THE MAIN INDICATORS (as a %)

Energy consumption per square metre of surface area	94%
Refrigerant leakage rate	98%
GHG emissions related to logistics flows between country warehouses to stores	92%
Total volume of waste (in tonnes) - HYPER	100%
Total volume of waste (in tonnes) - SUPER	94%
Total volume of waste (in tonnes) - DRIVE	93%
Total volume of recovered waste (in tonnes) - HYPER	100%
Total volume of recovered waste (in tonnes) - SUPER	94%
Total volume of recovered waste (in tonnes) - DRIVE	93%
Total water consumption (in m <sup>3</sup> ) - HYPER	98%

Auchan Retail strives to provide comparable information from one year to the next, by stabilising the definition of said indicators. When additional restatements are made due to changes in scope, these are specified.

Significant disposals in 2019, 2020 and 2021 strongly impacted the reporting scope (disposal of the Auchan Retail activities in Italy and Vietnam in 2019, disposal of the activities in China in 2020, disposal of the activities in Taiwan in 2021). In order to have comparable data, the indicators relating to previous years have been restated to be on a like-for-like basis.

The tables below summarises these scopes.

2020 non-financial performance statement	Surface area (in thousands of sqm)
Scope used for the reporting for 2019 (including the activities in China)	11,659
Scope used for the reporting for 2019 (excluding the activities in China)	6,592
Scope used for the reporting for 2020	6,813

2021 non-financial performance statement	Surface area (in thousands of sqm)
Scope used for the 2021 reporting for 2019 (excluding the activities in China and Taiwan)	5,402
Scope used for the 2021 reporting for 2020 (excluding the activities in Taiwan)	5,491
Scope used for the 2021 reporting for 2021	5,517

Regarding energy consumptions, the "Auchan Station" in Romania are not included into the reporting in 2021, a review is undergoing to integrate them in next year reporting.

The heating network consumption from the Hungarian supermarket is not included.

Regarding waste, the decrease between 2020 and 2021 is mainly due to the fact that in 2020 part of the French supermarkets were included into the hypermarkets figures.

As for 2021, the total amount of waste for all hypermarkets and the French supermarkets is 430 051 t which is equivalent to the waste reported in 2019. In 2020, only Hyper data for waste were reported, this year we are also reporting Super data.

Some indicators do not have a track record over several years since they are monitored for the first time in 2021; these indicators are as follows:

- Number of employees involved in CSR actions within the framework of the CSR days;
- Number of suppliers assessed ECOVADIS and equivalent total purchases assessed (%);
- Number of items of organic products;
- Number of own-brand organic products;
- Percentage of own-brand products in organic products.

## 2.8.5 LABOUR INFORMATION

### > Scope

The quantitative and qualitative data in this document summarises the data communicated to Auchan Holding to ELO 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 said code.

The scope is modified compared to the previous scope: the activities of Auchan Retail Taiwan have been deconsolidated.

In order to correct the errors noted during the audit for the France scope, the number of workplace accidents with lost time and the number of days lost due to workplace accidents were calculated once again.

- Number of workplace accidents: The initial figure was overestimated because the same accident with several periods of lost time was counted several times. The data was therefore estimated on the basis of the workplace accidents reported in the prevention tool, which does not generate

double counting, nor does it exclude accidents resulting in a single day of lost time.

- Number of days lost due to workplace accidents: The days lost were initially calculated in working days (based on six working days out of seven) instead of being calculated in calendar days. The data was therefore estimated by applying a factor of 7/6 to the data initially reported.
- The frequency rate is calculated as follows: (Number of accidents with absence from work \* 1,000,000) / Number of hours actually worked. It is necessary to clarify here that the number of hours effectively worked has not been taken into account for the sites that did not have any work accidents during the period, and which therefore did not have any days off work due to work accidents.
- The gravity rate is calculated as follows: (Number of days off work due to a work-related accident with absence from work converted into working days / Number of hours effectively worked) \* 714.29.

## 2.8.6 EXTERNAL AUDIT

For all environmental and labour data: quantitative data is produced, consolidated, analysed and published. The independent third party checks the compliance of the

non-financial performance statement and the reliability of the information published.

## 2.8.7 METHODOLOGY USED TO CALCULATE GREENHOUSE GAS EMISSIONS - SCOPES 1 AND 2

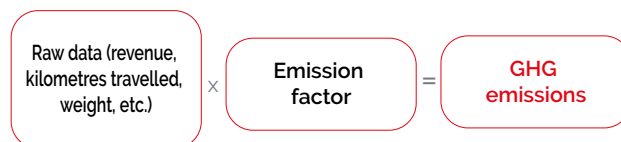
In order to comply with the carbon reporting standards established by the GHG Protocol, major changes in method and scope have been introduced in the 2021 non-financial performance statement:

Change in distribution of emission sources between Scopes 1 & 2:

- Scope 1: GHG emissions from gas consumption (previously this consumption was included in Scope 2) and refrigerant leaks;
- Scope 2: GHG emissions from electricity consumption and heating networks (previously this consumption was not systematically taken into account in all countries).

These methodological changes have revealed significant changes in the energy consumption of some of our sites between the 2020 and 2021 financial years. For example, Ukraine's gas consumption fell by 70% between the non-financial performance statements of 2020 and 2021. This decrease was offset by an increase in its heat consumption (from district heating networks).

The calculation of the GHG emissions can be summarised as follows:



The emission factors used are mainly taken from ADEME's carbon database, or directly from our energy suppliers, and are reviewed each year. The presented calculation of our emissions is based on the "location-based" method as well as on the "market-based" method. Both calculations are presented.

## 2.8.8 METHODOLOGY USED TO CALCULATE GREENHOUSE GAS EMISSIONS - SCOPE 3

### 2.8.8.1 Methodology used to calculate emissions from freight transport

#### > Scopes

The transport of goods at Auchan Retail is very largely subcontracted and is therefore part of our Scope 3 indirect emissions.

Organisational scope: the transport flows of an international distributor are numerous and complex. Initially, we chose to limit our measurement to the flow of goods from country warehouses to country stores. Since 2021, this scope includes deliveries between the hypermarket and the Auchan Piéton (pick-up point) entity in France. In 2021 the scope of the Worldwide Products Department's non-food products (Auchan Retail's own international brands, non-food) was added. This scope therefore excludes the following scopes: direct purchases from suppliers, international purchases, purchases of goods by the Worldwide Products Department, upstream from suppliers, downstream from and to customers.

The temporal and geographical scopes are the same as the scopes of this report. All modes of goods transport (air, sea, road, rail) are taken into account.

In 2020 the raw data used to calculate the carbon footprint of transport was the expenditure in euros for the transport of goods. In 2021, the method changed to take into account only the tonne/kilometres travelled. This change in methodology allows us to refine our measurement of the carbon footprint linked to the transport of goods.

#### > Calculations and data sources

Source data are reported in tonne-kilometre only. This standardisation of the data source explains the observation of a significant increase in GHG emissions between the 2020 and 2021 financial years. Indeed in 2020 other sources of data were accepted to calculate the carbon footprint of the Group's Scope 3 transport (purchase amount of goods, CO<sub>2</sub> emissions of the carrier).

The emission factors associated with each type of transport are taken from ADEME's carbon database.

### 2.8.8.2 Methodology used to calculate emissions from products sold in stores

#### > Scopes, calculations and data sources

The GHG emissions of products sold in stores take into account Scopes 1, 2 and 3 of these products because the emission factors are derived from life cycle analyses of these products or their main ingredients.

Organisational scope: products sold in stores may be own-brand products or national-brand products. This scope includes fuels sold in stations. Given the very large number of product references concerned, significant sampling was carried out. Standardisation of nomenclatures was also carried out in order to harmonise the universes - departments - categories of products sold in stores between the different countries. In 2020 this method was used for all food and non-food scopes. In 2021, this method was used only for non-food. To refine our calculation for food products, we used the figures from the food carbon footprint of our Worldwide Products Department (which manages own-brand products Auchan International and France) in order to extrapolate these results to the entire range of food products (own brands and national brands) of Auchan Retail.

The temporal and geographical scopes are the same as the scopes of this report.

The carbon footprint of food on the Worldwide Products Department scope (200 products) was carried out using the following method:

For each product reference, the main ingredients were determined and the packaging identified. The carbon footprint of each product category was calculated from the LCA (source SIMAPRO) of the main ingredients identified and the packaging. The carbon footprint of food products carried out by the Worldwide Products Department was extrapolated to all food products sold by Auchan Retail in 2020 based on revenue.



## 2.8.9 METHODOLOGY FOLLOWED FOR THE CALCULATION OF PLASTIC INDICATORS

In 2021, for the first time, Auchan Retail conducted a campaign to estimate the total tonnage of plastic used in the packaging of our own-brand products.

An in-depth study of the composition of more than 7,500 references, covering more than 630 local suppliers (in addition to the international suppliers), and representing around 30% of all own-brand product references, made it possible via a system of extrapolation to the product category (based on the quantities sold over the period) to publish these first indicators:

Weight of the plastics used in the packaging of our own-brand products and Percentage of reusable, recyclable or compostable own-brand product packaging.

We conducted a maturity study of the collection of sorted waste and the recycling channels set up on a large scale in the countries where we operate. This research led to the following matrix, which was used to assess the recyclability of our packaging.

### Auchan|RETAIL > RECYCLABILITY CHANNELS PER COUNTRY AND FORMAT/MATERIALS

List of format/ materials	France	DPW	Luxembourg	Spain	Portugal	Poland	Hungary	Romania	Russia	Ukraine	Senegal	Theoretical
Paper-cardboard	1	1	1	1	1	1	1	1	0	0	0	1
Brick (cardboard / alu / plastic)	1	1	1	1	1	1	1	1	0	0	0	1
Glass	1	1	1	1	1	1	0	1	0	0	0	1
Ferrous metal	1	1	1	1	1	1	0	1	0	0	0	1
Non-ferrous metal	1	1	1	1	1	1	0	0	0	0	0	1
Wood	0	0	0	1	1	0	0	0	0	0	0	1
Transparent PET - Bottle	1	1	1	1	1	1	1	1	1	1	0	1
Colored PET - Bottle	1	1	1	1	0	0	0	1	0	0	0	1
Opaque PET - Bottle	0	0	0	0	0	0	0	0	0	0	0	0
PET - Rigid (not bottle)	0	0	0	0	0	0	0	0	0	0	0	1
PET - Flexible	0	0	0	0	0	0	0	0	0	0	0	0
HDPE - Bottle	1	1	1	1	0	0	0	0	0	0	0	1
HDPE - Rigid	0	0	1	0	0	0	0	0	0	0	0	1
HDPE - Flexible	0	0	0	0	0	0	0	0	0	0	0	1
LDPE - Rigid	0	0	0	0	0	0	0	0	0	0	0	1
LDPE - Flexible	0	0	1	0	0	0	0	0	0	0	0	1
PP - Bottle	1	1	1	0	0	0	0	0	0	0	0	1
PP - Rigid	1	1	1	0	0	0	0	0	0	0	0	1
PP - Flexible	0	0	1	0	0	0	0	0	0	0	0	0
PS	0	0	1	0	0	0	0	0	0	0	0	0
EPS	0	0	0	0	0	0	0	0	0	0	0	0
PVC	0	0	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0	0	0

1: Recyclable - 0: Not recyclable - Unlikely material/format combinations; zero recyclability

These analyses may be questioned, but in the absence of official and independent data at the international level, they were used as working hypotheses.



The indicators Weight of the plastics used for in-store packaging in the market area (stands and fruit/vegetable bags)

(in tonnes), Percentage of recycled plastic incorporated in packaging in the market area (in%), Weight of the plastics used in check-out bags (in tonnes) and Percentage of the recycled plastics incorporated in check-out bags (in%) are based on data collection conducted directly from our non-commercial packaging suppliers.



## 2.9 SUMMARY TABLE OF INDICATORS

The following table lists the main performance indicators monitored over the period October 2019 – September 2020. It also includes the associated objectives when they have been set.

Indicator	Scope	2020	2021	Objective	Comment
INTRODUCTION					
	ELO	49	62	60 in 2022	ELO commissioned Moody's ESG Solutions 1 to conduct an independent assessment of its ESG performance. In December 2021, ELO obtained an A1 sustainability rating based on an overall score of 62/100. This represents an increase of 13 points in one year and 25 points since 2018. In 2021, this momentum placed ELO among the Top 150 of all companies rated by Moody's ESG Solutions worldwide and in third place in Europe among food and non-food distributors. The 2022 objective was achieved in 2021 and will be reassessed during the year.
	CDP Rating - Climate change	ELO	B	B	A in 2022
PROPOSE A HEALTHY, QUALITY AND RESPONSIBLE FOOD OFFER					
Eating well and the nutritional quality of products					
Percentage of private label and international private label products with a nutritional label on the packaging	Auchan Retail	45%	48%		Private labels International private labels
Number of items of organic products			48,091		
COMMITMENT WITH PASSIONATE EMPLOYEES					
Job structuring					
Total workforce at the end of the period	Auchan Retail	173,412	163,098		
Total workforce at the end of the period	New Immo	970	1,082		
Total workforce at the end of the period	ELO	174,382	164,180		
Breakdown of workforce by fixed-term/permanent employees (as a% of total workforce)	ELO	7.6/92.4	8.3/91.7		
Breakdown of workforce by male/female employees	ELO	65,294 109,088	61,942/ 102,238		
Percentage of employees aged under 25 in the total workforce	ELO	15.3%	15.3%		
Percentage of employees aged 25 to 35 in the total workforce	ELO	20.5%	20%		
Percentage of employees aged 35 to 50 in the total workforce	ELO	38.0%	37.7%		
Percentage of employees aged 50 or more in the total workforce	ELO	26.3%	27.5%		
Breakdown of workforce by full-time/part-time employees	ELO	73.6/26.4	73.3/26.7		

Indicator	Scope	2020	2021	Objective	Comment
Number of people hired on permanent contracts	ELO	32,449	31,442		
Number of dismissals (all reasons) of permanent employees	ELO	6,264	5,934		
Turnover of permanent employees	ELO	23.1	26.9		
<b>Employee development</b>					
Internal promotion rate	ELO	29.3%	35.3%		
Internal promotion rate of women	ELO	31.6%	38.8%		
Internal promotion rate of men	ELO	27.1%	31.4%		
Total training hours	ELO	2,367,729	2,383,626		
Percentage of training hours out of total hours worked	ELO	1.9%	1.0%		
% of training budget on payroll	ELO	1.9%	1.1%		
<b>Employee commitment</b>					
Number of employees involved in CSR actions	Auchan Retail	11,649	21,068		This indicator does not include Auchan Retail Russia, which does not follow this indicator, Auchan Retail Senegal, SNC OIA or Corporate Support Services, due to the lack of an available update.
<b>Occupational health and safety</b>					
Frequency rate of workplace accidents with lost time	ELO	23.8	21.4		
Severity rate of workplace accidents with lost time	ELO	0.7	0.8		
Absenteeism rate (illness)	ELO	5.7%	5.9%		
<b>Social dialogue</b>					
Number of meetings with employee representatives	ELO	8,527	6,006		
Percentage of employee shareholders of the company	ELO	72.8%	73.3%		
<b>Diversity and equal opportunities</b>					
Percentage of employees with a disability as of 09/30/2020 - Auchan Retail	Auchan Retail	4%	4.5%		
Percentage of employees with a disability as of 09/30/2020 - Ceetrus	Nhood	1.6%	1.7%		
Breakdown of total ELO workforce by gender (in%)	ELO	62.6/37.4	62.3/37.7		
Breakdown of ELO managers by gender (in%)	ELO	50.3/49.8	50.5/49.5		

Indicator	Scope	2020	2021	Objective	Comment
LIMIT THE ENVIRONMENTAL IMPACT OF OUR ACTIVITIES					
Climate change and GHG reduction					
Energy consumption ( <i>in KWh/m²</i> )	Auchan Retail	481.9	452.65	(25%) in 2022 (baseline 2014, like-for-like)	The decrease in the energy intensity of stores in 2020 is 24.54% since the 2014 financial year. The like-for-like scope includes the same geographic scopes for 2014 and 2020, i.e. Auchan Retail France, Portugal, Spain, Hungary, Russia, Ukraine, Poland, Luxembourg and Romania. The square metres taken into account in these countries may change as stores open or close. The 2020 figure is the one calculated in 2020 and includes Taiwan.
Electricity consumption ( <i>in KWh/m²</i> )	Auchan Retail	412.4	391.69	(25%) in 2022 (baseline 2014, like-for-like)	The decrease in the energy intensity of stores in 2020 is 23.84% since the 2014 financial year. The like-for-like scope includes the same geographic scopes for 2014 and 2020, i.e. Auchan Retail France, Portugal, Spain, Hungary, Russia, Ukraine, Poland, Luxembourg and Romania. The square metres taken into account in these countries may change as stores open or close. The 2020 figure is the one calculated in 2020 and includes Taiwan.
Rollout of the ISO 50001 standard in EU countries	Auchan Retail (EU countries)	-	36%	100% of the m² of stores covered by ISO 50001 certification in 2023	
Renewable electricity consumption ( <i>as% of overall electricity consumption</i> )	Auchan Retail	18.1%	16.94%	100% renewable electricity consumption by 2030	
Scope 1 CO <sub>2</sub> emissions ( <i>tonnes of CO<sub>2</sub> equivalent</i> )	Auchan Retail	544,660.1	397,031.3		Significant methodological changes took place between 2020 and 2021 explaining these changes (see 2.8)
Scope 2 CO <sub>2</sub> emissions ( <i>tonnes of CO<sub>2</sub> equivalent</i> )	Auchan Retail	698,700.7	653,238.5		Significant methodological changes took place between 2020 and 2021 explaining these changes (see 2.8)
Scope 3 CO <sub>2</sub> emissions related to transport ( <i>tonnes of CO<sub>2</sub> equivalent</i> )	Auchan Retail	223,407.43	452,204.8		Significant methodological changes took place between 2020 and 2021 explaining these changes (see 2.8)

Indicator	Scope	2020	2021	Objective	Comment
<b>Fight against plastic pollution</b>					
<b>1.</b> Weight of the plastics used in own-brand single-use products (glasses, cutlery, plates, cotton swabs, blenders, straws, tea bags, balloons)	Auchan Retail		303 t		(86.5 t in EU and 216.5 non-EU) In the EU the tonnages are related to the bio-based and compostable plastic cutlery that was included in the calculation. The international range alone would represent 1,948t of plastic if it had not switched to cardboard/wood solutions.
<b>2.a</b> Weight of the plastics used in the packaging of our own-brand products	Auchan Retail		93,015 t		(extrapolation, including 80,662 t in the EU)
<b>2.b</b> Percentage of reusable, recyclable or compostable own-brand product packaging	Auchan Retail		42.5%		(extrapolation, 51.1% in the EU) some of our packaging is already theoretically recyclable but was not taken into account because the recycling channels are not sufficiently deployed in the corresponding countries, for example, in Russia, only PET bottles were considered recyclable in this calculation. If all countries deployed all the already existing chains in Europe, then the rate would approach 60%.
<b>2.c</b> Products sold in bulk excluding fresh food counters and fresh fruit and vegetable departments (number of items)	Auchan Retail		6,710		For nearly 13,500 tonnes of product sold (bulk offer available in all our countries outside Russia and Romania for legal reasons)
<b>3.</b> Plastic waste collected in our stores	Auchan Retail	14,307 t excluding Russia	17,287 t		Of which 11,361.5 t outside Russia, i.e. -20.5% at current scope Figures excluding Senegal
<b>4.a</b> Weight of the plastics used for in-store packaging in the market area (stands and fruit/vegetable bags) ( <i>in tonnes</i> )	Auchan Retail	12,000 t Excluding Poland and Senegal	14,218 t		Including 13,137 t excluding Poland and Senegal compared to 12,000 t in 2020 for the same scope. The increases in volume between 2020 and 2021 are related to the addition of new packaging in the calculation (shopping bag) as well as better supplier coverage
<b>4.b</b> Percentage of recycled plastic incorporated in market area packaging ( <i>in%</i> )	Auchan Retail		7.1%		With a rate of 33.7% for PET
<b>5.a</b> Weight of the plastics used in check-out bags ( <i>in tonnes</i> )	Auchan Retail	5,510 t	8,261 t		Figures excluding Poland the increases in volume between 2020 and 2021 are related to the addition of new packaging in the calculation (shopping bag) as well as better supplier coverage
<b>5.b</b> Percentage of recycled plastic incorporated in check-out bags ( <i>in%</i> )	Auchan Retail		57.2%		

Indicator	Scope	2020	2021	Objective	Comment
<b>Eco-design, second life of products and operational waste</b>					
Total volume of waste (in tonnes) - HYPER	Auchan Retail	406,751	396,046		Excluding Senegal
Total volume of recovered waste (in tonnes) - HYPER	Auchan Retail	279,934	277,586		Excluding Senegal
Waste recovery rate (in%) - HYPER	Auchan Retail	69%	70%		Excluding Senegal
Total volume of waste (in tonnes) - SUPER	Auchan Retail		67,267		
Total volume of recovered waste (in tonnes) - SUPER	Auchan Retail	43,160	55,852		
Waste recovery rate (in%) - SUPER	Auchan Retail		83%		
Percentage of FSC- or PEFC-certified wood/paper/cardboard products	Auchan Retail - Worldwide Products Department	58%	61%	100% in 2025	Scope of products managed by the Worldwide Products Department
Percentage of Oeko-Tex-certified Home Textile products	Auchan Retail - Worldwide Products Department		100%		
Percentage of Oeko-Tex-certified In Extenso Clothing products	Auchan Retail - Worldwide Products Department	~40%	~55%		
<b>Biodiversity and protection of natural resources</b>					
Total water consumption (in m³) - HYPER	Auchan Retail	3,370,171	3,282,338		At current scope
Total water consumption (in m³) - Nhood	NIH		468,472		With regard to NIH, no history is presented as this entity changed its scope in 2021.
<b>ESTABLISH RESPONSIBLE AND ETHICAL BUSINESS RELATIONSHIPS</b>					
<b>Responsible supply chain approach and partnership with local producers</b>					
Number of supply chains under contract	Auchan Retail	710	972	930	
<b>Sustainable purchasing relationships with our suppliers</b>					
Order rate linked to the production site	Auchan Retail - Worldwide Products Department	95.1%	97.5%	96%	Worldwide Products Department scope This rate cannot reach the score of 100% due to a small number of orders that cannot be placed with sufficient anticipation by suppliers in the dedicated tool.
Coverage rate of sites with valid social audit	Auchan Retail - Worldwide Products Department	95%	97%	98%	Worldwide Products Department scope A valid social audit achieves the minimum score expected by the company over a period of two years. For 2021, the results obtained on this indicator failed to reach their objectives due to the global health crisis which made it impossible to carry out a number of scheduled audits.
Number of suppliers assessed in the Ecovadis platform	Auchan Retail - non-commercial purchases		423		Quantitative indicator to trigger the start of the programme on the basis of one calendar year
Percentage of total purchases assessed (%)	Auchan Retail - non-commercial purchases		36%		Quantitative indicator to trigger the start of the programme, based on a calendar year

## 2.10 REPORT BY THE STATUTORY AUDITOR, APPOINTED AS INDEPENDENT THIRD PARTY, ON THE NON-FINANCIAL STATEMENT

*This is a free English translation of the Statutory Auditor's report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.*

For the year ended 31 December 2021

To the Annual General Meeting,

In our capacity as Statutory Auditor of your company (hereinafter the "entity") appointed as independent third party, and accredited by the COFRAC under number 3-1049<sup>(1)</sup>, we have undertaken a limited assurance engagement on the historical financial information (actual or extrapolated) of the consolidated non-financial statement, prepared in accordance with the entity's procedures (hereinafter the "Guidelines"), for the year ended 31 December 2021 (hereinafter, respectively, the "Information" and the "Statement"), included in the Group's management report pursuant to the requirements of Articles L. 225-102-1, R. 225-105 and R. 225-105-1 of the French Commercial Code (*Code de commerce*).

### CONCLUSION

Based on the procedures performed, as set out in the "Nature and scope of our work" section of this report, and the information collected, nothing has come to our attention that causes us to believe that the Statement is not presented in accordance with the applicable regulatory requirements and that the Information, taken as a whole, is not presented fairly in accordance with the Guidelines, in all material respects.

### PREPARATION OF THE STATEMENT

The absence of a commonly used generally accepted reporting framework or as established practices on which to draw to evaluate and measure the Information allows for different, but acceptable, measurement techniques that can affect comparability between entities and over time.

Consequently, the Information needs to be read and understood together with the Guidelines, the main elements of which are presented in the Statement or available on request from the entity's registered office.

### INHERENT LIMITATIONS IN PREPARING THE INFORMATION

- As discussed in the Statement, the Information may be subject to inherent uncertainty because of incomplete scientific and economic knowledge and the quality of external data used. Some information is sensitive to methodological choices, assumptions and/or estimates used for their preparation and presentation in the Statement.

### RESPONSIBILITY OF THE ENTITY

The Management Board's is responsible for:

- Selecting or establishing suitable criteria for preparing the Information;
- Preparing a Statement in accordance with legal and regulatory requirements, including a presentation of the business model, a description of the main extra-financial risks, a presentation of policies applied to mitigate these risks and the outcomes of those policies, including key performance indicators, and the information provided for in Article 8 of Regulation (EU) 2020/852 (the Taxonomy Regulation);
- Implementing internal control over information relevant to the preparation of the Information that is free from material misstatement, whether due to fraud or error.
- The Statement was prepared by applying the entity's Guidelines as mentioned previously.

