

With its “Auchan 2022” business plan, Auchan Retail is starting to adapt its model, its offer and its organisation to the new expectations of consumers and citizens.

- **Redefinition of the offer to be the benchmark player for what is good, healthy and local through the selection and the design of a unique, fair and responsible offer.**
- **Creation of relationships and an experience through stores, to create real physical platforms, and by developing new phygital services to simplify inhabitants' lives.**
- **Adaptation of the organisation and working methods to be more attentive to new market needs and expectations. This adaptation will lead to the net loss of 517 jobs on French territory.**
- **Regaining the financial leeway necessary for investing in innovation, digital and CSR.**

A transformation project based on two pillars

Volume retailing, born in the 60s and 70s to make the broadest offer accessible to the greatest number of people, is now being shaken up by new entrants with the advent of digital, and food, ecological and economic transitions which are having an impact on the whole profession. Based on the use of data, retailing must move from a mass industry to a personalisation industry.

In this context, Auchan Retail is today presenting its business plan intended to adapt to the new challenges and the new expectations of customers and citizens and thus return to sustainable growth.

Supported by the new management team led by Edgard Bonte, **“Auchan 2022” is a business plan which aims, in all countries, to fundamentally transform the offer and the historic model of Auchan Retail** in order to respond more fully to new market demands and new business challenges.

It should allow Auchan, an emblematic brand for the democratisation of consumption, to pursue its historic ambition: to improve inhabitants' quality of life. This ambition translates into two **strategic pillars: becoming a designer-selector of a unique, fair and responsible offer on the one hand, and on the other hand, being a creator of relationships and experiences by making its physical stores local platforms connected to their living zones.**

First pillar: being the benchmark player for what is good, healthy and local through the selection and the design of a unique, fair and responsible offer

Auchan Retail intends to position itself as the benchmark player for what is good, healthy and local by redefining its offer and its role. Auchan Retail wants to go beyond the traditional role of the retailer by becoming a designer and a product selector so as to be able to offer a unique offer to consumers.

- **A local and varied offer**

Auchan Retail wants to become the benchmark for consumers looking for food of local and varied origin, to meet the diversity of expectations in terms of food trends, taste and nutrition.

Auchan Retail will rely on the referencing of local products and will engage with producers both in terms of duration and volumes. In 2022, the objective is to increase the turnover achieved by the sale of local products.

- **A reassuring and responsible offer**

Product **traceability** will be strengthened and the **composition** and **origin** of products will be made more transparent. It is with this in mind that Auchan Retail was one of the first to join the "Call for labelling on the origin of food products" supported in France by the Agro-Agri Think Tank and national elected representatives.

The products will have commitments for **environmental respect** or **animal welfare**. Responsible agricultural supply channels will see their number increase to reach **1,500 responsible supply channels worldwide in 2022** (250 in France) versus close to 500 currently (respectively 150).

To achieve this, **sustainable, balanced and fair agricultural partnerships that share value** with producers will also be encouraged and their number increased.

Education and transparency on the nutritional quality of products will be developed. **Each country will have to adopt a nutritional label** and include it at least on 100% of Auchan own-brand products. In France, the Nutri-Score already appears on 6,319 own-label products (2,519 with reworked packaging and 100% of own-label products marketed online).

In France, Auchan Retail will accelerate its partnership with the Institut Pasteur in Lille as a first step in supporting customers in the area of healthy eating (education, store activities, typical balanced meals, etc.).

- **A wider range of exclusive products**

As a designer, Auchan Retail will develop its exclusive product offering by committing its teams to **continue and accelerate the redefinition of recipes** and also by relying on its stakeholders. For example, in 2019, more than 700 Auchan brand product recipes in France were revised.

The **co-development of products with each ecosystem**, already implemented in many countries, will be generalised. It will associate customers and suppliers and will rely on the opinions and ratings gathered. Each product which has not received a minimum rating of 3/5 from customers (4/5 in 2022) will be improved, replaced or withdrawn.