#### Responsibility of the Statutory Auditor, appointed as independent third party

On the basis of our work, our responsibility is to provide a report expressing a limited assurance conclusion on:

- The compliance of the Statement with the requirements of Article R. 225-105 of the French Commercial Code;
- The fairness of the historical financial information (actual or extrapolated) provided in accordance with Article R.225-105-I (3) and II of the French Commercial Code concerning action plans and policy outcomes, including the key performance indicators on the main risks.

(1) Accreditation Cofrac Inspection, number 3-1049, scope available at [www.cofrac.fr](http://www.cofrac.fr)

As it is our responsibility to provide an independent conclusion on the Information as prepared by Management, we are not authorised to help prepare said Information, as that could compromise our independence.

However, it is not our responsibility to comment on:

- The entity's compliance with other applicable legal and regulatory requirements (in particular, the disclosures provided for in Article 8 of Regulation (EU) 2020/852 (the Taxonomy Regulation), the French duty of care law and anti-corruption and tax avoidance legislation);
- The fairness of the disclosures provided for in Article 8 of Regulation (EU) 2020/852 (the Taxonomy Regulation);
- The compliance of products and services with the applicable regulations.

## REGULATORY PROVISIONS AND APPLICABLE PROFESSIONAL GUIDANCE

We performed our work described below in accordance with the provisions of Articles A. 225 1 and following of the French Commercial Code, the professional guidance issued by the French Institute of Statutory Auditors (Compagnie nationale des commissaires aux comptes) relating to this engagement and International Standard on Assurance Engagements 3000 (Revised) <sup>(1)</sup>.

## OUR INDEPENDENCE AND QUALITY CONTROL

Our independence is defined by the provisions of Article L. 822-11-3 of the French Commercial Code and the French Code of Ethics (Code de déontologie) for statutory auditors. Our firm maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with applicable legal, regulatory and ethical requirements and the professional guidance issued by the French Institute of Statutory Auditors relating to this engagement.

## MEANS AND RESOURCES

Our work was carried out by a team of seven people between September 2021 and March 2022 and took a total of six weeks.

We were assisted in our work by our specialists in sustainable development and corporate social responsibility. We conducted approximately 10 interviews with the people responsible for preparing the Statement.

## NATURE AND SCOPE OF OUR WORK

We planned and performed our work to address the areas where we identified that a material misstatement of the Information was likely to arise.

- We believe that the work carried out, based on our professional judgement, is sufficient to provide a basis for our limited assurance conclusion;
- We obtained an understanding of the entity's activity, and the description of the principal risks associated;
- We assessed the suitability of the criteria of the Guidelines with respect to their relevance, completeness, reliability, neutrality and understandability, with due consideration of industry best practices, where appropriate;
- We verified that the Statement includes each category of social and environmental information set out in article L. 225-102-1 III as well as information regarding compliance with human rights and anti-corruption and tax avoidance legislation;
- We verified that the Statement provides the information required under article R. 225-105 II of the French Commercial Code, where relevant with respect to the principal risks, and includes, where applicable, an explanation for the absence of the information required under article L. 225-102-1 III, paragraph 2 of the French Commercial Code;
- We verified that the Statement presents the business model and a description of principal risks associated with the entity's activity, including where relevant and proportionate, the risks associated with its business relationships, its products or services, as well as its policies, measures and the outcomes thereof, including key performance indicators associated to the principal risks.

We referred to documentary sources and conducted interviews to:

- assess the process used to identify and confirm the principal risks as well as the consistency of the outcomes, including the key performance indicators used, with respect to the principal risks and the policies presented;
- corroborate the qualitative information (measures and outcomes) that we considered to be the most important presented in Appendix. For some risks<sup>(2)</sup>, our work was carried out at the head office of the consolidating entity, for other risks, our work was carried out at the head office of the consolidating entity and in a selection of entities <sup>(3)</sup>.

(1) ISAE 3000 (Revised) - Assurance Engagements Other Than Audits or Reviews of Historical Financial Information

(2) Discriminatory treatment related to political or trade union opinions; Failure to respect work-life balance; Environmental impact of non-recyclable packaging on the market; Unsustainable agricultural practices or production methods and selection of raw materials; Depletion of resources; Food and non-food waste; Climate risk; Control of the entire value chain; Human rights; Impact on safety and hygiene in the processing chain of marketed food products; Quality, safety and hygiene of marketed food products; Health impact associated with storage, management in warehouses and delivery of products to customers; Lack of traceability of raw materials and ingredients used in the composition of the products distributed; Non-compliance with animal welfare.

(3) Auchan Retail France ; Auchan Retail Hongrie



- We have verified that the Statement covers the scope of the entity, within the limitations set out in the Statement;
- We obtained an understanding of internal control and risk management procedures the entity has put in place and assessed the data collection process to ensure the completeness and fairness of the Information;
- For the key performance indicators and other quantitative outcomes that we considered to be the most important, as presented in Appendix, we implemented:
- analytical procedures to verify the proper consolidation of the data collected and the consistency of any changes in those data;
- tests of details, using sampling techniques, in order to verify the proper application of the definitions and procedures and reconcile the data with the supporting documents. This work was carried out with a selection of contributing entities <sup>4</sup> and covers between 18% and 100% of the data selected for these tests;
- We assessed the overall consistency of the Statement

The procedures performed in a limited assurance engagement are less in extent than for a reasonable assurance engagement performed in accordance with the professional guidance issued by the French Institute of Statutory Auditors; a higher level of assurance would have required us to carry out more extensive procedures.

Paris-La Défense, on 4 March 2022  
KPMG S.A.

Anne Garans  
*Partner*  
*Sustainability Services*

Hervé Chopin  
*Partner*

## APPENDIX

### Qualitative information (actions and results) considered most important

Actions in favor of inclusion and diversity
Agreements on social dialogue practices
Compensation and career management policy
Measures implemented to ensure the health and well-being of employees
Measures to reduce greenhouse gas emissions
Actions to recycle unsold goods and other waste
Policies and measures in place to protect biodiversity
Actions to evaluate suppliers
Procedures in place for good business practices and the fight against corruption
Commitments and actions in favor of animal welfare
Measures taken in favor of human rights
Commitments in favor of the quality of the food supply
Actions in favor of the nutritional quality of products

### Key performance indicators and other quantitative results considered most important

Total workforce at the end of the period and breakdown by male/female employees
Turnover of permanent employees
Percentage of training hours out of total hours worked
Internal promotion rate
Severity rate of workplace accidents with lost time
Frequency rate of workplace accidents with lost time
Percentage of recycled plastic incorporated in market area packaging
Waste recovery rate for hypermarkets and supermarkets
Energy consumption per square meter of surface
Renewable electricity consumption
CO <sub>2</sub> emissions (scopes 1 and 2) per square meter of surface
Change in the carbon intensity of stores
Number of supply chains under contract



# RISK MANAGEMENT

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## 3

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## 3.1 RISK FACTORS

ELO and its business lines are subject to a certain number of risks: operational, strategic, compliance and financial, which are presented and updated each year in the EMTN prospectus available at: [www.groupe-ELO.com](http://www.groupe-ELO.com).

## 3.2 FINANCIAL RISK MANAGEMENT

During the usual course of their business, ELO and its subsidiaries are exposed to interest rate, foreign exchange, credit and liquidity risks. They use derivatives to mitigate these risks.

ELO 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 10.5 to the financial statements for a fuller description of financial risk management, which is summarised below.

### 3.2.1 CREDIT RISK

ELO and its subsidiaries only work with a list of banks authorised by the Finance Committee for financing and interest rate and foreign exchange derivative transactions.

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

Trade and other receivables do not involve any significant risk.

### 3.2.2 LIQUIDITY RISK

The policy of ELO 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.

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

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

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 disposals and cross-default and material adverse change clauses.

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

Certain medium- and long-term bank financing facilities (confirmed credit lines not used as of December 31<sup>st</sup>, 2021) contain an early "callability" clause in the event of non-compliance, on the closing date, with certain ratios, including the following ratio: consolidated net financial debt/consolidated EBITDA < 3.5.

The Group complied with these ratios as of December 31<sup>st</sup>, 2021.

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

### 3.2.3 INTEREST RATE RISK

ELO 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.

The interest rate transactions designated as fair value hedges concern transactions designed 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 ELO 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 "Cash flow 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.

### 3.2.4 FOREIGN EXCHANGE RISK

ELO and its subsidiaries are exposed to foreign exchange risk on:

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

As of December 31<sup>st</sup>, 2021, the main currencies concerned were the US dollar, Polish zloty, Hungarian forint, Russian ruble, Taiwan dollar and Romanian leu.

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

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

As of December 31<sup>st</sup>, 2021, no derivatives were qualified as net investment hedges.

### 3.2.5 RISKS TO PHYSICAL ASSETS RELATED TO SOCIETAL CHANGE

Societal changes entail new consumer habits and preferences. Many consumers go to convenience stores, promote e-commerce or limit their consumption in general.

The amplification of these societal changes external to the company would result in a decrease in traffic within the assets owned or managed by the operators of New Immo Holding and therefore lower income for tenants. This would result in a decrease in rental income.

This dynamic could be worsened by the Covid-19 crisis on consumer behaviour, which may not return to pre-pandemic behaviours (maintaining a certain physical distance, less time in stores, more digital and e-commerce).

The company's current development strategy, which aims to add value to real estate assets and create mixed-use zones, limits our exposure to retail parks. These projects tend to align the portfolio more closely with current consumer preferences, particularly in terms of brands and services. In addition, the various projects aimed at further diversifying the portfolio in the office and hotel market also contribute to limiting this risk.

### 3.2.6 FINANCIAL RISKS RELATED TO THE EFFECTS OF CLIMATE CHANGE

There are two types of financial risks related to the effects of climate change: physical risks and transition risks. ELO's companies are exposed to these risks in different ways depending on their activities, the countries where their assets are located and their supply chains.

Already in 2020, New Immo Holding carried out a mapping of the physical risks (heat waves, increase in average temperature, storms, flooding, extreme rainfall, drought) related to global warming at 50 sites in Europe. This work, based on the analysis of two warming scenarios (one compatible with a warming limited to two 2°C, one "business as usual") allowed the identification of the sites most at risk. Aware of the physical risks that climate change has on its assets, New Immo Holding is extending this work in 2022 with a risk mapping for each of these assets and projects (via the 427 platform) with the aim of making, in the years to come, the investments required to make the assets more resilient as part of in-depth asset renovations.

In accordance with the recommendations of the Taskforce on Climate Financial Disclosure (TCFD), Auchan Retail has defined a governance, a strategy, a risk management and objectives and indicators to address the financial risks and opportunities related to global warming.

#### > Risk management

In 2021, Auchan Retail mapped all the risks and opportunities related to global warming in line with the recommendations of the TCFD: four main climate risks were identified:

- the increase and volatility of commodity prices (energy, other commodities);
- sourcing in countries that are themselves at risk of global warming;
- the risk of disputes related to global warming;
- the risk of impact on revenue from a change in consumer behaviour towards certain products.

These risks were studied using three scenarios:

- a scenario compatible with global warming limited to below 2°C;
- a scenario based on the policies declared by the States to date;
- a scenario focused on agricultural and consumer transformations.

#### > Strategy

This scenario-based study of the risks related to global warming illustrated the potential impacts on Auchan Retail and informed strategic decision-making. The objectives of Auchan Retail's climate strategy are explained in section 2.5 "Limit the environmental impact of our activities" of the non-financial performance statement of this report.

#### > Objectives and Indicators

The detailed objectives of, and indicators for monitoring, Auchan Retail's climate strategy are explained in section 2.5 "Limit the environmental impact of our activities" of the non-financial performance statement of this report.

#### > Governance

In 2022, Auchan Retail will set up a governance linked to the climate challenges, with the launch of a Sustainability Committee: reporting to the Auchan Retail Management Committee, composed of members of the operational departments (Technical, Logistics, Products, CSR, Finance, Risks, HR), the purpose of this committee is to steer Auchan Retail's GHG emissions reduction trajectory and to manage the response to the various risks and opportunities identified.

### 3.2.7 OTHER RISKS

ELO and its subsidiaries do not enter into hedging transactions other than foreign exchange and interest rate derivative transactions.

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## 3.3 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.

### 3.3.1 PROCEDURE FOR THE PRODUCTION OF FINANCIAL STATEMENTS

#### 3.3.1.1 Management and structure of the ELO Finance Department

General Management relies on the Treasury, Accounting, Consolidation and Reporting, Legal and Tax Departments of Auchan Retail for the production of the financial statements.

The Finance Department of ELO (the company), made up of the various departments mentioned above, establishes a timetable of:

- month-end closures;
- monthly cash flow reports;
- quarterly, half-yearly and annual closures;
- half-yearly pre-closure meetings.

The forecasting operations, including the budget, are managed by the consolidation and reporting team.

The business lines' Finance and Performance Departments produce the analytical information.

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

#### 3.3.1.2 Accounting IT 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 into 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 directors, who define the functionalities, the accounting basis and the financial statements that may be created.

#### 3.3.1.3 Accounting basis

ELO'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 as of December 31<sup>st</sup>, 2021. These statements are prepared based on the information communicated by the business lines' finance departments. In this regard, a reporting and consolidation framework (manual of principles and accounting rules, chart of accounts) has been established and distributed to the business lines. It is updated regularly and can now be consulted on the intranet, including by the statutory auditors.

There is also an accounting basis by country. They are linked to the consolidation chart of accounts and featured in the accounting system, and contain mandatory accounting rules. The accounting basis by country is defined, updated and documented by the Country or International Methodology Department.

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

#### 3.3.1.4 Procedures for approving the statutory financial statements and the consolidated financial statements

ELO and its subsidiaries prepare both quarterly statutory and quarterly consolidated financial statements. The June 30<sup>th</sup> closure is subject to a limited review and December 31<sup>st</sup> closure is subject to an audit by the statutory auditors. They are presented to the ELO Audit Committee and published. The statements dated March 31<sup>st</sup> and September 30<sup>th</sup> 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 January 1<sup>st</sup>, 2016, specific Audit Committees have been set up for Auchan Retail International and New Immo Holding. The role of these Audit Committees is to review the accounts and accounting closure options specific to each of the two business lines.

A report of the statutory auditors' observations and findings is prepared and distributed firstly to the local Finance Departments, and subsequently in a more centralised manner to the General Management of ELO and to the Audit Committees of ELO and the two business lines. The main procedures to be carried out are as follows:

##### Concerning the statutory financial statements

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

##### Concerning the consolidated financial statements

The accounts are consolidated using the shared application Hypérion (HFM), which is implemented at all of ELO's subsidiaries. It uses the shared consolidation chart of accounts, a methodology that is updated every quarter and IFRS-compliant accounting policies. The chart of accounts is defined and documented by ELO'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 ELO's consolidated financial statements (for instance, the commitments of ELO and its subsidiaries).



### Pre-closure meetings

The accounting closure process described above is completed by pre-closure meetings in June (for the June 30<sup>th</sup> closure), November (for the December 31<sup>st</sup> closure) and on November 30<sup>th</sup> for the "hard close". The main Finance Department heads of the relevant business lines attend these meetings along with the finance team of the country and business line concerned.

These pre-closure meetings, the "hard close" and the interim closures help to prepare the annual closure by anticipating the treatment of material events and specific transactions such as acquisitions, disposals, mergers, valuation of the company's assets and investment property, and identification and measurement of risks.

### Accounts closure meetings

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

## 3.3.2 PROCEDURES HAVING AN IMPACT ON ACCOUNTING AND FINANCIAL INFORMATION

### 3.3.2.1 Procedures for managing and monitoring 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 at least once 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 department.

### 3.3.2.2 Procedures for monitoring inventory and valuation of 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.

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.

The investment property is valued on an annual basis by experts to establish its fair value. These valuations are exhaustive where New Immo 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.

### 3.3.2.3 Procedures for monitoring and inventorying employee benefits

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.

### 3.3.2.4 Procedures for monitoring cash flows

A report on ELO's financial debt and financial income allows to consolidate the actual data as well as the forecast 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 ELO's Treasury Department to monitor and respond quickly to changes in the financial debt and financial income in relation to the budget. This report is communicated in the middle of each month to the Board of directors of ELO. 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. This charter was updated in 2020. The list of authorised products and counterparties is reviewed every year by ELO's Finance Committee and communicated to the subsidiaries.

Moreover, every month the subsidiaries send ELO's Treasury Department a standardised treasury report showing details of all credit facilities authorised, used and available, and investments. This data is consolidated and a quarterly liquidity report is prepared and communicated to the Board of directors of ELO.

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 ELO's General Management.

### 3.3.2.5 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 business lines' Finance Departments, and is updated quarterly.



# CONSOLIDATED FINANCIAL STATEMENTS

Financial year ended December 31st, 2021

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## 4.1 CONSOLIDATED FINANCIAL STATEMENTS

### 4.1.1 CONSOLIDATED INCOME STATEMENT

(In €m)	Notes	31/12/2021	31/12/2022 <sup>(2)</sup>
<b>Revenue</b>	<b>4.1</b>	<b>31,088</b>	<b>31,351</b>
Cost of sales	4.1	(23,466)	(23,658)
<b>Gross margin</b>	<b>4.1</b>	<b>7,622</b>	<b>7,693</b>
Payroll expenses	11.1	(4,044)	(4,144)
External expenses		(1,798)	(1,694)
Depreciation and amortisation	4.2	(1,006)	(1,065)
Provisions and impairment	4.2	(115)	(118)
Other recurring income and expenses	4.2	77	(6)
<b>RECURRING OPERATING INCOME</b>		<b>736</b>	<b>667</b>
Non-recurring income and expenses	4.3	207	(694)
<b>OPERATING INCOME</b>		<b>943</b>	<b>(26)</b>
Income from cash and cash equivalents		12	6
Gross cost of financial debt		(157)	(192)
Net cost of financial debt	10.2	(145)	(186)
Other financial income	10.3	23	20
Other financial expenses	10.3	(254)	(220)
<b>INCOME BEFORE TAX</b>		<b>568</b>	<b>(413)</b>
Share of net income of associates	7	19	19
Income tax expense	12	(233)	(41)
<b>NET INCOME FROM CONTINUING OPERATIONS</b>		<b>353</b>	<b>(435)</b>
Net income from assets held for sale and discontinued operations <sup>(1)</sup>		5	1,342
<b>NET INCOME</b>		<b>358</b>	<b>907</b>
<i>of which net income - Group share</i>		344	678
<i>of which net income attributable to non-controlling interests</i>		14	230
<b>NET INCOME PER SHARE FROM CONTINUING OPERATIONS - GROUP SHARE (in €)</b>			
• basic	8.2	11.91	23.30
• diluted	8.2	11.91	23.30
<b>EBITDA</b>	<b>4.2</b>	<b>1,817</b>	<b>1,875</b>

(1) Contribution of Retail in China in 2020 and Retail in Taiwan in 2020 and 2021 (see note 2.4 Significant events).

(2) Compared to the data published as of December 31<sup>st</sup>, 2020, the contribution of Retail activities in Taiwan has been reclassified to the line "Net income from discontinued operations or held for sale" in application of the provisions of IFRS 5 (see note 3.2.2).

#### 4.1.2 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(In €m)	31/12/2021			31/12/2020		
	Gross amount	Income tax	Net	Gross amount	Income tax	Net
<b>Net income for the period</b>			<b>358</b>			<b>907</b>
Change in equity instruments at fair value through other comprehensive income	(24)	6	(18)	(30)	5	(25)
Revaluation of net liabilities in respect of defined benefits plans	21	(6)	15	13	(2)	11
<b>TOTAL ITEMS THAT WILL NOT BE RECLASSIFIED TO NET INCOME</b>	<b>(3)</b>		<b>(3)</b>	<b>(17)</b>	<b>3</b>	<b>(14)</b>
Exchange differences on translating foreign operations	33		33	(494)		(494)
<b>Change in fair value</b>						
• cash flow hedge derivatives	72	(18)	54	(42)	14	(29)
<b>TOTAL ITEMS THAT WILL BE RECLASSIFIED TO NET INCOME</b>	<b>105</b>	<b>(18)</b>	<b>87</b>	<b>(536)</b>	<b>14</b>	<b>(522)</b>
<b>TOTAL OTHER COMPREHENSIVE INCOME</b>	<b>102</b>	<b>(18)</b>	<b>84</b>	<b>(553)</b>	<b>17</b>	<b>(536)</b>
<b>Total comprehensive income for the period</b>			<b>442</b>			<b>371</b>
<i>Attributable to:</i>						
• Group share			423			209
• non-controlling interests			19			162

## 4.1.3 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets (in €m)	Notes	31/12/2021	31/12/2020 restated <sup>(a)(2)</sup>
Goodwill	6.1	1,927	2,018
Other intangible assets	6.2	165	170
Property, plant and equipment	6.3	5,112	5,198
Right-of-use assets	6.4	1,123	1,343
Investment property	6.5	3,524	3,932
Investments in associates	7	663	524
Non-current financial assets	10.6	294	439
Non-current derivative instruments	10.4	56	94
Deferred tax assets	12	328	356
Other non-current assets		53	39
<b>NON-CURRENT ASSETS</b>		<b>13,245</b>	<b>14,114</b>
Inventories	4.4	2,362	2,296
Trade receivables	10.5	437	442
Current tax assets	12	140	132
Trade and other receivables	10.5	1,446	1,461
Current financial assets	10.6	680	205
Current derivative instruments	10.4	88	58
Cash and cash equivalents	10.1	2,247	4,401
Assets held for sale	3.2	546	1
<b>CURRENT ASSETS</b>		<b>7,946</b>	<b>8,996</b>
<b>TOTAL ASSETS</b>		<b>21,190</b>	<b>23,110</b>

Equity and liabilities (in €m)	Notes	31/12/2021	31/12/2020 restated <sup>(1)(2)</sup>
Share capital	8.1.2	574	576
Share premiums		1,914	1,914
Reserves and net income - Group share		3,760	4,049
<b>EQUITY (GROUP SHARE)</b>		<b>6,248</b>	<b>6,538</b>
Non-controlling interests	8.1.6	206	186
<b>TOTAL EQUITY</b>		<b>6,454</b>	<b>6,724</b>
Non-current provisions	9.1	174	215
Non-current borrowings and other financial liabilities	10.7.1	4,357	6,054
Non-current derivative instruments	10.4	29	35
Non-current lease liabilities		1,187	1,387
Deferred tax liabilities	12	162	120
Other non-current liabilities	10.7.2	165	119
<b>NON-CURRENT LIABILITIES</b>		<b>6,075</b>	<b>7,930</b>
Current provisions	9.1	282	482
Current borrowings and other financial liabilities	10.7.1	749	840
Current derivative instruments	10.4	17	37
Current lease liabilities		289	294
Trade payables	10.7.2	4,904	4,676
Current tax liabilities	12	82	52
Other current liabilities	10.7.2	1,951	2,075
Liabilities associated with assets classified as held for sale	3.2	388	
<b>CURRENT LIABILITIES</b>		<b>8,661</b>	<b>8,456</b>
<b>TOTAL LIABILITIES</b>		<b>21,190</b>	<b>23,110</b>

(1) As of January 1st, 2021, the ELO Group reviewed the presentation of its financial statements in order to improve their legibility; the changes made are as follows:

**Assets**

- The rights-of-use assets have been isolated on separate lines on the balance sheet.
- The prepaid expenses and non-current operating receivables have been reclassified from the category other non-current financial assets to the new category other non-current assets.
- The short-term financial instruments that do not meet the definition of cash as well as loans granted to third parties or to associates have been reclassified from the category other current receivables to the new category current financial assets. The category other current receivables is renamed receivables and other debtors.

**Liabilities**

- The lease liabilities have been isolated on separate lines in the balance sheet.
- The debt related to put options granted to non-controlling interests has been reclassified from the category other non-current liabilities to borrowings and other financial liabilities. This reclassification has no impact on the calculation of net financial debt.

(2) In addition, the balance sheet at December 31st, 2020 was adjusted following the decision of the Interpretation Committee published in May 2021 on the allocation of rights. As such, the provision for long-term employee benefits was reduced by €27 million with a corresponding entry to shareholders' equity. This application also generated a reduction in deferred tax assets of €7 million (see note 1.2).



The reconciliation with the balance sheet published on December 31<sup>st</sup>, 2020 is as follows:

Assets (in €m)	December 31 <sup>st</sup> , 2020 published	Reclassification	IAS19 restatement	December 31 <sup>st</sup> , 2020 restated
Goodwill	2 018			2 018
Other intangible assets	170			170
Property, plant and equipment	6 541	(1 343)		5 198
Right-of-use assets		1 343		1 343
Investment property	3 932			3 932
Investments in associates	524			524
Non-current financial assets	479	(39)		439
Non-current derivative instruments	94			94
Deferred tax assets	356			356
Other non-current assets		39		39
<b>Non-current assets</b>	<b>14 114</b>			<b>14 114</b>
Inventories	2 296			2 296
Trade receivables	442			442
Current tax assets	132			132
Trade and other receivables	1 666	(205)		1 461
Current financial assets		205		205
Current derivative instruments	58			58
Cash and cash equivalents	4 401			4 401
Assets held for sale	1			1
<b>Current assets</b>	<b>8 996</b>			<b>8 996</b>
<b>TOTAL ASSETS</b>	<b>23 110</b>			<b>23 110</b>

Equity and liabilities (in €m)	December 31st, 2020 published	Reclassification	IAS19 restatement	December 31st, 2020 restated
Share capital	576			576
Share premiums	1 914			1 914
Reserves and net income - Group share	4 029		20	4 049
<b>Equity (Group share)</b>	<b>6 518</b>		20	<b>6 538</b>
Non-controlling interests	186			186
<b>Total equity</b>	<b>6 704</b>		20	<b>6 724</b>
Non-current provisions	242		(27)	215
Non-current borrowings and other financial liabilities	5 902	152		6 054
Non-current derivative instruments	35			35
Non-current lease liabilities		1 387		1 387
Deferred tax liabilities	113		7	120
Other non-current liabilities	1 658	(1 539)		119
<b>Non-current liabilities</b>	<b>7 949</b>		(20)	<b>7 930</b>
Current provisions	482			482
Current borrowings and other financial liabilities	840			840
Current derivative instruments	37			37
Current lease liabilities		294		294
Trade payables	4 676			4 676
Current tax liabilities	52			52
Other current liabilities	2 368	(293)		2 075
Liabilities associated with assets classified as held for sale	0			0
<b>Current liabilities</b>	<b>8 456</b>			<b>8 456</b>
<b>TOTAL LIABILITIES</b>	<b>23 110</b>			<b>23 110</b>

## 4.1.4 CONSOLIDATED STATEMENT OF CASH FLOWS

(In €m)	Notes	31/12/2021	31/12/2020
<b>Consolidated net income (including non-controlling interests)</b>		<b>358</b>	<b>907</b>
Share of net income of associates		(19)	(19)
Dividends received (non-consolidated investments)		(2)	(2)
Net cost of financial debt and lease interests <sup>(1)</sup>		268	327
Income tax expense (including deferred taxes)		235	198
Net amortisation, depreciation, provisions and impairment expenses (other than on current assets)		1,046	2,127
Expenses and income related to share-based payments without cash consideration		15	1
Capital gains and losses net of tax and goodwill		(189)	(862)
<b>Cash flows from operations before net cost of financial debt, leasing interest and tax</b>		<b>1,713</b>	<b>2,678</b>
Income tax paid		(173)	(264)
Interest paid and lease interest <sup>(1)</sup>		(280)	(380)
Other financial items		12	53
<b>Cash flows from operations after net cost of financial debt and tax</b>		<b>1,272</b>	<b>2,087</b>
Changes in working capital requirement	15	62	289
<b>Net cash from (used in) operating activities</b>		<b>1,334</b>	<b>2,375</b>
Disbursements related to acquisitions of property, plant and equipment, intangible assets and investment property		(814)	(685)
Proceeds from disposals of property, plant and equipment, intangible assets and investment property		432	93
Disbursements related to shares in non-consolidated companies including investments in associates		(14)	(17)
Proceeds from sales of shares in non-consolidated companies including investments in associates			4
Disbursements related to business combinations net of cash acquired		(1)	
Disposals of operations net of cash sold		(63)	2,109
Dividends received (non-consolidated investments)		7	4
Changes in loans and advances granted	15	(45)	(134)
<b>Net cash from (used in) investing activities</b>		<b>(498)</b>	<b>1,375</b>
Purchases and sales of treasury shares		5	(47)
Dividends paid during the financial year	15	(758)	(121)
Acquisitions and disposals of interests without change in control	15	16	(15)
Payment of lease liabilities		(296)	(435)
Changes in net financial debt	15	(1,858)	(2,578)
<b>Net cash from (used in) financing activities</b>		<b>(2,891)</b>	<b>(3,195)</b>
Effect of changes in foreign exchange rates <sup>(2)</sup>		1	140
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>(2,054)</b>	<b>696</b>
Cash and cash equivalents at the beginning of period	15	4,265	3,569
Cash and cash equivalents at the end of period	15	2,211	4,265
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(2,054)</b>	<b>696</b>

(1) Including financial interest under IFRS 16 for €121 million included in other financial expenses as of December 31st, 2021 (vs €187 million as of December 31st, 2020).

(2) Mainly impact of the rouble for -€19 million offset by the zloty for €6 million and the leu for €8 million as of December 31st, 2021.

#### 4.1.5 CONSSOLIDATED STATEMENT OF CHANGES IN EQUITY

(In €m)	Share capital	Share premiums <sup>(1)</sup>	Treasury shares <sup>(2)</sup>	Currency translation reserves, financial instrument revaluation reserves and actuarial gains and losses <sup>(3)</sup>	Reserves and consolidated income	Equity		Total
						Group share	non-controlling interests	
<b>As of January 1<sup>st</sup>, 2020</b>	<b>578</b>	<b>1,914</b>	<b>(136)</b>	<b>(733)</b>	<b>4,683</b>	<b>6,305</b>	<b>3,548</b>	<b>9,853</b>
Adjustment related to IFRIC IAS 19 decision (see note 11.2)					20	20		20
<b>As of January 1<sup>st</sup>, 2020 restated</b>	<b>578</b>	<b>1,914</b>	<b>(136)</b>	<b>(733)</b>	<b>4,703</b>	<b>6,325</b>	<b>3,548</b>	<b>9,873</b>
Net income for the period					678	678	230	908
Total other comprehensive income				(469)		(469)	(67)	(536)
Total comprehensive income for the period				(469)	678	209	162	372
Capital reduction	(2)				(36)	(39)		(39)
Treasury shares			(7)			(7)		(7)
Dividend distributions							(121)	(121)
Changes in consolidation scope					(2)	(2)	(3,405)	(3,407)
Changes in put options granted to non-controlling interests and repurchase commitments					53	53	2	55
Other				125	(126)	(1)		(1)
<b>AS OF DECEMBER 31<sup>ST</sup>, 2020</b>	<b>576</b>	<b>1,914</b>	<b>(143)</b>	<b>(1,077)</b>	<b>5,269</b>	<b>6,538</b>	<b>186</b>	<b>6,724</b>
<b>As of January 1<sup>st</sup>, 2021</b>	<b>576</b>	<b>1,914</b>	<b>(143)</b>	<b>(1,077)</b>	<b>5,269</b>	<b>6,538</b>	<b>186</b>	<b>6,724</b>
Net income for the period					344	344	14	358
Total other comprehensive income				79		79	5	84
Total comprehensive income for the period				79	344	423	19	442
Capital reduction	(2)				(26)	(28)		(28)
Treasury shares			35			35		35
Dividend distributions					(747)	(747)	(11)	(758)
Changes in consolidation scope					(2)	(2)	(31)	(33)
Changes in put options granted to non-controlling interests and repurchase commitments					28	28	43	71
<b>AS OF DECEMBER 31<sup>ST</sup>, 2021</b>	<b>574</b>	<b>1,914</b>	<b>(108)</b>	<b>(998)</b>	<b>4,867</b>	<b>6,248</b>	<b>206</b>	<b>6,454</b>

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

(2) See note 8.1.3.

(3) See note 8.1.5.

## 4.2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## NOTE 1 BASIS FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

ELO's consolidated financial statements were approved by the Board of directors on February 23<sup>rd</sup>, 2022. They will not be finalised until they have been approved by the Ordinary General Meeting of Shareholders scheduled for May 18<sup>th</sup>, 2022.

The consolidated financial statements are presented in euros and are rounded up or down to the nearest million.

### 1.1 DECLARATION OF CONFORMITY

ELO's consolidated financial statements have been prepared in compliance with international accounting standards, comprising the International Accounting Standards (IAS) and the International Financial Reporting Standards (IFRS), and the interpretations thereof issued by the International Accounting Standards Board (IASB) and by the International Financial Reporting Standards Interpretations Committee (IFRIC), as approved by the European Union as of December 31<sup>st</sup>, 2021.

### 1.2 STANDARDS APPLIED

The accounting policies applied by ELO and its subsidiaries for the consolidated financial statements as of December 31<sup>st</sup>, 2021 are identical to those used for the consolidated financial statements as of December 31<sup>st</sup>, 2020 with the exception of the changes in standards, amendments and interpretations with mandatory application as of January 1<sup>st</sup>, 2021. The main texts are as follows:

#### Interest Rate Benchmark Reform, phase 2 (amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

As of January 1<sup>st</sup>, 2021, the Group applies the amendments to IFRS 9, IAS 39, IFRS 4 and IFRS 7 in connection with "Phase 2" of the benchmark interest rate reform.

The Group has identified the contracts affected by the reform and is in the process of negotiating with its counterparties in order to contractually integrate these index changes. As of December 31<sup>st</sup>, 2021, the exposition of the Group relating to financial instruments indexed on indexes that will disappear, and to which the maturity date is after the application date of the amendment is low, and no significant impact on the consolidated accounts of the Group have been anticipated related to the application of this amendment.

#### Amendments to IFRS 16 "Rent Reductions Related to Covid-19" beyond June 30th, 2021

These amendments extend by one year the period of application of the amendment "Rent reductions related to Covid-19" published in May 2020 and thus make it possible to apply the simplification measures to rent reductions relating to payments due until June 30<sup>th</sup>, 2022 (up to June 30<sup>th</sup>, 2021 previously). The reductions recognised in recurring operating income have no material impact on the Group's consolidated financial statements as of December 31<sup>st</sup>, 2021.

#### Decisions concerning the recognition by the customer of the costs of configuration or customisation of an application software in Software as a Service (SaaS) mode.

These decisions specify that the costs of configuring and customising software made available in SaaS mode may only be recognised as an intangible asset if one of the following two criteria is met:

- the customer obtains control of the asset resulting from the configuration or customisation of the software and the control criteria of IAS 38 are met;
- the customer obtains the right to direct the use of the software for the duration of the contract and the criteria of IFRS 16 are met.

The Group carried out an inventory of these costs in the second half of the financial year. Given the limited impact on the financial statements, no restatement was made to the opening balance sheet.

#### IFRIC decisions regarding the allocation of post-employment benefits to periods of service

These decisions specify the recognition of the cost of services in the event that:

- the granting of rights is conditional on the employee's presence in the company at the time of retirement;
- the entitlements depend on length of service, but are capped at a number of consecutive years of service, with the cap occurring well before retirement.

In these circumstances, the cost of the services is recognised only over the last years of the employee's career which confer the rights at the time of retirement.

These decisions have led the Group to review the methods for spreading the cost of the benefit over the period of service, thus leading to a change in the amount of the obligations related to retirement benefits in France; as a result, a decrease of €27 million in the commitment (before the effect of deferred taxes) was recorded on January 1<sup>st</sup>, 2020 against shareholders' equity. The income statement for the year 2020 has not been restated, as the impacts are not material.

#### Amendments and standards adopted by the European Union, not early applied

The Group has not early adopted the following new standards or amendments that will become applicable:

- As of January 1<sup>st</sup>, 2022: amendments to IFRS 3 - Business Combinations; IAS 16 - Property, plant and equipment; IAS 37 - Provisions, Contingent Liabilities and Contingent Assets and Annual Improvements 2018-2020.

### 1.3 USE OF JUDGMENTS AND ESTIMATES

The preparation of the 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 ELO's accounting policies:

- the period over which non-current assets are depreciated (see note 6.3);
- the terms of leases falling within the scope of IFRS 16 (see note 6.4);
- the measurement of provisions and amounts due from suppliers (see note 9);
- the measurement of retirement benefit obligations (see note 11.2);
- the assumptions used to calculate the recoverable amounts in the context of impairment tests on property, plant and equipment, intangible assets and goodwill (see note 6.6);
- the measurement of the total deferred tax assets (including those relating to tax losses carried forward) (see note 12.1);
- the fair value measurement of the identifiable assets and liabilities in the context of business combinations (see note 1.5);
- the information on the fair value of the investment properties provided in the notes to the financial statements (see note 6.5).
- climate risks: the risks resulting from climate change are considered to have moderate consequences on the Group's activities. These various risks and the short-term projects initiated by the Group in this regard have been included in the strategic plans and are described in note 6.5 and 6.6. In addition, in view of the absence of risk, no provision for risks and charges has been made at December 31st, 2021. The Group believes that the long-term consequences of climate change are not measurable.

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.

### 1.4 CONSOLIDATION SCOPE AND METHODS

The financial statements of companies directly or indirectly controlled by ELO are consolidated using the full consolidation method. Control is considered to exist when ELO 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 ELO directly, indirectly or jointly exercises significant influence on management and financial policies, without exercising control, are accounted for using the equity method. ELO's share of the net income of associates is recognised in the income statement under the heading "Share of net income of associates". The share of other comprehensive income from associates is recorded on a separate line in the consolidated statement of comprehensive income. If ELO's share of the losses of an associate is equal to or exceeds its shareholding, in its consolidated financial statements, ELO 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 ended December 31<sup>st</sup> for all the entities included in the consolidation scope. The consolidated financial statements include the financial statements of the acquired companies from the date on which control is transferred to ELO and those of the companies sold up to the date of loss of control.

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

### 1.5 BUSINESS COMBINATIONS

In the context of a business combination defined by IFRS 3 - Business Combinations, all identifiable elements of the assets acquired, liabilities and contingent liabilities assumed are measured and recognised at 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 ELO's share of the fair value of the identifiable assets, liabilities and contingent liabilities of the acquired entity are recognised as an asset under goodwill on the balance sheet. At the date of acquisition of control and for each business combination, ELO can opt to record either partial goodwill (corresponding to the share acquired by ELO 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 ELO records goodwill on the totality of the identifiable assets and liabilities in its consolidated financial statements.

The 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 ELO and its subsidiaries is re-measured at its 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 ELO is re-measured at its fair value as a counter-entry in the income statement.



The 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, ELO has a period of twelve months 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.

Earn-outs are included in the acquisition cost at their fair value 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 at the date control was acquired or during the assessment period are subsequently recognised in the income statement without any goodwill adjustment.

## 1.6 FOREIGN CURRENCY TRANSACTIONS

The functional currency of ELO and the presentation currency of the consolidated financial statements is the euro.

### Translation of the financial statements of foreign subsidiaries

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

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

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

The 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 closing rates. Any resulting currency translation differences are recognised under "Translation differences resulting from the conversion of activities abroad" in the consolidated statement of comprehensive income.

### Recognition of foreign currency transactions

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

The monetary assets and liabilities denominated in a foreign currency, whether hedged or not, are translated into euros at the exchange rate at year-end and the resulting exchange differences are recognised in net income for the period.

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

The 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.

## 1.7 PRESENTATION OF FINANCIAL INFORMATION

The amounts shown in the consolidated financial statements are rounded up or down to the nearest 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

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

ELO's statement of cash flows is prepared in compliance 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, treasury share buybacks, dividend payments).

## NOTE 2 SIGNIFICANT EVENTS

### 2.1 ORGANISATION

#### Change of corporate name of Auchan Holding

By decision of the General Meeting of Shareholders of March 11<sup>th</sup>, 2021, Auchan Holding changed its corporate name and is now called ELO, with all other legal characteristics of the company remaining unchanged.

This new name is part of the new governance aimed at giving more autonomy to the different scopes (countries, entities). In particular, it makes it possible to reserve the name "Auchan" for the direct link with the consumer of the Retail activity.

#### Adapting the retail business organisations

In January 2021, Auchan Retail accelerated the decentralisation movement of its organisation allowing the emergence of corporate projects by country. Each country of Auchan Retail is coordinated by a General Manager and organised around a two-person Chairman/Vice-Chairman team, along with a Board to support the General Manager.

#### Appointment of Yves Claude as Chairman and General Manager of Auchan Retail

Following the governance announcements made at the beginning of 2021, Yves Claude was appointed Chairman and General Manager of Auchan Retail on November 18<sup>th</sup>, 2021. The movement of decentralisation towards countries allowing greater responsibility and autonomy of all Auchan employees initiated in January 2021 (support of the General Manager of each country by a two-person Chairman/Vice-Chairman team) is reaffirmed. With the appointment of Yves Claude, this movement strengthens its agility, coordination and ability to make rapid decisions. Yves Claude succeeds Edgard Bonte, who has enabled Auchan Retail to return to a positive economic trajectory.

#### Appointment of Jean-Baptiste Emin as Deputy General Manager of ELO

On November 24<sup>th</sup>, 2021, the ELO group announced the appointment of Jean-Baptiste Emin as Deputy General Manager of ELO. Alongside Edgard Bonte, General Manager, Jean-Baptiste Emin contributes to the definition, dissemination and implementation of ELO's strategy, validated by its Board of Directors, with particular attention to financial and compliance matters. To this end, he relies on the specialised teams of the business lines that provide the expertise and services necessary for his missions.

#### Evolution of the property management business

In January 2021, the Ceetrus property management activity changed its name and structure to strengthen its position as a mixed use property developer. Ceetrus SA became New Immo Holding SA. The property activities are managed by Ceetrus and the mixed property service activities by Nhood. Through its mission to animate, regenerate and transform sites into new living zones, for better living together, Nhood is committed in a responsible manner and expresses its ambition to create useful and sustainable value for the market, for and with the inhabitants of the planet.

Nhood is opening up to new property services business lines and is giving itself the opportunity to act in the service of a

wider range of new clients. This creation marks the first milestone to make the new company an innovative leader in real estate and urban regeneration with a positive impact, for its existing sites and for new internal and external customers.

New Immo Holding SA and the companies included in the consolidation scope managed assets in 10 countries as of December 31<sup>st</sup>, 2021.

New Immo Holding SA is 100% controlled by ELO.

### 2.2 CAPITAL AND FINANCING

#### ELO Capital reduction

On March 3<sup>rd</sup>, 2021, the Board of directors of ELO authorised a capital reduction carried out on the same day. 363 shares with a nominal value of €20 were cancelled.

The Board of directors of ELO, on July 10<sup>th</sup>, 2021, authorised a capital reduction by cancellation of 86,536 treasury shares with a nominal value of €20, not allocated in the year of their buyback.

The Board of directors of ELO, on October 4<sup>th</sup>, 2021, authorised a capital reduction by cancelling 3,206 treasury shares with a nominal value of €20, not allocated in the year of their buyback.

#### Dividend distribution

On July 20<sup>th</sup>, 2021, the Board of directors of ELO decided to propose to the Ordinary General Meeting of Shareholders held on August 24<sup>th</sup>, 2021, the distribution of a dividend of €748 million, corresponding to €26.12 per share. This exceptional dividend is part of a twofold context. On the one hand that of the renunciation by ELO shareholders in 2019, 2020 and 2021 of the ordinary dividend, and on the other hand that of the disposals of Oney Bank and Auchan Retail's activities in China recorded in 2019 and 2020.

#### Financing transactions

Over the period from April 20<sup>th</sup> to June 10<sup>th</sup>, 2021, ELO carried out bond buybacks for a total amount of €200 million: €1 million of the January 2024 line, €14 million of the April 2025 line, €151 million of the January 2026 line and €34 million of the July 2027 line. The costs related to these early buybacks amounted to €24 million and the future interest savings amounted to €29 million.

On July 12<sup>th</sup>, 2021, ELO partially repaid €242 million of its Schuldschein loan out of an initial outstanding of €292 million.

In September 2021, ELO set up a new €1 billion structural loan in favour of New Immo Holding. This enabled New Immo Holding to repay its club deal of €500 million and its term loan of €80 million.

In October 2021, ELO signed its first sustainability-linked loan for an amount of €800 million maturing on October 22<sup>nd</sup>, 2026 (with an option to extend twice by one year), replacing the syndicated credit line maturing on July 1<sup>st</sup>, 2022. This financing includes a credit margin adjustment mechanism (upward or downward) depending on the achievement of objectives relating to the criteria for reducing energy consumption in its stores, the acceleration of the proposal of electricity produced from renewable energy sources in the global electricity mix and the development of responsible agricultural production chains.

## 2.3 ACTIVITIES

### Impacts of the Covid-19 pandemic

#### Property management activity

The Covid-19 health crisis continued in 2021. The governments of the various European countries have continued to take restrictive measures to contain the spread of the coronavirus (Covid-19). Since January 1st, 2021, the average store closure duration is two months. All of our countries have been impacted by these various restrictive measures, such as the closure of non-essential businesses. In a spirit of solidarity and support for tenants, as in 2020, New Immo Holding continued to take various measures:

- rent reductions following the extension of government measures in Poland;
- invoice variable rents based only on the revenue of the previous year following government decisions for the year 2021 in Portugal;
- grant reductions in rents and/or charges in other countries;
- in France, credits on rents were granted for brands meeting the criteria defined in the 2021 Finance Act.

The rent reductions granted by the Group in the 2021 financial year amounted to €39 million.

#### Retail activity

Auchan Retail's activity continued to be particularly impacted in 2021 by the government measures taken in almost all of its countries to combat the spread of Covid-19. While the stores remained open, the activity was disrupted by restrictions on access to shopping malls (closures, implementation of sanitary passes) or in its stores (closure of so-called "non-essential" departments or introduction of gauges). Western European countries were particularly impacted in the first quarter, while the epidemic surge in the second half of the year particularly affected Eastern European countries. However, the Group saw a strong recovery in gasoline sales over the financial year, an increase of 28% (up by €716 million) compared to 2020.

In this context, Auchan Retail continues and will continue as long as necessary all the actions undertaken in 2020 to ensure the safety of customers and employees on all its sites (stores, warehouses, head office, etc.).

The economic impacts on both revenue and operating expenses, which cannot be isolated directly, have not been quantified and isolated in the 2021 financial statements.

#### Temporary closure of the Auchan Retail sites in Senegal

In the context of the riots that took place between March 3rd and 7th, 2021, all stores in Senegal were closed between March 4th and 9th, 2021. 18 stores were partially or completely ransacked. The stores were gradually reopened from March 11th, 2021. The losses incurred were partially covered by the Group's insurance policies.

#### End of the Gare du Nord activities

On September 21st, 2021, SNCF Gares & Connexions announced the termination of the concession contract which led to the voluntary liquidation of its associate, Gare du Nord 2024 (which carried the Gare du Nord transformation project). New Immo Holding has a receivable on Gare du Nord 2024 of

€169 million, and which represents the maximum risk exposure supported by the Group. On the basis of procedures initiated at the end of 2021 and early 2022, the Group has set aside a provision that corresponds to its best estimate of the risk.

In addition, the company has given guarantees to SNCF Gares & Connexions concerning the works of the Gare du Nord 2024 project. These guarantees are included in off-balance sheet commitments. (see note 13.2.2)

## 2.4 ASSET DISPOSALS AND DISCONTINUED OPERATIONS

### Disposals of logistics warehouses

On July 16th, 2021, as part of the optimisation of its asset management, Auchan Retail France, through its subsidiary, Auchan Retail Logistique, sold 11 logistics warehouses via a sale-leaseback transaction. The transaction as a whole generated net income of €166 million, which was recognised in "Non-recurring income and expenses" in the income statement.

### Exclusive negotiations to accelerate the development of Auchan Retail and New Immo Holding in Hungary

On September 1<sup>st</sup>, 2021, ELO announced that it was entering into exclusive negotiations with Indotek Group with a view to an alliance with ELO's Hungarian subsidiaries (Auchan Hungary and New Immo Holding Hungary). The ambition of this alliance in Hungary is to accelerate the development of Auchan and New Immo Holding in Hungary, which could benefit from synergies between the companies thanks to Indotek's knowledge and expertise in the Hungarian retail market. There has already been a close business relationship between the companies for years, with some Auchan stores located in shopping centres belonging to the Indotek Group. This relationship is independent of this alliance project.

This alliance could be accompanied by the minority entry of Indotek into the capital of the Hungarian subsidiaries of ELO (Auchan Hungary and New Immo Holding Hungary). The completion of the proposed transaction would be subject to the approval of the Hungarian competition authority.

### Disposal of the activities in Taiwan

On October 22<sup>nd</sup>, 2021, Auchan Retail signed an agreement to sell to the Taiwanese group PX-Mart its stake (64.83%) in RT-Mart, its distribution activity in Taiwan. This transaction, which will generate a disposal gain, is accompanied by the simultaneous sale by the Ruentex group of its own stake in RT-Mart. At the end of the negotiations, RT-Mart will be 95.97% owned by the PX-Mart group. In accordance with IFRS 5, the income statement for 2020 and 2021, as well as the balance sheet for 2021, are reclassified on a separate line (see note 3.2)

Conducted as part of the plan to sell non-strategic assets announced last March, this sale confirms the Group's geographical refocusing, initiated after the withdrawal from Mainland China in October 2020. Completion of the proposed transaction will be subject to approval by the Taiwanese competition authority and the transaction is expected to close in 2022.

## NOTE 3 CONSOLIDATION SCOPE

### 3.1 GENERAL DESCRIPTION OF THE CONSOLIDATION SCOPE

ELO SA, the holding company of the consolidated entities, is a French company whose registered office is located at 40 avenue de Flandre, Croix, France.

ELO SA is present in 12 countries and employs 153,005 people through the companies included in the consolidation scope.

As of December 31<sup>st</sup>, 2021, ELO and its subsidiaries include two business lines:

- Auchan Retail, a food and non-food retailer that consolidates through global 482 hypermarkets, 491 supermarkets, 537 convenience stores and 274 integrated digital points of sale as well as e-commerce and drive-through activities (Chronodrive and Auchan Drive);
- New Immo Holding and its subsidiaries providing property management services (390 sites, mainly shopping centres with shopping malls and retail parks);

In addition, ELO SA holds a stake of 49.9% in Oney Bank, a specialist in payment, financing and digital identification solutions. Oney Bank is accounted for using the equity method in ELO's consolidated financial statements (see note 3.3).