Second pillar: creating relationships and an experience to improve inhabitants' quality of life

- **Use the physical locations of Auchan Retail to make them local platforms for exchanges with partners or for the development of experiences or meetings**

The stores will systematise **the welcome of local partners or experts** by providing them with space and allowing them to sell their products and services directly (in food and non-food). The teams will be given considerable autonomy to select the most relevant actors within their living zone.

Each store will also be a place of experiences for inhabitants where they can share cooking classes, events and tastings with local actors and employees.

- **Simplify the lives of inhabitants by developing new phygital services**

To simplify the shopping experience and save time for the inhabitants of each living zone, in addition to physical commerce, digital services, whether drive-through or pedestrian drive-through, lockers or home delivery are creating a **new digital proximity** that is now more in line with new consumer expectations. The ambition by 2022 is to **double food turnover in e-commerce** and thus achieve more than 15% of global turnover excluding hypermarkets and supermarkets.

Auchan Retail, a retailer committed to the planet

Auchan Retail is committed to fighting food waste and the use of plastic.

In application of its signature of the Plastic Pact, plastic packaging for the food trade and in self-service fruit and vegetables will be eliminated in 2022. Likewise, 100% of packaging for Auchan own-brand products will be either reusable, recyclable or compostable.

At the same time, Auchan Retail intends to control its carbon footprint.

By 2022, as part of its commitment to Cop 21 and the intermediate stages already reached, the energy consumption of stores will have been reduced by 25% (2014 base at a constant scope). Likewise, 50% of the electricity used will come from low-carbon energy.

Adapt the organisation to new professions and challenges

The new expectations of consumers require the company to evolve towards operating and working methods that are simpler, more open, more permeable to changes and to the constant flow of innovations. In order to improve operational efficiency and agility, Auchan Retail plans to reorganise its support functions on French territory.

In this context, a reorganisation project is being envisaged in order to transform the functioning of the company to make it more in line with the current market's requirements of reactivity and flexibility. A refocused organisation, more suited to these developments is necessary. This redesign would have an impact on the current teams which will be resized.

Today, the management of Auchan Retail presented to the Staff Representative Bodies (SRB) of the legal structures concerned, a draft voluntary departure plan (VDP) concerning employees of the "head office" and "product" functions of Auchan Retail, the "head office" and "product" functions of Auchan Retail France and support services for the regional sales organisation of French activities. This draft voluntary departure plan will lead to the net reduction of 517 currently occupied jobs (677 positions will be eliminated, of which 652 are currently occupied and 135 positions will be created).

Auchan Retail plans to set up exemplary support for employee volunteers. The terms of this support will be negotiated as part of the briefing-consultation process initiated with the SRBs. At the same time, employees will be supported in a cultural transformation towards new organisational models, new skills and attitudes allowing Auchan Retail to better serve its customers.

In addition, an impact study of these new business orientations and new consumer expectations on the logistics organisation of Auchan Retail France will be undertaken. It should, in the summer of 2020, make it possible to define the organisation's most efficient supply chain with regard to the new business challenges for Auchan Retail.

Regaining financial leeway

As presented at the end of August 2019, in the half-yearly results, Auchan Retail is simultaneously engaged in a policy intended to regain financial leeway, which is essential for financing investments and innovation in the digital and CSR fields.

Auchan Retail is implementing a better prioritised investment strategy to focus its efforts on the priority expectations of customers. The actions undertaken aim to return to financial equilibrium and achieve a profound change by 2022, with a target EBITDA of 6%. At the same time, the company will continue to reduce its operating costs. The long-term ambition is to achieve 1.1 billion euros in cost savings.

Edgard Bonte, the Chairman of Auchan Retail explains: "Distribution has developed based on a powerful model, which today has become unsuited to responding to the digital, food, ecological and economic transitions that are at work. Auchan Retail has solid assets to face these changes which are impacting on its model - a powerful brand, locally anchored and a corporate culture turned towards entrepreneurship - providing that it starts working on fundamental transformation. Auchan 2022 is an ambitious project carried out with a strong desire for quality of execution. I am confident in our company's ability to anchor itself in 21st-century retailing".

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