#### Changes in the store network and real estate assets

##### New Immo Holding - Changes in real estate assets

New Immo Holding's real estate assets increased by 93 sites compared to 2020. This change is due to the signing of new mandates (+92 in Russia, +11 in France) and the decrease in activity in Italy (-11 mandates).

##### Auchan Retail – Changes in the store network

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

- in Western Europe, the number of points of sale increased by 76 units (of which, on a net basis, +67 in France including 71 Auchan Piéton (pick-up points), +7 in Spain and +2 in Portugal);
- in Central and Eastern Europe, the number of points of sale decreased by 10 units (including, net, -24 in Russia, +1 in Romania and +13 in Ukraine);
- in Asia and Africa, the store network increased by 3 units in Senegal.

#### Changes in the consolidation scope

In December 2021, Ceetrus Italy sold 0.24% of Gallerie Commerciali Sardegna leading to a change in the method of consolidation of the entity (transition from full consolidation to equity accounting). The revaluation of the retained share

generated revenue of €31 million, which was recorded in non-recurring income and expenses. The purpose of this restructuring is to bring together partners within the same structure in order to carry out several non-strategic projects for Nhood, with the objective of future disposals.

### 3.2 DISCONTINUED OPERATIONS, OPERATIONS BEING SOLD AND ASSETS HELD FOR SALE

#### 3.2.1 Activities sold in 2020

On July 31<sup>st</sup>, 2020, Auchan Retail sold IDS International Drugstore Italia SRL "IDS" to the Italian company DMO.

On October 18<sup>th</sup>, 2020, Auchan Retail and its subsidiary Monicole sold their stake in A-RT Retail Holdings Limited (hereafter "A-RT", parent company of Sun Art Retail Group, a group listed in Hong Kong) to Alibaba.

In accordance with the criteria determined by IFRS 5, the contributions of IDS and A-RT and its subsidiaries have been classified in the income statement under the heading "Net income from discontinued operations or assets held for sale" in the consolidated financial statements drawn up as of December 31<sup>st</sup>, 2020.

The impacts of IDS and A-RT and its subsidiaries therefore include the contributions of these entities to ELO's consolidated income statement up to the date of their disposal.

The capital gains and losses on the disposal of shares in these entities are recognised on the same line of the income statement.

#### 3.2.2 Retail activities in Taiwan

On October 22<sup>nd</sup>, 2021, Auchan Retail signed an agreement to sell to the Taiwanese group PX-Mart its stake (64.83%) in RT-Mart, its distribution activity in Taiwan. This transaction, which will generate a gain on disposal, is accompanied by the simultaneous sale by the Ruentex group of its own stake in RT-Mart. At the end of the negotiations, RT-Mart will be 95.97% owned by the PX-Mart group.

In accordance with the criteria determined by IFRS 5, the contributions of IDS and A-RT and its subsidiaries have been classified in the income statement under the heading "Net income from discontinued operations or assets held for sale" in the consolidated financial statements drawn up as of December 31<sup>st</sup>, 2020 and December 31<sup>st</sup>, 2021. The assets and liabilities of RT-Mart and its subsidiaries have been classified in the headings "Assets held for sale" and "Liabilities associated with assets classified as held for sale" in the consolidated balance sheet of ELO as of December 31<sup>st</sup>, 2021.

### 3.2.3 Impacts on the financial statements

#### Breakdown of net income in the financial statements of activities, sold or held for sale

(In €m)	31/12/2021	31/12/2020
Revenue	779	10,429
Gross margin	192	2,687
<b>RECURRING OPERATING INCOME</b>	<b>46</b>	<b>488</b>
Non-recurring income and expenses	(15)	1,040
<b>OPERATING INCOME</b>	<b>31</b>	<b>1,427</b>
Net cost of financial debt		46
Other financial income and expenses	(25)	(74)
<b>INCOME BEFORE TAX</b>	<b>7</b>	<b>1,498</b>
Income tax expense	(2)	(157)
<b>NET INCOME</b>	<b>5</b>	<b>1,342</b>
<b>EBITDA</b>	<b>82</b>	<b>979</b>

Where appropriate, the results of the disposal of the various activities are shown in the line "Non-recurring income and expenses" of the income statement presented above.

As of December 31<sup>st</sup>, 2021, the figures mainly correspond to the Retail activity in Taiwan (see Significant events 2.4).

As of December 31<sup>st</sup>, 2020, the figures correspond to the Retail activities in China, sold in 2020, and to the Retail activities in Taiwan classified as such since the 2021 financial year.

#### Details of assets and liabilities held for sale

(In €m)	31/12/2021	31/12/2020
<b>NON-CURRENT ASSETS</b>	<b>402</b>	
<i>of which property, plant and equipment</i>	88	
<i>of which investment property</i>	26	
<b>CURRENT ASSETS</b>	<b>145</b>	<b>1</b>
<i>of which inventories</i>	71	
<b>TOTAL ASSETS</b>	<b>546</b>	<b>1</b>
<b>NON-CURRENT LIABILITIES</b>	<b>124</b>	
<i>of which borrowings and lease liabilities</i>	121	
Current liabilities	264	
<i>of which trade payables</i>	159	
<b>TOTAL LIABILITIES</b>	<b>388</b>	<b>-</b>

#### Breakdown of cash flows in the cash flow statement

	2021	2020
Net cash from (used in) operating activities	62	1,311
Net cash from (used in) investing activities	(73)	(143)
Net cash from (used in) financing activities	(62)	(1,871)
Effect of changes in foreign exchange rates	9	(20)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(64)</b>	<b>(722)</b>



### 3.3 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

The line "Investments in associates" presented in the balance sheet includes in particular the 49.9% holding in Oney Bank (Oney Bank specialises in payment, financing and digital identification solutions) for €276 million of which €18 million of

net income, and the investments of New Immo Holding in companies that own real estate assets in France and Europe (€358 million against €236 million as of December 31<sup>st</sup>, 2020). Details of investments are provided in note 7.

## NOTE 4 OPERATING DATA

### 4.1 REVENUE/GROSS MARGIN

#### Accounting principles

Revenue includes *Sales before tax* and *Other revenue*.

*Sales* includes sales of goods and services by the stores and gas stations, e-commerce websites, revenue from franchise activities and rental revenues from the property management activity.

*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 compensation 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 income. 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 main 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 these sales is recognised at the moment when 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 goods are received by the customer for e-commerce sales;
- provision of services, such as franchise fees, logistics services, property income (rental income, rental management fees): in this case, the Group has only one performance obligation, namely delivery of the service. Revenue from these 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 they 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.

The *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.

The 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.

The rebates are obtained when the associated performance conditions are met. These performance conditions generally require the Group to comply with certain volume thresholds. Discounts under commercial cooperation agreements are recognised during their period of realisation. 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 the *Revenue* and the *Cost of sales*.

(In €m)	31/12/2021	31/12/2020
Sales	30,860	31,125
Other revenue	228	226
<b>Revenue</b>	<b>31,088</b>	<b>31,351</b>
Purchases net of rebates, commercial cooperation services and ancillary and logistics costs	23,559	23,482
Change in inventories (net of impairment)	(93)	176
<b>Cost of sales</b>	<b>23,466</b>	<b>23,658</b>
<b>Gross margin</b>	<b>7,622</b>	<b>7,693</b>

## 4.2 EBITDA

### Accounting principles

The *EBITDA* corresponds to the *Recurring operating income*, excluding *Other recurring income and expenses* and excluding *Depreciation and Amortisation and Provisions and impairment* (including those recognised under payroll expenses and other external expenses).

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

Other operating income and expenses mainly include disposals of assets for which amounts are not individually significant.

(In €m)	31/12/2021	31/12/2020
Recurring operating income	736	667
• Other recurring income and expenses <sup>(1)</sup>	(77)	6
• Depreciation and amortisation	1,006	1,065
• Provisions and impairment <sup>(2)</sup>	115	118
• Provisions recognised under employee expenses and external expenses <sup>(3)</sup>	(54)	(73)
• Depreciation and amortisation included in logistics costs deducted from gross margin	91	92
<b>EBITDA</b>	<b>1,817</b>	<b>1,875</b>

(1) Mainly capital gains on various asset disposals, including -€33 million related to the Retail activity and -€39 million related to the New Immo Holding activity.

(2) Excluding provisions for inventories recognised in gross margin.

(3) Mainly provisions for employee benefits and other expenses.



### 4.3 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 - Autorité des normes comptables).

This item includes in particular impairment recognised on goodwill, significant 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.

(In €m)	31/12/2021	31/12/2020
<b>NON-RECURRING INCOME</b>	<b>197</b>	
<b>Net income from asset disposal</b>	<b>166</b>	
• of which Retail France: disposal of warehouses	166	
<b>Other</b>	<b>31</b>	
• of which New Immo Italy: deconsolidation of GCS	31	
<b>NON-RECURRING EXPENSES</b>	<b>11</b>	<b>(694)</b>
<b>Net impairment of assets</b>	<b>8</b>	<b>(416)</b>
• of which goodwill impairment (Retail Russia)		(341)
• of which impairment of other property, plant and equipment and intangible assets <sup>(1)</sup>	8	(75)
<b>Reorganisation costs – Auchan Retail</b>	<b>65</b>	<b>(222)</b>
<b>Other</b>	<b>(62)</b>	<b>(55)</b>
• of which Retail France: TASCOT	(15)	
• of which Retail: various disputes	(23)	
• of which Covid-19: employee bonus <sup>(2)</sup>		(43)
• of which miscellaneous	(24)	(12)
<b>TOTAL NON-RECURRING INCOME AND EXPENSES</b>	<b>207</b>	<b>(694)</b>

(1) Including €10 million on investment properties (compared to €25 million in 2020). A (-) indicates an allocation, a (+) a reversal.

(2) The employee expenses related to Covid-19 in 2020 include the elements of exceptional compensation (bonuses) granted to certain employees for their work at the height of the pandemic (€64 million), offset by the State aid granted in Poland (€20 million).

### 4.4 INVENTORIES

#### Accounting principles

Inventories are measured at the lower of cost and net realisable value. Their cost is net of end-of-year 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") used for rapidly moving inventories, 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.

(In €m)	31/12/2021	31/12/2020
Gross carrying amount <sup>(1)</sup>	2,441	2,373
Impairment <sup>(2)</sup>	(79)	(78)
<b>NET CARRYING AMOUNT</b>	<b>2,362</b>	<b>2,296</b>

(1) Gross inventories increased by €68 million. This change breaks down into an increase of €140 million (mainly in France and Poland, as well as a foreign exchange impact in Russia) and a decrease of €72 million related to the reclassification of inventories from Retail in Taiwan to assets held for sale (IFRS 5).

(2) Including an allocation of €1 million (compared to €5 million in 2020) and no impact from changes in scope of consolidation or translation differences (€33 million in 2020).

No inventory has been pledged to secure liabilities. Allocations and reversals are included in the cost of sales.

## NOTE 5 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 ELO and its subsidiaries and those of the various segments it includes. The segments presented are operating segments or groups of similar operating segments.

An operating segment is a component of the consolidation scope that engages in activities from which it is likely to generate revenue or incur expenses, including revenue and expenses related to transactions with other components (determined under conditions of normal competition). For each operating segment, separate financial information is available internally.

In light of these criteria, the Group has defined its operating segments as distinct business lines, which are themselves groupings of distinct geographies.

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

The segment assets include goodwill, other intangible assets and property, plant and equipment, right-of-use assets, investment properties, investments in associates, inventories, trade receivables, receivables and other debtors as well as current financial assets.

The segment liabilities comprise provisions, trade payables and other current liabilities.

The segment investments correspond to acquisitions of property, plant and equipment and intangible assets, including goodwill and right-of-use assets, but excluding cash flow mismatches.

### 5.1 SEGMENT INFORMATION BY BUSINESS ACTIVITY

Segment revenue and income as of December 31 <sup>st</sup> (in €m)	Auchan Retail <sup>(4)</sup>		New Immo Holding		Holdings & Eliminations		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
External revenue	30,544	30,861	543	490			31,088	31,351
Internal revenue	9	4	1	4	(10)	(8)		
<b>REVENUE</b>	<b>30,553</b>	<b>30,865</b>	<b>545</b>	<b>494</b>	<b>(10)</b>	<b>(8)</b>	<b>31,088</b>	<b>31,351</b>
Depreciation and amortisation	(762)	(821)	(244)	(243)			(1,006)	(1,065)
Impairment losses, net of reversals <sup>(1)</sup>	2	(324)	10	(53)			12	(377)
Other recurring income and expenses without cash consideration <sup>(1) (2)</sup>	(20)	(307)	(32)	(34)			(52)	(340)
<b>Recurring operating income</b>	<b>639</b>	<b>627</b>	<b>106</b>	<b>48</b>	<b>(10)</b>	<b>(8)</b>	<b>736</b>	<b>667</b>
Share of associates			1	(2)	18	20	19	19
<b>Investments (gross)<sup>(3)</sup></b>	<b>893</b>	<b>831</b>	<b>291</b>	<b>197</b>			<b>1,184</b>	<b>1,029</b>

(1) A (-) figure is an expense, a (+) is income.

(2) Significant expenses: provisions and/or reversals of provisions and impairments other than impairment losses on fixed assets (mainly impairment of current assets and provisions for risks and charges).

(3) Including the rights-of-use (IFRS 16).

(4) In 2020 the Auchan Retail sector did not include the activities in China, and in 2021 and 2020 it did not include the activities of Retail Taiwan, reclassified "Net income from non-current assets held for sale and discontinued operations" (IFRS 5).

Segment assets and liabilities as of December 31 <sup>st</sup> (in € million)	Auchan Retail		New Immo Holding		Holdings & Eliminations		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
<b>Segment assets</b>	<b>12,021</b>	<b>12,407</b>	<b>4,629</b>	<b>4,800</b>	<b>790</b>	<b>380</b>	<b>17,440</b>	<b>17,588</b>
<b>Segment liabilities</b>	<b>8,251</b>	<b>8,550</b>	<b>518</b>	<b>556</b>	<b>16</b>	<b>22</b>	<b>8,786</b>	<b>9,129</b>

## 5.2 SEGMENT INFORMATION BY GEOGRAPHICAL AREA

	France		Western Europe excluding France		Central and Eastern Europe		Rest of the world - Asia and Africa		Total	
As of December 31 <sup>st</sup> (in €m)	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Revenue	16,502	16,911	5,857	5,877	8,572	8,417	157	147	31,088	31,351
Non-current segment assets excluding tax and financial assets	5,210	5,343	3,258	3,574	3,308	3,379	76	364	11,851	12,661

## 5.3 SEGMENT BALANCE SHEETS

The total segment assets are reconciled to the total assets of ELO and its subsidiaries as follows:

(In €m)	31/12/2021	31/12/2020
Goodwill	1,927	2,018
Other intangible assets	165	170
Property, plant and equipment	5,112	5,198
Right-of-use assets	1,123	1,343
Investment property	3,524	3,932
<b>Non-current segment assets excluding tax and financial assets</b>	<b>11,851</b>	<b>12,661</b>
Investments in associates	663	524
Inventories	2,362	2,296
Trade receivables	437	442
Trade and other receivables	1,447	1,461
Current financial assets	680	205
<b>Segment assets</b>	<b>17,440</b>	<b>17,588</b>
Non-current financial assets	294	439
Other non-current assets	53	39
Non-current derivative instruments	56	94
Deferred tax assets	328	356
Current tax assets	140	132
Current derivative instruments	88	58
Cash and cash equivalents	2,247	4,401
Assets held for sale	546	1
<b>TOTAL ASSETS</b>	<b>21,190</b>	<b>23,110</b>

Total segment liabilities are reconciled in the total liabilities of ELO and its subsidiaries as follows:

(In €m)	31/12/2021	31/12/2020
Non-current provisions	174	215
Current provisions	282	482
Trade payables	4,904	4,676
Other current liabilities	1,951	2,075
Non-current lease liabilities	1,187	1,387
Current lease liabilities	289	294
<b>Segment liabilities</b>	<b>8,786</b>	<b>9,129</b>
Equity	6,454	6,724
Non-current borrowings and other financial liabilities	4,357	6,054
Non-current derivative instruments	29	35
Other non-current liabilities	165	119
Deferred tax liabilities	162	120
Current borrowings and other financial liabilities	749	840
Current derivative instruments	17	37
Current tax liabilities	82	52
Liabilities associated with assets classified as held for sale	388	
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>21,190</b>	<b>23,110</b>

## NOTE 6 INTANGIBLE AND TANGIBLE ASSETS

### 6.1 GOODWILL

#### Accounting principles

The accounting principles for goodwill are described in note 1.5.

Goodwill 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.

Impairment losses are recognised in the income statement under "Non-recurring income and expenses".

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

	2021	2020
<b>Goodwill value as of January 1<sup>st</sup></b>	<b>2,018</b>	<b>3,021</b>
Other acquisitions	1	
Disposals		(4)
Changes in consolidation scope <sup>(1)</sup>		(558)
Impairment loss <sup>(2)</sup>		(344)
Other movements and transfers	(4)	(2)
Translation differences <sup>(3)</sup>	10	(96)
Non-current assets held for sale and discontinued operations <sup>(4)</sup>	(98)	
<b>GOODWILL VALUE AS OF DECEMBER 31<sup>ST</sup></b>	<b>1,927</b>	<b>2,018</b>

(1) Changes in scope consist of the disposal of the goodwill of Auchan Retail in China in 2020.

(2) In 2020, the impairment losses were mainly related to the impairment of the goodwill of Auchan Retail in Russia for €341 million.

(3) In 2020, translation differences mainly in Russian rouble for -€62 million, in Polish zloty for -€18 million and in Ukrainian hryvnia for -€9 million.

(4) Non-current assets held for sale consist of the goodwill of Auchan Retail in Taiwan in 2021.

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

The goodwill by country/business line was as follows:

(In €m)	31/12/2021	31/12/2020
Retail France	1,143	1,146
Retail Spain	156	156
Retail Portugal	178	178
Retail Poland	257	259
Retail Taiwan <sup>(1)</sup>		89
Retail - Other	113	109
New Immo Holding France	13	13
New Immo Holding Italy	18	19
New Immo Holding Portugal	43	43
New Immo Holding - Other	3	3
Other	3	4
<b>TOTAL</b>	<b>1,927</b>	<b>2,018</b>

(1) The goodwill of Auchan Retail in Taiwan was reclassified as "Non-current assets held for sale and discontinued operations" in 2021.

## 6.2 OTHER INTANGIBLE ASSETS

### Accounting principles

Other intangible assets mainly include software applications acquired or developed internally, and acquired leasehold rights and brands. The 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 amortised 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 net carrying amount, an impairment loss is recognised (see note 6.6).

Other intangible assets with a defined useful life are amortised 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 by IAS 38 are capitalised and amortised over a useful life of three years. As an exception, ERP software is amortised over five 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

(In €m)	Licences, brands and leaseholds rights	Internal IT development costs	Total
<b>GROSS CARRYING AMOUNT AS OF JANUARY 1<sup>ST</sup>, 2020</b>	<b>1,192</b>	<b>402</b>	<b>1,594</b>
Acquisitions and internal developments	23	42	65
Assets sold or scrapped	(39)	(4)	(43)
Changes in consolidation scope <sup>(1)</sup>	(890)		(890)
Translation differences	(11)	(2)	(13)
Other movements and transfers	6	9	15
<b>GROSS CARRYING AMOUNT AS OF DECEMBER 31<sup>ST</sup>, 2020</b>	<b>281</b>	<b>447</b>	<b>728</b>
Acquisitions and internal developments	15	57	72
Disposals	(15)	(8)	(23)
Other movements and transfers	6	8	14
<b>GROSS CARRYING AMOUNT AS OF DECEMBER 31<sup>ST</sup>, 2021</b>	<b>286</b>	<b>505</b>	<b>791</b>

(1) Disposal of Auchan Retail's activities in China in 2020, in particular the RT-Mart brand.

## Change in depreciation, amortisation and impairment

(In €m)	Licences, brands and leaseholds rights	Internal IT development costs	Total
<b>DEPRECIATION, AMORTISATION AND IMPAIRMENT AS OF JANUARY 1<sup>ST</sup>, 2020</b>	<b>268</b>	<b>257</b>	<b>525</b>
Amortisation for the financial year	28	64	93
Impairment	27		27
Assets sold or scrapped	(37)	(4)	(41)
Changes in consolidation scope <sup>(1)</sup>	(22)		(22)
Translation differences	(4)	(2)	(6)
Other movements and transfers	(22)	4	(18)
<b>DEPRECIATION, AMORTISATION AND IMPAIRMENT AS OF DECEMBER 31<sup>ST</sup>, 2020</b>	<b>239</b>	<b>320</b>	<b>559</b>
Amortisation for the financial year	21	63	84
Reversals of impairment	(1)		(1)
Assets sold or scrapped	(15)	(2)	(16)
Other movements and transfers	1		1
<b>DEPRECIATION, AMORTISATION AND IMPAIRMENT AS OF DECEMBER 31<sup>ST</sup>, 2021</b>	<b>246</b>	<b>381</b>	<b>627</b>

(1) Disposal of Auchan Retail's activities in China in 2020.

## Net carrying amount

(In €m)	Licences, brands and leaseholds rights	Internal IT development costs	Total
As of January 1 <sup>st</sup> , 2020	924	145	1,069
As of December 31 <sup>st</sup> , 2020	42	128	170
<b>AS OF DECEMBER 31<sup>ST</sup>, 2021</b>	<b>41</b>	<b>124</b>	<b>165</b>

No intangible assets have been assigned as liability guarantee.

## 6.3 PROPERTY, PLANT AND EQUIPMENT

### Accounting principles

Property, plant and equipment acquired under a business combination are recorded at fair value (see note 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. It includes, where applicable, borrowing costs.

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 ELO 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 financial year in which they are 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 fixed assets - 3 to 5 years

The residual values are generally zero, however, depending on certain local specificities, some residual values are retained.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if necessary.

Following the reclassification of presentation made in the balance sheet by the ELO group, the land use rights have been isolated on separate lines in the balance sheet (see note 6.4).

When an owner-occupied property becomes an investment property, the property is remeasured at fair value and reclassified accordingly. Any gain resulting from the revaluation is recognised in the income statement to the extent that it offsets a previous impairment on this specific asset, the additional gain being recognised in other comprehensive income and presented in the revaluation reserve. Any loss is recognised in net income. If, however, an amount is recorded in the revaluation reserve in respect of this asset, then the loss is recognised in other comprehensive income and reduces the revaluation reserve in equity.

## Change in gross carrying amount

(In €m)	Land, buildings and facilities	Materials and other assets	Property, plant and equipment under construction <sup>(1)</sup>	Total
<b>Gross carrying amount as of January 1<sup>st</sup>, 2020</b>	<b>13,761</b>	<b>5,443</b>	<b>595</b>	<b>19,799</b>
Other acquisitions	140	117	194	451
Assets sold or scrapped	(197)	(206)	(5)	(407)
Translation differences	(414)	(200)	(35)	(650)
Reclassifications to investment property <sup>(2)</sup>	113	(2)	(137)	(26)
Other movements and transfers	3	82	4	89
Changes in consolidation scope - disposal of China	(2,228)	(2,294)	(193)	(4,715)
Non-current assets held for sale and discontinued operations	39			39
<b>GROSS CARRYING AMOUNT AS OF DECEMBER 31<sup>ST</sup>, 2020</b>	<b>11,216</b>	<b>2,940</b>	<b>424</b>	<b>14,580</b>
Other acquisitions	146	150	294	591
Assets sold or scrapped	(292)	(189)	(1)	(482)
Translation differences	70	47	7	123
Reclassifications to investment property <sup>(2)</sup>	(15)	(1)	(2)	(18)
Other movements and transfers	69	58	(133)	(6)
Non-current assets held for sale and discontinued operations <sup>(3)</sup>	(122)	(161)	(1)	(283)
<b>GROSS CARRYING AMOUNT AS OF DECEMBER 31<sup>ST</sup>, 2021</b>	<b>11,072</b>	<b>2,845</b>	<b>589</b>	<b>14,506</b>

(1) Property, plant and equipment under construction concerned the Retail activity for €554 million as of December 31<sup>st</sup>, 2021 and €394 million as of December 31<sup>st</sup>, 2020.

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

(3) The non-current assets held for sale correspond to the reclassification of the assets of the Retail activity in Taiwan in 2021.



## Change in depreciation, amortisation and impairment

(In €m)	Land, buildings and facilities	Materials and other assets	Property, plant and equipment under construction	Total
<b>Gross carrying amount as of January 1<sup>st</sup>, 2020</b>	<b>7,587</b>	<b>3,710</b>	<b>41</b>	<b>11,337</b>
Amortisation for the financial year	427	432		858
Impairment	53	24		78
Reversals of impairment provisions	(63)	(61)	(4)	(129)
Assets sold or scrapped	(145)	(194)		(339)
Translation differences	(225)	(145)	(7)	(377)
Reclassifications to investment property	(38)	(1)		(39)
Other movements and transfers	50	86	(6)	130
Changes in consolidation scope - disposal of China	(787)	(1,355)		(2,142)
<b>DEPRECIATION, AMORTISATION AND IMPAIRMENT AS OF DECEMBER 31<sup>ST</sup>, 2020</b>	<b>6,860</b>	<b>2,496</b>	<b>25</b>	<b>9,382</b>
Amortisation for the financial year	339	214		553
Impairment <sup>(1)</sup>	37	4	5	47
Reversals of impairment provisions	(51)	(4)	(5)	(60)
Assets sold or scrapped	(229)	(183)		(413)
Translation differences	42	36	3	81
Reclassifications to investment property	(4)	1		(2)
Other movements and transfers		2		2
Non-current assets held for sale and discontinued operations <sup>(2)</sup>	(78)	(117)		(195)
<b>DEPRECIATION, AMORTISATION AND IMPAIRMENT AS OF DECEMBER 31<sup>ST</sup>, 2021</b>	<b>6,916</b>	<b>2,449</b>	<b>28</b>	<b>9,394</b>

(1) In 2020 and 2021, all impairment losses were recognised under "Non-recurring income and expenses" (see note 4.3).

(2) The non-current assets held for sale correspond to the reclassification of depreciation, amortisation and impairment for the Retail activity in Taiwan in 2021.

## Net carrying amount

(In €m)	Land, buildings and facilities	Materials and other assets	Property, plant and equipment under construction	Total
As of January 1 <sup>st</sup> , 2020	6,175	1,733	554	8,462
As of December 31 <sup>st</sup> , 2020	4,356	444	399	5,198
<b>AS OF DECEMBER 31<sup>ST</sup>, 2021</b>	<b>4,156</b>	<b>396</b>	<b>560</b>	<b>5,112</b>

No tangible assets has been assigned as liability guarantee.

## 6.4 RIGHT-OF-USE ASSETS

### Accounting principles

The Group is mainly the lessee of property intended for its distribution and warehousing. Furthermore, 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 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. The depreciation period and the value of non-removable fixtures, as well as economic incentives, are also taken into account in determining the lease term.

The duration of tacitly renewed contracts is assessed on the basis of the economic interest of each of the parties in renewing the contract.

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 actual cost, which includes the initial amount of the lease liability adjusted for the lease payments made on or before the commissioning date, and added to all the direct incremental costs incurred, and an estimate of the dismantling and removal costs of the underlying asset or restoration of it or the site where it is located, net of rental incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the lease starting 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 indexed to an index or a rate, initially measured using the index or rate as of the commencement date;

- the exercise price of a call option that the Group is reasonably certain to exercise;
- the rent paid during the renewal period if the Group is reasonably certain to exercise an extension option;
- early termination penalties, unless the Group is reasonably certain not to terminate the lease early.

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 the 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 the income statement 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.

### Discount rates

The discount rates applied are based on ELO'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 underlying assets.

## Change in gross carrying amount

(In €m)	Rights-of-use of land, buildings and fixtures	Rights of use of equipment and other fixed assets	Total
<b>Gross carrying amount as of January 1<sup>st</sup>, 2020</b>	<b>4,241</b>	<b>112</b>	<b>4,353</b>
Other acquisitions	461	26	487
Assets sold or scrapped	(12)		(12)
Translation differences	(174)	(2)	(177)
Other movements and transfers	(394)	(18)	(412)
Changes in consolidation scope - disposal of China	(2,174)		(2,175)
<b>GROSS CARRYING AMOUNT AS OF DECEMBER 31<sup>ST</sup>, 2020</b>	<b>1,948</b>	<b>118</b>	<b>2,065</b>
Other acquisitions	258	14	272
Assets sold or scrapped	(1)		(1)
Translation differences	44		44
Other movements and transfers	(169)	(12)	(181)
Non-current assets held for sale and discontinued operations <sup>(1)</sup>	(172)	(2)	(174)
<b>GROSS CARRYING AMOUNT AS OF DECEMBER 31<sup>ST</sup>, 2021</b>	<b>1,908</b>	<b>118</b>	<b>2,025</b>

(1) The non-current assets held for sale relate to the assets of the Retail activities in Taiwan in 2021.

## Change in depreciation, amortisation and impairment

(In €m)	Rights-of-use of land, buildings and fixtures	Rights of use of equipment and other fixed assets	Total
<b>Depreciation, amortisation and impairment as of January 1<sup>st</sup>, 2020</b>	<b>913</b>	<b>45</b>	<b>959</b>
Amortisation for the financial year	393	25	418
Impairment	29		29
Reversals of impairment provisions	(27)		(27)
Assets sold or scrapped	(5)		(5)
Translation differences	(57)	(1)	(58)
Reclassifications to investment property	1		1
Other movements and transfers	(104)	(6)	(110)
Changes in consolidation scope - disposal of China	(482)		(482)
<b>DEPRECIATION, AMORTISATION AND IMPAIRMENT AS OF DECEMBER 31<sup>ST</sup>, 2020</b>	<b>660</b>	<b>63</b>	<b>724</b>
Amortisation for the financial year	256	17	273
Impairment	24		24
Reversals of impairment provisions	(22)		(22)
Translation differences	16		16
Other movements and transfers	(46)	(5)	(51)
Non-current assets held for sale and discontinued operations <sup>(1)</sup>	(60)	(1)	(60)
<b>DEPRECIATION, AMORTISATION AND IMPAIRMENT AS OF DECEMBER 31<sup>ST</sup>, 2021</b>	<b>829</b>	<b>74</b>	<b>904</b>

(1) The non-current assets held for sale relate to the depreciation, amortisation and impairment of the Retail activities in Taiwan in 2021.

## Net carrying amount

(In €m)	Rights-of-use of land, buildings and fixtures	Rights of use of equipment and other fixed assets	Total
As of January 1 <sup>st</sup> , 2020	3,327	67	3,394
As of December 31 <sup>st</sup> , 2020	1,288	55	1,343
<b>AS OF DECEMBER 31<sup>ST</sup>, 2021</b>	<b>1,079</b>	<b>44</b>	<b>1,123</b>

## Analysis of expiration of lease liabilities

(In €m)	< 1 year	1 to 3 years	3 to 5 years	More than 5 years	Total
Lease liabilities	289	494	271	422	1,476

## Amounts recognised in the income statement – Other lease expenses

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

(In €m)	2021
Variable lease payments not included in the measurement of lease liabilities	26
Expenses related to short-term leases	3
Expenses related to leases of low-value assets, excluding short-term leases with a low-value assets	24
Other	11
<b>TOTAL</b>	<b>64</b>

### Operating leases as lessor

When the Group acts as a lessor, it determines at the conclusion of each contract whether it constitutes a finance lease or an operating lease.

To qualify each contract, the Group assesses globally whether the contract transfers substantially all of the risks and rewards associated with the ownership of the underlying asset. If this is

the case, then it is a finance lease. Otherwise, it is an operating lease. For this valuation, the Group takes into account certain factors, such as the fact that the contract covers the major part of the economic life of the asset.

The analysis below shows the minimum future payments to be received on non-cancellable leases:

(In €m)	2021	2020
Less than one year	372	363
1 to 5 years	1,134	1,076
More than 5 years	464	745
<b>TOTAL</b>	<b>1,970</b>	<b>2,184</b>

The amount of the conditional lease payments included in the income statement for the financial year amounts to €58 million (€50 million in 2020).

### Assets received as guarantees

The consolidated entities receive security deposits for the investment properties that they lease out. The historical value is a good estimate of the fair value of the guarantee deposits.

The total amount received as security deposits was €56 million as of December 31<sup>st</sup>, 2021, compared to €64 million as of December 31<sup>st</sup>, 2020.

The conditions of use are generally as follows:

A guarantee deposit corresponds to three 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.

## 6.5 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 balance sheet.

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 the investment properties twice a year. The fair value measurements correspond to a Level 3 hierarchy as defined in note 10.8. Two independent real estate experts intervene, dividing the work on the valuation of investment properties in the whole group. For all assets, the fair value is determined by reference to external valuations based on the 10-year discounted cash flow method ("DCF method") for shopping malls and retail parks and on the sales comparison approach or promoter'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 discount

rates, market rental values, estimates of works to be carried out and 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.

All investment properties were valued as of December 31st, 2021. The Group considers that the fair value estimated by the appraisers reflect reasonably the fair value of the property portfolio.

### 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 in gross carrying amount

	Investment property	Right-of-use of investment property	Total
<b>Gross carrying amount as of January 1<sup>st</sup>, 2020</b>	<b>6,724</b>	<b>1,390</b>	<b>8,114</b>
Other acquisitions	144	25	171
Assets sold or scrapped	(33)	(1)	(33)
Translation differences	(179)	(16)	(195)
Transfer from "Property, plant and equipment"	(26)		(26)
Other movements and transfers	3	(24)	(20)
Changes in consolidation scope - disposal of China	(705)	(1,171)	(1,876)
Non-current assets held for sale and discontinued operations <sup>(1)</sup>	562		562
<b>GROSS CARRYING AMOUNT AS OF DECEMBER 31<sup>ST</sup>, 2020</b>	<b>6,491</b>	<b>203</b>	<b>6,694</b>
Other acquisitions	249		249
Assets sold or scrapped	(585)	(7)	(592)
Translation differences	16	2	19
Transfer from "Property, plant and equipment"	17		17
Other movements and transfers	(4)	(29)	(33)
Non-current assets held for sale and discontinued operations <sup>(1)</sup>	(59)	(11)	(70)
<b>GROSS CARRYING AMOUNT AS OF DECEMBER 31<sup>ST</sup>, 2021</b>	<b>6,125</b>	<b>158</b>	<b>6,284</b>

(1) In 2020, the fixed assets of Ceetrus Luxembourg were reclassified as "Investment properties" for an amount of €562 million. In 2021, the assets related to Retail activities in Taiwan were classified on the line "Non-current assets held for sale and discontinued operations".

## Change in depreciation, amortisation and impairment

(In €m)	Investment property	Right-of-use of investment property	Total
<b>Depreciation, amortisation and impairment as of January 1<sup>st</sup>, 2020</b>	<b>2,766</b>	<b>248</b>	<b>3,014</b>
Amortisation for the financial year	221	66	287
Impairment <sup>(1)</sup>	55	3	58
Reversals of impairment provisions	(6)		(6)
Assets sold or scrapped	(4)		(4)
Translation differences	(88)	(3)	(91)
Transfer from "Property, plant and equipment"	(4)		(4)
Other movements and transfers	(12)	(5)	(17)
Changes in consolidation scope - disposal of China	(215)	(260)	(475)
<b>DEPRECIATION, AMORTISATION AND IMPAIRMENT AS OF DECEMBER 31<sup>ST</sup>, 2020</b>	<b>2,712</b>	<b>50</b>	<b>2,762</b>
Amortisation for the financial year	211	15	226
Impairment <sup>(1)</sup>	72		72
Reversals of impairment provisions	(73)		(73)
Assets sold or scrapped	(188)		(188)
Translation differences	11		11
Transfer from "Property, plant and equipment"	2		2
Other movements and transfers	(7)	(2)	(8)
Non-current assets held for sale and discontinued operations	(42)	(2)	(44)
<b>DEPRECIATION, AMORTISATION AND IMPAIRMENT AS OF DECEMBER 31<sup>ST</sup>, 2021</b>	<b>2,698</b>	<b>61</b>	<b>2,759</b>

(1) The impairment losses for 2020 and 2021 are recognised in "Non-recurring income and expenses" (see note 4.3).

## Net carrying amount

(In €m)	Investment property	Right-of-use of investment property	Total
As of January 1 <sup>st</sup> , 2020	3,958	1,142	5,099
As of December 31 <sup>st</sup> , 2020	3,779	153	3,932
<b>AS OF DECEMBER 31<sup>ST</sup>, 2021</b>	<b>3,427</b>	<b>97</b>	<b>3,524</b>

In 2021, investment properties generated rental income of €518 million (€478 million in 2020) and direct operating expenses of €426 million (of which €57 million did not generate any rental income). In 2020, these direct operating expenses amounted to €429 million of which €44 million without related rental income.

As of December 31<sup>st</sup>, 2021, the investment properties had a fair value (excluding transfer taxes) estimated at €7,364 million for a net carrying amount recorded in the balance sheet of €3,524 million (respectively €7,518 million and €3,932 million in 2020).

## 6.6 IMPAIRMENT

### 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. The 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. The 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 (on December 31<sup>st</sup> given the seasonal nature of the business) for assets with an indefinite life.

The cash flows after income tax are estimated based on 3-year forecasts updated for the past year. These budgets and plans are prepared by Management and then presented to and approved by the Board of Directors. Cash flows beyond this period are extrapolated for six years by applying a constant growth rate over a period corresponding to useful life of the property, plant and equipment and the right-of-use assets. To test the impairment of assets in a given country (including goodwill), cash flows are estimated over a period of nine years, taking into account a terminal value calculated by discounting year-9 data to infinity.

The consideration of the consequences of the Covid-19 pandemic on future cash flows had a limited effect on the value in use of the cash generating units. The risks related to climate change and their consequences on future cash flows are described in the "risk management" chapter of the management report.

The risks resulting from climate change are considered to have moderate consequences on the Group's activities in view of their probability and diffuse impact given the number of points

of sales and their wide geographical distribution. The short-term impacts were reflected in future cash flows through the increase in the prices of distribution, raw materials and energy when it has not been hedged contractually or by the actions undertaken by the Group. Through its Climate Plan 2030, the Group has committed to carry out actions to reduce its exposure to this type of risk: optimisation of goods transport, signature of an international partnership with Voltaia and Helixia, which covers both the supply of renewable energy and the management and optimisation of energy consumption. The Group's climate goals were also taken into account (renewal of heating and ventilation systems, replacement of refrigeration circuits and elimination of harmful refrigerants).

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. ELO defined as the CGU the store for Retail and the shopping mall for the property management activity (excluding Taiwan where the Retail CGU includes property management). 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 its working capital requirements.

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)	Other intangible assets	Property, plant and equipment	Right-of-use assets	Investment property	2021	2020
Impairment:						
• provision <sup>(1)</sup>		47	24	72	142	536
• reversal	(1)	(58)	(22)	(70)	(151)	(162)
• net		(12)	2	1	(8)	374
Reversal of impairment on sold assets		(2)		(3)	(5)	(9)
<b>TOTAL</b>		<b>(13)</b>	<b>2</b>	<b>(2)</b>	<b>(13)</b>	<b>365</b>

(1) In 2020 and 2021, exclusively classified as "Non-recurring income and expenses".



Depending on the CGUs or groups of CGUs, the recoverable amount of assets applied by ELO is either the value in use or the market value, according to the comparable data available on the market.

The impairment tests for 2021 led to the recognition of impairment of €65 million on the assets of Auchan Retail and €77 million on the assets of New Immo Holding (vs. respectively, €134 million and €58 million in 2020).

Impairment was reported on the line "Non-recurring income and expenses" for a better readability of the income statement (see note 4.3).

In 2021, ELO determined differentiated discount rates for its main activity: Retail.

As in 2020, the discount rates used in 2021 by New Immo Holding 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:

	2021	2020
	Retail	Retail
France	4.58%	5.20%
Luxembourg	4.59%	5.20%
Spain	5.15%	5.95%
Portugal	5.94%	6.82%
Poland	4.95%	5.76%
Hungary	6.04%	6.91%
Romania	6.40%	6.81%
Ukraine	9.70%	10.51%
Russia	7.63%	7.33%
Taiwan	5.04%	6.06%
Senegal	8.01%	8.01%

The sensitivity analyses carried out on the main assets tested and on the discount rates (+100 bps) and the long-term growth rate (-100 bps) did not show any additional risk of impairment.

## NOTE 7 INVESTMENTS IN ASSOCIATES

### Accounting principles

The companies over which ELO directly, indirectly or jointly exercises significant influence on management and financial policies, without exercising control, are accounted for using the equity method. The share of the ELO group in the profits and losses of the associate is recognised in profit or loss on the line item *Share of net income of associates*. The share of other comprehensive income from associates is recorded on a

separate line in the consolidated statement of comprehensive income. If ELO's share of the losses of an associate is equal to or exceeds its shareholding, in its consolidated financial statements, ELO 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.

### 7.1 MAIN INVESTMENTS IN ASSOCIATES

The main investments in associates are as follows:

Division	Company	Country	% interest		Equity value	
			31/12/2021	31/12/2020	31/12/2021	31/12/2020
<b>Auchan Retail</b>	<b>mainly including:</b>				<b>29</b>	<b>30</b>
	ARMA Inv	Poland	50%	50%	12	12
	SMG <sup>(1)</sup>	Tunisia	10%	10%	6	7
<b>New Immo Holding</b>	<b>mainly including:</b>				<b>358</b>	<b>236</b>
	IMMAUCOM, SPPICAV	France	20%	20%	33	33
	C.C. ZENIA, SL	Spain	50%	50%	17	18
	ALEGRO ALFRAGIDE	Portugal	50%	50%	17	17
	ALEGRO SETUBAL	Portugal	50%	50%	11	11
	GALLERIA CINISELLO	Italy	50%	50%	75	72
	PATRIMONIO REAL ESTATE	Italy	50%	50%	22	22
	GALLERIE COMMERCIALI SARDEGNA <sup>(2)</sup>	Italy	50%	-	61	-
	MERLATA SVILUPPO	Italy	49%	30%	54	(3)
	MERLATA MALL	Italy	49%	30%	11	6
	GALERIE COMMERCIALE DE KIRCHBERG	Luxembourg	20%	20%	16	17
	IMMO LODGIA, SRL	Romania	50%	50%	7	8
<b>Oney Bank</b>	Oney Bank	France	50%	49%	276	259
<b>TOTAL INVESTMENTS IN ASSOCIATES</b>					<b>663</b>	<b>524</b>

(1) Auchan Retail International has significant influence over SMG, although the shareholding only represents 10% of the share capital and voting rights, having representation on the Board of directors and participating in the policy-making process, especially as regards commercial and strategic matters.

(2) In December 2021, disposal of a 0.24% stake in Gallerie Commerciali Sardegna leading to a change in the entity's consolidation method (transition from full consolidation to the equity method).

## 7.2 CHANGES IN INVESTMENTS IN ASSOCIATES

(In €m)	31/12/2021	31/12/2020
As of January 1 <sup>st</sup>	524	485
<b>Results for the financial year (share of net income and impairment loss)</b>	<b>19</b>	<b>19</b>
Capital distribution and return of capital <sup>(1)</sup>	(5)	(4)
Acquisition of equity interests <sup>(2)</sup>	122	9
Acquisitions and increases in capital <sup>(3)</sup>	6	7
Disposals (including decrease in percentage of capital held)	(1)	(8)
Translation differences and other changes	(3)	16
<b>AS OF DECEMBER 31<sup>ST</sup></b>	<b>663</b>	<b>524</b>

(1) New Immo Holding and Oney Bank.

(2) In 2021: acquisition of 19% of the stakes held in Merlata Sviluppo and Merlata Mall and deconsolidation of Gallerie Commerciali Sardegna. In 2020, acquisition of 25% of the stake in Arma Invest.

(3) Mainly: capital increase by New Immo Holding Italy in Galleria Cinisello for €5 million in 2021 (€9 million in 2020).

## 7.3 MAIN FINANCIAL DATA OF ASSOCIATES (at 100% and in millions of euros)

	31/12/2021			31/12/2020		
	Oney Bank <sup>(1)</sup>	Auchan Retail	New Immo Holding	Oney Bank <sup>(1)</sup>	Auchan Retail	New Immo Holding
Non-current assets	5,019	119	1,770	3,603	133	1,270
Current assets		431	633		343	548
<b>TOTAL ASSETS</b>	<b>5,019</b>	<b>550</b>	<b>2,402</b>	<b>3,603</b>	<b>476</b>	<b>1,818</b>
Equity (Group share)	516	40	860	486	46	674
Non-current liabilities	4,503	68	954	3,116	60	705
Current liabilities		442	588		370	439
<b>TOTAL LIABILITIES</b>	<b>5,019</b>	<b>550</b>	<b>2,402</b>	<b>3,603</b>	<b>476</b>	<b>1,818</b>
Revenue	415	352	108	434	378	115
Operating income	40	9	22	56	17	28
<b>NET INCOME</b>	<b>35</b>	<b>(7)</b>	<b>6</b>	<b>40</b>	<b>(2)</b>	<b>6</b>

(1) The main stake accounted for using the equity method is the one in Oney Bank, held at 49.9%. On the balance sheet, Oney Bank does not distinguish between current and non-current items.

## NOTE 8 EQUITY AND EARNINGS PER SHARE

### 8.1 EQUITY

#### 8.1.1 Shareholders

As of December 31<sup>st</sup>, 2021, ELO's share capital was mainly held by Aumarché.

Employees owned nearly 2% 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, Valespaña SCA, Valpoland SCA, Valhungary International SCA, Valportugal SCA

and Valrussie SCA). Only companies included in the employee share ownership plans outside of France are fully consolidated.

The Articles of Association of Valauchan Sopaneer International, 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.

#### 8.1.2 Number of shares comprising the share capital

	31/12/2021	31/12/2020
As of January 1 <sup>st</sup>	28,799,312	28,914,549
Issue of new shares for cash		
Capital reduction	(90,105)	(115,237)
<b>AS OF DECEMBER 31<sup>ST</sup></b>	<b>28,709,207</b>	<b>28,799,312</b>

As of December 31<sup>st</sup>, 2021, the share capital amounted to €574,184,140. It was split into 28,709,207 fully paid-up shares with a par value of €20 each. The share capital amounted to €575,986,240 as of December 31<sup>st</sup>, 2020, split into 28,799,312 shares with a par value of €20 each.

#### 8.1.3 Treasury shares

All treasury shares held by ELO 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 the net income for the financial year.

As of December 31<sup>st</sup>, 2021, ELO had sold to the Valauchan and Valfrance mutual funds 28,464 treasury shares and had cancelled some 90,105 such shares. As of December 31<sup>st</sup>, 2021, the total number of treasury shares held by ELO SA and its

subsidiaries amounted to 308,915 shares (compared with 412,583 shares at the end of 2020). 58,022 ELO SA shares are held by ELO SA for a transaction cost of €18 million and 250,893 shares held by Valauchan Sopaneer International, Valportugal SCA, Valpoland SCA, Valhungary International SCA, Valespaña SCA and Valrussie SCA for an acquisition cost of €90 million, in the context of employee share ownership.

As of December 31<sup>st</sup>, 2021, the treasury shares held by ELO SA represented 0.2% of its share capital.

#### 8.1.4 Legal reserve

ELO SA's legal reserve amounted to €61 million as of December 31<sup>st</sup>, 2021, compared to €61 million as of December 31<sup>st</sup>, 2020.

#### 8.1.5 Currency translation reserves, financial instrument revaluation reserves and actuarial gains and losses (attributable 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
As of January 1 <sup>st</sup> , 2020	(649)	(34)	(11)	2	(40)	(733)
Change	(301)	(25)	(29)		11	(344)
<b>AS OF DECEMBER 31<sup>ST</sup>, 2020</b>	<b>(950)</b>	<b>(59)</b>	<b>(40)</b>	<b>2</b>	<b>(29)</b>	<b>(1,077)</b>
As of January 1 <sup>st</sup> , 2021	(950)	(59)	(40)	2	(29)	(1,077)
Change	29	(18)	53		15	79
<b>AS OF DECEMBER 31<sup>ST</sup>, 2021</b>	<b>(921)</b>	<b>(77)</b>	<b>13</b>	<b>2</b>	<b>(14)</b>	<b>(998)</b>

The currency translation reserve (Group share) breaks down as follows by country:

(In €m)	31/12/2021	31/12/2020
Poland	(39)	(34)
Hungary	(68)	(66)
Taiwan	35	21
Russia	(655)	(676)
Ukraine	(145)	(149)
Romania	(45)	(41)
Tunisia	(5)	(5)
Vietnam		(1)
<b>TOTAL</b>	<b>(921)</b>	<b>(950)</b>

### 8.1.6 Non-controlling interests

The non-controlling interests amounting to €206 million consist mainly of interests in the capital of Valauchan Sopaneer International, Val Portugal SCA, Valpoland SCA, Valhungary International SCA, Valespaña SCA and Valrussie SCA for €147 million and the subsidiary in Taiwan for €31 million.

### 8.1.7 Dividends

The Board of directors of ELO decided, on July 20<sup>th</sup>, 2021, to propose to the Ordinary General Meeting of the company, held on August 24<sup>th</sup>, 2021, the payment of a dividend of €750 million, i.e. a sum of €26.12 per share, of which €1.6 million from treasury shares. This dividend was paid on August 30<sup>th</sup>, 2021.

The appropriation of net income for 2021 has not been recognised in the financial statements for the year ended December 31<sup>st</sup>, 2021.

## 8.2 EARNINGS PER SHARE

### Accounting principles

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

The basic earnings per share are calculated by dividing the net income (Group share) for the financial year by the weighted average number of capital shares outstanding during the year, less treasury shares. The average number of shares outstanding during the financial year is the number of outstanding shares at the beginning of the year adjusted by the number of shares issued during the year.

The diluted earnings per share are calculated by dividing the net income (Group share) for the financial year by the weighted

average number of outstanding shares, plus potentially dilutive shares to be created. For ELO, 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 non-recurring items that could distort the picture given by the earnings per share, ELO calculates the earnings per share based on the net income from continuing operations excluding non-recurring items by adjusting the net income from the continuing operations (Group share) for non-recurring income and expenses after tax and non-controlling interests.

### 8.2.1 Calculation of the weighted average number of shares

	31/12/2021	31/12/2020
Number of outstanding shares as of January 1 <sup>st</sup>	28,799,312	28,914,549
Number of treasury shares as of January 1 <sup>st</sup>	(412,583)	(376,919)
Weighted average number of treasury shares acquired	(10,616)	(53,223)
Weighted average number of treasury shares sold or cancelled	66,281	35,107
<b>WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING (EXCLUDING TREASURY SHARES) USED TO CALCULATE BASIC EARNINGS PER SHARE</b>	<b>28,442,394</b>	<b>28,519,514</b>
Potentially dilutive shares to be created (share purchase or subscription options, allocation of bonus shares)		
<b>WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING (EXCLUDING TREASURY SHARES) USED TO CALCULATE DILUTED EARNINGS PER SHARE</b>	<b>28,442,394</b>	<b>28,519,514</b>

## 8.2.2 Calculation of earnings per share

Basic earnings per share	31/12/2021	31/12/2020
Weighted average number of outstanding shares	28,442,394	28,519,514
Net income - Group share (in €m)	344	678
Per share (in €)	12.09	23.76
Net income from assets held for sale and discontinued operations - Group share (in €m)	5	1,342
Per share (in €)	0.18	47.06
Net income from continuing operations - Group share (in €m)	339	(665)
Per share (in €)	11.91	(23.30)

Diluted earnings per share	31/12/2021	31/12/2020
Weighted average number of diluted outstanding shares	28,442,394	28,519,514
net income - Group share (in €m)	344	678
Per share (in €)	12.09	23.76
Net income from assets held for sale and discontinued operations Group share (in €m)	5	1,342
Per share (in €)	0.18	47.06
Net income from continuing operations - Group share (in €m)	339	(665)
Per share (in €)	11.91	(23.30)

## NOTE 9 PROVISIONS AND CONTINGENT LIABILITIES

### 9.1 PROVISIONS

#### Accounting principles

The provisions are recorded when, at year-end, ELO 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. These provisions are estimated according to their nature based on the most probable assumptions. The provisions for restructuring are

recognised when a consolidated entity has a detailed formal plan for the restructuring and it has been communicated to the interested parties. Some consolidated companies offer warranty extension contracts, for which income and margin are recognised over the length of the service delivered. The foreseeable expenses relating to the warranty are accrued when the corresponding sales are recorded, based on prior-year expense data. The 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. The provisions that do not meet these criteria are classified as non-current liabilities.

#### Non-current provisions

(In €m)	Tax disputes	Other disputes	Employee benefits	Miscellaneous	IFRS 16	Total
<b>As of December 31<sup>st</sup>, 2020</b>	<b>53</b>		<b>114</b>	<b>47</b>		<b>215</b>
Provision expenses <sup>(1)</sup>	12	15	17	4		49
Reversals of used provisions <sup>(2)</sup>	(6)	(2)	(3)	(22)		(33)
Reversals of unused provisions		(2)		(7)		(9)
Actuarial gains and losses recognised under other comprehensive income			(21)			(21)
Reclassifications and other movements <sup>(3)</sup>	(41)	12	(12)	15	1	(25)
<b>AS OF DECEMBER 31<sup>ST</sup>, 2021</b>	<b>18</b>	<b>24</b>	<b>95</b>	<b>37</b>	<b>1</b>	<b>174</b>

(1) The non-current provision expenses mainly concern Auchan Retail France employee benefits for €16 million and the disputes for Retail Spain and Retail Portugal for €27 million.

(2) Mainly Retail Spain and Retail Poland.

(3) Mainly related to reclassifications of tax provisions for Retail Spain and Retail Portugal as tax liabilities.

## Current provisions

(In €m)	Tax disputes	Other disputes	Securities	Employee benefits	Miscella- neous <sup>(3)</sup>	IFRS 16	Total
<b>As of December 31<sup>st</sup>, 2020</b>	<b>8</b>	<b>68</b>	<b>9</b>		<b>375</b>	<b>21</b>	<b>482</b>
Provision expenses <sup>(1)</sup>		22	1	4	58		84
Reversals of used provisions <sup>(2)</sup>		(8)	(3)		(139)		(149)
Reversals of unused provisions		(29)			(91)		(120)
Reclassifications and other movements	(8)	(11)	1	9	(6)	1	(15)
<b>AS OF DECEMBER 31<sup>ST</sup>, 2021</b>		<b>41</b>	<b>8</b>	<b>13</b>	<b>197</b>	<b>22</b>	<b>282</b>

(1) The allocations concern various disputes, mainly related to the Retail France activity.

(2) The reversals of miscellaneous provisions used mainly correspond to the reversal of the restructuring provision at Auchan Retail France for €105 million.

(3) The miscellaneous column is mainly composed of provisions related to the restructuring of Retail France, mostly reversals, both used and unused, are also related to this nature.

The provision for guarantees is fully reversed 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 procedures with the tax and competition authorities. Provisions have been set up for the resulting expenses considered probable by ELO and/or its subsidiaries as well as

their external advisers. To the best of the knowledge of ELO and its subsidiaries, there are no other exceptional events or litigation that could substantially affect the activity, results, assets or liabilities of ELO and/or its subsidiaries, which are not adequately covered by provisions at year-end.

## NOTE 10 FINANCING AND FINANCIAL INSTRUMENTS

### 10.1 NET FINANCIAL DEBT

#### Accounting principles

The net financial debt 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. The negative margin calls (which correspond to the margins received from counterparties) are included in current borrowings and other financial liabilities.

ELO defines net financial debt as net financial debt plus the fair value of the derivatives that do not qualify as hedging instruments for an item of financial debt. It also includes 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".

As a result of the presentation reclassifications carried out in the balance sheet, the calculation of net financial debt has not been modified compared to December 31<sup>st</sup>, 2020 and therefore does not include the liabilities related to the put options granted to non-controlling interests for €81 million as of December 31<sup>st</sup>, 2021.



### 10.1.1 Net financial debt

(In €m)	31/12/2021	31/12/2020
Borrowings and other financial liabilities <sup>(1)</sup>	5,026	6,741
• non-current	4,297	5,902
• current	728	840
Cash and cash equivalents	(2,247)	(4,401)
Derivative assets and liabilities qualifying as hedging instruments for an item of net financial debt	(56)	(94)
Margin call assets on derivatives qualifying as hedging instruments		(2)
<b>Net financial debt</b>	<b>2,723</b>	<b>2,244</b>
Derivative assets and liabilities not qualifying as hedging instruments for an item of net financial debt	(42)	14
Other short-term investment assets <sup>(2)</sup>	(500)	(100)
<b>NET FINANCIAL DEBT</b>	<b>2,181</b>	<b>2,158</b>

(1) A number of margin call agreements have been implemented to reduce counterparty risk. The amounts relating to margin calls received (liabilities) or paid (assets) are included in the net financial debt. As of December 31<sup>st</sup>, 2021, they represented a liability of €33 million included in "Borrowings and other financial liabilities".

(2) Other short-term investment assets mainly include capitalisation contracts. These assets are not very sensitive to interest rate and foreign exchange risk.

### 10.1.2 Change in net financial debt

(In €m)	31/12/2020	Change in cash and cash equivalents	Effects of exchange rate variations	Changes in consolidation scope	Reclassifications and other	31/12/2021
Borrowings and other financial liabilities	6,741	(1,627)	7	(95)		5,026
• non-current	5,902	(1,130)	1	(76)	(399)	4,297
• current	840	(498)	6	(18)	399	728
Cash and cash equivalents	(4,401)	2,086	(13)	82		(2,247)
Derivative assets and liabilities qualifying as hedging instruments for an item of net financial debt	(94)	45			(7)	(56)
Margin call assets on derivatives qualifying as hedging instruments	(2)	2				
<b>Net financial debt</b>	<b>2,244</b>	<b>505</b>	<b>(6)</b>	<b>(13)</b>	<b>(7)</b>	<b>2,723</b>
Derivative assets and liabilities not qualifying as hedging instruments for an item of net financial debt	14	(63)			7	(42)
Other short-term investment assets	(100)	(400)				(500)
<b>NET FINANCIAL DEBT</b>	<b>2,158</b>	<b>42</b>	<b>(6)</b>	<b>(13)</b>		<b>2,181</b>

## 10.2 NET COST OF FINANCIAL DEBT

Net cost of financial debt includes:

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

(In €m)	2021	2020
Income from cash and cash equivalents	12	6
Gross cost of financial debt:	(157)	(192)
• Interest expenses	(147)	(236)
• Hedging results	13	86
• Cost related to the repurchase of bonds	(24)	(42)
<b>NET COST OF FINANCIAL DEBT</b>	<b>(145)</b>	<b>(186)</b>

The net cost of financial debt amounted to €145 million (against €186 million in 2020). The change is mainly related to a decrease in the average outstanding amounts and to lower bond buybacks carried out in 2021 (see note 2.2).

## 10.3 OTHER FINANCIAL INCOME AND EXPENSES

It includes financial income and expenses that are not part of 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 disposal of

financial assets other than cash and cash equivalents, impact of discounting adjustments and exchange gains and losses on items not included in the net financial debt and cost of sales and interest expenses related to IFRS 16.

(In €m)	2021	2020
Disposals of other non-current financial assets, of which:		(3)
• Income on disposals of other non-current financial assets		4
• Expenses on disposals of other non-current financial assets		(8)
Gains and losses on financial transactions not eligible for hedge accounting <sup>(1)</sup>	(16)	(43)
Provisions and impairment, net of reversals:	(107)	(1)
• Reversal of provisions for impairment of other financial assets		
• Provision for impairment of other financial assets	(108)	(1)
Cost of discounting retirement obligations net of the expected yield on plan assets		(2)
Income from equity interests	2	2
Interest expenses related to IFRS 16	(90)	(105)
Translation differences related to IFRS 16	(3)	(39)
Other	(17)	(7)
<b>OTHER FINANCIAL INCOME AND EXPENSES</b>	<b>(230)</b>	<b>(200)</b>

(1) Gains and losses on financial transactions not eligible for hedge accounting include, in particular, foreign exchange and other gains and losses on derivatives 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 ELO and the consolidated companies (macro-hedging swaps).

## 10.4 DERIVATIVES AND HEDGES

### 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 which requires a more qualitative assessment of its hedges.

Derivatives are measured and recognised at fair value on the balance sheet and their changes are always recorded in net income, except for future cash flow hedging relationships and net investments.

Derivatives with a residual maturity of more than one year are recorded in the balance sheet as non-current assets or liabilities. Other derivatives are recorded as current assets or liabilities. The accounting date for derivatives is the transaction date.

Hedging accounting applies only if three criteria are met:

- the hedging relationship consists only of eligible hedging instruments and eligible hedged items;
- 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;
- 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 the 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 ELO are eligible for hedge accounting.

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

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

To date, there are no net investment hedges abroad.

### Fair value hedges

For derivatives documented as hedges of assets or liabilities recognised in the balance sheet (fair value hedges), the hedge accounting allows to recognise changes in the fair value of the derivatives through the income statement; the change is offset by the impact in the income statement of the change in fair value of the hedged item recognised in the balance sheet in respect of the hedged risk. 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.

### Hedges of future cash flows

For derivatives 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 net income when the hedged transaction impacts the net income 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 net income.

For derivatives that are not documented as hedging instruments, any change in the fair value is recognised in other financial income 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 margin.

The change in the fair value of the basis spread is not considered as a hedging component. It is recognised in the hedge reserve and is amortised through the income statement over the hedging period.

## Recognised in other comprehensive income (after deferred taxes)

(In €m)	31/12/2021	31/12/2020
<b>IFRS 9 category</b>		
Cash flow hedge – effective portion of the change in fair value	36	(54)
Cash flow hedge – reclassified to net income	54	8
Foreign activities – translation difference	33	(494)

(In €m)	31/12/2021	31/12/2020
Change in fair value reserve	(18)	(25)
Change in hedge reserve	54	(29)
Change in currency translation reserve	33	(494)

## Hedging instruments and related inefficiencies

The amounts for the items designated as hedging instruments and for the hedge ineffectiveness are as follows:

As of December 31 <sup>st</sup> , 2021 (in €m)	Type of hedging instrument	Notional amount of the hedging instruments	Carrying amount of the hedging instrument		Item in the statement of financial position in which the hedging instrument is included	Change in the fair value of the financial instrument used	Change in OCI reserve
			Assets	Liabilities			
FAIR VALUE HEDGE							
Interest rate risk		Notional hedged					
Bonds in EUR	Interest rate swaps	2,585	20	17		(56)	
Bonds in CHF	Cross Currency Swap	98	21			3	
Bonds in USD	Interest rate swaps						
CASH FLOW HEDGE							
Interest rate risk		Notional hedged					
Variable rates of bank borrowings							
	EUR interest rate swaps	1,789	13	11			33
	Cap	400					
Macro-hedge							
Foreign exchange risk							
Currency hedges of future sales	Foreign exchange forward and contingent deal <sup>(1)</sup>	787	28	14		(12)	47

(1) Hedges of future sales in foreign currencies include a derivative liability of €9 million related to the hedge of the future sale of Taiwan.

At the reporting date, the amounts for items designated as hedged items were as follows:

As of December 31 <sup>st</sup> , 2021 (in €m)	Carrying amount of the hedged item		Accumulated FVH adjustments included in the carrying amount of the hedged item		Item in the statement of financial position in which the hedged item is included	Change in the fair value of the financial instrument used	Change in OCI reserve
	Assets	Liabilities	Assets	Liabilities			
<b>FAIR VALUE HEDGE</b>							
<b>Interest rate risk</b>							
Fixed-rate bonds denominated in EUR		2,589	19		Borrowings and other financial liabilities	47	
Fixed-rate bonds denominated in CHF		121	22			(3)	
<b>CASH FLOW HEDGE</b>							
<b>Interest rate risk</b>							
Variable rates of bank borrowings		2,189			Borrowings and other financial liabilities		
<b>Foreign exchange risk</b>							
Currency hedges of future sales							

The table below reconciles, according to risk category, equity items and the analysis of other comprehensive income from hedge accounting.

As of December 31 <sup>st</sup> , 2021 (in €m)	Ineffectiveness recognised in the P&L	Heading that includes ineffectiveness of hedging
<b>FAIR VALUE HEDGE</b>		
Interest rate risk	(9)	Net cost of financial debt

## Derivative positions not subject to offsetting

ELO 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 balance sheet. The table below shows the recognised amounts that are subject to these agreements, solely for derivatives qualifying as interest rate and currency hedges:

As of December 31 <sup>st</sup> , 2021 (in €m)	Change in the fair value of hedging instruments in OCI	Ineffectiveness recognised in the income statement	Heading that includes ineffectiveness of hedging	Amount transferred from the CFH reserve to the income statement	Heading of the P&L affected by the classification
<b>CASH FLOW HEDGE</b>					
Interest rate risk			Net cost of financial debt		
Foreign exchange risk	56	(3)	Other recurring expenses	1	

	31/12/2021			31/12/2020		
	Financial instruments in the financial statements	Related non-cleared financial instruments	Net amount	Financial instruments in the financial statements	Related non-cleared financial instruments	Net amount
<b>Financial assets</b>						
Derivatives	88	62	26	70	30	40
<b>TOTAL</b>	<b>88</b>	<b>62</b>	<b>26</b>	<b>70</b>	<b>30</b>	<b>40</b>
<b>Financial liabilities</b>						
Derivatives	51	46	5	60	4	56
<b>TOTAL</b>	<b>51</b>	<b>46</b>	<b>5</b>	<b>60</b>	<b>4</b>	<b>56</b>

## 10.5 FINANCIAL RISK MANAGEMENT

During the usual course of their business, ELO and the consolidated companies are exposed to interest rate, foreign exchange, credit and liquidity risks. They use derivatives to mitigate these risks.

ELO and the companies in the consolidation scope have put in place an organisation to centrally manage market risks.

The market risk is controlled and monitored by the Finance Committee, which meets at least twice a year. ELO's General Management is represented in this body whose duties include in particular the assessment of the quality of counterparties, the level of the hedges put in place and their appropriateness with regard to the underlying assets, as well as the liquidity risk.

### 10.5.1 Credit risk

The 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 ELO 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.

ELO only works with a list of banks authorised by ELO's Management for financing and foreign exchange derivative transactions.

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.

The measurement of the fair value of derivative instruments carried by ELO and the companies within the scope of consolidation includes a counterparty risk component (CVA) for derivative assets and an own credit risk component (DVA) for derivative instruments liabilities. Credit risk is assessed on the basis of standard mathematical models for market participants taking into account historical statistical data.

As of December 31<sup>st</sup>, 2021, the adjustments booked in relation to counterparty risk and own credit risk were not material.

The trade and other receivables include mainly receivables to franchises, participation in advertising costs and suppliers' commercial cooperation fees, and prepaid expenses. These transactions do not involve significant risk.

## Impairment

<i>(In €m)</i>	Debt instruments at fair value through other comprehensive income	Financial assets at amortised costs
<b>Balance as of January 1<sup>st</sup>, 2020</b>	<b>3</b>	<b>146</b>
Net impairment	1	27
Changes in consolidation scope		(1)
Translation differences		(4)
<b>BALANCE AS OF DECEMBER 31<sup>ST</sup>, 2020</b>	<b>4</b>	<b>170</b>
<b>Balance as of January 1<sup>st</sup>, 2021</b>	<b>4</b>	<b>170</b>
Net impairment	6	135
Changes in consolidation scope		72
Translation differences		1
Other changes	(1)	5
<b>BALANCE AS OF DECEMBER 31<sup>ST</sup>, 2021</b>	<b>10</b>	<b>384</b>

### 10.5.2 Liquidity risk

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

As of December 31<sup>st</sup>, 2021, all of the ratios were in compliance.

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



### Exposure to liquidity risk

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

Transactions in €m as of December 31 <sup>st</sup> , 2021	Carrying amount	Expected cash flows			
		Total	< 1 year	1 to 5 years	> 5 years
Bonds and private placements	4,444	4,444	551	3,190	703
Bank borrowings	425	425	84	213	129
Other financial liabilities <sup>(1)</sup>	168	168	154	14	
Margin Call - Liability	34	34	34		
Current bank loans	35	35	35		
Non-current lease liabilities	1,187	1,187		765	422
Other non-current liabilities	165	165		141	24
Current lease liabilities	289	289	289		
Trade payables	4,904	4,904	4,904		
Other current liabilities	1,951	1,950	1,934	14	2
Current tax liabilities	82	82	82		
<b>TOTAL NON-DERIVATIVE FINANCIAL LIABILITIES</b>	<b>13,684</b>	<b>13,684</b>	<b>8,068</b>	<b>4,336</b>	<b>1,280</b>
Interest rate derivatives not eligible for hedge accounting	(14)	(13)	(2)	(11)	
Interest rate derivatives used as hedges	(27)	(68)	(13)	(44)	(10)
Forward foreign exchange contracts used as hedges:	(19)				
Cash outflow		560	521	39	
Cash inflow		(579)	(539)	(40)	
Other forward foreign exchange contracts:	(2)				
Cash outflow		586	586		
Cash inflow		(588)	(588)		
<b>TOTAL DERIVATIVE FINANCIAL LIABILITIES</b>	<b>(62)</b>	<b>(102)</b>	<b>(35)</b>	<b>(56)</b>	<b>(10)</b>

(1) Include liabilities linked to put options granted to non-controlling interests of €81 million

Transactions in €m as of December 31 <sup>st</sup> , 2020	Carrying amount	Expected cash flows			
		Total	< 1 year	1 to 5 years	> 5 years
Bonds and private placements	5,153	5,153	298	2,763	2,092
Bank borrowings	1,173	1,173	206	835	132
Other financial liabilities <sup>(1)</sup>	389	389	209	180	
Margin call - Liability	42	42	42		
Current bank loans	137	137	137		
Non-current lease liabilities	1,387	1,387		739	648
Other non-current liabilities	119	119		49	70
Current lease liabilities	294	294	294		
Trade payables	4,676	4,676	4,676		
Other current liabilities	2,075	2,075	2,056	15	5
Current tax liabilities	52	51	51		
<b>TOTAL NON-DERIVATIVE FINANCIAL LIABILITIES</b>	<b>15,496</b>	<b>15,496</b>	<b>7,969</b>	<b>4,580</b>	<b>2,947</b>
Interest rate derivatives not eligible for hedge accounting	2	3	3		
Interest rate derivatives used as hedges	31	33	8	20	5
Forward foreign exchange contracts used as hedges:	23				
Cash outflow		361	342	19	
Cash inflow		(338)	(320)	(19)	
Other forward foreign exchange contracts:	1				
Cash outflow		32	32		
Cash inflow		(31)	(31)		
<b>TOTAL DERIVATIVE FINANCIAL LIABILITIES</b>	<b>58</b>	<b>61</b>	<b>35</b>	<b>20</b>	<b>5</b>

(1) Include liabilities linked to put options granted to non-controlling interests of €152 million

The carrying amount of the derivative financial liabilities corresponds to the value excluding accrued interest not yet due, and the cash flows expected from these liabilities correspond to the contractual cash flows (no early repayment anticipated).

### 10.5.3 Interest rate risk

Interest rate risk is the risk that changes in interest rates could generate an increase in ELO's net cost of debt.

ELO 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.

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 currencies of these transactions are the euro and the Swiss franc. The net fair value (excluding accrued interest) of these instruments recorded on the balance sheet was €25 million as of December 31<sup>st</sup>, 2021.

The Group then reprices its debt at variable rates with shorter maturities than the underlying debt. The repricing policy is according to the currency in question and the term. For example, for the current year, for the currencies PLN, HUF, RUB and RON, the hedging target is respectively around 70%, 70%, 70% and 50% in year N then 50%, 50%, 50% and 30% in year N+1.

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 ELO is a fixed-rate borrower and a floating-rate lender. **ELO had no outstanding transactions as of December 31<sup>st</sup>, 2021. However, New Immo**

**Holding and its subsidiaries have qualifying transactions for a market value of €6 million, in order to cover their external financing.**

The Group determines that there is an economic relationship between the hedging instrument and the hedged instrument in accordance with the reference interest rates, the periods for which they are established, the determination dates, the maturity, and the 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 hedged item.

There is currently no macro-hedging planned for the euro in 2022.

**Other macro-hedging transactions recognised at fair value through net income**

However, some macro-hedging transactions used to hedge interest rate risk do not qualify for hedge accounting. They are then classified as items held for trading.

These transactions are aimed at protecting earnings against a possible rise in interest rates. They consist of swaps in which ELO 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 transactions was €7.2 million as of December 31<sup>st</sup>, 2021 compared to -€1.3 million as of December 31<sup>st</sup>, 2020.**

### Exposure to interest rate risk (after management<sup>(1)</sup>)

(In €m)	31/12/2021	31/12/2020
Fixed-rate financial assets	-	-
Fixed-rate financial liabilities	2,616	2,782
Floating-rate financial assets	2,702	4,116
Floating-rate financial liabilities	2,410	3,960

(1) Excluding operating debts and receivables.

### Sensitivity of derivatives hedging interest rate risk

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 as of December 31<sup>st</sup> remains constant over one year. For the purpose of this analysis, all other variables, notably foreign exchange rates, are assumed to remain unchanged. The short-term financial assets and liabilities are not included in the scope of this analysis.

The sensitivity to changes in interest rates is as follows:

Impact (in €m)	Rate decrease of 0.50%		Rate increase of 0.50%	
	Equity (OCI)	Income	Equity (OCI)	Income
As of December 31 <sup>st</sup> , 2020	(26)	(12)	30	21
As of December 31 <sup>st</sup> , 2021	(23)	(49)	24	34

### 10.5.4 Foreign exchange risk

ELO 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 (translation risk);
- foreign currency leases.

The currencies of these transactions as of December 31<sup>st</sup>, 2021 are mainly USD, PLN, HUF, RUB, RON and NOK.

#### Transactional exchange rate

The Group's risk management policy is at all times to hedge all of its estimated exposure to foreign exchange 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 reporting date, the majority of the future contracts had maturities of more than one year. These contracts are generally designated as cash flow hedges.

Transactions on the derivative markets are undertaken solely for hedging purposes. 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 foreign exchange 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 item 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 the cash flows attributable to the interest rate changes; and
- the changes in the schedule of hedged transactions.

The risk hedged by these transactions is principally EUR/USD exchange risk.

### Exposure of ELO as of December 31st, 2021:

As of December 31 <sup>st</sup> , 2021 (in €m)	USD
Trade payables	26
Estimated forecast purchases <sup>(1)</sup>	574
<b>GROSS EXPOSURE</b>	<b>600</b>
Foreign exchange swaps	(424)
Currency options <sup>(2)</sup>	(117)
<b>NET EXPOSURE</b>	<b>59</b>

(1) Expected purchases for the 2022 financial year.

(2) Transactions not qualified for hedge accounting.

### Derivatives hedging a transactional foreign exchange risk

As of December 31 <sup>st</sup> , 2021 (in €m)	Carrying amount	Contractual cash flows			
		Total	< 1 year	1 to 5 years	> 5 years
Foreign exchange swaps	3				
Cash inflow		162	162		
Cash outflow		(159)	(159)		
Forward foreign exchange swaps	(22)				
Cash inflow		399	360	39	
Cash outflow		(420)	(380)	(40)	

As of December 31 <sup>st</sup> , 2020 (in €m)	Carrying amount	Contractual cash flows			
		Total	< 1 year	1 to 5 years	> 5 years
Foreign exchange swaps	(8)				
Cash inflow		157	139	18	
Cash outflow		(164)	(146)	(18)	
Forward foreign exchange swaps	(23)				
Cash inflow		341	320	22	
Cash outflow		(364)	(342)	(22)	

### Balance sheet risk

The hedging transactions for balance sheet risk concern foreign currency loans granted to foreign subsidiaries. The currencies hedged are HUF, PLN, RON, USD and RUB. 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.

### Exposure of ELO as of December 31<sup>st</sup>, 2021

As of December 31 <sup>st</sup> , 2021 (in €m)	USD	PLN	HUF	RUB	RON
Intragroup financing	22	239	95	245	190
<b>Gross exposure</b>	<b>22</b>	<b>239</b>	<b>95</b>	<b>245</b>	<b>190</b>
Foreign exchange swaps	22	239	95	245	190
<b>NET EXPOSURE</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

### Exposure of ELO as of December 31<sup>st</sup>, 2020

As of December 31 <sup>st</sup> , 2020 (in €m)	USD	PLN	HUF	RUB	RON
Intragroup financing	20	178	102	489	201
<b>Gross exposure</b>	<b>20</b>	<b>178</b>	<b>102</b>	<b>489</b>	<b>201</b>
Foreign exchange swaps	20	178	102	489	201
<b>NET EXPOSURE</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

### Sensitivity of derivatives hedging foreign exchange risk

This sensitivity analysis is performed on the assumption that the variables excluding exchange rates (in particular interest rates) are constant and mainly concern USD.

Impact (in €m)	Rate decrease of 10%		Rate increase of 10%	
	Equity (OCI)	Income	Equity (OCI)	Income
<b>As of December 31<sup>st</sup>, 2020</b>				
EUR/USD	(39)	(3)	48	7
<b>As of December 31<sup>st</sup>, 2021</b>				
EUR/USD	(36)	(7)	43	15

### 10.5.5 Other risks

ELO and the other consolidated companies enter into hedging transactions other than foreign exchange and interest rate derivative transactions, namely hedges on raw material prices, for non-material amounts.

## 10.6 FINANCIAL ASSETS

### Accounting principles

In accordance with IFRS 9, the main financial assets are classified in one of the following categories:

- financial assets measured at amortised cost;
- financial assets measured at fair value through other comprehensive income;
- financial assets at fair value through the income statement.

### Financial assets measured at amortised cost

A financial asset is measured at amortised cost if the following two conditions are met and if it is not designated at fair value through the income statement:

- it is held within 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.

In the event of a subsequent measurement of gains and losses, these assets are subsequently measured at amortised

cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment losses are recognised in net income. Gains and losses resulting from de-recognition are recognised in net income.

### Financial assets at fair value through other comprehensive income

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 the income statement:

- it is held within 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.

In the event of measurement of gains and losses at a later date, these assets are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment losses are recognised in net income. 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 net income.

## Financial assets at fair value through the income statement

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 the income statement.

This is notably the case for all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that would otherwise qualify to be measured at amortised cost or at fair value through other comprehensive income at fair value through the income statement, if this designation eliminates or significantly reduces an accounting mismatch that otherwise would have occurred.

In the event of measurement of gains and losses at a later date, these assets are subsequently measured at fair value and the net gains and losses, including interest or dividends received, are recognised in profit or loss.

## Assessment of the financial model

The Group assesses the business model objective of holding a financial asset at the portfolio level because this best reflects the way in which the performance of the portfolio is evaluated and communicated to the Group's management. The information taken into account is the following:

- the methods and objectives defined for the portfolio and their implementation. These include whether 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 the income statement.

## Assessment when the contractual cash flows correspond solely 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. liquidity risk 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 the 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 nominal value, a clause allowing or requiring early repayment for an amount essentially representing the contractual nominal 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. An early payment clause may be consistent with the "SPPI" criterion if the amount of the early repayment is immaterial at the time of initial recognition.

## Classification of financial assets by category

(in €m)		31/12/2021		31/12/2020	
Asset balance sheet item	IFRS 9 category	Non-current	Current	Non-current	Current
	Assets at fair value through the income statement <sup>(1)</sup>	34		34	
	Debt instrument at fair value through other comprehensive income <sup>(2)</sup>	106		129	
Other non-current financial assets	Financial assets at amortised cost <sup>(3)</sup>	155		276	
Other non-current assets	Financial assets at amortised cost <sup>(4)</sup>	53		39	
Trade receivables	Financial assets at amortised cost <sup>(5)</sup>		437		442
Trade and other receivables	Financial assets at amortised cost <sup>(6)</sup>		1,447		1,461
Current financial assets	Financial assets at amortised cost <sup>(3)</sup>		680		205
Cash and cash equivalents	Assets at fair value through the income statement <sup>(1)</sup>		2,247		4,401
<b>OTHER FINANCIAL ASSETS (NET CARRYING AMOUNT)</b>		<b>347</b>	<b>4,811</b>	<b>479</b>	<b>6,509</b>
Impairment of other financial assets		(195)	(54)	(6)	(54)

(1) The financial assets held for trading correspond to investments that are subject to restrictions on use by ELO for prudential or contractual reasons;

(2) Financial assets at fair value through other comprehensive income mainly comprise equity investments in companies that are neither controlled nor under significant influence.

(3) Financial assets mainly include guarantee deposits and loans granted to associates and, for the current portion, to investments meeting the definition of cash and cash equivalents.

(4) Other non-current assets include prepaid rent and other prepaid expenses.

(5) The trade receivables include mainly receivables relating to franchise arrangements, and rent outstanding for the Property Management business line.

(6) Trade and other receivables include mainly tax and social security receivables and accrued income from suppliers.

## 10.7 FINANCIAL LIABILITIES

### 10.7.1 Borrowings and other financial liabilities

#### Accounting principles

The 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:

- the 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 in force at the reporting date, and integrating a spread equal to the spread when the financing was put in place,
- the 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.



## Breakdown of borrowings and other financial liabilities

(In €m)	31/12/2021		31/12/2020	
	Non-current	Current	Non-current	Current
Bonds and private placements	3,893	551	4,855	298
Bank borrowings and other financial liabilities	371	54	1,024	149
Other financial liabilities	33	54	23	215
Liabilities linked to put options granted to non-controlling interests <sup>(1)</sup>	60	21	152	
Margin call - Liability		33		41
Bank overdrafts		35		137
<b>TOTAL</b>	<b>4,357</b>	<b>749</b>	<b>6,054</b>	<b>840</b>

(1) Commitments to purchase shares made by ELO and the other consolidated companies to the non-controlling shareholders of certain subsidiaries that are fully consolidated or to the Valauchan and Valfrance mutual funds under rules that govern the operation of those funds (see note 8.1.3)

Accrued interest is recognised under "Current borrowings and other financial liabilities".

### Bonds and private placements

These are bonds issued in Luxembourg under the Euro Medium-Term note (EMTN) programme.

In 2021, there were no new debt issues on ELO apart from a small number of NeuCPs during the year. However, several buybacks were carried out (see section 2.2).

In 2020, ELO issued two bonds in Luxembourg through the EMTN program as well as various Schuldscheins. At the same time, several debt buybacks were carried out.

### Financing transactions

Over the period from April 20<sup>th</sup> to June 10<sup>th</sup>, 2021, ELO carried out bond buybacks for a total amount of €200 million: €1 million of the January 2024 line, €14 million of the April 2025 line, €151 million of the January 2026 line and €34 million of the July 2027 line. The costs related to these early buybacks amounted to €24 million and the future interest savings amounted to €29 million.

On July 12<sup>th</sup>, 2021, ELO partially repaid €242 million of its Schuldschein loan out of an initial outstanding of €292 million.

In September 2021, ELO set up a new €1 billion structural loan in favour of New Immo Holding. This enabled New Immo Holding to repay its club deal of €500 million and its term loan of €80 million.

In October 2021, ELO signed its first sustainability-linked loan for an amount of €800 million maturing on October 22<sup>nd</sup>, 2026 (with the option of two one-year extensions), replacing the syndicated credit facility maturing on July 1<sup>st</sup>, 2022. This financing includes a credit margin adjustment mechanism (upward or downward) depending on the achievement of objectives relating to the criteria for reducing energy consumption in its stores, the acceleration of the proposal for electricity produced from renewable energy sources in the global electricity mix and the development of responsible agricultural production chains.

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The details of the bond issues are as follows:

(In €m)				31/12/2021		31/12/2020	
Issuing companies	Nominal interest rate	Issue date	Maturity	Nominal value	Carrying amount	Nominal value	Carrying amount
ELO SA	2.375%	12/12/2012	12/12/2022	477	482	477	487
ELO SA	2.250%	04/08/2013	04/06/2023	267	277	267	282
ELO SA	2.250%	04/08/2013	04/06/2023	100	104	100	105
ELO SA	1.750%	04/24/2014	04/23/2021			224	228
ELO SA	1.510%	06/03/2014	06/03/2024	116 <sup>(1)</sup>	121	111	119
ELO SA	2.625%	01/30/2019	01/30/2024	746	769	747	777
ELO SA	2.375%	04/25/2019	04/25/2025	695	708	709	731
ELO SA	2.875%	04/29/2020	01/29/2026	849	861	1,000	1,015
ELO SA	EUR6M +2%	07/10/2020	07/10/2023			153	154
ELO SA	EUR6M +2.4%	07/10/2020	07/10/2025			36	36
ELO SA	EUR6M +2.9%	07/10/2020	07/09/2027			18	18
ELO SA	3.250%	07/23/2020	07/23/2027	716	713	750	756
ELO SA	2.000%	07/30/2020	07/10/2023	50	50	50	50
ELO SA	EUR6M +3.3%	10/07/2020	07/10/2030			35	35
NEW IMMO HOLDING SA	3.000%	12/12/2018	12/11/2025	60	60	60	60
NEW IMMO HOLDING SA	2.750%	11/24/2019	11/26/2026	300	298	300	300

(1) Loan issued initially for CHF 120 million.

### Bank borrowings and other financial liabilities

(In €m)				31/12/2021		31/12/2020	
Issuing companies	Nominal interest rate	Issue date	Maturity	Nominal value	Carrying amount	Nominal value	Carrying amount
LCO1	EUR3M +1.7%	11/09/2018	11/09/2026	163	163	166	166
NEW IMMO HOLDING SA	Ceetrus SA EUR3M +1.1%	07/20/2018	07/20/2023			500	500
NEW IMMO HOLDING SA	Ceetrus SA EUR3M +1.1%	06/29/2019	06/27/2022			80	80
Glorirequinte, Brafero, Multi 25, Forum Montijo	2.3500%	12/21/2018	12/21/2025	135	135	135	135
Glorirequinte, Brafero, Multi 25, Forum Montijo	EUR3M +1.7%	12/26/2016	12/21/2025	45	45	97	97

Other borrowings and credit lines exist with unit amounts of less than €50 million.

### Other financial liabilities

This item includes commitments to purchase shares from employees of ELO and its subsidiaries for €1.6 million (see note 8.1.6) and payables related to employee profit-sharing for €15 million.

This heading also includes commercial paper, the main issues being as follows:

(In €m)		31/12/2021		31/12/2020	
Issuing companies	Maturity	Nominal value	Carrying amount	Nominal value	Carrying amount
ELO SA	less than one month	20	20		
ELO SA	1 to less than 3 months				
ELO SA	3 to less than 6 months	20	20		
ELO SA	6 months and over	10	10	210	210

### 10.7.2 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.

ELO 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 ELO 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, ELO 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 income.

## Breakdown of other current and non-current liabilities

(In €m)	31/12/2021		31/12/2020	
	Non-current	Current	Non-current	Current
<b>Trade payables<sup>(1)</sup></b>		<b>4,904</b>		<b>4,676</b>
Trade payables, goods		3,914		3,731
Trade payables, general expenses		993		950
IFRS 16 trade payables, general expenses		(3)		(4)
<b>Other liabilities, including:</b>	<b>1,352</b>	<b>2,240</b>	<b>1,506</b>	<b>2,368</b>
Fixed assets liabilities	57	366	53	275
Tax and social liabilities		1,263		1,261
Deferred income		66	2	87
Other liabilities	108	257	63	451
IFRS 16 lease liabilities <sup>(2)</sup>	1,187	289	1,387	294
<b>TOTAL</b>	<b>1,352</b>	<b>7,144</b>	<b>1,506</b>	<b>7,045</b>

(1) ELO has implemented several reverse factoring programmes in its main countries. 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:

- ELO 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;
- ELO 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 ELO's credit risk;

Receivables amounting to €870 million were sold by ELO suppliers in 2021 under these reverse factoring programmes. The balance at closing was €163 million.

(2) See note 6.4 on leases (IFRS 16).

## 10.8 BREAKDOWN OF ASSETS AND LIABILITIES AT FAIR VALUE

The 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 three-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)	31/12/2021				31/12/2020			
	Market value			Carrying amount	Market value			Carrying amount
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
<b>Fair value assets through the income statement</b>		<b>2,280</b>		<b>2,280</b>		<b>4,436</b>		<b>4,436</b>
Other financial assets measured at fair value		34		34		34		34
Cash and cash equivalents		2,247		2,247		4,401		4,401
<b>Debt instruments measured at fair value through other comprehensive income</b>		<b>106</b>		<b>106</b>		<b>129</b>		<b>129</b>
Equity investments		106		106		129		129
<b>Liabilities measured at fair value</b>		<b>13,602</b>		<b>13,602</b>	<b>4,765</b>	<b>10,643</b>		<b>15,444</b>
Bonds and private placements		4,444		4,444	4,765	352		5,153
Bank borrowings and other financial liabilities, various other financial liabilities including bank overdrafts		662		662		1,741		1,741
Non-current lease liabilities		1,187		1,187		1,387		1,387
Other non-current liabilities		165		165		119		119
Current lease liabilities		289		289		294		294
Trade payables		4,904		4,904		4,676		4,676
Other current liabilities		1,951		1,951		2,075		2,075
<b>Total derivatives</b>		<b>98</b>		<b>98</b>		<b>80</b>		<b>80</b>
Derivative instruments – assets		144		144		152		152
Derivative instruments – liabilities.		46		46		72		72

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.

ELO calculated the fair value of the finance lease debts and bank loans by discounting contractual flows using market

interest rates, which are observable data. The derivatives are valued using commonly accepted valuation techniques based on observable interest rate and currency market data.

## NOTE 11 PAYROLL EXPENSES AND EMPLOYEE BENEFITS

### 11.1 PAYROLL EXPENSES

(in €m)	31/12/2021	31/12/2020
Employee compensation including social security charges and external labour	3,804	3,858
Employee incentives and profit-sharing	207	265
Employee benefits and share-based payments <sup>(1)</sup>	34	22
<b>NET AMOUNT IN INCOME STATEMENT</b>	<b>4,044</b>	<b>4,144</b>

(1) Of which expenses recognised in 2020 for defined-benefit plans, including a net reversal of provisions for €18 million (€20 million in 2020) and other employee benefits for €15 million (€2 million in 2020).

The average "full-time equivalent" workforce of the consolidated companies was 153,005 in 2021 (including 4,239 in Taiwan), compared with 160,606 in 2020 (including 4,481 in Taiwan).

### 11.2 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. ELO 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. The contributions to these plans are expensed as incurred.

The defined contributions amounted to €202 million in 2021 (€208 million in 2020).

#### Defined-benefit plans

The obligations arising from the 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 ELO and its subsidiaries, or non-funded.

For non-funded defined-benefit plans, the liability recognised in the balance sheet 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 balance sheet. 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 ELO and/or one of its subsidiaries. If these surplus assets are not available, or do not represent future economic benefits, the amount of the assets recognised in the balance sheet is limited.

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

In 2021, the defined-benefit plans primarily concerned 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 with stable outlook. AG2R La Mondiale has implemented a dual system to protect its customers from counterparty risk. On the one hand, by isolating the pension activity in a dedicated insurance subsidiary Arial Assurance and, on the other hand, by granting Arial Assurance the pledge of the securities held in the general assets of La Mondiale up to the level of the commitments covered.

#### Decisions regarding the allocation of post-employment benefits to periods of service

These decisions specify the recognition of the cost of services in the event that:

- the granting of rights is conditional on the employee's presence in the company at the time of retirement;

- the rights depend on length of service, but are capped after a certain number of years of service, the ceiling being applied well before retirement.

In these circumstances, the cost of the services is recognised only over the last years of the employee's career which confer the rights at the time of retirement.

These decisions have led the Group to review the amount of its obligations under the retirement plan in France; a decrease of €27 million in the commitment (before the effect of deferred taxes) was recognised as of January 1<sup>st</sup>, 2020 as an offsetting entry in equity.

The provisions (non-current and current) for employee benefits amounted to €108 million as of December 31<sup>st</sup>, 2021 (compared to €115 million as of December 31<sup>st</sup>, 2020), of which €14 million for other long-term benefits and €94 million for post-employment benefits.

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

Actuarial assumptions	31/12/2021	31/12/2020
Discount rate as of January 1 <sup>st</sup>	0.60%	1.10%
Discount rate as of December 31 <sup>st</sup>	0.88%	0.60%
Expected rate of salary increases	2.00%	2.00%
Table of mortality rates	TF 00-02 and TH 00-02	TF 00-02 and TH 00-02

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

The assumptions relating to salary increases are equal to the forecast inflation rate plus projected individual salary increases.

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

#### Sensitivity to assumptions

A 30 basis point decrease in the discount rate would increase the amount of the obligation by 2.8% (impact on other comprehensive income).

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

Change (in €m)	31/12/2021	31/12/2020
<b>Present value of obligation as of January 1<sup>st</sup></b>	<b>278</b>	<b>266</b>
Interest expense	2	3
Current service cost	17	16
Past service costs		5
Benefits paid	(19)	(12)
Actuarial gains and losses	(17)	(6)
Exchange differences	1	(1)
Reclassifications		5
Liabilities associated with assets classified as held for sale	(8)	
<b>PRESENT VALUE OF OBLIGATION AS OF DECEMBER 31<sup>ST</sup></b>	<b>252</b>	<b>278</b>

The estimated contributions to be paid for 2022 amount to €12 million.



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

(In €m)	31/12/2021	31/12/2020
<b>Fair value of assets as of January 1<sup>st</sup></b>	<b>176</b>	<b>174</b>
Expected return on plan assets	2	1
Benefits paid	(19)	(12)
Actuarial gains and losses	6	8
Reclassifications		5
Exchange differences	1	
Liabilities associated with assets classified as held for sale	(7)	
<b>FAIR VALUE OF ASSETS AS OF DECEMBER 31<sup>ST</sup></b>	<b>159</b>	<b>176</b>

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

	31/12/2021	31/12/2020
Assets in euros	72%	74%
Fonds Club 3	7%	19%
Multi-strategy UCITS	21%	7%

The assets in euros represented nearly 78% of the plan assets. It is invested mainly in government bonds or bonds of high-quality issuers (75%), in equities of large international companies (19%) and in office real estate (4%).

As part of the financial management of its end-of-career benefits contract, ELO and its subsidiaries have adopted a management system backed by assets in euros with a minimum rate guarantee for general assets and unit-linked accounts measured at fair value. The gross yields allocated in respect of 2021 were set at 2.60% for the euro assets. The gross floor rate expected for the year 2022 is 0.50%.

The remaining portion is invested in six different units of account accounting for 22% of the contract.

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

(In €m)	31/12/2021	31/12/2020
Present value of the obligation	253	278
Fair value of assets	(159)	(176)
<b>NET LIABILITY RECOGNISED IN THE BALANCE SHEET</b>	<b>94</b>	<b>101</b>

The change in the net provision recognised in the balance sheet is as follows:

(In €m)	31/12/2021	31/12/2020
<b>Provision recognised in the balance sheet as of January 1<sup>st</sup></b>	<b>101</b>	<b>92</b>
Actuarial gains and losses recognised under other comprehensive income	(23)	(15)
of which actuarial gains and losses on plan liabilities	(17)	(6)
of which actuarial gains and losses on plan assets	(6)	(8)
Net expenses	17	23
Benefits paid	(1)	
Liabilities associated with assets classified as held for sale	(1)	
<b>PROVISION RECOGNISED IN THE BALANCE SHEET AS OF DECEMBER 31<sup>ST</sup></b>	<b>94</b>	<b>101</b>

The change in actuarial gains and losses recognised in other comprehensive income as of December 31<sup>st</sup>, 2021 amounted to €15 million net of tax, compared to €11 million as of December 31<sup>st</sup>, 2020.

The breakdown of the expenses recorded in respect of the defined-benefit plans was as follows:

(In €m)	31/12/2021	31/12/2020
Current service cost	17	16
Interest expense	2	3
Past service costs		5
<b>TOTAL EXPENSES RECOGNISED</b>	<b>19</b>	<b>24</b>
<i>of which payroll expenses</i>	<i>17</i>	<i>21</i>
<i>of which other financial income and expenses</i>	<i>2</i>	<i>3</i>

### 11.3 SHARE-BASED PAYMENT

#### Accounting principles

In exchange for services provided, ELO SA awarded some employees stock option purchase plans or long-term incentive plans.

##### Stock option purchase and bonus share plans

In accordance with IFRS 2 "Share-Based Payments", a payroll expense is recognised in respect of these benefits. This expense is spread over the vesting period for the beneficiary. A corresponding amount is recorded under liabilities (re-estimated at each account closing date with a corresponding amount recorded under income statement) if ELO 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 reporting 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 beneficiaries. It is equivalent to the value of a call calculated using the binomial model, with the following inputs:

- the option's residual life;
- the option's exercise price;
- the interest rate (risk-free interest rate);
- the annual valuation of the share by a body of independent experts;
- the 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. This performance condition depends on the average annualised change in the ELO share or the Auchan Retail or New Immo Holding scopes and whether or not economic criteria are met. The valuation of

ELO shares or the Auchan Retail or New Immo Holding scopes is carried out each year by a panel of independent experts.

In order to benefit definitively from the 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 incentive plans

ELO has set up two types of long-term incentive plans for certain employees:

- long-term incentive conditional upon presence;
- long-term incentive 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 extend over four 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 incentive conditional upon presence: use of the binomial model including a probability coefficient based on the relevant specific presence conditions;
- long-term incentive 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.

### 11.3.1 Bonus share plans by ELO SA

#### Change in the number of bonus shares

	2021 Number of shares
Bonus shares at the beginning of the financial year	966
Bonus shares cancelled or lost	966
Bonus shares at the reporting date	

#### Characteristics of the ELO bonus share plan

The ELO bonus share plan expired during the year and did not give rise to the allocation of bonus shares.

### 11.3.2 Bonus share plans by Auchan Retail International SA

#### Change in the number of bonus shares

	2021 Number of shares
Bonus shares at the beginning of the financial year	333,204
Adjustment of number of bonus shares <sup>(1)</sup>	50,218
Bonus shares granted during the financial year	75,635
Bonus shares delivered during the financial year	(5,711)
Bonus shares cancelled or lost	(36,671)
Bonus shares at the reporting date	416,675

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

#### Characteristics of the bonus share plans

##### First bonus share allocation plan

Inception date of the first 2020/2023 plan subject to performance conditions: November 30<sup>th</sup>, 2020

Value of the underlying share: €110.24

Definitive grant date: June 21<sup>st</sup>, 2023

End of retention period: June 21<sup>st</sup>, 2025

##### Second bonus share allocation plan

Inception date of the second 2020/2023 plan subject to performance conditions: November 30<sup>th</sup>, 2020

Value of the underlying share: €110.24

Definitive grant date: June 21<sup>st</sup>, 2023

End of retention period: June 21<sup>st</sup>, 2025

##### Third bonus share allocation plan

Inception date of the third 2020/2023 plan: November 30<sup>th</sup>, 2020

Value of the underlying share: €110.24

Definitive grant date: June 21<sup>st</sup>, 2023

End of retention period: June 21<sup>st</sup>, 2025

##### Fourth bonus share allocation plan

Inception date of the fourth 2020/2023 plan subject to performance conditions: December 17<sup>th</sup>, 2020

Value of the underlying share: €110.24

Definitive grant date: June 21<sup>st</sup>, 2023

End of retention period: June 21<sup>st</sup>, 2025

##### Fifth bonus share allocation plan

Inception date of the fifth 2021/2024 plan: November 8<sup>th</sup>, 2021

Value of the underlying share: €110.24

Definitive grant date: June 21<sup>st</sup>, 2024

End of the retention period: June 21<sup>st</sup>, 2026

The bonus share plans put in place are subject to conditions of presence. Four of the five plans are also subject to performance conditions.

These performance conditions depend partly on the average annualised change in the value of the Auchan Retail International share and partly on whether or not economic criteria are met. As regards the criterion relating to the average change in the value of Auchan Retail International shares, a minimum threshold must first be reached. After this, they must reach a series of percentage levels in order to be eligible for some or all of the bonus shares.

### 11.3.3 Long-term incentive plans

Since 2012, the share-based plans have mainly involved long-term incentive plans paid in cash and no longer in shares.

As from 2015, incentive plans with presence conditions have been replaced by "value creation compensation" (RCV) plans, the features of which are described below.

No plans were issued in 2021, nor in 2020.

#### Bonus plans

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

\* RCV: 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 on debts (other liabilities) and on the income statement of share-based payments (payroll expenses)

For the bonus share plans granted by ELO SA and Auchan Retail International SA:

Debt (including buyback commitments to beneficiaries of stock option plans or bonus share plans) amounted to

€14 million as of December 31<sup>st</sup>, 2021, compared to €1 million as of December 31<sup>st</sup>, 2020.

The total impact of the plans recognised in the income statement amounted to €12 million in 2021 (€1 million in 2020).

For the long-term incentive plans (RCV - value creation compensation):

The debt as of December 31<sup>st</sup>, 2021 amounted to €2 million (excluding social security charges).

The impacts on the consolidated income statement of the above-mentioned plans constitutes an expense of €2 million in 2021 (excluding social security charges) (€2 million in 2020).

## NOTE 12 INCOME TAX

### 12.1 TAX ASSETS AND LIABILITIES

#### Accounting principles

The 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.

The deferred taxes are calculated at the tax rates applicable on the date of closing the consolidated financial statements, using the variable carrying forward 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.

The 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 balance sheet under non-current assets and liabilities.

The 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.

#### Breakdown of current tax assets and liabilities

(In €m)	31/12/2021	31/12/2020
Gross carrying amount	143	137
Impairment	(3)	(5)
<b>CURRENT TAX ASSETS – NET CARRYING AMOUNT</b>	<b>140</b>	<b>132</b>
<b>Current tax liabilities</b>	<b>82</b>	<b>52</b>

#### Breakdown of recognised deferred tax assets and liabilities

(In €m)	31/12/2021			31/12/2020		
	Assets	Liabilities	Net	Assets	Liabilities	Net
<b>On temporary differences</b>	<b>236</b>	<b>186</b>	<b>50</b>	<b>279</b>	<b>180</b>	<b>98</b>
Non-deductible provisions	63	(62)	125	79	(115)	194
Fixed assets and amortisation	82	146	(64)	96	122	(26)
Investment property and depreciation	28	114	(86)	43	115	(72)
Finance leases	3	3		3	13	(10)
Inventories	7	(5)	12	6	7	(2)
Employee benefits	5	(24)	29	4	(28)	32
Regulated provisions	(1)	105	(105)	3	110	(107)
IFRS 16	33	(29)	62	27	(7)	35
Other	16	(63)	79	19	(36)	55
<b>On tax losses carried forward</b>	<b>92</b>	<b>(24)</b>	<b>115</b>	<b>78</b>	<b>(60)</b>	<b>138</b>
<b>DEFERRED TAX ASSETS/LIABILITIES</b>	<b>328</b>	<b>162</b>	<b>166</b>	<b>356</b>	<b>120</b>	<b>236</b>

## Deferred tax not recognised

Deferred tax assets amounting to €508 million (€473 million as of December 31<sup>st</sup>, 2020) relating to tax losses carried forward, tax credits and other temporary differences are not recognised as their recovery is not considered probable within the meaning of IAS 12. In France, the deferred taxes 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 ELO and the French subsidiaries. The maturity dates of the unrecognised deferred tax assets break down as follows:

(In €m)	31/12/2021
Between 2021 and 2025	2
Between 2026 and 2030	12
After 2030	335
Carried forward indefinitely or without maturity date	159
<b>TOTAL UNRECOGNISED DEFERRED TAX ASSETS</b>	<b>508</b>

## Change in deferred tax assets and liabilities (+: asset or income, (-): liability or expense)

(In €m)	01/01/2021	Recognised in income	Recognised in other comprehensive income	Reclassifications	Changes in consolidation scope	Translation differences	31/12/2021
<b>On temporary differences</b>	<b>98</b>	<b>(18)</b>	<b>(18)</b>	<b>(12)</b>	<b>(3)</b>	<b>3</b>	<b>50</b>
Non-deductible provisions	194	(61)			(10)	2	125
Fixed assets and amortisation	(26)	1		(13)	(27)	1	(64)
Investment property and depreciation	(72)	2		(17)			(86)
Finance leases	(10)			1	9		
Inventories	(2)	1		(1)	13		12
Employee benefits	32	6	(6)		(3)		29
Regulated provisions	(107)	6			(4)		(105)
IFRS 16	35	25	(1)		3		62
Other	55	2	(12)	18	16		79
<b>On tax losses carried forward</b>	<b>138</b>	<b>(39)</b>		<b>12</b>	<b>4</b>		<b>115</b>
<b>DEFERRED TAX ASSETS/LIABILITIES</b>	<b>236</b>	<b>(56)</b>	<b>(18)</b>		<b>1</b>	<b>3</b>	<b>166</b>

## 12.2 INCOME TAX EXPENSE

### Analysis of the income tax expense

(In €m)	2021	2020
<b>Expenses/(Income)</b>		
Current income tax payable	170	101
Tax adjustments relating to previous financial years	10	17
<b>Current income tax payable</b>	<b>179</b>	<b>118</b>
<b>Current income tax payable on "Non-recurring income and expenses"</b>	<b>(6)</b>	<b>(6)</b>
Change in temporary differences	(52)	13
Impact of changes in tax rates	21	2
On tax losses carried forward	32	1
<b>Deferred taxes</b>		<b>15</b>
<b>Total deferred tax on "Non-recurring income and expenses"</b>	<b>59</b>	<b>(87)</b>
<b>INCOME TAX EXPENSE</b>	<b>233</b>	<b>41</b>

### Effective tax rate (ETR)

The difference between the tax calculated using the theoretical rate in France and the tax expenses effectively recognised for the financial year can be analysed as follows:

(In €m)	2021	ETR 2021	2020	ETR 2020
<b>Income before tax</b>	<b>568</b>		<b>(413)</b>	
<i>Theoretical tax rate (French standard rate)</i>		28.41%		32.02%
<b>Theoretical tax expense</b>	<b>(161)</b>		<b>132</b>	
Difference in tax rates for foreign companies	30	5.3%	(29)	7.1%
Tax rate difference on deferred tax balance at the start of the period	(22)	(3.9%)	(14)	3.4%
Tax relief, tax credits and reduced rate taxation	19	3.4%	(3)	0.8%
Unrecognised tax losses for the financial year	(12)	(2.0%)	(16)	3.9%
Use of previously unrecognised tax losses carried forward	17	3.0%	5	(1.3%)
Recognition of prior period tax losses	18	3.2%	20	(4.8%)
Tax adjustments related to previous financial years	(31)	(5.5%)	(10)	2.4%
French Tax on the Added Value of Companies	(15)	(2.7%)	(35)	8.4%
Items recognised under "Non-recurring income and expenses"	(4)	(0.7%)	(68)	16.4%
Permanent differences/Deferred tax not recognised	72	(12.7%)	(24)	5.7%
<b>Actual tax expense</b>	<b>(233)</b>		<b>(41)</b>	
<b>EFFECTIVE TAX RATE (ETR)</b>		<b>41.1%</b>		<b>(9.9%)</b>



## NOTE 13 OFF-BALANCE SHEET COMMITMENTS

The off-balance sheet commitments correspond to commitments given or received by entities within the consolidation scope of ELO which were not recorded in the balance sheet.

### 13.1 OFF-BALANCE SHEET COMMITMENTS RELATED TO FIXED ASSETS

	2021	2020
Land and property purchase options	16	19
of which on investment property	11	14
Conditional purchases of future non-current assets	13	14
of which on investment property		

No property, plant and equipment are given as collateral for liabilities.

### 13.2 OFF-BALANCE SHEET COMMITMENTS RELATED TO FINANCING

#### 13.2.1 Commitments received

Breakdown of long- and medium-term credit lines, granted and confirmed by the banks but unused.

(In €m)	31/12/2021	31/12/2020
Less than 1 year	144	665
1 to 5 years	1,759	1,900
More than 5 years		
<b>TOTAL</b>	<b>1,902</b>	<b>2,565</b>

Certain medium- and long-term bank financing facilities (confirmed credit lines not used as of December 31st, 2021) contain an early "callability" clause in the event of non-compliance, on the closing date, with the following ratio: consolidated net financial debt/consolidated EBITDA < 3.5. In the context of its own financing, other ratios must be respected by New Immo Holding, namely Financial Debt/Assets < 0.5; interest coverage ratio > 2. As of December 31st, 2021, these ratios were in compliance. After taking into undrawn confirmed credit lines and available cash, ELO considers that projected cash flows from operations are sufficient to cover debt repayments and dividends.

In the context of its own financing, other ratios must be respected by New Immo Holding, namely Financial Debt/Assets < 0.5; interest coverage ratio > 2.

It is recalled that, in October 2021, ELO signed its first sustainability-linked loan for an amount of €800 million maturing on October 22<sup>nd</sup>, 2026 (with the option of two one-year extensions), replacing the syndicated credit facility maturing on July 1<sup>st</sup>, 2022. This financing includes a credit margin adjustment mechanism (upward or downward) depending on the achievement of objectives relating to the criteria for reducing energy consumption in its stores, the acceleration of the proposal electricity produced from renewable energy sources in the global electricity mix and the development of responsible agricultural production chains.

#### 13.2.2 Commitments given

(In €m)	31/12/2021	31/12/2020
Guarantees given	38	22
Other commitments given	372	306

The other commitments given increased by €183 million compared to December 31st, 2020.

As part of the sale of Groupe Auchan's stake in Sun-Art in 2020, ELO provided a bank guarantee to the Alibaba group in connection with compensation commitments event granted to the buyer. This guarantee amounted to \$360million as of December 31<sup>st</sup>, 2021 (€318 million) and will expire no later than November 9<sup>th</sup>, 2022.

The total amount as of December 31st, 2021 also includes the guarantees given to SNCF Gares & Connexions when the concession contract was put in place

Furthermore, as part of the disposal of Auchan Spa (parent entity of the retail activities in Italy) and its subsidiaries, Auchan Retail International, a wholly-owned subsidiary of ELO, granted a liability guarantee.

Where applicable, a provision is recorded in ELO's consolidated financial statements, depending on the assessment of the risks relating to the activation of the liability guarantee.

### 13.2.3 Secured liabilities

(In €m)	31/12/2021	31/12/2020
Guaranteed debts	404	455
Debts guaranteed by security interests	323	323
Import documentary credits	115	64

The liabilities secured by guarantees decreased by €51 million compared to December 31<sup>st</sup>, 2020.

Debts guaranteed by collateral remained stable between 2020 and 2021 (€323 million).

### 13.2.4 Put and call share options

New Immo Holding Luxembourg has commitments in terms of stock options relating to minority interests in some of its subsidiaries. As of December 31<sup>st</sup>, 2021 they amounted to €19 million (€17 million as of December 31<sup>st</sup>, 2020).

## NOTE 14 OTHER

### 14.1 TRANSACTIONS WITH RELATED PARTIES

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

#### Related parties with control over ELO

ELO SA granted a current account advance to its reference shareholder "Aumarché" on April 16<sup>th</sup>, 2021 for an amount of €375 million at 0% interest rate, fully repaid on August 30<sup>th</sup>, 2021.

No other significant transactions with reference shareholders are to be noted with the exception, where applicable, of the dividend paid to all shareholders (see note 8.1.7).

#### Compensation of corporate officers

The expense recognised in 2021 in respect of executive compensation (members of the Board of directors) amounted to €1.8 million and breaks down as follows:

- short-term benefits (including directors' fees) and post-employment benefits: €1.0 million;
- payment in shares: €0.8 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.

ELO SA received, on May 31<sup>st</sup>, 2021, the payment of a dividend from Oney Bank for an amount of €2.7 million.

#### Joint arrangements

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

### 14.2 STATUTORY AUDITORS' FEES

As required by regulation No.2016-09 issued by the French Accounting Standards Authority (ANC - Autorité des Normes Comptables), the following table shows the pre-tax amount of fees (excluding disbursements) paid by ELO and its French subsidiaries in respect of assignments given to the Statutory Auditors:

(In €m)	2021			2020		
	PWC	KPMG	Total	PWC	KPMG	Total
Auditing service	3.3	2.1	5.4	3.0	2.8	5.8
Non-audit services (NAS)	0.4	0.3	0.7	1.1	0.4	1.5
<b>TOTAL</b>	<b>3.7</b>	<b>2.4</b>	<b>6.1</b>	<b>4.1</b>	<b>3.2</b>	<b>7.3</b>

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.

## NOTE 15 DETAILS OF CERTAIN ITEMS IN THE CONSOLIDATED STATEMENT OF CASH FLOWS

(In €m)	31/12/2021		31/12/2020
<b>Changes in working capital requirement:</b>		<b>62</b>	<b>289</b>
• Inventories	(110)		1,136
• Trade receivables	(17)		
• Trade payables	354		(778)
• Other assets and liabilities	(165)		(69)
<b>Changes in loans and advances granted:</b>		<b>(45)</b>	<b>(134)</b>
• Increase in loans and advances granted	(84)		(141)
• Decrease in loans and advances granted	39		7
<b>Dividends paid during the financial year:</b>		<b>(758)</b>	<b>(121)</b>
• Dividends paid to shareholders of the parent company	(747)		
• Dividends paid to non-controlling interests of consolidated companies	(11)		(121)
<b>Acquisitions and disposals of interests without change in control<sup>(1)</sup>:</b>		<b>16</b>	<b>(15)</b>
• Acquisitions	(23)		(28)
• Disposals	39		14
<b>Net financial debt:</b>		<b>(1,858)</b>	<b>(2,578)</b>
• Loans issued	1,692		12,528
• Repayments of loans (including finance leases)	(3,550)		(15,106)
<b>Net cash and cash equivalents:</b>		<b>2,211</b>	<b>4,265</b>
• Marketable securities with a maturity of less than 3 months	963		2,879
• Cash	1,284		1,522
• Bank overdrafts (see note 10.6)	(35)		(137)

(1) The acquisitions and disposals of interests without acquisition or loss of control mainly include share transactions with ELO employees and its subsidiaries.

## NOTE 16 POST-CLOSING EVENTS

\*None.

## NOTE 17 LIST OF CONSOLIDATED COMPANIES

List of the main companies consolidated using the **full consolidation** method:

Country	Division/Activity	Company	% interest	
			2021	2020
<b>France</b>	Holding	ELO S.A.	100	100
	Retail	Aripay	-	100
		Auchan Retail International	100	100
		Auchan Retail France	98	99
		Auchan Hypermarché and its subsidiaries	98	99
		Auchan E-commerce France	98	99
		Auchan Carburant	98	99
		Eurauchan	94	95
		Auchan Retail Agro	98	99
		Auchan International Technologie	-	100
		International purchasing organisation	100	100
		Auchan Supermarché and its subsidiaries	98	99
		Chronodrive	99	99
		New Immo	100	100
			98	99
			98	99
<b>Belgium</b>	New Immo	Ceetrus Finance	100	100
<b>Spain</b>	Retail	Alcampo and its subsidiaries	97	97
		Valespaña	8	3
		Zenalco	100	100
		Sabeco and its subsidiaries	-	97
	New Immo	Nhood Holding Spain and its subsidiaries	97	97
		Ceetrus Urban Player and its subsidiaries	97	97
<b>Italy</b>	New Immo	Nhood Holding Italy and its subsidiaries	100	100
		Ceetrus Italy and its subsidiaries	100	100
<b>Luxembourg</b>	Retail	Auchan Luxembourg	100	100
		Auchan International	100	100
		Patinvest	100	100
		Christal	100	100
	New Immo	Nhood Holding Luxembourg and its subsidiaries	100	100
		Ceetrus Luxembourg and its subsidiaries	100	100
<b>Hungary</b>	Retail	Auchan Magyarország and its subsidiaries	100	99
		Valhungary International	79	83
	New Immo	Nhood Holding Hungary and its subsidiaries	100	99
		Ceetrus Hungary KFT and its subsidiaries	100	99
<b>Poland</b>	Retail	Auchan Polska and its subsidiaries	100	99
		Hyperoil	100	-
		Valpoland	9	31
	New Immo	Nhood Holding Poland and its subsidiaries	100	99
		Ceetrus Polska and its subsidiaries	100	99

Country	Division/Activity	Company	% interest	
			2021	2020
Portugal	Retail	Auchan Portugal and its subsidiaries	98	98
		Valportugal	13	28
	New Immo	Swiftsolution Portugal Holding and its subsidiaries	98	98
		Ceetrus Portugal and its subsidiaries	98	98
Romania	Retail	Auchan Romania and its subsidiaries	100	100
	New Immo	New Immo Holding SRL and its subsidiaries	100	100
		Ceetrus Romania and its subsidiaries	100	100
Russia	Retail	Auchan Russia OIAH and its subsidiaries	100	99
		Valauchan Russie	75	66
		Valrussie	60	23
		Atak and its subsidiaries	100	99
	New Immo	New Immo Holding and its subsidiaries	100	99
		Ceetrus LLC and its subsidiaries	100	99
Sénégal	Retail	Senas	100	100
Taiwan	Retail and Real Estate	RT Mart International	65	65
Ukraine	Retail	FCAU and its subsidiaries	100	100
	New Immo	New Immo Holding and its subsidiaries	100	100
		Ceetrus Ukraine and its subsidiaries	100	100
Vietnam	Retail	International Simply Mart	-	100

## 4.3 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

(For the year ended December 31, 2021)

*This is a translation into English of the statutory auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.*

*This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders.*

*This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

To the Shareholders,

### OPINION

In compliance with the engagement entrusted to us by your Shareholders Meeting, we have audited the accompanying consolidated financial statements of ELO (formerly named Auchan Holding) for the year ended December 31, 2021.

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 as at December 31, 2021 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

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 those standards are further described in the Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

#### Independence

We conducted our audit engagement in compliance with independence requirements of the French Commercial Code (code de commerce) and the French Code of Ethics (code de déontologie) for statutory auditors for the period from January 1, 2021 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014.

### JUSTIFICATION OF ASSESSMENTS - KEY AUDIT MATTERS

Due to the global crisis related to the Covid-19 pandemic, the financial statements of this period have been prepared and audited under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of sanitary emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties on their future prospects. Those measures, such as travel restrictions and remote working, have also had an impact on the companies' internal organization and the performance of the audits.

It is in this complex and evolving context that, 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 risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

#### Impairment test of non-current assets (excluding investment property)

(Note 6.6 to the consolidated financial statements)

##### Description of risk

At as December 31, 2021, the carrying amounts of goodwill, other intangible assets, property, plant and equipment and right-of-use assets ("Non-current Assets") of the Group totaled €8.3 billion (34% of the total balance sheet). These Non-current Assets are detailed in Notes 6.1 to 6.4 of the consolidated financial statements.

These Non-current Assets are 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 life. The recoverable amount 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 intangible assets with indefinite useful life) are grouped into Cash Generating Units (CGUs). The Group has defined the store as the CGU for Retail.

Goodwill and intangible assets with indefinite useful life 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, right-of-use assets and goodwill allocated to the country and the activity as well as its working capital.

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. As described in note 6.6, the effects of the Covid-19 pandemic were considered on the future cash-flows, as well as the risks related to climate change and inflation.

The impairment charge recognized for the 2021 financial year amounts to €71 million, as indicated in Note 6.6.

### How our audit addressed this risk

Our audit work consisted in:

- analyzing the methods of performing these impairment tests, assessing the identification of impairment indicators as well as the relevance of the calculation models used;
- assessing the relevance of the approach adopted by management to determine the CGUs or groups of CGUs at which goodwill and other assets are tested by the Group;
- analyzing the consistency of cash flow projections and their evolution regarding the economic environments in which the Group operates;
- assessing, with the assistance of our own experts, the reasonableness of the discount rates applied to the estimated cash flows by examining in particular whether the various parameters making up the weighted average cost of capital of each CGU or group of CGUs are consistent with the rates used for companies considered to be comparable, based on market participants for similar activities;
- assessing the results of sensitivity analyzes on discount rates and perpetual growth rates prepared by management and their impact on the impairment charge for the year;
- and verifying the accuracy of the information given in this regard in Note 6.6.

### Measurement of rebates and commercial cooperation

*(Note 4.1 to the consolidated financial statements)*

#### Description of risk

Rebates and commercial cooperation received by the Group from its suppliers are recognized as a reduction in cost of sales and result from contractual agreements signed by 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 discounts for commercial cooperation actions invoiced to suppliers.

Rebates are obtained when the associated performance conditions are met. These performance conditions generally require the Group to comply with certain volume thresholds.

Discounts under commercial cooperation agreements are recognized during their period of realization. They are recorded in accordance with the terms and conditions provided for in the contractual agreements concluded with the Group's suppliers until their expiry.

The evaluation of rebates and commercial cooperation is a key audit matter because of the large number of supplier contracts, their specificities, the amounts involved and the estimates on which this evaluation is based.

### How our audit addressed this risk

Our audit work consisted in:

- understanding the controls (including general IT controls) relating to the conclusion of contracts and the measurement of rebates and commercial cooperation;
- assessing the compliance and the consistency of the accounting methods applied, as described in note 4.1 of the consolidated financial statements with International Financial Reporting Standards (IFRS) as adopted by the EU;
- testing, on a sampling basis, the data entered in the information systems used to calculate rebates and commercial cooperation. These tests include the verification and consistency of (i) terms and conditions with contractual agreements, (ii) volumes and amounts of goods purchased with the Group's purchasing data and (iii) calculation of rebates and commercial cooperation;
- verifying, on a sampling basis, the recoverability of receivables from suppliers, in particular through the ageing analysis of these receivables;
- comparing the rebates and commercial cooperation received by the Group during the year with the accruals recorded at the end of the previous year in order to assess the reliability of Management's estimates;
- verifying that rebates and commercial cooperation are correctly taken into account in the valuation of inventory.

### Valuation of investment properties

*(Note 6.5 of the consolidated financial statements)*

#### Description of risk

As of December 31, 2021, the value of investment properties, recognized according to the cost model on the Group's balance sheet in accordance with IAS 40 Investment property, amounted to €3.5 billion. Their fair value (net of transaction costs), disclosed in note 6.5 of the consolidated financial statements, represents an amount of €7.4 billion. Impairment was recorded as at December 31, 2021 for an amount of €72 million.

Management has implemented a process for valuing real estate assets to estimate the fair value of these assets by reference to external valuations carried out by independent experts.

The valuation of investment properties requires significant judgment and estimation from management and independent experts. These experts consider:

- information specific to each asset such as the nature of the asset, location, rental income, vacancy rate, capital expenditures
- yield and discount rates, market rental values and comparable market transactions.



As indicated in note 6.5, fair value measurements are used to determine the recoverable amount of real estate assets, of which the Cash Generating Unit (CGU) has been defined as the shopping mall.

The valuation of investment properties is considered to be a key audit matter because of the significance of these assets on the balance sheet of ELO group, their potential impact on the income statement and their sensitivity to the assumptions made by management.

#### How our audit addressed this risk

Our audit work consisted in:

- obtaining the engagement letters signed with the real estate experts, understanding the nature and extent of their due diligence;
- assessing the competence, independence and integrity of the independent experts appointed by the company;
- understanding the process implemented by management for the transmission of data to real estate experts and for its critical review of the appraisal values established by the latter;
- meeting with management and the real estate experts in order to assess whether the overall valuation of the assets and the appraisal values of the assets showing the most significant or atypical variances are consistent with our knowledge of the market;
- obtaining real estate appraisal reports, assess the consistency of the parameters in connection with our own real estate experts (yield rate, discount rate and market rental values) selected with observable market data available and assessing the consistency of the assumptions specific to certain assets (in particular for renovation / extension projects) with our knowledge;
- reconciling, on a sampling basis, the information provided by management to independent experts and used by them in their evaluations with the appropriate documentation, such as rental contracts;
- comparing the final values of real estate appraisals with the values retained in the consolidated financial statements;
- assessing the impact of the health crisis on valuation assumptions;
- assessing the appropriateness of the information provided in note 6.5 of the consolidated financial statements, in particular the information on fair value and note 6.6 concerning impairment of assets at historical cost.

#### SPECIFIC VERIFICATIONS

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations of the Group's information given in the management report of the Board of Directors.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

We attest that the consolidated non-financial statement required by Article L.225-102-1 of the French Commercial Code (Code de commerce), is included in the Group's management report, it being specified that, in accordance with the provisions of Article L. 823-10 of this Code, we have verified neither the fair presentation nor the consistency with the consolidated financial statements of the information contained therein and this information must be reported by an independent third party.

#### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

##### Appointment of the Statutory Auditors

We were appointed as statutory auditors of ELO (formerly named Auchan Holding) by the annual general meetings held on May 21, 2013 for PricewaterhouseCoopers Audit and on August 30, 1961 for KPMG Audit.

As at December 31, 2021, PricewaterhouseCoopers Audit and KPMG Audit were in the 9<sup>th</sup> year and 61<sup>st</sup> year of total uninterrupted engagement, which are the 9<sup>th</sup> year and 19<sup>th</sup> year since securities of the Company were admitted to trading on a regulated market, respectively.

#### RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from 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 is expected 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 risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of Directors.



## STATUTORY AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

### Objectives 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 from 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 (code de commerce), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his 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.
- Obtains 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.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements.
- Assesses 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 his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.

- Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtains 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 auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

### Report to the Audit Committee

We submit to the Audit Committee a report which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the 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) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code (code de commerce) and in the French Code of Ethics (code de déontologie) for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Neuilly-sur-Seine and Paris la Défense,  
March 10, 2022

The statutory auditors

**PricewaterhouseCoopers Audit**

**François Jaumain**

**KPMG Audit**

*Département of KPMG SA*

**Hervé Chopin**

## 4.4 DECLARATION BY THE PERSON RESPONSIBLE FOR THE FINANCIAL REPORT

CROIX, FEBRUARY 25, 2022



"I certify that, to the best of my knowledge, the financial statements have been prepared in compliance with the applicable accounting standards, and give a true and fair view of the assets, financial position and results of operations of the Company and 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 position 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."



**Edgard Bonte**

*General Manager of ELO SA*





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